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Preface

This paper was originally presented at a conference on the Alberta Heritage Savings and Trust Fund at the University of Alberta, October, 1979. It was subsequently published along with other papers at the

conference as a special supplement to *Canadian Journal of Economics*

Introduction

To discuss the national political implications of the Alberta Heritage Fund is to touch on fundamental issues concerning the nature of Canadian federalism and the role of federal and provincial governments. Arguments over oil and gas revenues and prices engage deeply-held conceptions of the character of the Canadian community itself. And these are largely value judgements - matters of opinion, preference and choice. They are not primarily based on objective grounds like efficiency and effectiveness. Such criteria are in this debate distinctly secondary to the basic redistributive question of "who gets what" - a question which we in Canada tend to think of overwhelmingly in territorial, regional

As John Halliwell has observed

The conflict between producing and consuming regions, on the one hand, and between federal and provincial governments on the other, first became prominent in the early 1970's. It has been renewed more sharply by the recent round of further increases, as the regional imbalances increase and the inter-regional fiscal flows grow larger.

The conflict illustrates an important dimension of Canadian political

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constitutional Powers to act

Ontario could now depend on few potential allies among the other provinces. Newfoundland and Nova Scotia, both consuming

zation and the oil import subsidy are looking forward to reaping petroleum riches of their own in the near future. Quebec, another major consumer would not assert the federal power because of its own broader goals. Thus, in recent months, it is Ontario which has carried the battle to Alberta. Its isolation in recent energy negotiations has been remarkable.

Alberta's position is diametrically opposed to that of Ontario. It has a strong interest in moving prices to the world level as quickly as possible, and in assuring complete control over resulting revenues. Thus, in his reply to the Ontario paper, Alberta

Beyond the interregional conflict is an intergovernmental one. What rights does each level have to the benefits of oil and

what is the relation between federal

constitutional powers over trade and commerce and the provincial

is the appropriate mechanism

A number of consequences flow from such a position. If the community is the country, then its resources belong to the country as a whole; they do not belong to any subnational province or region. Their benefits should be shared across the whole community. Moreover, if policies are to be made according to the principle of majority rule, then national majorities, in case of conflict, should prevail over regional

any national majority. Provincial governments are the juridical equals of the federal government. "There are no junior partners". In general, then, the province-centred approach seeks to decentralize power and to increase the provincial voice in federal policies

less highly. And, seeing the provincial economy as the primary

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province. In some circumstances the national majority is appropriate;

Some other circumstances the provincial majority is. If this is so, the question

Whether that can be done remains a moot point, but the arguemnt

tariff-protected central Canadian manufacturing and a supplier of resources to be channelled through metropolitan centres. The primary public and private agencies of western development were located in central Canada. Westerners argue this pattern has continued: the Western Economic Opportunities Conference produced a long list of federal policies seen to benefit the east and to leave out or hurt the west. Alberta also argues it has shared the benefits of its oil and gas by accepting a Canadian price lower than the world price. The gap, it suggests, adds up to a subsidy of \$15 billion by Alberta to consumers - "an unprecedented subsidy by one province to the rest of Canada."

All attempts to calculate effective "balance sheets of Confederation" have, of course, been frustrated by massive problems of concept and method, but the fact remains that this perception of central Canadian economic dominance is a powerful one. It explains both the desire to go it alone now the resources are available, and the resentment against Ontario attempts to share the West's benefits which are seen as an unwarranted attempt by the province to use its

resources to share the wealth of the same now they at last seem

First is equalization, or more generally, redistribution.

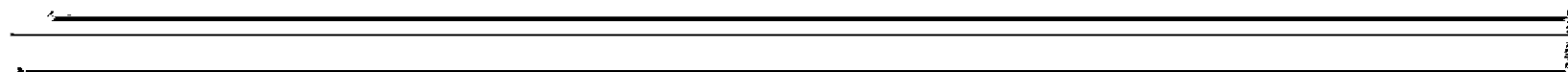
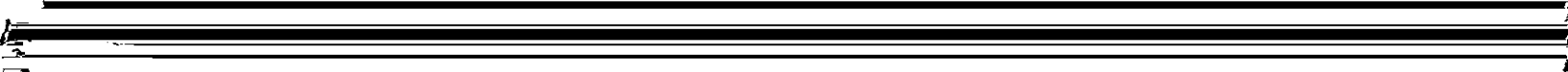
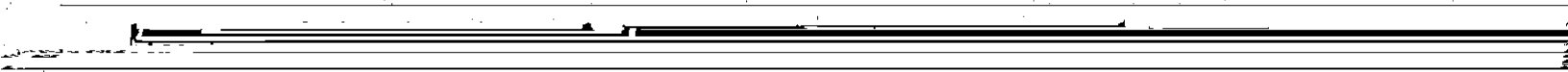
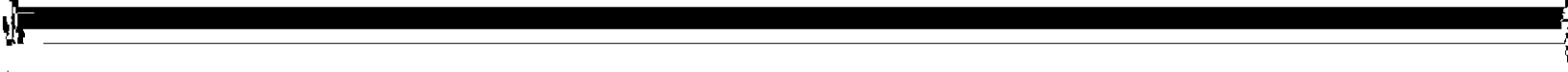
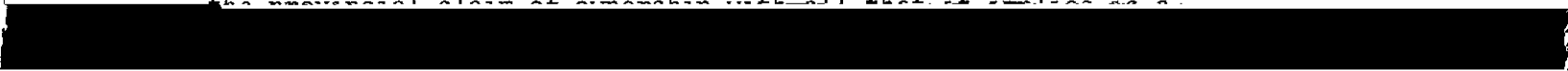
Regional disparities in wealth, government revenues and government services are, of course, persistent features of the Canadian scene.

Second, greatly divergent provincial revenues open up
the possibility of use of these resources to weaken further the

Ontario appears tacitly to have accepted a faster price increase and does not challenge the principle of provincial ownership.

While it lacks to federal leadership in economic affairs generally

the principal claim of ownership with all that it implies in a



If we operate with a distinction which says Ottawa speaks for and represents the national interest, then there is no obligation on the provinces to do other than look after their own immediate

because provincial politicians under pressure from their electorates will be unable to do so. Thus an essentially voluntaristic, confederal approach to the energy issue may well be hopelessly unrealistic. If so, then the prospects are for a further erosion of the legitimacy of the federal system, for a destructive politics of ~~industrial transfer~~ ~~and for~~ ~~increasing regional disparities~~ and for