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Regional Energy Development In Comparative Federal Systems

UNIVERSITY OF MONTANA

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Introduction

In a recent article William Riker described federalism as, perhaps, nothing more than a constitutional legal fiction, a figment of the imagination of academics.¹ According to his argument, a state exercises only those powers which the national government allows. The national government remains the final arbiter of what authority the state possesses and how that authority may be exercised. This is not an encouraging perspective for Montanans who support the efforts of their state government to control the development of energy resources. Since these resources are increasingly viewed as vital to the nation as a whole, Riker's argument would lead to the conclusion that state-federal confrontation over resource development will result in further centralization of national authority. Resistance by Montana can only increase intergovernmental tension and result in unproductive isolationism.

Another possibility is suggested by the experience of Alberta in the Canadian federal system. Although well endowed with energy reserves, Alberta has not yet been victimized by nationally dictated energy policy. This is due in large measure to the configuration of the Canadian federal system. Comparison of conditions in Montana and Alberta may illustrate some of the possible consequences of the intensifying competition for decreasing supplies of energy resources.

Comparative Framework

Citizens of the United States are poorly informed about life and politics in Canada. This holds true even in Montana, a border state which has interests in common with neighboring Canadian provinces. Only rarely have events

focused attention on the fact of territorial contiguity. But the energy crisis has produced awareness of many critical issues in the United States. The possibility of continued exponential economic growth in the face of finite resources has been questioned. One result has been recognition of facts concerning Canadian-American interdependency. Americans are becoming aware of the significance of the fact that Canada, not Japan, is the leading trading partner of the United States; that the U.S. imports more petroleum from Canada than from the Middle East. Growing energy demands coupled with problems of interruptions in supply—particularly of Middle Eastern oil—have placed greater importance on the resources of both western Canada and the western United States. While Canada's petroleum reserves are sought to help alleviate short term U.S. shortages, coal and oil shale in western states are viewed as a means to ultimate energy self-sufficiency in this country.

To the extent that the resources of Montana and Alberta are regarded as complimentary solutions to the U.S. energy problem, mutual interests are likely to emerge. Common responses of the respective regional governments to national pressures could lead eventually to variations of "resource regionalism." Such localization of interest is possible and more likely to survive under federalism than under other kinds of national political systems. Whereas unitary systems respond to national constituencies, federalism, theoretically, allows parochial interests to exist to greater or lesser degrees.

It follows, therefore, that in federal systems the interest of the center and the periphery are often incongruent. In the area of natural resource utilization, divisions of interest between areas that are primarily producers and those that are consumers have existed for some time. But the response of the energy producing areas to the increasing energy demands of the nation as a whole may produce conflicts which cannot be handled by existing federal structures. Demands of energy production, energy consumption and environmental protection may also necessitate intergovernmental relationships which federalism has not fully anticipated.

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As the major source of Canada's indigenous supply of oil and natural gas, Alberta is subject to a variety of pressures. Since satisfaction of national energy demand depends heavily upon one province, the possibility of federal bargaining is restricted. Furthermore, with over 80% of the Albertan petroleum industry controlled by foreign corporations—primarily U.S.—the profit incentives of non-Canadian interests exert influence on Canadian energy policy. Finally, the need to produce revenue for the province adds another complicating pressure.

When the opportunity to sell oil to the United States at high and potentially higher prices is presented, Albertans and all Canadians are faced with hard choices. Alberta's neighboring provinces also have an interest in a regional energy policy that can maximize benefits from their positions as energy producers. Across the border, Montana is sensitive to shifts in price or policy that affect the flow of Alberta's natural gas to the state. For Alberta and the Canadian federal system, therefore, a variety of relationships are brought to light by growing concern with energy issues.

Montana has yet to experience comparable energy resource development. Present levels of coal production are insignificant by comparison with the anticipated development of the vast resources of the Fort Union Basin. The pressure on Montana may be reduced, however, because of the availability of significant sources of coal in Wyoming and North Dakota. In addition, the Green River oil shale formation of Wyoming, Colorado and Utah offers a major alternative to coal development. Among the western states, therefore, a mixture of conflict, competition and cooperation is likely to characterize the politics of energy development.

The possibility may exist for development of an international energy region. If Montanans and Albertans perceive themselves to be exploited to meet the energy demands of industrial population centers of the two nations, they may come to identify with one another. Shared interests may have little effect on respective federal patterns but state-provincial contacts are likely to be more frequent.

Structural Interaction

The institutional matrix within which energy policy is made is extraordinarily complex. Policy affecting Montana and Alberta is developed on six levels. The state and provincial governments themselves lie at the base. The next level comprises the relations between these governments and the governments of neighboring states or provinces which are also involved in energy production. For Montana these include North Dakota, Wyoming and Colorado; for Alberta, they consist of British Columbia and Saskatchewan. The third level is the relatively undeveloped relationship between the states on the one hand and the provinces on the other.

The fourth level consists of the federal or national governmental units—essentially the United States Congress and the Canadian Parliament. Input at this level comes from three main sources: first, from state/provincial interests

developed primarily through their legislative delegations; second, from the President or Prime Minister and the top policy people around them; and third, from the functional agencies described below.

The fifth level is often not highly visible but is one of the more important in policy determination. In the United States, this includes a multitude of functional administrative agencies such as the Bureau of Mines, Bureau of Reclamation and Bureau of Land Management. The Canadian situation is considerably less complicated with regard to energy development per se. But because energy policy is tied to a wide variety of other policies—more so than in the United States—the influence of other functional agencies complicates interactions. These U.S. and Canadian agencies are responsible for routine government business in specific substantive areas, and they have their own parochial interests in and influence upon the development of policy. The states and provinces have parallel networks of administrative agencies that complicate the process.

The final level is the international dimension, i.e., United States-Canadian relations and the international environment in which they exist. This network includes multinational corporations, Middle East producer countries, and European demand patterns among its most obvious elements. It is instructive to think of the U.S.-Canadian relationship in energy development as another variety of neo-colonialism. Center-periphery patterns can be seen which operate as though the two nations were themselves part of an additional federal structure. While Canada is a sovereign state, it is highly vulnerable to U.S. demands and pressures. In fact, Canada's position vis a vis the U.S. is, in some respects, weaker than that of a state in a formal federal system.

The operation of this six-layered matrix will not only determine the character of energy policy affecting Montana and Alberta but will affect the very nature of their respective federal systems. Some of these relationships have become well-established over time, while others are latent or even conjectural. Almost daily, however, the pattern becomes more complicated as solutions to different aspects of the energy problem are sought.

Four Federal Patterns

Four identifiable patterns already exist in center-periphery relationships concerning energy development policy: 1) resource isolation; 2) environmental protection; 3) economic benefit; and 4) cooperation. These patterns are usually found in various combinations in the policies of individual states or provinces. However, any one pattern may represent dominant opinion at a particular stage of policy development.

Resource isolation. Isolationism has found expression in a variety of contexts. As a response to international imperialism, national isolationism involves the assertion that a nation's raw materials should be used for the benefit of that nation's growth and progress. Among underdeveloped nations, this attitude is finding greater currency. Understan-

dably, the developed nations are uncomfortable with this new consciousness.

In the United States, some energy-producing regions take the position that their needs should be met first when energy supplies run short. The oil-producing states on the Gulf of Mexico took this position during the height of the energy shortage last winter. Some attempted to reduce production in the belief that it was better to leave the oil in the ground for future state use. They argued that other parts of the country must develop their own resources even if it meant increased levels of pollution. Governor Edwin W. Edwards of Louisiana summarized the argument: "It'll do little good to tell Millie down at the funeral home that at least her husband froze to death in clean air."²

In Canada, the prospects of freezing are real. A growing attitude of resource isolation reflects increasing Canadian awareness of that fact—and the realization that Canada's energy reserves are incapable of supporting a continental energy policy that can solve the long term energy requirements of the United States. One of Canada's most respected geophysicists and chairman of the Royal Society of Canada argued in the winter of 1972 that Canada's entire reserves could, at best, help the U.S. for only one or two years. He warned:

"There is one thing Canadians should always remember. In many parts of the world including much of the southern United States people will be uncomfortable if heating fuel is cut off, but in Canada many people would die."³

Resource isolationism takes on a different aspect when the producer is not also a major consumer, as in the Middle East. In this case resources may be kept in the ground until the price is right, not necessarily for later internal use. In effect, this approach also is a variation of the economic advantage theme described below.

Environmental protection. Environmental protection has a fairly brief history, and its advocates find allies among the resource isolationists. An environmental theme is difficult to develop, however, when a producer region is also a heavy consumer of its own resources or has come to depend on the revenue derived from their development. Where demand exceeds supply, as for the United States as a whole, the basic need for energy may preclude the possibility of effective environmental protection.

In Montana, concern for environmental protection has been influenced by three factors: the state's experience with the effects of resource extraction in the past; the absence of energy-consuming secondary industry; and previous freedom from dependence on tax revenues produced by extractive industries. Oregon and Colorado provide other examples of western states presently emphasizing environmental themes in the strategy of development.

The population of these states includes a growing proportion of residents who have moved from areas of heavy industrial pollution and recognize that scenic and other esthetic values should be preserved. In effect, it is a coalition of groups and individuals both from within and outside the state of Montana that emphasizes environmental protection. However, this coalition may be incapable of resisting the

force of economic incentives within the state. The balance will shift if the industrialization associated with coal development promotes a different kind of immigration into the state.

Economic advantage. This approach implies that environmental or consumption tradeoffs are justified when the revenues derived from sale of resources are sufficiently high. Brazil, for example, welcomes industrial development and considers pollution an acceptable tradeoff for economic gain. Among the western states, Wyoming has attempted to exploit what may be a temporary position of economic advantage in its response to coal development. Extraction taxes were deliberately placed low to encourage the early development of industry in that state.

When shortages existed during the winter of 1973-74, many regions that had previously been oriented toward economic advantage when resources were freely available adopted an isolationist stance. The power companies in these areas had previously attacked Federal Power Commission pricing policies as impeding expansion of the natural gas industry. Yet when shortages occurred, these same policies were supported for their effect in keeping gas within the states—for consumption at prices far higher than interstate rates.

At the present time, Alberta seems willing to sell to any customer. This policy is based on the growing market value of its petroleum and provincial dependence on royalties to relieve other tax pressures. This course can be followed only for as long as supply exceeds indigenous demand. As we have noted, Alberta does not subscribe to the policy that resources should be husbanded for eventual use within Canada. Conflict will emerge to the degree that Canada as a whole adopts the conservationist view.

Cooperative. According to this approach, the interest of state, province or region are not primary considerations in determining energy policy. Regional welfare is equated with national welfare, or national welfare with the concerns of the world. The Stockholm Conference of 1972 attempted to promote this perspective on a global scale. A continental energy policy for the United States and Canada would be consistent with this theme. Within the two federal systems, the center usually promotes the idea and the regions reject it.

Current energy development policy in the United States reflects a cooperative strategy. The Nixon administration has articulated a philosophy of sharing the burden of the energy shortage and equalizing the impact of national industrial pollution (without necessarily abating it overall). At the state level, North Dakota's present policy may be identified with the cooperative theme. In this case, however, it may be difficult to differentiate cooperation from an attempt to achieve economic gain. This approach is usually advocated in areas which have had little experience with the effects of a large scale resource extraction industry.

The purely cooperative approach, therefore, may be the most ambiguous and least stable of the patterns. But in each of the areas identified, all of the approaches will remain in tension as the search for future energy sources continues. The following discussion focuses on the basis for the positions taken by Alberta and Montana and deals with conditions which may result from changes in those positions.

Comparative Policies in Montana and Alberta

Comparison of features of the American and Canadian federal systems in the context of energy development provides a broad field for speculation regarding future changes in those systems. Research should focus on several aspects of the positions taken by Alberta and Montana, respectively, within their federal frameworks. One thing is already clear: the acceleration of activities in both Montana and Alberta is diminishing the opportunity to make policy in a climate of understanding—policy that is beneficial to both nation and region.

Alberta: Negotiation From Strength. Because of its stronger position as one of only ten provinces, and because of Canada's heavy reliance upon its energy resources, Alberta's position on the development of those resources will be a major factor in the federal policy equation. Montana's weak federal position, on the other hand, means that its interests are likely to be subordinated to those of the United States as a whole. In both cases, however, the outcome will affect the federal systems in matters other than the specific statuses of Montana and Alberta.

Alberta's apparent position of strength is, nevertheless, paradoxical. The pressures on Alberta's residents and decision-makers are varied and intense. Alberta produces 80% of Canada's present supply of oil and natural gas and could guarantee Canada's self-sufficiency. The Athabasca oil sands rival the oil potential of the Middle East.⁴ Alberta's decision to sell remaining current supplies depends on its ability to bring oil sands plants into production before traditional energy reserves are depleted.

A strong case can be made in Canada for a "cooperative federalism" that usually has not characterized Ottawa's relationships with the western provinces. Separatist threats in the western provinces are not of the same order as those in Quebec, but Alberta and British Columbia sometimes question the value of Canadian unity. Elements of a constitutional crisis were apparent in the federal-provincial energy conference in January 1974—a conference termed by one source "the most crucial meeting of its kind ever called" in Canada.⁵

That meeting failed to resolve the central question, one whose elements must be reconsidered in the near future. On the face of it, the question is simple: to what extent, and in what manner should Alberta attempt to capitalize on the rising prices accompanying the increased demand for fuel? Two University of Alberta economists argue that increases in the well-head price of Alberta crude oil could constitute a net economic loss to Canada as a whole.⁶ They point out that while prices go up for Canadian consumers, petroleum industry profits accrue primarily to American-owned companies who pay low economic rent.

The dynamics of the Canadian energy system help explain the federal implications of the issue. Canada is theoretically capable of energy self-sufficiency; it presently exports slightly more and imports slightly less than one million barrels of oil daily. But the absence of east-west pipeline facilities prevents Canada from benefiting from the nation's

surplus. Consequently, eastern Canadian provinces must import foreign fuel at competitive world price levels which, in turn, stimulate higher prices for western Canadian producers. Except for certain tax equalization structures that partially redistribute national wealth, eastern Canada will not benefit from any price increases for Canadian petroleum. The decision to complete an east-west pipeline, therefore, will have two consequences: Canada can become self-sufficient in energy for the immediate future and eastern Canadian consumers will not have to pay inflated world prices.

Alberta, and Canada, must decide whether continued export of energy resources is beneficial for the province and the nation. At the present rate of consumption, Canada's known traditional reserves can only supply U.S. petroleum demands for a few years. Present-day extractive methods could recover as much as 30 billion barrels of oil from the Athabasca oil sands—enough to supply Canada into the next century. Peak output, however, would supply only a fraction of daily U.S. demand. Alberta might expect sizeable income for perhaps a few more decades, but at the potential cost of Canada's long-range self-sufficiency. The continuous outflow of capital and increased foreign ownership of Canadian industry only serve to exacerbate fundamental problems of Canadian prosperity and national identity.

The Canadian constitution clearly gives the provinces control over natural resources. Whether they have used this authority judiciously is another matter. One Canadian economist notes:

"Resource development is within provincial jurisdiction and experience shows that the provinces favor maximum resource extraction in the shortest possible time and on the largest possible scale, without particular concern for the nationality of the interests to whom these resources are sold."⁷

But once a resource enters interprovincial or international commerce, federal authority is involved in a variety of ways. The federal government is responsible for dealing with national problems that derive in part from energy questions—full employment, trade, development of secondary industry, and inflation. Ottawa has responded by imposing export taxes to control windfall profits and to protect the economic climate in the rest of the nation. The immediate conflict between Alberta and Ottawa involves the distribution of the resulting revenue. Eventually, however, Canadians will have to decide whether the country can afford any further exportation of resources. The U.S. response to such a decision could permanently affect relations between the two countries.

Before the recent fall of the government, rumors prevailed that both Prime Minister Trudeau and Alberta Premier Peter Lougheed would call elections on the energy question. The results of the July federal election, although called to settle a different issue, will exemplify strains placed on the Canadian federal system by the energy question. Trudeau has no support in the west that would be lost by taking a firm position on the energy issue and he may calculate that it will increase support for his Liberal government in the eastern

provinces. The unknown variable may be Quebec, whose strong support Trudeau needs but whose governments have always been strongly committed to the principle of provincial autonomy that Alberta currently asserts. If these issues surface, the election could further divide Canada along east-west lines or, conceivably, promote a strange alliance of provinces with little in common but the principle of resistance to federal authority. The election and its aftermath could alter significantly the configuration of Canadian federalism.

Montana: Bargaining at a Disadvantage. Montana's energy role in the American federal system presents a strikingly different picture. The state lacks sufficient national leverage to secure results which conform to Montanans' visions of its future. The predominant position of the national government is likely to determine the results of regional energy resource development.

The state government has tried to establish ground rules for the development of Montana's portion of the Fort Union Basin coal reserves, estimated to be capable of supplying national energy needs well into the 21st century and perhaps beyond.⁸ Various bills introduced in the 1973 and 1974 Montana Legislative Assemblies addressed questions related to coal development, among them strip mining reclamation, utility plant siting, taxation, and water use. On March 1, 1974, Governor Thomas L. Judge expressed fear that the federal government was attempting to preclude state options in these matters. "I take the position that this is very properly a matter of states rights to decide on how the land is going to be reclaimed and if power generation plants are going to be built and where they are going to be located."⁹

If a national commitment is made to utilize coal as a major energy source, however, it is doubtful whether Montana will be able to resist the combined pressures of the federal government, industry and national public opinion. It is already evident that the federal government does not share Montana's views regarding optimum conditions for the rate and scope of coal development. President Nixon has pressed for relaxation of clean air standards that could lead to widespread use of coal in power-generating plants across the country. A once-imposing strip mine bill in Congress has been weakened by section-by-section amendment.

By comparison with Alberta, Montana is the object of a greater diversity of pressures from federal government sources concerned with energy development. This results from the greater proliferation and autonomy of the boards, agencies, bureaus and departments in the U.S. federal bureaucracy. While Alberta can negotiate with the National Energy Board as the principal federal agent in energy dealings, Montana faces a plethora of federal agencies all seeking an important role in the development of coal reserves. The Bureau of Reclamation helped conduct the North Central power study that predicts eventual construction of 42 coal-fired steam generating plants in the Fort Union Basin. The Atomic Energy Commission is pressing hard to involve its demonstration reclamation project in the process. The Federal Power Commission, Bureau of Mines, Bureau of Indian Affairs and others are involved in various aspects of coal development. Because

80% of the potential coal area is subject to federal mineral rights, the probability is very low that Montana can apply uniform and comprehensive coal development regulations which are significantly different from national policy expectations.

Montana's environmental response structure is also fragmented in comparison to the close organization of Alberta's provincial government on energy questions. Decisions affecting the entire process of coal development are assigned to various state agencies including the State Land Board, the Department of Natural Resources and Conservation, and the Department of Health and Environmental Sciences. It is too early to ascertain whether the requiring of several approvals guarantees effective state control of development or whether fragmentation of authority makes the state vulnerable to "divide-and-conquer" strategies from alliances of industry and federal agencies.

Montana's relations with neighboring states are similarly complicated. The energy resources issue could either divide the western states or produce a regional consensus regarding the best response to national pressures. In this respect, the situation is similar to Alberta's relationships with neighboring provinces of British Columbia and Saskatchewan in which a single solution has not been agreed upon. A unified position among U.S. senators from the western plains and Rocky Mountain states would best enhance the power of the energy-producing region. Such a position is logical in the context of natural airsheds, watersheds, and the distribution of fossil fuels in the region, but as yet there are few signs of its emergence.

Separate state interests could preclude future development of any such alliance. If Wyoming is eager to derive revenue from its own oil and coal, it is more likely to oppose Montana's position than adopt it. Wyoming's interest in the use of the Yellowstone river for coal development would then come in sharp conflict with Montana's decision to assign water use priority to agriculture.

If the energy question is unlikely to produce a western state alliance in the U.S., or a western provincial regionalism in Canada, it is even less likely that Montanans and Albertans will develop common awareness of the problems they share as energy-producing regions. Montanans have been introduced to the subject as consumers of Alberta's natural gas: 80% of Montana Power's natural gas supply is Canadian. Price increases will ultimately be passed along to Montana consumers and they will be affected by any change in Canadian export policy. Montanans, therefore, may already be sensitized to a possible conflicting relationship with Alberta and Canada.

Prospects for Changing the Federal Balance

The regional resource themes identified earlier will be susceptible to a variety of pressures as energy conditions

change. Transformation of attitudes into public policy will be a function of the interaction of three factors: energy demand levels, changes in the technology of extraction, and ability of state/provincial governments to compete with other levels of government. Lacking the latter, a subunit may find its basic position in the federal system significantly altered.

Experience suggests that demand levels are the least elastic part of the economic equation. Barring changes in the American attitude toward growth, supply will continue to be adjusted to demand, rather than the reverse—as long as the finite nature of supply is accorded minor importance in policy making. Canada's present capacity to meet demand with indigenous supplies puts it in a better position than the United States which needs to search for additional supplies at progressively greater costs. Economic development could, however, produce changes in resource policy. For example, expansion of secondary industry in Alberta or Montana might promote attitudes favoring utilization of resources within the province or state.

Developments in the technology of resource extraction could have a potentially greater impact. Reduction of extraction costs will probably lead to an increase in resource exploitation. It is possible, however, that technological advances in one area will not be transferrable to others. Thus, a commitment to large-scale development of *either* coal, *or* oil shale, *or* oil sands could be made to the relative exclusion of the other resources. Increased availability of domestic sources could reduce the U.S. pressure for development of Canadian resources or for construction of the Mackenzie pipeline. Curtailment of Alberta natural gas imports could force Montana into gasifying its coal for internal use.

If a commitment is made to develop extensively the coal-related energy industry in Montana, and the state is unable to control rates of growth, popular attitudes may change accordingly. The state may abandon or modify its environmental protection stance to adopt a strategy of economic advantage. Montanans may become resigned to the fact that the resources will probably be utilized and conclude that they should make the best of it by concentrating on the potential for additional revenue.

Recent events suggest that Montana's position is already beginning to shift—that Montanans are realizing the state must accommodate itself to external pressures. Governor Judge has attempted to establish standards below which Montana must not fall. For the next five years, coal can be mined and shipped out for use in industrialized areas as long as state reclamation standards are met. But leases will not be granted to mine coal for use in massive conversion facilities which will degrade Montana's air and water.¹⁰

This position represents a fair compromise in terms of the obligation of the state to the nation under principles of cooperative federalism. Like Alberta, Montana must adjust to the reality that it does not have absolute control over energy resources within its own boundaries and that national energy needs are irresistible. The issue is not whether the sources should be left in the ground but how and to what extent they are going to be exploited.

The 1973 Montana Utility Siting Act provides the

opportunity to reject construction of a conversion facility if energy demands do not warrant it. The question of *whose* demands is the crux of the issue. The decision is somewhat simplified by the provision that coal for energy use outside the state cannot be converted within the state. Montana may have an obligation to share its energy resources, but it should not be expected to degrade its own air and water in the process.

In the area of natural gas, Montana's position is similar to Canada's petroleum situation: both are theoretically self-sufficient. While Montana Power imports natural gas to meet indigenous demand, developments in the Tiger Ridge area are marked for interstate commerce. If further importation becomes financially prohibitive, the state may become "resource isolationist" about its own gas even though production of synthetic gas from coal would result in additional environmental degradation. There are no easy answers: Montana's position on energy resources is likely to become even more complicated.

Alberta, on the other hand, will exhaust its traditional petroleum reserves in the not-too-distant future. It will then face the dilemma of developing the Athabasca oil sands, posing the same environmental questions as strip mining of coal in Montana. It is doubtful that Albertans will become more environmentally conscious since they have become dependent on high levels of tax revenues from energy extraction. On the other hand, Canada's own domestic energy demands may restrict Alberta's prerogatives within the federal system. It will not be a question of whether the oil sands will be developed, but *who* will develop them *when* and for what purpose.

In the short run, federal structures will determine the scope and degree of energy resource development in both the U.S. and Canada. In the long run, however, it is more likely that the constellation of forces surrounding energy development will result in increased centralization of governmental authority, especially since national prosperity is dependent on abundant resources. Such developments may be yet another example to support Riker's argument regarding the growing irrelevance of contemporary federalism.

For some time energy policy will continue to be made within the context of the present federal division of power. In a very real sense, the future of Canada and the U.S. will depend upon how well these systems work. A comparison of the Canadian and American experiences should provide insight into energy resource development in other governmental settings in different parts of the world, including international organizations. The period of resource abundance and resulting profligacy is over. Political systems will now be called upon to an ever increasing extent to make hard and often unpleasant decisions.

Lessons from the Federal Experience

The sanguine expectations of the Stockholm Conference—that awareness of growing scarcity of world resources would promote cooperative saving and sharing among nations—have been severely jolted. Instead we are

witnessing an international "tragedy of the commons"¹¹ wherein each nation attempts to maximize its own advantage with little regard for the needs of other nations. If consensual societies such as those of Canada and the United States cannot avoid substantial erosion of their federal systems in resolving regional resource conflicts, it can hardly be expected that a global community of interest will emerge.

Developments related to energy problems are also inconsistent with the patterns and expectations of economic modernization. The rise of resource regionalism constitutes an interruption in the usual evolution of an industrial society. Modern industrial organization tends to de-emphasize sectional or regional differences in favor of a uniform and integrated whole. In the early stages of development, national policies gave priority to the populating and economic development of the western areas of the United States and Canada. Strong sectional or regional differences resulted in both countries but have persisted longer in Canada. The U.S. more nearly approximates the model of an advanced industrial society in which processes of assimilation, urbanization, mobility and mass communication have removed many of the subnational territorial aspects of internal conflict.

If an advanced industrial society is suddenly faced with conditions of scarcity which threaten one of its most important characteristics—a sustained growth economy—it may discover that sectional problems were never really eliminated but only subordinated. The possibility that Canada and the United States may now be approaching a situation in which latent regionalism will reassert itself merits examination. Especially in Canada, provincial boundaries reinforce linguistic, ethnic, regional or historical differences that affect the manner in which federalism operates. Now, as energy resources are developed, territorial differences are more directly related to properties of the land itself.

Energy resource regionalism is a phenomenon that federalism may or may not be able to handle. If Montanans and Albertans concede that efforts to preserve their autonomy are futile, the federal structure may atrophy further and the system survive in form only. Comparable development of resource isolationism on an international scale could spell disaster because the organizational framework at this level is nothing more than extension of the sovereign states that make up the world community. Conflict over the world's resources will be the ultimate test of the capacity of nations to transcend the limitations of this framework.

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MONTANA PUBLIC AFFAIRS REPORT

Bureau of Government Research
University of Montana

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