



NEWS RELEASE

Equalization payments to Maritime Canada in jeopardy as Alberta and other “have” provinces struggle

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HALIFAX—Economic weakness in Alberta and other “have” provinces is causing the gap between Canada’s richer and poorer provinces to shrink rapidly. If it continues, this trend could result in reduced equalization payments to Maritime Canada. So finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

This convergence has been driven primarily by declining economic strength in high income provinces rather than by growth in the so-called “have-nots”.

“The federal government sets aside a fixed amount of money for equalization each year. If due to economic hardship more provinces become equalization-eligible, that would leave less available for current recipients such as the Maritime provinces,” said Ben Eisen, a senior fellow with the Fraser Institute and co-author of [*The Great Convergence: Measuring the Fiscal Gap Between “Have” and “Have-Not” Provinces*](#).

The authors note that Newfoundland and Labrador is not currently an equalization recipient, but is likely to become eligible again soon if current trends continue.

The study finds that since 2007/08, the large gap in fiscal capacity that existed between Alberta and the three Maritime provinces has shrunk considerably. (Fiscal capacity, which is used to determine equalization transfers, refers to a province’s ability to raise own-source revenues).

For example, the fiscal capacity gap between the richest province and the poorest was \$10,999 in 2007/08 (in 2020 dollars). With the COVID recession and sudden fall in natural resource prices, the study estimates the gap will fall to just \$3,758 this year.

“We’ve seen something similar before. When Ontario became eligible for equalization in the early 2010s, all three Maritimes provinces saw significant drops in equalization payments relative to the size of their budgets. The same thing may happen again if new provinces become equalization-eligible,” said Eisen.

“Policymakers in Atlantic Canada should be aware of “The Great Convergence” between Canadian provinces and prepare for the possibility of reduced equalization payments in the years ahead.”

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