

# Heritage Trust Fund conference held at U of A last week

## Black gold, Texas tea... oil:

"There are two times in a man's life when he should not speculate: when he can't afford it, and when he can."

Last week, academics and government officials ignored Mark Twain's maxim and discussed uses of the Alberta Heritage Savings

Trust Fund at a conference at the U of A.

The conference was sponsored by the Departments of Political Science and Economics and the Faculty of Business Administration and Commerce. Papers were presented by government represen-

tatives, professors, and businessmen on various political and economic aspects of the fund.

The following is a summary of the presentations and the discussions which took place at the conference.

Stories for this feature written by F.C. Mathews, Jim McElgunn

### Oil shares for Alberta residents?

Alberta should distribute shares of its oil and natural gas revenues directly to its residents, conference delegates were told Friday morning.

This share-distribution was the basis of a paper titled "Province-building versus a Rentier Society" by the U of A's M.L. McMillan and K. Morrie. McMillan and Norrie proposed an alternative to the government's "province-building" philosophy, which uses provincial government intervention to create a self-sufficient industrial base.

The pair suggested that the government consider distributing revenue from the oil industry directly to its residents. Money for government expenditures would then be collected through taxes. This "privatization," their paper said, would reduce economic inequity in the province and increase government accountability in decision-making.

Problems and policies in industrial diversification were the subject of the session's other paper. S. Drugge and T.S. Veeman, also of the U of A, discussed Alberta's desire to overcome the instability associated with an agricultural economy.

The paper suggested that development of secondary industries should emphasize competitiveness and stability and should consider public values regarding these industries. The Heritage Fund should be used to increase the productive capacity of the province rather than "consumption areas" like parks.

However, the government should

also consider training people as a "legitimate investment-related" use of the fund. "The quality of the Alberta labor force may limit the future growth of the province," said Drugge.

The privatization scheme of McMillan and Norrie drew the most comment during the session's discussion

period. Most discussants and many conference delegates expressed doubts about the possibility of the direct revenue-sharing plan. Other delegates expressed concern about environmental effects of the oil boom and of new secondary industries, and of social problems in Alberta.

### "Politics of jealousy" unnecessary, says prof

The "diametrically opposed" positions of the province-building Alberta government and the nation-building Ontario government were part of the Richard Simeon's conference-opening paper Thursday.

Simeon, of Queen's University, said while both provinces made conflicting claims regarding oil revenues, he felt their positions were not irreconcilable.

"Ontario interests benefit from a strong Alberta economy; Alberta, perhaps less directly, gains nothing from a weak Ontario economy, he said. Simeon concluded that there must be sharing among provinces. If the destructive "politics of jealousy" between provinces occurred, he said, Ottawa would be forced to unilaterally impose sharing agreements.

The Heritage fund itself and the economic effect of the oil boom on the rest of Canada were the subjects of a paper by Ontario economists Courchene and Melvin.

They said while economic activity was inevitably moving westward, a more equitable sharing of energy resource rents would offset the corresponding decline in the east.

"Indeed, the current energy debate is as much a controversy over rent-sharing as it is over the future price of oil," they said.

They said the creation of the Heritage Fund as a vehicle of further western diversification confirmed the worst fears of Easterners. With current oil prices in Canada about half of world prices, the effect rent-sharing between Alberta and the other provinces is now about 50-50. However, increases in price would tip the scale to Alberta, they said.

Discussant B.W. Wilkinson from the U of A's Department of Economics said Alberta should not diversify at the expense of Ontario. He said the oil industry creates enough opportunities for investment and manufacturing in Alberta and the Heritage Fund should be invested in Ontario manufacturing.



Dr. J. P. Meekison, a former U of A prof during the Trust Fund conference.

photos Russ Sampson



Meeting of the minds? Well, at least a meeting of academics, held at University Hall on the U of A campus.

### The Fund and government: econ

Two papers dealing with the theme of 'Economic Perspectives on the HSFT' were presented at the opening session. The first, "The Nature and Projected Size of the HSFT", was delivered by Mr. A.F. Collins, Deputy Provincial Treasurer for the Government of Alberta.

Collins' paper outlined the history of the fund's development and some of the circumstances which contributed to the present structure of the fund. In speaking of the future of the fund, Collins noted that the present method of administration of the fund should not be so rigid as to bind future policy makers.

Although the government's General Revenue Fund should not, by current estimates, be in a deficit position for at least 10 years, Heritage Fund revenues might at some point be used to aid in financing the operations of government.

Investment strategy for the fund

must possess the flexibility to deal with these possible future situations, Collins said. He stressed the need for careful considerations of investment alternatives available to the province.

"The result should be complementary strategies for the Heritage and the General Revenue Fund," Collins said. "The strategies that ultimately result will likely require further diversification of the Fund's portfolio will require continuous monitoring of the financial and economic priorities of the Province."

Collins was followed by Dr. Scarfe of the U of A who read portions of a paper he had written in conjunction with Dr. T.L. P. Scarfe dealt with "The Optimal Savings Question: An Alberta Overview."

Scarfe and Powrie examined a range of areas related to the Fund's future; domestic investment creation, rate of savings and qt

photo Russ Sampson