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Separation just bunk

by Mike Walker

The economic arguments for Western separation used by West-Fed and Western Canada Concept are inconsistent and fundamentally flawed, according to two U of A economists.

Michael Percy, speaking with Professor Ken Norrie to a Canadian Studies-sponsored seminar last week, said there would be a brief period of wealth after separation, since oil would be sold at world prices. "But most of the gain would accrue to the owners of capital in the energy industry," he said.

In addition, this would lead to less industrialization, not more as the separatists claim.

"We would export more oil so we could import more manufactured goods (which can be produced more efficiently elsewhere)," Percy said. The West would have "a much more specialized economy," he said.

"This is clearly inconsistent with the more diversified economy forseen by West-Fed," he said.

The real costs of independence would be felt in the long run, he claimed, after energy reserves start to run down.

He likened confederation to an "insurance scheme," in which "if the terms of trade turn against a province, it can turn to the federal government transfers to soften the impact."

"An independent West in the long run will be much worse off, in the absence of those equalization schemes that are part of confederation," said Percy.

Ken Norrie said many of the separatists' projections about the economy of an independent West, provided by University of Calgary economists Warren Blackman, conflict with their basic philosophy of laissez-faire capitalism. And he said many of the complaints of the West in Confederation are the results of free-market operation, not of Eastern manipulation.

"On the one hand, they're proponents of free market economics. On the other hand, the things they're complaining about are a result of the operation of the free market economy."

One claim of the separatists is that high tariff barriers have led to industrialization in the East at the expense of the West.

"This, of course, is patently nonsense," he said. He said tariffs have benefited the West as well, and abolition of tariff barriers to imports "would spell the death knell for just about any kind of secondary industry in Western Canada."

Tariff reductions would lead, he said, to growth of the extractive, resource industries and the death of processing and manufacturing, since these are the sectors now protected by tariffs.

"There are potential real income gains from tariff reductions, but at the expense of industrialization," he said.

The banking system is another example of the same conflict between laissez-faire economics and the separatists' other goals, Norrie said.

"There's this notion that the banks drain off money from us to them," he said. "They're saying banks are foregoing good investment opportunities in the West for less attractive ones in the East."

But Norrie said the banks are merely investing where profit is highest, that they have no specific loyalty to the East.

"If you're concerned about that, then what you're concerned with is the ruthless efficiency with which the market system is operating," he said. He said an independent West could force its banks to keep their money in the West only by imposing controls on them, in direct contradiction with the separitists' political philosophy.

A major problem in a free West would be the distribution of energy revenues, according to both Norrie and Percy.

Norrie predicted "tremendous inter-regional conflicts on energy," just as there are now between East and West. "How long would a legislature dominated by non-Heritage Fund people allow this (Alberta's wealth) to go on?" he asked.

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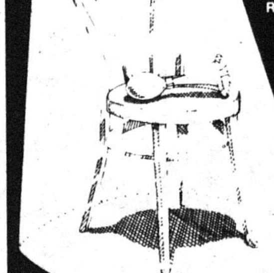

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