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The expenditure equation performs much better than the revenue equation with respect to the adjusted  $R^2$  and F-statistics along with the absence of serial correlation. However, as in the case of the revenue equation, the variables capturing the short-run dynamics are insignificant. The budgetary disequilibrium term, ERRES(-1), is significant at the 10 percent level while the fiscal disequilibrium term, EYRES(-1), is significant at the 1 percent level.

#### V. Concluding Remarks

This paper has attempted to extend the literature on the tax-spend debate to the case of Canada. Although the error correction model for revenues is not robust we find some evidence that revenues responds to disequilibrium between revenues and GDP. On the other hand, the error correction model for expenditures provides a higher  $R^2$  and significant overall F-statistic than the revenue equation. With respect to the expenditure equation both budgetary disequilibrium and fiscal disequilibrium terms are statistically significant. These results are contrary to the fiscal synchronization results reported by Owoye. The results of this study suggest that expenditures respond to budgetary disequilibrium with respect to revenues in that imbalances are corrected by expenditure changes. This finding coincides with the