

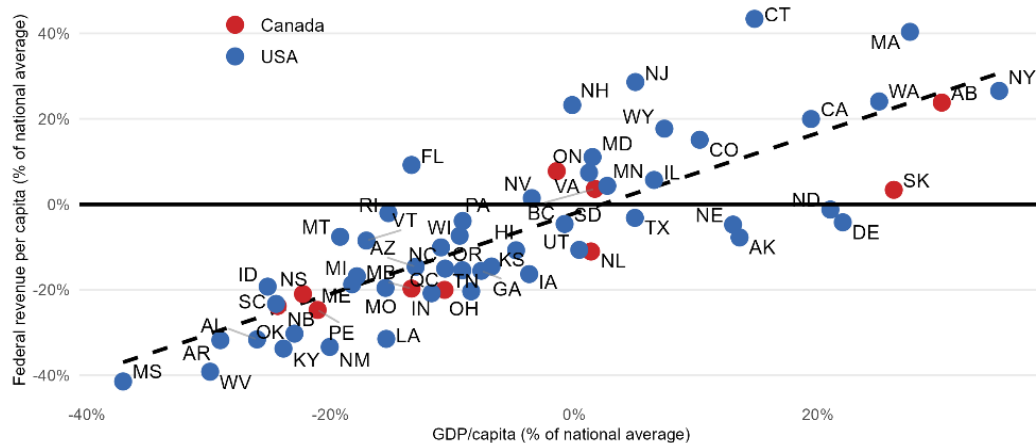
“EQUALIZATION” IN THE U.S. CONTEXT

Some of the people in favour of Alberta leaving Canada to become a U.S. state have suggested it would relieve Albertans from contributing their taxes to Canada’s [equalization](#) program. That program aims to ensure all provinces are able to deliver comparable levels of public service without imposing abnormally high taxes. As the highest-income province, Alberta receives no transfers.

While the U.S. has no equivalent of equalization, Washington does collect taxes and redistribute monies to states through numerous programs. Revenue redistribution is an essential part of any federal system and in the U.S., these transfers are the largest source of government income in some states.

Albertans might pay more to be American than they do to be Canadian

Figure 1: Relative federal revenues vs GDP/capita, by state/province



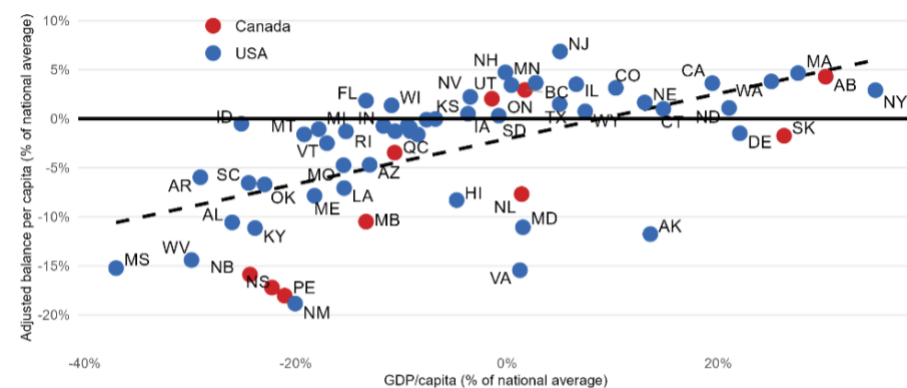
Source: Own calculations from BEA, Census Bureau, and Rockefeller Institute Balance of Payments for the USA and Statistics Canada data table 36-10-0450 and 36-10-0222 for Canada. Methodology in Tombe (2018). Graph by @trevortombe.

In Figure 1, the dashed line shows what a state or provincial population would pay into this pool of funds if contributions were proportional to per capita GDP. Above the line, wealthier jurisdictions contribute more than poorer jurisdictions below the line. In this scenario, Alberta “pays” less than Ontario, British

Columbia and Nova Scotia. Meanwhile, states like Connecticut and Massachusetts contribute comparatively far more to federal coffers than any province. This suggests becoming a U.S. state might not produce a fiscal benefit for Alberta.

In Figure 2, the solid line represents equivalency, where a province or state “gets back” what it “puts in” to federal coffers. The dashed line below is what you would expect based on economic strength alone.

Figure 2: Relative federal fiscal balance vs GDP/capita, by state/province (2023)



Source: Own calculations from BEA, Census Bureau, and Rockefeller Institute Balance of Payments for the USA and Statistics Canada data table 36-10-0450 and 36-10-0222 for Canada. Methodology in Tombe (2018). Graph by @trevortombe.

Again, Alberta joining the U.S. might not be a win. It gets back less than what it puts into the Canadian federation but so do B.C., Ontario and Quebec. Some states are much worse off, which is a possible future for Alberta as a U.S. state.

Calculating the value of being part of a federation is complicated. Complex tax regimes and government programs move money around in many ways.

Joining the U.S. would avoid Canadian equalization, but the logic of all federal systems would remain: It’s in everyone’s interest to keep the entire federation healthy, often by transferring funds to other jurisdictions.