Promise Meets Reality:
Balanced Budget Legislation in Western Canada, 1991-2010

by Jared J. Wesley and Wayne Simpson

Paper for presentation at the
Annual Meeting of the Canadian Political Science Association
Wilfrid Laurier University
May 16, 2011

Abstract

Two decades have passed since the first wave of balanced budget legislation (BBL) in Canada. This passage of time and the recent economic downturn affords researchers the opportunity to evaluate the success of these regulations in encouraging fiscal responsibility. This study compares the original motivations and objectives behind the various pieces of balanced budget legislation passed by Western Canadian provincial governments in the late twentieth century, on one hand, with the reactions of subsequent governments to the 2008-2010 recession, on the other. The former are identified through a detailed qualitative analysis of Hansard, government press releases, and media reports. Government reactions are assessed by examining various legislative reforms, changes in political rhetoric, and fiscal responses to the recession. In addition, we provide a quantitative analysis of provincial expenditure growth in relation to revenue growth to compare fiscal response before and after the enactment of balanced budget legislation. The analyses confirm that most pieces of balanced budget legislation have failed to achieve their original objectives. Opponents claim that governments breached the spirit of these balanced budget laws by choosing to run deficits during the Great Recession and, in some cases, amending or suspending the legislation to do so. Defenders argue that governments had no choice, given the public's demand for continued social spending and the global necessity of stimulus spending. With elections on the horizon in each province, Western Canadians are about to offer their verdict. In the meantime, this analysis demonstrates that, like any piece of legislation, a balanced budget law is only as effective as the political will and public support surrounding it.

Introduction

Two decades prior to the 2007 U.S. housing market crash that precipitated the so-called "Great Recession," Canadian governments had put in place a patchwork of fiscal regimes designed to help governments weather the next great economic downturn. Beginning in British Columbia in 1991, one by one, provincial governments across the country implemented their own unique pieces of "balanced budget legislation" (BBL) to help guide their fiscal decision-making away from deficit spending, and toward a more "responsible" practice of balancing expenditures with revenues. By the turn of the twenty-first century, seven of ten provinces had legislated some form of balanced budget requirement; indeed, several provinces had enacted several different versions of BBL, adding both variety and complexity to Canada's fiscal landscape.[1] Save for brief and relatively minor deficits between 2002 and 2004, most provinces had attained (and maintained) balanced budgets throughout the 2000s. This was a credit, many proponents argued, to the commitments each government had made in developing anti-deficit laws in the previous decade.

The first true test of these balanced budget laws would come amid the global financial crisis that began in late-2007, however. The collapse of financial institutions in the United States set off a world-wide downturn the depth of which few economists anticipated, and the suddenness of which few politicians could have expected. In Canada, the crisis struck in the midst of the 2008-09 fiscal year, prompting premiers and finance ministers to make difficult choices in preparing their 2009-10 budgets. Several governments, including those in the four Western provinces, were faced with the (self-imposed) constraint of balancing revenues and expenditures. The following paper examines their experiences, asking whether Canadian balanced budget legislation lived up to its promise amid the Great Depression.

This study examines the effectiveness of BBL in the Canadian provinces, with a specific focus on Western Canada. Collectively, the ten Canadian provinces offer an excellent set of laboratories for comparative analysis of this kind (Reddick 2002: 355). While other provinces' experiences will be highlighted, several reasons lie behind our choice of four cases (BC, Alberta, Saskatchewan, and Manitoba). First, balanced budget legislation got its start in Western Canada, with the introduction of BC's *Taxpayer Protection Act* in 1991. Since that time, Alberta, Saskatchewan, and Manitoba have developed some of this country's most stringent anti-deficit regulations. Second, because Western Canada represents the cradle of balanced budget legislation in Canada, the region serves as an ideal ("toughest") testing ground for the effect of the Great Recession on BBL. Third, while the four provinces exist in a single region and share many common economic, cultural, and societal characteristics, there are enough intriguing differences to allow for fruitful comparison (Wesley 2011: 282) . Among these

[1] Newfoundland and Labrador, Nova Scotia, and Prince Edward Island are the only three provinces to have never enacted balanced budget legislation. These events paralleled those south of the border, where 49 of 50 states now have some form of balanced budget law. (Vermont remains the only U.S. state without such a requirement.)

differences, during the period under analysis, governments in the Western provinces have consisted of a total of eight parties, representing five brands (Social Credit, New Democrats, Progressive Conservatives, Liberals, and Saskatchewan Party). This allows researchers to assess the importance of partisanship to understanding the origins and evolution of balanced budget legislation. Lastly, considerations of detail and space require a more focused approach than a ten-province comparative study can provide. While the analysis of BBL in Central and Atlantic Canada awaits further study, we are confident that the findings of the present paper will provide sound hypotheses for other contexts.

If the recent experience in Western Canada offers any indication, our study suggests balanced budget legislation does not always live up to its promise. If BBL is designed to create a series of politico-legal constraints to prohibit budget deficits, prioritize fiscal constraint in economic downturns, restrain the growth of government spending, and otherwise force governments to "live within their means," the balanced budget laws in most Western Canadian provinces were abject failures. At the same time, the staunchest critics of BBL were also wrong in their predictions. Balanced budget laws did not prove to be unduly restrictive; they did not embed neo-liberalism and outlaw Keynesian counter-cyclical spending; nor did they remove the ability of governments to protect core government programs and services in times of recession.

The paper begins with an overview of balanced budget legislation and its goals, before proceeding to a description of the history of BBL in Western Canada. The experiences of each of the four provinces are then assessed against these original objectives, first in terms of governments' rhetorical and legislative responses to the Great Recession, and second, in terms of their fiscal performance since the enactment of their balanced budget laws. A final section discusses the extent to which BBL in Western Canada proved more a rhetorical device than an actual fiscal constraint on governments.

Balanced Budget Legislation (BBL)

Sustained, empirical research on Canadian balanced budget legislation is in remarkably short supply. The International Monetary Fund (2009) has conducted research on the effectiveness of fiscal rules in the face of the recent recession, and scholars in the United States have long examined balanced budget legislation from a similar comparative angle, comparing outcomes in the 49 American states that maintain BBL (Poterba 1995; Kenyon and Benker 1984). The relatively few Canadian studies that exist are confined to the mid-to-late-1990s, and are written from predominantly normative, legal, or fiscal perspectives.

Some researchers have conducted case studies of specific provinces, especially Alberta (Denis, 1995; Flanagan, 2005; Kneebone and McKenzie, 1996; Wilson, 2000), but few have conducted a comparative analysis of fiscal regimes. Geoffrey Hale's review of "The Politics of Provincial Fiscal and Tax Policies" (2006) remains a rare piece in this genre, and serves as an excellent primer. In addition, various government officials and think-tanks have produced backgrounders on the topic of balanced budgets in Canada. The Office of the Parliamentary Budget Officer recently released a study on *Canadian Experiences with Fiscal Consolidations and Fiscal Rules* (Tapp 2009), for instance, while the C.D. Howe Institute's annual "Fiscal Accountability Rankings" assess the extent to which governments meet their spending growth projections (Busby and Robson 2010; Adrian, Guillemette, and Robson 2007; Busby and Robson 2008, 2009). These reports provide solid analyses of how governments develop and implement fiscal strategies, and provide an array of convincing reform recommendations. Yet they fail to assess the extent to which the various governments have fulfilled the objectives originally established by their balanced budget legislation. More importantly, by focusing on the "fiscal", these reports do not address the "political" aspects of BBL, which are the primary concern of this paper.

For the purposes of this study, "balanced budget legislation" (BBL) is viewed as the title component of a broader network of laws and regulations aimed at placing statutory limits on a government's fiscal behaviour. While requiring the government to balance its revenues with its expenditures is often the centrepiece of these regimes, many legislative packages include additional provisions to regulate spending growth, restrict tax increases, create contingency or stabilization reserves, guarantee debt repayment, determine the use of surplus funds, and/or require the use of consistent accounting practices (Hale 2006: 398).[2] Indeed, until very recently, balanced budget legislation was seldom contained in stand-alone statutes, but rather in several different legislative acts. Over time, however, provinces have come to package anti-deficit measures in single pieces of legislation. Table 1 displays the balanced budget legislation presently in force in the Western Canadian provinces, along with previous acts.[3]

[Insert Table 1 about here.]

Taken together, these anti-deficit measures were intended to establish a series of legislative and political constraints, meant to structure the way governments would react to future economic downturns. In this sense, balanced budget legislation constitutes a form of pre-commitment: an attempt by one government to impose a set of rules on its successors. While no province went as far as to entrench BBL in its constitution, as has been done in several U.S. states, proponents have referred to balanced budget legislation as a polity's "fiscal constitution".

In this sense, BBL drafters intended to construct politico-legal frameworks such that – even though governments would be constitutionally-entitled to amend or repeal the legislation – the high

[2] For this reason, some researchers prefer the terms "anti-deficit legislation" (Tellier and Imbeau 2004) or "fiscal rules" (Tapp 2009; Kennedy and Robbins 2003) to "balanced budget legislation". We employ the latter, as the term is more salient among government officials and in public discourse. Balanced budget legislation is also to be distinguished from fiscal "targets", which are political commitments not enshrined in law.

[3] For a table containing information drawn from all Canadian jurisdictions with BBL, see Tapp (2009: Annex A).

costs associated with altering the regime would deter future politicians from doing so. Changing these laws would take an immense supply of time, political capital, and other resources, none of which a government is likely to possess during an economic downturn. As Phillips (1997: 691) suggested at the height of the first wave of balanced budget legislation in Canada, "Short of a sea change in the political environment, amendment or repeal is likely to be seen as a last resort. Rather than raising political backlash, governments will most often simply internalize the legal constraints in formulating their policy options."

Proponents held that these measures force governments to "live within their means" by imposing a certain level of fiscal self-discipline on legislators. According to some statutes, this is enforced through a reduction of ministers' salaries; in most others, this is accomplished through the establishment of more transparent reporting procedures, which would allow the public to hold the government accountable for failing to balance its budget. Thus, advocates viewed BBL as a means of increasing the level of public awareness and scrutiny over government budgeting, while at the same time communicating fiscal responsibility to international investors and financial markets (Tapp 2009: 1). Along these lines, many encouraged governments to develop rules to ensure transparent, standardized, consistent accounting practices.[4]

For some governments, the balanced-budget objective was ideologically appealing from a neo-liberal perspective; for others, it was pragmatic, given that Canadian governments were under increasing pressure to lower their debt-to-GDP ratios in order to maintain high credit ratings. (Structural deficits had reached such proportions that international credit agencies had been threatening to downgrade many provincial governments, which would have increased interest rates on new and renewed borrowing (Reddick 2002: 357-359).) In this vein, advocates also suggested balanced budget laws would prevent today's governments from offloading responsibility for today's fiscal challenges to tomorrow's governments and taxpayers in the form of debt. This argument was captured by rhetoric suggesting it was time to "stop mortgaging our future" and "passing the buck" to "future generations".

Moreover, proponents saw balanced budget legislation as a key counterbalance to the institutional incentives and popular sense of entitlement that had become embedded in states through decades of Keynesianism (Buchanan 1997: 120-123). Well-crafted rules would provide governments with the fiscal tools necessary to slow government growth and arrest debt, by providing them with the

[4] As Hale (2006: 399) notes, when implemented, these new accounting rules have had mixed results: "One tool used by some provinces to increase the transparency of their fiscal accounts is the introduction of consolidated budgets – which bring together accounts for all provincially funded agencies including public enterprises and special provincial agencies – in order to reduce governments' capacity to 'manipulate the fiscal message through the use of inter-fund transfers of revenues and expenditures.' However, the presence of multiple budget accounts in a single document can create confusion enough to reduce transparency and create 'multiple bottom lines' that lend themselves to whatever political 'spin' may be chosen by the government of the day."

political cover for saying "no" to those who wished to expand (often popular) government programs (Kennedy and Robbins 2003). In this way, BBL was seen as a means of linking government growth to economic expansion, and encouraging fiscal restraint over the tendency of governments to contribute more money toward underperforming public programs. The latter was intended to help overcome the concentrated-benefits-diffuse-costs dilemma faced by governments (Wilson 2000: 98-99).

Balanced budget legislation was not without its critics. Opponents viewed the laws as "regressive", accusing the drafters of promoting "policy decisions that are economically, socially, and democratically unsound" (Phillips 1997: 684). To these critics, the entire concept of pre-commitment ran contrary to the principles of parliamentary sovereignty by effectively binding future governments to a specific legislative course. This, in turn, would reduce governments' latitude to respond to future economic crises and effectively silence debate over alternative solutions. On the latter point, critics from the left suggested that balanced budget legislation was a means of embedding neo-liberalism in the fiscal institutions of the state; by removing the option of deficit spending (and, in some cases, tax increases), critics claimed that governments would be left with little choice but to cut government programs (Simpson 1995). These opponents argued that counter-cyclical spending, borrowing for long-term investments, and the running of temporary budget deficits were positive and necessary means of dealing with economic downturns, and that decisions as to how and when to address fiscal issues should be left to the elected government of the day.

The following analysis is an empirical one, and does not engage in the normative debates over pre-commitment, or neo-liberalism versus Keynesianism. It does not prioritize fiscal restraint over government expenditure. Nor does it judge governments' decisions on these matters. Rather, the study examines the extent to which the various forms balanced budget legislation established in the Canadian provinces achieved their framers' objectives (or realized their critics' fears); the focus is placed on the effectiveness of the laws, leaving normative evaluations of government performance to those in the political realm. Despite a relatively mild and brief economic downturn at the outset of the twenty-first century (Thorpe 2002), the Great Recession of 2008-2010 provided the first real test of these pieces of legislation.

Three Waves of BBL in Canada

As Tapp (2009: 5) suggests, the history of anti-deficit legislation in Canada has progressed through three waves or stages:

> Canada's *first generation* fiscal rules of the early 1990s... focused mainly on spending restraint... As fiscal concerns became increasingly elevated by the mid-1990s, these were replaced or augmented by *second generation* rules that focused mainly on deficit reduction. The current *third generation* rules combine a focus on the budget balance and debt management, and some include revenue rules.

Wave 1

Canada's earliest anti-deficit laws featured little in the way of "balanced budget" requirements, focussing instead on arresting the growth of government spending. [5] The first sustained wave of fiscal reforms began in March 1991, when the Social Credit government in British Columbia introduced the country's first balanced budget law. [6] *The Taxpayer Protection Act* (1991) provided for a balanced budget over a five-year cycle, while promising a three-year freeze on major taxes, spending growth limits, a "Debt Reduction Plan", and annual reporting. In introducing the legislation, the government asserted, "this act provides for the concrete foundation for long-term fiscally responsible government and long-term fiscal finance that places the rights of the taxpayers first and foremost in the province of British Columbia" (Veitch 1991). The second reading speech continued:

> It's too easy for government to simply tax and spend, as others would have us do. Ours is not a government of big, public sector unions and special interest groups which have a vested interest in liberal spending policies. Social Credit is a government of the people, and the people want low taxes and small government. The people want legislated tax limitation, and this bill is going to specifically provide that for British Columbia (Veitch 1991: 11864).

The Social Credit government fell shortly after passing the legislation, however, and despite voting unanimously in favour of the *Act*, the newly-elected New Democratic Party (NDP) promptly repealed the law once in power.

The repeal did not dissuade other Canadian governments from following Social Credit's lead – at least in part. Strictly speaking, the spending control acts passed in Ottawa, Alberta, and Nova Scotia did not require balanced budgets; as such, they do not fit under a standard definition of "balanced budget legislation". In its 1991 spring budget, the federal Progressive Conservative (PC) government introduced a series of measures intended to limit the growth of government and, indirectly, the growth of the national debt. Lacking any form of balanced budget requirement, the *Spending Control Act* (1991) placed a cap on many, but not all, areas of federal government spending. It proved ineffective in

---

[5] This section presents a general overview of key legislative initiatives launched by provincial governments in the 1990s. Geist (1997) offers a more detailed account of each piece of legislation.

[6] As Stewart and Wesley (2010: 318-320) argue, the roots of neo-liberal fiscal policy in Canada may be traced earlier, to Sterling Lyon's PC government in Manitoba (1977-1981). His attempts to institute "acute, protracted restraint" found support in BC, where Bill Bennett's Social Credit government invoked similar measures to control the growth of government spending. Bennett's successors, Bill Vander Zalm and Rita Johnson, built on this momentum to introduce Canada's first BBL, as discussed below. In Canada, the concept of "balanced budget legislation" did not gain widespread appeal or usage until this point.

arresting rising deficits and debt and, as in BC, the *Act* did not survive a change in government. (The federal Liberal Party opted not to extend its provisions beyond the legislated five-year period.) Similar spending control laws were passed in Alberta (1992) and Nova Scotia (1993). The sitting Progressive Conservative government repealed Alberta's *Spending Control Act* (1992) within a year of its introduction, responding to opposition pressure by replacing the legislation with a more stringent set of fiscal rules.

Wave 2

In this way, Alberta's PC government helped set the stage for the second wave of anti-deficit legislation – one focused more squarely on balancing budgets. Beginning with the *Deficit Elimination Act* (1993), Premier Ralph Klein's initiatives provided the foundation for similar measures in other parts of Canada. The 1993 law required the government to eliminate its $3.18 billion deficit within four years, providing year-by-year guidelines. It also required the treasurer to publicly release updated budget estimates on a quarterly basis, and to devote any unanticipated surpluses toward reducing the province's $22.6 billion debt. When criticized for failing to include penalties for non-compliance, Provincial Treasurer Jim Dinning responded, "The court of public opinion will pass judgment on our implementation of this plan," (Alberts 1993).

Having balanced its budget two years ahead of the statutory requirements laid out in the 1993 *Act*, the Klein government replaced the legislation with a series of three anti-deficit laws aimed at: (1) maintaining balanced budgets and eliminating the province's net debt within twenty-five years (*Balanced Budget and Debt Retirement Act* [1995]); (2) increasing the level of transparency in public accounting (*Government Accountability Act* [1995]); and (3) requiring referendum approval prior to the introduction of a provincial sales tax (*Taxpayer Protection Act* [1995]). The first of these objectives was partially achieved within four years, when the Alberta government retired its net debt (excluding pension liabilities). In response, the government replaced the law with the *Fiscal Responsibility Act* (1999), which prohibited budget deficits (operating and capital), forbade borrowing, required the government to provide a 'cushion' in case of economic downturn (3.5 percent of forecasted revenues), and established a twenty-five year plan for the retirement of the province's remaining accumulated debt.[7] Subsequent amendments have since modified the definition of a balanced budget to include transfers to and from the sustainability fund, while capital expenses drawn from the province's Capital Account are not included in the calculation of balance.

In a process undertaken at the same time as Alberta's, Frank McKenna's Liberal government passed New Brunswick's first balanced budget law in 1993.[8] Saskatchewan's *Balanced Budget Act*

[7] For a review of these measures, see Boessenkool (2010b).

[8] While providing for increased transparency in the budgeting process, and requiring officials to apply standard accounting principles, the province's BBL lacked the same stringency found in Alberta. Assessing budget balances

(1995) was similar in many respects, prizing public accountability over enforceability. According to New Democratic Finance Minister Janice MacKinnon, when the NDP assumed control of the Saskatchewan government in 1991,

> a decade of financial mismanagement had produced a financial position for the province that was gravely alarming and simply not sustainable. The annual deficit was $842 million and rising sharply. The total debt of the province had increased by a billion dollars a year on average, throughout the previous government's years in office. The province's credit rating had deteriorated significantly, and critical accountability improvements were required in order that the legislature and the public could be better informed and better able to hold government to account (MacKinnon 1995: 1446).

Following through on Roy Romanow's 1991 NDP election promise, and endorsing the results of a provincial plebiscite on balanced budget legislation in the same year, the new legislation aimed to address "three key fiscal policy objectives – long-range financial planning; stability, which is so important to Saskatchewan's families and businesses; and the government's accountability to the public" (MacKinnon 1995: 1846). Of note, the balance required involved the province's operating budget, and was to be achieved over four years – a term that more closely resembled an election cycle than an economic one (Geist 1997: 23-24). On this note, MacKinnon argued,

> This legislation also recognizes that Saskatchewan's public finances may be subject to sudden, unanticipated shocks such as those which may affect a resource-based economy. No one can accurately predict, for example, the price of oil a year in advance. No one can accurately predict what is going to happen to our crops. It therefore allows the government to avoid the need for sudden, sharp, temporary policy shifts which would be very destabilizing for families, communities, and businesses. It allows the government to respond to a major, unanticipated, identifiable event or set of circumstances which has had a dramatic impact on revenue or expenses by exempting the resulting revenue losses or expense increases from their requirement to balance over the four-year period (MacKinnon 1995: 1447).

The legislation also barred changes in accounting practices, or the sell-off of Crown corporations, as means of balancing the budget. A balance would not be required during extraordinary circumstances, including "major, identifiable, unanticipated" economic disasters (such as crop failure or falling resource revenues) (Roberts 1995). MacKinnon touted the strength of the new law, suggesting,

---

on a four-year (as opposed to an annual) basis, and applying only to government operations (not capital), the New Brunswick law stipulated that balanced budgets remained an "objective" of the government – not a statutory requirement subject to specific penalties for non-compliance.

“If any government didn't abide by this legislation, there's no doubt in my mind the people would fire that government” (Sask. pushes budget law 1995). Thereafter, the New Democratic government enacted its *Fiscal Stabilization Fund Act* (2000), establishing a rainy day reserve from which funds could be drawn to balance the budget.

If developments in Alberta signalled the onset of the second wave of anti-deficit legislation in Canada, events in Manitoba served notice of how far these reforms could progress. Just months after Saskatchewan passed its legislation, Gary Filmon’s Progressive Conservative government established the country’s most comprehensive anti-deficit regime (Richardson 1995; Gunter 1995; Nankivell 1998), passing legislation requiring governments to balance budgets (both operating and capital), to retire the province’s debt in its entirety, and to refrain from raising any major taxes without first calling a referendum. Budget deficits would be permissible in the case of war, disaster, or an unanticipated decline of at least 5 percent in government revenues, and funds could be transferred from the province’s fiscal stabilization fund to achieve a balance. Any other deficits would be considered illegal, and would have to be offset by an equivalent surplus in the subsequent year. Historically, Manitoba became the first province to place penalties on government members for non-compliance with the BBL. In the event of a budget deficit, cabinet ministers faced a 20 percent reduction in their ministerial salary top-up; if this imbalance persisted in consecutive years, their salaries would be reduced by 40 percent. The legislation also included a 30-year plan to retire the province’s $7 billion debt, and prevented changes in accounting practices to balance budgets. To protect the legislation and allow members of the public to provide input, the government also required that public hearings be held prior to amending or repealing the *Act*. Given its stringency, the Manitoba legislation was viewed by many – including the federal Reform Party – as a model for balanced budget laws in Canada (Ovenden 1998).

A change in government resulted in only minor modifications to the Manitoba’s anti-deficit regime. While condemned by the opposition New Democrats during its passage, the *Balanced Budget, Debt Repayment and Taxpayer Protection Act* (1995) survived a change in government in 1999. This differentiated the Manitoba experience from that of British Columbia earlier that decade, when the incoming NDP government repealed the BBL enacted by Social Credit. As Geist notes (1997: 18), the situation facing the Manitoba New Democrats in the late 1990s reflected

> the quandary opposition parties often find themselves in when confronted with balanced budget legislation. While they may regard the legislation as little more than an opportunistic political document, voting against balanced budgets is akin to voting against family and hockey. Therefore, faced with no viable alternative, opposition parties often make their criticisms known but ultimately support the actions of the government.

In the end, their commitment to uphold the balanced budget legislation marked a major policy shift for Manitoba’s New Democrats, and key element of the their success in the 1999 provincial election

(Wesley 2011: 223-232). For these reasons, early in his first term, NDP Premier Gary Doer offered only minor, cosmetic amendments to Manitoba's BBL.[9]

Governments in Central Canada were next to introduce balanced budget legislation. The Parti Quebecois introduced Quebec's original *Act Respecting the Elimination of the Deficit and a Balanced Budget* in 1996, replacing it six years later with the *Balanced Budget Act* (2002).[10] Part of his "Commonsense Revolution," Ontario PC Premier Mike Harris's *Taxpayer Protection and Balanced Budget Act* (1999) contained elements drawn variously from BBL across Canada.[11] And, following seven years of expenditure control, Nova Scotia's amended *Financial Measures* Act (2000) established the province's first statutory commitments to balanced budgets.[12]

In the same year, NDP Premier Ujjal Dosanjh closed the second wave of BBL in Canada by introducing British Columbia's *Balanced Budget Act* (2000). As in Nova Scotia, the BC law established a series of progressively lower deficit targets, culminating in a balanced budget by 2004-2005. As in Manitoba, failure to meet these targets would result in a 20 percent reduction in BC cabinet ministers'

---

[9] In rhetorical terms, for instance, the Doer government changed the title of the statute to reflect a shift in emphasis from "Taxpayer Protection" to "Taxpayer Accountability". Semantically, the amendments replaced the terms "surplus" and "deficit" with "positive" and "negative balance," respectively.

[10] The 2002 *Act* made the Quebec regime unique. Enacted by Parti Quebecois Premier Bernard Landry, the new provisions permitted the government to incur a deficit of up to $1 billion, provided it recorded a surplus of equal or greater value in the subsequent fiscal year. Deficits of greater than $1 billion were also permissible, provided they were forecast in the budget speech, and/or came as the result of unforeseen circumstances beyond the control of the provincial government (major disaster, significant economic downturn, or changes in federal transfer payments). In these events, the government would be required to develop and present a plan to offset these deficits in subsequent years.

[11] Combining the stipulations found in New Brunswick and Quebec, the Ontario legislation required that government expenditures in a given fiscal year must not exceed revenues generated in that year plus the surplus accumulated over the previous three fiscal years. Deficits of less than one percent of revenue were permitted, provided they were offset by a surplus of equal or greater value in the following year. Accounting policies could not be changed as a means of balancing the budget, and strict penalties were imposed upon government members for failure to meet the requirements of the *Act*. At 25 percent in the first year, and 50 percent in consecutive years, ministerial salary reductions were stiffer than those imposed in Manitoba. Borrowing from laws in Alberta and Manitoba, the Ontario *Act* also required the government to hold a referendum prior to creating or increasing major taxes. This latter provision was removed from the statute books in Ontario following Harris's retirement in 2002.

[12] Introduced by Premier John Hamm's newly-elected Progressive Conservative government, the legislation required a balanced budget by 2002-2003 and, thereafter, prohibited deficits that were not recovered through surpluses in the following fiscal year. The legislation also contained provisions for the release of four-year fiscal projections and long-term debt repayment.

salaries. And, as in Saskatchewan and Manitoba, the BC New Democratic premier's conversion to the balanced budget orthodoxy came amid significant resistance from his party's left wing (Lavoie 2000; Dix 2000).

Wave 3

With balanced budget legislation established in eight of the ten Canadian provinces, the third wave of BBL saw a series of new governments alter existing laws. Reform began in British Columbia, Gordon Campbell's newly-formed Liberal government declared BC "a deficit-free zone" (Hamett 1999). The party's new *Balanced Budget and Ministerial Accountability Act* (2001) replaced the year-old BBL established by the NDP. Following a three-year adjustment period, the *Act* required the government to forecast a balance between its core revenues and expenditures on an annual basis beginning in 2004-05. Effective at the time of passage, however, cabinet ministers' salaries would be reduced by 20 percent if the government failed to produce a balanced budget. This penalty provision was retained from the New Democratic government's 2000 legislation, with one major difference. According to the new legislation, "Ministers will be able to earn back 10 percent by meeting their ministry budget targets. The other 10 percent will be paid out only if we meet our provincial budget target, providing a new level of both individual and collective political accountability — as well as spousal accountability" (Collins 2001: 1445). Liberal Finance Minister Gary Collins defended this shift toward individual accountability during second reading:

> We believe that it's always easy to push the responsibility off to somebody. And if nobody takes personal accountability and responsibility for hitting their own targets, then collectively nobody will hit their targets, everyone thinking that somebody else will make up their shortfall. We're trying to establish that discipline for individual members, and I think it's a novel change. I think it will really force ministers and senior staff people to focus carefully on what they're signing off on at the beginning of the year, knowing that those estimates are realistic and are achievable and that we don't have wildly optimistic figures being included in budgets, as we've seen in years past. Those targets are actually the ones that the minister responsible believes he or she can attain and then will go about the year attaining them. We think that's crucial to better accountability, more accurate budgeting and more significant personal and collective accountability (Collins 2001: 1720).

In Ontario, Dalton McGuinty's Liberal government replaced the Harris government's *Balanced Budget Act* (1999) with the *Fiscal Transparency and Accountability Act* (FTAA).[13] Amendments to New

---

[13] The new law required the government to project balanced budgets on an annual basis, as opposed to incorporating surpluses accumulated in previous years. Yet, a government would be permitted to run a short-term deficit, provided it indicated how the balance would be restored. The McGuinty government's legislation also

Brunswick's balanced budget law were minor, as Bernard Lord's Progressive Conservative government replaced the McKenna Liberals' decade-old *Balanced Budget* Act (1995).[14]

As in BC, the defeat of a New Democratic government in Saskatchewan resulted in a significant shift in balanced budget legislation. Months into his first term in office, and months prior to the onset of the global economic downturn, Saskatchewan Party Premier Brad Wall replaced the New Democrats' BBL with the *Growth and Financial Security Act* (2008). Abandoning the multi-year approach embedded in the old legislation, the new law required the government to balance its core budget on an annual basis, or to achieve an offsetting surplus in the following year. The new legislation also prohibited the changing accounting practices as a means of achieving a budget deficit – the practice of which the previous New Democratic government had been accused (Hall 2007). The *Act* also established a Debt Retirement Fund, and consolidated the province's Fiscal Stabilization Fund and Infrastructure Fund into a new rainy day reserve (the Growth and Financial Security Fund, or GFSF). According to the law, half of all surpluses were to be deposited in the GFSF, and half in the Debt Retirement Fund. In a separate section of the legislation, the government limited increases in the size of Saskatchewan's civil service to the rate of population growth. Unlike BC, the Saskatchewan *Act* did not specify penalties for non-compliance.

Overall, the second and third waves of BBL contained more specific provisions requiring governments to produce balanced budgets and to engage in a more transparent budgeting process. Of note, these acts were passed or endorsed by governments of all major parties, with varying ideologies (Hale 2006: 393). Yet most pieces of legislation maintained considerable flexibility when it came to defining and achieving this fiscal balance. Nearly all of these early balanced budget laws contained provisions exempting governments from fulfilling their obligations in the face of exceptional circumstances, for instance. These factors ranged from exogenous catastrophic events (like war or global economic crises), to domestic political developments (like public emergencies, natural disasters, or changes in the level of federal transfer payments). These "escape clauses" have been used on occasion; in Manitoba, for instance, the government has excluded costs associated with the BSE crisis and forest fires (2003), and – as discussed below – the H1N1 flu pandemic (2009).

The Alberta government passed legislation requiring a contingency allowance ("cushion") be built into each budget, a practice adopted – but not legislated – by the BC government under Gordon

---

removed the penalty provisions contained in the Harris BBL, releasing cabinet ministers from the prospect of salary reductions. The new law also reiterated the government's commitment to "maintain a prudent ratio" of debt to gross domestic product.

[14] In terms of reform, the new *Fiscal Responsibility and Balanced Budget Act (2006)* required the government to balance its revenues and expenditures annually, instead of on a three-year basis. As with the previous legislation, balanced budgets and debt reduction remained "objectives" of the government, and the new act did not impose penalties for non-compliance.

Campbell. To further cushion against sudden economic declines, many laws calculated budget balances on a multi-year basis; this allowed governments to make up for deficits in one fiscal year by producing surpluses in others. Additional legislation required the creation of "rainy day" funds to protect against unforeseen downturns. Manitoba established Canada's first such "fiscal stabilization fund" in 1989. Since that time, governments in Alberta, Saskatchewan, Quebec, and New Brunswick have all established similar reserves to protect against short-term challenges and facilitate long-term fiscal planning.[15] On several occasions in the early twenty-first century, the Saskatchewan government made use of these stabilization reserves to balance its budget (Kennedy and Robbins 2003: 28).

This flexibility was neither universal nor absolute, of course. Laws in many provinces also contained restrictions on the actions governments could take to balance their budgets. Some of these stipulations banned alternative accounting procedures (as in New Brunswick and Ontario), prohibited the use of proceeds from the sale of Crown corporations (e.g., Manitoba and Saskatchewan), and required the public's explicit endorsement of tax increases through referendum (BC, Alberta, Manitoba, and Ontario). Governments in Manitoba, Ontario, and British Columbia went furthest in terms of enforcement by establishing stiff financial penalties for cabinet ministers unwilling or unable to meet these standards.

This said, as Canadian governments entered the twenty-first century, the anti-deficit regimes in place in most provinces appeared to allow for sufficient flexibility to deal with a standard economic downturn without being overhauled, repealed, or set aside. Moreover, they also appeared to be effective in helping to guide provinces back to budget balance, in many cases following decades of deficit. Indeed, as Hale (2006: 394) revealed,

> All provincial governments moved towards a more consistent fiscal balance during the 1990s, although by very different methods, at different speeds, and with significantly different emphasis in the use of tax increases, spending reduction, and debt reduction. Depending on the accounting method used, as many as seven provinces had balanced their budgets by 1995-96," with the remaining three (Ontario, Quebec, and BC) doing so by 2000-2001.

Furthermore, Hale (2006: 399) observed, "the development and application of fiscal rules [had] been most consistent in the three prairie provinces, regardless of ideological or partisan affiliation, resulting in consistently balanced budgets..." Displayed in Figure 1, the introduction of stiffer fiscal rules did coincide with the return of balanced budgets in each of the four Western provinces (although,

---

[15] These stabilization funds should not be confused with a more established series of surplus or resource investment funds, the proceeds from which governments have earmarked for investment in social programs, infrastructure, and debt repayment (and – in the case of Alberta's Heritage Fund – for lending to other Canadian governments). These long-term investment funds have existed in various forms in Alberta, Saskatchewan, Manitoba, and Quebec.

given the concomitant economic recovery, it strains credulity to state that the relationship was entirely causal). In any case, the public salience of "balanced budgets" was enough to convince even the most ardent opponents of BBL – like New Democrats in Manitoba, Saskatchewan, and British Columbia – to accept it as a fixture of fiscal policy-making in Canada. The depth, breadth, and longevity of the "Great Recession" would soon challenge these perceptions, and provide the first real test for Canada's various balanced budget laws.

[Insert Figure 1 about here.]

Findings: Legislation Meets Recession

The following sections demonstrate that, despite these objectives and the level of pre-commitment embedded in the various laws, governments in BC, Alberta, and Manitoba opted to run deficits when confronted with the economic downturn. Only Saskatchewan reported balanced budgets throughout the 2008 to 2010 period, although even its government was forced to withdraw funds from its stabilization fund in order to do so. The following sections outline the rhetorical, legislative, and fiscal measures taken by each government, along with the public's (preliminary) reaction. As revealed below, each government clearly pitted its obligation to balance its budget against its responsibility to protect core government programs and services. The latter, they argued, must take priority over fiscal restraint.

Rhetorical and Legislative Responses

British Columbia

In years leading up to the 2008 fiscal crisis, opponents on the BC left had criticized the Liberal government for underestimating economic growth and running record "surprise" surpluses (Klein and Lee 2007). By virtue of the province's balanced budget legislation, surplus funds are automatically allocated to debt reduction (cannot be dedicated to enhance social services, infrastructure, or other government programs). At the time, the government defended its conservative growth forecasts and large contingency funds as prudent means of protecting the province against short-term economic downturns and long-term structural deficits (Palmer 2009c). The Great Recession would test the merits of this strategy.

The Government of British Columbia confronted a unique set of circumstances as it drafted its 2009 provincial budget. Fixed election date legislation required British Columbians to head to the polls on May 12, 2009 – three months after the spring budget had been announced. The Liberals faced pressure from the opposition and the media to present a realistic assessment of the province's fiscal future, and avoid presenting a rosy budget that would be entirely redrafted if the party were re-elected

(Palmer 2009b). "The fact of the matter is we expect this year's budget to be this year's budget," Campbell argued on the campaign trail in April. "If we are re-elected that will be pretty much the budget that's reintroduced" (Palmer 2009b).

Public opinion polls in late-2008 revealed a divided and volatile electorate, with different polling firms granting an advantage to the governing Liberals or the New Democrats (Palmer 2009a). On the key question of which issue they perceived as the most important in the upcoming election, however, polls consistently reported that "the economy" was top of mind for most British Columbians. Further to this, when voters were asked which of the two major party leaders would deal best with the recession, Liberal Premier Gordon Campbell maintained double-digit leads over NDP leader Carole James.[16]

Two weeks before the budget was to be released in February, Premier Campbell declared that his government would be forced to revise its earlier economic forecasts, and would not meet its 2001 commitment to keep BC a "deficit-free zone." "I hate deficits... I don't believe in deficits... I have consistently railed against them for my two decades in public life..." he said at a press conference (Palmer 2009d). Acknowledging his introduction of the province's balanced budget legislation, he added, "I meant it when I said, 'When anyone talks about a deficit, they're talking about turning their back on the next generation and sending our problems forward to them" (Palmer 2009d). This said, he added, "We are facing a situation we couldn't plan for... We haven't experienced anything like it before in scope, speed, scale, suddenness, and synchronicity" (Palmer 2009d). "I hope everyone hears this," Campbell emphasized. "It will *not* be a budget that abandons our obligations to future generations. Just because we have been forced to present a deficit budget that may be unavoidable for the next two years, does not mean that we will not also manage down spending during that time" (Palmer 2009d). "We could *still* deliver a balanced budget," Campbell told reporters. "But to do that, we would have to cut hundreds of millions out of planned budget increases for health care and education. We would have to table a budget with absolutely no margin for error and no room to manage in the event our forecasts are wrong" (Palmer 2009c).[17]

To clear the way for a deficit budget, the government was required to amend its own anti-deficit legislation. Premier Campbell and his Finance Minister, Colin Hansen, argued that – by placing a two-year sunset clause in the amended legislation and requiring any future surplus funds to be put toward debt repayment – the reforms were designed to prevent a return to long-term deficit spending. In

[16] For the most comprehensive tracking poll on BC politics during this period, see the Mustel Group: http://www.mustelgroup.com/political.php.

[17] "We're a government that believes very strongly that government should live within its means," Finance Minister Colin Hansen explained to reporters on February 9. "Going to a deficit is something, I think, that is very difficult for all of us. But given just the way we've seen revenues erode over the last three weeks, we were left really with no other option, because the alternative would have been to significantly cut back on the important and vital funding for health care, education and social services" (B.C.'s amended balanced budget law to allow 2 years of deficits 2009).

interviews and statements, government officials were careful to label the shortfall a "temporary deficit". In his Budget Speech, Hansen remarked, "I want to be clear that this is not the same kind of deficit we saw seven years ago. That was a long‑term, structural deficit – the kind that persists, year over year, even in times of strong economic growth. What we will have for the next two years is a short-term deficit, one that results from a downturn in projected revenues" (British Columbia 2009: 1). While the government revised the province's balanced budget legislation to permit the tabling of deficit budgets for 2009-10 and 2010-11, the premier did not lift the penalties imposed on ministers for failing to balance the books. Members of the executive council faced 20 percent pay reductions, as a result; in 2010, these were commuted to a 10 percent wage roll-back (Fowlie 2010a).

The 2009 BC Budget marked a stark shift for a government accustomed to posting billion-dollar surpluses. Tabled by Finance Minister Colin Hanson on February 17, the document projected a $495 million deficit, followed by a $245 million deficit in 2010-11, with the government returning to a balanced budget in 2011-12. In the meantime, the provincial debt would rise from $34.6 billion to $47.2 billion. In total, the government promised $14 billion in new infrastructure spending, Health care received about 90 percent of new spending ($4.8 billion over three years), with minor funding increases provided for social services ($351 million) and post-secondary education ($228 million). "Our priority has been to protect the vital health care, education and social programs that British Columbians have come to rely on," Finance Minister Colin Hansen said, "and [that have] actually become even more important to us as we go through the kind of economic challenges that the province -- and indeed the globe -- is going through today"(Fowlie 2009a).

As part of its "new restrictive spending regime," the government promised no cutbacks to core government programs. Instead, as a means of saving $1.9 billion in government operations over three years, the budget promised a more efficient civil service, beginning with an immediate 20 percent reduction in senior management positions. The government foreshadowed these cutbacks by shuffling and reducing the number of deputy ministers in January 2009. These were followed by promises of significant "administrative savings" and "future efficiencies" through cuts to advertising, travel, office expenses, professional services, and discretionary grants. While the government did not institute a civil service hiring freeze, in an open letter to government employees, Campbell's deputy minister Jessica McDonald warned "you will notice fewer job opportunities being posted in the next while as we manage through this period" (in Fowlie 2009b). Observers interpreted this as a promise to cut jobs through attrition. The government also removed provisions previously in the budget to allow for future civil servant wage increases. "The belt-tightening that we're doing in government is about ensuring we free up dollars from the administration side and the discretionary side to fund the increases we have on the program-delivery side," Hansen argued (Fowlie 2009a). On the revenue side, the government projected a significant injection of funds from previously-scheduled increases to its carbon tax. Doubling from $10-per-tonne in July 2009 to $20-per-tonne in July 2011, the government expected to draw a total of $968 million from the tax by 2011-12.

The Canadian Taxpayers Federation railed against the government's decision to amend the province's balanced budget legislation. According to a provincial spokesperson for the Federation, “Balanced-budget laws are supposed to be about more than just creating photo-opportunities for politicians... They need to stick with these things in the tough times. That's supposedly why they have them to keep them on track in the tough times” (B.C.'s amended balanced budget law to allow 2 years of deficits 2009). Other critics on the right cited the government for not going far enough with spending cuts, and for slowing plans to reduce taxes (Veldhuis and Palacios 2009). Others also faulted the Liberals for being too optimistic in their economic growth projections, which predicted the provincial economy would contract by 0.9 percent in 2009-10, before rebounding to 2.4 percent growth in 2010-11 and 2.6 percent in 2011-12. The 2009 budget also saw the disappearance of the province’s forecast allowance, which had traditionally provided the government with a $750 million cushion against unforeseen revenue pressures. (It did retain a contingency fund of $385 million to meet unexpected spending needs, however.)

Opponents on the left, including NDP leader Carole James, criticized the government for failing to protect essential public services. “This government stood up and said they were protecting health care and education, they stood up and said crime and safety was important. Well, their budget proves they didn't tell the truth,” James said. “We know the premier is completely out of touch with what is going on in British Columbia. He's saying to the people of this province, ‘I'm going to do nothing, you're just going to have to wait it out’” (Fowlie 2009a). Public sector unions also raised the spectre of cuts to front-line services, given the government’s promises not to fill vacant positions or increase wages.

“This budget is about three things: It’s about stability for B.C. families, jobs for B.C. families, and confidence,” Hansen countered. “It’s a confidence that we're going to get through this difficult economic time and be a stronger province at the end of it, because we will be able to capitalize if the opportunities are there” (Fowlie 2009a). Addressing its sceptics, the government also pointed to its record in erasing the $4 billion deficit it inherited in 2001, and halving the province’s operating debt since attaining office (British Columbia 2009: 12-13). Closing his 2009 Budget Speech, Hansen called on British Columbians to have confidence in the government: “Confidence that we will get through the tough times... Confidence that those who need assistance will get it... And confidence that B.C. is on the right track... building a future that will make our children and grandchildren proud” (British Columbia 2009: 14).

Overall, however, the budget was viewed as “responsible” and “realistic” by many economists and BC business groups, including the province’s Chamber of Commerce and Business Council (Fowlie 2009a). Three months later, in May 2009, this support helped carry the Liberals to a majority government, on the basis of 46 percent of the popular vote. With a fixed election date set for May 2013, the government’s economic plan endorsed by the public, and the government in a strong position in the polls, the Liberals appeared well-positioned to weather the brunt of the Great Recession. The situation changed dramatically over the next seventeen months.

Notwithstanding speculation over the event’s $1.9 billion budget (which organizers confirmed to be in balance by December 2010), the 2010 Winter Olympics provided the BC government a welcome reprieve from public scrutiny over its own fiscal circumstances. The festivities distracted from the fact that the government's fall 2009 fiscal update had boosted its pre-election deficits five-fold – to almost $2.8 billion in 2009-10 and $1.7 billion in 2010-11. At the same time, the government extended its deadline for balancing the budget by two years (to 2013-14).

More importantly, the Games delivered some relief from criticism over the government's decision to harmonize the province's sales tax with that of the federal government. Public resentment over the new Harmonized Sales Tax (HST) began almost immediately following the Premier's announcement of the deal on July 23, 2009. Taking effect on July 1, 2010, the reform would see British Columbians pay a combined 12 percent sales tax on goods and services – the sum of the previous provincial sales tax (PST, 7 percent) and federal Goods and Services Tax (GST, 5 percent). Critics from across the political spectrum labelled the HST a "tax grab", given that many goods and services that were previously exempt from PST would now be subject to a full 12 percent levy. The Campbell government moved to quell these concerns by negotiating exemptions with the federal government and issuing various rebates to individuals, businesses, and organizations.[18] Combined, these rebates and exemptions totalled over $2 billion in annual foregone revenue – slightly more than the $1.6 billion one-time transition payment offered by the federal government, and about $350 million more than the provincial government could expect to receive from the HST, itself.[19] The moves were not enough to stem the negative tide of public opinion; polls in August 2009 showed up to 85 percent of British Columbians opposed the tax (Ipsos Reid/Global News HST Poll: Final Results 2009).

It was in this negative environment that Colin Hansen delivered BC's second consecutive deficit budget. Confirming the projections outlined in Fall 2009, the 2010 BC Budget forecast a $1.7 billion deficit for 2010-11, and maintained the government's balanced budget deadline of 2013-14. The budget

---

[18] The government offered point-of-sale rebates on goods like children's and feminine hygiene products and motor vehicle fuel. About one million lower-income individuals would also receive a $230 HST tax credit to offset the increased cost of essential goods and services. To cushion the blow to the housing industry, the government also placed a temporary exemption on new home purchases (up to $400,000) and offered $20,000 rebate for more expensive homes. As part of its fiscal updates in September 2009 and January 2010, the government also promised full HST rebates to municipalities, schools, hospitals, universities, colleges, and non-profit organizations; extended the fuels rebate to include those for residential use; and raised the new home purchase threshold to $525,000.

[19] The BC government faces a similar challenge in its efforts to mitigate the effects of the carbon tax. As part of its guarantee to keep the new levy "revenue-neutral", in 2008-09, the government had allocated $313 million to lessen its impact through a series of rebates and income, property, and corporate tax cuts. The carbon tax generated a total of $306 million that year, which meant a net loss of $7 million to the provincial treasury. Since then, the recession's impact on personal and corporate tax revenue has exacerbated the shortfall, however, even as the carbon tax rate increases. In 2009-10, mitigation costs outstripped carbon tax revenues by $225 million; by 2010-11, this figure was projected as $69 million. Moreover, as consumers and industries alter their behaviour to become more environmentally-friendly, the carbon tax is expected to generate less revenue; meanwhile, the mitigating measures remain in place, further decreasing the province's revenue (Cayo 2010b; Enchin 2010a).

contained $905 million in additional spending, nearly all of which was devoted to health care ($750 million).

Addressing the media prior to his 2010 budget address, Hansen touched on many familiar themes, including a primary focus on “operating budgets, that’s where the belt-tightening is going to take place” (Palmer 2010). To achieve this, the government froze or reduced the budgets of all government departments (except health and education) for a period of three years. Accounting for population growth and inflation, budget freezes were effectively meant cuts for most government ministries, which would encourage departments to meet the government’s new target of reducing the civil service by 11 percent (or 3500 positions) by 2012-13.

The government hinted at future cutbacks in other areas, including health care. “Health care is vital, but we cannot continue putting ever-growing shares of the total budget into this one area," Hansen reported in his Budget Speech. "We must make health care sustainable as part of our larger plan to get back to balanced budgets” (Steffenhagen and Fayerman 2010). The Finance Minister noted that, at $15 billion, the cost of health care in British Columbia exceeded the combined revenue generated by the HST, health premiums, tobacco taxes, and federal transfers. Critics suggested this was an attempt to justify the government’s establishment of the HST, to which Hansen responded, “Taxes aren't popular. At the same time, the delivery of services -- especially health care services -- are popular. I think we need to find ways that we can help demonstrate to average British Columbians the connection between the tax dollars that they pay and the services that they [receive]” (Steffenhagen and Fayerman 2010). In an effort to do so, the government promised to earmark all HST revenue specifically for health care.

The 2010 Budget also included plans to transfer $487 million from the Insurance Corporation of BC (ICBC) into general revenues in 2010-11, with an additional $144 million and $147 million drawn in the two following fiscal years. “What we are saying is that ICBC is overcapitalized on the optional insurance side, and we're saying that is funding that should be transferred to the shareholder,” stated Hansen (Fowlie 2010d).

Critics on the right, including researchers at the Fraser Institute (Veldhuis and Lammam 2010) and the Canadian Taxpayers Federation (Bader 2010), continued to pressure the Campbell government to cut spending and taxes as a means of more aggressively reducing the deficit. Others worried that, by over-estimating the size and pace of economic growth, the government was not adequately prepared for a double-dip recession (Enchin 2010b); or that, by failing to make adequate payments, the government was saddling future generations with an increasing debt load (Cayo 2010a).

Opponents on the left, led by the New Democrats, accused the government of “raiding” Crown corporation profits to help address the large budget shortfall; cutting key public services like education; and engaging in “freestyle distortion” in its attempt to persuade the public of the merits of the HST (Ralston 2010). On the last count, critics charged that the government used the new tax revenue, and the one-time transition payment from the federal government, to help offset an even larger budget deficit. Public sector organizations also cited the government for placing short term budget concerns over long-term investment needs in areas like education (Fowlie 2010c). Despite its continued support of the carbon tax and LiveSmart initiative, environmental critics, like Green Party leader Jane Sterk (2010), questioned the government's commitment to conservation and sustainability initiatives amid continued subsidies to resource industries.

The general public sided with the government's critics, with only one-in-five British Columbians approving of the 2010 budget, and over half feeling that the government's plan would have a negative impact on the province (Angus Reid Public Opinion 2010). In addition to unease surrounding the deficit, public opinion remained solidly opposed to the HST, with eight-in-ten British Columbians indicating they would like to scrap the tax (British Columbians Continue to Perceive that the HST is Negatively Impacting them -- Only Slightly Less So Than Initially Predicted 2010).

This public discontent was marshalled by former Social Credit Premier Bill Vander Zalm – whose party had established Canada's first balanced budget legislation two decades earlier. Just days after the tax came into effect on July 1, 2010, the FightHST campaign was successful in gaining the signatures of over 700,000 British Columbians on a petition calling for the "extinguishment" of the HST. This number represented over 45 percent of votes cast in the 2009 provincial election, and included the necessary 10 percent support from voters in each electoral district to require the government to either table *The HST Extinguishment Act* in the legislature, or conduct a province-wide "initiative vote" on the issue.

Following a series of court disputes over the legality of the petition and the constitutionality of the HST, itself, the Campbell government agreed with a legislative committee to hold a referendum on whether to eliminate the tax. In making the announcement, the Premier was clear in his intentions to campaign on behalf of keeping the HST: "When the public sees the reason behind this, the rationale behind it, and understands what we were trying to accomplish, I think the public will say, not that they like it, but that they'd rather keep it than go back to an old system which costs $130 million across the economy," he told reporters (Fowlie 2010b).[20]

Premier Campbell did not get his wish, however. With his party's popularity declining from 46 percent in the May 2009 election to 24 percent in October 2010 (see Figure 2), and the premier's personal approval rating plummeting to just 9 percent over the same period, the Liberal leader was under significant pressure to relinquish the premiership.[21] He resigned on November 3, 2010, just

[20] In addition, the Premier raised the issue of how to renege on a deal with the federal government: "The opponents of this ... have never been forced to deal with the issue of, how do you get the $1.6 billion back to the federal government? What are the services that you do without? Do you really want to spend the hundreds of millions of dollars to bring people back and create a duplicate taxation system as opposed to a single taxation system? That's one of the things we're going to get a chance to talk with the public about over the next year, and they're going to have to deal with how do you deal with that" (Fowlie 2010b).

[21] Unless otherwise noted, all polling results in this section are drawn from Angus Reid (http://www.angus-reid.com/).

weeks before his party’s annual convention and one week after shuffling his cabinet, changing his advisors, and announcing major income tax relief in a province-wide television address. The move gives the Liberals (at most) two years to reposition themselves before a fixed election date in May 2013 – provided their new leader does not call an early election) and the government is able to maintain the confidence of the legislature (which may be threatened, considering FightHST’s efforts to recall many Liberal members).

Just one month later, on December 6, Official Opposition Leader Carole James also resigned. Her decision came as polls suggested the Liberals and NDP were neck-and-neck among decided voters, a development that combined with long-standing caucus infighting to force James’s departure. The resignation leaves BCs two largest parties without leaders heading into the 2011 Budget season; the Liberals selected Christy Clark as the province’s newest premier on February 26, and the New Democrats will select their next leader on April 17.

[Insert Figure 2 about here.]

Alberta

As in British Columbia, events in Alberta signalled the onset of recession politics in Canada. Having projected an $8.5 billion surplus in summer 2008, the province ended the 2008-09 fiscal year with an actual deficit of $1.4 billion. The precipitous decline was driven, in large part, by falling energy prices. As provincial Treasurer Jim Dinning argued, “Were deficits inevitable right now? Yes, but only because of the state of the economy... You could never have made drastic enough cuts as the economy turned in the summer. Who could've forecasted this? . . . The government could not have reacted quickly enough to stay in the black” (Martin 2009).

As part of its 2009 amendments to the *Fiscal Sustainability Act*, Stelmach’s Progressive Conservative government amended the law to permit the drawing of funds from the province’s Sustainability Fund to balance the budget and to borrow funds for infrastructure investments.

> That combination of realism and confidence is at the heart of the upcoming budget. First, we'll watch our spending. Second, we'll draw on our emergency savings to cushion the impact of the downturn. Third, we'll continue to invest in our people and our public infrastructure. And fourth, we'll aggressively market Alberta to the world--encouraging investment and recruiting the skilled people we need now and will need even more in the future (Stelmach 2009).

Proponents of balanced budget legislation began defending its value the face of the Great Recession. “Laws making provincial budget deficits illegal are often dismissed as pointless legislative chest-thumping, certain to be changed when times get hard,” the editors of the *Calgary Herald* commented.

> We disagree. Alberta's no-deficit law has a very useful function, that of shaming a government that despite warnings from many quarters, recklessly spent an abundance in pursuit of electoral advantage. Now depressed energy prices have knocked the stuffing out of its budget, the chickens are home to roost, and given that health and learning are half the budget, it's hard to see how this government can quickly cut spending without causing distress. It is a sad business, but in an age when penitents are no longer required to appear publicly in sackcloth and ashes, the least we should expect of the politicians who lofted government spending into the stratosphere of unsustainability is that they pay the formidable political costs of their folly. Repeal of Alberta's vaunted no-deficit law will be rancid-tasting crow, as will be the disgust of voters at the lost opportunity, and the mockery of their peers elsewhere. It is theirs to savour, however. One can only hope it will be the kind of experience that leads to better performance in the future (Law has upside in downturn 2009).

Responding to his opponents, Stelmach argued, “We're the only jurisdiction in North America that has cash in the bank--liquid. And had I listened to the very same economists, we would not have had that money in the bank... They claim we've let the advantages of another boom slip through our fingers... That's just not true” (Fekete and D'Aliesio 2009). In a speech delivered to business leaders and party faithful, just days before the 2009 budget was releaseed, Stelmach announced,

> Like many Alberta families, government has a chequing account, a savings account and an RRSP account. We'll manage Alberta's chequing account--we'll watch spending on the operations of government. We'll use our emergency savings to support the programs Albertans depend on most, and keep building the public infrastructure our province will need. And we will not cash in Alberta's RRSP-- the Heritage Savings Fund...
>
> We've saved for the future and planned for the unknown. Our policy of investing surpluses into a capital account and a sustainability fund has proven to be the right approach, and our strong fiscal position gives us potential advantages that many other jurisdictions don't have.
>
> We will run a budget deficit in the coming year, the first for some considerable time. Does that bother me? Certainly, but I'm not going to cancel necessary infrastructure projects, put jobs at risk, and put Alberta behind the eight ball when growth resumes. Not when Alberta prepared for these circumstances, to keep our economic momentum going and keep Albertans at work --without saddling future generations with the bill.

> Alberta went into this downturn in a position of economic leadership in the best shape of any jurisdiction in North America, and we have the people, the resources, the innovation and the fiscal strength, to ensure that we come out of it ahead of the pack (Stelmach 2009).

The folksy language – drawing comparisons between the government and family budgets – and Alberta-first rhetoric was reminiscent of Ralph Klein, a decade previous (Wesley 2011: 99-108).[22]

Released in April, the 2009 Alberta budget forecasted a $4.7 billion deficit for 2009-2010 – the province's first shortfall in fourteen years. The decline in fiscal fortunes was attributed to a projected 11 percent drop in government revenues, driven by a 52 percent drop in resource revenues (from $12.3 to 5.9 billion) and a record decline in income tax revenues. Deficits of $2.4 billion and $1.8 billion were forecast for 2010-11 and 2011-12, respectively. While all shortfalls would be covered by withdrawing funds from the province's sustainability fund, the government publicly declared its budget to be unbalanced. (Discussed below, this was not the case in Saskatchewan or Manitoba, where governments used their provinces' reserve funds to 'balance' their budgets.)

While halting a series of major health projects, as part of its stimulus, the government increased capital spending to $7.2 billion, with plans to borrow $3.3 billion over three years to cover the costs. According to the government, this strategy was less costly than withdrawing resources from the province's Heritage Fund (D'Aliesio 2009). "We're still riding the uncertainty of the tidal wave and we're in the best boat possible," Finance Minister Iris Evans asserted as she released the 2009 budget. "Honestly I don't think it will get rougher. We haven't seen the last of that scoundrel, that recession. We haven't seen the last of it, but in Alberta we're on the right track to be there stronger than ever as soon as this recession passes" (D'Aliesio 2009).

Critics, like the Canadian Taxpayers Federation, cited the government for not reigning in expenditures, either in the 2009 budget or in the string of surplus budgets in which government spending had increased steadily above the rate of population growth and inflation (D'Aliesio 2009). Opponents also criticized the government for not saving enough during boom times, and for depleting its reserves during the recession (Fekete 2009). Following the forecasted deficit withdrawals, the sustainability fund would be reduced to about $3.9 billion by 2012-2013; meanwhile, the government

---

[22] Finance Minister Iris Evans drew on similar family-based rhetoric in her 2009 Budget Speech: "Our government faces the same issues that many Albertans and their families are facing. Our income is lower and our long-term savings have lost value due to falling markets. To improve our opportunities we look at how a family manages when a steady stream of income is not there. Like most families, we plan our budgets based on what we earn, what we save and what we need to spend. We know as our families grow or face new challenges, we have to accommodate their changing needs. We set short-term goals for saving – putting aside cash in a savings account for emergencies or home renovations. We set long-term goals, too, and we save for our retirement. When money is short, we watch our dollars closely and focus our spending on the highest-priority areas. And when there are difficult times…just as a family would…we access our short-term savings to make ends meet. We will not spend our long-term savings to get us through these tough times" (Alberta 2009)

suspended its payments to the Heritage Savings Fund, , which had suffered $2.4 billion in investment losses amid the recession, dropping its value to $13.9 billion (D'Aliesio 2009). Critics of the government's plan also drew parallels between the 2009 budget and those of former Premier Don Getty, whose reliance on energy-sector growth, reluctance to cut government spending, and decisions to deplete the province's fiscal reserves resulted in a series of deep deficits two decades earlier (Emery and Kneebone 2009). According to one columnist, "this government ignored the open book from the '80s on how to screw up Alberta, and as the famous bumper sticker had it, pissed it away--again.... It's time for something unexpected – the rise of a fiscally conservative party in this province of progressive unConservatives" (Hannaford 2009).

True to this prediction, opinion polls in October 2009 began registering the public's discontent with the Alberta government's handling of the recession. Driven by distaste for 2008 hikes in royalty rates and the government's approach to deficit budgeting, critics, core PC supporters, and conservative voters began mobilizing en masse behind the Wildrose Alliance and its new leader, Danielle Smith. The opposition party's share of support had grown exponentially since the March 2008 election, when it garnered just 7 percent of the popular vote. By Fall 2009, opinion polls placed Wildrose Alliance support between 30 and 40 percent, slightly ahead of the governing Conservatives (25 to 35 percent, down from 53 percent in the 2008 election).[23] (See Table 3.)

The Stelmach government moved to quell the shift in popular support. After freezing salaries for government managers for two years and asking for other civil servants to voluntarily agree to the same, the premier agreed to a 15 percent cut to his salary top-up, and ministers agreed to a 10 percent cut.[24] MLA salaries were also frozen for two years, beginning in December 2009. More substantially, a January 2010 cabinet shuffle saw Ted Morton assume the role of Alberta's Minister of Finance. Stelmach's opponent in the 2008 leadership race, Morton stood on the right side of the party's ideological spectrum (Wesley 2007) – a reputation that was put to the test in his first budget. "Everybody is in it together," the new Finance Minister suggested upon his appointment. "We'll try to look after important priorities but there will be continued belt-tightening" (Sinnema and McLean 2010). For Morton, if Albertans wanted to protect core government services, the province would require increased revenues. "Albertans have always subscribed to the theory of growing the pie, not fighting over dividing a static pie. That's what the premier wants, that's what I want and I think that's what Albertans want" (Sinnema and McLean 2010).

Delivered in February, 2010, Morton's first budget forecasted another $4.7 billion deficit – nearly double the figure projected a year previous. On the basis of expenditure cuts and an

---

[23] Angus Reid polls have placed Wildrose support between 39 (November 2009) and 42 percent (February 2010), while Environics polls estimate its support between 28 (October 2009) and 32 percent (November 2010).

[24] Critics noted that the cuts were applied only to the top-up portion of the salary, and came just one year after a 30 percent increase in May 2008.

expected improvement in oil and gas prices, the province predicted a return to budget balance by 2012-13. In the meantime, the $15 billion sustainability fund would have been depleted to roughly $2.8 billion.

As part of his plan to solve the shortfall, Premier Stelmach committed to cutting 795 full-time civil service positions in 2010, through a combination of attrition, non-renewal of contracts, and dismissal. The actions were part of the government's plans to reduce government spending across fourteen departments. Education and health were spared the brunt of the cuts, with the latter receiving a one-time $759 million debt repayment and a 17 percent increase in its operating budget. The government pledged an additional $2.8 billion for capital investments, a figure that remained outside the budget balance, prompting opponents to declare that the actual budget deficit stood at $7.5 billion. All told, the 2010 Alberta budget outlined a record $38.7 billion in government spending -- an overall expenditure growth of 4.1 percent, against 1.3 percent growth in revenues. "This government understands the value Albertans place on health care, education and protecting our most vulnerable," Premier Stelmach said. "Our improved fiscal and economic outlook means we can continue to support these priorities while tightening our spending elsewhere" (McLean 2010a). "There are some cuts, but they are spread out and done fairly," Morton added. "But there's also some spending increases. It strikes a good balance between savings and spending. It's not a crash diet, but a steady, healthy diet" (McLean 2010b). "These choices, we believe, strike the right balance between spending too much and spending too little. Between fiscal discipline and protecting essential services. And between funding services today and also not saddling future generations with debt," Morton continued (McLean 2010a).

Critics on the left, like NDP leader Brian Mason, drew attention to what they perceived as a pattern in government budgeting. "We thought we only had to do this once in the 1990s when Ralph Klein was the premier. And now again we're forced to do it," Mason said. "As long as the Progressive Conservatives are in power, we're going to see this constant cycle of overspending followed by massive cuts followed by more spending" (McLean 2010b). Others labelled the 2010 budget an exercise in "robbing Peter to pay Paul," as increases in infrastructure and health spending came at the expense of cuts to social services and the environment (Gibson and Acuna 2010).

Critics on the province's right continued to fault the Alberta government for years of "failing to put the brakes on big annual increases in operating spending that far exceeded inflation and population growth... Alberta fundamentally has a spending control problem, not a revenue problem" (Truscott 2010).[25] At the same time, opponents criticized the government for drawing

[25] According to Ken Boessenkool (2010a), Program spending in Alberta has been rocketing up at an average rate of more than nine per cent for the past 10 years. This is unsustainable because Alberta's non-resource revenues have been growing at just over five per cent during that time. The result is that Alberta is today unhealthily reliant on resource revenues to just balance the budget" (see also: Boessenkool 2010b).

too much from the province's rainy day reserve in bad times, and not depositing enough during economic booms. "This budget shows they've completely given up any hope of controlling spending," Wildrose Alliance leader Danielle Smith argued. "We're racking up debt, we're blowing through our savings; it's going to be completely gone in a year or two" (McLean 2010a). The Wildrose Alliance responded with its own alternative plan. Labelled "The Balanced Budget Initiative," the seven-page document promised, among other things, to solve the deficit by spreading infrastructure spending over a longer period, slowing the growth in health spending to inflation plus population growth (3.5 percent), cancelling the government's carbon capture and storage programs, and reducing the size of cabinet and the senior ranks of the civil service (Wildrose Alliance Party of Alberta 2010).

Based on this fiscally conservative platform, Wildrose support continued to build in the aftermath of the 2010 Alberta budget, prompting many within the Progressive Conservative Party to consider a change in course (see Figure 3). Detractors mobilized when, in December 2010, Premier Stelmach announced his intentions to run a third deficit and to extend the province's timeline for returning to a balanced budget by an additional year. On January 25, 2011, amid internal party pressure, Stelmach confirmed he would not lead his party into the next provincial election. Finance Minister Ted Morton resigned the following day, making him eligible for the race to replace Stelmach and relieving himself of the responsibility for delivering the government's third consecutive deficit budget. Since that time, Morton has been joined by several other competitors in a leadership race whose finish is scheduled for September 2011.

[Insert Figure 3 about here.]

Saskatchewan

Alberta's "Siamese twin" (Marchildon 2005: 4), Saskatchewan weathered the political and fiscal storm somewhat more successfully than its Western neighbour. Indeed, the Saskatchewan Party government remained the only one in Canada to report consecutive budget surpluses throughout the Great Recession.

Released in late February 2009, the Saskatchewan government's third-quarter budget update continued to project a surplus of $2.3 billion for 2008-09, based on stronger-than expected performance in the potash sector. Attracting criticism from the New Democrats, the Saskatchewan Party government drew $450 million from the province's Growth and Financial Security Fund to cover the costs of increased government spending, including the $500 million in additional infrastructure spending that was injected during the 2008-2009 fiscal year (Hall 2009d). The so-called "booster shot" drew the ire of the opposition NDP, who argued that moving up the spending was the government's way of balancing the 2009-10 budget (Wood 2009).

The 2009-10 Saskatchewan Budget promised a $425 million surplus, a figure that included a $9 million transfer from the $1.1 billion Growth and Financial Security Fund. Labelling the plan "strong and steady," the budget was "good news" for Saskatchewan residents, according to Finance Minister Rod Gantefoer. "We are optimistic in this province, but I think it's fair to say that we are also very cautious. We are better positioned than most provinces" (Hall 2009c). "It sends a signal of balance at a time when most jurisdictions, if not all, are suffering deficits. It's good news from that standpoint for sure" (Hall 2009b).

For the second year, the Saskatchewan government dedicated $1 billion toward infrastructure spending, including $200 million over two years toward a new children's hospital in Saskatoon. The budget also contained an 8.8 percent increase in health spending, keeping the cost of health care at approximately 40 percent of the province's overall expenditures.

The Saskatchewan Party government was also able to follow through on two major platform promises: to address concerns with the province's education property tax and establish a revenue-sharing agreement with municipalities. On the former, the provincial government assumed control over mill rates, helping to reduce property taxes by 14 percent, and boosted funding to school divisions by $214 million. On the latter, the government promised to allocate 90 percent of one percentage point of the Provincial Sales Tax to municipalities – a figure that would rise to 100 percent of one PST point in 2010-11. In other moves, the government's decision to increase agriculture funding by 58 percent, and to lower the tax burden on agricultural land, pleased many members of the Saskatchewan Party's rural base (Scott 2009). And, to address concerns raised by post-secondary institutions, the government increased funding to universities by $23.5 billon and lifted the province's six-year tuition freeze.

The 2009-10 budget also included projections for balanced budgets through 2012-13, but Gantefoer cautioned, "when you're going three or four years the crystal ball gets pretty foggy" (Hall 2009b). The government committed to maintaining general debt levels at $4.2 billion over the same four-year period. The province's balanced budget legislation requires that half of all any unanticipated surpluses be devoted to debt repayment, a requirement the government exceeded when it reduced the general debt from $6.4 billion in 2008-09. "I think if you would have asked people at the start of our government's term if this government could reduce the government's general debt by 40 per cent in the first term they would have, I think, said that would be a big achievement," Premier Wall suggested upon the release of Budget 2009 (Hall 2009a). The opposition New Democrats argued that, while the Saskatchewan Party government was committed to maintaining *general* debt levels, the total debt – including Crown corporations – was forecast to rise from $8 billion in 2009 to $10.9 billion in 2013 (a 36 percent increase) (Hall 2009a).

Critics also pointed to what they portrayed as overly-optimistic growth figures, noting that the 2.1 percent economic growth projected for 2009-10, and 2.9 percent for 2010-11, were significantly higher than private sector forecasts. At the same time, opponents cited the Saskatchewan Party government for failing to arrest the growth in government spending – 10 percent in 2008-2009 and 12.4 percent in 2009-10 (Budget charts new paty filled with risk, hope 2009). "Bottom line, shaky economic and revenue assumptions, plus runaway spending, equals a potential fiscal train wreck," argued NDP finance critic Harry Van Mulligan (Johnstone 2009). All told, however, the 2009-10 Saskatchewan fiscal plan was relatively well-received as one of Canada's few "good news" budgets, leaving few opponents (except First Nations leaders and environmentalists) with room for criticism (Mandryk 2009).

Saskatchewan's relatively bright fiscal future was based largely on potash revenues, the growth of which served to cushion the province against dramatic losses in other sectors. A $427 million increase in potash revenues went some way toward offsetting the $915 million decline in oil revenues projected for 2009-2010. Overall, government anticipated $1.9 billion in revenues from the potash industry – nearly 20 percent of its total revenue for 2009-10. Critics called the projections overly optimistic, a factor noted by Gantefoer: "If anything has kept me awake at nights more than potash, I'm not sure what it is" (Johnstone 2009). This said, his government remained "very, very confident that the cautious numbers that we've used are appropriate" (Johnstone 2009). Confident that the province's 30 percent share of the global potash supply would allow it some control over the price of the mineral, Gantefoer suggested, "Saskatchewan is the Saudi Arabia of the potash industry" (Johnstone 2009).[26]

A mid-year budget update for 2009-10 revealed that the government's projections were, indeed, overly optimistic. By January 2010, the province had amassed a $1.05 billion budget deficit. The shortfall was almost entirely attributable to a sharp decline in the potash industry; the government's 2009-10 projections had pegged revenue at $1.9 billion, whereas the province obtained barely $100 million (Johnstone 2010b). Critics were quick to blame the government for imprudence, both in its revenue projections and in its failure to curb government spending (Mandryk 2010). The opposition NDP criticised the government for underestimating resource revenues in an attempt to manufacture a surplus heading into the November 2011 (fixed-date) election. "Lowballing budgets and fibbing on that side is every bit as bad as being wrong on the other side. Budgets are about being accurate and getting the numbers right and not playing games," NDP Leader Dwain Lingenfelter argued (Wood 2010c).

To address these criticisms, Gantefoer promised "a more cautious approach on our revenue and a more disciplined approach to our expenditures" (Wood 2010e). Indeed, Budget 2010 contained a much more modest series of predictions in terms of revenue growth, with Gantefoer committed to "looking at last year and learning a great deal from it in terms of the need to be prudent and cautious" (Wood 2010c). The government would now base its potash revenue projections on a five-year average, reducing its forecast to $221 million in potash royalties. The government also delayed its commitments to further cut education property taxes, boost capital spending, and increase municipal revenue sharing; and raised taxes on tobacco and liquor.

---

[26] Saskatchewan's potash industry became the topic of national political debate in 2010, when PotashCorp (a former provincial Crown corporation) became the subject of a prospective takeover bid by multinational mining corporation BHP Bilton. Following pressure from Saskatchewan politicians, including MPs and Premier Wall, the Government of Canada opted to block the purchase on the grounds that it did not represent a "net benefit" for the country. The incident was widely considered a political victory for Premier Wall, whose popularity ratings improved markedly in its aftermath.

The government also adopted a more aggressive approach to limiting the size of government, reducing overall government spending by 1.2 percent from 2009-10 levels and promising a 4 percent reduction in the size of the civil service in year one of its four-year plan (which would amount to a 15 percent reduction overall). "Everywhere else in Canada the spring budget talk is about structural deficits, about debt increases to cover annual operating expenses, it's been about five, six per cent expenditures in growth in budget after budget. In the province of Saskatchewan... the talk will be about Saskatchewan doing something different. The talk will be about the government holding to its goal of a zero per cent increase in expenditures," the premier argued at the Saskatchewan Party's annual convention in early March. In announcing the 2010-11 budget, Gantefoer concurred:

> "We are aiming at a reduced expenditure year-over-year and that means priorities are going to have to be addressed and dealt with," he told reporters as he showed off a new belt, rather than the traditional new shoes for budget day, as a symbol of government belt-tightening. "Certainly there will be some people who are disappointed and others who will be pleased. Everybody, I hope, will understand the challenge and the difficulty that any government will have with a budget that exercises discipline and restraint" (Wood 2010c).

As a means of accomplishing this, the government reduced infrastructure spending to $622 million, and planned to constrain growth in health spending to 3.1 percent, a significant departure from what Wall described as the government's policy of "nine, 10 per cent (increases) and just a faith and a trust that things are going to get better" (Wood 2010b). "If we can hold it to that goal, it's significant," he said. "So this is the challenge of the budget. And I've had officials say it would be a minor miracle if we can hold health to three per cent," the premier added in the lead up to the budget announcement (Wood 2010b).

Overall, Premier Wall touted his government's 2010 Budget as "balanced" and the most fiscally responsible in the country. "I believe this is the strongest financial statement that's been presented in any provincial capital or in the national capital this year. . . . I don't think anyone should doubt our resolve about making sure that government funding is sustainable," (Wood 2010f). To cover the remaining shortfall in the general revenue fund, and produce a $20 million surplus, the government pledged to withdraw $194 million from the Growth and Financial Security Fund, leaving it with a balance of $510 million. The 2010-11 budget also projected an operating deficit in 2011-12, before the province returned to budget balance in 2012-2013.

Opponents to its left criticized the government for cutting too deeply. For instance, factoring in inflation, an ageing population, and population growth, a 3 percent increase in health spending would actually amount to a "cut," according to some critics (Wood 2010d, 2010a). Others questioned the government's promise to reduce the size of the civil service without affecting service delivery (Hall 2010). From the right, critics wanted the government to make more drastic cuts to address the $2 billion growth in government spending that had occurred since the Saskatchewan Party took office in 2007. "The thing about the deficit is that it wasn't caused by a revenue problem, the deficit was caused by a spending problem," argued University of Saskatchewan economist Eric Howe. "You don't deal with a spending problem by waiting for the revenue to recover" (Wood 2010c). Others criticized the government's decision to defer tax cuts, when the economy needed them most (Warren 2010). And others suggested that, on a summary basis (including all Crown corporations), the government's deficit ($622.7 million) was much larger than the general revenue fund figure it reported ($174 million). Combined with the fact that the province withdrew funds from its rainy day fund and $276 million in dividends from the Crown Investments Corporation, opponents disputed the government's claim that it had actually "balanced" its budget. "For a second year in a row, there is a summary deficit of $622 million," NDP leader Dwain Lingenfelter told reporters. "Over these two budgets, the Wall government is spending $1.3 billion more than it's taking in. By anyone's accounting, that is, in fact, a deficit" (Johnstone 2010a).

In the words of its finance minister, the Saskatchewan government's 2010 Budget marked an attempt to ensure the province was "living within its means" (Wood 2010f). "I think what we're signalling in this budget is that we're going to be prudent and fiscally disciplined and we're going to do a very deliberate exercise of reducing the footprint of government and be more effective and more efficient, and we're going to continue to look for efficiencies and program improvements," Gantefoer said (Wood 2010f). If public opinion polls offer a reliable indication, the Saskatchewan public remained solidly behind the Saskachewan Party's approach, as the government maintained the support of over fifty percent of the electorate throughout the Great Recession (see Figure 4). With the exception of tthe Newfoundland and Labrador PCs, it was the only governing party in Canada to retain such a high level of support over this period.

[Insert Figure 4 about here.]

Manitoba

In October 2008, Gary Doer's New Democratic government amended Manitoba's *Balanced Budget, Fiscal Management and Taxpayer Accountability Act* to require balanced budgets on a four-year basis. According to the new act, "the balance as at the end of a fiscal year is the average of the net results for the fiscal years within the four-year period ending at that time" (s. 3[1]). The change brought the party's policy in line with those of previous New Democratic governments in British Columbia and Saskatchewan. At the same time, the new law mandated summary (as opposed to core) budgeting, stricter requirements on public reporting, and the use of generally accepted accounting principles (GAAP). The government maintained the remaining provisions in the act, including the ministerial salary reduction penalties, the prohibition of using the proceeds from the sale of Crown corporations to balance the budget, the requirement to hold public hearings prior to amending or repealing the legislation, the requirement to hold a referendum prior to major tax increases, and the ability to exclude the financial impact of catastrophic events from its balance calculations.

The opposition Progressive Conservatives criticized the NDP government for “flip-flopping” on their 1999 platform commitment to maintain Manitoba’s balanced budget legislation, by watering down its provisions (McFadyen 2008). In particular, by removing the requirement to balance the government’s core operating budget and moving to a multi-year cycle, opponents argued that the province was opening the door to deficit spending and mounting debt (Martin 2008).

Alongside Saskatchewan, Manitoba was one of only two provinces to publicly declare a balanced budget in 2009. In introducing his government’s first budget during the Great Recession, Finance Minister Greg Selinger noted, “Manitoba is well-positioned to weather tough economic times, however our budget is not without hard choices. Our decision not to run a deficit like some other governments means that we have had to make some difficult decisions” (Manitoba 2009). These choices included increasing infrastructure spending by $625 million, an effort estimated to create 10,000 jobs. While resisting opposition calls to reduce the payroll tax, the government followed through on its promise to eliminate the final one percent remaining of the small business tax, a levy that had stood at 8 percent when it reached office in 1999. The growth in government spending was slowed from 6.2 percent in 2008-2009 to 4.4 percent in 2009-2010.[27] “Times may be tight but this is not the time to stop investing in our greatest resource – our people,” Finance Minister Greg Selinger said. “Bricks and mortar projects are important stimulus initiatives and today’s budget continues to modernize our province’s infrastructure. However, investing in people and building our knowledge economy are the best actions we can take to steer our province through uncertainty and towards prosperity. This is the path we have chosen” (Manitoba 2009).

There were obvious trade-offs involved, and the government opted to pay for its commitments by suspending its statutory obligation to contribute funds to the debt retirement fund. According to the government, this amendment to the balanced budget law provided “more flexibility to make a $20-million debt payment this year and use the balance that would have been paid for debt [$90 million] to address infrastructure, stimulate the economy and create jobs” (Manitoba 2009). At the same time, the government withdrew $110 million from the province’s fiscal stabilization fund – a key measure that helped it to report its tenth consecutive balanced budget. It is notable that, whereas the Manitoba government declared its 2009 budget to be “balanced” after withdrawing funds from its rainy day reserve, the Alberta government declared a deficit while doing the same.

Critics argued that, by drawing from the sustainability fund, slowing debt payments, borrowing more funds to spend on infrastructure investments, and relying on a $170 million boost in federal transfer payments to offset losses in own-source revenue, the Manitoba government was actually concealing a budget deficit (Budget spin ludicrous 2009). Excluding Crown corporation revenues and pension obligations, on core government operations, expenditures outstripped revenues by $88 million.

---

[27] And, in April, the New Democratic Party joined the Opposition PCs in rejecting their share of public, per-vote subsidies given to political parties under the province’s *Electoral Finances Act*. Their combined actions returned a total of $450,000.00 to government coffers.

And, despite recording a small budget surplus, the province's net debt was projected to rise by $700 million (to $11.8 billion, or $9717 per capita). In response, the government noted that the $634 million remaining in the stabilization reserve remained three times the size projected when the party took office in 1999. Press releases reiterated the government's objective to "continuing to pay down debt while protecting important services and investing in people and the programs that prepare the province for the future" (Manitoba 2009). "This is a budget that's intended to be both prudent, which is why we are not running a deficit, and stimulative, which is why we are increasing our capital spending," Selinger said. "Revenues are flattening out. We have to make sure that we're careful as we go forward to have revenues to support key programs" (Puxley 2009).

As in other provinces, this tone changed markedly in the following year, as Manitoba posted an actual deficit of $555 million at the close of 2009-2010. While noting that "The global economy is starting to show signs of recovery" (Manitoba 2010a), as part of Budget 2010 (*Manitoba Moves Forward*), Finance Minister Rosann Wowchuk noted, "There isn't a corner of the world that has escaped the recession that has swept over the globe in the past year... Manitoba has fared better than most, but we are still feeling the impact of the worst economic downturn since the Second World War. What we need to do now is ensure our economy is competitive when the global economy recovers. We need to do it in a way that doesn't leave people behind" (Manitoba 2010b).

In producing his first budget as Premier, Doer's successor Greg Selinger titled his government's approach "steady" and "balanced". The latter term did not refer strictly to the budget, however, as the government forecasted a deficit of $545 million in 2010-2011, and a total of $1.5 billion in deficits over four years. This was necessary, the government argued, to invest in priority areas like health care, education, training, policing, and family services (which, combined would receive 90 percent of all new spending); to invest $1.8 billion in stimulus infrastructure projects; and to contribute $96 million toward paying down the provincial debt. Spending would be reduced in half of all departments, with overall core spending growth capped at 2 percent annually for the next five years. The government's five-year recovery plan also included delays on planned income and corporate tax cuts, the removal of a post-secondary tuition freeze, increased service fees, a wage freeze for members of the legislative assembly, and a promise to "negotiate a pause in public sector wage increases" (Manitoba 2010b).

To implement its approach, the government suspended several sections of the province's BBL throughout the "economic recovery period."[28] This term was defined as ending in March 31, 2014, or once the province's annual budget balance had been restored. Suspended provisions of the BBL included requirements to present a balanced budget (s 2[1]), and to submit an annual statement of balance (s 4[1]), Auditor General's Report (s 4[2], and third-quarter report of projected balance (s 5). The amendments also extended its suspension of the debt repayment obligations in the BBL to include

[28] Enjoying some of the highest approval ratings among all Canadian premiers at the time, Gary Doer stepped down in August 2009, becoming Canada's Ambassador to the United States. For more on Greg Selinger's rise to the premiership, see Wesley (2010).

the entire recovery period. While cutting ministerial salaries by 20 percent for the 2010-2011 budget year – a full year *earlier* than the four-year budget cycle embedded in the previous legislation would have required – the government opted to maintain the salary reduction at 20 percent (instead of 40 percent) for the remainder of the recovery period. Lastly, the government excluded $90 million in expenditures related to the province's H1N1 influenza campaign, declaring the effort an extraordinary circumstance.

Over the five-year plan, the Manitoba government promised to dedicate $600 million from its rainy day reserve toward debt repayment; this strategy effectively transformed the Fiscal Stabilization Account into a debt servicing fund (akin to Quebec's Generations Fund). Touting the party's record since reaching office, according to the New Democratic government, "Manitoba's net debt is expected to be 26.8 per cent of GDP, down from 32.9 per cent in 1999. The province's debt servicing costs are expected to be six cents of every dollar raised, which is less than half the cost of a decade ago" (Manitoba 2010a). Opponents once again raised the spectre of increasing the province's debt; through increased borrowing and budget deficits, the province's debt was estimated to rise to $13.9 billion (Martin 2010). The Progressive Conservatives began referring to the situation as "Selinger's sinkhole".

In defending the budget, Finance Minister Rosann Wowchuk drew upon lessons from the past. "During the last recession, governments made deep cuts to key services such as health care, education, training and supports for families," she told reporters. "While these cuts may save dollars in the short term, the cost of repairing this neglect is much greater in the long term" (Kusch 2010). "After we came out of it we faced critical nursing shortages, doctors shortages... We had higher taxes, we had crumbling roads and we really had a shortage of skilled workers. Our government hasn't forgotten that" (Owen and Kusch 2010). Furthermore, Wowchuk suggested,

> Continuing to meet the requirements of current balanced budget legislation in today's environment would require deep cuts to public services, tax increases and the cancellation of stimulus investments. By restoring balance over five years, the plan is both financially and socially responsible, balancing priority investments in vital services and in infrastructure with sound fiscal management... This balanced, multi-year approach is mirrored by other provinces and the federal government (Manitoba 2010a).

Fiscal Responses

The four Western provinces were among seven provincial jurisdictions to institute balanced budget legislation between 1995 and 2002. In this section we assess whether there has been any discernible fiscal response; that is, we ask whether there is statistical evidence that the legislation has had an impact on the growth of expenditure and brought it more in line with the growth in revenue. Has the legislation imposed real restrictions on expenditure growth relative to revenues or has it had no impact? To undertake this assessment, we examine the evidence on gross revenues and expenditures provided by the Financial Management System (FMS) from its inception in 1988 to the present. This provides us with a substantial period of time before and after the implementation of the first balanced budget legislation in each province for statistical comparison.[29] The FMS is designed to produce consistent and compatible government accounts on a fiscal year basis across provinces (Statistics Canada, 2009).

One expressed intent of BBL is to restrain provincial expenditure to available revenues. This implies that we should observe growth in expenditures that is more severely restricted by the rate of growth of revenues once BBL has been enacted. We therefore compare the growth in gross expenditures and revenues before and after the enactment of BBL to see if expenditure growth has moderated relative to revenue growth after the institution of BBL. We use linear spline regression of time on the logarithm of expenditures and revenues and a single break point at the year of enactment of BBL to compare the patterns of expenditure and revenue growth before and after the enactment of the legislation.[30] Our results are presented in Table 3 for the four Western provinces and, for comparison, for the other three provinces that have enacted BBL to this point.

Our expectation is that expenditure growth will be restrained by revenue growth after the enactment of BBL. We see this pattern in Table 3 for British Columbia, which enacted BBL in 2000. Revenue growth fell from 5.04% before enactment to 4.33% after, a decline in revenue growth of 0.71%, which is not statistically significant. Expenditure growth, however, fell from 5.95% before enactment of BBL to 2.58% after, a decline of 3.37%, which is significant at the conventional 5% level. The decline in expenditure growth exceeds the decline in revenue growth by 2.66%, consistent with effective BBL.

In the other Western provinces, however, there is no evidence of expenditure restraint after the enactment of BBL. The most striking case, the opposite of the British Columbia experience, is Alberta, where revenue growth rose by 4.34% after enactment of BBL in 1995 but expenditure growth rose at a much faster rate of 7.09%. As a result, the rise in expenditure growth outstripped the rise in revenue growth by 2.75%, contrary to objectives forwarded by many proponents of balanced budget legislation. The rise in expenditure growth also exceeded the rise in revenue growth in Manitoba and, more marginally, in Saskatchewan.

Table 3 calculates the simple mean outcomes for the four Western provinces. As a group, revenue growth after BBL enactment rose by 2.2% but was outstripped by a rise in the rate of expenditure growth of 2.34%. This is contrary to the notion that the enactment of BBL in the Western

---

[29] Although the legislation was amended in each province over time, no province has as yet repealed balanced budget legislation, allowing for a straightforward before-and-after comparison of outcomes in each province.

[30] Linear spline regression simply ensures that the estimated intercepts and slopes for the two segments (before and after the enactment of BBL) are pointwise continuous. We use the STATA11 linear spline construction explained at: http://www.stata.com/help.cgi?mkspline

provinces led, in general, to greater expenditure growth restraint in relation to growth in revenues, as would be expected of effective BBL.

Table 3 also compares the Western experience with the experience of the three other provinces that enacted BBL between 1995 and 2002: Ontario, Quebec and New Brunswick. In Quebec and New Brunswick, the rise in the rate of expenditure growth also exceeded the rise in the rate of revenue growth after BBL enactment, as it did in three of the four Western provinces, although the differences were small. In Ontario, the rise in expenditure growth was slower than the rise in revenue growth but the difference, 0.29%, was again very small. Although both revenue and expenditure growth rose more slowly in these three provinces relative to Western Canada, the general story told by the mean outcomes for these three provinces is much the same. The rise in expenditure growth of 1.47% for the three provinces combined (compared to 2.34% for the Western provinces) exceeded the rise in revenue growth of 1.4% (compared to 2.2% for the Western provinces), contributing to a moderate decline in the fiscal positions of these government as well. In aggregate for the seven provinces at the bottom of Table 3, revenue growth rose by an average of 1.86% after the enactment of BBL but expenditure growth rose slightly faster at 1.96%, a result which questions whether BBL improved the overall state of provincial finances.

In summary, only British Columbia's experience suggests that BBL restrained expenditure growth relative to revenue growth to assist in actually effecting a stronger fiscal position. Alberta's experience was exactly the opposite, and suggests that BBL was of no consequence in restraining the growth of government spending. In the five other provinces with BBL – Saskatchewan, Manitoba, Ontario, Quebec, and New Brunswick – there is no discernible effect, as expenditure growth and revenue growth follow very similar paths. In general, BBL appears to have been more rhetoric than restriction both in Western Canada and elsewhere.

It is also instructive to examine the experience of the three Atlantic provinces – Prince Edward Island, Nova Scotia, and Newfoundland and Labrador – that have not enacted BBL to this point. How have the fiscal positions of these provinces developed in comparison to the seven provinces with BBL? To assess their performance and compare it with the provinces that have enacted BBL, we again compare the growth in gross expenditures and revenues using linear spline regressions of time on the logarithm of expenditures and revenues. For our break point, we use the midpoint of the data (1999), which is also close to the midpoint of the dates of BBL enactment. These results are presented in Table 4 as a point of comparison with the results for the West and for other provinces with BBL.

First, revenue growth and expenditure growth have both risen significantly in the provinces without balanced budget legislation, as it has in most of the provinces with BBL. In one case, Newfoundland and Labrador, expenditure growth has risen more slowly than revenue growth by 0.68%. In the other two provinces, however, expenditure growth has outstripped revenue growth by 0.61% (PEI) and 0.98% (NS), such that overall expenditure growth has risen faster than revenue growth over the second half of the time period studied by a modest 0.30%. We would note that this is quite similar to the experience of the Western provinces as a whole and the other provinces with BBL, again questioning whether BBL has had any effect on fiscal planning.

If the provinces without BBL in Table 4 provide a collective counterfactual (no BBL) to the provinces with BBL in Table 3, then a simple difference-in-differences (DID) estimate of the impact of BBL on provincial fiscal positions can be calculated.[31] The DID estimate is the difference between the differential expenditure growth in the provinces with BBL (0.11%) and without BBL (0.30%), or -0.19%. For the West, the differential expenditure growth of 0.14% was still 0.16% below that of the provinces without BBL. These estimates do not support the notion that BBL provides greater expenditure restraint, since provinces without BBL experienced changes in expenditure growth that were modestly more in line with changes in their revenue growth since 1999.

Discussion: Restriction or Rhetoric?

Balanced budget legislation did not prevent Western Canadian governments from running budget deficits in the face of the Great Recession. Proponents of BBL could argue that – while not reducing the size of the state – BBL did provide a baseline against which government growth could be compared. In this light, the political constraints associated with balanced budget legislation could explain why governments chose to cut back in many areas, while maintaining (or increasing) support for "core government services" (like health and education). The existence of BBL could also be used to explain why governments in Manitoba, Alberta, and British Columbia declared their deficits to be both necessary and temporary; statutory requirements in each province forced the governments to produce long-term fiscal plans, and there was pressure to ensure the end of deficits was in sight.

This approach ran contrary to the original critics of BBL, who predicted that governments would move quickly to cut essential services in an effort to abide by the balanced budget requirements at all costs. Yet, dramatic cutbacks – as characterized each province in the mid-1990s – never materialized from 2008 to 2010. Governments of all political stripes, in all four provinces, were willing to run operating deficits in order to defend (and even increase) funding to social services, while borrowing funds to invest in long-term infrastructure investments. And governments in three of the four provinces opted to amend their BBL to do so – something both BBL proponents and critics would have deemed political 'suicide' a decade earlier.

---

[31] One advantage of DID estimates is that they use each province as its own control by comparing outcomes within each provinces before and after a specified time (enactment of BBL or, in the case of no BBL, the midpoint of the time series). This allows for differences between jurisdictions that are fixed or stable through time because they are differenced out. Thus, slower growing and faster growing provinces can be compared to the extent that their differences are relatively stable over the period of comparison.

Indeed, many of the original proponents of BBL were among the most critical of these responses. Some blamed the governments for failing to cut more deeply, or for failing to apply fiscal discipline earlier in the decade during better economic times. Others criticized the governments for not acting quickly enough to return their provinces to surplus, or not doing enough to avoid debt accumulation. In their eyes, governments had not lived up to the original objectives of the BBL movement; they had not chosen to "live within their means" or prevent passing the burden to "future generations." The question is, why?

A large part of the answer lies in the fact that balanced budget legislation is just that: a regular piece of legislation, which may be amended, suspended, or repealed. The principles of parliamentary sovereignty require that, as aside from the province's constitution, no legislature may pass a law that is binding upon its successors (see Geist 1997: 10-12). When introducing BBL in the early 1990s, even proponents conceded this point, noting that the new laws were "nothing more than a declaration of majority rule. There is no doubt that this limits the discretion of future governments, but so does any law. So long as no greater majority is required to amend or overturn the law than it took to pass it, no democratic principle is upset. It seems a bit presumptuous, not to say self-contradictory, for parliamentary supremacists to deny Parliament the right to bind itself if it so wishes" (Bolstering our will to balance the budget, Bolstering our will to balance the budget 1993). From this perspective, a balanced budget law – like those surrounding fixed election dates, campaign financing, or any other subject – is only in force as long as the government of the day sees fit. (Moreover, the consequences of non-compliance often amount to little more than an admission of a failure to meet a political commitment made by previous government.) Considering that governments rely on public support in representative democracies like Canada, this means balanced budget laws are effective insofar as they have the backing of a sizeable portion of the electorate. Should the public demand the maintenance of social programs or support stimulus spending, with or without accepting a budget deficit, governments would be hard-pressed to abide by the existing fiscal rules. Adding to the scenario, there were national and global pressures on Western Canadian governments to undertake counter-cyclical ("stimulus") spending. Announcements by governments in the United States and European Union, and cost-sharing inducements offered by the Canadian government, provided the decision-making background for provincial governments during the Great Recession. Amid these forces, all four governments opted to prioritize social and capital spending over balanced budgets and/or debt reduction.

Indeed, our analysis of the fiscal behaviour of the Western provinces suggests that restraint in expenditure growth in the aftermath of the enactment of BBL was the exception rather than the rule. Using the growth in provincial revenues as the benchmark, since improved budget balances can only arise when expenditure growth is restrained relative to revenue growth, only British Columbia showed more restraint in expenditure growth after BBL enactment than before. In the other Western provinces, expenditure growth diverged from revenue growth, especially in Alberta, leaving these provinces in worse fiscal positions as the Great Recession struck. Their fiscal experience was not much different from the other three provinces that instituted BBL nor the three provinces that did not enact BBL. Indeed, the provinces that operated in the absence of BBL were marginally more successful in bringing expenditure growth in line with revenue growth during the run-up to the Great Recession.

Geist (1997: 35) foresaw this reality during the second wave of balanced budget legislation when he suggested that "politicians are unlikely to comply with balanced budget legislation whose effect would be sufficiently politically damaging as to exceed the political damage resulting from non-compliance...". A short time later, while in opposition, Gordon Campbell's BC Liberals made similar comments surrounding the BBL introduced by the NDP government in 2000: "At the end of the day, that's what it takes. It's going to take political will by members of the government -- this government or another government -- to balance the budget. This legislation isn't worth the paper it's written on if the government doesn't have the political will to follow it, because all the government needs to do is repeal it or change it. It can go out of this House as fast as it came into this House" (Farrell-Collins 2000: 1515). Amid a brief and minor economic downturn at the turn of the next decade, Hale's (2006: 400) comments also proved prescient: "The return of eight of Canada's ten provinces into budgetary deficits in 2002-2003 and 2003-04 suggests that the effectiveness of budget rules in helping provinces to restore the sustainability of their public services is highly subject to political opportunism and shifts in the broader public mood."

As noted in this study, if Western Canadian governments' support for core government services is any indication, political leaders believed that there was greater political risk associated with spending cuts than running a deficit. To be certain, BBL had instilled in Western Canadians an aversion to budget deficits. This was most visible in Alberta, embodied in the surging support for the Wildrose Alliance; yet public distaste for budget deficits may also be seen in the plummeting approval ratings of Gordon Campbell, the waning fortunes of the Manitoba New Democrats, and – by contrast – the popularity of budget-balancing Brad Wall. Despite this – whether due to the stimulus zeitgeist created by the global response to the Great Recession, the hindsight afforded by the cutback experience of the 1990s, or a combination of these and other factors – Western Canadian premiers chose to run deficits.

Many critics on the political right blamed these leaders for failing to live up to the original promise of BBL. Others have taken a more nuanced view. Under the headline "Governments will keep on spending until we tell them to stop," a 2010 *Vancouver Sun* editorial placed the blame for deficits squarely on Canadian voters:

> Why are governments so loath to attack the debt? Because we all have our hands out demanding more services, more handouts, more tax breaks, more social housing, more mass transit, more public investment in clean energy, in education, in climate initiatives, in high technology, in infrastructure; and more spending to address past wrongs, to nurture multiculturalism, to support amateur sport and to increase public safety. Governments spend us into penury because they are rewarded politically for doing so; they face no consequences as a result of their financial excesses. Only when we begin to demand less and elect governments that promise to put fiscal prudence above political expediency will we be able to free ourselves from the

> burden of indebtedness (Governments will keep on spending until we tell them to stop 2010).

From this perspective, as the editors of the *Globe and Mail* once suggested, “The point of rules is to bolster political will, not to replace it. A balanced-budget law, in other words, is no substitute for actually balancing the budget. It is not a talisman, whose very invocation is enough to make deficits disappear. But it is hard to see how it would hurt” (Bolstering our will to balance the budget 1993).

Conclusion

As elsewhere, provincial governments in Western Canada introduced balanced budget legislation in the 1990s as a means of discouraging their successors from running deficits. Amid consistent growth in government spending and public debt, BBL would provide politicians with a reason for saying “no” to those who wished to expand government programs, and a justification for saying “yes” to those who wished to restrict the size of the state. While they were not entrenched in any province’s constitution, these new balanced budget laws were viewed as binding in both legal and political terms. They did so by imposing penalties on offending ministers, in some provinces, and in all cases by forcing governments to subject their budgeting decisions to the court of public opinion. Critics warned that these new pieces of legislation would unduly constrain future governments, preventing them from running necessary (even positive) budget deficits as a means of counteracting or addressing the ill-effects of an economic downturn. As the foregoing analysis of provincial fiscal response after the enactment of BBL in general and response to the Great Recession in particular suggests, neither set of predictions came to full fruition in Western Canada.

In the end, the four Western provinces took varying measures to match their responses to the Great Recession with their respective balanced budget laws. The downturn had a major effect on each government’s bottom-line, with expenditures outstripping revenues in every province in 2010. As of December 2010, Saskatchewan was the only province not to declare a budget deficit during the recession and its aftermath. There, as in Alberta and Manitoba, revenue shortfalls were addressed (at least somewhat) by drawing funds from each province’s rainy day reserves. (British Columbia had no sustainability fund from which to draw.) Saskatchewan was also the only province not to alter its balanced budget legislation in reaction to the downturn. In British Columbia, Alberta, and Manitoba, each government amended its BBL to permit “temporary” budget deficits for a specific – and subsequently-extended – transition period. Amendments in Manitoba also shifted the province from a yearly balance to a four-year rolling average, and reduced the ministerial penalty from 40 to 20 percent.

Estimating the likely effect of the BBL passed by various Canadian governments in the 1990s, Geist (1997: 9) once argued “that deficit reduction and the maintenance of a balanced budget requires political leadership: a quality that legislation, no matter how well drafted, does not guarantee.” In particular, “without leadership to make difficult choices, to convince the public of the necessity of deficit reduction, and to comply with both the letter and spirit of such legislation, balanced budget statutes are destined to be wholly ineffective” (Geist 1997: 38). As the Western Canadian experience demonstrates, as with any normal piece of government legislation, fiscal rules can be followed, re-written, circumvented, suspended, or abandoned in favour of other priorities. In theory, balanced budget legislation may aid governments as they attempt to improve their fiscal positions. Yet, as the Great Recession revealed, fiscal rules alone cannot guarantee balanced budgets. Political will and public support are far more important in determining whether governments will decide to run deficits. For, as strong its legal and political constraints may be, balanced budget legislation cannot prevent political leaders from changing or evading the rules of the game.

Ironically, neither the critics nor the proponents of BBL proved correct in their predictions. Balanced budget legislation was neither too strict to prevent governments from choosing to run deficits, nor was it strong enough to prevent them from outspending their revenues. At the end of the day, the decision was just that: a *choice* between keeping their provinces’ commitments to balancing core budgets, on one hand, or relenting to public and international pressure for social and stimulus spending, on the other. Just like their counterparts across the globe, governments in BC, Alberta, Saskatchewan, and Manitoba opted for the latter. Their opponents may fault these governments for failing to live up to the spirit of their balanced budget legislation – for failing to “live within their means” and for passing a greater debt burden onto future generations. Their defenders may argue that the public’s demands left them with little choice.

With fixed date elections established in Manitoba and Saskatchewan in Fall 2011, and elections expected in BC and Alberta in Spring 2012, the public will have an opportunity to offer its verdict in the very near future. In the meantime, it is clear that, like any other piece of legislation, BBL is only as strong as the political will and public support underlying it.

References

Adrian, Reid S., Yvan Guillemette, and William B.P. Robson. 2007. Missed Targets: Canada's 2007 Fiscal Accountability Rankings. *C.D. Howe Institute Backgrounder* 100:1-10.

Alberta. 2009. *Budget Speech - Budget 2009: Building on Our Strength*. Edmonton: Government of Alberta.

Alberts, Sheldon. 1993. Debt plan slammed by critics. *Calgary Herald*, May 8, A1.

Angus Reid Public Opinion. 2010. Three-in-Five British Columbians Disapprove of Provincial Budget. http://www.angus-reid.com/polls/40264/three-in-five-british-columbians-disapprove-of-provincial-budget/.

B.C.'s amended balanced budget law to allow 2 years of deficits. 2009. *CBC News*, http://www.cbc.ca/canada/british-columbia/story/2009/02/09/bc-legislature-budget-deficit-vote.html.

Bader, Maureen. 2010. Soaring debt threatens our future prosperity. *Vancouver Sun*, March 1, A17.

Boessenkool, Ken. 2010a. Alberta needs to keep a lid on spending to get deficit under control. *Edmonton Journal*, February 18, A16.

———. 2010b. Does Alberta Have a Spending Problem? *SPP Briefing Papers* 3 (1):1-15.

Bolstering our will to balance the budget. 1993. *The Globe and Mail*, May 11, A18.

British Columbia. 2009. *Budget Speech*. Victoria: Government of British Columbia.

British Columbians Continue to Perceive that the HST is Negatively Impacting them -- Only Slightly Less So Than Initially Predicted. 2010. *Ipsos Reid Website*, http://www.ipsos-na.com/news-polls/pressrelease.aspx?id=5033.

Buchanan, James M. 1997. The Balanced Budget Amendment: Clarifying the Arguments. *Public Choice* 90 (1):117-138.

Budget charts new paty filled with risk, hope. 2009. *Star-Phoenix*, March 19, A10.

Budget spin ludicrous. 2009. *Winnipeg Free Press*, March 26, A12.

Busby, Colin, and William B.P. Robson. 2008. Off the Mark: Canada's 2008 Fiscal Accountability Rankings. *C.D. Howe Institute Backgrounder* 112:1-10.

———. 2009. Near Hits and Big Misses: Canada's 2009 Fiscal Accountability Rankings. *C.D. Howe Institute Backgrounder* 117:1-10.

———. 2010. Target Practice Needed: Canada's 2010 Fiscal Accountability Rankings. *C.D. Howe Institute Backgrounder* 129:1-10.

Cayo, Don. 2010a. Big spending rolls on in tough times. *Vancouver Sun*, March 3, D1.

———. 2010b. Taxpayers get a break on 'revenue neutral'. *Vancouver Sun*, March 3, D2.

Collins, Gary. 2001. *Debates of the Legislative Assembly of British Columbia*. July 30: 1420-1500.

D'Aliesio, Renata. 2009. Alberta forecasts record red ink. *Calgary Herald*, April 8, A1.

Dix, Adrian. 2000. Balanced budget bill bad for B.C. *Times-Colonist*, June 4, A7.

Emery, J.C. Herbert, and Ronald D. Kneebone. 2009. Will it be Deja Vu All Over Again? *SPP Briefing Papers* 2 (1):1-10.

Enchin, Harvey. 2010a. The carbon tax conundrum. *Vancouver Sun*, April 9, A15.

———. 2010b. Even if BC balances its books, record debt looms over economy. *Vancouver Sun*, March 3, A5.

Farrell-Collins, Gary. 2000. *Debates of the Legislative Assembly of British Columbia*. July 4: 1430-2055.

Fekete, Jason. 2009. Province chooses to tap rainy day fund. *Calgary Herald*, April 8, A5.

Fekete, Jason, and Renata D'Aliesio. 2009. '80s-era crisis feared in Alberta. *Calgary Herald*, April 3, A1.

Fowlie, Jonathan. 2009a. Big money for infrastructure as B.C. faces two-year deficit. *Vancouver Sun*, February 18, A1.

———. 2009b. The Official Word on Public Sector Cost Cutting. http://communities.canada.com/vancouversun/blogs/capitaldiary/archive/2009/02/06/the-official-word-on-public-sector-cost-cutting.aspx.

———. 2010a. B.C. facing 'a few years of very austere budgets'. *Vancouver Sun*, January 13, A3.

———. 2010b. Gordon Campbell: HST's fate depends on referendum vote. *Vancouver Sun*, September 14, A1.

———. 2010c. Hansen predicts modest economic recovery, end to deficit by 2013. *Vancouver Sun*, March 3, A1.

———. 2010d. Province to grab millions from ICBC. *Vancouver Sun*, March 4, A1.

Geist, Michael A. 1997. Balanced Budget Legislation: An Assessment of the Recent Canadian Experience. *Ottawa Law Review* 29 (1):1-38.

Gibson, Diana, and Ricardo Acuna. 2010. Robbing Peter to Pay Paul. *Edmonton Journal*, February 17, A17.

Governments will keep on spending until we tell them to stop. 2010. *Vancouver Sun*, March 9, A8.

Gunter, Lorne. 1995. Manitoba Tories pull off major economic revolution. *Edmonton Journal*, November 9, A18.

Hale, Geoffey E. 2006. Balancing Autonomy and Responsibility: The Politics of Provincial Fiscal and Tax Policies. In *Provinces: Canadian Provincial Politics*, edited by C. Dunn. Peterborough: Broadview.

Hall, Angela. 2007. Plan mandates balanced budget. *Star-Phoenix*, October 20, A6.

———. 2009a. Debt elimination still goal of gov't, premier says. *Star-Phoenix*, March 20, A8.

———. 2009b. Gov't to lift budget veil. *Star-Phoenix*, March 18, A1.

———. 2009c. Province counts on potash. *Star-Phoenix*, March 19, A3.

———. 2009d. Province still predicts surplus. *Star-Phoenix*, February 28, A3.

———. 2010. Shrinking civil service. *Star-Phoenix*, March 25.

Hamett, Cindy E. 1999. Liberal chief promises law to balance budgets. *Times-Colonist*, October 1, A4.

Hannaford, Nigel. 2009. A government that didn't heed the bumper sticker. *Calgary Herald*, April 4, A10.

International Monetary Fund. 2009. *Fiscal Rules - Anchoring Expectations for Sustainable Public Finances*. Washington: Fiscal Affairs Department.

Ipsos Reid/Global News HST Poll: Final Results. 2009. *Ipsos Reid Website*, http://www.ipsos-na.com/news-polls/pressrelease.aspx?id=4485.

Johnstone, Bruce. 2009. 'Potash is an incredible story'. *Star-Phoenix*, March 19, C8.

———. 2010a. Is this budget balanced? Depends on who you ask. *Star-Phoenix*, March 25, C7.

———. 2010b. Potash, crops & nuclear reactions. *Star-Phoenix*, January 2, D1.

Kennedy, Suzanne, and Janine Robbins. 2003. The Role of Fiscal Rules in Determining Fiscal Performance. *Finance Canada Working Paper* 2001-16:1-36.

Kenyon, Daphne A., and Karen M. Benker. 1984. Fiscal Discipline: Lessons from the State Experience. *National Tax Journal* 37 (3):433-446.

Klein, Seth, and Marc Lee. 2007. Bogus Budgets: Carole Taylor has the cash to solve BC's pressing needs -- but will she admit it? *Canadian Centre for Policy Alternatives*, http://v4.policyalternatives.ca/publications/commentary/bogus-budgets.

Kusch, Larry. 2010. $545M deficit in Manitoba budget. *Leader Post*, March 24, C8.

Lavoie, Judith. 2000. Dosanjh banks on budget law. *Times-Colonist*, May 30, A1.

Law has upside in downturn. 2009. *Calgary Herald*, January 7, A12.

MacKinnon, Janice. 1995. *Debates of the Legislative Assembly of Saskatchewan*. April 28: 1846-1848.

Mandryk, Murray. 2009. Budget leaves NDP no room to criticize. *Star-Phoenix*, March 19, A11.

———. 2010. Premier needs to clarify figures. *Star-Phoenix*, February 19, A10.

Manitoba. 2009. News Release: Budget 2009 Keeps Manitoba Deficit Free with 10th Consecutive Balanced Budget. http://news.gov.mb.ca/news/index.html?archive=2009-3-01&item=5578.

———. 2010a. Manitoba Moves Forward: Manitoba's Five-Year Economic Plan. http://www.gov.mb.ca/finance/budget10/plan.pdf.

———. 2010b. News Release: Budget 2010 - Manitoba Moves Forward. http://news.gov.mb.ca/news/index.html?archive=2010-03-01&item=8026.

Marchildon, Gregory P. 2005. The Great Divide. In *The Heavy Hand of History: Interpreting Saskatchewan's Past*, edited by G. P. Marchildon. Regina: Canadian Plains Research Centre.

Martin, Don. 2009. Alberta seeing red at end of balanced budget legacy. *Calgary Herald*, April 7, A1.

Martin, Shannon. 2008. NDP bill crosses line from bad to awful. *Winnipeg Free Press*, May 28, A11.

———. 2010. NDP claim about cutting deficit is bogus. *Winnipeg Free Press*, March 5, A12.

McFadyen, Hugh. 2008. New law would allow government to raid Crowns in order to overspend. *Winnipeg Free Press*, May 29, A13.

McLean, Archie. 2010a. Health, education spared cuts. *Edmonton Journal*, February 10, A1.

———. 2010b. Morton's first budget will be a tough one. *Edmonton Journal*, February 9, A2.

Nankivell, Neville. 1998. Balancing the books in the provinces. *Financial Post*, March 3, 19.

Ovenden, Norm. 1998. Cut finance minister's pay over deficits. *Edmonton Journal*, January 20, A6.

Owen, Bruce, and Larry Kusch. 2010. Shifting from black to red. *Winnipeg Free Press*, March 24, A5.

Palmer, Vaughn. 2009a. The economy question still seems to favour the Liberals in the polls. *Vancouver Sun*, January 20, A3.

———. 2009b. February budget 'pretty much' going to be it, Campbell pledges. *Vancouver Sun*, April 24, A3.

———. 2009c. Good-years prudence didn't provide cushioun the Liberals need now. *Vancouver Sun*, February 6, A3.

———. 2009d. Premier Campbell crosses to the dark side of fiscal managment. *Vancouver Sun*, February 3, A3.

———. 2010. Liberals hope to move toward a different shade of red. *Vancouver Sun*, March 2, A3.

Phillips, Lisa C. 1997. The Rise of Balanced Budget Laws in Canada: Legislating Fiscal (Ir)Responsibility. *Osgoode Hall Law Journal* 34 (4):681-740.

Poterba, James M. 1995. Balanced Budget Rules and Fiscal Policy: Evidence from the States. *National Tax Journal* 48 (3):329-336.

Puxley, Chinta. 2009. Manitoba tables balanced budget. *The Globe and Mail*, March 26, A5.

Ralston, Bruce. 2010. B.C. Liberal budget fails to offer real economic plan. *Straight.com*, http://straight.com/article-296449/vancouver/bruce-ralston-bc-liberal-budget-fails-offer-real-economic-plan.

Reddick, Christopher G. 2002. Canadian Provincial Budget Outcomes: A Long-Run and Short-Run Perspective. *Fiscal Accountability & Management* November.

Richardson, Robin. 1995. Manitoba leads on balanced budgets: Proposed law would be the strongest in Canada. *Financial Post*, August 31, 9.

Roberts, David. 1995. Saskatchewan introduces balanced-budget bill. *The Globe and Mail*, April 28, A4.

Sask. pushes budget law. 1995. *Times-Colonist*, April 28, 1.

Scott, Neil. 2009. Budget pleases farmers, ranchers. *Star - Phoenix*, March 19, C8.

Simpson, Jeffrey. 1995. Balanced-budget legislation suggests that Parliament is a failure. *The Globe and Mail*, April 18, A24.

Sinnema, Jodie, and Archie McLean. 2010. New coalition launches "firestorm of protest" against Alta. government. *Edmonton Journal*, A1.

Steffenhagen, Janet, and Pamela Fayerman. 2010. We must make health care sustainable: Finance Minister. *Vancouver Sun*, March 3, A4.

Stelmach, Ed. 2009. Budget for the future. *Calgary Herald*, April 4, A11.

Sterk, Jane. 2010. B.C. Liberal budgtet takes us back to the future in 2010. *Straight.com*, http://straight.com/article-296483/vancouver/jane-sterk-bc-liberal-budget-takes-us-back-future-2010.

Stewart, David K., and Jared J. Wesley. 2010. Sterling Lyon. In *Manitoba Premiers of the 19th and 20th Centuries*, edited by B. Ferguson and R. Wardhaugh. Regina: Canadian Plains Research Centre Press.

Tapp, Stephen. 2009. *Canadian Experiences with Fiscal Consolidations and Fiscal Rules*. Ottawa: Office of the Parliamentary Budget Officer.

Tellier, Genevieve, and Louis M. Imbeau. 2004. Budget Deficits and Surpluses in the Canadian Provinces: A Pooled Analysis. In *Annual Conference of the European Public Choice Society*. Berlin, Germany.

Thorpe, Jacqueline. 2002. Economy deals provinces deficit card. *National Post*, February 25, 1.

Truscott, Richard. 2010. Cuts needed to rein in out-of-control spending. *Edmonton Journal*, February 3, A15.

Veitch, Elwood Neil. 1991. *Debates of the Legislative Assembly of British Columbia*. March 21: 11863-11872.

Veldhuis, Niels, and Charles Lammam. 2010. Why B.C. needs a prosperity budget. *Vancouver Sun*, February 8, A13.

Veldhuis, Niels, and Milagros Palacios. 2009. Government must cut spending and taxes. *Vancouver Sun*, February 6, A7.

Warren, Jeremy. 2010. Saskatoon chamber gives budget 'good grade'. *Star-Phoenix*, March 25, C7.

Wesley, Jared J. 2007. Choice or Consensus? The 2006 Federal Liberal and Alberta Conservative Leadership Campaigns. Paper read at Annual Meeting of the Canadian Political Science Association, May 30, at University of Saskatchewan, Saskatoon, Saskatchewan.

———. 2010. Selecting Selinger: The 2009 Leadership Race and the Future of NDP Conventions in Manitoba. *Prairie Forum* 35.

———. 2011. *Code Politics: Campaigns and Cultures on the Canadian Prairies*. Vancouver: UBC Press.

Wildrose Alliance Party of Alberta. 2010. *Wildrose Alliance Balanced Budget Initiative* 2010 [cited February 11 2010]. Available from http://www.wildrosealliance.ca/media/2010/07/WAP-Balanced-Budget-Initiative.pdf.

Wilson, Patrick Impero. 2000. Deficit Reduction as Causal Story: Strategic Politics and Welfare State Retrenchment. *The Social Science Journal* 37 (1):97-112.

Wood, James. 2009. Mixed reviews for infrastructure spending strategy. *Star-Phoenix*, March 16, A4.

———. 2010a. Cutting jobs 'disastrous': NDP. *Star-Phoenix*, March 17, A3.

———. 2010b. Gov't aims to limit health-care spending. *Star-Phoenix*, February 18, A1.

———. 2010c. Gov't to rein in spending. *Star-Phoenix*, March 24, A3.

———. 2010d. McMorris says everything on table for health cuts. *Star-Phoenix*, February 28, A6.

———. 2010e. Sask. finance minister questions federal budget. *Star-Phoenix*, March 5, A6.

———. 2010f. Tough medicine: Gov't dips into savings to balance budget. *Star-Phoenix*, March 25, A1.

Table 1. Balanced Budget Legislation by Province, 1991-2011

Jurisdiction	Legislation	Originally Adopted		Major Reforms	
		Year	***Party***	***Year (reform)***	***Party***
British Columbia	*Taxpayer Protection Act*	1991	Social Credit	1992 (repealed)	NDP
	Balanced Budget Act	2000	NDP	2001 (superseded)	Liberal
	****Balanced Budget and Ministerial Accountability Act***	**2001**	**Liberal**	**2009 (suspended)**	**Liberal**
Alberta	*Deficit Elimination Act*	1993	PC	1995 (superseded)	PC
	Balanced Budget and Debt Retirement Act	1995	PC	2000 (superseded)	PC
	Alberta Taxpayer Protection Act	1995	PC	2000 (amended)	PC
	****Fiscal Responsibility Act***	**2000**	**PC**	2010 (suspended) **2011 (suspended)**	PC **PC**
Saskatchewan	*Balanced Budget Act*	1995	NDP	2008 (superseded)	Sask Party
	****The Growth and Financial Security Act***	**2008**	**Sask Party**		
Manitoba	*The Balanced Budget, Debt Repayment and Taxpayer Protection Act*	1995	PC	2000 (amended) 2008 (superseded)	NDP NDP
	****The Balanced Budget, Fiscal Management and Taxpayer Accountability Act***	**2008**	**NDP**	**2010 (suspended)**	**NDP**

*legislation in force at time of writing

Table 2. Characteristics of Provincial Balanced Budget Legislation (ca. December 31, 2010)

Province	Balance period	Budget assessed	Exceptional circumstances	Transition period	Stabilization Fund	Ministerial salary reduction	Referendum on taxation
British Columbia	Annual	Forecast; Core		through 2012-13	No	20% [a]	No
Alberta	Annual	Actual; Core	Public emergency or disaster	through 2012-13	Yes	None	Yes
Saskatchewan	Annual	Actual; Core	Natural or other disaster; (apprehension of) war	no transition declared	Yes	None	No
Manitoba	Four-Year	Actual; Core	Natural or other disaster; (apprehension of) war; unusual weather or climate conditions; changes to federal transfers	through 2012-13	Yes	20% [b]	Yes

[a] penalties suspended throughout transition period; half repayable if no actual deficit; half repayable if portfolio operating expenses as forecast

[b] 20% throughout transition period; thereafter, 20% for first year of four-year budget deficit, 40% for consecutive years

Table 3. Comparison of Revenue and Expenditure Growth Before and After BBL

Province	Enactment of BBL	Revenue Growth Before	Revenue Growth After	Difference	Significance	Expenditure Growth Before	Expenditure Growth After	Difference	Significance	Exp Diff - Rev Diff
BC	2000	5.04%	4.33%	-0.71%	38.6%	5.95%	2.58%	**-3.37%**	0.6%	-2.66%
AB	1995	2.89%	7.23%	**4.34%**	0.6%	-0.85%	6.24%	**7.09%**	0.0%	2.75%
SK	1995	1.16%	4.77%	**3.61%**	1.8%	0.09%	3.74%	**3.65%**	0.9%	0.04%
MB	1995	2.44%	4.00%	**1.55%**	1.1%	1.87%	3.86%	**1.99%**	1.5%	0.44%
Mean of West		2.88%	5.08%	2.20%		1.77%	4.10%	2.34%		0.14%
ON	1999	3.47%	5.62%	**2.15%**	0.1%	3.23%	5.09%	**1.86%**	2.6%	-0.29%
QC	2002	3.85%	5.66%	**1.81%**	0.2%	3.30%	5.48%	**2.18%**	0.1%	0.36%
NB	1995	3.43%	3.66%	0.23%	69.4%	3.17%	3.53%	0.36%	71.2%	0.13%
Mean of Others		3.58%	4.98%	1.40%		3.23%	4.70%	1.47%		0.07%
Mean of 7 provinces with BBL		3.14%	5.04%	1.90%		2.32%	4.33%	2.01%		0.11%

Source: Statistics Canada. Table 385-0001 - Consolidated federal, provincial, territorial and local government revenue and expenditures. Accessed June 15, 2010 at: http://estat.statcan.gc.ca/cgi-win/cnsmcgi.exe?Lang=E&EST-Fi=EStat/English/CII_1-eng.htm

Notes: Based on piecewise linear regression of log revenues or log expenditures on time with break point at year of BBL enactment
Significance reports the exact significance level (p-value); **Bold** differences are significant at the conventional 5% level

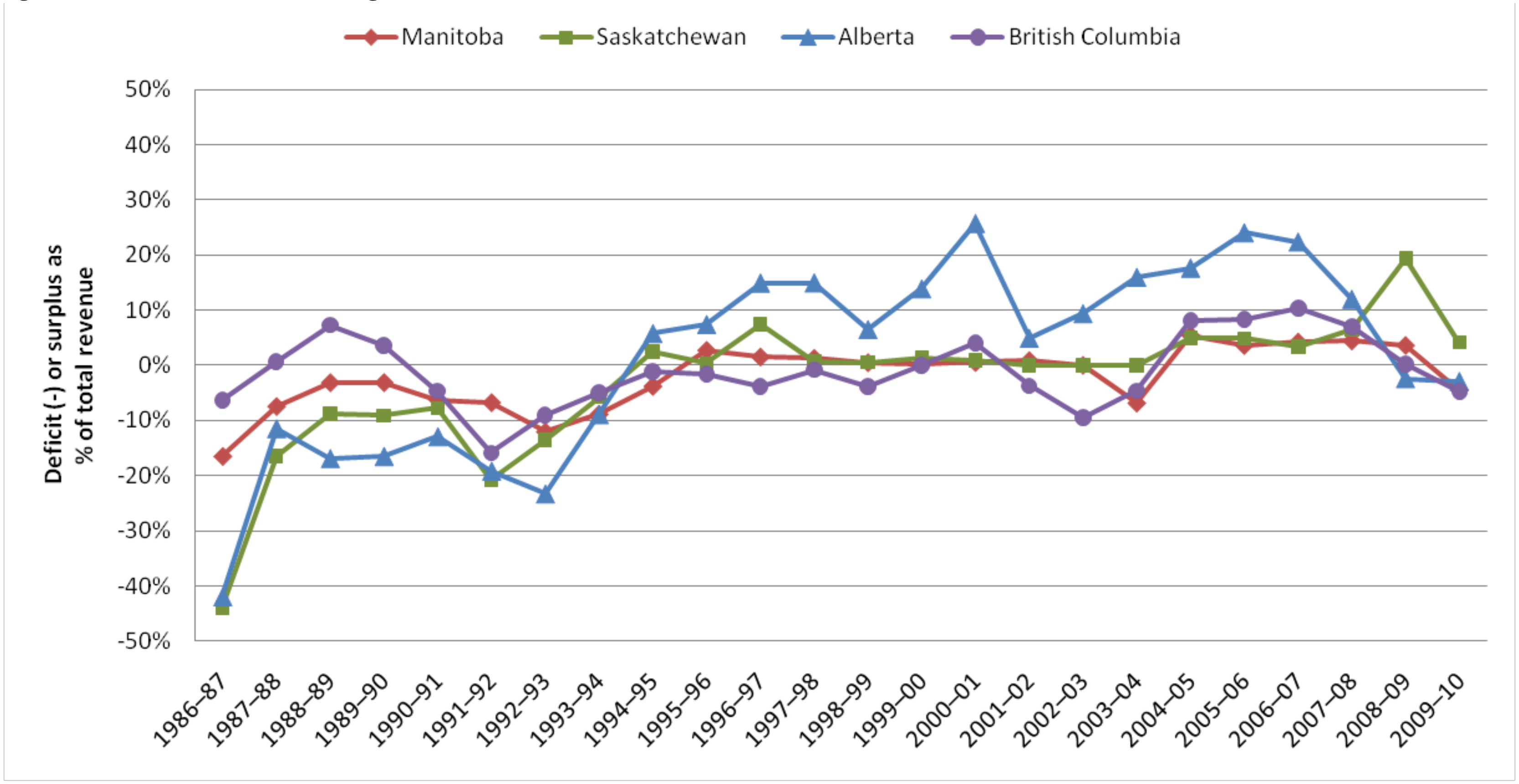
Table 4. Comparison of Revenue and Expenditure Growth for Provinces without BBL

Province	Enactment of BBL	Revenue Growth Before	Revenue Growth After	**Difference**	Significance	Expenditure Growth Before	Expenditure Growth After	**Difference**	Significance	Exp Diff - Rev Diff
PEI	none	3.31%	4.52%	**1.21%**	0.7%	2.95%	4.76%	**1.82%**	3.0%	0.61%
NS	none	3.30%	5.07%	**1.77%**	0.1%	2.07%	4.82%	**2.75%**	0.0%	0.98%
NL	none	1.75%	5.52%	**3.77%**	1.3%	1.78%	4.86%	**3.08%**	0.5%	-0.68%
Mean of 3 provinces without BBL		2.79%	5.04%	2.25%		2.26%	4.82%	2.55%		0.30%

Source: as in Table 3

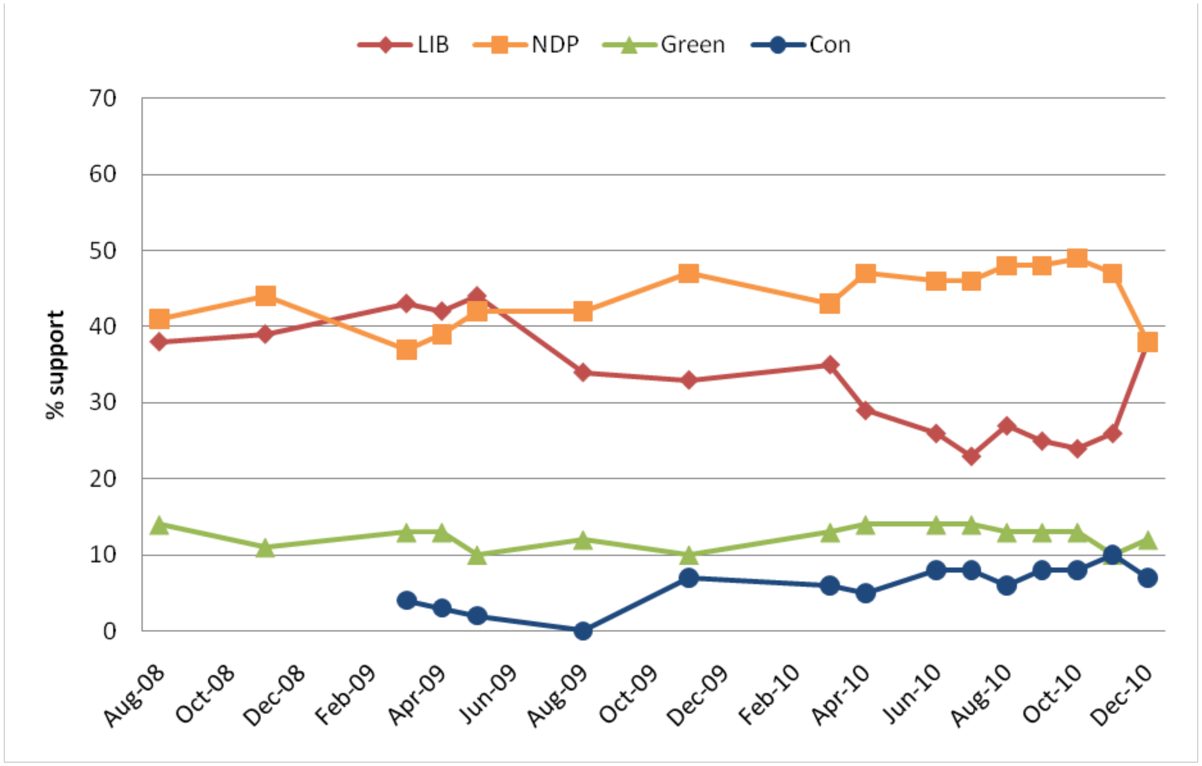
Notes: Based on piecewise linear regression of log revenues or log expenditures on time with break point at the midpoint of the data (1999)
Significance reports the exact significance level (p-value); **Bold** differences are significant at the conventional 5% level

Figure 1. Western Provincial Budget Balances, 1986-2010



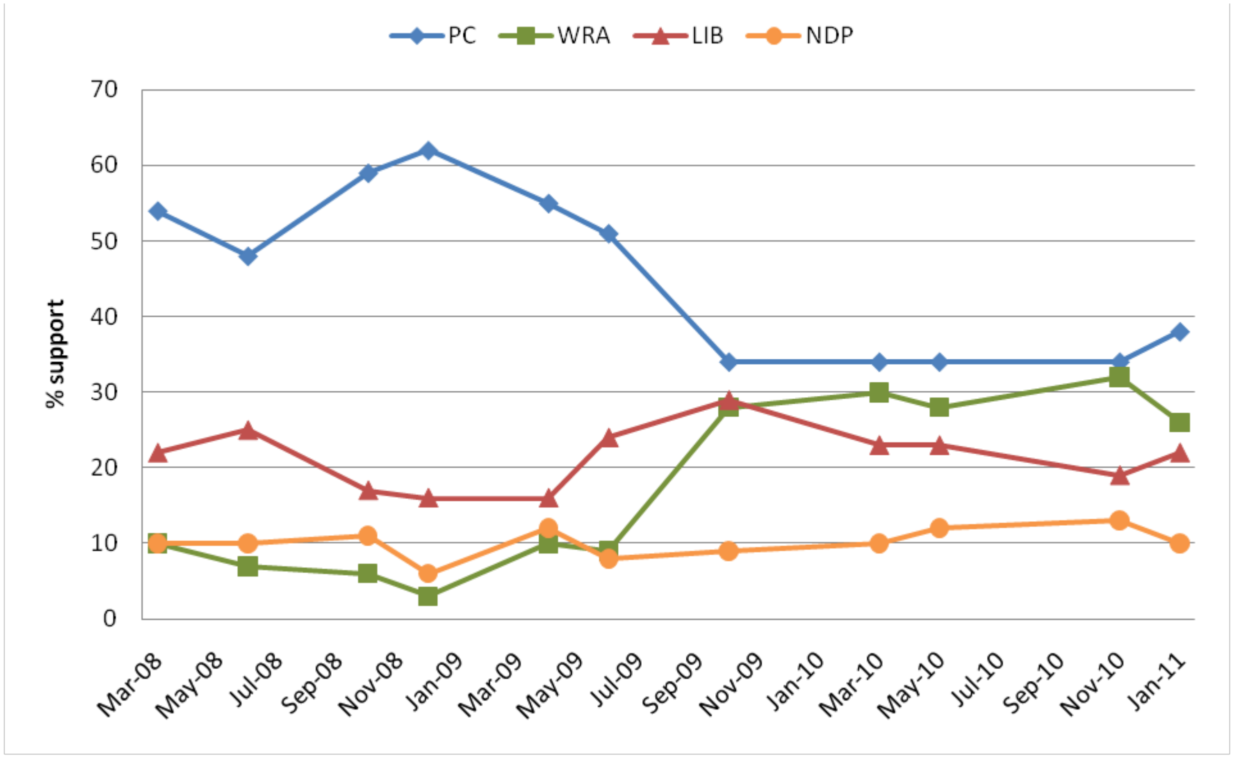
Data Source: Provincial Governments' Public Accounts, compiled by Department of Finance Canada (http://www.fin.gc.ca/frt-trf/2010/frt-trf-1004-eng.asp); calculations by the author.

Figure 2. BC Party Support, 2009-2010



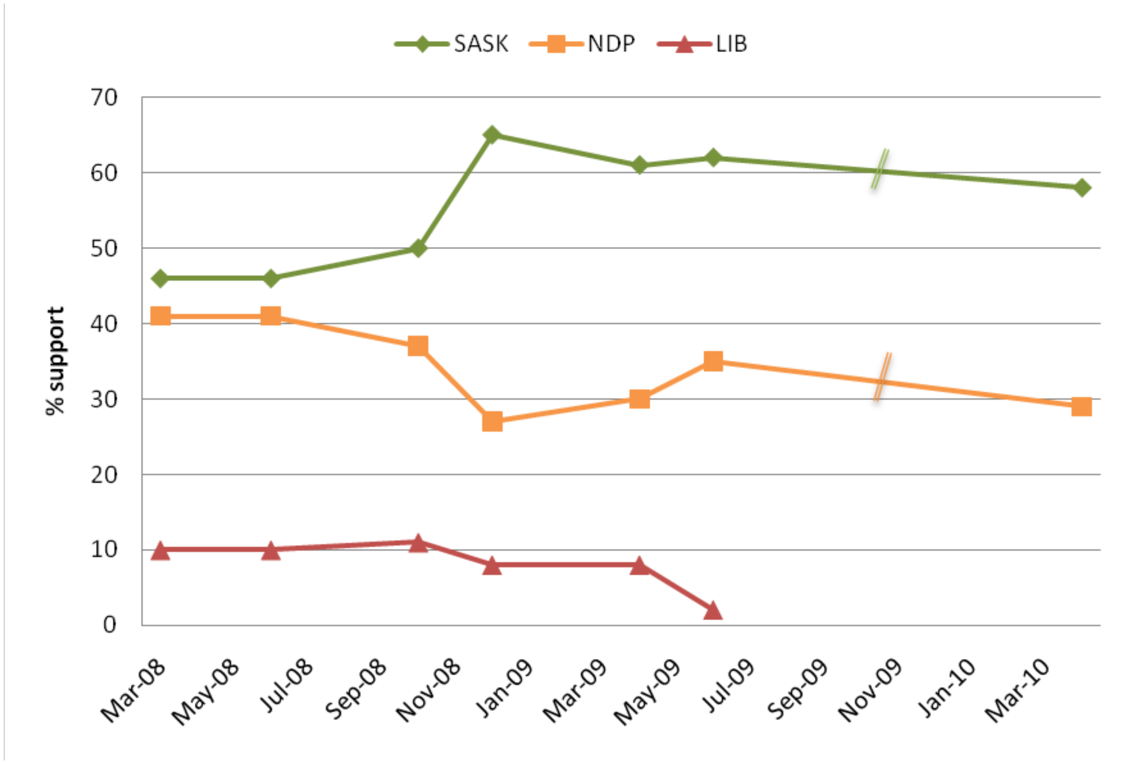
Data Source: Angus Reid Public Opinion, Vision Critical (www.angus-reid.com)

Table 3. Alberta Party Support, 2008-2011



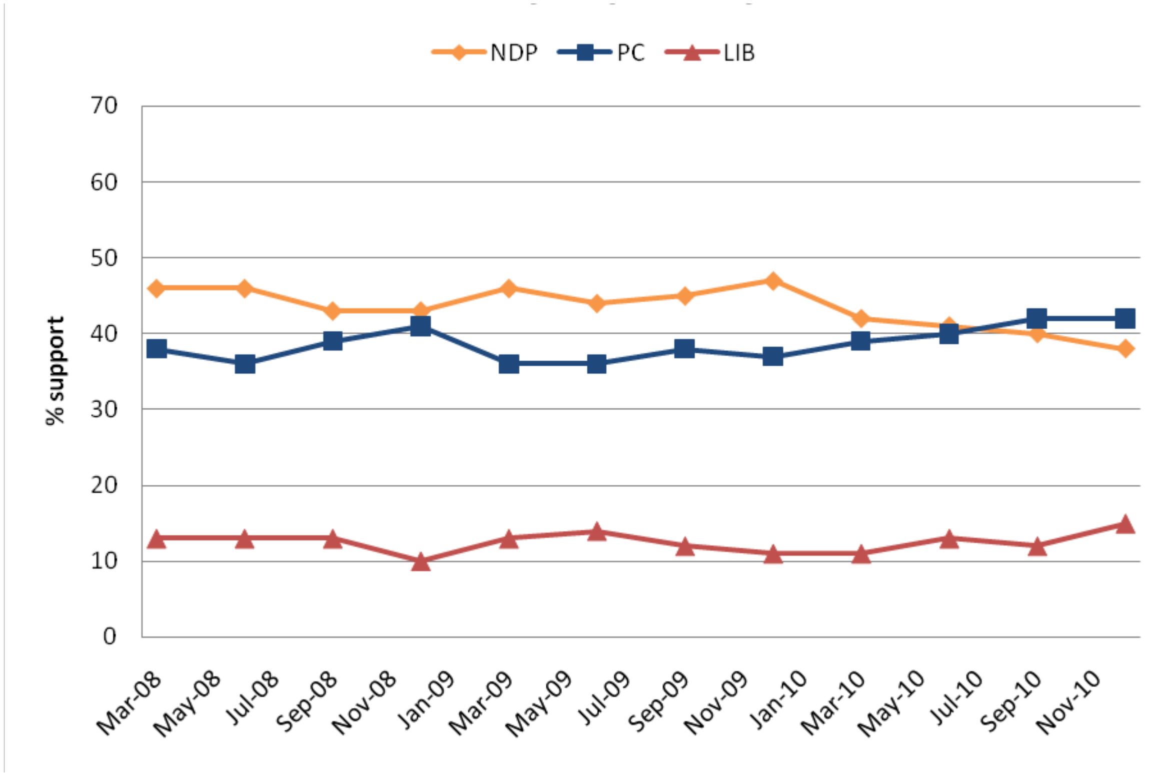
Data Source: Environics Research Group (www.environicsresearch.com)

Table 4. Saskatchewan Party Support, 2008-2010



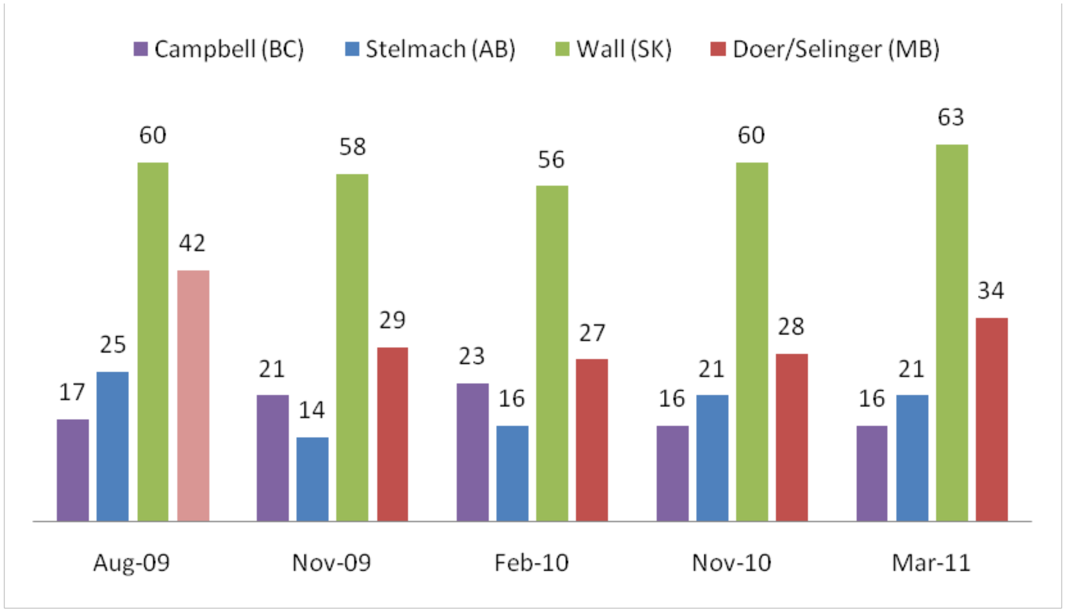
Data Sources: March 2008 to July 2009: Environics Research Group (www.environicsresearch.com); March 2010: Insightrix Research (www.insightrix.com)

Figure 5. Manitoba Party Support, 2008-2010



Data Source: Probe Research (www.probe-research.com)

Figure 6. Premiers' Approval Ratings, 2009-2010



Data source: Angus Reid Public Opinion Research, Vision Critical (www.angus-reid.com)
Note: Gary Doer was Premier of Manitoba in August 2009.