THE STABILIZATION PROPERTIES OF EQUALIZATION: EVIDENCE FROM SASKATCHEWAN

recently Newfoundland, have argued for an ad hoc change to the program to allow them to benefit more fully from offshore energy

analysis of the data and a test of the two propositions. The paper concludes with a summary and a discussion of policy implications.

2. The Model

variance of own-source revenue alone.[5] A further implication is that, for similar reasons, the variance of budget forecast errors should be smaller for own-source revenue plus equalization

total revenue is the subtraction of equalization, to permit study of the impact of that transfer on revenue volatility and predictability.

AR and EQ for the period 1986-87 to 2000-01 are presented in Figure 1. The sample period

for AR+EQ were smaller than AR forecast errors 9 out of 15 times.

4. Analysis

Tests of the two hypotheses are

in the face of such a small sample. To answer
this question, consider the test results if means

moved to create reserves or explicitly smoothed
revenue forecasts to mitigate the impact of

Table 1
Dependent Variable: AR
Method: Least Squares
Sample: 1987 2001
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-393865.2	22313.31	-17.65158	0.0000
TIME	199.5323	11.19020	17.83099	0.0000

R-squared	0.960718	Mean dependent var	4002.231
Adjusted R-squared	0.957697	S.D. dependent var	910.3957
S.E. of regression	187.2479	Akaike info criterion	13.42631
Sum squared resid	455802.9	Schwarz criterion	13.52072
Log likelihood	-98.69732	F-statistic	317.9442
Durbin-Watson stat	1.586805	Prob(F-statistic)	0.000000

Dependent Variable: AR+EQ
Method: Least Squares
Sample: 1987 2001
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-371478.5	27825.55	-13.35027	0.0000
TIME	188.5046	13.95461	13.50842	0.0000
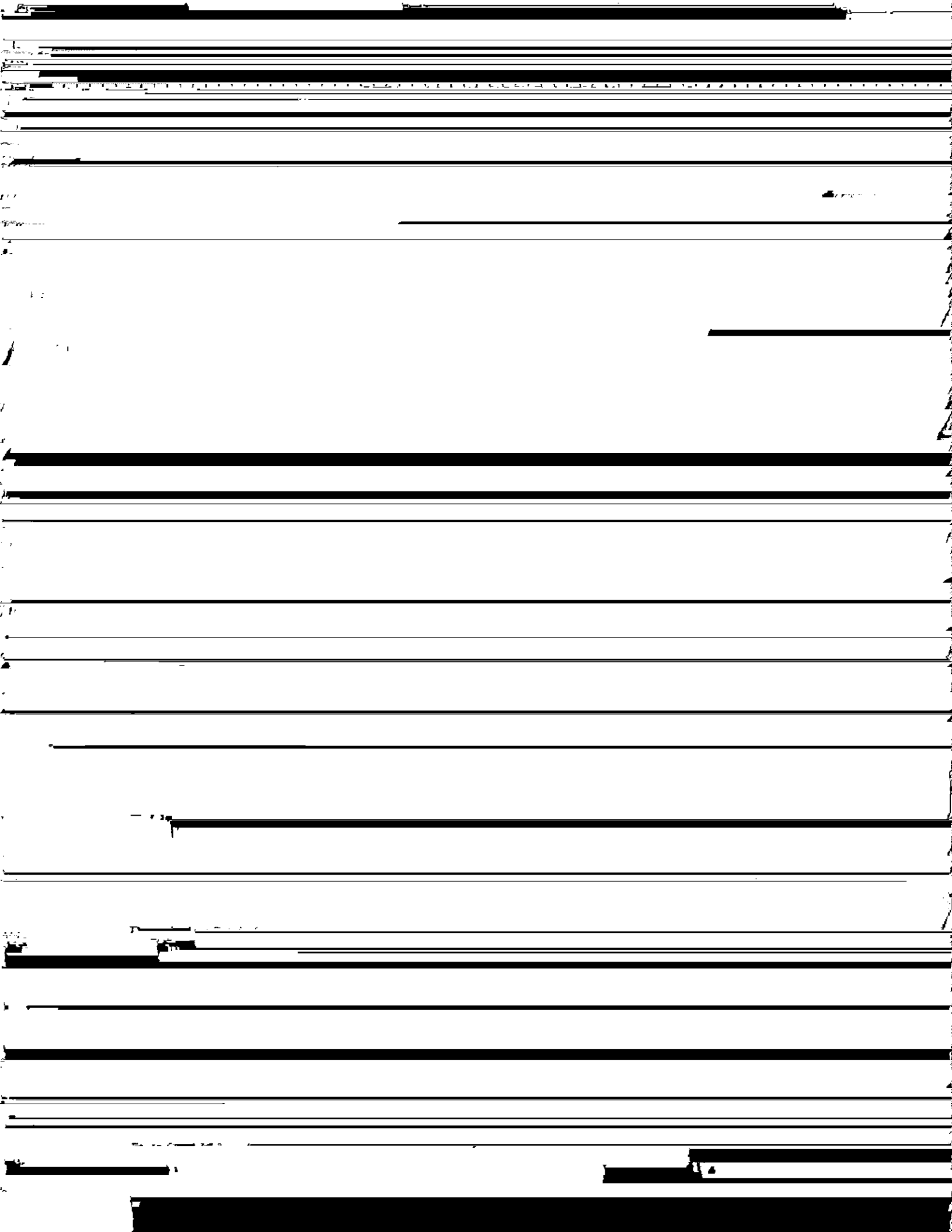
Table 4

Sample: 1987 2001
Included observations: 15

	AR Forecast Errors	AR+EQ Forecast Errors
Mean	175.8439	164.9979
Median	171.3150	127.8690
Maximum	693.5100	755.4100
Minimum	-623.6320	-455.0720
Std. Dev.	344.5432	301.7946
Skewness	-0.457869	-0.082987
Kurtosis	3.153875	2.865417

Test for Equality of Means Between Series

t-test   28   0.001711   0.00?

Anova F-statistic   (1, 28)   0.008411   0.9276
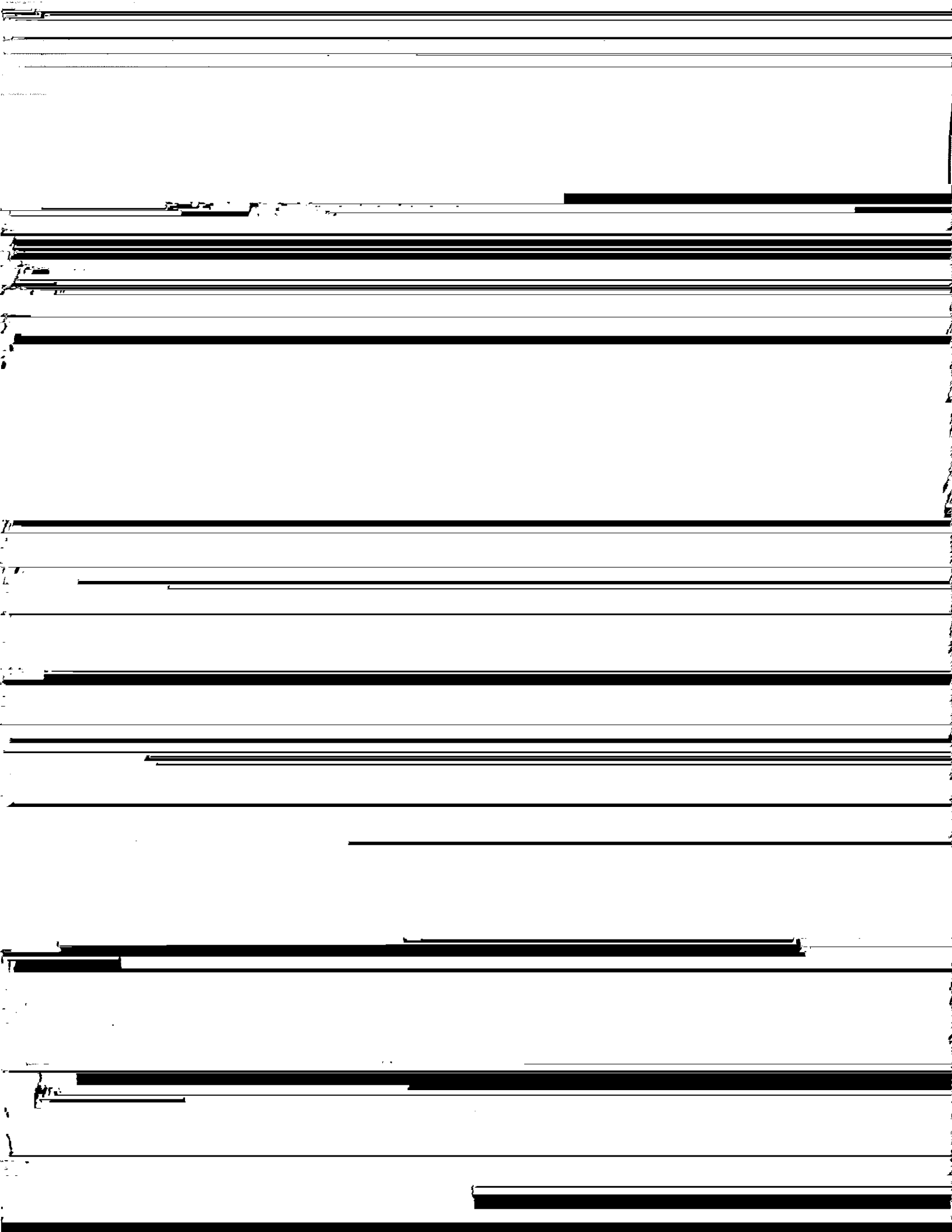
Test for Equality of Variances Between Series

Figure 2

Paul Baroth - The Stabilising Properties of Vegetation on Sand