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Janice Bockham
Editor-in-Chief
Regina Leader-Post
1964 Park Street
Regina, SK
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Dear Editor:

Federal Minister of Finance Ralph Goodale's recent letter about my talk in Regina on equalization is, in sports terms, an "own goal".

I said Ottawa benefits from having a number of provinces dependent on money from Ottawa, which he hotly denies. And how does he deny it? By listing all the ways in which Ottawa throws money at less-developed provinces like Saskatchewan. If federal spending of this type were the road to prosperity, then of course my region, Atlantic Canada, would be the nation's economic powerhouse. Need I say more?

He suggests further that the efforts of generations of Saskatchewanians to escape dependence on equalization are somehow discounted by me. Poppycock. What I did was lay out for Saskatchewanians all the ways that the federal government works to subvert their efforts, efforts which I applaud, and think should be rewarded. Unfortunately, the federal government punishes those efforts, chiefly through the equalization clawback.

Yes, the unbelievable state of affairs under which Saskatchewan suffered the loss of \$1.20 or so in equalization payment for every dollar in revenue it received for some natural resource revenues, has forced Mr. Goodale to make a \$120-million special payment to the province in compensation, but this leaves the underlying formula unchanged. He only made this correction to years of abuse after having been embarrassed into doing so by the Government of Saskatchewan bolstered by a study by Queen's University professor Tom Courchene a little over a year ago. And by the way, all the special payment does is to reduce the federal government's clawback of these provincial revenues from around 120 percent to roughly 100 percent. If the minister thinks this level of "taxation" encourages Saskatchewan to develop its own economy and escape dependence on equalization, I wonder what he thinks a disincentive would look like.

Mr. Goodale's suggestion that the clawback has been "eliminated" makes me wonder if the Minister understands how his own formula works. Some of the worst features of the clawback may have been slightly improved, but Saskatchewan still suffers the same sort of clawback that other provinces do under equalization, which on most kinds of revenue is in the range of 90 to 100 percent. I made the case in my talk that non-renewable natural resource revenues should be completely excluded from the equalization formula, in exactly the way that the recent offshore accord excludes oil and gas revenues from equalization in the Atlantic region. If Ottawa were now offering this deal to Saskatchewan, the province's finance minister, Harry van Mulligen, would be delighted, but Mr. Goodale is not and therefore to suggest that the clawback has been "eliminated" is nonsense.

I welcome the work of the expert panel on equalization, but I would be willing to bet Mr. Goodale one percent of my revenues versus one percent of his that the panel will leave the essential features of equalization I have described pretty much as they are. If they do, it will be a tragedy for those of us in all parts of the country trying to escape dependence on Ottawa and stand on our own two feet.

Sincerely,

A handwritten signature in black ink that reads "Brian Lee Crowley". The signature is written in a cursive style and is positioned to the left of a vertical red line.

Brian Lee Crowley, President
Atlantic Institute for Market Studies