

*Number 8/April 1992*

RESPONSE TO THE GOVERNMENT  
OF ALBERTA DOCUMENT

*LOOKING Toward 2000 Together*

*A Summary of Comments from a Panel of Academic Staff in the Departments of Economics,  
Rural Economy, and the Faculty of Business  
University of Alberta*

*The Panel participants were  
Peter Apedaile, Richard Beason, Ted Chambers, Bev Dahlby, Stan Drugge, Stuart Landon,  
Mel Lerohl, Marty Luckert, Mel McMillan, Glen Mumey, Alice Nakamura,  
Michael Percy, Gil Reschenthaler, David Ryan, Michelle Veeman, Terry Veeman*

This Information Bulletin comments on many issues raised by the Alberta Government document *Looking Toward 2000 Together*.

## EXECUTIVE SUMMARY

• *Looking Toward 2000 Together* ('Toward 2000') identifies significant output and employment instability in the Alberta economy. In a general way the document emphasizes that global restructuring has rapidly changed the context for Alberta's economic development. However, the document offers no feel for where Alberta stands relative to other provinces, similar U. S. states, and other industrialized economies, nor does it offer projections for the year 2000. Any vision of industrial structure needs to be consistent with what the forces of global integration will demand of us as a region.

• How to introduce greater stability into the Alberta economy is difficult since the key sectors of our economy are subject not only to OPEC decisions, Middle East politics, trade subsidy wars, the effect of climate on farm output, and other shocks, but also to national and indeed international cyclical fluctuations in output prices and interest rates.

• The current deficit reduction program of the Alberta government represents a need to correct for past excesses or unrealized expectations. But the continued portrayal of balanced budgets as the hallmark of good economic management, when the tax base is unstable because of its heavy dependence on royalties from resource extraction, effectively undermines the credibility of the government. In looking toward the millenium, what is desperately called for is thorough, impartial studies to identify for Alberta alternative tax structures that yield more stable revenue flows.

• 'Toward 2000' offers diversification as the solution to Alberta's problems of instability but even in the best of circumstances regional economic structures change only very slowly.

• 'Toward 2000' envisions a large proactive role for the provincial government in economic diversification. There is a call for an "industrial policy", ie. a policy in which the provincial government identifies 'winners' and is committed to their support. It is therefore surprising that past market intervention by the government in the name of diversification is reviewed uncritically. Further the document does not explain why the private sector is incapable of making correct investment decisions.

• 'Toward 2000' fails to recognize that government intervention in the name of diversification can cause business to shy away from the province. In a politicized business environment companies may perceive that their success depends more on political connections than product quality.

• 'Toward 2000' implies that the Heritage Savings Trust Fund should be readily available to promote diversification. This is very disturbing. The Fund is not unlimited and should not be spent at will. It is a depository for exhaustible resource wealth, and its use for other than capital projects and human capital investments must eventually deplete the Fund and impoverish future generations of Albertans.

• If the Alberta Government continues with the use of loan guarantees there is an urgent need for greater accountability. The following actions would enhance their credibility:

- (a) three party guarantee contracts requiring that the assets of defaulting businesses go directly to auction and not into public ownership;
- (b) public disclosure of guarantees and their terms;
- (c) a mandated requirement for actuarial reserves;

(d) the actuarial value of loan guarantees could be offset by call options on company shares with their automatic disposal in the public market when the call was exercised.

- The most important strategic asset in any region is its human resources. At the present time there is enough for the Alberta Government to do in this conventional sphere of public responsibility, where it is fully accepted that the private sector does not perform efficiently, or cannot accomplish agreed social objectives.

- The Alberta Government should continue and strengthen its commitment to research and development. These expenditures are a down payment on the growth and diversification of the economy, not an item to be expensed.

- The policies proposed for agriculture and the rural economy require much more thought and precision. They appear to be premised on intensive government assistance. This approach sets community against community and perpetuates the dependence of farms and rural places on government handouts.

## INTRODUCTION

The discussion paper *Looking Toward 2000 Together* is largely about the role that the provincial government should play in the Alberta economy. The introductory section of the document emphasizes the extreme shorter term instability of output and employment. How to introduce greater stability into the Alberta economy is a difficult issue since our key sectors are subject to random economic shocks, as well as to nationwide, indeed international cyclical fluctuations in output prices and in interest rates. The effect of these shocks on energy and agriculture pose a unique problem in the search for greater stability. Their timing and duration cannot be forecast with any degree of accuracy, and they may be very large due to the inelasticity of demand for many of our major exports which are undifferentiated and of commodity grade.

The document in a more general way points out that global restructuring is rapidly changing the context for Alberta's economic development. No one fully comprehends these globalizing forces, and their implications for our country, let alone for the province of Alberta. Yet, despite the power of these forces, Alberta in many ways—ways reflected in our income and employment instability—can still be considered a frontier economy with heavy reliance on the individual, competition, raw material extraction, and a belief in entrepreneurial spirit as the most powerful

drivers of development. Wealth accretion in the province is still strongly associated with resource extraction and servicing. There is a problem in retaining this tradition as a vision of the next century. The reason is that the global economy if it has not already done so, is certainly in the process of restructuring in ways that preclude this tradition as a realistic vision of the future. Individualism is giving way globally to networks in which individuality is subordinated to a quality outcome in international markets.

To accommodate the effects of this global restructuring, the document 'Toward 2000' supports a large proactive role by the provincial government in the economic development of Alberta. Many would conclude that the document calls for an "industrial policy", ie. a policy in which the provincial government identifies 'winners' and is committed to their support. But the mechanism by which the type and direction of intervention will be determined is unaddressed. Unless we can understand why, under what circumstances, and using what criteria government intervention is to occur, then it is very difficult to evaluate the directions proposed in the document. Such policy regulation in specific sectors of the economy implies, of course, that the market place is deficient in allocating resources efficiently to them.

## DEALING WITH SHORTER TERM INSTABILITY

The document 'Toward 2000' emphasizes longer term diversification policy as a method of alleviating Alberta's economic stability problems. We address diversification in subsequent sections, emphasizing that economic structures change very slowly. Attempts to diversify do little in the here and now for increased stability. Nothing in the document really addresses shorter term instability. Yet the question remains: is the decline in oil and gas prices a

short-term one or are these price declines to be viewed as longer term and therefore signalling the direction for structural change? There are no prudent estimates of relative energy and agricultural prices offered to the reader. Since these sectors still constitute the economic base of the province, a feasible set of diversification policies remains contingent on provincial revenues.

If the problem is shorter term instability, then an appropriate role for the provincial government is to avoid making it worse. Any short run instability of Alberta's economy in

terms of output and employment is directly linked to an unstable tax base dependent on royalties from the oil and gas industry. These royalties accounted for as much as one half of provincial government revenues during the energy boom at the beginning of the 1980s, and currently account for from one-fifth to one-quarter of provincial revenues. Another approximate 8% of provincial government revenues are obtained from the earnings of the Heritage Trust Fund. Government insistence that balanced provincial budgets are key indicators of efficiency and fiscal prudence makes sense if there is a balancing of expenditures and revenues over a period such as the business cycle. However, insistence on annually balanced budgets is a major destabilizing influence because fluctuations in energy prices induce sharp changes in oil and gas royalties. When energy prices fall, royalties fall and for the government to balance its budget requires sharp reductions in government spending, or increases in provincial taxation. It is clear that the current deficit reduction program of the Alberta Government represents a need to correct for past excesses or unrealized expectations.

However, the continued portrayal of balanced budgets as the hallmark of good economic management where the tax base is so unstable, effectively undermines the credibility of the government. In an inherently unstable regional economy, when the energy sector experiences adverse shocks, the government is forced into running deficits, previous pledges notwithstanding.

The evidence is quite clear that the linkage between unstable natural resource revenues and faulty short term stabilization practices of annually balance budgets has an ominous overtone: a longer term decline in natural resource based revenues associated with shocks to the energy sector puts downward pressure on government expenditure programs. Essentially, Alberta's public expenditure programs run the risk of becoming the victim of adverse impacts on our key sectors, rather than their level being set by an incisive examination of expenditure need. In looking toward the millennium, there is desperate need for thorough, impartial studies to identify for Alberta alternative tax structure yielding more stable revenue flows.

## ON DEVELOPMENT AND DIVERSIFICATION

Diversification is a multi-dimensional term and has at least four meanings:

- (1) diversified industrial structure;
- (2) diversified geographic markets;
- (3) diversified range of commodities produced by existing industries;
- (4) downstream processing of raw materials within the region.

Unfortunately the 'Toward 2000' document in asserting strong achievements does not clarify the multiple dimensions of diversification. In some instances the document apparently means employment growth in non-basic industries, while at other times it means greater value added.

The essence of diversification depends on variability within and between industries. Put in terms of two industries, diversification increases the probability that if industry 1 is either contracting or displaying little, if any, growth, industry 2 is expanding. Diversification is motivated by the

fundamental objective of reducing provincial income and wealth instability in an economy arguably one of the most unstable in North America. Virtually all sectors in Alberta move in the same direction as energy [Mansell and Percy 1990]. We also know from surveys in the late 1980s that Albertans expressed strong preferences for a greater degree of economic diversification over increased specialization [Mansell and Percy 1990]. Yet there are practical difficulties to diversification because even in the best of circumstances regional economic structures are not easily changed. Because structural change is so slow, false hopes can be raised about diversification as a panacea to Alberta's problems of instability.

If diversification is judged by changes in the relative contribution of particular industries to the Alberta economy, Table 1

Table 1  
**Industry Composition of Alberta Gross Product: 1971, 1979, 1989**

	1971	1979	1989
Agriculture	6.00	4.33	3.53
Forestry	0.18	0.22	0.32
Mining	15.46	23.18	16.47
Manufacturing	8.64	7.41	8.22
Construction	8.06	7.52	6.03
Transportation	8.72	6.72	6.92
Utilities	2.25	2.34	3.78
Trade	10.26	7.93	10.33
Finance	12.73	20.79	18.93
Finance ex nat. resource royalties		11.17	15.70
Services	17.43	14.87	20.00
Public Admin	6.34	4.68	5.46

Source: Alberta Bureau of Statistics, *Alberta Economic Accounts*

indicates that the sectoral structure remains much the same as it was in 1971. The table suggests that the intervening years were the anomaly, and the only "diversification" that has occurred is that the economy has returned from its 1979 pattern to its 1971 pre-energy boom configuration. Mining (the energy sector) accounted for slightly more than 15% of total output in 1971, rose to more than 23% in 1979, and fell back to just over 16% in 1989. Obviously there was tremendous adaptation and, it could be argued, even progress and development between 1979 and 1989 but much of it was the result of collapsing energy prices and the ensuing restructuring. The restructuring was to a large extent made possible not by government policy, but rather by the flexibility of a skilled and well educated labour force compelled to look at alternative employment opportunities.

Adding value to resources, another dimension of diversification, is generally irrefutable as a concept. However, it also must be remembered that its application in the form of oilseed plants, ethanol plants, and feedlots, emphasized in the document, retains the economic vulnerability of fluctuating prices for primary commodities while adding vulnerability to regulatory environments outside Alberta control, including the policies of global firms and foreign countries protecting their markets and investments. Association with such firms as Mitsubishi is helpful in this regard, but at the cost of resource rents to Albertans. Further, value adding requires a major shift of management downstream toward the final users of derivative products. New management concepts are required that can cope with continuous product differentiation, plant and equipment retooling, and highly sophisticated levels of market intelligence. None of these

are conventional in the resource extraction traditions of Alberta, and they will take time to develop.

Thorough studies of diversification beyond Mansell and Percy [1990] are badly needed. We need to know what has actually

been achieved, not only with respect to the dimensions of diversification, but also to establish within reasonable bounds what direction and pattern of diversification is appropriate, and what are the costs relative to the benefits.

## GOVERNMENT POLICIES TO DIVERSIFY THE ECONOMY

Page 15 of the 'Toward 2000' document identifies key elements in Alberta's current economic strategy. Some listed elements clearly assume that a necessary condition for economic development and diversification is government intervention in the market place, while others relate specifically to expenditures on 'public goods', such as education and highways. The latter are recognized and accepted spheres of government activity. We comment in this section on government intervention in the market place.

The document 'Toward 2000' does not address the potential for government interference in the economy to cause businesses to shy away from the province. In a politicized business environment it is always uncertain when the government will change its policies. In addition, firms may perceive that their success depends more on their political connections than on the quality of their product. Government support for some firms may damage the competitive position of other businesses (eg. as in meat packing), a risk which all firms will consider when assessing investment opportunities in the province. Government interference may also encourage rent seeking behaviour on the part of business as well as tying acts of intervention more closely to politics than to economics. Nor does the document recognize that direct investment positions by the government create a potential pressure within government for relaxing environmental control to vindicate government investment decisions.

Past market intervention in the name of diversification is reviewed uncritically by the document. In contrast to the assumption that previous expenditures for this purpose have been successful, casual observation would suggest that too many government initiatives

have been costly and inefficient. Evidence is scarce that the provincial government possesses the capability of picking "winners". One can point to many cases in this province over the past decade of a less than successful diversification oriented strategy. Among these in agriculture, for example, are historic inducements to investment in processing (as with oilseed processing) and subsequent bailouts (as with meat packing) that have contributed to over-capacity in this sector. Further, there is often an unthinking "boosterism" in trade promotion efforts for agriculture. More generally, there are powerful arguments against heavier government involvement in joint ventures and other alliances, whether directly with public funds, or through taxation initiatives. The lack of government success in predicting winners in the past provides no confidence that interventionist actions will be successful in the future. An implicit assumption behind the argument that the government should decide which industries to promote is that governments somehow know better than entrepreneurs. We fail to see why this is necessarily the case if we possess well educated entrepreneurs. The document does not indicate why the private sector is incapable of making correct investment decisions

Also implied is the use of tax-expenditure policies to create a "favourable investment climate". Yet there is no recognition that such policies involve costs that may be very high since, at least in principle, there is no limit to the number of firms which might take advantage of tax concessions. Surely there should be some discussion of the link between corporate taxes and the services provided by provincial and local governments.

Of special concern is the use of the Heritage Savings Trust Fund as an instrument of financial intervention. Sources of finance such as VENCAP and the Alberta Opportunity Company are already in place, and the federal government is represented by the Western Diversification Office.

The Fund was established to transform rents from the exploitation of non-renewable natural resources into perpetuities. It should not be regarded as a financial resource to be spent at will. It is not unlimited. (It is notable that 'Toward 2000' still includes as Fund assets Alberta provincial debt and loan guarantees. Obviously, these 'values' cannot be used or spent in any meaningful way).

If politicians fail to see the Fund as a 'trust' then we are simply spending our wealth, a process that clearly cannot continue indefinitely. The use of resource rents for other than capital projects and human capital investments must eventually deplete the Fund, and impoverish future generations of Albertans. Further, statements in the document such as the "Heritage Fund has lessened the tax burden on individuals and businesses" (p.68) ignore the implicit taxes which follow from using the province's wealth to finance current expenditures. Perhaps the dangers to which it has been exposed, and

those to which it will be potentially exposed in the future, provide the strongest of arguments as to why steps should be taken to insulate the Heritage Trust Fund as a quasi independent provincial agency at arms length from cabinet.

The truth is that the document gives little consideration to the opportunity cost of funds by alluding to success as "success in attracting investment" without considering the cost effectiveness of the financial encouragement necessary to attract the investment. It is claimed that "the risk of doing nothing is that Alberta may miss out on the potential growth opportunities these industries can provide" (page 12). Equal emphasis is not placed on the opportunity cost of using funds to encourage risky projects.

An omission is the little thought in the document given to promoting greater equity investment by the private sector. The Junior Capital Pool experiment of the Alberta Stock Exchange warrants further consideration. That program received no direct government support by way of tax or other incentives, and according to the President of Alberta Stock Exchange, regulatory problems have been minimal. The Alberta Stock Exchange reports that of 390 Junior Capital Pools listed on the Exchange some 335 have completed major transactions.

## LOAN GUARANTEES

The Alberta Government is now committed to guarantees on over \$3 billion of loans, and defaults are being announced with saddening frequency. If the Government chooses not to abandon fully the policy of government intervention in pursuit of diversification, then the loan guarantee program deserves a second look.

A loan guarantee lets government set an economic direction but allows room for private sector activity. Once the guarantee occurs, government stays out of management, financial institutions compete in providing funds (though not in assuming risk), and equity investors in the project are positioned for full profits with their savings in the riskiest position. Compared to grants, loan guarantees provide for fast action with less outlay. However, loan guarantees also have obvious

drawbacks. The availability of low-cost money in high risk situations invites an excessive and reckless use of capital. Guarantees have also led to provincial repossession of derelict companies. Further, the very real contingent liabilities of the guarantee program are obscurely reported in the public accounts. As far as can be ascertained, in practice there has been no risk management of contingent claims.

Some limitations of loan guarantees could be overcome with program improvements.

These include:

- (a) three party guarantee contracts requiring that the assets of defaulting businesses go directly to auction and not into public ownership;
- (b) public disclosure of guarantees and their terms;



(c) a mandated requirement for actuarial reserves;

(d) the actuarial value of loan guarantees could be offset by call options on company shares with their automatic disposal in the public market when the call is exercised.

The use of loan guarantees requires a thorough and objective examination of a whole range of questions. To state some of these: Are there better ways of measuring

economic payoffs on successful ventures that have had guarantees? Can contractual terms be modified to induce more efficient and prudent investment decisions? Do guarantees to small ventures give better results than those to large enterprises? Can we identify industries in which learning and infrastructure development are especially likely to result, and limit the guarantee program to these industrial classifications?

## HUMAN RESOURCES

The breakdown on page 8 of the 'Toward 2000' document illustrates very well the confusion over the role of government services in development. Mention is made of the small amount spent on resource management and economic development (10% of program expenditures). This figure is grossly understated and reveals an unfortunately narrow perception of development. Provincial and local expenditures on education amount to 20% of the combined budget. Similarly, a good part of health expenditures are for the maintenance of human capital.

Taken together these are outlays for human capital, and it is human capital that all well informed contemporary observers would agree is arguably the single most crucial element in maintaining our competitiveness and our capacity to maintain high living standards. Expenditures to promote human capital are those with substantial efficiency and equity grounds for government involvement. Enhanced human capital of Albertans has the advantages that it can be used wherever there are opportunities, augments labour productivity and entrepreneurial skills, supports R&D and technologically sophisticated enterprise, and broadens both the experience and enjoyment of life. It has been strongly argued that this is the most important government support that can be given to business development. The Institute of Chartered Accountants of Alberta in its February 1992 submission to the Provincial Treasurer recommended unequivocally that the province make the education of its citizens the number one priority [p.21]. In the set of present

conditions facing Albertans there is enough to do in the conventional areas of government, those in which it is fully accepted that the private sector cannot or does not perform efficiently or accomplish agreed social objectives. Human resource development -- education and training -- is an area where there is much opportunity for improvement, if not for further expenditure. This is where government should focus its attention rather than attempting to pick industrial winners.

It is essential that Government address the present impediments to human resource development that exist in Alberta. Three can be mentioned here.

One is the dropout rate from high schools estimated at 30%. What do we really know about this 30%? Are they forever lost, or do they return as mature students perhaps a year or two later with only a couple of 'lost' years? It is not unreasonable to infer that most of those who exit lack literacy and numeracy, and if they do not find their way back into education/training institutions their future is bleak indeed. If the 30% failure rate is correct then it is virtually impossible for Alberta over the longer term to retain and enhance its international competitiveness, there is substantial loss in the ability to regenerate our society, and there is an ever growing set of eligible social assistance recipients.

A second is the need for a governmental role in continuing education. The benefits are broadly based through increased competence which improves the mobility of workers. There is abundant evidence for reasons of 'poaching', or otherwise, that business provides very little in the way of on the job

training. Avoidance of responsibility by business is particularly acute for small and medium sized enterprises, seen in the document as a backbone of a development strategy for Alberta. Even larger firms have a reluctance to invest in human resources so that many students in professional faculties at Alberta universities cannot readily gain access to summer apprenticeship jobs during their university education. There is an ever present need to build up the work force in order to tackle the more complex opportunities

inherent in diversification. Impediments to business involvement need to be identified and addressed.

In the third place it is clear that the more responsibilities we place on the school system as a social agency, and the more parents view schools simply as an agent of child care, the more difficult it becomes for the schools to discharge their primary objective of seeing that our children are both literate and numerate.

## ON AGRICULTURE

Our society has tended to emphasize the role of government as protector of agriculture, rather than the contribution that the industry makes to the well-being and prosperity of the province. Many agricultural marketing arrangements are vestiges of an era in which farmers were seen to require insulation from world markets, rather than being able to focus and capitalize on them. The marketing arrangements of the dairy and feather industries are examples of this. But their continuation is doubtful, both because of possible changes in the rules of international trade, and because consumers are now more aware of the costs involved through publicity and the availability of cross-border shopping.

Input subsidies which have been widely used in support of Alberta agriculture are rarely an efficient means of assistance. Perhaps of most concern is subsidized credit. There is little purpose to this subsidization since most of the benefits are lost to agriculture through maintaining the value of farm assets when they are sold. A Task Force, appointed several years ago by the Alberta Government, recommended against a significant role in lending for the Agricultural Development Corporation. However, the agency continues, and it is likely that the main beneficiaries are those who leave agriculture rather than those who remain in it.

## RESEARCH AND DEVELOPMENT

To reiterate, governments have limited insight into picking winners in the economic development race. Evidence on growth points to its most important sources as:

- (1) investment in the education of people;
- (2) investment in the creation of new knowledge;
- (3) capital embodying the latest commercially viable new technology/ideas.

The province has invested in research in renewable resources (agriculture and forestry) and non-renewable resources (oil and gas, tar sands, and coal) and this should continue, for these are areas of clear comparative advantage. These expenditures must be

viewed as investments, investments which based on the available evidence yield high returns. There is a strong case for increasing such investments in all these areas. They are a down payment on the growth and diversification of the Alberta economy, not an item to be expensed. The linking of a proportion of Alberta Agricultural Research Institute funds towards matching funds provided by private business firms is recognized as a means of encouraging research by them. There is, nonetheless, a strong case for emphasizing more untied research directed at problems of agriculture, the forest sector, energy, and northern industry and living. History teaches us that

many industrial applications have come from research. The likelihood is that people who generate new knowledge in these areas will attempt to apply and commercialize them locally.

Emerging industries arising as spin-offs from the work of the Alberta Heritage Medical Research Foundation, suggest that these forces are at work here also. These are investments in less conventional areas and they may yield high social returns if not necessarily fully back to Alberta. Still spinoffs from that research provide opportunities for application and commercialization. The Silicon Valleys of the world, and their close connection with

knowledge based institutions in their regions, supports the view that the best investment in any society is investment in skills, abilities, and new knowledge.

It is interesting that while the document considers the importance of high technology industries and the significant role of R&D, there is no recognition that lags in the diffusion of new technologies are probably more important from the perspective of a peripheral region. Surely an adequate focus on mechanisms for quick adoption of "best" business practices and new technologies is essential.

## RURAL ECONOMY

The future of rural Alberta remains a pre-occupation of the public. Unfortunately the present rural economy of Alberta is not that described in *Looking Toward 2000 Together*. The fact that the rural economy is virtually decoupled from agriculture may render it more fragile than ever. For these reasons the benefits to the rural economy of changing the method of payment of the Crow benefit, though correctly identified, are exaggerated. Further, the benefits of tourism to rural areas may well be over-rated. There may be a point at which a rural town is no longer viable.

Most opportunities identified in the 'Towards 2000' document are based on intensive government assistance. This approach runs the risk of setting community against community, and perpetuates dependence of rural people and places on government handouts. It is not clear that this is an issue on which public intervention is able to make a useful contribution. Both the list of options, and the means for tapping them, require more thought and precision.

Not all rural places can be expected to persist over time as implied in the 'Towards 2000' document. Commercial consolidation is a continuing process. The end result for any one rural community will likely depend on the intensity and success of learning by people and institutions, and on local initiative as it leapfrogs the provincial and national economies to link into the global network. Natural resources and place specific amenities,

though they remain important, are no longer sufficient in themselves to ensure the longevity of rural places in the face of improved communications and transport.

New partnerships are required for rural economies in which the government as partner is easily engaged and disengaged without a straitjacket of programs and regulatory rigidities. Partnerships require flexibility and as much attention to distribution economics as to the economics of production and value. The new partners for rural communities are more likely to be found in urban and offshore economies. The partnerships may be able to combine rural economic attributes with an intimate knowledge of rapidly changing global demands for intermediate and final goods. These possible new opportunities break the traditional dependency of rural income and endeavour on distorted provincial and national markets. In this process, joint equity financing and technology transfer will improve the speed and sophistication of learning by rural stakeholders.

The Rural Economic Conference of the Agricultural and Rural Restructuring Group [Camrose October 1991] hosted jointly by the Alberta Association of Municipal Districts and Counties, The University of Alberta, and the Camrose Agricultural Society, among others, emphasized the need for a broad vision of development for rural places. The Conference clearly identified that matters critical to a

viable Alberta rural development strategy included: fiscal structures; flexibility of tax loads in responding to productivity changes; distribution of the benefits of locally financed government services beyond the rural jurisdictions; subsidies; the balance between local vision and leadership by levels of government; avoidance of the imposition of

inflexible current costs on rural institutions resulting from capital formation decisions of government and business; global opportunities and risks; terms of trade issues; and the dynamic role for rural economies in the larger national and global economies . None of these are really addressed in the 'Toward 2000' document.

## CONCLUSION

'Toward 2000' is to be commended for placing before Albertans many of the challenges to be faced in the next generation. Yet the principal thrusts of the document raise concerns. These range all the way from the failure to appreciate that Alberta is relatively small in the global scheme of things, through a false assumption that the government possesses substantial discretionary resources with which to launch new initiatives, to failure in acknowledging the weakness of government in picking industrial winners.

## REFERENCES

- Institute of Chartered Accountants of Alberta. *Facing Fiscal Facts: A Submission to the Provincial Treasurer, Government of Alberta.* (Edmonton 1992)
- Mansell and Percy, *Strength in Adversity: A Study of the Alberta Economy.* University of Alberta Press (Edmonton 1990)