

**Report Card on Federal Economic Policy:
Strong Scores on U.S. Trade Relations and GST,
Middling on Home Security Spending,
Poor to Failing Grades in Eight Other Areas**

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1.0. Introduction

With seven months in office, the minority Conservative government was given its first report card on economic policy. Stephen Harper's cabinet scores high on Canada-U.S. trade relations and the GST. It earns a middling report card for spending on home security. It earns low to failing grades in eight other areas ranging from transfer payments and aid to farmers to the environment and personal taxation.

On all non-taxation issues, the government earns lower scores for its efforts to explain policy than for its actual policy. At the top, its performance earns 70% on U.S.-Canada trade relations while its efforts to explain the policy earns 65%.

The volunteered responses of members of the CEO and business leader panel suggest that panelists remain favourable to the Conservative government because of perceptions of its integrity and the lack thereof in the case of the Liberals rather than because of exceptional confidence in the government's actual performance. Some panelists say that it is too early to tell.

On the specific matter of the general state of federal finances, panelists are divided as to whether the government will end up with more or less wiggle room than anticipated.

These are the key findings from this week's survey of the COMPAS panel of CEOs and business leaders undertaken for *The National Post* under sponsorship of BDO Dunwoody LLP.

2.0. Uncertainty and Divided Opinion about the Magnitude of Uncommitted Monies Available

In a rare example of very divided opinion, the panel as a whole is quite unsure about how much discretionary or uncommitted money remains available for new projects, as shown in table 2.



Table 2: (Q1) As you know, there is some uncertainty about how much money the federal government can spend on new projects. There has been uncertainty about how much money the Martin government committed itself to but did not (yet) budget for. These uncertainties may explain why the Finance Minister just said that money for a Toronto subway extension was not a sure thing. If you had to guess, would you say that the Harper government will end up having...

	%
A lot less discretionary money available for new spending than it had expected	25
Somewhat less	16
About what it originally expected	20
Somewhat more	21
A lot more discretionary money available for new spending than it had expected	15
Don't know or no opinion	3

3.0. Strong Scores on High Profile Canada-U.S. Trade Relations and GST Issues—Middling to Failing Scores on Sundry Other Issues

The Harper government earns high performance scores for its handling of Canada-U.S. trade relations and the GST, as shown in table 3. That is the good news. The bad news is that its other performance scores are middling to failing. Furthermore, on most issues the government is seen as doing a poor to failing job of explaining. On tax issues, the government is seen as doing at least as good a job at explaining its policy and in its actual policy performance. But on



most other issues its score for explaining policy is not as good as its policy performance, which itself is rarely strong.

While giving the Conservatives many poor grades, the panel nonetheless views the government through forgiving eyes, as evidenced by the following volunteered observations:

They do need a better communications strategy to get their message through a hostile Ottawa media [environment] (Ontario CEO).

It scares me that we ever had a man of the low moral character of Jean Chrétien as Prime Minister. It is nice to have a man like Harper, who is honest in power (Ontario CEO)

Prime Minister Harper's communications challenge is going to be to convince Canadians that he needs to cut back on infrastructure like Toronto's subway system because of his predecessor's over spending (business leader).

[It is difficult to truly assess the government's performance in many areas] as Harper has little or no track record yet (Ontario CEO).

“Harper is doing a much better job than the Liberals and is more open and honest,” offered a CEO on the prairies. The Prime Minister makes good quality decisions, he said. Pointing to news events of the past week, the respondent asked rhetorically, “Isn't it just typical of the Liberals' [poor judgment] that they would want to recognize Hezbollah as someone whom they can trust and bargain with?”



Table 3: (Q2-3) In each of the following areas of spending, taxation, and economic policy, please score the Harper government's overall performance on 100 point, report card-type scale. Using the same 100 point report card-type scale, how would you score the Harper government on explaining its policy in each of the following areas?

	Overall Performance		Explaining Its Policy	
	Mean	DNK	Mean	DNK
Trade relations with the U.S.	71	2	65	9
Cutting the GST	69	2	71	8
Home security including border and immigration controls and domestic preparedness against potential terror	60	2	56	9
Health transfer payments to the provinces	55	5	49	9
Aid to farmers	54	7	47	9
Paying down the national debt	53	5	48	9
Post-secondary education	50	5	45	9
Cutting corporate taxes	48	2	48	9
Infrastructure (mainly transportation)	47	5	45	9
Environmental protection	47	4	46	9
Cutting personal income taxes	43	2	46	9

4.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted August 23 - 25, 2006. 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 128 are deemed accurate to within approximately 8.7 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

