

**Harper's Second Budget:
Middling Grades as Economic Instrument,
Kudos as Election Device**

**BDO Dunwoody Weekly CEO/Business Leader Poll
by COMPAS in the *Financial Post*
for Publication March 26, 2007**



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1.0. Introduction

CEOs and business leaders on the COMPAS panel give Stephen Harper's second budget a middling grade (on a school report card) as a budget or economic instrument—63%, down from 76% for Harper's first budget a year ago. In every instance where a comparable question was asked about the two budgets, Harper earns a lower grade today. Declines are especially marked on defence and security.

This time, we also asked the panel for its view of the budget as an electoral device. On that issue Harper earns a sterling grade—76%. Panelists see the budget as the electoral device of a conservative minority government desirous of using the economic instruments of government to win electoral support where the government is weak.

These are the key findings from the past week's web survey of the COMPAS CEO and business leader panel undertaken for *The Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0. Middling as an Economic Instrument, Sterling as an Economic Device

Panelists give Harper's second budget a middling score of 63% as an economic instrument, down from 76% a year ago, but 74% as an electoral device, as shown in table 2a. Where there are comparable questions for the 2006 and 2007 budgets, grades plummet. For the first time, Harper earns a series of failing grades. His government's biggest drop in performance is in respect of security, where the previous grade of 69% declines to 45% today, as shown in table 2b.

Many respondents volunteered a realization of the electoral value of the budget, sometimes along with concern about its economic impacts:

The disadvantage for a minority government is that it cannot take a particularly definitive view on any subject. One assumes that this one will have to make its mark in the manner in which it does business rather than the techniques it employs to support its processes.

This was purely a self-serving budget for re-election. It is extremely disappointing to have the Conservatives pandering to that sector of the electorate that is unable to discern that they are being bought with their own money.



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This budget has nothing to do with the well-being of our country as a whole. It has strictly to do with the Conservatives trying to get re-elected and catering to small groups in the hope of capturing votes where they are weak. It is ludicrous to see that politicians have gone that low and it is a prime example of personal gain at the expense of all Canadians. It is little wonder that the young people and now older people as well are so turned off by politics. This is the worst I have seen and it also discourages me from participating in the political process.

An all-things-to-all-people (particularly those residing in Quebec) budget designed in a futile attempt to improve the prospect of a Conservative majority government arising out of the next federal election. I'm sad to see pragmatic politics override principled action. This budget was the best of the worst: hard for the Liberals to vote against and unlikely to kick-start an election, but if some other measure brings down the government, then they're sitting pretty. If an election is called on some other measure, the budget is out anyway.

The budget is a success because it will help the Conservatives get back in power.

It's an election budget and therefore we probably could not expect much different. More emphasis should have been placed on paying down our \$475 billion national debt, which is sure to grow again when the economy falters. Tax cuts should have been directed towards reducing Employment Insurance premiums, which would be a progressive tax reduction for all working individuals, would be fair to business, and would start to address the fact that these premiums are currently unfair to all sectors of the economy.

I understand why the budget gave so much to Quebec, but I do not like the vote-buying process.

Table 2a: (Q1) As you may know, the federal government announced a new budget. On a 100 point school report card-type scale, what grade would you give the budget as a whole?

	Mean
March 2007	63
May 2006	76



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*Table 2B: (Q2) What grade would you give the budget in respect of...
[ROTATE]*

	March 2007	May 2006
Helping the Government get re-elected	74	NA
Helping families	62	NA
Helping people with disabilities	57	NA
Healthcare	54	NA
Post-secondary education	54	65
The economy	54	NA
The environment ¹	53	54
The military ²	52	72
Agriculture, including farmers ³	49	62
Paying down the national debt	48	58
Helping business	47	NA
Domestic security ⁴	45	69
Cutting taxes	37	NA ⁵

3.0. Harper's Budget Still Compares Favourably

Stephen Harper's 2007 budget earns a plurality of votes of the best of a reference group, as shown in table 3. But his 2007 does not elicit the same enthusiasm as did his 2006 budget.

¹ 2006 wording: Environmental protection

² 2006 wording: Military commitments

³ 2006 wording: Aid for farmers

⁴ 2006 wording: Home security including border and immigration controls and domestic preparedness against potential terror

⁵ The 2006 survey made a distinction between personal and corporate tax cuts.



Table 3: (Q3) Comparing the recent budgets of the following government leaders, whose was the best? [RANDOMIZE]⁶

	Mar 2007	May 2006	Jan 2005	Mar 2004	Dec 2001
Prime Minister Stephen Harper	35	54	NA	NA	NA
Former Alberta Premier Ralph Klein ⁷	22	16	55	49	44
The last budget of Prime Minister Paul Martin ⁸	21	4	10	19	NA
The last budget of Prime Minister Jean Chrétien ⁹	3	10	14	10	11
Ontario Premier Dalton McGuinty	1	1	NA	NA	NA
[UNPROMPTED] Don't know or no opinion	18	16	8	9	13

3.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted March 20 -23, 2007. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 117 are deemed accurate to within approximate 9.1 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

⁶ 2005 wording: Comparing the budgetary performance under the following governments which one would you rate as the best? [ROTATE]

⁷ 2006 wording: Alberta Premier Ralph Klein; 2005 wording: The Alberta government under Premier Klein

⁸ 2005 wording: The federal government under Prime Minister Paul Martin

⁹ 2005 wording: The federal government under Prime Minister Chrétien

