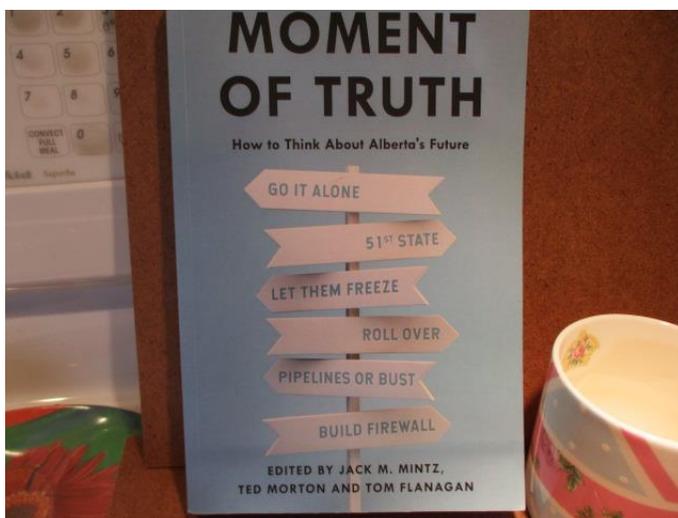


Alberta Separation: A Good Idea?

By Rod Fraser



It was during the early 1980s when I first became aware how poorly Alberta and its oil industry were treated by the Canadian Government. Under the leadership of Pierre Trudeau, the 1980 National Energy Program (NEP) put limits on the prices Alberta could charge Central Canada for oil. This had the effect of driving private investment out of the oil patch and making a bad recession worse for Alberta.

Consider this recent description in the *Calgary Herald* of the economic harm caused to Alberta 40 years ago. Then make up your own mind as to the seriousness of Alberta's grievances towards Central

Canada, which continue to today.

"Within six months, 115 drilling rigs had moved across the border into the U.S. Engineers, geologists and geophysicists moved, too. Capital fled. Businesses permanently closed. Hundreds of thousands of Albertans lost their jobs."

"Mortgage rates were at about 15 per cent countrywide and, as home prices dropped, homeowners' mortgages soon were worth more than their houses. Thousands of Albertans were forced to sell their homes for \$1. The precipitous drop in house prices forced 13 financial institutions in Alberta to go under...."

"Before the NEP, 60,000 people moved into Alberta every year. During the five years the NEP existed, 30,000 left. The bankruptcy rate in Alberta spiked by 150 per cent and unemployment rose from 3.7 per cent in Sept. 1980 to 12.4 per cent in 1984."

Even more concerning was the lack of sympathy my friends in Ontario had for Albertans. It seemed perfectly reasonable in their eyes, to insist Alberta sell its oil at bargain basement prices to other Canadians. But when it came to prices charged Alberta for goods purchased from Central Canada, there was no talk of lowering them.

To pick a recent example, in 2015 Quebec sold

\$445 million dollars of milk and cheese to Alberta at 'full' prices, buoyed up by a protectionist supply management system for dairy products — designed by Ontario and Quebec to favour Central Canada.

Alberta's dairy farms produced and sold only \$275 million of milk and cheese in their own province. Why? Because federally mandated quota allocations favoured Ontario and Quebec. To add insult to injury, Albertans were precluded from buying milk and cheese at lower prices from American farmers because of these same supply management restrictions.

For those who argue that an example from 2015, is hardly relevant to a discussion of the impact of the National Energy Program on Alberta in 1980, remember supply management is not a recent policy. It was in place in the early 1980s.

This is but one of many examples of how badly Alberta has been treated in Canada over its history. If I had the space, I could provide many such examples. Certainly the failure to allow Alberta to move its oil to tidewater by pipeline is the most damaging in recent history.



These grievances have led to considerable political activism in Alberta over the years in an attempt to seek changes to Confederation. In the late 1980s,

the Reform Party led by Preston Manning started with a convention in Vancouver and a powerful slogan, "The West wants In." The party accumulated voter support quickly over the years to the point where they were the official opposition in the federal parliament in the early 1990s.

When Paul Martin and the Liberal Party of the day advanced a policy of balanced budgets and fiscal rectitude, it was because the Reform Party across the aisle was demanding just that.

Unfortunately, the Reform Party made common cause with the federal Conservative Party and lost its way. It's a pity. Sometimes a party can have more influence in opposition than in government. They can badger and cajole, lecture and raise 'Hell'; all to prod a government to do the right thing. It certainly worked in mid 1990s.

In recent years, the Wexit movement and other political parties have sought a new Canadian arrangement favouring the West — or failing that, separation. They are making their presence felt in Alberta and Saskatchewan and I wish them well.



So with all this as background, I am writing today to celebrate a book of essays, *'Moment of Truth: How to think about Alberta's Future'*.

It is a great book that features the writings of many of Alberta's finest intellectuals, all attempting to navigate a future for Alberta. In general the options seem to be anything but the status quo. They vary from renewed federalism, outright independence, to seeking to join the United States as the fifty-first state.

I don't have the space to consider all the options considered by the authors, so let me pick the most interesting one and explain how it might work. I'll leave you to read the other essays if you should buy the book (or borrow it at your local library). I suggest you do just that; I found it well worth the effort.

The most interesting option for me is for Alberta to join the United States. It's nicely explained in a few of the essays in the book. I will borrow from one or two in order to outline the idea in more detail.



In one of the essays, Burney and Hampson argue that if the economy of Alberta worsens, it should establish a 'Royal Commission' to study the merits of a common market arrangement with the United States and report to Albertans within six months.

This arrangement would be more than a free trade agreement. A common market "allows for the free movement of capital and labour as well as goods

and services.” This would obligate Alberta to accept U.S. tariffs and other rules relating to trade. When the ‘Royal Commission’ reports (presumably favourably), a referendum on separation from Canada would follow.

Armed with these two mandates, Alberta would finalize its separation from Canada and become the *Republic of Alberta*, all in preparation for its transition to becoming the 51st state.

For those who are skeptical, it is worth mentioning that Albertans have fond feelings for America, arising from the time when American oil companies played a major role in the development of Alberta’s oil industry (the Canadian government showed no interest in such an undertaking).

It’s hard to imagine the United States not being interested. They would gain a wealthy province “nearly as big as the state of Texas and replace Canada as the second largest country on the planet.” They would acquire the third largest oil reserves in the world, ensuring they would be the world’s largest oil producer for decades to come.

For those who argue oil will soon disappear as a main source of energy in the world, these authors argue this is not likely to happen in the next sixty to a hundred years. I think the doctrine of common sense bears this out.

It can also be argued that the United States is in need of a big idea to regain its mojo. 'Manifest Destiny' worked in the past to do this and adding Alberta as the 51st state would continue that tradition. Recent polling seems to bear that out: "more than 40% of Americans would be in favour of buying Alberta."



In the event that politics precludes Alberta from seeking its proper place as the 51st state, a *Republic of Alberta* would have the independence to negotiate a North American Energy strategy where the United States could have a more secure energy supply.

Canada would likely sign on as well. If the *Republic of Alberta* came into being, Canada would lose 90 per cent of its oil reserves and almost 40 per cent of its refining capacity. It would become a large importer of "crude oil, gasoline, diesel fuel and jet fuel, much of it from Alberta."

Most of the products sold by Alberta (including oil and agricultural products) are priced in U.S. dollars. A fall in the Canadian dollar, arising from separation, might be devastating for the remaining provinces of Canada, but Alberta could more easily cope, probably by taking on the U.S. dollar as its currency.

It's hard to imagine Alberta separation in a vacuum. More likely, Saskatchewan would be persu-

aded to join in. And one wonders if British Columbia would wish to remain part of Canada, if it were geographically separated from Ontario and Quebec. It seems likely that the *Republic of Alberta* might quickly morph into the *Republic of Western Canada*.



The tragedy of all these happenings, which may well come to pass in the years ahead — is the blame for it clearly lies with the federal government, Ontario and Quebec.

They ignored repeated demands for Senate reform over the years, overtures from the Reform Party in the 1990s and recent pleas from Alberta for pipeline access to tidewater. At the same time, the federal government cheerfully pocketed over \$600 billion from Alberta in net fiscal transfers.

Their hubris is overwhelming. They are blind to the many problems their actions will create in the years ahead. Their lack of insight is mind numbing.

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