

# Why Canada is a kleptocracy

NP  
Feb. 6  
2001

TOM FLANAGAN

**K**leptocracy: the rule of thieves, from Greek *kleptein*, to steal, and *-kratia*, suffix for power or rule.

The term "kleptocracy" is usually applied to Third World regimes where the rulers loot the country and stuff the booty into Swiss bank accounts, but it also describes the development of the Canadian political system over the past 40 years.

From the 1960s through the 1990s, Albertans contributed an annual average of \$2,103 per capita more to Confederation than they received in federal benefits.

Ontarians and British Columbians were also net contributors, but at a much lower rate — \$244 and \$111 respectively. (All figures, furnished by Dr. Robert Mansell, head of the department of economics at the University of Calgary and a leading authority on federal fiscal balances, are in 1999 dollars.) Per capita income in Alberta, by the way, was lower than in Ontario for the whole period, and lower than in British Columbia for most of the time. All other provinces were on the take.

Much of Alberta's extraordinary contribution was confiscated through federal control of oil and gas prices in the 1970s and 1980s, but the pattern continues in the workings of the tax-and-transfer system.

With low rates of reliance on welfare and unemployment insurance, Alberta has a higher proportion of employed people than

other provinces. Hence Alberta contributes proportionately more to all federal taxes, particularly to the income tax, with its progressive rate structure. Federal programs, however, are designed to spend money elsewhere for a variety of reasons, such as the location of the national capital in Ottawa, the protection of French language and culture, and the alleged need for regional economic assistance in Atlantic Canada.

Albertans might not grumble if all this largesse really helped other Canadians, but it doesn't. As Fred McMahon showed in *Retreat from Growth: Atlantic Canada and the Negative-Sum Economy*, the flood of transfers blocks real growth. What the subsidies achieve is to underwrite misguided economic policies. Equalization encouraged Newfoundland to reject a proposed nickel mine at Voisey's Bay. The billions Quebec takes from Confederation each year allowed it to drive hundreds of thousands of its most productive residents out of the province through restrictive language legislation.

Not surprisingly, Canada's overall economic performance has declined steadily throughout the period in which kleptocracy has become entrenched. Our standard of living, formerly close to that of the United States, is now substantially less; and our dollar, which for a century traded around par with the American greenback, is now worth less than two-thirds. The only people who have profited are the political power brokers who run the kleptocracy.

Indeed, politics rules supreme. All federal programs are refracted through a prism of regional advantage, deliberately designed to shore up government support in the marginal constituencies needed to win a majority in the House of Commons. The rejigging of pogeys to win votes in Atlantic Canada in last year's election was only a particularly blatant case.

In this sorry tableau, the denigration of Alberta is a systemic necessity. If Canadians thought seriously about the political system they have constructed, they would be embarrassed, so they have to convince themselves that Albertans don't really deserve

---

## IN THIS SORRY TABLEAU, THE DENIGRATION OF ALBERTA IS SYSTEMIC

---

their wealth. Hence the clichés about Alberta that survive despite being contrary to obvious evidence.

Fiction: Alberta is a fundamentalist Bible belt. Fact: Church attendance is lower in Alberta than in other provinces. Fiction: Albertans are ignorant rednecks. Fact: Calgary vies with Ottawa for being the most educated city in Canada. Fiction: Albertans are greedy. Fact: Albertans give more to charity than the residents of other provinces. Fiction: Oil and gas revenue is easy money. Fact:

the industry is technologically advanced and depends on a sophisticated legal, financial, and scientific infrastructure. Fiction: Oil and gas are Canada's resources. Fact: The Constitution assigns natural resources to the provinces, even though Alberta, Saskatchewan, and Manitoba had to wait until 1930 to receive the resource rights other provinces had from the moment they entered Confederation.

Ludicrously, Alberta's provincial government is busy paving the way for further assaults on its own province. Improvising frantically before the impending provincial election, the government has erected a ramshackle structure of rebates and price caps to protect voters from soaring energy costs. The estimated cost has already gone over \$4-billion for two fiscal years, and Premier Ralph Klein is now musing about making the rebates permanent. The example of rent controls in Ontario should remind him such schemes are easy to enter, but hard to exit.

Alberta's long-term interest lies in maintaining property rights, free contracts and market prices. When the province's political leaders, driven by short-term political advantage, intervene so massively in the economics of its main industry, they are only inviting politicians elsewhere to do the same. Does Mr. Klein really think he can guarantee perpetually low energy prices to Albertans, while making other Canadians pay the full shot? Say good-bye to any chance of dismantling the Canadian kleptocracy and getting a fair deal for Alberta from the rest of the country.

*National Post*

*Tom Flanagan is professor of political science at the University of Calgary and one of six authors of the Alberta Agenda, a recently published proposal for Alberta to make full use of its constitutional jurisdiction.*