

Fiscal Federalism and the Dependency of Atlantic Canada

Fred McMahon



Fiscal Federalism and the Dependency of Atlantic Canada

by Fred McMahon

Contents

Executive Summary / i

Introduction / 1

Overall federal spending / 3

The numbers / 6

Fiscal federalism going forward / 23

Impact on Atlantic Canada / 27

Conclusion / 31

References / 35

About the author / 39

Acknowledgments / 39

Publishing Information / 40

About the Fraser Institute / 41

Purpose, Funding, and Independence / 41

Editorial Advisory Board / 42

Executive Summary

Fiscal federalism, the massive and unbalanced flow of federal money to and from the provinces, will create a huge fiscal challenge going forward for at least three reasons: economic difficulties emerging after the COVID-19 pandemic, the overhang of provincial and federal deficits prior to COVID-19, and, most importantly, the decline of the energy industry, which arguably funded fiscal federalism in past years. For more than a decade, Alberta's taxpayers have funded the lion's share of federal fiscal transfers flowing predominantly to Atlantic Canada and Quebec. The decline of the energy industry will dramatically reduce this source of funding. To return to a federal balance, Ottawa will have to cut spending significantly, or reform fiscal federalism, or increase tax revenues.

Federal fiscal flows are larger and more unbalanced than many Canadians would imagine. Equalization forms only a small part of these transfers. Consider Atlantic Canada: over the period from 2007 to 2019, Ottawa spent \$423.2 billion and raised revenues of \$226.5 billion for a net transfer of \$196.7 billion to the region (all amounts inflation-adjusted to 2018 constant dollars, unless otherwise noted). Total federal spending on average equalled over a quarter of the Atlantic economy at 27.5% of GDP. Net federal transfers—the difference between federal revenues and spending in the region—alone averaged 12.8% of GDP.

In Alberta, on the other hand, despite its weakening economy in the last three years of the 2007–2019 period, Ottawa spent \$337.1 billion but raised revenues of \$617.5 billion or \$280.4 billion more than it spent. In Alberta, federal spending equalled 7.7% of the provincial GDP while federal revenues from the province equalled 14.1% of its economy, for a net outflow equivalent to 6.4% of the Alberta economy. In the last financial crisis and recovery (2007/08), Alberta taxpayers carried most of the weight of fiscal federalism, with a federal surplus of \$52.9 over the two years compared to \$32.3 billion from Ontario and \$13.1 billion from British Columbia. By comparison, Atlantic Canada's federal deficit was \$29.2 billion.

For the foreseeable future, the burden will shift to Ontario taxpayers, as Alberta struggles after a period of weak growth, declines in energy prices, and challenges in building energy infrastructure. Calls for reform of fiscal federalism have already come from Alberta and Ontario, the largest contributors to fiscal federalism. The shift of burden and the magnitude of Canada's fiscal and economic problems are likely to intensify calls for reform of fiscal federalism.

Atlantic Canada is deeply dependent on federal spending. That leaves the region vulnerable to economic dislocation if significant changes are made to fiscal federalism, though in the long run a reduction of transfers would likely be economically positive for the region.

A full accounting has never been made of the costs of fiscal federalism or what the overall structure is intended to accomplish. Looking regionally and provincially, however, we can note the following data (2018 dollars) for the period from 2007 to 2019:

- net transfers to Atlantic Canada equalled \$82,953 per person or \$331,812 per family of four;
- equalization formed about a quarter of the net transfer to Atlantic Canada;
- Quebec received net transfers of \$200.3 billion or \$24,796 per person, almost \$100,00 for a family of four, equalling an average of 3.9% of GDP;
- the net transfer out of Alberta was \$71,563 per person or over \$286,000 per family of four;
- Ontario, despite receiving equalization from 2009 to 2019, was a net contributor to fiscal federalism of \$126.1 billion from 2007 to 2019, or \$9,102 per person;
- net transfers out of Ontario equalled 1.2% of GDP, but rose in recent years to 2.4% in 2019; it had been as high as 6.1% in 2000.

The tables in the study provide details on federal fiscal flows for all the provinces and territories.

Introduction

During a societal and economic shock, like COVID-19, a common question becomes: How will this affect life and the economy once the shock has receded? Here, we describe at a high level the flow of federal funds among people and provinces in Canada prior to the crisis to investigate the durability of fiscal federalism after the crisis.

Fiscal federalism concerns the revenues raised and expenditures made by the federal government in the provinces and territories. Ottawa raises money in the jurisdictions primarily through taxes, such as the income tax, but also through smaller revenue sources such as the air travelers' security charge. It spends in the provinces and territories through a number of programs. Sometimes the spending is through transfers directly to provincial and territorial governments, such as equalization payments to "have-not" provinces, designed to bring their fiscal capacity up to an acceptable national level.¹ Shared-cost programs also involve direct federal transfers to other levels of government; as the name implies, the federal government shares the cost of provincially run programs, most notably Medicare. Ottawa also directly spends on programs such as defence and on the wages of federal employees. In other cases, the expenditures are through social programs to provincial and territorial residents, such as employment insurance (EI) and Old Age Security (OAS), among a number of others.

This publication examines federal fiscal flows and the net transfers made by the federal government, in other words, the difference between federal revenues and expenditures in each of the provinces and territories. Fiscal federalism and net fiscal flows are more extensive than many imagine. The numbers illustrate the problems they will face as Canada moves past the current medical and economic crisis to face the resulting economic and fiscal challenges.

The study is meant as an accounting diagnostic, to describe the costs of fiscal federalism. A diagnostic is the first step towards analyzing possible problems and finding solutions to them. This is particularly important if, as the numbers suggest, the current shape of fiscal federalism may be difficult to sustain.

Data are shown for all provinces and territories but the commentary will focus on the Atlantic provinces, the greatest recipients on a per-capita basis; and Alberta, the largest contributor to fiscal federalism in recent years. The publication will also look at the costs to Ontario taxpayers, who will likely bear the costs of fiscal federalism going forward;

1. The equalization formula is complex and whether it achieves its aim is much debated. For example, MacKinnon argues that when equalization is considered in the context of other federal transfers, "have-not" provinces may be able to provide better services than "have" provinces in some cases (MacKinnon, 2011).

and Quebec, the largest overall recipient, though not by much, as a result of its large population. These constraints are meant to keep the commentary manageable and avoid repeating the information that an interested reader can find in the tables, which contain the relevant data.

The scale of federal transfers is seldom understood. Both federal revenues and federal expenditures are unbalanced among the provinces, with several provinces, most notably the Atlantic Provinces and Quebec, receiving large net inflows of federal money while Alberta and Ontario see large net outflows. While COVID-19 adds to stresses on Canada's system of fiscal federalism, concerns over the system have been raised for decades and have intensified as Alberta's economy weakened. Alberta taxpayers have funded the lion's share of the transfers for years. The problems facing Alberta reinforce questions over the fairness and sustainability of the systems. As David MacKinnon notes:

Public debate focuses on equalization but it is the sum total of all regional subsidy arrangements that is most important. When one considers the total regional subsidy effort, it is apparent that the economies of several provinces are to a large extent based on subsidy arrangements that are not transparent and that are the main determinants of overall economic activity in those provinces. (Mackinnon, 2011: 11)

To put things in perspective, flows are examined on a per-capita basis and as a percentage of provincial Gross Domestic Product (GDP). The amounts are calculated in 2018 dollars, using the Consumer Price Index, as this is the most relevant deflator in terms of Canadians' day-to-day lives.

The Appendix provides a breakdown of federal flows. While the main body of the paper focuses on the overall federal flows, the appendix analyzes flows in more detail and deducts military-related expenditures, which serve a national purpose, from spending in provinces. The federal government also transfers funds directly to individuals under a number of programs that are national rather than regional and serve all Canadians. These are also deducted from expenditures in this analysis, save for Employment Insurance (EI), which has a significant regional component. These deductions do not change the overall picture of large net transfers to Atlantic Canada and Quebec and from Alberta and Ontario, primarily. While this study aims to examine the overall impact of fiscal federalism and the flow of funds, the appendix and several of the tables enable readers to understand the structure at a close level.

Overall federal spending

Virtually all federal expenditures and revenues occur within the provinces and territories, so the overall federal deficit or surplus reflects the sum of the deficit or surplus in the provinces and territories.² As noted above, federal expenditures include direct transfers to the provinces and territories; however, a federal deficit or surplus in a province or territory does not directly affect the balance sheet of the jurisdiction. It does affect the citizens. In a province where the federal government is in surplus—that is, a province where the federal government receives more in revenues than it spends—the citizens effectively get less in the way of government services than they pay for.

A federal deficit or surplus does affect the provincial government's balance sheet indirectly. As often noted, there is only one taxpayer, not a separate federal or provincial or municipal taxpayer. Federal taxes reduce the taxation room available to the provinces and thus the expenditures or tax reductions they could otherwise afford. If the federal government is occupying some of that tax room to send funds to other provinces, a province in surplus will be losing revenues from the overall government pot and thus must have higher overall taxes, or increased borrowing, to support provincial services than it would if all revenues remained in the province.

The story in pictures

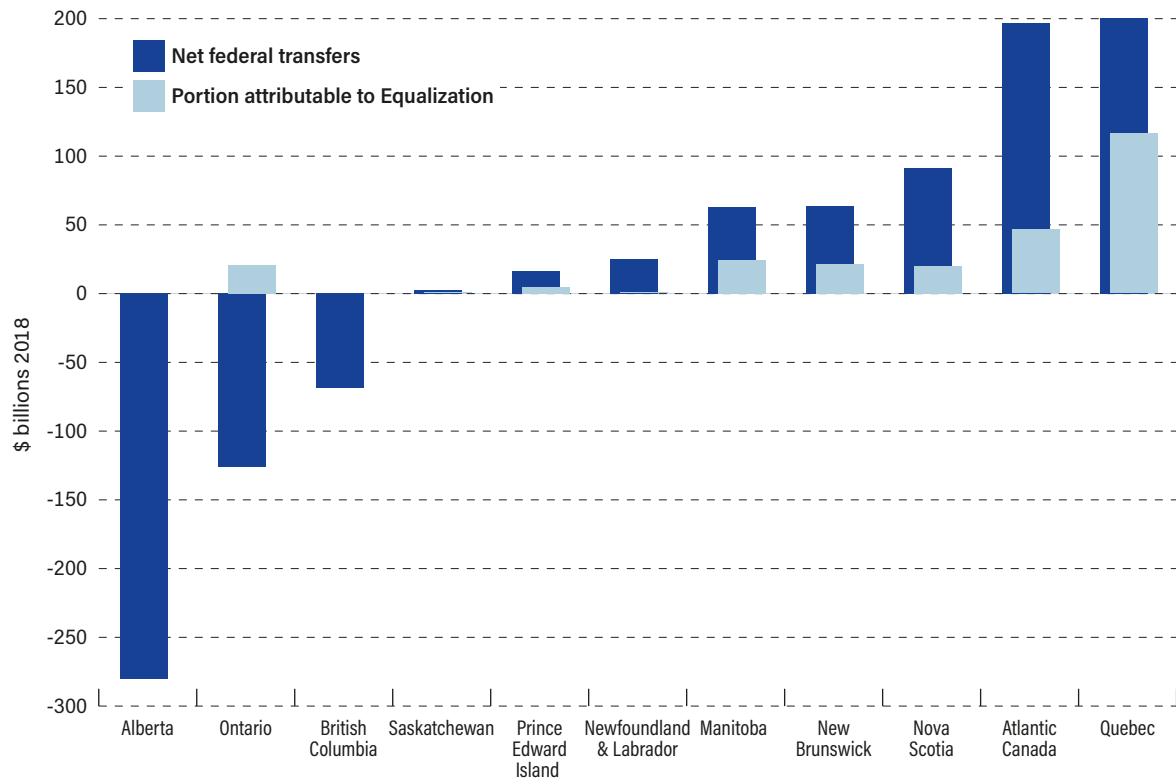
Before delving into the numbers, the best way to grasp the scale of fiscal federalism is through some pictures.³ As noted earlier, the focus in the text will be on Atlantic Canada and Alberta, rather than repeating all information the reader will see in the figures.

Figure 1 shows the net transfers per province from 2007 to 2019, which is the full time length of the current series on federal revenues and expenditures. For example, it shows that the net transfer from Alberta over this period was \$280.4 billion in constant 2018 dollars. This reflects federal government revenues of \$617.5 compared to expenditures of only \$337.1 billion. On the other hand, net transfers to Atlantic Canada were \$196.7 billion. Only \$226.5 billion was raised in the region while Ottawa spent \$423.2 billion. Equalization was \$46.2 billion, about 11% of the total transfers to the region. In Quebec, net federal transfers equaled \$200.3 billion but here equalization accounted for \$116.2 billion, almost 60% of the net transfers to Quebec.

2. Both expenditures and revenues outside Canada are relatively small and could only make the difference between surplus or deficit if spending and revenues within Canada were near balance.

3. Unless otherwise noted, all numbers are in inflation-adjusted 2018 dollars.

Figure 1: Net federal transfers and portion attributable to Equalization (\$billions 2018), 2007–2019



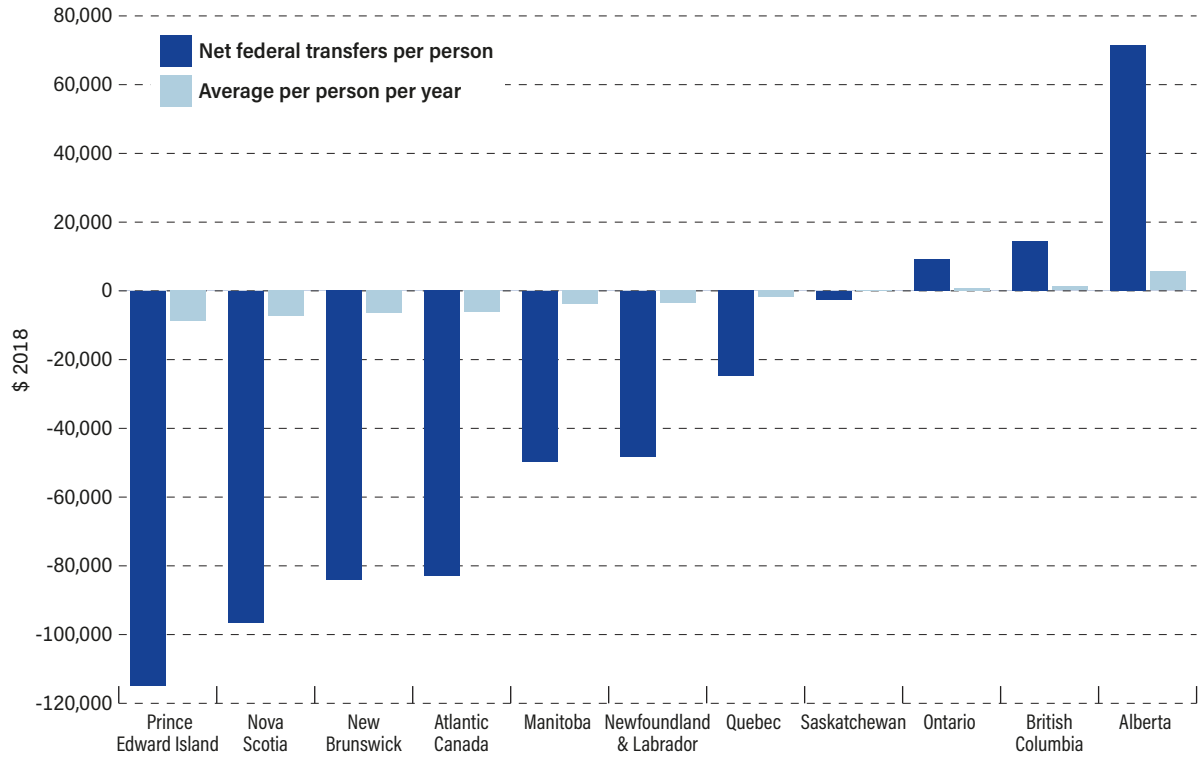
Sources: Canada, Dep't of Finance, 2020; Statistics Canada, 2020d; calculations by the author.

Figure 2 shows net transfers per person. In Alberta, each resident on average saw a net transfer out of the province over the period of \$71,563 or an average per year of \$5,505. On a per-person basis, Ottawa spent \$84,980 over the period but raised \$156,471 in revenues, or an average of expenditures of \$6,531 each year per Albertan while raising revenues of \$12,036 on average.

In contrast, in Atlantic Canada, each resident on average saw a net transfer into the region over the period of \$82,953 or an average of \$6,381 per year. On a per-person basis, Ottawa spent \$178,466 over the period but raised only \$95,513 in revenues, or an average of expenditures of \$13,728 per Atlantic Canadian while raising revenues of \$7,347 per year on average.

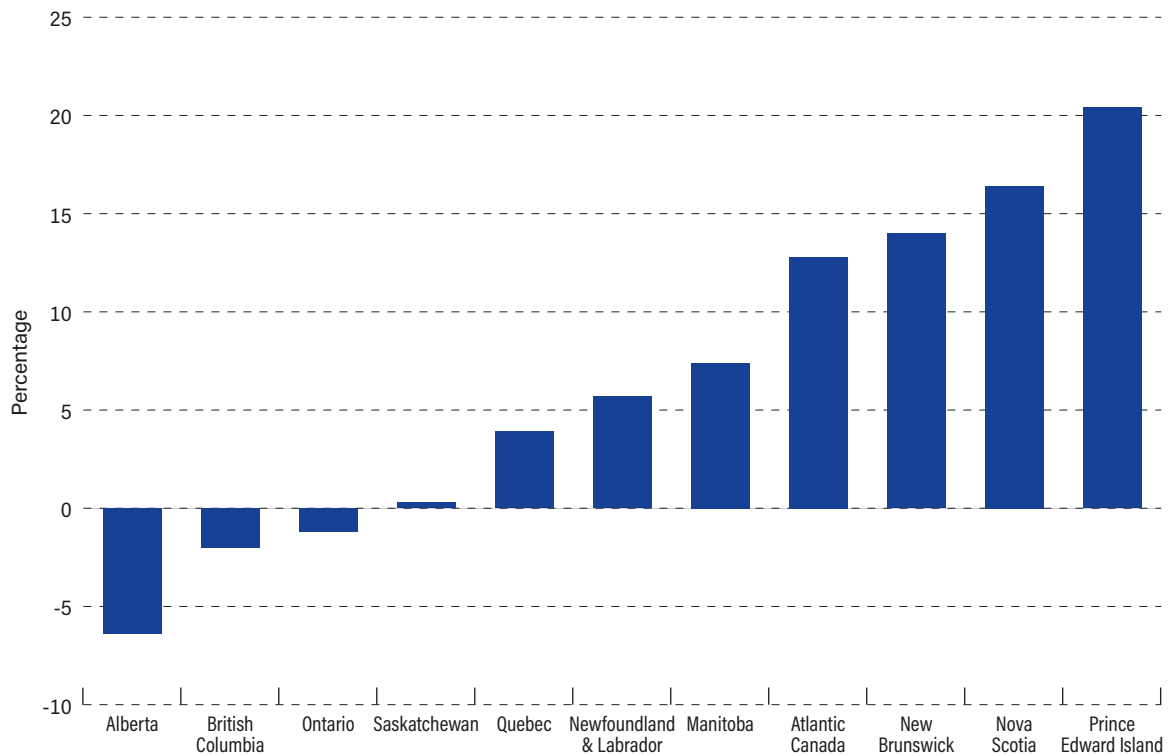
Figure 3 shows the overall economic impact of fiscal federalism as a percentage of GDP. The net fiscal flow out of Alberta equaled 6.4% of the provincial GDP on average over the period, reflecting federal revenues equaling 14.1% of GDP with expenditures of 7.7% of GDP. The net fiscal flow into Atlantic Canada equaled 12.8% of the Atlantic economy, reflecting federal expenditures equaling 27.5% of the Atlantic economy with federal revenues equaling 14.7%.

Figure 2: Net federal transfers per person (\$ 2018), 2007–2019, and average per person per year



Sources: Statistics Canada, 2020a, 2020d; calculations by the author.

Figure 3: Net federal transfers as a percentage of GDP, average 2007–2019



Sources: Statistics Canada, 2020c, 2020d; calculations by the author.

The numbers

Expenditure and revenue, raw and adjusted for inflation

Table 1a reports selected federal fiscal flows from 2007 to 2019 in raw, unadjusted numbers; table 1b shows the same data adjusted for inflation. Table 2a reports flows from 1997 to 2009 with table 2b reporting the same data adjusted for inflation. Statistics Canada changed its method of calculation for the 2007–2019 series. Overlapping years show the overall flows differ slightly between the two calculations.

I employ the terminology used by Statistics Canada in the tables. Thus, in the 2007–2019 tables, the difference between federal spending and revenue in a jurisdiction is labeled “Federal government surplus or deficit”. Deficits, in other words more spending than revenues, are marked by negative numbers; a surplus is recorded by a positive number. For the period from 1997 to 2007, this is labeled “Saving”. Deficits are indicated by parentheses and surpluses by lack of parentheses.

To recap some of the information in the figures, first look at “Federal government surplus or deficit” in the 2007–2019 data in table 1a and in, table 2a, “Saving” in the 1997–2009 data. These series report the net transfer to the provinces, difference between federal revenues and expenditures in each province and territory or, in other words, the net flow of federal money into or out of the province or territory.

Over the 13 years of data in the current series from 2007 to 2019, in inflation-adjusted terms (table 1b), federal spending in Atlantic Canada exceeded federal revenue by \$196.7 billion, while Quebec had net transfers of \$200.3 billion. In other words, Ottawa spent \$196.7 billion more in Atlantic Canada and \$200.3 billion more in Quebec than it raised in revenues in these provinces. Alberta taxpayers were a net contributor of \$280.4 billion over this period while Ontario, even though it was officially a have-not province receiving equalization from 2009 to 2019, was a net contributor of \$126.1 billion.⁴

Over this period, the federal government ran a \$121.6 billion deficit, so on average federal spending in the provinces would be in deficit. However, this only emphasizes the scale of fiscal federalism. The combined difference between federal spending and revenue in Quebec and the Atlantic Provinces was \$477.1 billion. In other words, the federal deficit in Quebec and the Atlantic Canada was almost three times the size of the total federal deficit through this period. Put another way, if federal spending in these jurisdictions equaled revenues raised, Canada would have been in a strong surplus position over the period (other things constant).

4. See MacKinnon, 2011 for an excellent overview of the impact of fiscal federalism on Ontario.

Table 1a: Expenditure and revenue of the federal government in the provinces and territories, 2007-2019

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average	Total
Atlantic Canada															
Expenditure	26,725	28,751	28,844	29,618	29,660	29,223	28,876	28,957	29,286	30,102	31,999	33,173	35,446	30,051	390,660
Revenue	14,710	16,071	14,402	14,407	15,394	15,110	15,426	16,115	16,048	16,556	17,507	18,693	18,860	16,100	209,299
Surplus or deficit	-12,015	-12,680	-14,442	-15,211	-14,266	-14,113	-13,450	-12,842	-13,238	-13,546	-14,492	-14,480	-16,586	-13,951	-181,361
Alberta															
Expenditure	18,080	19,262	20,790	22,147	21,985	22,140	22,611	22,933	24,950	27,342	29,293	29,755	31,814	24,085	313,102
Revenue	40,281	41,766	38,476	38,757	39,873	41,375	46,129	49,989	49,706	43,301	43,869	47,219	49,616	43,874	570,357
Surplus or deficit	22,201	22,504	17,686	16,610	17,888	19,235	23,518	27,056	24,756	15,959	14,576	17,464	17,802	19,789	257,255
British Columbia															
Expenditure	25,663	26,322	28,019	31,370	29,776	30,056	29,983	30,037	31,075	32,902	35,304	36,915	39,950	31,336	407,372
Revenue	32,303	30,730	28,954	29,547	31,131	33,283	33,161	34,774	37,175	40,104	43,534	48,047	49,661	36,339	472,404
Surplus or deficit	6,640	4,408	935	-1,823	1,355	3,227	3,178	4,737	6,100	7,202	8,230	11,132	9,711	5,002	65,032
Canada															
Expenditure	231,178	244,417	255,014	275,099	271,647	271,483	273,502	274,094	282,834	295,670	314,900	326,909	350,410	282,089	3,667,157
Revenue	246,104	240,976	226,301	229,780	245,703	252,380	261,667	275,229	287,521	293,186	312,261	337,187	351,857	273,858	3,560,152
Surplus or deficit	14,926	-3,441	-28,713	-45,319	-25,944	-19,103	-11,835	1,135	4,687	-2,484	-2,639	10,278	1,447	-8,231	-107,005
Manitoba															
Expenditure	10,929	11,532	11,787	12,279	12,263	12,114	12,145	12,101	12,432	13,027	14,105	14,854	15,948	12,732	165,516
Revenue	6,895	6,972	6,835	6,939	7,388	7,647	8,124	8,447	8,810	9,005	9,571	10,336	10,852	8,294	107,821
Surplus or deficit	-4,034	-4,560	-4,952	-5,340	-4,875	-4,467	-4,021	-3,654	-3,622	-4,022	-4,534	-4,518	-5,096	-4,438	-57,695
New Brunswick															
Expenditure	7,592	7,950	8,416	8,805	8,930	8,854	8,788	8,822	9,030	9,393	10,000	10,308	10,965	9,066	117,853
Revenue	3,909	4,008	4,013	4,000	4,268	4,311	4,351	4,476	4,571	4,814	5,143	5,419	5,599	4,529	58,882
Surplus or deficit	-3,683	-3,942	-4,403	-4,805	-4,662	-4,543	-4,437	-4,346	-4,459	-4,579	-4,857	-4,889	-5,366	-4,536	-58,971
Newfoundland & Labrador															
Expenditure	6,403	7,210	6,752	6,876	6,558	5,994	5,656	5,840	5,703	5,868	6,298	6,302	6,857	6,332	82,317
Revenue	4,086	5,515	4,166	4,276	4,677	4,304	4,437	4,756	4,464	4,477	4,677	4,761	4,833	4,571	59,429
Surplus or deficit	-2,317	-1,695	-2,586	-2,600	-1,881	-1,690	-1,219	-1,084	-1,239	-1,391	-1,621	-1,541	-2,024	-1,761	-22,888
Northwest Territories															
Expenditure	1,502	1,540	1,670	1,696	1,684	1,715	1,743	1,954	2,007	2,091	2,191	2,258	2,485	1,887	24,536
Revenue	702	718	693	650	780	719	656	650	612	544	531	515	530	638	8,300
Surplus or deficit	-800	-822	-977	-1,046	-904	-996	-1,087	-1,304	-1,395	-1,547	-1,660	-1,743	-1,955	-1,249	-16,236
Nova Scotia															
Expenditure	11,043	11,789	11,736	11,935	12,227	12,470	12,467	12,402	12,620	12,786	13,436	14,171	15,015	12,623	164,097
Revenue	5,947	5,822	5,524	5,424	5,682	5,698	5,829	6,071	6,157	6,352	6,704	7,446	7,330	6,153	79,986
Surplus or deficit	-5,096	-5,967	-6,212	-6,511	-6,545	-6,772	-6,638	-6,331	-6,463	-6,434	-6,732	-6,725	-7,685	-6,470	-84,111
Nunavut															
Expenditure	1,231	1,391	1,430	1,500	1,557	1,652	1,752	1,757	1,805	1,862	1,936	2,008	2,101	1,691	21,982
Revenue	214	164	200	228	258	269	278	287	292	301	327	347	364	271	3,529
Surplus or deficit	-1,017	-1,227	-1,230	-1,272	-1,299	-1,383	-1,474	-1,470	-1,513	-1,561	-1,609	-1,661	-1,737	-1,419	-18,453
Ontario															
Expenditure	81,223	84,598	90,187	100,023	98,185	98,231	99,330	98,303	100,890	105,167	111,126	116,355	125,150	100,674	1,308,768
Revenue	99,387	93,651	87,662	89,212	97,194	99,502	101,866	107,184	114,388	121,510	131,110	140,399	146,445	109,962	1,429,510
Surplus or deficit	18,164	9,053	-2,525	-10,811	-991	1,271	2,536	8,881	13,498	16,343	19,984	24,044	21,295	9,288	120,742
Prince Edward Island															
Expenditure	1,687	1,802	1,940	2,002	1,945	1,905	1,965	1,893	1,933	2,055	2,265	2,392	2,609	2,030	26,393
Revenue	768	726	699	707	767	797	809	812	856	913	983	1,067	1,098	846	11,002
Surplus or deficit	-919	-1,076	-1,241	-1,295	-1,178	-1,108	-1,156	-1,081	-1,077	-1,142	-1,282	-1,325	-1,511	-1,184	-15,391
Quebec															
Expenditure	51,320	55,871	57,292	60,509	60,717	60,207	61,106	62,487	64,292	66,336	71,077	72,884	77,620	63,209	821,718
Revenue	44,348	42,845	41,016	42,025	44,948	45,428	46,363	47,576	50,249	52,010	55,608	60,717	64,142	49,021	637,275
Surplus or deficit	-6,972	-13,026	-16,276	-18,484	-15,769	-14,779	-14,743	-14,911	-14,043	-14,326	-15,469	-12,167	-13,478	-14,188	-184,443
Saskatchewan															
Expenditure	8,032	8,359	8,053	8,425	8,528	8,533	8,421	8,464	8,676	9,219	10,168	10,638	11,572	9,007	117,088
Revenue	6,810	7,538	7,534	7,558	8,262	8,579	9,201	9,734	9,752	9,345	9,662	10,352	10,791	8,855	115,118
Surplus or deficit	-1,222	-821	-519	-867	-266	46	780	1,270	1,076	126	-506	-286	-781	-152	-1,970
Yukon															
Expenditure	939	1,034	1,125	1,266	1,329	1,305	1,368	1,365	1,388	1,424	1,482	1,562	1,659	1,327	17,246
Revenue	258	259	264	267	306	307	312	318	326	335	361	390	404	316	4,107
Surplus or deficit	-681	-775	-861	-999	-1,023	-998	-1,056	-1,047	-1,062	-1,089	-1,121	-1,172	-1,255	-1,011	-13,139

Source: Statistics Canada, 2019

Table 1b: Expenditure and revenue of the federal government (adjusted for inflation, \$2018), 2007-2019

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average	Total
Atlantic Canada															
Expenditure	31,974	33,614	33,635	33,915	33,000	32,032	31,369	30,854	30,859	31,274	32,735	33,173	34,768	32,554	423,201
Revenue	17,599	18,789	16,794	16,497	17,127	16,563	16,758	17,170	16,910	17,201	17,910	18,693	18,499	17,424	226,510
Surplus or deficit	-14,375	-14,825	-16,841	-17,418	-15,872	-15,470	-14,611	-13,683	-13,949	-14,073	-14,825	-14,480	-16,269	-15,130	-196,691
Alberta															
Expenditure	21,631	22,520	24,243	25,360	24,460	24,268	24,563	24,435	26,290	28,407	29,967	29,755	31,206	25,931	337,105
Revenue	48,193	48,831	44,866	44,379	44,362	45,353	50,111	53,263	52,376	44,987	44,878	47,219	48,667	47,499	617,486
Surplus or deficit	26,562	26,311	20,623	19,020	19,902	21,084	25,548	28,828	26,086	16,580	14,911	17,464	17,462	21,568	280,381
British Columbia															
Expenditure	30,704	30,774	32,673	35,921	33,129	32,946	32,571	32,004	32,744	34,183	36,116	36,915	39,186	33,836	439,865
Revenue	38,648	35,928	33,763	33,833	34,636	36,483	36,023	37,052	39,172	41,666	44,536	48,047	48,712	39,115	508,497
Surplus or deficit	7,944	5,154	1,090	-2,087	1,508	3,537	3,452	5,047	6,428	7,482	8,419	11,132	9,525	5,279	68,632
Canada															
Expenditure	276,584	285,760	297,368	315,006	302,233	297,583	297,110	292,046	298,026	307,184	322,145	326,909	343,711	304,743	3,961,664
Revenue	294,442	281,737	263,886	263,113	273,368	276,643	284,254	293,255	302,964	304,603	319,445	337,187	345,130	295,387	3,840,027
Surplus or deficit	17,858	-4,023	-33,482	-51,893	-28,865	-20,940	-12,857	1,209	4,939	-2,581	-2,700	10,278	1,419	-9,357	-121,637
Manitoba															
Expenditure	13,076	13,483	13,745	14,060	13,644	13,279	13,193	12,894	13,100	13,534	14,430	14,854	15,643	13,764	178,933
Revenue	8,249	8,151	7,970	7,946	8,220	8,382	8,825	9,000	9,283	9,356	9,791	10,336	10,645	8,935	116,154
Surplus or deficit	-4,826	-5,331	-5,774	-6,115	-5,424	-4,896	-4,368	-3,893	-3,817	-4,179	-4,638	-4,518	-4,999	-4,829	-62,779
New Brunswick															
Expenditure	9,083	9,295	9,814	10,082	9,935	9,705	9,547	9,400	9,515	9,759	10,230	10,308	10,755	9,802	127,428
Revenue	4,677	4,686	4,679	4,580	4,749	4,725	4,727	4,769	4,817	5,001	5,261	5,419	5,492	4,891	63,582
Surplus or deficit	-4,406	-4,609	-5,134	-5,502	-5,187	-4,980	-4,820	-4,631	-4,699	-4,757	-4,969	-4,889	-5,263	-4,911	-63,846
Newfoundland & Labrador															
Expenditure	7,661	8,430	7,873	7,873	7,296	6,570	6,144	6,222	6,009	6,097	6,443	6,302	6,726	6,896	89,647
Revenue	4,889	6,448	4,858	4,896	5,204	4,718	4,820	5,067	4,704	4,651	4,785	4,761	4,741	4,965	64,541
Surplus or deficit	-2,772	-1,982	-3,015	-2,977	-2,093	-1,852	-1,324	-1,155	-1,306	-1,445	-1,658	-1,541	-1,985	-1,931	-25,106
Northwest Territories															
Expenditure	1,797	1,800	1,947	1,942	1,874	1,880	1,893	2,082	2,115	2,172	2,241	2,258	2,437	2,034	26,440
Revenue	840	839	808	744	868	788	713	693	645	565	543	515	520	699	9,081
Surplus or deficit	-957	-961	-1,139	-1,198	-1,006	-1,092	-1,181	-1,389	-1,470	-1,607	-1,698	-1,743	-1,918	-1,335	-17,359
Nova Scotia															
Expenditure	13,212	13,783	13,685	13,666	13,604	13,669	13,543	13,214	13,298	13,284	13,745	14,171	14,728	13,662	177,602
Revenue	7,115	6,807	6,441	6,211	6,322	6,246	6,332	6,469	6,488	6,599	6,858	7,446	7,190	6,656	86,524
Surplus or deficit	-6,097	-6,976	-7,244	-7,456	-7,282	-7,423	-7,211	-6,746	-6,810	-6,685	-6,887	-6,725	-7,538	-7,006	-91,079
Nunavut															
Expenditure	1,473	1,626	1,668	1,718	1,732	1,811	1,903	1,872	1,902	1,935	1,981	2,008	2,061	1,822	23,688
Revenue	256	192	233	261	287	295	302	306	308	313	335	347	357	292	3,791
Surplus or deficit	-1,217	-1,435	-1,434	-1,457	-1,445	-1,516	-1,601	-1,566	-1,594	-1,622	-1,646	-1,661	-1,704	-1,531	-19,898
Ontario															
Expenditure	97,176	98,908	105,166	114,533	109,240	107,675	107,904	104,741	106,309	109,262	113,683	116,355	122,757	108,747	1,413,709
Revenue	118,908	109,492	102,221	102,153	108,137	109,068	110,659	114,204	120,532	126,242	134,126	140,399	143,645	118,445	1,539,787
Surplus or deficit	21,732	10,584	-2,944	-12,379	-1,103	1,393	2,755	9,463	14,223	16,979	20,444	24,044	20,888	9,698	126,079
Prince Edward Island															
Expenditure	2,018	2,107	2,262	2,292	2,164	2,088	2,135	2,017	2,037	2,135	2,317	2,392	2,559	2,194	28,524
Revenue	919	849	815	810	853	874	879	865	902	949	1,006	1,067	1,077	913	11,863
Surplus or deficit	-1,100	-1,258	-1,447	-1,483	-1,311	-1,215	-1,256	-1,152	-1,135	-1,186	-1,311	-1,325	-1,482	-1,282	-16,660
Quebec															
Expenditure	61,400	65,322	66,807	69,287	67,553	65,995	66,381	66,580	67,745	68,919	72,712	72,884	76,136	68,286	887,721
Revenue	53,059	50,092	47,828	48,121	50,009	49,795	50,365	50,692	52,948	54,035	56,887	60,717	62,916	52,882	687,465
Surplus or deficit	-8,341	-15,229	-18,979	-21,165	-17,544	-16,200	-16,016	-15,888	-14,797	-14,884	-15,825	-12,167	-13,220	-15,404	-200,256
Saskatchewan															
Expenditure	9,610	9,773	9,390	9,647	9,488	9,353	9,148	9,018	9,142	9,578	10,402	10,638	11,351	9,734	126,539
Revenue	8,148	8,813	8,785	8,654	9,192	9,404	9,995	10,372	10,276	9,709	9,884	10,352	10,585	9,551	124,169
Surplus or deficit	-1,462	-960	-605	-993	-296	50	847	1,353	1,134	131	-518	-286	-766	-182	-2,370
Yukon															
Expenditure	1,123	1,209	1,312	1,450	1,479	1,430	1,486	1,454	1,463	1,479	1,516	1,562	1,627	1,430	18,591
Revenue	309	303	308	306	340	337	339	339	344	348	369	390	396	341	4,427
Surplus or deficit	-815	-906	-1,004	-1,144	-1,138	-1,094	-1,147	-1,116	-1,119	-1,131	-1,147	-1,172	-1,231	-1,090	-14,164

Sources: Statistics Canada, 2019, 2020b; calculations by the author.

Table 2a: Expenditure and revenue of the federal government in the provinces and territories, 1997-2009

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total	Average
Atlantic Canada															
Total current expenditure	19,361	20,075	20,872	20,898	21,810	21,077	21,657	21,454	27,332	23,844	26,549	28,052	29,197	23,244	302,178
Total revenue	9,033	9,331	9,979	10,724	10,686	10,586	10,987	11,436	11,724	12,277	13,641	15,399	13,277	11,468	149,080
Saving	-10,328	-10,744	-10,893	-10,174	-11,124	-10,491	-10,670	-10,018	-15,608	-11,567	-12,908	-12,653	-15,920	-11,777	-153,098
Alberta															
Total current expenditure	11,923	12,369	13,082	14,276	14,601	14,375	15,828	16,368	17,089	16,793	17,407	18,699	19,997	15,601	202,807
Total revenue	17,591	18,648	19,187	22,087	22,690	22,672	23,604	25,977	29,879	34,636	38,324	39,668	35,990	26,996	350,953
Saving	5,668	6,279	6,105	7,811	8,089	8,297	7,776	9,609	12,790	17,843	20,917	20,969	15,993	11,396	148,146
British Columbia															
Total current expenditure	17,298	17,877	18,937	19,788	20,130	20,761	21,387	22,187	24,280	23,967	24,599	25,560	27,232	21,846	284,003
Total revenue	20,654	20,414	20,935	22,765	22,477	22,082	22,899	24,546	26,540	28,736	31,007	29,715	27,221	24,615	319,991
Saving	3,356	2,537	1,998	2,977	2,347	1,321	1,512	2,359	2,260	4,769	6,408	4,155	-11	2,768	35,988
Canada															
Total current expenditure	155,537	159,363	167,791	174,770	179,707	178,571	189,184	191,422	212,323	211,213	221,658	236,556	246,974	194,236	2,525,069
Total revenue	158,024	163,129	173,610	191,192	189,172	185,651	191,407	202,538	214,072	224,414	237,450	234,365	216,019	198,542	2,581,043
Saving	2,487	3,766	5,819	16,422	9,465	7,080	2,223	11,116	1,749	13,201	15,792	-2,191	-30,955	4,306	55,974
Manitoba															
Total current expenditure	7,681	7,600	8,165	8,553	8,695	8,658	9,378	9,242	10,522	10,409	11,026	11,915	12,911	9,597	124,755
Total revenue	5,051	5,062	5,238	5,624	5,474	5,402	5,626	5,873	6,029	6,156	6,571	6,689	6,453	5,788	75,248
Saving	-2,630	-2,538	-2,927	-2,929	-3,221	-3,256	-3,752	-3,369	-4,493	-4,253	-4,455	-5,226	-6,458	-3,808	-49,507
New Brunswick															
Total current expenditure	5,527	5,746	6,072	6,084	6,418	6,226	6,521	6,486	7,282	7,129	7,442	7,737	8,662	6,718	87,332
Total revenue	2,894	2,956	3,144	3,404	3,352	3,307	3,404	3,510	3,582	3,625	3,716	3,804	3,693	3,415	44,391
Saving	-2,633	-2,790	-2,928	-2,680	-3,066	-2,919	-3,117	-2,976	-3,700	-3,504	-3,726	-3,933	-4,969	-3,303	-42,941
Newfoundland & Labrador															
Total current expenditure	4,777	5,160	5,170	4,882	4,972	4,766	4,791	4,643	7,468	5,296	6,871	7,437	6,393	5,587	72,626
Total revenue	1,858	1,904	2,006	2,175	2,184	2,196	2,283	2,451	2,525	2,771	3,667	5,330	3,811	2,705	35,161
Saving	-2,919	-3,256	-3,164	-2,707	-2,788	-2,570	-2,508	-2,192	-4,943	-2,525	-3,204	-2,107	-2,582	-2,882	-37,465
Northwest Territories															
Total current expenditure			1,122	954	872	863	1,167	1,172	1,345	1,291	1,351	1,439	1,464	1,185	13,040
Total revenue			391	472	518	509	570	683	631	590	626	637	593	565	6,220
Saving			-731	-482	-354	-354	-597	-489	-714	-701	-725	-802	-871	-620	-6,820
Nova Scotia															
Total current expenditure	7,874	7,974	8,316	8,603	8,967	8,729	8,954	8,949	11,047	9,873	10,611	11,129	12,200	9,479	123,226
Total revenue	3,717	3,903	4,222	4,486	4,481	4,429	4,623	4,769	4,876	5,107	5,445	5,462	5,034	4,658	60,554
Saving	-4,157	-4,071	-4,094	-4,117	-4,486	-4,300	-4,331	-4,180	-6,171	-4,766	-5,166	-5,667	-7,166	-4,821	-62,672
Nunavut															
Total current expenditure			802	847	1,053	742	1,035	1,128	1,312	1,321	1,212	1,365	1,396	1,110	12,213
Total revenue			82	102	113	118	126	126	128	132	181	126	159	127	1,393
Saving			-720	-745	-940	-624	-909	-1,002	-1,184	-1,189	-1,031	-1,239	-1,237	-984	-10,820
Ontario															
Total current expenditure	50,776	51,459	54,089	57,216	59,046	59,929	63,581	64,578	69,663	71,710	75,627	80,277	86,300	64,942	844,251
Total revenue	67,694	70,815	77,037	84,641	83,582	81,055	82,610	87,142	90,681	93,185	97,240	92,824	85,239	84,134	1,093,745
Saving	16,918	19,356	22,948	27,425	24,536	21,126	19,029	22,564	21,018	21,475	21,613	12,547	-1,061	19,192	249,494
Prince Edward Island															
Total current expenditure	1,183	1,195	1,314	1,329	1,453	1,356	1,391	1,376	1,535	1,546	1,625	1,749	1,942	1,461	18,994
Total revenue	564	568	607	659	669	654	677	706	741	774	813	803	739	690	8,974
Saving	-619	-627	-707	-670	-784	-702	-714	-670	-794	-772	-812	-946	-1,203	-771	-10,020
Quebec															
Total current expenditure	37,426	38,707	39,924	41,383	42,083	41,305	43,083	42,216	46,500	48,022	49,839	54,003	53,318	44,447	577,809
Total revenue	32,961	33,612	35,653	39,493	38,184	38,093	39,709	41,249	42,481	42,313	42,952	41,674	39,677	39,081	508,051
Saving	-4,465	-5,095	-4,271	-1,890	-3,899	-3,212	-3,374	-967	-4,019	-5,709	-6,887	-12,329	-13,641	-5,366	-69,758
Saskatchewan															
Total current expenditure	5,937	6,146	6,836	6,946	7,111	6,533	7,190	8,016	8,134	8,169	8,143	8,655	8,374	7,399	96,190
Total revenue	4,439	4,510	4,676	4,916	4,999	4,860	4,994	5,223	5,682	6,079	6,586	7,299	7,074	5,487	71,337
Saving	-1,498	-1,636	-2,160	-2,030	-2,112	-1,673	-2,196	-2,793	-2,452	-2,090	-1,557	-1,356	-1,300	-1,912	-24,853
Yukon															
Total current expenditure	602	637	694	714	806	631	804	838	1,041	951	983	1,043	1,116	835	10,860
Total revenue	176	167	172	175	178	173	176	179	193	206	225	232	226	191	2,478
Saving	-426	-470	-522	-539	-628	-458	-628	-659	-848	-745	-758	-811	-890	-645	-8,382

Source: Statistics Canada, 2010.

Table 2b: Expenditure and revenue of the federal government (adjusted for inflation, \$2018), 1997–2009

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average	Total
Atlantic Canada															
Total current expenditure	28,570	29,332	29,971	29,222	29,749	28,117	28,104	27,335	34,076	29,155	31,764	32,797	34,046	30,172	392,237
Total revenue	13,330	13,634	14,329	14,996	14,576	14,122	14,257	14,571	14,617	15,011	16,320	18,004	15,482	14,865	193,248
Saving	-15,241	-15,698	-15,642	-14,227	-15,173	-13,995	-13,846	-12,764	-19,459	-14,143	-15,443	-14,793	-18,564	-15,307	-198,989
Alberta															
Total current expenditure	17,594	18,073	18,785	19,962	19,916	19,176	20,539	20,855	21,305	20,533	20,826	21,862	23,318	20,211	262,746
Total revenue	25,958	27,247	27,552	30,885	30,949	30,244	30,630	33,098	37,251	42,351	45,851	46,378	41,967	34,643	450,361
Saving	8,364	9,174	8,766	10,922	11,033	11,068	10,091	12,243	15,946	21,817	25,025	24,516	18,649	14,432	187,616
British Columbia															
Total current expenditure	25,526	26,120	27,193	27,670	27,457	27,695	27,753	28,269	30,271	29,305	29,431	29,883	31,755	28,333	368,328
Total revenue	30,478	29,827	30,062	31,833	30,659	29,457	29,715	31,274	33,088	35,136	37,097	34,741	31,742	31,932	415,111
Saving	4,952	3,707	2,869	4,163	3,201	1,762	1,962	3,006	2,818	5,831	7,667	4,858	-13	3,599	46,783
Canada															
Total current expenditure	229,520	232,848	240,940	244,385	245,122	238,214	245,498	243,894	264,709	258,257	265,194	276,569	287,992	251,780	3,273,142
Total revenue	233,190	238,351	249,296	267,348	258,032	247,658	248,382	258,057	266,890	274,398	284,088	274,008	251,896	257,815	3,351,595
Saving	3,670	5,503	8,356	22,963	12,910	9,445	2,885	14,163	2,181	16,141	18,894	-2,562	-36,096	6,035	78,452
Manitoba															
Total current expenditure	11,335	11,104	11,725	11,960	11,860	11,550	12,170	11,775	13,118	12,727	13,192	13,930	15,055	12,423	161,501
Total revenue	7,454	7,396	7,522	7,864	7,467	7,206	7,301	7,483	7,517	7,527	7,862	7,820	7,525	7,534	97,942
Saving	-3,881	-3,708	-4,203	-4,096	-4,393	-4,344	-4,869	-4,292	-5,602	-5,200	-5,330	-6,110	-7,531	-4,889	-63,559
New Brunswick															
Total current expenditure	8,156	8,396	8,719	8,507	8,754	8,305	8,462	8,264	9,079	8,717	8,904	9,046	10,101	8,724	113,409
Total revenue	4,271	4,319	4,515	4,760	4,572	4,412	4,417	4,472	4,466	4,432	4,446	4,447	4,306	4,449	57,835
Saving	-3,885	-4,077	-4,204	-3,748	-4,182	-3,894	-4,045	-3,792	-4,613	-4,284	-4,458	-4,598	-5,794	-4,275	-55,574
Newfoundland & Labrador															
Total current expenditure	7,049	7,539	7,424	6,827	6,782	6,358	6,217	5,916	9,311	6,476	8,221	8,695	7,455	7,251	94,268
Total revenue	2,742	2,782	2,881	3,041	2,979	2,929	2,963	3,123	3,148	3,388	4,387	6,232	4,444	3,464	45,038
Saving	-4,307	-4,757	-4,543	-3,785	-3,803	-3,428	-3,255	-2,793	-6,163	-3,087	-3,833	-2,463	-3,011	-3,787	-49,230
Northwest Territories															
Total current expenditure			1,611	1,334	1,189	1,151	1,514	1,493	1,677	1,579	1,616	1,682	1,707	1,273	16,555
Total revenue			561	660	707	679	740	870	787	721	749	745	691	608	7,910
Saving			-1,050	-674	-483	-472	-775	-623	-890	-857	-867	-938	-1,016	-665	-8,645
Nova Scotia															
Total current expenditure	11,619	11,651	11,941	12,030	12,231	11,644	11,619	11,402	13,773	12,072	12,695	13,011	14,226	12,301	159,916
Total revenue	5,485	5,703	6,063	6,273	6,112	5,908	5,999	6,076	6,079	6,244	6,514	6,386	5,870	6,055	78,713
Saving	-6,134	-5,948	-5,879	-5,757	-6,119	-5,736	-5,620	-5,326	-7,694	-5,828	-6,181	-6,626	-8,356	-6,246	-81,203
Nunavut															
Total current expenditure			1,152	1,184	1,436	990	1,343	1,437	1,636	1,615	1,450	1,596	1,628	1,190	15,467
Total revenue			118	143	154	157	164	161	160	161	217	147	185	136	1,766
Saving			-1,034	-1,042	-1,282	-832	-1,180	-1,277	-1,476	-1,454	-1,234	-1,449	-1,442	-1,054	-13,701
Ontario															
Total current expenditure	74,928	75,188	77,669	80,006	80,539	79,945	82,507	82,280	86,851	87,682	90,481	93,856	100,633	84,044	1,092,566
Total revenue	99,894	103,469	110,621	118,355	114,007	108,127	107,200	111,029	113,055	113,940	116,339	108,525	99,396	109,535	1,423,958
Saving	24,965	28,281	32,952	38,349	33,467	28,182	24,693	28,749	26,204	26,258	25,858	14,669	-1,237	25,492	331,392
Prince Edward Island															
Total current expenditure	1,746	1,746	1,887	1,858	1,982	1,809	1,805	1,753	1,914	1,890	1,944	2,045	2,265	1,896	24,644
Total revenue	832	830	872	921	913	872	879	900	924	946	973	939	862	897	11,662
Saving	-913	-916	-1,015	-937	-1,069	-936	-927	-854	-990	-944	-971	-1,106	-1,403	-999	-12,982
Quebec															
Total current expenditure	55,228	56,555	57,329	57,867	57,402	55,101	55,907	53,788	57,973	58,718	59,628	63,138	62,173	57,754	750,807
Total revenue	48,639	49,111	51,196	55,224	52,083	50,816	51,529	52,556	52,962	51,737	51,388	48,723	46,267	50,941	662,233
Saving	-6,589	-7,444	-6,133	-2,643	-5,318	-4,285	-4,378	-1,232	-5,011	-6,981	-8,240	-14,414	-15,907	-6,813	-88,574
Saskatchewan															
Total current expenditure	8,761	8,980	9,816	9,713	9,699	8,715	9,330	10,213	10,141	9,988	9,742	10,119	9,765	9,614	124,984
Total revenue	6,550	6,590	6,715	6,874	6,819	6,483	6,481	6,655	7,084	7,433	7,880	8,534	8,249	7,103	92,345
Saving	-2,211	-2,390	-3,102	-2,839	-2,881	-2,232	-2,850	-3,559	-3,057	-2,556	-1,863	-1,585	-1,516	-2,511	-32,639
Yukon															
Total current expenditure	888	931	997	998	1,099	842	1,043	1,068	1,298	1,163	1,176	1,219	1,301	1,079	14,024
Total revenue	260	244	247	245	243	231	228	228	241	252	269	271	264	248	3,222
Saving	-629	-687	-750	-754	-857	-611	-815	-840	-1,057	-911	-907	-948	-1,038	-831	-10,802

Sources: Statistics Canada, 2010, 2019, 2020b; calculations by the author.

A similar pattern occurs in the 1997–2007 period, though with one significant difference. Net transfers to Atlantic Canada over the period equal \$199.0 billion in 2018 dollars while Quebec received \$88.6 billion, less than half the total amount received by the Atlantic provinces, despite a population three and a half times as large.⁵ Alberta's net contribution was \$187.6 billion and Ontario's was \$331.4 billion.

Through the earlier period, federal revenues overall exceeded expenditures by \$78.5 billion so on average federal spending in the provinces would have been in a surplus position, but the deficit in Quebec and the Atlantic provinces combined was \$287.6, three times the overall surplus, and thus leading to large federal net outflows from Alberta and Ontario despite the overall surplus.

Expenditure and revenue per capita

Table 3a, 2007 to 2019, and table 3b, 1997 to 2009, report the same data in per-capita 2018 dollars. These are the key tables for overall expenditure and revenue data, with the focus on table 3a, 2007 to 2019. The table for 1997 to 2007 provides a longer-term context but, as a result of the change in accounting practices by Statistics Canada, the two series differ slightly, as noted.⁶

From 2007 to 2019, federal spending in Atlantic Canada exceeded federal revenue by \$6,381 per year, per person on average. In Alberta, over the same period, federal revenue exceeded federal spending by \$5,505 per person on average each year. The table also shows the sharp fall-off in Alberta's net contribution in recent years. Per-person net transfers to Quebec were much lower, \$1,907 per person on average.

The net per-capita contribution from Ontario taxpayers over this period averaged \$700 per person annually or \$9,102 per person over the full period. However, this represented a period of relative weakness in Ontario, a recipient of equalization for most of the years. The average contribution of Ontario taxpayers from 1997 to 2009 (table 3b) was \$2,121 per person annually or \$27,573 per person for the full period.

From 1997 to 2009, on a per-person basis in Atlantic Canada, federal spending exceeded revenue by \$84,879 or an average of \$6,529 a year. In Quebec, the total per-person subsidy was \$11,698 or \$900 a year on average. In Alberta, net revenue exceeded expenditures by \$57,006 per person or an average of \$4,385 a year.

5. Please note the early series and the later series overlap in 2007, 2008, and 2009.

6. The last two lines in each province, "Adjusted for defence" and "Adj. for defence/household", are discussed in the appendix.

Table 3a: Expenditure and revenue per capita (\$2018) of the federal government, 2007-2019

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average	Total
Atlantic Canada															
Expenditure	13,739	14,408	14,344	14,378	13,930	13,499	13,235	13,019	13,032	13,126	13,662	13,767	14,327	13,728	178,466
Revenue	7,562	8,053	7,162	6,994	7,230	6,980	7,070	7,245	7,141	7,219	7,475	7,758	7,623	7,347	95,513
Surplus or deficit	-6,177	-6,354	-7,182	-7,384	-6,700	-6,519	-6,164	-5,774	-5,891	-5,907	-6,188	-6,009	-6,704	-6,381	-82,953
Adjusted for defence	-5,206	-5,332	-6,180	-6,370	-5,632	-5,435	-5,106	-4,737	-4,841	-4,869	-5,113	-4,970	-5,672	-5,343	-69,463
Adj. for defence/household	-4,841	-4,925	-5,695	-5,868	-5,130	-4,902	-4,548	-4,178	-4,270	-4,258	-4,438	-4,336	-4,975	-4,797	-62,366
Alberta															
Expenditure	6,155	6,263	6,590	6,795	6,456	6,264	6,170	5,984	6,343	6,770	7,062	6,919	7,139	6,531	84,908
Revenue	13,714	13,580	12,195	11,891	11,708	11,705	12,587	13,043	12,637	10,721	10,576	10,979	11,133	12,036	156,471
Surplus or deficit	7,558	7,317	5,606	5,096	5,253	5,442	6,417	7,059	6,294	3,951	3,514	4,061	3,995	5,505	71,563
Adjusted for defence	7,513	7,274	5,562	4,990	5,130	5,309	6,282	6,922	6,143	3,797	3,351	3,900	3,827	5,385	70,000
Adj. for defence/household	7,299	7,042	5,241	4,659	4,813	4,989	5,981	6,602	5,799	3,380	2,925	3,508	3,399	5,049	65,636
British Columbia															
Expenditure	7,155	7,076	7,408	8,044	7,358	7,214	7,035	6,799	6,855	7,035	7,334	7,381	7,727	7,263	94,422
Revenue	9,007	8,261	7,655	7,577	7,693	7,989	7,780	7,871	8,201	8,575	9,044	9,607	9,605	8,374	108,865
Surplus or deficit	1,851	1,185	247	-467	335	775	746	1,072	1,346	1,540	1,710	2,226	1,878	1,111	14,443
Adjusted for defence	1,643	957	36	-689	99	549	531	863	1,138	1,329	1,487	2,009	1,663	893	11,615
Adj. for defence/household	1,699	1,000	59	-662	136	582	558	877	1,130	1,301	1,464	2,001	1,668	909	11,815
Canada															
Expenditure	8,410	8,595	8,843	9,264	8,801	8,572	8,469	8,241	8,347	8,507	8,815	8,822	9,144	8,679	112,830
Revenue	8,953	8,474	7,847	7,738	7,961	7,969	8,102	8,275	8,486	8,436	8,742	9,099	9,182	8,405	109,262
Surplus or deficit	543	-121	-996	-1,526	-841	-603	-366	34	138	-71	-74	277	38	-274	-3,568
Adjusted for defence	543	-121	-996	-1,526	-841	-603	-366	34	138	-71	-74	277	38	-274	-3,568
Adj. for defence/household	543	-121	-996	-1,526	-841	-603	-366	34	138	-71	-74	277	38	-274	-3,568
Manitoba															
Expenditure	10,993	11,256	11,373	11,517	11,060	10,623	10,433	10,081	10,137	10,299	10,808	10,975	11,423	10,845	140,979
Revenue	6,935	6,805	6,595	6,509	6,663	6,706	6,979	7,037	7,184	7,119	7,334	7,637	7,773	7,021	91,276
Surplus or deficit	-4,058	-4,451	-4,778	-5,009	-4,397	-3,917	-3,454	-3,044	-2,953	-3,180	-3,474	-3,338	-3,650	-3,823	-49,703
Adjusted for defence	-3,993	-4,386	-4,658	-4,931	-4,358	-3,842	-3,384	-2,984	-2,909	-3,150	-3,442	-3,318	-3,643	-3,769	-49,001
Adj. for defence/household	-3,681	-4,069	-4,382	-4,655	-4,112	-3,613	-3,163	-2,793	-2,699	-2,936	-3,216	-3,075	-3,390	-3,522	-45,783
New Brunswick															
Expenditure	12,185	12,445	13,086	13,389	13,147	12,797	12,585	12,385	12,539	12,784	13,342	13,371	13,845	12,915	167,901
Revenue	6,274	6,274	6,240	6,082	6,284	6,231	6,231	6,284	6,347	6,552	6,862	7,029	7,070	6,443	83,759
Surplus or deficit	-5,911	-6,171	-6,846	-7,306	-6,864	-6,566	-6,354	-6,101	-6,192	-6,232	-6,480	-6,342	-6,776	-6,472	-84,141
Adjusted for defence	-5,379	-5,623	-6,186	-6,587	-6,165	-5,814	-5,631	-5,413	-5,516	-5,556	-5,746	-5,647	-6,095	-5,797	-75,360
Adj. for defence/household	-5,020	-5,221	-5,708	-6,092	-5,676	-5,301	-5,131	-4,906	-4,993	-4,977	-5,097	-5,049	-5,439	-5,278	-68,609
Newfoundland & Labrador															
Expenditure	15,049	16,477	15,236	15,083	13,898	12,483	11,656	11,781	11,379	11,515	12,194	11,990	12,896	13,203	171,639
Revenue	9,603	12,604	9,401	9,380	9,912	8,963	9,144	9,595	8,907	8,786	9,056	9,058	9,090	9,500	123,497
Surplus or deficit	-5,446	-3,874	-5,835	-5,703	-3,986	-3,520	-2,512	-2,187	-2,472	-2,730	-3,139	-2,932	-3,807	-3,703	-48,142
Adjusted for defence	-5,675	-4,093	-6,047	-5,923	-4,206	-3,749	-2,733	-2,386	-2,673	-2,931	-3,352	-3,140	-4,014	-3,917	-50,921
Adj. for defence/household	-5,270	-3,636	-5,517	-5,372	-3,608	-3,096	-1,999	-1,661	-1,933	-2,153	-2,521	-2,430	-3,183	-3,260	-42,380
Northwest Territories															
Expenditure	41,433	41,524	45,124	44,866	43,067	43,069	43,225	47,443	47,806	48,656	49,911	50,227	54,377	46,210	600,727
Revenue	19,365	19,360	18,725	17,195	19,948	18,056	16,268	15,782	14,578	12,658	12,096	11,456	11,597	15,930	207,085
Surplus or deficit	-22,068	-22,164	-26,399	-27,671	-23,119	-25,013	-26,956	-31,661	-33,228	-35,997	-37,815	-38,771	-42,779	-30,280	-393,642
Adjusted for defence	-21,325	-21,439	-25,604	-26,958	-22,299	-24,297	-26,209	-30,927	-32,497	-35,274	-37,052	-38,043	-42,048	-29,536	-383,973
Adj. for defence/household	1,248	1,495	-547	-597	-522	-684	-732	-496	-535	-556	-577	-513	-493	-270	-3,509

Table 3a, cont'd: Expenditure and revenue per capita (\$2018) of the federal government, 2007-2019

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average	Total
Nova Scotia															
Expenditure	14,129	14,727	14,586	14,506	14,407	14,485	14,401	14,080	14,199	14,090	14,462	14,769	15,162	14,462	188,003
Revenue	7,609	7,273	6,866	6,592	6,695	6,619	6,733	6,892	6,927	7,000	7,216	7,760	7,402	7,045	91,584
Surplus or deficit	-6,520	-7,454	-7,721	-7,914	-7,712	-7,866	-7,668	-7,187	-7,272	-7,090	-7,246	-7,009	-7,760	-7,417	-96,419
Adjusted for defence	-4,387	-5,199	-5,607	-5,809	-5,448	-5,585	-5,431	-4,987	-5,028	-4,877	-4,983	-4,817	-5,585	-5,211	-67,743
Adj. for defence/household	-4,060	-4,834	-5,164	-5,346	-5,002	-5,112	-4,934	-4,487	-4,521	-4,341	-4,386	-4,202	-4,928	-4,717	-61,315
Nunavut															
Expenditure	46,911	50,994	51,155	51,499	50,664	52,227	53,859	52,044	52,125	52,319	52,731	52,650	53,142	51,717	672,321
Revenue	8,155	6,012	7,155	7,828	8,395	8,504	8,546	8,501	8,432	8,458	8,907	9,098	9,207	8,246	107,199
Surplus or deficit	-38,756	-44,981	-44,000	-43,671	-42,269	-43,723	-45,313	-43,543	-43,693	-43,862	-43,825	-43,551	-43,935	-43,471	-565,123
Adjusted for defence	-39,033	-45,275	-44,289	-43,972	-42,581	-44,054	-45,628	-43,853	-44,011	-44,188	-44,130	-43,847	-44,213	-43,775	-569,074
Adj. for defence/household	-38,865	-44,038	-44,636	-44,237	-42,915	-44,433	-46,045	-44,405	-44,372	-44,555	-44,429	-44,179	-44,638	-43,981	-571,748
Ontario															
Expenditure	7,613	7,677	8,091	8,719	8,237	8,041	7,987	7,692	7,756	7,875	8,078	8,126	8,427	8,024	104,318
Revenue	9,315	8,499	7,864	7,777	8,154	8,145	8,190	8,387	8,793	9,098	9,531	9,805	9,861	8,725	113,420
Surplus or deficit	1,702	822	-227	-942	-83	104	204	695	1,038	1,224	1,453	1,679	1,434	700	9,102
Adjusted for defence	1,740	869	-195	-882	-1	180	274	764	1,102	1,292	1,528	1,754	1,516	765	9,940
Adj. for defence/household	1,622	734	-281	-967	-85	97	190	688	1,032	1,226	1,452	1,701	1,453	682	8,861
Prince Edward Island															
Expenditure	14,656	15,184	16,171	16,183	15,032	14,448	14,814	13,979	14,091	14,527	15,398	15,575	16,306	15,105	196,364
Revenue	6,672	6,118	5,827	5,715	5,928	6,045	6,099	5,996	6,240	6,454	6,683	6,947	6,862	6,276	81,585
Surplus or deficit	-7,984	-9,067	-10,345	-10,468	-9,104	-8,403	-8,715	-7,983	-7,851	-8,073	-8,715	-8,627	-9,443	-8,829	-114,779
Adjusted for defence	-8,096	-9,235	-10,480	-10,601	-9,239	-8,601	-8,900	-8,154	-8,006	-8,235	-8,884	-8,795	-9,625	-8,989	-116,853
Adj. for defence/household	-7,591	-8,702	-9,846	-9,986	-8,653	-8,013	-8,284	-7,552	-7,394	-7,581	-8,149	-8,110	-8,932	-8,369	-108,795
Quebec															
Expenditure	7,981	8,416	8,518	8,738	8,439	8,187	8,184	8,169	8,287	8,378	8,762	8,689	8,973	8,440	109,721
Revenue	6,897	6,454	6,098	6,069	6,247	6,177	6,210	6,220	6,477	6,569	6,855	7,239	7,415	6,533	84,925
Surplus or deficit	-1,084	-1,962	-2,420	-2,669	-2,192	-2,010	-1,975	-1,949	-1,810	-1,809	-1,907	-1,451	-1,558	-1,907	-24,796
Adjusted for defence	-1,316	-2,213	-2,661	-2,911	-2,461	-2,272	-2,220	-2,181	-2,024	-2,020	-2,131	-1,667	-1,775	-2,142	-27,852
Adj. for defence/household	-1,294	-2,172	-2,603	-2,855	-2,407	-2,216	-2,166	-2,111	-1,945	-1,905	-2,013	-1,609	-1,709	-2,077	-27,003
Saskatchewan															
Expenditure	9,590	9,606	9,075	9,175	8,901	8,630	8,318	8,103	8,155	8,431	9,038	9,147	9,665	8,910	115,834
Revenue	8,131	8,662	8,490	8,231	8,623	8,677	9,089	9,319	9,167	8,547	8,588	8,901	9,012	8,726	113,436
Surplus or deficit	-1,459	-943	-585	-944	-278	47	770	1,216	1,011	115	-450	-246	-652	-184	-2,398
Adjusted for defence	-1,766	-1,274	-917	-1,307	-656	-315	419	866	654	-246	-830	-614	-1,026	-539	-7,011
Adj. for defence/household	-1,254	-699	-639	-1,050	-422	-106	610	1,006	809	-124	-713	-471	-859	-301	-3,912
Yukon															
Expenditure	34,510	36,541	38,891	41,902	41,756	39,478	40,691	39,163	38,805	38,380	38,198	38,462	39,832	38,970	506,611
Revenue	9,482	9,153	9,127	8,837	9,614	9,287	9,280	9,124	9,114	9,029	9,305	9,603	9,700	9,281	120,655
Surplus or deficit	-25,028	-27,388	-29,765	-33,065	-32,142	-30,191	-31,411	-30,039	-29,691	-29,351	-28,894	-28,858	-30,132	-29,689	-385,956
Adjusted for defence	-25,499	-27,906	-30,272	-33,575	-32,654	-30,685	-31,913	-30,530	-30,185	-29,850	-29,421	-29,394	-30,666	-30,196	-392,550
Adj. for defence/household	-24,732	-27,549	-30,314	-33,562	-32,628	-30,681	-31,992	-30,665	-30,210	-29,924	-29,639	-29,675	-30,823	-30,184	-392,393

Note: the rows, "Adjusted for defence" and "Adj. for defence/household", show adjustments of net transfers.

Sources: Statistics Canada, 2019, 2020a; calculations by the author.

Table 3b: Expenditure and revenue per capita (adjusted for inflation, \$2018), 1997-2009

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average	Total
Atlantic Canada															
Total current expenditure	12,045	12,439	12,732	12,441	12,708	12,011	11,995	11,661	14,572	12,502	13,648	14,057	14,520	12,941	167,333
Total revenue	5,620	5,782	6,087	6,384	6,226	6,033	6,086	6,216	6,251	6,437	7,012	7,717	6,603	6,343	82,453
Saving	-6,425	-6,657	-6,645	-6,057	-6,481	-5,978	-5,910	-5,445	-8,322	-6,065	-6,636	-6,341	-7,917	-6,529	-84,879
Alberta															
Total current expenditure	6,217	6,234	6,362	6,645	6,512	6,130	6,453	6,439	6,414	6,001	5,926	6,080	6,338	6,289	81,752
Total revenue	9,173	9,399	9,331	10,281	10,120	9,668	9,623	10,220	11,214	12,378	13,048	12,898	11,407	10,674	138,758
Saving	2,956	3,165	2,969	3,636	3,608	3,538	3,170	3,780	4,800	6,377	7,121	6,818	5,069	4,385	57,006
British Columbia															
Total current expenditure	6,465	6,558	6,779	6,850	6,735	6,754	6,729	6,803	7,214	6,909	6,859	6,871	7,200	6,825	88,724
Total revenue	7,719	7,488	7,494	7,881	7,520	7,184	7,205	7,526	7,886	8,283	8,645	7,988	7,197	7,693	100,015
Saving	1,254	931	715	1,031	785	430	476	723	671	1,375	1,787	1,117	-3	869	11,291
Canada															
Total current expenditure	7,675	7,722	7,925	7,964	7,902	7,596	7,758	7,636	8,210	7,929	8,063	8,319	8,564	7,943	103,262
Total revenue	7,797	7,904	8,200	8,712	8,318	7,897	7,849	8,079	8,277	8,425	8,638	8,242	7,490	8,141	105,830
Saving	123	182	275	748	416	301	91	443	68	496	574	-77	-1,073	198	2,568
Manitoba															
Total current expenditure	9,976	9,762	10,263	10,424	10,300	9,985	10,459	10,037	11,133	10,753	11,091	11,630	12,457	10,636	138,271
Total revenue	6,561	6,502	6,584	6,854	6,484	6,230	6,274	6,378	6,379	6,360	6,609	6,529	6,226	6,459	83,972
Saving	-3,416	-3,260	-3,679	-3,570	-3,816	-3,755	-4,184	-3,659	-4,754	-4,394	-4,481	-5,101	-6,231	-4,177	-54,300
New Brunswick															
Total current expenditure	10,838	11,186	11,616	11,335	11,675	11,083	11,291	11,027	12,136	11,691	11,944	12,111	13,468	11,646	151,404
Total revenue	5,675	5,755	6,015	6,342	6,098	5,887	5,894	5,967	5,970	5,945	5,964	5,955	5,742	5,939	77,208
Saving	-5,163	-5,432	-5,601	-4,993	-5,577	-5,196	-5,397	-5,060	-6,167	-5,746	-5,980	-6,157	-7,726	-5,707	-74,196
Newfoundland & Labrador															
Total current expenditure	12,796	13,966	13,920	12,930	12,991	12,239	11,992	11,433	18,102	12,683	16,149	16,996	14,426	13,894	180,622
Total revenue	4,977	5,153	5,401	5,761	5,706	5,639	5,714	6,035	6,121	6,636	8,618	12,181	8,600	6,657	86,542
Saving	-7,819	-8,813	-8,519	-7,170	-7,285	-6,600	-6,277	-5,398	-11,982	-6,047	-7,530	-4,815	-5,826	-7,237	-94,079
Northwest Territories															
Total current expenditure			39,646	32,955	29,120	27,608	35,549	34,482	38,637	36,558	37,267	38,801	39,558	35,471	390,181
Total revenue			13,816	16,305	17,298	16,284	17,363	20,095	18,126	16,707	17,268	17,176	16,023	16,951	186,461
Saving			-25,830	-16,650	-11,822	-11,325	-18,186	-14,387	-20,511	-19,851	-19,999	-21,625	-23,535	-18,520	-203,719
Nova Scotia															
Total current expenditure	12,462	12,503	12,788	12,882	13,117	12,452	12,391	12,134	14,684	12,872	13,576	13,903	15,163	13,148	170,926
Total revenue	5,883	6,120	6,492	6,717	6,555	6,318	6,398	6,466	6,481	6,658	6,966	6,823	6,257	6,472	84,135
Saving	-6,579	-6,383	-6,296	-6,165	-6,562	-6,134	-5,993	-5,668	-8,203	-6,214	-6,610	-7,079	-8,907	-6,676	-86,792
Nunavut															
Total current expenditure			42,939	43,071	51,054	34,343	45,805	48,136	53,914	52,420	46,187	50,040	49,939	47,077	517,850
Total revenue			4,390	5,187	5,479	5,462	5,576	5,377	5,260	5,238	6,898	4,619	5,688	5,379	59,173
Saving			-38,549	-37,885	-45,575	-28,881	-40,228	-42,759	-48,654	-47,182	-39,290	-45,421	-44,251	-41,698	-458,677
Ontario															
Total current expenditure	6,674	6,615	6,751	6,848	6,769	6,610	6,738	6,640	6,932	6,925	7,088	7,285	7,742	6,894	89,618
Total revenue	8,897	9,103	9,615	10,130	9,582	8,940	8,755	8,960	9,024	8,999	9,114	8,424	7,647	9,015	117,190
Saving	2,224	2,488	2,864	3,282	2,813	2,330	2,017	2,320	2,092	2,074	2,026	1,139	-95	2,121	27,573
Prince Edward Island															
Total current expenditure	12,827	12,857	13,845	13,617	14,502	13,215	13,154	12,734	13,861	13,711	14,118	14,738	16,188	13,797	179,367
Total revenue	6,115	6,111	6,396	6,752	6,677	6,374	6,402	6,533	6,691	6,865	7,063	6,766	6,160	6,531	84,906
Saving	-6,712	-6,746	-7,449	-6,865	-7,825	-6,842	-6,752	-6,200	-7,170	-6,847	-7,055	-7,971	-10,028	-7,266	-94,461
Quebec															
Total current expenditure	7,592	7,752	7,828	7,866	7,761	7,404	7,468	7,138	7,647	7,694	7,751	8,134	7,927	7,689	99,962
Total revenue	6,686	6,731	6,991	7,506	7,042	6,829	6,884	6,974	6,986	6,779	6,680	6,277	5,899	6,790	88,264
Saving	-906	-1,020	-837	-359	-719	-576	-585	-164	-661	-915	-1,071	-1,857	-2,028	-900	-11,698
Saskatchewan															
Total current expenditure	8,607	8,827	9,676	9,640	9,697	8,743	9,364	10,241	10,207	10,066	9,722	9,946	9,436	9,552	124,172
Total revenue	6,435	6,477	6,618	6,823	6,817	6,504	6,504	6,673	7,130	7,491	7,863	8,388	7,971	7,053	91,694
Saving	-2,172	-2,350	-3,057	-2,817	-2,880	-2,239	-2,860	-3,568	-3,077	-2,575	-1,859	-1,558	-1,465	-2,498	-32,478
Yukon															
Total current expenditure	27,938	29,880	32,371	32,809	36,454	27,748	33,720	33,944	40,682	36,032	36,127	36,860	38,580	34,088	443,145
Total revenue	8,168	7,834	8,023	8,041	8,051	7,608	7,381	7,251	7,542	7,805	8,269	8,199	7,813	7,845	101,984
Saving	-19,770	-22,046	-24,348	-24,767	-28,404	-20,140	-26,338	-26,693	-33,140	-28,227	-27,858	-28,661	-30,767	-26,243	-341,160

Sources: Statistics Canada, 2010, 2020a; calculations by the author.

Expenditure and revenue as a percentage of provincial GDP

The magnitude of the differences in federal spending as a proportion of provincial GDP is also large (table 4a and table 4b). For Atlantic Canada, federal expenditures equal an average 27.5% of GDP from 2007 to 2019, with net transfers equal to 12.8% of GDP. Federal transfers are less significant in Quebec. On average, expenditures equal 17.1% of GDP with net transfers equaling 3.9% of GDP.

In Alberta, over the period federal spending averaged only 7.7% of GDP while revenue equaled 14.1% of GDP, so federal net transfers took an amount equal to 6.4% of GDP out of the province. For Ontario, federal expenditure equaled 14.1% of GDP while revenue equaled 15.3% of GDP.

Table 3b reports the same data for the period from 1997 to 2009. While the contributions of Ontario's taxpayers have been relatively low in recent years as a result of its own economic weakness and the strength of Alberta's economy, it was much higher in the earlier period, reaching a net transfer out of the province of 6.1% of GDP.

Equalization

Fortunately, a longer consistent time series is available for Equalization payments (table 5a and table 5b).⁷ These form only a small part of the overall burden of fiscal federalism. For example, in 2018/19, Equalization payments to Atlantic Canada were \$1,708 per person, about a quarter of net federal transfers to the region in 2019 at \$6,704 per person. The average net transfer between 2007 and 2019 was \$6,381, almost four times the size of Equalization payments over the period at \$1,631 per person. However, equalization payments for Quebec equaled 60% of net federal transfers over the same period (figure 1). Equalization payments will continue to grow because of the rules embedded in the program (Eisen, Lafleur, Fuss, and Hill, 2020; Eisen, Emes, Lafleur, and Hill, 2020).⁸

The equalization program is entering into an era of uncertainty and potential instability. Equalization is determined by a province's fiscal capacity, that is each province's ability to generate own-source revenues at identical levels of taxation. Provinces below the national average receive equalization to make up the difference (see Eisen and Palacios, 2020) for details.

7. Equalization is reported on a fiscal-year basis, April 1 to March 31, so, for example, fiscal 2018/19 mostly overlaps the calendar year of 2018.

8. The two references in this paragraph provide an important overview of the workings of the Equalization and its flaws. See also Tombe, 2018. Eisen, Emes, Lafleur, and Hill (2020) also provide an analysis of the federal Fiscal Stabilization Program and its inadequacies. The program, now a relatively a small part of fiscal transfers, is not discussed separately here.

Table 4a: Expenditure and revenue as a percentage of provincial GDP, 2007–2019

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average
Atlantic Canada														
Expenditure	27.8%	28.6%	30.7%	29.2%	27.4%	27.2%	26.0%	25.7%	26.3%	26.4%	26.8%	27.0%	27.8%	27.5%
Revenue	15.3%	16.0%	15.3%	14.2%	14.2%	14.1%	13.9%	14.3%	14.4%	14.5%	14.6%	15.2%	14.8%	14.7%
Surplus or deficit	-12.5%	-12.6%	-15.4%	-15.0%	-13.2%	-13.1%	-12.1%	-11.4%	-11.9%	-11.9%	-12.1%	-11.8%	-13.0%	-12.8%
Alberta														
Expenditure	6.9%	6.5%	8.5%	8.2%	7.3%	7.1%	6.6%	6.1%	7.7%	9.0%	8.8%	8.7%	9.0%	7.7%
Revenue	15.4%	14.1%	15.7%	14.3%	13.3%	13.2%	13.5%	13.3%	15.3%	14.2%	13.2%	13.7%	14.1%	14.1%
Surplus or deficit	8.5%	7.6%	7.2%	6.1%	6.0%	6.2%	6.9%	7.2%	7.6%	5.2%	4.4%	5.1%	5.0%	6.4%
British Columbia														
Expenditure	12.8%	12.8%	14.1%	15.2%	13.6%	13.5%	13.0%	12.3%	12.4%	12.5%	12.5%	12.5%	12.9%	13.1%
Revenue	16.1%	14.9%	14.6%	14.3%	14.2%	14.9%	14.4%	14.3%	14.8%	15.2%	15.4%	16.2%	16.1%	15.0%
Surplus or deficit	3.3%	2.1%	0.5%	-0.9%	0.6%	1.4%	1.4%	1.9%	2.4%	2.7%	2.9%	3.8%	3.1%	2.0%
Canada														
Expenditure	14.7%	14.8%	16.2%	16.5%	15.3%	14.9%	14.4%	13.7%	14.2%	14.6%	14.7%	14.7%	15.2%	14.9%
Revenue	15.6%	14.5%	14.4%	13.8%	13.8%	13.8%	13.8%	13.8%	14.4%	14.5%	14.6%	15.1%	15.2%	14.4%
Surplus or deficit	0.9%	-0.2%	-1.8%	-2.7%	-1.5%	-1.0%	-0.6%	0.1%	0.2%	-0.1%	-0.1%	0.5%	0.1%	-0.5%
Manitoba														
Expenditure	22.0%	22.1%	23.2%	23.0%	21.8%	20.2%	19.5%	18.8%	18.9%	19.4%	19.8%	20.3%	21.6%	20.8%
Revenue	13.9%	13.4%	13.4%	13.0%	13.1%	12.8%	13.0%	13.1%	13.4%	13.4%	13.4%	14.1%	14.7%	13.4%
Surplus or deficit	-8.1%	-8.7%	-9.7%	-10.0%	-8.7%	-7.5%	-6.4%	-5.7%	-5.5%	-6.0%	-6.4%	-6.2%	-6.9%	-7.4%
New Brunswick														
Expenditure	26.8%	27.6%	29.1%	29.1%	28.3%	27.8%	27.6%	27.2%	27.0%	27.4%	27.9%	27.8%	28.7%	27.9%
Revenue	13.8%	13.9%	13.9%	13.2%	13.5%	13.6%	13.6%	13.8%	13.7%	14.0%	14.4%	14.6%	14.6%	13.9%
Surplus or deficit	-13.0%	-13.7%	-15.2%	-15.9%	-14.8%	-14.3%	-13.9%	-13.4%	-13.3%	-13.3%	-13.6%	-13.2%	-14.0%	-14.0%
Newfoundland & Labrador														
Expenditure	22.0%	22.8%	27.0%	23.6%	19.5%	18.7%	16.4%	17.0%	18.3%	18.6%	18.7%	18.6%	19.4%	20.1%
Revenue	14.0%	17.5%	16.6%	14.7%	13.9%	13.4%	12.9%	13.9%	14.3%	14.2%	13.9%	14.0%	13.7%	14.4%
Surplus or deficit	-8.0%	-5.4%	-10.3%	-8.9%	-5.6%	-5.3%	-3.5%	-3.2%	-4.0%	-4.4%	-4.8%	-4.5%	-5.7%	-5.7%
Northwest Territories														
Expenditure	32.2%	30.6%	41.6%	35.2%	35.6%	39.0%	38.9%	40.9%	42.5%	47.0%	47.4%	47.7%	54.7%	41.0%
Revenue	15.0%	14.3%	17.3%	13.5%	16.5%	16.4%	14.6%	13.6%	13.0%	12.2%	11.5%	10.9%	11.7%	13.9%
Surplus or deficit	-17.1%	-16.4%	-24.4%	-21.7%	-19.1%	-22.7%	-24.2%	-27.3%	-29.5%	-34.8%	-35.9%	-36.8%	-43.0%	-27.1%
Nova Scotia														
Expenditure	32.5%	33.2%	33.5%	32.3%	32.4%	32.9%	32.2%	31.1%	31.0%	30.7%	31.0%	31.6%	32.2%	32.1%
Revenue	17.5%	16.4%	15.8%	14.7%	15.1%	15.0%	15.1%	15.2%	15.1%	15.3%	15.5%	16.6%	15.7%	15.6%
Surplus or deficit	-15.0%	-16.8%	-17.7%	-17.6%	-17.3%	-17.9%	-17.1%	-15.9%	-15.9%	-15.5%	-15.5%	-15.0%	-16.5%	-16.4%
Nunavut														
Expenditure	93.3%	88.8%	93.0%	78.3%	76.5%	75.1%	76.3%	73.7%	74.6%	72.1%	63.9%	59.9%	57.0%	75.6%
Revenue	16.2%	10.5%	13.0%	11.9%	12.7%	12.2%	12.1%	12.0%	12.1%	11.7%	10.8%	10.3%	9.9%	12.0%
Surplus or deficit	-77.1%	-78.3%	-80.0%	-66.4%	-63.8%	-62.9%	-64.2%	-61.7%	-62.5%	-60.5%	-53.1%	-49.5%	-47.1%	-63.6%
Ontario														
Expenditure	13.5%	13.9%	15.1%	15.8%	14.9%	14.4%	14.3%	13.5%	13.3%	13.3%	13.5%	13.5%	14.0%	14.1%
Revenue	16.5%	15.4%	14.6%	14.1%	14.7%	14.6%	14.6%	14.7%	15.0%	15.4%	15.9%	16.3%	16.4%	15.3%
Surplus or deficit	3.0%	1.5%	-0.4%	-1.7%	-0.2%	0.2%	0.4%	1.2%	1.8%	2.1%	2.4%	2.8%	2.4%	1.2%
Prince Edward Island														
Expenditure	36.4%	37.8%	39.3%	38.3%	35.8%	34.1%	34.1%	32.3%	31.8%	32.2%	33.4%	34.0%	34.7%	34.9%
Revenue	16.6%	15.2%	14.2%	13.5%	14.1%	14.3%	14.0%	13.9%	14.1%	14.3%	14.5%	15.2%	14.6%	14.5%
Surplus or deficit	-19.8%	-22.6%	-25.1%	-24.8%	-21.7%	-19.8%	-20.0%	-18.5%	-17.7%	-17.9%	-18.9%	-18.8%	-20.1%	-20.4%
Quebec														
Expenditure	16.7%	17.7%	18.2%	18.4%	17.6%	16.9%	16.7%	16.6%	16.6%	16.6%	17.0%	16.5%	16.9%	17.1%
Revenue	14.4%	13.6%	13.0%	12.8%	13.0%	12.8%	12.7%	12.6%	13.0%	13.0%	13.3%	13.8%	13.9%	13.2%
Surplus or deficit	-2.3%	-4.1%	-5.2%	-5.6%	-4.6%	-4.2%	-4.0%	-4.0%	-3.6%	-3.6%	-3.7%	-2.8%	-2.9%	-3.9%
Saskatchewan														
Expenditure	15.3%	12.4%	13.4%	13.3%	11.4%	10.9%	10.1%	10.2%	10.9%	12.2%	12.7%	12.8%	14.0%	12.3%
Revenue	13.0%	11.1%	12.5%	11.9%	11.0%	11.0%	11.1%	11.7%	12.2%	12.3%	12.0%	12.5%	13.0%	12.0%
Surplus or deficit	-2.3%	-1.2%	-0.9%	-1.4%	-0.4%	0.1%	0.9%	1.5%	1.4%	0.2%	-0.6%	-0.3%	-0.9%	-0.3%
Yukon														
Expenditure	51.7%	50.6%	52.6%	54.7%	53.3%	51.0%	51.5%	49.7%	52.7%	51.1%	51.4%	51.1%	52.5%	51.8%
Revenue	14.2%	12.7%	12.4%	11.5%	12.3%	12.0%	11.8%	11.6%	12.4%	12.0%	12.5%	12.8%	12.8%	12.4%
Surplus or deficit	-37.5%	-37.9%	-40.3%	-43.2%	-41.0%	-39.0%	-39.8%	-38.2%	-40.3%	-39.0%	-38.9%	-38.4%	-39.8%	-39.5%

Source: Statistics Canada, 2019

Table 4b: Expenditure and revenue as a percentage of provincial GDP, 1997-2009

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average
Atlantic Canada														
Expenditure	37.2%	36.8%	35.3%	32.6%	32.9%	29.8%	28.8%	27.1%	32.4%	26.9%	27.6%	27.9%	31.1%	31.3%
Revenue	17.3%	17.1%	16.9%	16.8%	16.1%	15.0%	14.6%	14.4%	13.9%	13.9%	14.2%	15.3%	14.1%	15.4%
Surplus or deficit	-19.8%	-19.7%	-18.4%	-15.9%	-16.8%	-14.8%	-14.2%	-12.7%	-18.5%	-13.0%	-13.4%	-12.6%	-17.0%	-15.9%
Alberta														
Expenditure	10.9%	11.3%	11.0%	9.7%	9.5%	9.3%	9.1%	8.4%	7.6%	6.8%	6.7%	6.3%	8.1%	8.8%
Revenue	16.1%	17.0%	16.1%	15.0%	14.7%	14.7%	13.6%	13.3%	13.2%	14.1%	14.7%	13.4%	14.6%	14.7%
Surplus or deficit	5.2%	5.7%	5.1%	5.3%	5.2%	5.4%	4.5%	4.9%	5.7%	7.3%	8.0%	7.1%	6.5%	5.8%
British Columbia														
Expenditure	14.6%	14.9%	15.1%	14.5%	14.5%	14.4%	14.1%	13.5%	13.7%	12.6%	12.3%	12.4%	13.7%	13.9%
Revenue	17.4%	17.0%	16.7%	16.7%	16.2%	15.3%	15.1%	14.9%	15.0%	15.1%	15.5%	14.4%	13.7%	15.6%
Surplus or deficit	2.8%	2.1%	1.6%	2.2%	1.7%	0.9%	1.0%	1.4%	1.3%	2.5%	3.2%	2.0%	0.0%	1.7%
Canada														
Expenditure	17.1%	16.9%	16.6%	15.8%	15.7%	15.0%	15.1%	14.3%	14.9%	14.1%	14.0%	14.3%	15.7%	15.4%
Revenue	17.4%	17.3%	17.2%	17.3%	16.5%	15.6%	15.3%	15.2%	15.1%	15.0%	15.1%	14.1%	13.7%	15.8%
Surplus or deficit	0.3%	0.4%	0.6%	1.5%	0.8%	0.6%	0.2%	0.8%	0.1%	0.9%	1.0%	-0.1%	-2.0%	0.4%
Manitoba														
Expenditure	25.4%	23.9%	24.9%	24.5%	24.1%	23.0%	24.3%	22.5%	24.4%	22.3%	22.1%	22.8%	25.4%	23.8%
Revenue	16.7%	15.9%	16.0%	16.1%	15.1%	14.3%	14.6%	14.3%	14.0%	13.2%	13.2%	12.8%	12.7%	14.5%
Surplus or deficit	-8.7%	-8.0%	-8.9%	-8.4%	-8.9%	-8.6%	-9.7%	-8.2%	-10.4%	-9.1%	-8.9%	-10.0%	-12.7%	-9.3%
New Brunswick														
Expenditure	31.6%	31.5%	30.7%	29.1%	29.8%	28.2%	28.1%	26.5%	28.4%	26.6%	26.2%	26.8%	30.0%	28.7%
Revenue	16.6%	16.2%	15.9%	16.3%	15.6%	15.0%	14.7%	14.3%	14.0%	13.5%	13.1%	13.2%	12.8%	14.7%
Surplus or deficit	-15.1%	-15.3%	-14.8%	-12.8%	-14.3%	-13.2%	-13.4%	-12.1%	-14.4%	-13.1%	-13.1%	-13.6%	-17.2%	-14.0%
Newfoundland & Labrador														
Expenditure	44.5%	45.7%	41.8%	34.4%	34.4%	28.4%	26.0%	23.6%	33.5%	21.5%	23.6%	23.5%	25.5%	31.3%
Revenue	17.3%	16.9%	16.2%	15.3%	15.1%	13.1%	12.4%	12.4%	11.3%	11.3%	12.6%	16.9%	15.2%	14.3%
Surplus or deficit	-27.2%	-28.8%	-25.6%	-19.1%	-19.3%	-15.3%	-13.6%	-11.1%	-22.2%	-10.3%	-11.0%	-6.7%	-10.3%	-17.0%
Northwest Territories														
Expenditure			46.1%	35.8%	27.6%	26.9%	30.0%	25.9%	30.2%	29.1%	28.9%	28.6%	36.5%	31.4%
Revenue			16.1%	17.7%	16.4%	15.9%	14.6%	15.1%	14.2%	13.3%	13.4%	12.7%	14.8%	14.9%
Surplus or deficit			-30.0%	-18.1%	-11.2%	-11.0%	-15.3%	-10.8%	-16.1%	-15.8%	-15.5%	-16.0%	-21.7%	-16.5%
Nova Scotia														
Expenditure	37.5%	36.2%	34.9%	33.7%	33.5%	31.1%	30.0%	28.9%	34.3%	30.1%	31.2%	31.4%	42.2%	33.4%
Revenue	17.7%	17.7%	17.7%	17.6%	16.7%	15.8%	15.5%	15.4%	15.1%	15.6%	16.0%	15.4%	17.4%	16.4%
Surplus or deficit	-19.8%	-18.5%	-17.2%	-16.1%	-16.7%	-15.3%	-14.5%	-13.5%	-19.2%	-14.5%	-15.2%	-16.0%	-24.8%	-17.0%
Nunavut														
Expenditure			98.8%	94.8%	112.7%	72.7%	100.7%	100.7%	112.8%	106.4%	91.9%	87.1%	5.6%	89.5%
Revenue			10.1%	11.4%	12.1%	11.6%	12.3%	11.3%	11.0%	10.6%	13.7%	8.0%	0.6%	10.2%
Surplus or deficit			-88.7%	-83.4%	-100.6%	-61.1%	-88.4%	-89.5%	-101.8%	-95.7%	-78.2%	-79.1%	-4.9%	-79.2%
Ontario														
Expenditure	13.7%	13.2%	12.9%	12.6%	12.6%	12.1%	12.5%	12.1%	12.5%	12.4%	12.6%	13.2%	246.5%	30.7%
Revenue	18.3%	18.2%	18.4%	18.7%	17.8%	16.4%	16.2%	16.3%	16.3%	16.1%	16.1%	15.2%	243.5%	34.4%
Surplus or deficit	4.6%	5.0%	5.5%	6.1%	5.2%	4.3%	3.7%	4.2%	3.8%	3.7%	3.6%	2.1%	-3.0%	3.7%
Prince Edward Island														
Expenditure	41.6%	40.1%	41.5%	39.2%	42.0%	36.5%	36.5%	34.1%	35.9%	34.9%	35.0%	36.7%	39.3%	37.9%
Revenue	19.8%	19.0%	19.1%	19.4%	19.3%	17.6%	17.8%	17.5%	17.4%	17.4%	17.5%	16.9%	15.0%	18.0%
Surplus or deficit	-21.8%	-21.0%	-22.3%	-19.7%	-22.7%	-18.9%	-18.7%	-16.6%	-18.6%	-17.4%	-17.5%	-19.9%	-24.4%	-20.0%
Quebec														
Expenditure	19.3%	19.3%	18.5%	17.9%	17.6%	16.5%	16.6%	15.5%	16.5%	16.5%	16.2%	17.1%	6.6%	16.5%
Revenue	17.0%	16.7%	16.5%	17.1%	16.0%	15.2%	15.3%	15.1%	15.1%	14.5%	14.0%	13.2%	4.9%	14.7%
Surplus or deficit	-2.3%	-2.5%	-2.0%	-0.8%	-1.6%	-1.3%	-1.3%	-0.4%	-1.4%	-2.0%	-2.2%	-3.9%	-1.7%	-1.8%
Saskatchewan														
Expenditure	20.3%	20.6%	21.9%	20.2%	21.1%	18.6%	19.1%	19.3%	18.1%	17.7%	15.5%	12.8%	8.9%	18.0%
Revenue	15.2%	15.1%	15.0%	14.3%	14.8%	13.8%	13.3%	12.6%	12.6%	13.2%	12.6%	10.8%	7.5%	13.1%
Surplus or deficit	-5.1%	-5.5%	-6.9%	-5.9%	-6.3%	-4.8%	-5.8%	-6.7%	-5.5%	-4.5%	-3.0%	-2.0%	-1.4%	-4.9%
Yukon														
Expenditure	50.8%	56.3%	60.6%	56.6%	60.2%	47.9%	59.1%	57.2%	66.2%	55.9%	54.2%	51.0%	52.3%	56.0%
Revenue	14.8%	14.8%	15.0%	13.9%	13.3%	13.1%	12.9%	12.2%	12.3%	12.1%	12.4%	11.4%	10.6%	13.0%
Surplus or deficit	-35.9%	-41.6%	-45.5%	-42.7%	-46.9%	-34.7%	-46.2%	-45.0%	-53.9%	-43.8%	-41.8%	-39.7%	-41.7%	-43.0%

Source: Statistics Canada, 2019

Table 5a: Equalization per capita (\$2018 constant), 1980/81–2018/19

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Atlantic Canada	1,797	1,765	1,793	1,783	1,817	1,823	2,033	2,107	2,171	2,114
Alberta										
British Columbia										
Manitoba	1,038	1,021	1,010	986	835	877	1,289	1,351	1,548	1,407
New Brunswick	1,698	1,676	1,661	1,650	1,768	1,803	1,937	1,978	2,145	1,995
Newfoundland & Labrador	2,000	1,965	2,137	2,193	2,387	2,392	2,732	2,734	2,768	2,708
Nova Scotia	1,665	1,624	1,600	1,555	1,425	1,418	1,600	1,744	1,746	1,774
Ontario										
Prince Edward Island	2,334	2,320	2,294	2,244	2,223	2,185	2,468	2,565	2,631	2,531
Quebec	1,025	1,027	1,035	1,020	867	892	905	930	864	882
Saskatchewan						563	564	833	1,118	897
	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Atlantic Canada	1,955	1,891	1,829	2,051	2,006	2,169	2,330	2,255	2,377	2,408
Alberta										
British Columbia									45	
Manitoba	1,239	1,245	1,256	1,504	1,417	1,490	1,368	1,403	1,532	1,601
New Brunswick	2,090	1,847	1,738	1,923	1,776	2,033	2,181	2,165	2,263	2,348
Newfoundland & Labrador	2,429	2,425	2,418	2,596	2,501	2,761	2,928	2,891	3,147	2,945
Nova Scotia	1,497	1,568	1,500	1,789	1,866	1,904	2,061	1,915	1,984	2,102
Ontario										
Prince Edward Island	2,299	2,039	2,063	2,240	2,175	2,299	2,581	2,561	2,687	2,756
Quebec	790	802	844	858	909	863	963	880	1,035	1,023
Saskatchewan	770	775	752	637	396	330	284	685	536	289
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Atlantic Canada	2,230	1,923	1,811	1,999	2,042	2,000	1,909	1,689	1,701	1,467
Alberta										
British Columbia	80	23	101	209	175	132				
Manitoba	1,613	1,503	1,490	1,745	1,694	1,766	1,837	2,014	1,991	1,713
New Brunswick	2,187	2,035	1,977	2,254	2,247	2,379	2,371	2,480	2,626	2,404
Newfoundland & Labrador	2,757	2,247	1,917	1,876	2,087	1,645	1,121			
Nova Scotia	1,924	1,600	1,564	1,780	1,786	1,807	1,874	1,830	1,729	1,349
Ontario									31	85
Prince Edward Island	2,555	2,290	2,194	2,563	2,501	2,581	2,554	2,713	2,834	2,668
Quebec	863	718	652	703	789	887	1,114	1,209	1,242	1,235
Saskatchewan	273	142		986	112	16	270			
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
Atlantic Canada	1,399	1,432	1,518	1,639	1,655	1,661	1,678	1,754	1,708	
Alberta										
British Columbia										
Manitoba	1,503	1,465	1,539	1,458	1,417	1,372	1,395	1,505	1,459	
New Brunswick	2,183	2,161	2,167	2,339	2,318	2,325	2,348	2,431	2,366	
Newfoundland & Labrador										
Nova Scotia	1,375	1,473	1,684	1,838	1,901	1,898	1,915	2,015	1,952	
Ontario	185	267	255	156	182	173	104	67	65	
Prince Edward Island	2,543	2,556	2,563	2,659	2,632	2,686	2,651	2,728	2,619	
Quebec	1,086	1,005	1,049	1,214	1,227	1,267	1,366	1,399	1,356	
Saskatchewan										
	Average 2006/07–2018/19			Total 2006/07–2018/19						
Atlantic Canada	1,631			21,209						
Alberta										
British Columbia										
Manitoba	1,590			20,667						
New Brunswick	2,348			30,518						
Newfoundland & Labrador	86			1,121						
Nova Scotia	1,756			22,833						
Ontario	\$143			1,568						
Prince Edward Island	2,647			34,405						
Quebec	1,213			15,769						
Saskatchewan	21			270						

Sources: Canada, Dep't of Finance, 2020; Statistics Canada, 2020b, 2020c.

Table 5b: Equalization as a percentage of provincial GDP, 1981/82–2018/19

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	
Atlantic Canada	7.1%	7.0%	6.8%	6.4%	6.4%	6.1%	6.6%	6.7%	6.8%	
Alberta										
British Columbia										
Manitoba	2.9%	3.1%	3.0%	2.8%	2.3%	2.4%	3.5%	3.5%	4.0%	
New Brunswick	6.7%	6.7%	6.2%	5.9%	6.2%	5.8%	6.0%	6.0%	6.6%	
Newfoundland & Labrador	8.1%	8.2%	8.9%	8.9%	9.6%	9.2%	10.1%	9.8%	9.9%	
Nova Scotia	6.5%	6.1%	5.7%	5.2%	4.6%	4.4%	4.9%	5.2%	5.2%	
Ontario										
Prince Edward Island	10.0%	10.2%	9.3%	9.4%	9.3%	8.2%	9.2%	9.1%	9.2%	
Quebec	3.0%	3.2%	3.2%	3.0%	2.5%	2.4%	2.4%	2.4%	2.2%	
Saskatchewan						1.6%	1.6%	2.4%	3.2%	
	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Atlantic Canada	6.8%	6.5%	6.3%	6.0%	6.5%	6.2%	6.8%	7.2%	6.7%	6.6%
Alberta										
British Columbia										0.1%
Manitoba	3.7%	3.5%	3.5%	3.6%	4.1%	3.8%	3.9%	3.5%	3.4%	3.7%
New Brunswick	6.3%	6.9%	6.0%	5.5%	5.9%	5.1%	5.9%	6.4%	6.1%	6.0%
Newfoundland & Labrador	9.9%	9.0%	9.1%	9.1%	9.2%	8.6%	9.7%	10.2%	9.5%	9.4%
Nova Scotia	5.4%	4.6%	4.8%	4.7%	5.5%	5.7%	5.9%	6.2%	5.5%	5.4%
Ontario										
Prince Edward Island	8.9%	8.2%	7.3%	7.0%	7.5%	7.2%	7.3%	8.4%	8.0%	8.0%
Quebec	2.3%	2.2%	2.2%	2.3%	2.3%	2.4%	2.3%	2.5%	2.2%	2.4%
Saskatchewan	2.5%	2.2%	2.3%	2.1%	1.7%	1.0%	0.8%	0.7%	1.6%	1.2%
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Atlantic Canada	6.3%	5.8%	4.8%	4.3%	4.6%	4.5%	4.3%	3.9%	3.3%	3.6%
Alberta										
British Columbia		0.2%	0.0%	0.2%	0.4%	0.3%	0.2%			
Manitoba	3.8%	3.8%	3.5%	3.5%	3.9%	3.7%	3.7%	3.7%	4.0%	4.1%
New Brunswick	6.0%	5.6%	5.2%	4.9%	5.4%	5.3%	5.4%	5.2%	5.5%	5.8%
Newfoundland & Labrador	7.8%	7.3%	5.2%	4.2%	3.9%	3.9%	2.8%	1.6%		
Nova Scotia	5.5%	4.9%	4.0%	3.8%	4.2%	4.2%	4.2%	4.3%	4.1%	4.0%
Ontario										0.1%
Prince Edward Island	7.9%	7.4%	6.3%	6.1%	6.9%	6.5%	6.6%	6.3%	6.8%	6.9%
Quebec	2.3%	2.0%	1.6%	1.4%	1.5%	1.7%	1.9%	2.3%	2.5%	2.6%
Saskatchewan	0.6%	0.6%	0.3%		1.9%	0.2%	0.0%	0.4%		
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
Atlantic Canada	3.0%	2.8%	2.9%	3.0%	3.2%	3.3%	3.3%	3.3%	3.5%	
Alberta										
British Columbia										
Manitoba	3.4%	3.0%	2.8%	2.9%	2.7%	2.6%	2.6%	2.6%	2.8%	
New Brunswick	5.2%	4.7%	4.7%	4.7%	5.1%	5.0%	5.0%	4.9%	5.1%	
Newfoundland & Labrador										
Nova Scotia	3.0%	3.1%	3.3%	3.8%	4.1%	4.2%	4.1%	4.1%	4.4%	
Ontario	0.2%	0.3%	0.5%	0.5%	0.3%	0.3%	0.3%	0.2%	0.1%	
Prince Edward Island	6.3%	6.1%	6.0%	5.9%	6.1%	5.9%	6.0%	5.8%	6.0%	
Quebec	2.6%	2.3%	2.1%	2.1%	2.5%	2.5%	2.5%	2.6%	2.7%	
Saskatchewan										

Source: Canada, Dep't of Finance, 2020: Statistics Canada, 2020a, 2020b..

Provincial fiscal capacity has been converging, largely as a result of the decline in the energy sector, which earlier led to a significant fiscal gap between provinces with large energy sectors—Alberta, Saskatchewan, and Newfoundland & Labrador—and the other provinces. In 2007/08, Alberta had the highest per-capita fiscal capacity at \$16,743 (\$2020) compared to \$5,744 for Prince Edward Island, which had the lowest. In the current fiscal year, Eisen and Palacios (2020) estimate Alberta’s capacity at \$9,189 compared to \$6,389 for Prince Edward Island and \$6,343 for New Brunswick, now ranked lowest. But, regardless of fiscal capacity, equalization is required to grow at the rate of nominal GDP, which is likely to resume strongly as the economy recovers from COVID-19.

However, distribution of the funds will change, with Newfoundland & Labrador likely to qualify for equalization in future. Even Alberta might become eligible. The shrinking difference in fiscal capacity may create some instability in the system. With the provinces ever more closely bunched together in fiscal capacity, small changes could alter the provinces’ ranking relative to each other and to the national average, and thus the size of equalization payments. However, this will be muted by the equalization formula, based on a weighted average of three prior years’ fiscal capacity, lagged by two years—a formula specifically created to deal with what had been the system’s instability and unpredictability.

Employment insurance

The same pattern found in the expenditure and revenue data emerges in the benefit and contribution data for Employment Insurance. Workers and employers in Alberta and, in some years, all the other provinces, including Quebec, make net contributions into the system while payments in the Atlantic provinces not only exceed contributions but are typically about twice the amount of the contribution. In fact, the “primary purpose [of the insurance system’s structure] was to effect an ongoing interregional transfer of benefits. Moreover, allowing claimants who worked in a low-unemployment region to file for benefits in a high-unemployment region contributed to the size of this transfer” (Courchene and Allan, 2009).

Employment insurance, as can be seen from table 6, is a significant part of fiscal federalism. Regional rules, based on unemployment levels, lead to much higher payout rates in Eastern Canada. Typically, workers in Atlantic Canada receive about twice the amount they put in. Alberta workers receive only about 60% of what they contribute. The system will be difficult to sustain: from 2007 to 2019, every province except the Atlantic provinces made a net contribution to the Employment Insurance program though Quebec’s contribution was small (table 6). However, in the new post-COVID-19 world, every province could be in EI deficit for four reasons: the increased level of unemployment leading to more benefits; a more generous system as a result of changes in rules as unemployment rises, federal rule changes in response to COVID-19, which also increase generosity, and fewer contributions from employees and employers as employment falls.

Table 6: Employment insurance (\$2018) per labour-force participant, 2007–2018

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average	Total
Canada														
Benefits	842	857	1,203	1,097	946	898	860	868	927	976	933	856	939	11,264
Contributions	1,172	1,106	1,089	1,100	1,105	1,157	1,260	1,267	1,282	1,278	1,077	1,121	1,168	14,014
Difference	-330	-249	114	-3	-159	-258	-399	-399	-355	-302	-144	-265	-229	-2,749
Atlantic Canada														
Benefits	2,358	2,344	2,696	2,538	2,456	2,405	2,250	2,240	2,401	2,535	2,595	2,512	2,444	29,329
Contributions	1,187	1,137	1,153	1,174	1,185	1,216	1,295	1,318	1,349	1,371	1,168	1,193	1,229	14,744
Difference	1,172	1,208	1,543	1,364	1,271	1,189	954	922	1,052	1,164	1,427	1,319	1,215	14,585
Alberta														
Benefits	513	540	987	904	707	617	621	657	901	1,298	1,138	913	816	9,794
Contributions	1,292	1,240	1,190	1,223	1,246	1,333	1,524	1,540	1,469	1,373	1,154	1,176	1,313	15,759
Difference	-779	-700	-203	-320	-539	-716	-903	-883	-568	-75	-16	-263	-497	-5,965
British Columbia														
Benefits	671	734	1,151	1,071	896	831	786	807	835	825	787	709	842	10,103
Contributions	1,231	1,162	1,129	1,138	1,147	1,203	1,325	1,334	1,363	1,363	1,166	1,230	1,233	14,791
Difference	-559	-428	22	-67	-251	-372	-539	-527	-528	-538	-380	-521	-391	-4,689
Manitoba														
Benefits	677	697	896	891	784	781	754	782	838	893	882	896	814	9,770
Contributions	1,208	1,159	1,178	1,188	1,188	1,239	1,347	1,360	1,369	1,387	1,182	1,205	1,251	15,009
Difference	-531	-462	-282	-297	-404	-457	-593	-578	-531	-494	-300	-309	-437	-5,238
New Brunswick														
Benefits	2,154	2,117	2,485	2,405	2,362	2,388	2,243	2,204	2,344	2,420	2,436	2,317	2,323	27,875
Contributions	1,213	1,162	1,175	1,205	1,198	1,226	1,242	1,258	1,288	1,321	1,143	1,194	1,219	14,626
Difference	941	955	1,311	1,199	1,164	1,162	1,001	946	1,056	1,099	1,292	1,124	1,104	13,249
Newfoundland & Labrador														
Benefits	3,899	3,890	4,401	3,924	3,707	3,490	3,301	3,351	3,564	4,002	4,304	4,151	3,832	45,983
Contributions	1,192	1,150	1,200	1,219	1,287	1,342	1,532	1,573	1,611	1,612	1,354	1,347	1,368	16,418
Difference	2,707	2,740	3,201	2,705	2,420	2,148	1,769	1,778	1,953	2,390	2,950	2,804	2,464	29,565
Nova Scotia														
Benefits	1,607	1,609	1,891	1,817	1,765	1,729	1,609	1,602	1,743	1,751	1,737	1,722	1,715	20,581
Contributions	1,169	1,114	1,114	1,136	1,131	1,149	1,229	1,248	1,273	1,294	1,098	1,124	1,173	14,078
Difference	438	495	777	681	635	579	380	353	471	457	639	598	542	6,503
Ontario														
Benefits	700	731	1,115	967	809	768	753	750	767	751	732	689	794	9,532
Contributions	1,211	1,138	1,129	1,139	1,138	1,189	1,270	1,271	1,309	1,327	1,132	1,179	1,203	14,431
Difference	-511	-407	-14	-172	-329	-421	-517	-520	-543	-576	-399	-490	-408	-4,900
Prince Edward Island														
Benefits	3,109	3,055	3,304	3,186	3,057	3,000	2,645	2,561	2,760	2,941	2,993	2,944	2,963	35,554
Contributions	1,146	1,104	1,131	1,120	1,115	1,147	1,167	1,184	1,225	1,270	1,102	1,120	1,153	13,832
Difference	1,963	1,951	2,172	2,066	1,942	1,854	1,478	1,377	1,535	1,671	1,891	1,824	1,810	21,722
Quebec														
Benefits	929	896	1,122	1,051	916	882	826	838	855	820	763	701	883	10,597
Contributions	990	914	887	887	877	913	996	1,002	1,012	1,015	817	868	931	11,178
Difference	-61	-19	235	164	39	-31	-170	-163	-157	-195	-54	-167	-48	-580
Saskatchewan														
Benefits	665	657	860	840	754	733	711	754	870	1,044	1,076	1,000	830	9,965
Contributions	1,101	1,080	1,120	1,159	1,216	1,291	1,413	1,423	1,404	1,365	1,145	1,154	1,239	14,871
Difference	-436	-423	-259	-319	-462	-558	-702	-669	-534	-320	-69	-155	-409	-4,906

Note: Contributions include payments from both employers and employees.

Sources: Statistics Canada, 2020a; 2020b; 2020d.; calculations by the author.

Employment Insurance is intended to be self-financing, so a system deeply in the red would become another drain on government finances. Initially, the policy response to COVID-19 and payments to workers were absorbed by the Canada Emergency Response Benefit (CERB). However, this has been transferred to the EI program and EI collection rules further relaxed and made more generous. This has extended something like the EI system in Atlantic Canada across the nation. Both the changes in rules, albeit temporary, and unemployment as a result of COVID-19 going forward will reduce EI revenues from those in the workforce and substantially increase EI payments. The resultant red ink will drive the system into a significant deficit (see McMahon, 2020, for detailed information).⁹

The Parliamentary Budget Office in its *Fall Economic Statement 2020* projects a \$52 billion deficit for the EI system by the end of 2024 (PBO, 2020). To bring the system back into long-term balance, as required by law, the federal government will have to increase premiums or cut benefits; it has presented no strategy for doing so. As the PBO dryly states: “Parliamentarians may wish to ask the Government to furnish its plan to address the anticipated shortfall in the EI Operating Account” (PBO, 2020: 15).

Accountability

MacKinnon raises important questions concerning the accountability and transparency of fiscal federalism, requirements of good public policy. For government and civil-service administrators to establish accountability, the purpose of the program must be articulated and metrics set to determine whether the program is meeting those goals. Both goals and metrics should be transparent, that is, available to the public.

Some aspects of fiscal federalism do have stated purposes, but the structure of fiscal federalism is much larger than its individual components and overall goals and metrics have not been established. Even where goals are stated for individual programs, they are often unclear and/or contradictory. For instance, as discussed earlier, equalization is meant to enable all provinces to provide similar levels of services but, in the long term, it may hamper the provinces’ ability to provide these services on their own, as it rewards growth-inhibiting policies. EI is supposed to be an employment insurance program and yet regionally extended EI has become a regional subsidy program that supports workers who every year spend long periods unemployed. As MacKinnon notes: “Successive provincial and federal governments cannot, with any quantitative precision, advise the ... public on the economic impact of regional subsidies on consumption, investment, productivity or, indeed, any other economic variable of interest” (MacKinnon, 2011: 11). It is beyond the scope of this paper to discuss accountability issues in detail, but this examination of the scale of fiscal federalism could serve as a step towards developing accountability measures.

9. The government could try to address the deficit this by either increasing the workers’ EI contributions to the system or reducing payments to workers but the government’s changes to the program go in the opposite direction by making the system more generous (Government of Canada, 2020).

Fiscal federalism going forward

Economic and fiscal situation

In this section, we look at the challenges that face the nation as a whole. These are related to COVID-19, the decline of the energy sector and thus of energy-related revenues discussed below, and to the build-up of deficit spending over the past several years.

The Parliamentary Budget Office (2020) projects a budget deficit of \$382.8 billion for the 2020/21 fiscal year compared to \$24.9 billion in 2019/20. The 2019/20 deficit indicates Canada's weak fiscal position going into period affected by COVID-19. With the economy strong and growing in 2019, the nation should have been running surpluses. The deficit situation will be slow to improve, with projected deficits of \$121.2 billion in 2021/22 and \$50.7 billion the following year. The debt will reach 50.7% of GDP in the 2020/21 fiscal year. The PBO criticizes Ottawa for not providing a fiscal "anchor", in particular on the acceptable trajectory of the debt growth in coming years: "Fiscal transparency and accountability would be enhanced if the Government identified its fiscal anchor" (PBO, 2020: 2)

This is only part of the story since it does not include provincial debt. A study published in January 2020 of the debt of all levels of government—federal, provincial, and municipal combined—projected an overall debt-to-GDP ratio of 64.3% for 2019/20 (Fuss and Palacios, 2020). Many of the provinces have worrisome debt levels. Ontario has the highest combined federal-provincial debt-to-GDP ratio at 75.4%, closely followed by Newfoundland & Labrador (73.6%) and Quebec (70.0%). The average government debt per person across Canada was estimated to be \$39,483 for 2019–2021. It is important to stress that the projections by Fuss and Palacios were made prior to the COVID-19 crisis and to recall that the estimates of the federal deficit made after the COVID-19 crisis struck are 13 times the deficit of 2019, so these numbers are likely to get much worse on the provincial level.

Shifting the burden—the financial crises of 2007 and 2020

As noted, the contribution of taxpayers in Ontario and Alberta to fiscal federalism can equal several percentage points of provincial GDP and several thousand dollars a year per resident draining out of the provincial economy without contributing to government services. High taxes have been found in a number of studies to inhibit economic growth and job creation, including here in Canada (Eisen and Hill, 2019; Lafleur and Palacios, 2019).

With "energy" provinces in relative decline, Ontario's taxpayers will become the largest overall contributor to fiscal federalism with British Columbian taxpayers making the

biggest per-capita contribution (Eisen and Palacios, 2020). The higher level of taxes required to finance fiscal federalism, however, will ultimately have a negative impact on all Canadians:

the equalization program is, in some ways, merely the tip of a much larger iceberg. There are a number of other ways by which Canadian public policy extracts disproportionate amounts of tax revenue from residents of certain provinces and transfers that money to the large public sectors that exist in other provinces. The effect of these additional transfers is to exacerbate the problems caused by equalization—subsidizing disproportionately large and inefficient governments in recipient provinces while burdening ... Canadians with higher taxes. (Eisen, 2010: 5)

The last time Canada and the world faced a grave crisis, the financial crisis that began in 2007, Alberta's taxpayers effectively kept fiscal federalism afloat. For reasons discussed below, Alberta, with its energy industry under huge strain, will not be able to provide the lion's share of funding for fiscal federalism going forward. That will largely leave Ontario's and British Columbia's taxpayers with the bill. The Atlantic provinces, Quebec, and Manitoba were net beneficiaries of fiscal federalism in every year since at least 1997. Saskatchewan and Newfoundland & Labrador will also suffer from the decline of the energy industry, adding to the strain on fiscal federalism.

The start of the financial crisis is usually dated to the bankruptcy of Lehman Brothers on September 15, 2007. For the full year, 2007, three provinces reported federal fiscal surpluses—in other words, in only three provinces, did the federal government report lower spending than revenues: Alberta, British Columbia, and Ontario. As noted earlier, the federal deficit/surplus balance is the sum of surpluses and deficits in the provinces and territories, leaving aside Ottawa's relatively minor spending outside Canada. To take a closer look at the 2007–2009 financial crisis, we examine only those provinces that were producing a surplus for the federal government, using the 2007–2019 data series (see table 1b).

For example, in 2007 the three provinces in surplus were Alberta by \$26.6 billion, British Columbia by \$7.9 billion, and Ontario by \$21.7 billion. This means that Alberta's taxpayers provided 47.2% of the total surplus by province, compared to 14.1% from British Columbia and 38.6% from Ontario. In 2008, Alberta's taxpayers provided 62.6% of the total surplus by province, compared to 12.3% from British Columbia and 25.2% from Ontario. By 2009, Albertans were providing 95% of the surplus with British Columbians providing 5%. In 2010, Alberta was the only province recording a surplus. That fell to 93.0% in 2011, 80.9% in 2012, and 78.4% in 2013.

While the accounting can be complicated, to put things simply, when federal spending in all the provinces and territories, that is all across Canada, exceeds revenues, the federal government borrows to make up the deficit (see footnote 2). As Eisen, Lafleur,

and Palacios put it in the subtitle to *A Friend in Need* (2020), *Albertans Continue to Keep Federal Finances Afloat*. In other words, the federal surplus in Alberta stabilizes the federal fiscal structure by reducing the borrowing the federal government would otherwise require to maintain spending levels.

While this remains true to some extent, it is a particularly apt description of Canadian finances during and following the 2007 financial crisis. The federal government ran large deficits at the time but, after the Chretien years, overall debt was low and the government had been recording surpluses. The nation was well positioned to face the crisis: government spending had been under control and Albertans, with a thriving petrochemical industry, could make a large contribution to the costs of Confederation.

This time will be much different. Governments are in a weaker fiscal position than last time. The federal government, which was in a strong fiscal position for the earlier financial crisis, has been running large deficits for the past several years, pushing up the national debt. Both Alberta and Ontario, historically the largest contributors to fiscal federalism, have also been running up significant deficits and adding to debt. Moreover, both provinces have been weakened by policies that sapped economic growth (Lafleur and Palacios, 2019; Eisen and Hill, 2019).

Alberta has also been hit by the difficulty of sustaining its energy industry in light of a number of decisions, particularly related to pipelines, that have stalled development and created a flashing red light for those thinking of investing in the province (Stedman and Aliakbari, 2019). To make things worse, Alberta's energy sector has been slammed by low prices, a situation exacerbated by a huge shrinkage of demand during COVID-19. Premier Jason Kenny described this as Alberta being hit by a "triple whammy": "the fragility of our economy after five years of economic stagnation ... the global spread of the novel coronavirus and, thirdly, the total collapse of energy" (Craddock, 2020).

The International Energy Agency (IEA), while it does not make precise predictions, argues: "The energy industry that emerges from this crisis will be significantly different from the one that came before" (Mammoser, 2020). It notes weak energy prices, an historic fall in investment, and increased, often government-subsidized, competition from alternate energy sources.

Alberta's economic problems almost certainly mean that the relative fiscal burden of federalism will shift dramatically to the taxpayers of Ontario and British Columbia. What does this mean? As noted earlier, there is only one taxpayer, not a separate federal or provincial or municipal taxpayer. Taxpayers mainly in Ontario and British Columbia will have to make up the difference in net transfers between have and have-not provinces that in earlier years was largely covered by taxes from energy provinces. This means in turn that taxpayers in Ontario and British Columbia will get less in the way of government

services than they pay for. This could put a severe strain on the Ontario economy after years of weak growth as it attempts to emerge from the COVID-19 crisis. Certainly, if Ontario experienced a net negative transfer of 6.6% of its GDP, as it has in the past, recovery could be weakened.

Over the next few years, Ottawa's fiscal transfers will add to the federal debt, and servicing this debt is something that all Canadian taxpayers will have to pay for, though again the burden will largely fall on Ontario and British Columbia. However, it is not the COVID-19 fiscal crisis, aided and abetted by overspending in prosperous times, that is at the heart of the challenge of fiscal federalism. Instead, it is the long-term questions about the fairness and efficiency of Canada's massive system of fiscal transfers combined with a seismic shift in the Canadian economy. Energy-rich provinces largely funded the transfer system. Federal revenues from these provinces allowed Ottawa to finance the transfers without resorting to large tax increases, or significant expenditure cuts, or ballooning deficits.

Impact on Atlantic Canada

Economic vulnerability

This study is mostly an accounting exercise to measure the scale of fiscal federalism, rather than a discussion of the political economy that created this system of transfers or its effects. However, this section will provide some quick observations on the political debate on fiscal federalism and a brief review of the literature that discusses the impact of the system on Atlantic Canada.

The size of federal net transfers has raised considerable resentment in both Alberta and Ontario. MacKinnon's critique of fiscal federalism (2011) and his view that the system is inequitable was sponsored by the Ontario Chamber of Commerce. Fairness Alberta was recently formed by a number of prominent Albertans of differing political stripes to lobby for the "Urgent Need for Reform" of fiscal federalism that would reduce the flow of money out of Alberta (Fairness Alberta, 2020). Pressure to reform may well be increased by the current economic and fiscal crisis, the growth of federal deficits and debt, the magnitude of funds transferred through fiscal federalism compared to national deficits, the economic weakness in Alberta, and the shift of the burden to Ontario's taxpayers.

The current structure of Employment Insurance (EI) may also come under pressure. EI has run a large surplus nationally and a huge deficit in Atlantic Canada. However, as a result of COVID-related unemployment, it will begin running large deficits nationally, adding to the nation's fiscal challenges. As noted, the EI system has many critics of its fairness to workers nationally and of its economic efficiency. Yet, it underpins much of the Atlantic workforce (McMahon, 2000a). Any restructuring of fiscal federalism or EI would thus create significant economic and human dislocation in Atlantic Canada and yet efforts to reform both are ongoing and likely to continue.

Yet, it may well be that such a restructuring over the long term would benefit Atlantic Canadians. High taxes have been shown to dampen growth and overall taxes, particularly in Alberta and Ontario, have been higher than needed to fund the level of services provided since net federal transfers out of the provinces go to funding services in other provinces. But, there is a flip side to this. High and politicized government spending can also retard growth, reduce economic efficiency, and distort the labour market, so a re-ordering of fiscal federalism may bring benefits to the Atlantic provinces, though transition plans would be essential. Both the economy and the labour would need time to adjust to changes of the magnitude now on the table.

Hindered growth and economic dependency

A number of studies that have examined fiscal federalism conclude that its structure dampens economic growth and reduces productivity while trapping recipient provinces into a cycle of dependency. One self-evident and ironic effect of fiscal federalism is that it creates incentives for “bad” economic policies almost by design. While much debate concerns what is “good” and “bad” policy, few would disagree that growth and prosperity should be a policy goal.¹⁰ Yet, fiscal federalism moves resources from provinces with successful growth policies to provinces with weaker growth and prosperity. As Jack Mintz writes:

Most harmful ... is that the equalization program penalizes provinces that try to grow their economies either through resource development or better economic policies. When their per-capita tax base gets larger (say by reducing corporate income tax rates or developing mineral deposits), they lose equalization payments. This also means that equalization becomes an incentive to recipient governments to raise taxes to spend on pet programs. (Mintz, 2020)

MacKinnon also notes that the “regional subsidy system ... punishes productivity, rewards inefficiency, [and] does so on a massive scale” (2011: 10).

Fiscal federalism raises equity as well as efficiency issues. Why should a poor waitress in Alberta subsidize well-off government officials in Nova Scotia. MacKinnon (2011) argues that many public services in “have-not” provinces are superior to those in “have” provinces. In other words, instead of creating equity, the programs increase inequity.

The greatest damage though is to recipient provinces:

Over the years, a substantial body of research has demonstrated that massive federal regional subsidies have greatly hindered economic growth in recipient provinces ... [T]ransfers have encouraged the growth of large and inefficient public sectors which dominate recipient economies, have discouraged labour mobility, an essential feature of efficient labour markets, and have elevated wage rates to levels that cannot be supported in the market component of the economy. (MacKinnon 2011: 7)

He also quotes McMahon: “Regional development policies in Atlantic Canada inflated wages, dampened investment, politicized the economy, weakened business activity, discouraged educational achievement and froze in place declining economic activities. It also likely had an effect on the regional psyche. People came to expect government to support them” (MacKinnon 2011: 7).

10. This is not to say that the only markers of good policy are growth and prosperity. Goals such as good public services, such as health and education, and reduced poverty are also important. But, economic growth provides resources for these goals too.

The Equalization program, in particular, has incentives that encourage receiving provinces to increase taxes, even at the expense of economic growth. This is because raising taxes can increase the amount of equalization received by a province:

Since grant-receiving provinces can adjust the way their fiscal capacities are calculated and reflected in the equalization formula—by adjusting tax rates and spending, for instance—governments are confronted with incentives to design their fiscal regimes in ways that maximize the size of the grants they receive, even if the fiscal policies are designed for less-than-optimal economic efficiency. (Ferede, 2014: summary)

This is in part accomplished by keeping a poor province poor:

[W]hen measured tax bases respond negatively to tax rate increases, this [Equalization] formula may induce higher levels of distortionary taxation: increasing local tax rates causes measured tax bases to decline, as economic activity shifts to other regions of the country or to other, more lightly taxed forms—and so causes capacity equalization transfers to rise. Thus the grants in effect subsidize increases in distortionary taxes by equalization-receiving governments. The empirical work reported in this paper suggests indeed that the tax-raising effect of equalization grants can be large. (Smart, 2007: 14)

Ferede and Smart also find that such programs contain incentives to increase spending. Dahlby finds that, not only does equalization lead to increased taxes and spending, but that it includes incentives for favouring consumption over growth-enhancing programs:

Fiscal equalization grants will tend to reduce a recipient government's marginal cost of public funds, leading to higher tax rates, excessive spending on consumptive public services, and a biased tax mix in favour of those taxes where its tax base is below the standard tax base. With regard to expenditure policy, the recipient government will tend to under-provide tax base-enhancing expenditures such as education and infrastructure. (Dahlby, 2002: v)

Atlantic Canada's growth weakened after federal transfers were dramatically increased in the early 1970s. Through the 1960s, Atlantic Canada was catching up with the rest of Canada, growth was faster, unemployment (except in Newfoundland & Labrador) was roughly at the Canadian average, and private-sector investment on a per-capita basis had risen to about the Canadian average (McMahon, 2000a).

Fiscal transfers in the 1960s were small by today's standards and yet the Atlantic economy was a catch-up success story. Then in the early 1970s, Ottawa opened the fiscal floodgates, including regionally extended Unemployment Insurance (now Employment

Insurance). This made Unemployment Insurance (UI) much easier to collect and considerably more generous in Atlantic Canada. Unsurprisingly, both unemployment and labour shortages soared in Atlantic Canada as employers had to bid against generous unemployment payments, initially with individuals needing only eight weeks of work to qualify for 51 weeks of payments.

As public spending increased, it crowded out the private sector. A study commissioned by the government development agencies found that the great amount of government money available to business through subsidies and contracts made businesses less competitive and more politicized as many switched from creating products for the market place to landing government subsidies and contracts (O'Farrell, 1990).

The current economic and fiscal difficulties combined with the history of deep concerns about the structure of fiscal federalism could lead to reforms that would have significant ramifications for Atlantic Canada, possibly negative in the short run but positive in the long run.

Conclusion

COVID-19 pandemic is an unprecedented challenge to modern economies. Even if the course of COVID-19 were understood, the economic side of things would contain mysteries. The time-frame, trajectory, and magnitude of both the economic decline and recovery would be surrounded by uncertainty. Even in a best-case scenario, where Canada gets back to something like normal sometime this year, the economic forecasts indicate large ongoing deficits. This will put a huge strain on fiscal federalism and force policy makers and governments to take a close look at the state of fiscal federalism and ask whether the current structure is sustainable or even worth sustaining.

The state of the energy sector adds urgency to the need to re-examine fiscal federalism. For over a decade, Alberta's taxpayers have funded the lion's share of federal funding flowing to Atlantic Canada and Quebec. The decline of the energy industry will remove this source of funding. To return to a federal balance, Ottawa will have to dramatically cut spending, reform fiscal federalism, or raise taxes, which could result in little increase or even a decrease in revenues. However, the deeper and longer-term questions concern the fairness and efficiency of Canada's massive system of fiscal transfers.

Appendix

The main purpose of this paper is to examine the overall fiscal flows in Canada to gain a sense of the strains this may create after COVID-19 has been contained. The federal government spends money through a multitude of programs. Some of these are specifically regional or part of the flows between various levels of government. Other programs are for national interest or transfer money directly to Canadians rather than other governments or government organizations. This Appendix analyzes the structure of fiscal flows in Canada on this basis for interested readers, even though this is somewhat to the side of the primary objective of this paper.

Defence spending

Defence is a national concern and thus, arguably, defence expenditures should not be considered part of fiscal federalism. Spending decisions, at least theoretically, are made independently of regional, policy, or equity considerations, considering only national

defence. Independent of other policy considerations, defence spending will be naturally biased to coastal provinces, particularly Nova Scotia, and biased away from inland provinces, like Alberta.

In table 3a, the net transfer is corrected to normalize defence spending. If a province has above-average military spending then the amount of spending above the average is subtracted from the net transfer. Thus, for example, per-capita defence spending in Nova Scotia is the highest in Canada. In 2019, it was \$2,757 compared to the Canadian average of \$522, or \$2,175 more than the Canadian average. This amount was then subtracted from the “Federal government surplus or deficit” of \$7,760, bringing the net transfer to Nova Scotia to \$5,585.

Given Canada’s relatively low level of defence spending, the adjustments are small except for Nova Scotia and, because of that, Atlantic Canada. Once the adjustment is made, the average net transfer to Atlantic Canada is \$5,343 per person or \$69,463 per person over the period. Alberta is much less affected. The average per-person net transfer falls to \$5,385 or \$70,000 in total.

Federal program spending

This is spending on federal programs and involves direct federal transfers to households. Some would argue that these monies should not be included in fiscal federalism flows. Household transfers are to individuals, not to other governments, departments, or bodies. They should treat an individual in Alberta the same as an individual in Nova Scotia.

Spending for many of these programs, such as the Military Veterans Benefits, Social Assistance, and the Old Age Security Guaranteed Income Supplement, will nonetheless be biased towards the Atlantic region and away from Alberta. Aside from the relatively large number of retired military personnel who live in Atlantic Canada, this is also because the demographic structure of Atlantic Canada has a higher proportion of older citizens and poorer citizens who disproportionately benefit from these programs.

Since household transfers do not have a regional component, the overall net transfers to provinces perhaps should be adjusted for the level of federal payments to households. In other words, if per-capita spending on social programs in, say, Prince Edward Island, is higher on a per-capita basis than the national average, the difference should be deducted from net transfers. However, one of these programs, regionally extended Employment Insurance (EI), does treat individuals differently in various regions. Thus, the average Albertan is not treated the same as the average Nova Scotian under this system.¹¹ Albertans have a less generous program than most Nova Scotians, with much restricted access.

11. Since the system is formally based on unemployment rates, it will also create differences in treatment within a province.

Thus, EI in part is designed to benefit particular regions or provinces and, therefore, differences in EI payments should be considered part of fiscal federalism and the flows between the provinces. The simplest way to deal with this is to subtract net EI flows from other social spending that treats all Canadian equally. Table 3a shows the impact on net transfers when social spending, excluding Employment Insurance, is normalized across Canada

Once this is done, transfers to households can be adjusted in the same way as defence spending to equalize spending across Canada. The line “Adj. for defence/household” reports this adjustment. Using this metric, per-capita net transfers to Atlantic Canada fall to an average of \$4,797 per year or \$62,366 for the full period. Net transfers out of Alberta are \$5,049 per year or \$65,636 for the full period per person.

The bottom line

However, having shown the calculations for full transparency, it is the overall numbers that will be cited in this report—in other words, the bottom line for difference between federal expenditure and revenue for each province and territory. Although household transfers are direct payments to individuals and have been adjusted for EI payments, they are nonetheless spending to which all Canadians contribute and involve large inter-provincial net transfers.

Similarly, Alberta, as the largest net contributor to Confederation, is also by definition the largest net contributor to the military and to transfers to individuals, and this should be counted in the net contribution to record the overall flows in fiscal federalism. Thus, these corrections are not made for the 1997–2009 series. While the adjustments affect the size of fiscal flows, they do not affect the overall structure of the flows, with large amounts of funds flowing into Atlantic Canada and Quebec and out of Alberta and Ontario. The sums remain large, whether adjusted or not.

References

Canada, Department of Finance (2020). *Major Federal Transfers*. <<https://www.canada.ca/en/departement-finance/programs/federal-transfers/major-federal-transfers.html>>, as of April 19, 2020.

Canada, Parliamentary Budget Office [PBO] (2020). *Fall Economic Statement 2020: Issues for Parliamentarians* (November). <<https://www.pbo-dpb.gc.ca/en/blog/news/RP-2021-037-S--fall-economic-statement-2020-issues-parliamentarians--enonce-economique-automne-2020-enjeux-parlementaires>>, as of January 5, 2020.

Courchene, Thomas J., and John R. Allan (2009). *A Short History of EI and a Look at the Road Ahead*. Policy Options (September 1). Institute for Research on Public Policy. <<https://policyoptions.irpp.org/magazines/employment-insurance/a-short-history-of-ei-and-a-look-at-the-road-ahead/>>, as of May 8, 2020.

Craddock, Derek (2020) Premier Kenney Responds to Federal Support for COVID-19. *660 News: Calgary*, March 11. <<https://www.660citynews.com/2020/03/11/premier-kenney-responds-to-federal-support-for-covid-19/>>, as of May 7, 2020.

Dahlby, Bev (2002). *The Incentive Effects of Fiscal Equalization Grants*. Paper presented at the AIMS/MEI/FCPP Conference, Equalization: Welfare Trap or Helping Hand? (Montreal, October 25, 2001). Atlantic Institute for Market Studies and Frontier Centre for Public Policy. <https://www.fcphp.org/pdf/equalization_papers4.pdf>, as of July 29, 2020.

Eisen, Ben (2010). *Stealth Equalization: How Federal Government Employment Acts as a Regional Economic Subsidy in Canada*. Frontier Centre for Public Policy. <https://fcpp.org/files/1/PS95_Stealth_NV05F5.pdf>, as of July 22, 2020.

Eisen, Ben, Joel Emes, Steve Lafleur, and Tegan Hill (2020). *Equalization and Stabilization Post-Recession: Is Canada Ready?* Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/equalization-and-stabilization-post-recession-is-canada-ready.pdf>>, as of July 15, 2020.

Eisen, Ben, and Tegan Hill (2019). *The Power of Comprehensive Policy Reform: Lessons for Ontario from Michigan*. Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/power-of-comprehensive-policy-reform-ontario-michigan.pdf>>, as of May 2, 2020.

Eisen, Ben, Steve Lafleur, Jake Fuss, and Tegan Hill (2019). *Why Is Equalization Still Growing?* Fraser Institute. <<https://www.fraserinstitute.org/studies/why-is-equalization-still-growing>>, as of April 27, 2020.

Eisen, Ben, Steve Lafleur, and Milagros Palacios (2020). *A Friend in Need: How Albertans Continue to Keep Federal Finances Afloat, 2020*. Fraser Institute. <<https://www.fraserinstitute.org/studies/a-friend-in-need-how-albertans-continue-to-keep-federal-finances-afloat-2020>>, as of April 29, 2020.

Eisen, Ben, and Milagros Palacios (2020). *The Great Convergence: Measuring the Fiscal Capacity Gap between “Have” and “Have-Not” Provinces*. Fraser Institute. <<https://www.fraserinstitute.org/studies/great-convergence-measuring-the-fiscal-capacity-gap-between-have-and-have-not-provinces>>, as of January 11, 2021.

Fairness Alberta (2020). *Fairness Alberta Launches Public Awareness Campaign*. <<https://www.fairnessalberta.ca/fairness-alberta-launches-public-awareness-campaign/>>, as of October 21, 2020.

Ferede, Ergete (2014). *The Incentive Effects of Equalization Grants on Fiscal Policy*. SPP Research Paper 7, 23. The School of Public Policy, University of Calgary. <<https://www.policyschool.ca/wp-content/uploads/2016/03/ferede-equalization.pdf>>, as of July 29, 2020.

Fuss, Jake, and Milagros Palacios (2020). *The Growing Debt Burden for Canadians*. <<https://www.fraserinstitute.org/studies/growing-debt-burden-for-canadians>>, as of April 15, 2020.

Government of Canada (2020). *EI Regular Benefits: Eligibility*. <<https://www.canada.ca/en/services/benefits/ei/ei-regular-benefit/eligibility.html>>, as of May 5.

Graney, Emma, Kelly Cryderman, and Robert Fife (2020). Alberta Unemployment to Likely Surpass 25 Per Cent Because of Pandemic, Kenney Says. *Globe and Mail*. <<https://www.theglobeandmail.com/business/article-alberta-unemployment-to-likely-surpass-25-percent-because-of-pandemic/>>, as of May 7, 2020.

Hall, Peter (2020). *Global Economic Outlook: We’re Not through The Worst Bit...Yet*. EDC Economics. Export Development Corporation. <<https://www.edc.ca/en/weekly-commentary/global-outlook-covid-19.html>>, as of May 2, 2020.

Hill, Tegan, Milagros Palacios, and Jake Fuss (2020). *Examining Federal Debt in Canada by Prime Minister since Confederation, 2020*. Fraser Institute. <<https://www.fraserinstitute.org/studies/examining-federal-debt-in-canada-by-prime-ministers-since-confederation-2020>>, as of April 25.

Lafleur, Steve, and Milagros Palacios (2019). *Lessons from the Lone Star State: Comparing the Economic Performance of Alberta and Texas*. Fraser Institute. <<https://www.fraserinstitute.org/studies/lessons-from-the-lone-star-state-comparing-the-economic-performance-of-alberta-and-texas>>, as of May 3, 2020.

MacKinnon, David (2011). *Dollars and Sense: A Case for Modernizing Canada's Transfer Agreements*. Ontario Chamber of Commerce.

Makarenko, Jay (2009). Employment Insurance in Canada: History, Structure and Issues. Mapleleafweb. <<https://www.mapleleafweb.com/features/employment-insurance-canada-history-structure-and-issues.html>>, as of May 5, 2020

Mammoser, Alan (2020). IEA: The Energy Sector Will Never Be the Same Again. *OilPrice.com* (June 15). <<https://oilprice.com/Energy/Energy-General/IEA-The-Energy-Sector-Will-Never-Be-The-Same-Again.html>>, as of July 15, 2020.

McMahon, Fred (2000a). *Retreat from Growth: Atlantic Canada and the Negative-Sum Economy*. Atlantic Institute for Market Studies. <<https://www.aims.ca/books-papers/retreat-from-growth/>>, as of November 18, 2020.

McMahon, Fred (2000b). *Road to Growth: How Lagging Economies Become Prosperous*. Atlantic Institute for Market Studies. <<https://www.aims.ca/books-papers/road-to-growth/>>, as of November 18, 2020.

McMahon, Fred (2020). *Extended Employment Insurance Now Open to All: Atlantic Canada's Warning for Other Provinces*. Fraser Institute. <<https://www.fraserinstitute.org/studies/extended-employment-insurance-now-open-to-all>>, as of November 19, 2020.

Mintz, Jack M. (2020). Scrap Equalization and Replace It with Something Better. *Financial Post* (January 28). <<https://financialpost.com/opinion/jack-mintz-scrap-equalization-and-replace-it-with-something-better>>, as of July 22, 2020.

O'Farrell, P.N. (1990). *Small Manufacturing Competitiveness and Performance: An Analysis of Matched Pairs in Nova Scotia and New England*. Produced in association with Gardner Pinfold Consulting Economists Ltd. Commissioned by the Nova Scotia Department of Industry, Trade and Technology, and Atlantic Canada Opportunities Agency.

Rathore, Mumal, and Indradip Ghosh (April 28, 2020). Canada's Economy in Deepest Recession on Record, U-Shaped Recovery Likely: Reuters Poll. *Business Newswire* (April 28). <<https://ca.reuters.com/article/businessNews/idCAKCN22A26C>>, as of April 29, 2020.

Smart, Michael (2007). *Raising Taxes through Equalization*. CESifo Working Paper, No. 1926. Center for Economic Studies and ifo Institute (CESifo), Munich. <https://www.ifo.de/DocDL/cesifo1_wp1926.pdf>, as of July, 2020.

Statistics Canada (2010) Table 36-10-0314-01. *Archived - Government Sector Revenue and Expenditure, Provincial Economic Accounts, Annual, 1981–2009*. <<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610031401#timeframe>>, as of April 19, 2020.

Statistics Canada (2020a). Table 17-10-0005-01. *Population Estimates on July 1st, by Age and Sex*. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501>>, as of April 19, 2020.

Statistics Canada (2020b). Table 18-10-0005-01. *Consumer Price Index, Annual Average, Not Seasonally Adjusted*. <<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000501>>, as of April 9, 2020

Statistics Canada (2020c). Table 36-10-0402-01. *Gross Domestic Product (GDP) at Basic Prices, by Industry, Provinces and Territories*. <<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610040201#timeframe>>, as of April 14, 2020.

Statistics Canada (2020d). Table 36-10-0450-01. *Revenue, Expenditure and Budgetary Balance - General Governments, Provincial and Territorial Economic Accounts*. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610045001>>, as of November 13, 2020.

Statistics Canada (2020e). Table 14-10-0018-01. *Labour Force Characteristics by Sex and Detailed Age Group, Annual, Inactive*. <<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410009001>>, as of April 29, 2020

Stedman, Ashley, and Elmira Aliakbari (2019). *Canada-US Energy Sector Competitiveness Survey 2019*. Fraser Institute. <<https://www.fraserinstitute.org/studies/canada-us-energy-sector-competitiveness-survey-2019>>, as of April 28.

Tasker, John Paul (2020). May and Blanchet Declare the Oilpatch “Dead,” Warn Ottawa against Financial Supports. *CBC News* (May 6). <<https://www.cbc.ca/news/politics/oil-is-dead-green-bloc-parties-1.5557725>>, as of May 7, 2020.

Tombe, Trevor (2018). “Final and Unalterable”—but Up for Negotiation: Federal-Provincial Transfers in Canada. *Finances of the Nation. Canadian Tax Journal / Revue Fiscale Canadienne* 66, 4: 871–917. <https://econ.ucalgary.ca/manageprofile/sites/econ.ucalgary.ca/manageprofile/files/unitis/publications/1-9565968/Tombe_2018_CTJ.pdf>, as of July 16, 2020.

West, Stephen (2007). Federal Government Revenue and Spending by Province: A Scorecard of Winners and Losers in Confederation? Catalogue no. 11-010-X20070029586. *Canadian Economic Observer*. <<https://www150.statcan.gc.ca/n1/en/catalogue/11-010-X20070029586>>, as of April, 29, 2020.

About the author

Fred McMahon

Fred McMahon is a Fraser Institute Resident Fellow and holder of the Dr. Michael A. Walker Research Chair in Economic Freedom. He has an M.A. in Economics from McGill University. Mr. McMahon manages the Economic Freedom of the World Project and coordinates the Economic Freedom Network, an international alliance of over 100 think-tank partners in about 100 nations and territories. His research focuses on global regional issues such as development, trade, governance, and economic structure. Mr. McMahon is the author of numerous research articles and several books including, *Looking the Gift Horse in the Mouth: The Impact of Federal Transfers on Atlantic Canada*, which won the Sir Antony Fisher International Memorial Award for advancing public-policy debate, *Road to Growth: How Lagging Economies Become Prosperous*, and *Retreat from Growth: Atlantic Canada and the Negative Sum Economy*. He has written for numerous publications including the *European Journal of Political Economy*, *SAIS Journal* (School of Advanced International Studies, Johns Hopkins University), *Wall Street Journal*, *Policy Options*, *National Post*, *Time* (Canada), *Globe and Mail*, *Ottawa Citizen*, and most other major Canadian newspapers. Recent research articles of which he has been the author or a co-author include: *Economic Freedom of North America*, *Quebec Prosperity: Taking the Next Step*, *The Unseen Wall: The Fraser Institute's Annual Trade Survey*, and *Economic Freedom of the Arab World*.



Acknowledgments

The author wishes to thank the Lotte & John Hecht Memorial Foundation for its generous support of this project. He would also like to express thanks to David MacKinnon for his careful review and insights on fiscal federalism; Steve Globerman and Ben Eisen for their comprehensive advice on this paper, which has made it considerably better; and Milagros Palacios for advice on changes in Statistics Canada's data generation. All remaining errors and oversights are the responsibility of the author. As the researcher has worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.

Publishing Information

Distribution

These publications are available from <<http://www.fraserinstitute.org>> in Portable Document Format (PDF) and can be read with Adobe Acrobat® or Adobe Reader®, versions 7 or later. Adobe Acrobat Reader® DC, the most recent version, is available free of charge from Adobe Systems Inc. at <<http://get.adobe.com/reader/>>. Readers having trouble viewing or printing our PDF files using applications from other manufacturers (e.g., Apple's Preview) should use Reader® or Acrobat®.

Ordering publications

To order printed publications from the Fraser Institute, please contact us via e-mail: sales@fraserinstitute.org; telephone: 604.688.0221, ext. 580 or, toll free, 1.800.665.3558, ext. 580; or fax: 604.688.8539.

Media

For media enquiries, please contact our communications department via e-mail: communications@fraserinstitute.org; telephone: 604.714.4582.

Copyright

Copyright © 2021 by the Fraser Institute. All rights reserved. No part of this publication may be reproduced in any manner whatsoever without written permission except in the case of brief passages quoted in critical articles and reviews.

Date of issue

2021

ISBN

978-0-88975-631-1

Citation

Fred McMahon (2021). *Fiscal Federalism and the Dependency of Atlantic Canada*. Fraser Institute. <<http://www.fraserinstitute.org>>.

Supporting the Fraser Institute

To learn how to support the Fraser Institute, please contact us via post: Development Department, Fraser Institute, Fourth Floor, 1770 Burrard Street, Vancouver, British Columbia, V6J 3G7, Canada; telephone: toll-free to 1.800.665.3558, ext. 548; e-mail: development@fraserinstitute.org; or visit our webpage: <<http://www.fraserinstitute.org/support-us/overview.aspx>>.

About the Fraser Institute

Our mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being.

Notre mission consiste à améliorer la qualité de vie des Canadiens et des générations à venir en étudiant, en mesurant et en diffusant les effets des politiques gouvernementales, de l'entrepreneuriat et des choix sur leur bien-être.

Purpose, Funding, and Independence

The Fraser Institute provides a useful public service. We report objective information about the economic and social effects of current public policies, and we offer evidence-based research and education about policy options that can improve the quality of life.

The Institute is a non-profit organization. Our activities are funded by charitable donations, unrestricted grants, ticket sales, and sponsorships from events, the licensing of products for public distribution, and the sale of publications.

All research is subject to rigorous review by external experts, and is conducted and published separately from the Institute's Board of Directors and its donors.

The opinions expressed by authors are their own, and do not necessarily reflect those of the Institute, its Board of Directors, its donors and supporters, or its staff. This publication in no way implies that the Fraser Institute, its directors, or staff are in favour of, or oppose the passage of, any bill; or that they support or oppose any particular political party or candidate.

As a healthy part of public discussion among fellow citizens who desire to improve the lives of people through better public policy, the Institute welcomes evidence-focused scrutiny of the research we publish, including verification of data sources, replication of analytical methods, and intelligent debate about the practical effects of policy recommendations.

Peer review—validating the accuracy of our research

The Fraser Institute maintains a rigorous peer review process for its research. New research, major research projects, and substantively modified research conducted by the Fraser Institute are reviewed by experts with a recognized expertise in the topic area being addressed. Whenever possible, external review is a blind process. Updates to previously reviewed research or new editions of previously reviewed research are not reviewed unless the update includes substantive or material changes in the methodology.

The review process is overseen by the directors of the Institute's research departments who are responsible for ensuring all research published by the Institute passes through the appropriate peer review. If a dispute about the recommendations of the reviewers should arise during the Institute's peer review process, the Institute has an Editorial Advisory Board, a panel of scholars from Canada, the United States, and Europe to whom it can turn for help in resolving the dispute.

Editorial Advisory Board

Members

Prof. Terry L. Anderson
 Prof. Robert Barro
 Prof. Jean-Pierre Centi
 Prof. John Chant
 Prof. Bev Dahlby
 Prof. Erwin Diewert
 Prof. Stephen Easton
 Prof. J.C. Herbert Emery
 Prof. Jack L. Granatstein

Prof. Herbert G. Grubel
 Prof. James Gwartney
 Prof. Ronald W. Jones
 Dr. Jerry Jordan
 Prof. Ross McKittrick
 Prof. Michael Parkin
 Prof. Friedrich Schneider
 Prof. Lawrence B. Smith
 Dr. Vito Tanzi

Past members

Prof. Armen Alchian*
 Prof. Michael Bliss*
 Prof. James M. Buchanan*[†]
 Prof. Friedrich A. Hayek*[†]
 Prof. H.G. Johnson*

Prof. F.G. Pennance*
 Prof. George Stigler*[†]
 Sir Alan Walters*
 Prof. Edwin G. West*

* deceased; [†] Nobel Laureate