



From the Editor / L. Ian MacDonald

The Politics of Oil

Welcome to our special issue on the politics of oil. The plunging price of oil has hit everything from fiscal frameworks and budget forecasting, to the Canadian dollar and the central bank interest rate. The conversation isn't just about the price of oil, but its impact on politics and public policy, and in an election year at that.

For example, when Jim Prentice was sworn in as premier of Alberta last September, the price of oil was \$93 per barrel. It's since been as low as \$44 before settling in the low-\$50s. Every \$5 drop in the price of oil is \$1 billion less for the Alberta Treasury. Suddenly, Alberta is looking at a deficit of \$7 billion a year over the next three fiscal years, and a first round of program spending cuts of \$2 billion a year. There may be more to come in Prentice's first budget, as he addresses both the cyclical and structural nature of the deficit. On the one hand, Alberta has the lowest taxes in the country, on the other, as Prentice tells us in a Q&A, "the highest cost of public services."

We met at his office at the Alberta Legislature in mid-February. He covered a lot of ground in a half-hour conversation, including prospects for the Keystone XL and Energy East pipelines, which face different political obstacles in the US and Canada, as well as Alberta's record on the environment and climate change.

In terms of Prentice's budget, it's pretty clear that rather than voting on it on the Legislature, he'll be taking it to voters in a spring election. "We will take some tough measures that will impact every person in this province," he says. "It would be irresponsible not to give them the final say in terms of whether they agree with that or not."

But he adds: "Alberta is a tough, resilient place. We will get through this."

Jack Mintz, head of the Policy School at University of Calgary, considers the choices and trade-offs Prentice faces in his first budget in March, one that will likely lead to a spring election in Alberta in April.

Plunging oil prices have had a similar effect on the fiscal framework in Ottawa—where every \$5 drop in oil also costs the feds \$1 billion in revenues. The Harper government is still determined to balance the books in fiscal 2015-16, while it also announced in the fall update \$4.6 billion in new family spending. The budget update was based on \$81 oil. That was only last November, but it was in another era.

Balancing the books and handing out goodies, while income is shrinking, is something you shouldn't try at home. But as Contributing Writer Robin Sears notes: "The Government of Canada is on a different fiscal planet than you are." He adds: "This government appears to be hoist on an exquisitely painful petard of its own making."

Then BMO economists Douglas Porter and Robert Kavcic take a look at oil and the economy in nine charts which graphically illustrate the importance of oil to the Canadian economy, notably the producing provinces. As they write: "Oil and gas directly accounts for 24 per cent of GDP in Alberta, 22 per cent in Newfoundland & Labrador and 15 per cent in Saskatchewan."

Velma McColl and Ross Belot write that shifts in global markets should shape a Canadian energy strategy, a work in progress from the Council of the Federation, with a plan forthcoming this summer from the provincial and territorial premiers.

Contributing Writer Anthony Wilson-Smith leads off our Features section and looks at the riddle that is Russia, and its propen-

sity for strongmen at the helm, from the czars to the current leader, Vladimir Putin. Wilson-Smith was *Maclean's* first Moscow correspondent in the Gorbachev era.

Israeli elections are never about small issues, as Gil Troy writes on the looming March 17 vote in Israel. But in some ways this one may be about Bibi Netanyahu, and whether he has overstayed his welcome. A professor of history at McGill, Troy is a leading authority on American and Israeli politics, and acclaimed author of 10 books.

In Britain, they're having an election on May 7 that as, Andrew MacDougall asks, "what if no party wanted to win?" Or at least, no party won. The possibility of a hung parliament seems quite real as the ruling Conservatives wave goodbye to their coalition partner, the LibDems, while Labour struggles with an unpopular leader, Ed Miliband. The fringe parties such as the Scottish Nationalists may be playing a larger role in a "Humpty Dumpty parliament."

Patrick Gossage considers words and occasions—the power of great speeches to influence events. He offers three case studies: John F. Kennedy, Pierre Trudeau and Brian Mulroney.

There's a new game in town in Havana, and former Canadian ambassador Mark Entwistle asks where Canada's opportunities lie in the rapprochement between Cuba and the US.

Finally, in a trading nation that relies overwhelmingly on transportation to get its commodities to market, Barry Prentice and Graham Parsons look at Canada's grain handling and transportation system, in which rail remains indispensable. And David Lindsay looks at the historical policy challenge of "right-sizing" Canada's transportation system. **P**