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Resource Revenues: A Cause of Division in Canada

by Mary Rawson

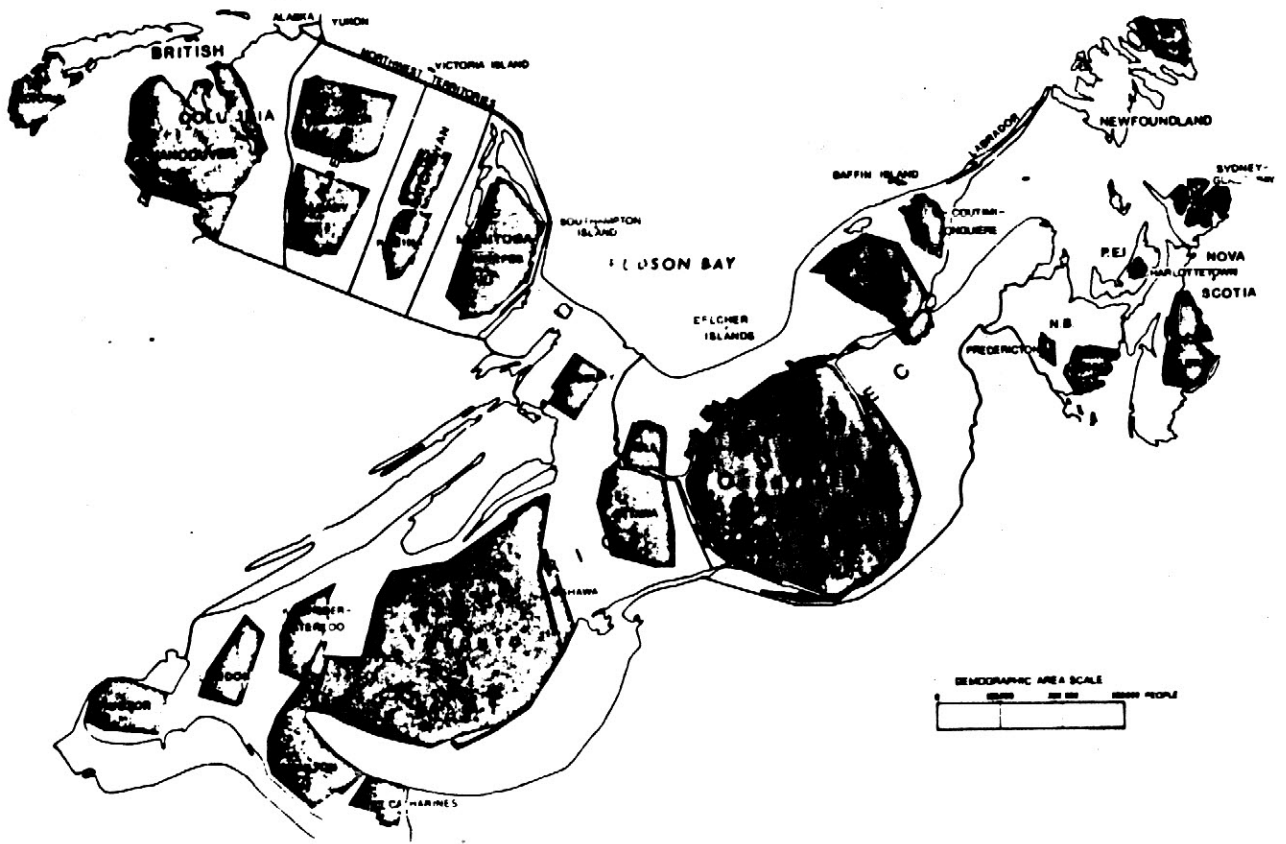
PREFACE

Canada is commonly thought to be a "resource rich" country. The provinces within its boundaries are variously endowed: some are noted for fish, some for forests, some for oil, some for potash. And some provinces of Canada claim to be altogether resource poor (or have that claim made for them). Almost nothing is said about the fact of differing provincial policies which have, or could have, a profound effect not only on the generation of wealth from a resource and (obviously) on its distribution, but on knowledge of the extent of the resource itself.

The first part of this paper was prepared (and published in part) ten years ago. Its principal purpose was to contest a number of commonly expressed judgments about Provincial resource riches, regional disparity, and the current basis and method of Federal "equalization payments". It claimed, first, that knowledge of resources as between Provinces was very far from comprehensive, comparable, or complete; second, that the wealth yardstick used, -- per capita income -- was faulty; and third, THAT DIFFERING PROVINCIAL STEWARDSHIP OF RESOURCES ITSELF CONTRIBUTED TO DISPARITY.

(The substance of this argument, but without the supporting tables, was published as a feature article on "Page Six" of the VANCOUVER SUN 10 February 1972. It was reprinted in part a few days later in the GLOBE & MAIL of Toronto, together with favourable editorial comment. These two newspaper stories immediately became part of a flurry of charge and counter-charge between Federal and Provincial politicians across the country, generating the proverbial "more heat than light", and degenerating into a muddle-headed slanging match in which even backbench Members of Parliament took their turn.)

The second part of the paper is a commentary on some aspects of Canadian resource revenues today. Figures have been updated for the present conference by the addition of the most recent available figures (shown in italics).



PART ONE: REGIONAL DISPARITY and RESOURCE REVENUE

Among current economic-political problems discussed in Canada is that of "regional disparity". In the public mind the most "disparate" region is the Maritimes -- the three eastcoast provinces of Nova Scotia, New Brunswick and Prince Edward Island. Newfoundland is in a similar situation but, since it joined confederation only in 1949 Canadians tend to regard it as a special case.

The measure of disparity generally used is income, specifically, how one region compares with another in per capita personal income. For purposes of setting the scene, Table 1 below shows the per capita income by regions for 1970.

Table 1

Per capita income by Province (from lowest to highest)

	<u>1970</u>	<u>1980</u>
Newfoundland	\$1,420	\$5,249
Prince Edward Island	1,650	5,760
New Brunswick	1,830	6,029
Nova Scotia	1,960	6,440
Quebec	2,250	7,343
Saskatchewan	2,260	<u>7,817</u>
Manitoba	2,500	<u>7,875</u>
Alberta	2,470	8,447
British Columbia	2,570	8,706
Ontario	2,730	8,743
Canada	2,440	8,011

The principle of the "have" Provinces helping the "have nots" by transfer payments via the Federal treasury is well established. It is on the basis of figures like those in Table 1 that the Canadian government arrives at its annual allotment of equalisation payments. The guidelines for this formula are laid down by the Dominion in general agreement with the Provinces and are revised from time to time between the formal conferences.

The magnitude of the payments is now in the order of hundreds of millions of dollars of which more than half goes to the province of Quebec.

Table 2

Federal Equalization Payments to Provinces

	<u>1969/70</u>	<u>1976</u>
Quebec	\$343,069,000	\$999,204,000
Nova Scotia	90,028,000	281,262,000
Newfoundland	85,996,000	191,314,000
New Brunswick	83,093,000	209,504,000
Manitoba	42,147,000	150,468,000
Prince Edward Island	16,857,000	49,048,000
Saskatchewan	12,261,000	47,843,000
Alberta	nil	nil
British Columbia	nil	nil
Ontario	nil	nil
Total	\$673,451,000	\$1,921,643,000

In 1966, the then premier of British Columbia the Hon. W.A.C. Bennett proposed that direct payments be made to the individual needy citizen or family instead of "equalization payments" being made to the Provinces. He maintained that the guaranteed minimum income should supercede the system of transfer payments to governments.

Mr. Bennett's position was slow to receive support from political commentators. More recently it has received support, particularly from some of the other premiers. Direct cash grants to individuals would certainly place more choice in the hands of those meant to receive help and on that ground alone Mr. Bennett's alternative has considerable merit.\*

To treat regional disparities as individual disparities may have other merits too; it may mean that less money would be filtered out in

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\* A thoughtful article on cash grants to the consumer as a way of "surmounting the price barrier" can be found in Lloyd's Bank Review October 1966, pages 34-48; the article is "Which Way to Welfare?" by Arthur Seldom.

administration. But the basic causes of disparity, if they be regional, are open to attack from other angles.

One aspect of the problem that has not received much attention is the part played by Provincial government policies. Provincial governments may be contributing significantly to the disparities, either by pursuing policies which raise the per capita revenue of their people; or by weaknesses in the policy area that reduce per capita income. This is not to say that national policies have no regional implications; of course they do. Nor is it to say that the argument could be settled quickly in respect to all Provincial investment and taxation policies. There is evidence that it can be settled in at least one sector however, that is, policy regarding taxation of natural resources.

It has been the custom to think of some Provinces (typically, Alberta with its oil) as resource rich and therefore to regard the people as well off. But is there a necessary and direct link between rich resources and high per capita incomes? would it be possible to imagine a variety of administrative and fiscal structures that would intervene between the existence of rich resources and the resident population, producing differing effects in terms of per capita income? To ask the question is to answer it. One need only think of resource rich countries, in South America for example, where the terms of exploitation bring almost nothing to the public coffers nor raise the per capita income.

It is reasonable to ask the same question at home. Admittedly, to say that regional disparities in Canada are caused as much by the policies of regional (Provincial) governments as they are by differences in natural advantages is to take a contentious position. What is the evidence? Most of the opinion, certainly, is that natural advantages, specifically the presence of rich natural resources, is the root cause of disparity. Representative are the views of Henry Angus, a member of the Rowell-Sirois Commission, a respected

professor of political science and eminent in the sphere of public service and public affairs in British Columbia.

Provincial "ownership" of natural resources is basic to the problems of federal finance, for it is largely the difference in resources that accounts for the differences in per capita income. It is usually taken for granted and is less frequently challenged than the unequal operation of national policies of which it is the condition.

.... Revenue from the public domain, or from the taxation of resource use, may enable a province to supply the social and educational services which its people demand without resort to heavy taxation. The only form which equalization is likely to take is aid for a province which is lacking in resources. Otherwise each province makes the most of what it has and experiences no sense of guilt if its forests, its mines, its fisheries and its lands enable its people to enjoy a superior standard of living. \*

In the years since Dean Angus wrote these words, larger and larger equalization payments have been made, with apparently only marginal effects in correcting disparities. Perhaps the mere presence of natural resources is not the cause. Perhaps the provinces should experience a sense of guilt, not when they own resources, but when they fail to practice active stewardship. Perhaps the per capita income comparison is a poor yardstick for judging the wealth of a region.

How then do we characterize a country or region as rich or wealthy? Does being rich mean being populous, industrialized, and urbanized? In the United States, by this standard the states of New York and California would qualify; in Canada the provinces of Ontario, Quebec and possibly British Columbia would qualify. At the other end of the scale in the United States we would place Arkansas and the Dakotas. The Canadian equivalent -- non-industrialized, rural and with thinly scattered populations -- would probably be New Brunswick and Saskatchewan. The characterization of Quebec as wealthy because it is populous, industrialized and urbanized has as much intuitive appeal as its portrait of poverty adduced from per capita incomes.

Because of the complexity of the question, and the desire of national government to equalize the conditions of life for people in all parts of the country, the government fixed on the per capita income measurement as a yardstick of comparison. But in concentrating on that measurement the contribution of society itself is overlooked, not only the synergistic effect of numbers alone but the effect, dynamic or otherwise, of community rules and policies.

It is sometimes implied, for example, that a higher population density in the three Maritime provinces is in some way related to their poverty. It would be more reasonable to expect (cf. synergism) higher densities to be related to prosperity. In this connection it is illuminating to compare not just gross densities from province to province, which place the three Maritime provinces at the head of the list, but net densities which show quite a different pattern.

Table 3

Gross and Net Population Densities in the Provinces 1966

	<u>Total Area</u>		<u>Alienated Area</u>	
	Sq.Mi.	Persons per Sq.Mi.	Sq.Mi.	Persons per Sq.Mi.
Newfoundland	156,185	3.5	6,809	72.4
Prince Edward Island	2,184	49.7	2,054	51.1
Nova Scotia	21,425	37.1	15,936	47.4
New Brunswick	28,354	22.2	15,520	39.7
Quebec	594,860	11.0	43,500	132.9
Ontario	412,582	20.2	45,618	152.6
Manitoba	251,000	4.6	53,345	18.0
Saskatchewan	251,700	4.3	105,294	9.0
Alberta	255,285	5.9	99,392	14.7
British Columbia	366,255	5.2	20,172	92.9

The assumption made here is that all usable and inhabitable land has been alienated, even if it is not occupied by people, and that a "net" density calculated on the basis of inhabitable land yields a more correct picture of population density than reference to total area, including mountains, tundra and so on.

Table 3 is suggestive not only of the topography of various regions of the country, but of similarities between regions that sometimes escape us. British Columbia shows a gross density comparable to that of Newfoundland, and close to that of the Prairies. But when the area of land in private ownership only is considered, while the Maritimes and the Prairies remain identifiable regions, the relationship of the regions to one another completely changes. Now the "richest" regions, that is, those with the highest population density are Ontario, Quebec, and trailing somewhat, British Columbia. On this basis, the Prairies, including Alberta, rank as "poor".

By approaching the concept of wealth from a new angle, the fact of density, our notions of regional relationships are turned topsyturvy for a moment, just long enough perhaps to start us thinking afresh about the reasons for disparity; and just long enough to raise a reasonable doubt about prevailing opinion.

Prime Minister Trudeau at one time described his government's policies as directed toward "a little more justice, a little more mutual help, a little more brotherhood". His government's guiding principle, he said, is that of mutual help among the people of Canada. As a part of this effort, "equalization payments take funds from the three richest provinces -- Ontario, Alberta and British Columbia -- to help other provinces provide better services". In the name of mutual help, justice and brotherhood no one can object to the richest helping the poorest. But a nagging doubt remains that the yardstick of per capita income which Mr. Trudeau uses is the correct one, or that differences in per capita income are accounted for largely by differences in resources (the view of Dean Angus).

To be sure, revenue from resources is a significant element in the provinces of Alberta and British Columbia, but it is not in that other "rich" province, Ontario!

Table 4

Natural Resource Revenue by Provinces 1956 and 1966

	1956		1966	
	Revenue '000\$	Percent of Net	Revenue '000\$	Percent of Net
Newfoundland	819	2.2	3,641	2.9
Prince Edward Island	17	0.2	34	0.1
Nova Scotia	1,641	2.8	1,629	1.0
New Brunswick	4,289	7.5	4,626	3.0
Quebec	36,100	8.1	61,134	3.4
Ontario	26,300	6.1	41,531	2.1
Manitoba	5,012	7.6	6,797	3.1
Saskatchewan	23,803	19.5	40,898	14.0
Alberta	140,626	58.3	250,003	53.7
British Columbia	46,180	16.9	103,730	16.5

Even the "poor" province of Quebec has been raising more in natural resource revenues than Ontario has, although there too resource revenue is a declining proportion. In British Columbia, by contrast, the proportion of revenues from resources has remained airily constant while the actual income has better than doubled. In 1956 Quebec took in \$36 million compared to British Columbia's \$46 million. Quebec accounts for 1966 show natural resource revenue at \$61 million; while B.C. now drew \$103 million.

Can we conclude from these tables on resource revenue that Alberta and British Columbia are "resource poor"? Or is it that Ontario and Quebec simply do not tap the potential resource revenue available?

From the way politicians speak almost casually of rich provinces, or even of resource rich provinces, either they assume that everyone knows by intuition which provinces these are, or they themselves refer to some professional common judgment which, presumably, has been validated by documentation. Inquiry reveals that this documentation, if it does exist, is extremely difficult to lay hands on. Economists, resource economists, economic geographers can tell us a lot about some

specific part of the picture ... the production of potash in Saskatchewan, the coal potential in British Columbia, value of wood products in Quebec. But there is no handbook, apparently, that gives us an inventory of resource potential, even in round numbers and broad outline, comparing province with province.

To turn to value-of-production as an estimate of resource potential in a province is to beg the question. Whether the resource is discovered, let alone used or used well, depends partly on the incentives resulting from government policies. Anthony Scott touches on this point when he questions whether provincial control over resources should be continued. He mentions the Rowell-Sirois report's "occasional" references to the inadequacy of provincial stewardship; he says that Ottawa has done more in the way of inventory of resources and of development incentives (subsidies) than the provinces have; and that the provinces have not set resource prices and tenure arrangements well.\* To use value-of-production figures is, therefore, already one step removed from our object, namely, to establish which are the resource rich provinces, to compare resource potential before consideration of the effects of alternative government policies.

Whether or not there is a larger amount or a higher quality of resources in one province as compared to another will always be open to debate in some particular. At present any summary of resource potential, by province, is easily questioned.

What is not open to question is that Provincial policies differ. British Columbia (typical of western Provinces generally) has consistently and from its earliest administrations applied tax pressure to resources, always exerting some pressure however minimal on mere "holding" (e.g. wild lands tax). While Quebec, and most of the eastern Provinces, have just as consistently failed to do this.

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\* Anthony D. Scott, "Government Policy and the Public Lands", in Canadian Issues ed. R.M. Clark, U. of Toronto Press, 1961, pp. 158-168.

Quebec, which covers an area half as large again as British Columbia, has potentially accessible and productive forest land of 141 million acres, nearly twice British Columbia's 78 million. Comparing two years (1951 and 1964) as reported by D.B.S. the gross value of B.C. wood products rose from \$214 million to \$462 million while Quebec's dropped from \$267 million to \$248 million. In the same period B.C. forest revenues rose from \$16 million to \$48 million. Even in 1951 when the gross value of B.C. wood products was less than Quebec's its forest revenues were as large. By 1969, British Columbia took in \$78 million in forest fees of various kinds; Quebec took only \$20 million.

Or take the case of minerals. The value of mineral production in Quebec has been much greater than that of B.C.

Table 5

Value of Mineral Production in Selected Provinces in  
millions of dollars

	<u>1956</u>	<u>1959</u>	<u>1961</u>	<u>1966</u>	<u>1969</u>
Newfoundland	83	72	91	244	239
Quebec	422	440	455	762	720
Ontario	650	970	943	957	1,214
British Columbia	203	159	188	330	422

But what does the Province of Quebec take in as resource revenue from minerals? For 1960/61 the figure was \$6 million; for 1969/70 it was less than \$2 million. The income to British Columbia for the same two years was \$15 million and \$49 million. That is to say, on a smaller resource base, the people of B.C. are receiving a larger total income and a very much larger per capita public revenue. This is the crux of the matter.

By the majority of indicators of resource riches -- accessible and productive forest land, acres of arable land, potential water power, estimated mineral reserves - Quebec is richer, and in some cases far richer, than British Columbia. But the amount of

provincial revenue obtained from natural resources in Quebec is not only a smaller proportion of its revenue, it is smaller in dollar amount.

Table 6

Natural Resource Revenue, Quebec and British Columbia  
for year ending March 1970 in dollars

	Quebec	British Columbia
Fish and game	4,963,165	2,893,363
Lands and forests	20,869,338	116,140,438
Minerals	1,841,830	49,704,534
Water resources	30,322,825	5,544,600
Total	57,997,158	172,282,935

The proportion of provincial revenue being obtained in British Columbia from natural resources has stood at about 16% over recent years. This constant proportional flow has not been maintained in most of the other provinces, and specifically, not in Quebec.

Natural resource revenue in Quebec was 8.1% of net revenue in 1956 and only 3.4% in 1966. (see Table 4).

It is difficult to be precise as to the fiscal capacity of a province, even as it is difficult to be precise about the comparative potential in its natural resources, differing as they do in quantity, quality and accessibility. The present measurement of fiscal capacity however, per capita income of the provincial population, seems to be at odds with an objective assessment of natural resource potential by province. Furthermore, the per capita income yardstick has a built-in bias from decades of divergent Provincial policies in respect to resource development.

Calculations of capacity have to be tied back to the resources themselves and second, to the complicating factor of the effects of resource taxes (fees, leases, permits) on production. If there is a continuing levy on resources we will tend to find a greater volume

of production and therefore greater income, and larger government revenues too. A region may have an evident capacity judging from extent of resource e.g. forest, but have a low production partly because of the tax or leasing system itself. Some provinces wait until the owner does something before they require any return on the resource. Thus those provinces may fail to experience development as quickly as do other provinces that tax or regulate resources in a more positive manner.

The lackadaisical attitude of Quebec toward the people's claim on resources that prevailed during the first hundred years of confederation has surely something to do with the low per capita income and lack of job opportunities in that province. Quebec's resources are not taxed and regulated toward production; it has traditionally ignored its resource base and followed a policy of "non-intervention". (Ontario has done little better, and that is another story.)

Pierre Trudeau, writing in 1958, and again in 1965 before his elevation to the Prime Ministry, describes Quebec's traditionally "passive" attitude toward natural resources.

From mines to forests, from hydro-electric resources to urban property, there was scarcely a resource that could not be exploited by private investment without political difficulty .... True, the state could be bothersome at times, and partisan politics were not above imposing taxes on money-lenders. But on the whole, the main characteristic in Quebec's economic history over the past hundred years has been the absence of any coherent policy on private investment; and the same could almost be said of public investment as well.

The French Canadians, he says, had never voted for political or economic ideologies, but only for the man or group which stood for their ethnic rights.

One can say without contradiction that ethnic rights seldom concerned much of non-French Canada, and western Canada not at all.

Voting in the west has been concentrated on political and economic issues, and in British Columbia the people's claim to revenue from resources has been a feature of political campaigns and political programs since the 1880's. Even today, though B.C. draws a larger proportion of revenue from its resource levies than any province with the exception of Alberta, critics of the government have been abrasive in their charges of "sell out" of resources and have drawn attention to the possibility of tapping still more revenue from resources.

It is hard not to sympathize with Mr. Bennett\* when, as Minister of Finance of British Columbia, he is on the one hand attacked by the Opposition for failing to tap the resource base adequately while on the other hand he must pay to Quebec, a resource-rich province which extracts barely a sou on that account, some millions of dollars in "equalization payments".

It begins to look as though the Premier is right about Quebec being too rich to get handouts. But is he anti-French to say this? Is he not saying, however obliquely, that bad economic policies are keeping Quebec down? Surely the Premier is pointing at the same thing Rene Levesque is, and who says Levesque is anti-French?

Rene Levesque has told us more than once that Quebec needs independence, not so much to get rid of the control of English Canada as to get control of economic power, that is, to change the economic system in Quebec, to get rid of the control by a few (who happen to be, it is true, mainly English-speaking).

Pierre Trudeau, unwittingly or otherwise, has pin-pointed the trouble more specifically still. The English elite are in control because they have obtained sweet deals in Quebec resources. This tells us at the same time how critical and how central to prosperity is provincial policy toward resources.

Mr. Trudeau says the English power group in Quebec offered bribes,

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\*Will the reader please remember these paragraphs were written in 1971 when W.A.C. Bennett was Premier of British Columbia. His son has come into prominence since 1975.

and the French people accepted them, and both practices were detrimental to democracy. "Of course, to some extent party funds came from French Canadian businessmen and seekers after petty favours but", and now Mr. Trudeau cuts to the bone,

the real money comes from huge corporations and wealthy enterprises that willingly give to the parties which, apart from being an insurance against socialism, promise (and deliver) favourable labour laws, exemptions from property taxes, special franchises, valuable contracts without tender, mining or hydro rights of inestimable value for a row of pins -- to say nothing of openly tolerating profitable infringements of the law (as in the case of timber-cutting regulations).

If we take a special note of all those matters that pertain to lease, fee, permit or sale practice of Quebec in relation to its natural resources, we have almost Mr. Trudeau's entire list:

- exemptions from property taxes
- special franchises
- mining and hydro rights of inestimable value
- tolerating infringement of timber-cutting regulations

and all for "a row of pins" to the public treasury!

So now all these gentlemen are marching in step, Mr. Trudeau, Mr. Levesque, and Mr. Bennett. Why should British Columbia pay grants to Quebec? it is not a "golden goblet to be drained" says Mr. Bennett. The inference is that Quebec is not making proper claims on its own resources and should do so before it comes begging from others. Mr. Trudeau for his part has roundly condemned Quebec's passivity and indeed negligence in respect to resource development; what did the people get when they parted with resource franchises? "a row of pins". And isn't it exactly this fact, control by and for a few with all the bad policies that flow from that fact and support it, that brings Mr. Levesque's call for "mastership in one's own house": Mr. Trudeau, Mr. Levesque and Mr. Bennett clearly share the opinion that Quebec is rich, resource

rich; and that the province's own policies have kept Quebec people poor.

Anthony Scott wrote, at the same time as Mr. Trudeau scathingly referred to Quebec's practice, that "the collection of high rent and royalties is the only certain method by which a province can maximize its income from natural resources." It is Professor Scott's opinion that the provinces have not set resource prices and tenure arrangements well, but he uses this remark in support of federal government control over resources rather than as a lead-in to an analysis of the effects of the varying policies on the economies of the provinces.

There is enough evidence even in this short sketch to conclude that the provinces themselves are architects of regional disparity, and that their "stewardship" of resources is as important a factor as the existence of resources. Where a province fails to set proper resource prices and make good tenure arrangements, there will be fewer jobs and job opportunities (which is the most significant result) and there will be less resource income for the provincial treasury as well (which is the most directly obvious result). The one failure means multiple loss.

PART TWO: TEN YEARS OF LIMITED PROGRESS

Commentary on up-dated tables (Tables shown in italics)

What has happened in the years since this paper was prepared? Per capita income figures have been ballooned by inflation. In ten years four thousand dollars has been added at the low end and six thousand at the top. The position of each province relative to each of the others has remained the same, except for Saskatchewan which has passed Manitoba slipping into the slot behind Alberta. (Table 1)

Equalization payments tripled in six years (Table 2), and the Federal treasury began to feel the pinch. Until 1972 the equalization formula had taken into account only three taxes and natural resource revenues; in 1972 it was raised to 16 provincial revenue sources; then to 20. As the Canada Year Book puts it: "From its general revenue, the federal government compensates any province whose per capita revenue is below the national average because of a relative deficiency in the province's tax base.... The 1977 act related to 29 revenue sources compared to 20 in the 1972 act." In 1981 we saw the federal government wrestling to divert some provinces' resource revenues directly to Ottawa, scrambling in the northlands (rather belatedly) to collect a portion of resource rent there, and angering all the provinces by trying to back out of Federal commitments to federally-induced programs.

Newly available statistics

In 1974, having jumped (or been pushed?) to the conclusion that they were a matter of importance, the Dominion Bureau of Statistics began to publish comparative figures on natural resource revenues, standardized and broken into constituent parts for each province. The calculations were taken back to 1971 [DBS document 68-207]. Tables 7 & 8 are derived from these newly available statistics; the figures are not strictly comparable to those given in Tables 4 and 6 for earlier years, "Gross" rather than "Net" revenues being the base.

Table 7

Gross Natural Resource Revenue. Quebec and British Columbia for years 1976 & 1979 end of March, in thousands of dollars

	1976		1979	
	Quebec	B.C.	Quebec	B.C.
Fish and game	6,953	5,217	8,200	5,811
Forests	42,113	67,989	41,593	288,304
Mines	45,727	43,576	35,009	41,837
Oil and gas	42	85,625	188	197,027
Water	6,178	11,284	23,483	15,239
Other	5,983	5,323	5,099	8,750
	106,995	219,014	113,632	556,968

Table 8

Gross Natural Resource Revenues by Provinces 1971, 1976 and 1979

	1971	1976	1979	
	'000\$	'000\$	'000\$	Percent of Gross
Newfoundland	4,649	9,847	16,958	1.36
Prince Edward Island	149	496	434	0.16
Nova Scotia	1,639	3,756	7,734	0.51
New Brunswick	5,926	9,366	11,597	0.88
Quebec	83,627	106,995	113,632	0.79
Ontario	73,966	127,233	130,195	0.92
Manitoba	10,???	24,830	34,612	1.94
Saskatchewan	40,166	316,341	522,995	24.05
Alberta	246,614	1,784,935	4,052,748	53.02
British Columbia	133,987	219,014	556,968	10.78

Quebec, a combination of contradictions

The positions outlined in Part One of this paper are strengthened by the more comprehensive statistics now available. Equalization payments have gone up to Quebec by three times (Table 2) yet its position on the scale of per capita income has not altered (Table 1). In 1976 resources revenues in Quebec amounted to \$106,995,000, less than double the 1966 figure; while B.C. extracted \$219,014,000, more than double 1966. The latest figures available (end March 1979) confirm the trends. These trends are most puzzling and disappointing considering not only the resources of Quebec but the accession to office of Rene Levesque in November 1976.

Quebec did not look like a "poor" province in 1972 to Dr. Toyomasa Fusé when he called it a "baby Japan". Dr. Fusé, then a professor at the University of Montreal said, "Think of it,

Quebec has a population of 6 million, but produces 50 per cent of free world asbestos, 15 per cent of raw aluminum a year, 27 million tons of iron, and makes more newsprint and produces more milk than any other province. And there may be oil. Only \$12 million was spent between 1964 and 1969 on oil exploration.

Mr. Levesque who quite frankly stated his intention to change the structure of economic power in Quebec has been premier for 5 years yet still the collection of resource rents languishes. The jump in mineral revenues between 1970 and 1976 may reflect a positive policy; or it may be an anomaly. In any event, as a proportion of gross revenue, Quebec's natural resource revenue is now less than one per cent. (Table 8).

Gas & Oil and federal stewardship

In 1960, after two years of study (by which time the province of B.C. was earning \$14 million annually in revenues from petroleum leases and royalties and Alberta more still) the Federal government introduced new regulations for exploration in the north. Already at that time 9.1 million acres were held under "reservation", 92.3 million acres on "exploration permits", 130.9 million acres as "application priorities". The Canadian participation clauses written into the new regulations amounted

to nothing more than requiring listing on Canadian stock exchanges! In more ways than one the regulations were a relief to the oil companies. "The Arctic is the last big cheap land play left in the world" the head of one of them said, "and it is going to be a huge one, although it may start off slowly." (Financial Post, 23 April 1960.)

Anthony Scott wrote recently that he didn't think "even as early (sic!) as 1971 "many people realized how much was at stake in revenue from resources\*

Even in 1978, as Table 9 shows, the Federal government obtained miniscule petroleum lease and royalty revenue from its vast Arctic jurisdiction. Given the pivotal role that petroleum resources have played in recent "disparity" arguments it is not surprising that western premiers display a certain truculence toward Ottawa. But Federal failure to insist on sound tenure and tax arrangements in the northlands, either on behalf of the whole Canadian public or of the resident native peoples, is not a question simply of revenue loss. It is measured also in political friction, lost jobs and job opportunities, and social anger.

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\* Natural Resource Revenues ed. A.D. Scott, published for the B.C. Institute for Economic Policy Analysis by UBC Press, Vancouver, 1976. p.36.

This book was the outcome of a conference sponsored by the Institute in 1975. A comprehensive natural resource revenue series (1901-1971) developed by Peter Gardner was included as a part of Professor Scott's chapter. To compile the series was a herculean task that, thanks to changes in statistics availability noted in this paper, will not need to be repeated.

The Institute was founded in 1974 on the initiative of the Minister of Resources, Robert A. Williams who invited Mason G. Gaffney to become its Executive Director. The constructive effect of this short-lived Institute has yet to be properly appreciated.

Table 9

Oil and Natural Gas Revenue  
('000\$)

	1976					1978
	OIL	NAT. GAS.	Crown Leases	Other	Total	Total
Nfld	-	-	-	-	-	30
PEI	-	-	-	204	204	209
NS	-	-	-	-	-	-
NB	-	-	-	-	-	-
Que	-	-	-	300	300	189
Ont	-	-	-	615	615	1,247
Man	8,486	-	-	-	8,486	10,820
Sask	137,858	817	7,047	8,598	204,320	350,923
Alta	1,153,899	762,285	207,839	60,504	2,190,627	4,008,311
B.C.	44,394	955	45,683	14,585	105,617	197,027
Subtotal	1,394,637	754,057	260,569	90,906	2,510,169	5,446,972
Yukon			n.a.			275
N.W.T.			n.a.			226
TOTAL						5,447,474

Movement in resource policy

Understanding of the importance and function of resource revenue policy is certainly greater among academics and government officials than it was in 1972. Light is beginning to dawn. I believe a number of factors have contributed to this: the emergence of native peoples land claims; the oil strikes in Canada's northlands (which are under Federal, as opposed to Provincial, jurisdiction); the influence of a few exceptional politicians within their own provinces; and even possibly, the slow working through the bureaucracy of ideas gleaned from a newspaper!

One lesson for me in this is, there is no need for reformers to "make haste slowly". Events will slow themselves.

As for the federal-provincial tug-of-war, I take to heart Louis Dudek's appeal:

"Lukewarm Canadians! As if anything but the extremes of any ideal were worth a damn. what you want is not "compromise" but a powerful combination of virtues."

(Louis Dudek Atlantis)