

The Equalization Formula and How it is Portrayed in the Media

A Review of Agenda Setting Theory

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Abstract

There has been a recent history of division in Canada pertaining to equalization, how it works, how it benefits provinces and what problems there might be with it. More well-off provinces and their premiers will often lament the formula behind equalization. A great deal of misinformation surrounding equalization is often disseminated as fact by people lamenting it. Equalization is presented as a complex formula boiled down to a simple analogy in social media posts by its opponents and reformers, and the nuance and truth of how it works are lost in these simplified analogies.

The way equalization is portrayed betrays the complexity of it, as well as its importance to federalism, the health of the country and ensuring that no part of the country is left behind. Its portrayal, though, is a strong example of how social media has allowed for politicians and political actors to bypass traditional media gatekeepers and perform agenda-setting themselves. This helps determine what their message would be and how it would be disseminated, ultimately determining what the public talks about (though not necessarily how they talk about it). Andre Beland and Daniel Lecours have both written extensively on the subject of equalization and have provided vital information for this work. Ultimately, this paper found that agenda-setting theory is used extensively by western Conservative politicians in Canada to mischaracterize equalization for their political benefit.

Keywords: Agenda-Setting Theory, Equalization, Federalism, Framing, Twitter, Western Alienation

Equalization is a tricky subject in Canada. For many laypeople, it is not fully clear how it works, as it is based on a convoluted formula that takes a portion of federal income taxes gathered from across the country and then redistributed to provinces that effectively need more funding (see for example, Lecours & Béland, 2010). This lack of understanding can be clearly seen through online discourse that leaks into real-life discourse, particularly in the conservative Prairie provinces. The portrayal of equalization in western conservative circles, particularly reform-wing-dominated circles, displays the transfer payment as the provinces themselves paying in and Quebec taking the majority of funding for themselves. The reality of this is much more complicated and not well represented in its portrayal by its detractors.

It is true that overall, Alberta – the base province of the Conservative Party of Canada – pays more into equalization. This is not due to some cruel twist in the formula, however, but rather because Alberta's per Capita Gross Domestic Product (GDP) is much higher than the rest of the country (Statistics Canada, 2016, Income Growth per Capita in the Provinces since 1950, table 1). Equalization is paid into by individual taxpayers, not the provinces. It is a sign of Alberta's immense prosperity – even in times of economic hardship – that Alberta pays more per capita. Albertans are much more prosperous than their counterparts in provinces like New Brunswick and Labrador, Prince Edward Island, and Quebec.

This paper demonstrates how through forms of agenda-setting theory and framing in practice ways in which equalization has been misconstrued, and how the transfer payment system works. Western-based politicians and political actors, particularly those associated with Conservative parties, will represent a false view of equalization to rally support through contemporary populist

means. This misrepresentation creates a division between provinces and prevents the federal government from progressing in one of its main goals of nation-building.

Review of Literature

Agenda-Setting

Agenda-setting theory is employed by politicians all the time, particularly since the advent of social media. The central argument of this paper circles around the findings of Lee and Xu (2018), who studied the use of social media in the 2016 American Presidential Election. The two studied the initial concept of agenda-setting theory and the transfer of the media agent to the public agenda (Lee and Xu, 2018, p. 208). They focused on retweets and likes as a means of determining popularity (p. 203). Lee and Xu's findings coincide with what Yang, Chen, Maity and Ferrara (2016) looked at in their paper: "Social Politics: Agenda setting and Political Communication on Social Media."

Instead of focusing on Trump's Twitter antics, though, the authors looked at a more objectively wholesome politician, that of Barack Obama, who was one of the early adopters of social media and its capabilities to disseminate his messages (p. 331).

Equalization

Arguing about the formulation is not a new issue in Canada. Since it has been included in our federation, varying provinces have been unhappy with it for varying reasons. Lecours and Béland (2010) looked at the political aspect of equalization, wherein most scholars had only looked at the purely economic and financial implications of the transfer payment (p. 569). Lecours and Béland elaborate on how equalization works; as it is a program entirely administered by the federal government based on general taxation, and then redistributes that money to below-average fiscal capacity provinces (2010, p. 570). The two also elaborate on the

history of the program; how it has changed and not included or included disadvantaged Atlantic provinces (2010, p. 572). In hand with the Atlantic Report article on the importance of transfer payments to Atlantic Canada (Winter 2014), the historical framework for equalization now includes the Atlantic provinces consistently, as they are often below fiscal capacity (2014, p. 5)

Western Alienation/ The Laurentian Elite

Western alienation is a popular theme amongst the detractors of equalization – as most are from the resource-rich Prairie provinces. Lecours and Béland (2010) note that equalization has been enshrined in the Constitution since the Constitution Act of 1982, at the same time that the maligned National Energy Program (NEP) existed, which was an attempt by the federal government to exert more control over the oil and gas industry to create a more stable price of the commodity during an international oil shortage (CBC, 2011, para. 8). While the NEP was well-intentioned, it caused a tremendous amount of turmoil in Alberta. Combined with the NEP, the view that equalization took Alberta's money to give to other provinces harmed the relationship between the Prairies and Ottawa. In his essay on the subject, Robert J. Lawson argues that Senate reform could be a potential cure to antagonistic sentiment in Alberta and Saskatchewan (2005, p. 146).

Populism

In studying the tweets of Donald Trump and Hilary Clinton, Lee and Xu (2018) found that Trump was successful in raising the ire of the general public by targeting “The Establishment,” saying things like: “I want to win for the people of this great country. The only people I will owe are the voters. The media, special interest, and lobbyists are all trying to stop me. We won't let that happen!” (p. 206). Abts and van Kessel published in the International Encyclopedia of the Social and Behavioural Sciences a definition and elaboration on the concept

of populism. The two stated that “the core idea of populism rests with the claim to represent or act in the name of the people, understood as the ‘common people’ and the ‘silent majority’” (2015, p. 609). Abts and van Kessel boiled down populism as a strategy of political mobilization using a certain style of rhetoric, and that it is a thin-centred ideology which advocates the sovereign rule of the people as a homogenous body (2015, p. 209). Postill (2018), observed populism and social media on a global scale. While Trump’s style of populism has yet to fully take hold in Canada, populism as a whole is becoming more popular. As Postill found, populists do not operate in a vacuum, but in a mediated arena with like-minded (or not so like-minded) where their messages are compared to opponents and supporters in an arena (p. 762).

Critical Analysis

Part I: An Overview of Equalization

Equalization is not unique to Canada. Many other federations have a version of it, from Germany to Australia (Lecours & Béland, 2010, p. 570). Discontent surrounding it is also not unique to Canada – the states of New South Wales and Victoria traditionally pay more in, and Western Australia says that the program, at least by fall 2010, does not incentivize the development of natural resources (p. 570). In the 1982 Constitution Act in Canada (see Figure One below), equalization was formalized so that poorer provinces could have a greater fiscal capacity to provide the same, or similar, quality of life that the wealthier provinces could (p. 571). After all, it is not wholly the fault of the Maritimes that they do not have the same natural resources or industrial capacity that provinces like Alberta or Ontario. While horizontal equalization has existed in Canada since the British North America Act of 1867, it took the government until 1957 to create a general program, and then until 1982 to enshrine it into the Constitution (p. 571).

Figure One: Former Saskatchewan Premier Brad Wall Mischaracterizing Equalization (Wall, 2016)



Because Alberta is a “have” province due to its high average income and natural resource revenue, its citizens tend to pay more into the program than other provinces – as much as over 50 per cent in 2014 (The Atlantic Report, 2014, p. 6). Saskatchewan, Newfoundland and British Columbia are also “have” provinces, and Ontario is decidedly average. Manitoba, Quebec and the Maritime provinces like Nova Scotia, New Brunswick and PEI are below the national average and are therefore seen as “have not” provinces (p. 6). Despite Quebec’s immense population and hydro resources, the province has a high tax burden and low overall individual income, putting it into a position where it requires equalization (Lecours & Béland, 2010, p. 575).

Pleasing the provinces is an impossible task when it comes to equalization. Lecours and Béland (2010) summarize the discontent between provinces and the program through four factors: executive discretion, the competitive nature between provinces and the federal

government, the unequal distribution of natural resources and the perceptions surrounding equalization (p. 580).

Part II: Agenda Setting, Framing and Populism

Populism is a loosely defined political concept in modern times, but it is effectively “a thin-centred ideology that advocates the sovereign rule of the people as a homogenous society” (Abts & Kessel, 2015, p. 609). It features three prominent elements – that it revolves around a central antagonistic relationship between “the people” and “the elite,” that it claims to give the power back to “the people,” and that populism conceptualizes “the people” as a homogenous society (p. 610).

It is a core ideal for Canada that the country is multicultural, a mosaic rather than a melting pot and a homogenous society. It is something the nation has taken pride in for over the past half-century. This diversity is sometimes overlooked by politicians, believing their constituents to be a homogenous group, especially in the context of prairie politicians and equalization.

When equalization and transfer payments are mentioned on social media, particularly by its detractors, the posts are attacks. As Lee and Xu (2018) found in their analysis of the 2016 American Presidential election that attack tweets proved popular. Populist rhetoric needs an opponent. For Donald Trump in 2016, it was a laundry list: established politicians, political correctness, illegal immigration, and Democrats (Lee & Xu, 2018, p. 206). In the case of western alienation, the opponent is more succinct: the Laurentian Elite/Consensus and Quebec in general (Lecours & Béland, 2010, p 587; Maher, 2019, para. 33).

Regional disputes regarding equalization policies are not unique to Canada, but it highlights an apparent paradox: it exists as a nation-building tool, yet it creates divides between regions of the nation (Lecours & Béland, 2013, p. 96).

Lee and Xu (2018) reviewed social media posts coming from the two main presidential candidates in the American election of 2016. Intrigued by the phenomenon of how Donald Trump circumvented traditional media gatekeepers to propagate his messages, the two looked at tweets sent out by him and his opponent, Hillary Clinton (p. 206). Described as having a personal brand based on a “striking online dominance,” and that he “mastered Twitter in a way no candidate for president ever has,” he was able to set the agenda for what the media talked about (p. 202). During election coverage, the media spoke at great length regarding what radical statement Trump had just made, from Clinton’s private email server to Benghazi, to the border wall. Journalists and media organizations covered what he talked about instead of focusing on what they might have wanted to talk about regarding his candidacy.

This is not terribly different from how prairie politicians talk about equalization. The program is complex, tricky to understand and impossible to please everyone involved. Alberta frequently takes issue with how it is written because of misconceptions that are exacerbated by populist rhetoric, trying to homogenize support against perceived enemies in its arena; most frequently Quebec. Much like Trump, politicians like Scott Moe, Jason Kenney and Brad Wall use Twitter to reach their audience directly. This is agenda-setting in practice, as it is regarded as a key element to explain mass media influence (Yang et al., 2016, p. 333).

Part III: Western Alienation

Contemporary Canadian Conservative parties are no stranger to populist rhetoric. Before the current Conservative Party of Canada, the Reform Party was based out of the Prairies and

drummed up discontent towards the Eastern provinces (Carlaw, 2017, p. 796). Since the merger of Conservative parties, the rhetoric has stayed. Conservative parties in the country have a strong base in the West (Carlaw, 2017, p. 790), and had a strong pragmatism to their policies, but also strong divisiveness (p.793). Divisive policies and rhetoric include that of equalization.

Equalization is a nation-building tool. It helps to ensure that Canadians have access to similar levels of quality of life – that the biggest, wealthiest cities and the smallest hamlets of Canada can both have access to doctors and other essential services. It is certainly not a perfect system and could likely stand for improvement. However, the idea that provinces like Alberta and Saskatchewan pay for less well-off provinces is erroneous, insincere and false (see Figure Two).

Figure Two: Scott Moe, Premier of Saskatchewan, mischaracterizing equalization (Moe, 2018)



As Stephen Maher argued in his November 22, 2019 column in *Maclean's*, it is dangerous to see the program as a piggybank that some provinces pay into and others withdraw from. Maher (2019) points out that Quebec pays even more into the program than Alberta simply because the

population of Quebec is far greater than Alberta (para. 31). It is true that Albertans do not get anything out of equalization directly, aside from well-educated people from other provinces (Atlantic Report, 2014, p. 6).

Western alienation is a political reality created from regional preferences and often exacerbated by populist rhetoric (Lawson, 2005, p. 145). Lawson (2005) notes that core tenants of Western Alienation bear similarities to historical grievances that other parts of the country have dealt with – the only truly unique aspect of it is regional exceptionalism (p. 149).

Results and Findings

Western Alienation is not a new concept. It has existed throughout Canada's history of expansion out west, but particularly when there has been a Trudeau as prime minister. Western grievances regarding equalization have featured in national discussion at varying periods in Canadian history, but it features strongly in the current debate regarding how federalization works and what the role of the Canadian government should be.

The findings of Lee and Xu (2018) regarding attack tweets and agenda-setting can be applied in the context of equalization. Attack tweets made by politicians and political actors like Scott Moe, Jason Kenney, and Brad Wall on the subject of equalization – which has been featured throughout this paper – gain a lot of traction. Lee and Xu ultimately found that no matter how incredulous a tweet made by Trump was, it gained enough attention that it set the agenda for what was going to be discussed by the media (Lee & Xu, 2018, p. 208). This is no different from the example at hand. Tweets attacking equalization get many likes, retweets and comments, and while many comments can be criticizing the portrayal of equalization by the individuals mentioned above, the tweets achieve their goal by affecting the media narrative enough that what is erroneously put out is disseminated.

Conclusion

Because of how equalization and federal transfer payments are portrayed by politicians, the media has to report on this. Equalization is a hot button topic and consistently proves to be: when times are good in western provinces, equalization is attacked as taking away a province's money and sending it east. When times are bad, equalization is again attacked as it does not immediately help out aggrieved provinces. In the current formula, Alberta is still seen as a "have" province, even though the province is in recession. This is due to how equalization truly works – a portion of individual income taxes are paid in, and Alberta's GDP per capita is still amongst the highest in Canada (The Atlantic Report, 2014, p. 6). Not only do Quebec citizens pay more into equalization than Albertans do, but they also receive a net-positive amount because of an overall lower average income in Quebec. This is not straightforward in the presentation of equalization, and because of this, it is easy for its detractors to misrepresent.

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