

WTI Crude Oil Prices - 10 Year Daily Chart

daily closing price for West Texas Intermediate (NYMEX) Crude Oil



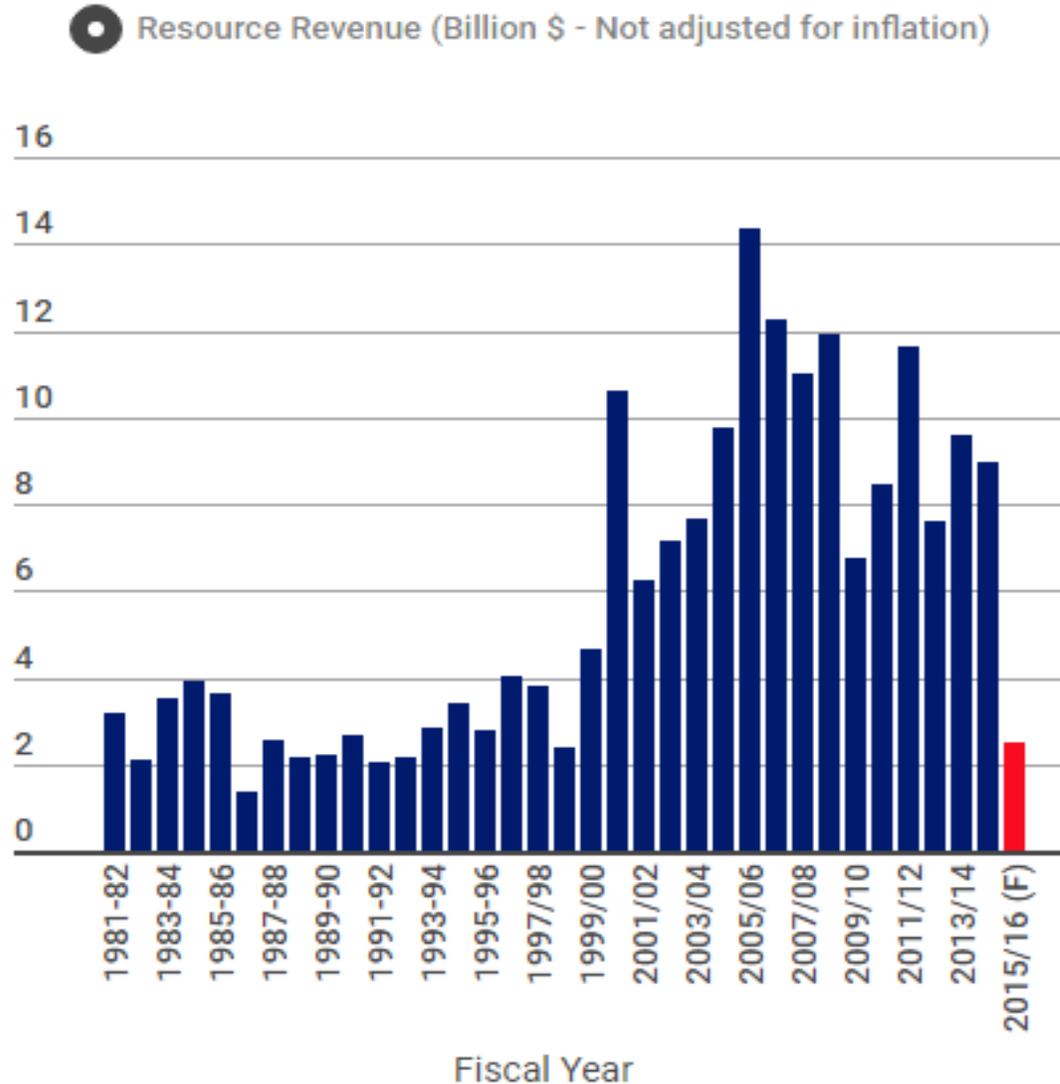
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Feb. 21, 2018

The Problem: volatile
prices for oil

Volatile revenues

Alberta resource revenue plunges to historic low (CBC, Mar 4, 2016)

Federal Budget 2017



OUTLOOK FOR BUDGETARY REVENUES

Table A1.6
Revenue Outlook
 billions of dollars

	Projection						
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Income taxes							
Personal income tax	144.9	143.2	152.1	157.8	164.4	171.0	178.6
Corporate income tax	41.4	42.5	43.6	44.4	45.7	47.6	50.1
Non-resident income tax	6.5	6.6	6.9	7.1	7.5	7.8	8.0
Total income tax	192.8	192.4	202.6	209.3	217.5	226.3	236.8
Excise taxes/duties							
Goods and Services Tax	33.0	33.7	35.1	36.4	37.8	39.3	41.0
Customs import duties	5.4	5.4	4.9	5.0	5.2	5.5	5.7
Other excise taxes/duties	11.5	11.6	11.7	11.7	11.8	12.0	12.0
Total excise taxes/duties	49.8	50.6	51.7	53.2	54.8	56.7	58.7
Total tax revenues	242.7	243.0	254.3	262.5	272.3	283.1	295.5

The Problem: Democracy

- Petro states,
- The Captive State
- The curse of oil

All of these terms describe the same process of erosion of autonomous institutions. In the case of an economy and revenue streams based on fossil fuel extraction “the distinction between the government and the corporation gets blurred” (Taft, *Oils Deep State*, 2017) “Royalties can become a politically addictive way to cut taxes and subsidize services” (Taft, 124).

Election night Notley reassured the energy industry she was open to a partnership and would work collaboratively with them. What else could she do?



Premier Notley with oil sands company executives announcing the restart of production after the Fort McMurray fire.

What would an ideal Alberta look like?

- A diversified economy
- Higher royalty rates in the past and an AHSTF that looks like Norway
- Revenues based on fair progressive taxation of income

That is not the Alberta we have today. Given what we are faced with today I am going to argue that the least worst option is a sales tax. I would argue that a sales tax would not only fund important services and programs, address the deficit and be a steady and predictable source of revenue it would restore **democracy** and assist Alberta to move to a real and **credible climate change policy**.

Why is it proving so hard to solve this problem and reach a consensus on the need for a new and stable source of tax revenue?

In essence tax has become a four letter word (Himmelfarb, 2015)

“The notion that taxes are somehow separate from the services and goods they buy is now a part of our political culture.”

So is a level of distrust of government that has eroded social solidarity. Yet people still value many of the services governments provide especially provincial government services like health and education.

The discussion of taxation is really a bigger conversation about the role of government. Those wanting to shrink that role have used the discourse of keeping taxes low and cutting taxes to achieve that end (Harper government GST cuts).

The anti-tax movement has also been disingenuous in claiming that efficiency, cutting waste can make up the lost revenue with no change to services “Tax cuts based on the promise of ending the gravy train almost never find enough gravy” (Himmelfarb)

Looking at the Carbon Tax as an example:

On February 23, 2017 A Mainstreet Research Poll reported

“64% of Albertans say they oppose the provincial carbon tax – that’s down slightly from a similar question asked in December of 2015, support for the Carbon Tax is at 34%, up 5 percentage points.”

However if you link a tax to funding services that people value you get a different result. The Parkland Institute commissioned a poll by McCallister Opinion Research which asked Albertans about the carbon tax around the same time and found a majority 59% opposed it. However, linking it to various policies and programs that people valued showed a different view.

	Total in favour/oppose
Combat global warming	43% / 38%
Provide rebates for low and middle income households	51% / 31%
Transition Alberta away from fossil fuels	39% / 39%
Train and support workers in fossil fuel industries to transition to good jobs in other sectors	49% / 28%
Invest in public services like healthcare and education	63% / 22%
Invest in projects like public transit and renewable energy	59% / 23%

Table 3: Decided voters' opinions, "To what extent would you favour or oppose the Alberta carbon tax if you knew the funds were used to ..."

(Ian Hussey, April 11, 2017, Albertans Like Carbon Tax when it is tied to enhancing public services)



The 2015 federal election provides another lesson on deficits

Trudeau's gamble on deficit spending was the Liberals' turning point

Breaking with Ottawa's decades-long obsession with balanced budgets became a key point of differentiation

Oct 20, 2015 Kevin Carmichael 



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ADVER

An advertisement for UAlberta. It features a photograph of a man and a woman in a professional setting. Below the photo is a blue banner with the text "UALBERTA" in white. Underneath the banner, the text reads "Lead the way." and "Tap into some of the best lea with the UAlberta MBA progr ualberta.ca/mba".

”Trudeau, too, needed time to get over the Canadian political class’s [obsession with balanced budgets](#). He waited until the campaign was well underway before announcing he would run small deficits to help fund a \$60-billion infrastructure program. The announcement was the turning point of the campaign, helping the Liberals vault from third place in the polls to first”

Source: Carmichael, *Canadian Business* Oct. 20, 2015

Globe and Mail editorial

March 24, 2017

As Albertans debate whether they are better off with the NDP or a right-wing hybrid party, they might want to ask themselves a question: **How much longer can they afford to elect governments that fail to develop the kinds of stable revenue mechanisms – a sales tax or higher income taxes, notably – that can help smooth out the rough patches and keep the province moving forward in hard times?**

One day, in the predicted "post-carbon age," demand may be so low that the price will permanently collapse. **What Alberta needs is a politician with the courage to tell people that they can either pay their own way now, or leave those costs to subsequent generations that will not be blessed with money that can be dug out of the ground. Whether that politician is on the left or right will be a moot point.**