

# Equalization payments term paper examples

[Countries](#), [Canada](#)



The main problem here is all about achieving equal resources in all the ten provinces of Canada. Everyone should have equal access to public services and they should pay for them at a reasonable price depending on the income level of the people. In simple term, people living in Newfoundland and Labrador or British Columbia, Montréal or Medicine Hat should also have the chance to enjoy good services such as education, better health services, social services as well as fair justice system. On the other hand, people living on the rich provinces such as Ontario should not be made to pay higher taxes in order to support those who are living in the poor provinces. The situation looks complicated to Canada`s federation until they decided to enrich it into their constitution.

In the current situation, despite the existence of the equalization programme in Canada, people are still very ignorant about it apart from a few learned individuals. Therefore a lot of questions are being raised across the country. There is imbalance in terms of resources and revenues among the ten provinces of Canada. Consequently, there are provinces which call themselves the haves like Ontario and British Columbia and the ones calling themselves the don't haves like the Atlantic Provinces. Provinces with less capability to pay for the public services receive equalization payment while those with higher fiscal capacity do not. Equalization is being paid by the federal government but not by the richer provinces as it might seem. The federal government does this through general taxes collected from the people in Canada. After the payment is made to them; it is being controlled at the province level without interference by the federal government. Equalization does not aim at bringing down wealthy provinces down to

standard but to raise the less fortunate provinces up to standard. Most Canadians would like the equalization process to be improved rather than being abandoned.

Economic analysis shows that equalization is funded by the federal government using the taxes paid by all the provinces. Only the provinces that cannot pay for their public services do receive this type of payment. Equalization does not look into the individual provinces expenditure habits but rather measures the provincial fiscal capacity to deliver public services. Furthermore, equalization does not aim at bringing down the wealthy provinces but to raise the poor provinces to a better standard. There is a common country standard by which each and every province is being compared to. When a province's fiscal standard is low, it receives more payment and if the fiscal standard is high it receives less payment.

Economic theory tells us that in any economy, the law of demand and supply should prevail. The law states that the higher the demand the lower the supply and the opposite is true. In a situation where by the demand is equal to the supply then the economy is said to be in equilibrium between the demand and the quantity supplied. Therefore the federal government of Canada tries to respond to this state by giving equalization to poor provinces in order to balance the economy.

Cost benefit analysis involves a systematic way of measuring a project's cost and benefits has come out that equalization is a very small project as compared to other projects funded by the federal government. Statistically, equalization program was \$4billion in the early 1980s and in 2005-6, it was \$11 billion that means that it has only grown by a bout \$7 billion.

Since it takes small portion of the government expenditure this programme is cost effective. It helps in reducing the fiscal disparities among the provinces. Equalization has helped in reducing the gap between the rich and the poor provinces.

The risk which arises here is that the equalization might not go to the right province because of lack of transparency in the federal government. Also the receiving provinces might be reluctant to work hard in order to improve on their economy since they receive help from the federal government. Canada might risk losing concentration on their natural resources when they ignore them in the equalization programme.

The consequences are vast and challenging . One of them being that the poor provinces might remain poor and keep on lagging behind. Reluctant people leads to reluctant economy and national balance could not be realized.

Apart from equalization, Canada is rich with a lot of natural resources one of them being river Ottawa. There are a lot to be done by these natural resources rather than fully relying on the equalization. People especially from the poor Provinces should embark on utilizing their resources in order to breach the gap between them and the rich provinces.

The paper has got many advantages in that it looks for the way forward to deal with the issue of inequality in terms of wealth among the provinces. It discusses the issue of equalization at length and thus offers a solution to the problem. The weakness of the paper is that it concentrates on one solution rather than diverting to other solutions. This is dangerous since one solution can fail. I strongly recommend that equalization should be strengthened and not

to be abandoned because it is a very simple way of realizing economic balance in Canada.