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Book Review: Janigan, Mary. *The Art of Sharing: The Richer versus the Poorer Provinces since Confederation*. Montreal: McGill-Queen's University Press, 2020. 420 Pp.

Equalization is the “improbable glue that holds the nation together”, argues Mary Janigan in *The Art of Sharing*, but it “can only continue if the poorer and the richer provinces deem the bargain to be fair” (p. 5). The challenge of building consensus and maintaining that bargain is an underappreciated responsibility of Canada’s federal leaders. Canada is, and always has been, a compromise, especially where fiscal transfers are concerned. Most major federal transfers to provinces are distributed uniformly and are based only on population. Equalization, however, is a nearly \$21 billion dollar program that is unequally distributed by design—with lower-income provinces, especially the smaller Atlantic ones, receiving significant amounts while higher-income ones receive nothing. *The Art of Sharing* explores the long and often halting process behind this signature transfer program.

This is no small feat. The key events and players span many decades, but Dr. Janigan brings it all together to motivate a powerful thesis; namely, that equalization was central to the post-World War Two expansion of public health and education services in Canada.

The book opens with a review of the “untidy, slapdash system” that originally prevailed in Canada, prior to equalization, that could not withstand contact with the Great Depression. At the time, economic challenges varied widely “so federal governments needed a flexible system of transfers,” writes Dr. Janigan, but “instead, Canada has a static, constitutionally entrenched system of fixed per capita subsidies” (p. 74). Deviations from this were politically difficult since ad-hoc support to poor provinces elicited resistance by richer ones. *The Art of Sharing* documents Canada’s search for a more coherent system and Dr. Janigan does so with rigorous yet accessible scholarship combined with an engaging journalistic style that connects readers directly with the key players and economic circumstances of the time.

Equalization’s origin story is also not broadly known. It began as a compromise to end a decade-long fiscal battle with Quebec. Following World War Two, when provinces ceded income taxes and succession duties to the federal government, provinces that agreed to continue that arrangement received generous transfers above what those taxes would typically yield. Those that disagreed received nothing. This was not sustainable—either politically or economically—and equalization was a solution: it provided partial payments to non-agreeing provinces equal to the excess transfer above the tax yields. Non-agreeing provinces would then raise the tax revenue themselves.

What allows Dr. Janigan to go far beyond previous work is her use of original historical research from the Bank of Canada archives, countless submissions to the Rowell-Sirois Commission, letters between federal and provincial leaders, and countless other primary sources. Dr. Janigan’s revelations on the origins of equalization include enlightening nuggets, such as Edmonton’s Chamber of Commerce being among the first organizations to call for equalization and British Columbia Premier Duff Puttello’s claims of unfair treatment in the federation that sound familiar to anyone following statements from Alberta’s current Premier Jason Kenney.

## Book Reviews

This history is not only important to appreciate for its own sake, but it is increasingly relevant today. By helping ensure that comparable public services can be delivered across the country without resorting to abnormally high rates of taxation, Dr. Janigan argues, equalization is “vital to the survival of the nation” (p. 5). With intensifying opposition to the program from oil-producing provinces, notably Alberta, the historical perspectives in this book are especially important for Canadians to appreciate today.

The one drawback of the book, if there is one, is that equalization’s full story is cut short. The original program did little for poor provinces and, indeed, it was not meant to. There are hints of this in the book. We learn that Robert Bryce (Clerk of the Privy Council, 1954-1963) believed the Rowell-Sirois Commission’s notion of National Adjustment Grants had little to do with equalization. Dr. Janigan rejects this claim since Prime Minister St. Laurent, who led the federal government when equalization was enacted, was himself directly and actively involved in the Commission’s work. But if support for lower-income provinces was equalization’s original intent, one would not know it from its initial design.

Fiscal aid was always a central part of previous arrangements and equalization in 1957 changed little. This is best illustrated by looking at how the program affected Canada’s four lower-income Atlantic provinces. According to estimates tabled in Parliament, these provinces would have received an average of \$33.69 per capita in 1957/58 if the 1952 arrangements continued. This was more than the national average of \$32.87 per capita.<sup>1</sup> But under the 1957 arrangements, which included equalization, these provinces would receive \$39.19 per capita—less than the national average of \$39.88. The 1957 arrangements therefore provided no material additional support to lower-income provinces relative to others. And they knew it. Reacting to the new arrangements, New Brunswick’s Provincial Treasurer Donald Patterson spoke plainly: “failure to include supplementary grants is an unbelievable disregard to the realities of the situation ... we see no way our Budget problems of the future can be met.”<sup>2</sup>

This is not to say the original equalization program of 1957 was insignificant. But it was not “equalizing” provincial revenues in a way we would recognize today. That would have to wait until a series of reforms throughout the 1960s that culminated in equalization as Canadians knew it in 1967. So, in this sense, it was not Prime Minister St. Laurent who enacted true equalization that supported lower-income provinces, but Prime Ministers Diefenbaker and Pearson. St. Laurent nonetheless deserves credit for opening the door to later reforms and for changing the very way we think and talk about transfers to this day.

Explaining fiscal transfers is no easy task. Dr. Janigan quotes J.B. McGeachy, a reporter who traveled with and wrote extensively about the Rowell-Sirois Commission’s work, writing “the system of federal subsidies in Canada is certainly one of the craziest arithmetical puzzles ever hatched in the hallucinated brains of public financiers. A long lifetime would be needed to get the hang of it” (p. 150). Though written 83 years ago, these words are no less true today. Canadians are fortunate to have *The Art of Sharing* to help unravel the puzzle. It should be required reading for anyone interested in understanding not only the origins of Canada’s equalization program but also the conflicting political, social, economic, and fiscal pressures Canadian leaders regularly confront.

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<sup>1</sup> Own calculations from Canada, House of Commons, Debates, July 16, 1956, at 5989.

<sup>2</sup> Excerpt of speech quoted in “The Dilemma of the Poorer Provinces,” *Globe and Mail*, March 19, 1957.