



SUSTAINABILITY MATTERS: PROSPECTS FOR A JUST TRANSITION IN CALGARY, CANADA'S PETRO-CITY

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ISBN 978-1-77385-249-2

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Our Petro-State at a Crossroads



In this final series of essays, we situate Calgary, Alberta, and Canada in the global community at a crossroads. The material wealth enjoyed by Calgarians is directly tied to the exploitation of abundant fossil fuels. But at every scale—local, national, global—we are seeing signs of cracks in the very foundations of our fossil-fueled civilization. In Calgary, the sand is shifting beneath our feet. In 2020 Calgarians are finding it hard to come to terms with the fact that being at the top of the heap economically, as they have grown accustomed to over the past thirty years, is no longer the natural order of things. The provincial government finds itself in the

uncomfortable position of switching from its long-successful strategy of railing against interference from the federal government to demanding more from Ottawa as its economy stagnates.

In “Tax Is Not a Four-Letter Word,” we challenge the notion that less tax is the best tax. We think of taxes as a collective pooling of resources to improve the common good. We argue that to finance the sustainability transition, we need a fair, sufficient, and sustainable tax regime. We draw on the work of Canadian financial writer Linda McQuaig to gain some insight into how our tax system came to be so dysfunctional.

After forty years of an oil boom and astounding amounts of wealth flowing from oil and gas, how has Alberta fallen so quickly into dire economic circumstances, with no nest egg to fuel the transition to a sustainable economy? We explore this question in “Where Has All the Money Gone?” and we compare Alberta’s situation with that of Norway, an oil and gas powerhouse.

We live in a grotesquely unjust economic order. As world events unfold politically, economically, and ecologically, maintaining this unjust order is becoming untenable. In “Alberta’s Inconvenient Truths,” we offer an interpretation of Calgary’s and Alberta’s place in the world order. In “Sleepwalking into Crisis,” we ask how we will respond as a nation: What stuff are we made of? In the final essay, we critically examine the role our capitalist economic system plays in all of this—and whether a sustainability transition requires a new economic operating system.

This final set of essays invites us to consider Sustainable Calgary’s fifth principle: Sustainability cannot be achieved at the expense of our fellow citizens, whether they be our next-door neighbours or members of our shared global village.

TAX IS NOT A FOUR-LETTER WORD

On the eve of an election in 2015, on CBC Radio’s *Alberta at Noon*, Alberta premier Jim Prentice was asked, “How can a provincial economy become so needy so quickly when you had so much money coming in?” The premier began his response with “In Alberta, we have had the most expensive public services of anywhere in Canada.”¹ If the premier had been honest about the root of our budget problem, he would have responded by saying

that Alberta has had the lowest corporate taxes and the most profitable corporations in all of Canada and that wealthy Albertans pay far less tax than other wealthy Canadians. Premier Kenney would be correct to say the same thing in 2020.

It is dishonest to suggest, as Premier Prentice did, that we are living beyond our means. Our system of taxation is grossly unfair and rewards the most affluent and politically powerful. That must change, and here is how it could be done.

1. Get rid of the (essentially) flat tax. Until 2016, Alberta was the only province with a true flat tax. Whether you made \$20,000 or \$20 million, you paid 10 percent provincial income tax. That was grossly unfair. In 2016 that changed for the top 8 to 10 percent of income earners, which was a good thing, but the other 90 percent still paid 10 percent. As of spring 2020, the poorest in Alberta pay the same tax as an individual making \$130,000. In other provinces, rates begin to rise in the \$30,000 to \$50,000 income range. Nine of the other twelve provinces and territories have a lower rate of taxation for low-income earners than does Alberta.²

2. Introduce a graduated tax system with more brackets at the top. In 1972 the top combined federal and provincial personal tax rate was 70 percent; in 2020 it is 58.75 percent. Alberta's combined rate was 48 percent in 2020. Alberta's top income tax bracket kicks in at 43 percent higher (starting at \$314,928) than the next highest, Ontario (starting at \$220,000).³

Research in 2013 by Public Interest Alberta demonstrated that "a very modest progressive tax scheme of 13% over \$100,000 and 15% over \$150,000 and increasing the corporate tax rate from 10% to 12%" would bring in an additional \$2 billion annually.⁴ Bev Dahlby and Greg Flanagan argued in *Alberta Views* in May 2019 that if Alberta's tax regime mirrored that of the province with the next-lowest taxes, we could raise an additional \$11 billion. If we taxed like the highest-taxed province, we could raise an additional \$21 billion.⁵ Even Adam Smith noted, "It is not very unreasonable that the rich should contribute to the public expense not only in proportion to their revenue, but something more than in that proportion."⁶

3. Increase corporate taxation. Back in 1972, the top combined federal-provincial corporate tax was 46.5 percent.⁷ Since 2000, the Canadian government has chopped the federal corporate tax rate from 28 percent

to 15 percent and boasts that this is the lowest rate in all of the G7 countries. In 2014 Alberta's corporate tax was 10 percent. The New Democrat government raised it to 12 percent in 2017, and now Premier Kenney has lowered it to 8 percent, the lowest in the country.⁸ You begin to see why, in *Follow the Money*, Kevin Taft reported an explosion of corporate profits in Alberta.⁹

4. Treat all income equally—no special deals for capital gains and dividends. In Canada, if you work for your money, you pay a higher rate of taxation than if you let your money make money. In Alberta, we tax capital gains and dividends at half the rate that we tax working income. Alberta's rates are the second lowest in Canada, and Canada has the lowest capital gains tax in the G7.¹⁰

A 2000 CBC article underscores how unfair this is: "Government figures from 1997 indicate that 45 per cent of total capital gains tax breaks went to individuals earning more than a quarter of a million dollars a year. People in that tax bracket amount to less than one per cent of the population."¹¹

5. Work with the international community to close down tax havens. In 2015 CBC reported that at HSBC alone, "the value of [tax haven] accounts tied to Canada is around \$4 billion Canadian, spread across 1,859 people and companies."¹² According to Canadians for Tax Fairness, tax haven revenue loss in Canada is at least \$8 billion annually.¹³

Though the Canadian government has feigned interest in controlling this criminal tax avoidance, financial writer Linda McQuaig argues that Canada's rules were so poorly designed, "they've actually opened the floodgates to . . . allowing multinational corporations to route their profits through the tax haven, thereby avoiding Canadian corporate tax."¹⁴

6. Persuade Ottawa to champion a financial transaction tax (also called a "Tobin tax," after the Nobel economist who first proposed the idea).¹⁵ Much of the volatility in world markets that we see today is due to rampant and massive currency speculation rather than productive investment activity. It should come as no surprise that, as McQuaig writes, "with some of the world's leading governments finally on side [with the idea of a Tobin Tax], Ottawa is emerging as an obstacle."¹⁶

In that interview on *Alberta at Noon*, then premier Jim Prentice said, "I hope Albertans trust me." Premier Kenney seeks the same trust. As

with Prentice, we should trust Kenney only if he comes clean on how an unfair tax system has imperilled our future and proposes a sustainable, sufficient, and fair system of taxation to secure it. As respected University of Calgary economist Trevor Tombe so bluntly stated in a 2018 report, “Alberta’s fiscal policies are unsustainable.”¹⁷

WHERE HAS ALL THE MONEY GONE? THE GREAT ALBERTA GIVEAWAY

Premier Kenney has been hard at work setting the stage for an eventual plan to deal with Western Canada Select oil being well south of US\$40 a barrel (ranging from \$29.06 to \$34.69 in August 2020, according to oilprice.com). Lamentably, indications are that the same well-worn Conservative refrains are being rehearsed—we are all in this together, we are living beyond our means, we have a spending problem, public sector wages are out of line, and our social programs are unaffordable.

The evidence suggests that the premier is wrong on all counts. We do not have so much a spending problem as a revenue problem, and evidently, we are not all in this together. Some have done extremely well in the boom times, but many more are struggling to survive with what little trickles down. Public sector wages are what we might expect in the wealthiest economy in Canada.

By any measure, the wealth generated from oil and gas has been enormous. According to the Conference Board of Canada, in 2016 our per capita income was 14 percent larger than that of the United States and on par with that of Norway.¹⁸

In *Follow the Money*, Kevin Taft reported that between 1989 and 2008, Alberta’s economy on a per capita basis (GDP) went from 27 percent to a whopping 84 percent larger than the rest of Canada, while provincial government spending was only slightly more per capita than the Canadian average.¹⁹ Over that period, spending on health, education, housing, social services—what Taft calls human services—was never more than 10 percent above the Canadian average. In 2014–15 Alberta teachers were making 7 percent above the Canadian average. Statistics Canada data show that in 2018 total compensation (at the top of the salary scale) for teachers

in Ontario was 3 percent more than for those in Alberta, while in BC, teacher compensation was 10 percent lower than in Alberta.²⁰

In 2013 Alberta's GDP was 85 percent more than the rest of Canada, and in 2018 it was still 34 percent greater. Arguably, in comparison to our wealth, Alberta has been the most frugal public service spender of all provinces.

Then there is the sad story of the Alberta Heritage Trust Fund. Norway, Abu Dhabi, and Kuwait have amassed trust funds of \$1,200, \$697, and \$592 billion (US dollars), respectively.²¹ Alberta, at \$13.6 billion, comes in just behind East Timor's \$15.8 billion fund and is only slightly larger than when it was started in 1976!²²

So with such a record, you might ask, Where did all the money go?

There is certainly a case to be made that many Albertans have lived large. From 1989 to 2009, personal income was up a healthy 240 percent and is consistently 20 to 25 percent ahead of the Canadian average.²³ Many Albertans, especially those on the high side of the average income, have, knowingly or not, traded quality health, education, and social support for the less fortunate for big cars, big homes, big spending.

But to really answer the question, you need to examine corporate profits. According to Taft, from 1989 to 2009 corporate income per capita went up a staggering 340 percent.²⁴ Corporations were taking a much bigger chunk of a much bigger pie. It is not too strong a statement to suggest that we have been subjected to a government-enabled corporate fleecing!

So when Premier Prentice, quoted in the *Calgary Sun* in 2015, said that "everyone in the private sector is experiencing this," that "it comes down to wages" and "a lack of discipline," he was simply wrong.²⁵ By almost any comparison with other provinces and other nations, our taxes are too low and pander to corporations and the wealthy.

With this track record, it should come as no surprise that Alberta is the most inequitable province in the country. Between 2006 and 2012, the share of total income for the top 10 percent of earners in Canada actually decreased to 39.7 percent. In Alberta, in 2012 the share for the top 10 percent was not only the highest in the country at 50.4 percent, but it had increased since 2006.²⁶

Alberta has the dubious distinction of having more unequal distribution of income than the United States.²⁷ In contrast, among OECD

countries, Norway, our European energy-superpower cousin, is second only to Denmark in terms of income equality.²⁸

What is the on-the-ground manifestation of unequal income distribution? According to Sustainable Calgary's *State of Our City 2020* report, more Calgarians than ever before are using food banks, a single parent of two has to work over fifty-five hours a week at minimum wage just to reach the poverty line, and the ratio of house price to income has ballooned since 2000.²⁹ We are not all in this together, Mr. Premier.

A fair, sufficient, and sustainable tax regime will get us a long way toward a solution to our predicament. In the words of economist Robert Reich, "Simple fairness requires three things: More tax brackets at the top, higher rates in each bracket, and the treatment of all sources of income (capital gains included) exactly the same."³⁰

ALBERTA'S INCONVENIENT TRUTHS

Most Albertans have grown accustomed to the periodic boom and bust bravado from our government—from energy superpower spending with reckless abandon in the boom to belt-tightening, living beyond our means, and getting our house in order in the bust. I contend that our leaders have failed to recognize, or perhaps chosen to avoid, some inconvenient truths at the core of how we live in Alberta—our fossil fuel dependence, our addiction to stuff, the failed promise of economic growth, and our fundamentally dysfunctional and disenfranchising democracy.

The first inconvenient truth is that the fossil fuels that power Alberta's economy—the cornerstone of our way of life—are making our planet uninhabitable. The Oil and Gas Reliance Index developed by Sustainable Calgary suggests that we are as dependent on this resource as we have ever been.³¹ If we stop or drastically reduce the exploitation of fossil fuels, the economy we've relied upon for the past fifty years withers. If we do not, then the climate sweet spot that has allowed our species to thrive on this planet disappears.

Inconvenient truth number two: If every person on the planet lived like the average Albertan, we would need at least four planets to provide the food, wood products, energy, and manufactured goods we consume annually.³² Talk about living beyond our means! But have you ever heard a

politician voice this dilemma? Some don't believe or understand it. Others are afraid that therein lies electoral suicide.

On a finite planet, there are direct connections among a number of uncomfortable realities: our voracious consumption of the earth's resources, the phenomenon of terrorism, our government's assertion that we need to send Canadians to die in places like Afghanistan and Iraq, and the barricades at Oka and the unceded lands of the Wet'suwet'en First Nation in northern BC.³³ To live as we do requires us not only to turn a blind eye but to actively maintain unjust relations with First Nations at home and to contribute and acquiesce to an oppressive world economic order.

It is an inconvenient truth that living as we do results in the degradation of human life support systems on a global scale—the continental shelf; coral reefs; temperate, tropical, and boreal forests; biodiversity; and fresh water. According to *National Geographic*, humans have accelerated species extinction to one thousand times natural historic rates.³⁴ The United Nations warns that almost every ecosystem type on the planet is in decline.³⁵

I've seen the results of these inconvenient truths firsthand—in the near enslavement of the cotton pickers in Tajikistan and the sugar cane cutters in the Philippines. I've listened to the stories of Guatemalans exiled in Mexico, witnesses to the torture and brutal murder of their loved ones by CIA-trained death squads. I've witnessed the destruction of the mountain forests and coastal mangroves of the Philippines, the smoldering remains of southern Brazil's tropical forests to make way for soybean and cattle pasture, and the decimation of the northern cod stocks in my native Newfoundland. The irony is that those who berate us for living beyond our economic means remain silent in the face of the rampant destruction of the natural world that ultimately sustains any kind of human economy.

After decades of robust economic growth in Alberta, it is an inconvenient truth that most indices of inequality and of poverty have either stagnated or worsened. Homelessness has increased more than fivefold in the past twenty-five years, and the last time the minimum wage was sufficient to cover the most basic of needs for food and shelter in Calgary was 1978.³⁶ Based on income share for the top 1 percent, Calgary now stands as the most unequal jurisdiction in the country.³⁷ Yet political leaders lack the fortitude to acknowledge this inconvenient truth, even though research

demonstrates clearly that beyond a rudimentary level of material wealth, it is a society's level of equality that is the most important indicator of well-being.³⁸

Our leaders are unwilling to face the fact that our democracy has been tossed in a dumpster with barely a perceptible pulse. On average, over the past six elections, the governing party has won the support of barely 25 percent of eligible voters and only 50 percent of those who actually voted, yet has secured between 60 and 90 percent of the seats in the legislature.³⁹ We desperately need a system that encourages engagement and robust debate and delivers to the legislature a fair representation of Alberta's diverse political views.

Some may find these assertions provocative or unpalatable. Perhaps, but they are also true. We take pride in living in one of the best places on earth and thinking of ourselves as educated, entrepreneurial, worldly, straight-talkin' problem-solvers. If our political leaders won't do it, then who among us will speak these inconvenient truths?

SLEEPWALKING INTO CRISIS: HAS CANADA LOST ITS WAY?

Entering the third decade of the twenty-first century, it is hard not to be confused, overwhelmed, and depressed about the current state of the world. We hover on the brink of economic meltdown, social upheaval and war, and climate calamity, and we now find ourselves in the midst of a global pandemic. To some, these appear to be discrete events in a chaotic world. It would be wiser to view them through the lens of a key principle of sustainability—everything is connected.

Economically, the world is still reeling from the 2008 global meltdown. In *Capital in the Twenty-First Century*, economist Thomas Piketty's meticulous historical analysis suggests that at the heart of the matter is an economic system where gross inequality is not an anomaly of our time but a "structural feature" of capitalism.⁴⁰ Yet the business-as-usual mantra of less government and more unfettered market freedom still dominates policy, and obscene inequality lives on.

Having recently retreated from ten years of war in Afghanistan, which seems only to have spawned more violence, Canada embarked upon what

could prove to be a longer and even more vicious war in the Middle East to confront ISIS. We find ourselves dangerously exposed to being drawn into the US's campaigns of military aggression in the Middle East.

Then there is the *UN Climate Change Annual Report 2019*, the latest in a long line of increasingly urgent warnings about the spectre of climate change. The world's leading scientists are now 95 percent certain that human activity has caused the largest buildup of greenhouse gases in the atmosphere in 800,000 years—propelling our planet toward changes where “a 1.5 °C increase in global average surface temperature is a limit beyond which climate change will have devastating consequences.”⁴¹ The UN report notes that poor countries contribute little to the problem but are especially vulnerable to its consequences.

Everything is connected. Our growth-at-all-costs economic system promotes greed and the relentless exploitation of earth's resources to exhaustion. It promotes a destructive winner-take-all competition locally and globally. Our addiction to oil compels us to violence in the Middle East like a junkie desperate for another fix. The burning of that same fuel threatens to make our planet uninhabitable. The violence we see exploding from Palestine to Pakistan results from generations of this grotesquely unjust economic relationship, and all attempts to confront it democratically and non-violently are met with indifference and violence.

At a time when we are in desperate need of principled diplomacy and moral leadership, the Trudeau government stalls on our commitments to the Paris Accord, and our official opposition seems more interested in picking sides, picking fights, and fanning the flames of violence—a dangerously ideological, simple-minded strategy likely to make things a whole lot worse.

There was a time when Canadian Prime Minister Lester B. Pearson won a Nobel Prize as the father of UN peacekeeping; when Canadian diplomats led the charge in organizing the Rio Earth Summit, where sustainable development became the mantra for our common future; when the well-being of Canadians was front and centre in economic policy, exemplified by Tommy Douglas' campaign for universal health care. The values that underlay these initiatives became synonymous with Canadian values.

In 2010 Ed Broadbent, one of the most respected statesmen of our era, warned of a coming barbarity on the heels of the unjust economic system.⁴²

In *Dark Age Ahead*, the celebrated urban visionary Jane Jacobs warned of the dangers to civilization of environmental crisis, racism, and the growing gulf between rich and poor.⁴³ And in *War*, military historian Gwynne Dyer writes that since at least the mid-1800s, nations have subscribed to Carl von Clausewitz's dictum that "war is merely a continuation of policy by other means."⁴⁴ Dyer argues that we can no longer afford that kind of politics: "We have reached a point where our moral imagination must expand again to embrace the whole of mankind, or else we will perish."⁴⁵

Ecological footprint analysis, created by Canadian ecologist William Rees, tells us that on a finite planet of almost eight billion, Canadians appropriate much more than our fair share of the earth in order to live as we do.⁴⁶ Our insatiable appetite for fully loaded pickups, supersized houses, sun-and-surf holidays, and endless consumer toys and trinkets is filled at the expense of the majority of our fellow human beings and most other gloriously diverse forms of life on earth.

We in the West consume more than the earth can bear, and we are destroying basic life support systems through the burning of fossil fuels. We routinely resort to violence to guarantee access to those resources, and we have been satisfied to allow the small minority to live in relative luxury while the vast majority live in dehumanizing poverty. None of this can be sustained ecologically, politically, or morally.

Christopher Clark, in *The Sleepwalkers: How Europe Went to War*, describes the protagonists of World War I as "watchful but unseeing, haunted by dreams, yet blind to the reality of the horror they were about to bring into the world."⁴⁷ His words could be a warning to the contemporary world as we stand at another crossroads in the history of our species.

CAPITALISM AND CLIMATE CHANGE: GOD BLESS US ONE AND ALL!

One of the most beloved stories of the Christmas season, *A Christmas Carol*, celebrates the redemption of an iconic greedy capitalist. Almost two centuries after Ebenezer Scrooge opened his heart for Tiny Tim, we are still debating the possibility of redemption for this particular economic system.

Few love capitalism, but many are resigned to its reign because they believe that there is no alternative. As Jim Stanford explains in *Economics for Everyone: A Short Guide to the Economics of Capitalism*, though many of us own stocks, either directly or in our pension plan portfolios, the capitalist class, constituting only about 5 percent of the population, own and control the lion's share of productive assets.⁴⁸ Through the limited liability corporation—Ford, Cargill, Exxon, Amazon and the like—capitalists put these assets to work.

What makes capitalism such a dynamo? Its defining features are greed, growth, and the valuation of human beings solely on the basis of what they can produce. Capitalism is driven by greed. It cannot comprehend the concept of “enough.” Greed is undoubtedly a part of human nature, but so are compassion and co-operation. Capitalism nurtures greed and makes of it a virtue, celebrating those who master it—the likes of Elon Musk, Bill Gates, Richard Branson, and Jeff Bezos.

Capitalism demands that every corner of the planet, every community, every ecosystem be available for exploitation. Like a vampire seeking blood, capitalism withers without access to cheap resources, land, and labour, and will do whatever it takes to acquire them. Colonialism is one manifestation of this insatiable drive. Another is the constant hunt for a good deal on collectively owned assets—health care being a prime example—with the threadbare argument that private enterprise is always and everywhere more efficient than collective ownership.

Capitalism dehumanizes. Individuals are simply one factor of production whose cost is to be minimized. At the extreme, as Andrew Nikiforuk documents in *The Energy of Slaves*, abolition of slavery was fought to the bitter end by plantation owners who feared it would lower return on investment.⁴⁹ Unliveable minimum wages are a contemporary manifestation of this dehumanization.

Capitalism is relentless in its subversion of democracy in pursuit of self-interest. In *The Trouble with Billionaires*, Linda McQuaig and Neil Brooks chronicle the endemic collusion between the Canadian political establishment and the capitalist class—for example, enshrining capital gains policies so that wealthy investors pay less tax on what their money earns than real working people do on their earnings.⁵⁰ In the US, democracy is

under siege as a result of court decisions granting corporations rights of persons to spend unlimited amounts for favoured candidates.

Blind growth is the lifeblood of capitalism. Profit leads to investment, leading to more profit, and so it goes. A CEO who ignores the profit-investment-growth formula is likely to be devoured by competitors. What is gained in efficiency is merely ploughed back into still more resource exploitation and production—a variation on the Jevons paradox first postulated by W. S. Jevons in 1865, after observing that more efficient coal burning actually led to increased consumption of coal. Efforts at energy conservation increase profits, which are then invested into still more production. Faced with the looming satiation of needs in the 1950 and 1960s, the advertising industry, so adeptly portrayed in *Mad Men*, had to be created to manufacture desire and sustain the growth.

Thomas Piketty's *Capital in the Twenty-First Century* is perhaps the most celebrated contemporary critique of capitalism.⁵¹ Piketty argues that capitalism, left to its own devices, generates staggering levels of inequality, demanding an ever-increasing share of the growth it generates. In another well-known critique, *This Changes Everything*, Naomi Klein states her position unambiguously—capitalism is the problem and no less than the survival of human civilization depends on finding a better way.⁵²

Celebrated environmental journalist Elizabeth Kolbert and energy expert Mark Jaccard, both well-known climate change crusaders, are dismissive of Klein's argument.⁵³ Climate change is the existential threat, they say. There is no time for anti-capitalist ideological diversions. And if capitalists such as the Waltons—the first family of Walmart—can pitch in to save the planet by outfitting their stores with solar panels, so be it. Klein argues that we will never build a global consensus to meet the challenge of climate change if we remain guided by an economic system that breeds inequality and, by definition, must grow relentlessly at a compound rate or wither.

Capitalism has proven to be an amazing engine of economic growth and has brought humanity unimagined material abundance—but at the expense of equality and the debasing of the rest of creation. In an era of uneconomic growth and soul-destroying excesses of material consumption, we need a new economic operating system, one capable of confronting the existential crises of our time—inequality and ecological collapse.

So where do you stand on this chicken-and-egg question—capitalism or climate change? Naomi Klein has done us a great service by putting the question on the table. There's no room for sacred cows in the confrontation with climate change. God bless us one and all!

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