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The Alberta model also avoids the worst excesses of coercive labour unionism. Alberta does not wink at union violence and illegal strikes, keep out workers from other provinces, and force employees to accept bargaining agents without a democratic vote. Keeping labour cartels within bounds is an important institutional requirement of a thriving economy.

Casual observers may not realize that natural gas prices are very low and that the price of oil is dropping quickly. This boom will fade, as other booms have in the past, and the provincial government will have to trim its escalating spending. But Alberta will continue to prosper even with much lower oil prices, because the Alberta model has the fundamentals right.

*Tom Flanagan is professor of political science at the University of Calgary and former campaign manager of the Conservative Party of Canada.*

Alberta's economy relies on market prices. We have no rent controls, underpriced hydro or ridiculously cheap daycare. Equally important is the policy of not offering subsidies to private industry. We learned from very expensive failed experiments in the Lougheed/Getty years that business is not the business of government.

If Ontario and Quebec would stop subsidizing their manufacturing industries, they would be a step closer to affording tax cuts, which are another essential feature of the Alberta model. In addition to having no provincial sales tax, Alberta maintains the lowest personal income and corporate taxes among the provinces. The taxes we have are still too high, but even at current levels they give Alberta a definite advantage over other provinces in attracting labour and capital.

Another essential policy is avoidance of public debt. Alberta got a stern lesson in the evils of debt during the Depression, when we became the only Canadian government to default on its debt payments. Ernest Manning used oil revenue to pay bondholders back, and Alberta has stayed more or less out of debt ever since.

These economic policies are backed by social policies designed to maintain a flexible, highly productive work force. Alberta's schools consistently yield the best results in Canada, aided by frequent testing of both student and school performance, as well as by funding policies to create a near-level playing field for Charter, Catholic, other religious, and secular private schools to compete with public education.

Equally important is a tough-minded attitude toward welfare.

Social assistance in Alberta is the least "generous" in Canada. Not surprisingly, welfare dependency is lower here than anywhere else in Canada, which means more people are in the work force, earning self-respect and serving the needs of others. The best welfare program is still a job. And we make sure entry-level jobs remain available by keeping legislated minimum-wage rates no higher than what the market would set in any event.

# Alberta's model economy

**TOM FLANAGAN**

When Alberta experienced an oil boom in the early 1980s, we were smacked with the national energy program, designed to transfer Alberta's wealth to the consumers and voters of Central Canada. Today, in the midst of another oil boom, we see a new generation of proposals to achieve the same objective — enact a carbon tax, change the equalization formula, encourage Alberta to "recycle" its money by investing in other provinces.

The right question for other provinces to ask is not, "How can we get our hands on Alberta's wealth?" but rather, "How can we become as wealthy as Alberta?"

Alberta's oil and gas are not intrinsically more valuable than Quebec's hydro power or Ontario's advantageous location near U.S. markets. Without the right institutional framework, oil is just a sticky black nuisance oozing from the ground. Over the past 60 years, Alberta has created a set of institutions and policies to encourage wealth creation. I call it the "Alberta model."

First and foremost is reliance on the market rather than government direction. The provincial Crown owns most of the oil and gas, but exploration, production, refining, transmission and marketing are done by private enterprise. We also have done away with monopolistic Crown corporations in most other areas. Power generation, automobile insurance and liquor marketing are dominated by tax-paying, profit-making private enterprise.