There are number of significant changes to the paper some of which were things I wanted to do to improve the paper.

One of the most important additions is to include measures of "diversity" and attachment based on Statistics Canada census data (page 16),  I wanted to get a sense of whether provinces are more or less diversifies than canada as a whole and how much people identify themselves as Canadian.  The results are quite interesting especially with language diversity and whether people indicate they are Canadian or some other ethnic or regional group.   This is all quite new.

I also include the new numbers put together by Robert Mansell on fiscal imbalances.   These replaced the earlier ones by Mowat Centre.  This is page 14.

I also have been in touch with an Australian(-Canadian) Ross Hickey who sent me an interesting paper on bicameral legislatures and accommodation.  Some discussion is in on page 4.

I have also updated some of the material on resource conflicts for current issues affecting Alberta's alienation.

Referee Comments

Not sure of ordering.

Referee 1 (the more negative report)

The referee brings up one important point especially that I took time to respond to.   He raised the issue of mechanisms to deal with conflict in a federation such as coordination and assignment of responsibilities.  This was a very good point that needed discussion up front.  I have done this on page 4 which includes points raised by Hickey in his paper.  Canada has a bicameral legislature with regional representation but it really has little power or mandate because it is unelected unlike Australia and the US.   This is a point I included that was not mentioned by the referee.

With this change I think the paper is clearly focussed on federalism not just two jurisdictions.   I don't agree with the first points made by the referee on focus -- it is about the conflict and not solely on interprovincial redistribution.  Obviously the paper could delve into a huge number of issues that is in the book I am currently writing.

The referee in the fourth paragraph raises institutional design.  I agree and make some reference to it (p. 4, and later in p. 16 on Quebec (it was there before) and added material on Alberta on p. 19.

I agree that a significant part of the discussion is on redistribution but the new work on identity and individual preferences is focused in that area -- perhaps because it is so important as policy that governments do. It is only meant to be an example (it came up in Venice by people there).  I have discussed other issues and raise them later especially in the section on claim. No change made here otherwise.

The final paragraph raises points that go beyond what the paper is about.

Referee 2

These comments were quite helpful and clearly related to the paper.

1.  I now mention both income and wealth on page 2.  The discussion is relevant to both.

2. What is region -- I reordered the paragraphs a bit but to make the point that in end it is political and administrative issues that dominate. however, it is important to mention other factors like economic structure as it plays a role so much later one.

3.  It thought some useful points were made here about the common elements of regional tension in the two claim model.  I have now included some discussion on labour mobility and internal trade that can help reduce tensions. See page 6.  This also picks up the point raised by the first referee that criticizes too much focus on redistribution.

4.  Canadian perspective -- I have added some wording around capital intensity, volatility and risk, immigration needs.  See page 9-10.

5.  I have laid out some accommodations for Alberta in the discussion on conflict of claim.  See p. 21-22.  The idea of getting Quebec's arrangement with cash transfers substituted for personal tax points is really new -- but it would give Alberta more control over the personal tax which is important for attracting skilled labour.

Thanks for requesting the revision.