CANADA'S ATLANTIC REGION: RECENT POLICY FOR ECONOMIC DEVELOPMENT

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Introduction

Canada's Atlantic Region consists of the four easternmost provinces of the country - Newfoundland (including Labrador), Prince Edward Island, Nova Scotia, and New Brunswick. Nova Scotia and New Brunswick are charter members of the Canadian Confederation of 1867. Prince Edward Island became a province in 1873, while Newfoundland did not join Canada until 1949. These provincial governments' responsibilities under the British North America Act of 1867 include important instruments for economic development within their own borders. The capital city of each province is a seat of junior government; the four-province Atlantic Region, therefore, a political and administrative unit, whatever its claim to economic homogeneity may be.

The land area of this region - 193,466 square miles - is large by comparison with other parts of the economically developed world. Even if Newfoundland-Labrador is omitted, the remainder, in which most of the population of the four provinces resides, is approximately equal to the 93,000 square miles which comprise the total land area of the United Kingdom, or roughly one and a half times that of the six New England States, and nine-tenths as large as the three Middle Atlantic States. Distance is therefore a relatively important factor in economic development, both internally and externally. Within the region, the population tends to be scattered in villages and small towns along the lengthy coastline. External distances are also significantly greater; from Halifax, the largest population centre in the region, to Montreal at the nearer end of the main Canadian consumer market in Ontario and Quebec, is about 850 miles. Fredericton, in western New Brunswick, is 420 miles from Boston.

In contrast with these other densely populated regions, however, there was in July 1976 an estimated population in the Canadian Atlantic Provinces of 2,200,000 persons. The region thus contained 9.5 per cent of the national population of approximately 23 million.

The Atlantic Provinces are a lagging region within the Canadian economy, exhibiting the characteristic symptoms of higher unemployment and underemployment, lower participation rates, persistent net emigration, slower economic growth, and lower average income and output.

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2The other regions, from east to west, are Quebec; Ontario, the Prairie Provinces of Manitoba, Saskatchewan and Alberta; and British Columbia. The Yukon and Northwest Territories are sometimes treated as a sixth Canadian region.
Until the early 1970s per capita income had remained at two-thirds of the national level since 1926, when these data were first recorded. The region may be characterized as underdeveloped, and in particular does not possess a modern manufacturing sector. Because its difficulties are of long standing and rather deep-seated, I shall review the economic history of the region and the economic policy which has been adopted over the years.

Historical Background

The Atlantic Region's economic history may be dated from 1497, when John Cabot's voyage attracted the attention of Europeans to the cod fisheries, which provided the initial basis for development by European settlers in the sixteenth and seventeenth centuries.

Timber was next, and from the last quarter of the eighteenth century until the 1860's, the region enjoyed its economic hey-day, the so-called "Golden Age" of wood, wind, and water. Under the mantle of a protective British mercantile policy, Maritime Provinces' cod were sold in the British West Indies, and Maritimes' timber found ready markets in Britain. The goods involved in this "triangular trade" were carried in wooden bottoms, and with accessible timber resources it was not long before an extensive shipbuilding industry developed. A feature of the region's economy during the "Golden Age" was its integration in a pattern of international trade conducted under British sponsorship and with British protection, which ensured the opportunity for exploitation of the region's available resources.

The institutional arrangements behind the region's prosperity began to be undermined in 1830, when American ships were admitted to trade with the British West Indies. In 1859 Britain adopted complete free trade, and Maritimes' timber lost its former tariff preference - a fundamental alteration of the trading system, and framework of policy, into which the Maritimes had been so well integrated.

Nonetheless, the Maritimes retained a prosperous status for a time after 1850. Keirstead [4, p. 269] has pointed out that the basis of its manufacturing at this time was its transportation advantage with respect to the New England States and expanding purchasing power in the local market, protected by distance and poor transport from other possible North American competitors, combined with a natural advantage and accumulated managerial and labour skills in the chief industries of lumbering and wooden shipbuilding. The mantle of British protection had been temporarily replaced by access to the New England market under the Reciprocity Treaty of 1854.

Technical change was a more telling factor, however, in removing the basis of the region's prosperity. The wood, wind, and water basis of ocean transportation was replaced by steel and steam as a result of the Industrial Revolution. Those were then fewer natural advantages for the Maritimes, and the remote, thinly populated region was not able to maintain its importance in shipbuilding and the carrying trade. In 1867 the Cunard Lines removed Halifax, the firm's original home base, from its listed ports of call because cargo volumes were no longer sufficient to justify bringing the larger, more expensive steel vessels there to load.

Within Confederation, the three Maritime Provinces suffered further economic setbacks. The then accessible forest resources became depleted. Meat canning and refrigeration developments cut into the traditional markets for fish and, more particularly, the West Indies market for dried fish became depressed as other sources of sugar began to be exploited in competition with the West Indies. Coal, which had been shipped to the United States during the Civil War, was no longer in great demand when the War ended and new, more economic coal mines could be opened in the United States.

The great hope which the pro-Confederation spokesmen held out had been access for Maritimes manufacturers to the markets of Ontario and Quebec. A confident belief that manufacturing would grow led regional entrepreneurs to undertake considerable investment and expansion during the first two decades after Confederation. New capital investment in manufacturing, for example, increased by 1891 to almost three times its 1871 level [4, p. 279]. But the optimistic outlook for Maritimes manufacturing was to prove unjustified by events, as a new framework of policy emerged.

The National Policy

In 1878 Canada adopted the National Policy, consisting of three means of providing the new nation with an economic identity. First, a transcontinental railway would be built to connect the west to the east. Secondly, the west would be settled by immigration, not only to strengthen Canada's claim to the west, but also to provide business for the railways. Finally, protective tariffs would be imposed on manufactured goods to encourage the development of secondary manufacturing and strengthen the east-west flow of trade, and in the process utilize the excess capacity of the railroads.

The major employment and income effects of the National Policy were conferred on the central provinces. Although the Maritimes participated greatly in the railway boom and enjoyed the attendant benefits of the development of Nova Scotia's coal, and iron and steel industries, these effects were much less pronounced and much less cumulative than those in central Canada. In part, this was because the process of nation-building gave the Maritimes an even more remote and peripheral status within Canada. In manufacturing, for example, location in Ontario became logical not only because the largest concentrations of population were there but also because Ontario was, for many lines, the most economic location from which to supply a relatively small and geographically scattered national market. Between 1891 and 1911, the period when the West was being opened up, nearly all the natural increase in population in the Maritime Provinces was offset by the flow of emigration to other regions. By the latter date this region's share of the national population was 12% per cent, compared to 18 per cent in 1871 [4, p. 282]. It was not long, therefore, before Maritimers found their new status as Canadians a step backward and many longed for the return of the prosperous, sea-oriented economy they had enjoyed during the "Golden Age".

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3 Nova Scotia, New Brunswick, and Prince Edward Island; the Maritime Provinces.
The 1920s were a period of reasserted growth for the Canadian economy following a brief recession at the end of World War I. New developments in hydro-electric power production, in mineral production, and in pulp and paper, and the greater use of the internal combustion engine, all contributed to progress which was concentrated mainly in the Central Provinces and in British Columbia. Again, the Maritime Provinces remained essentially on the fringe of this national growth.

It was also during the 1920s that a comprehensive national attempt to examine the economic position of the Maritime Provinces within Confederation was undertaken. This report of the Royal Commission on Maritime Claims, The Duncan Commission, considered a whole range of subjects, including transportation and railway freight rates, port development and export trade, trade policy, the coal and steel industries, agriculture and migration, the fisheries, a geological survey, tourist traffic, and statistics. On the overriding issue, the economic position of the Maritimes within the young nation, the report concluded that Confederation was not of itself responsible for the slower economic development of the Maritimes. Changes in the area's economic structure were unrelated to the fact of Confederation and would have taken place even if the Maritimes had remained independent units, being the result of such other factors as the abrogation of the Reciprocity Treaty with the U.S. in 1866, the conclusion of the American Civil War, and other changes over sixty years in commerce, industry, and economics. The commission concluded that the potential of the Maritimes was greater then, in 1926, than it had been in 1867.

Nevertheless, the polarization of manufacturing industry in central Canada continued until the onset of World War II. This process was accompanied by the closing down, sometimes by competitors in central Canada, of many small-scale establishments in the Maritime Provinces engaged in a variety of industries. Keirstead found that in this period the only Maritimes Industry to record real growth, comparable with that of its Ontario and Quebec rivals, was pulp and paper. The pulp and paper industry was partly an Atlantic Province product, not the least of which was the transport advantage to the New England, New York, and British markets, as in the "good old days" (4, p. 299).

World War II gave some stimulus to manufacturing production in the Maritimes, but the effect on capital-formation was only slight. After the War the shipbuilding industry, which had expanded most in the Maritime Provinces during the war, dropped sharply and, there was no indication that the process of industrial concentration in Central Canada had stopped or was likely to be reversed. The pulp and paper industry remained the only branch of manufacturing whose growth seemed assured.

Postwar Expansion

During the decade following World War II the maturing Canadian economy enjoyed one of the greatest expansions in its history. From the Atlantic to the west, rapid development proceeded practically uninterrupted and was highlighted by spectacular resource projects such as aluminum in Kitimat, British Columbia; iron ore in Quebec; uranium in Ontario; and petroleum in the Prairie Provinces. But from Montreal east, the story was rather different: the Maritimes and Newfoundland shared only to a limited extent in the unprecedented prosperity, with the nation enjoying "full employment" by Canadian standards, at a rate ranging between 3 and 4 1/2 per cent during the mid-fifties, the Atlantic Provinces had, even with considerable net emigration to Central Canada, unemployment from 5 1/2 to 6 1/2 per cent.

The economic position of the Atlantic Provinces in the mid-1950s was that of a region which had not been successfully integrated into the national economy. Despite, or perhaps because of, substantial territorial expansion and economic growth in Canada generally, the Atlantic region had still to complete a transition from the prosperous, semi-isolated local economy largely self-sufficient in food, handicrafts, and manufactures, and food that it was in the mid-nineteenth century, to an integral part of a new, larger economic system. In the absence of a "new dynamic" to support regional growth from within the traditional export base, external developments consequent upon the opening of the Prairie frontier and the coming to maturity of the national economy had mainly been adverse. In Hirschman's terminology, the "polarization" effects of Canadian nation-building were pronounced and substantial while in the Atlantic Provinces the "trickling down" effects were especially weak. Thus the task of adjustment and integration became progressively more formidable over the years.

Special policies to redress these difficulties were directed mainly towards improving the transportation facilities available for moving goods to Central Canadian markets. The Intercolonial Railway was built in the early years after Confederation and, in recognition of the circuitous route decided upon for security reasons, freight rates were set relatively high (3, p. 184). Again, the Maritime Freight Rates Act of 1928, enacted to implement one of the recommendations of the Duncan Commission, was designed to re-establish these special freight rates advantages. Certain tariffs on imported goods entering Canada over Canadian ports were reduced in an attempt to offset the erosion of advantages for Maritimes ports which had resulted from the establishment of railway links between eastern U.S. ports and Central Canada. In 1928 also, special federal subsidies on the movement of Maritimes coal to Central Canadian markets were introduced. All these measures were essentially piecemeal, intended to overcome some particular difficulty which arose partly as a consequence of the National Policy; they did not add up to a comprehensive development policy for the Maritime Provinces. Such stop-gap measures aside, the region was left to its own devices to contend with the powerful economic forces, although not the result of Confederation itself, were not at all conducive to the successful integration of the Maritimes in the Canadian economy.

Until the outbreak of World War II such ad hoc measures were the main element in federal economic policy towards the Maritime Provinces. Another, related field was federal-provincial fiscal relations in which Ottawa's main prewar concern was with supplementing other sources of provincial revenues so as to enable the poorer junior governments to carry out their constitutional responsibilities. Indeed, federal-provincial fiscal relations were the main issue considered by the Rowell-Sirois Commission which reported in 1940 (6).

During the postwar years the federal government provided increasing support to various types of economic activity, but especially to the development of natural resources. The vehicle often used for this purpose was a joint federal-provincial program, with Ottawa meeting a share, usually 50 per cent, of the expenditures involved. But there was still no overall economic policy for the Atlantic Provinces.
Howland's Proposals

In the mid-1950s the problems of the region were again subject to a federal inquiry. The Royal Commission on Canada's Economic Prospects, in addition to its public hearings within the region and elsewhere, sponsored a comparative study of regional economic development which gave special consideration to the Atlantic region. The Final Report of the Commission also reviewed the proposals made by the Atlantic Provinces economy, and made a number of policy recommendations to the federal government [5].

At this time, Canada's economic prospects were bright indeed. The Gordon Commission's own report reflected the prevailing national optimism based upon a decade of vigorous, sustained expansion in the economy, which, it was hoped, would continue to be concentrated in the central provinces.

The solution might be to transfer some of the surplus of people engaged in marginal or sub-marginal activities in farming, fishing, and logging. Howland suggested that these activities, characterized by low-productivity operations, were potentially one of attracting capital to these industries; such an approach would lay the foundation for more diversified as well as for higher personal incomes.

The conclusion that the resource industries must be developed, even though they contain the bulk of the marginal or sub-marginal activities associated with the lower level of average personal income, does not follow inherently from a consideration of the regional problem itself. The solution might be to transfer some of the surplus of people engaged in marginal or sub-marginal activities in farming, fishing, and logging. Howland showed that these same activities, characterized by low-productivity operations, were determined by the basis of future regional development. The solution, Howland said, was basically one of attracting capital to these industries; such an approach would lay the foundation for more diversified as well as for higher personal incomes.

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The Gordon Commission

The Gordon Commission based its recommendations for the Atlantic Provinces largely on Howland's analysis and suggestions. The conclusions that this region and the North were the only ones whose prospects were not assured by the likelihood of national economic expansion, was repeated in the Final Report [5, p. 401]. His observation about the subsistence primary activities representing a main reason for the region's lower level of average incomes per capita was also made a main premise in the Commission's own argument about the course of policy action to be desired [5, pp. 403-4].

Whereas in his line of reasoning Howland proceeded from this observation directly to the proposition that rationalization of such primary activities as farming, fishing and logging was necessary, and would require the attraction of new capital to these resource-based industries, however, the Commission proceeded on a somewhat more general view of the role of new capital investment.
The lower levels of investment per worker are reflected in the lower levels of earned income in the Atlantic Region. If the rate of capital investment could be increased the earned income per capita would also increase [5, p. 404].

There was no insistence here on attracting capital only to certain specified industries; the Commission seemed to favour a general increase in new investment in the region, in any kind of economic activity. Thus the existence of surplus labour in the region, as manifested in the greater incidence of subsistence resource activities, led the Commission to recognize a need to increase new capital investment, as it were, to provide the labour factor with one of the capital factors with which to combine in efficient production. On this basis the Commission reached its most important general conclusion about regional economic policy:

An objective of economic policy should be to integrate and improve the basic economic framework of the Atlantic Region, including in particular the transportation facilities of the area, with a view to facilitating and encouraging economic growth within the region. . . . what is needed we believe is a bold comprehensive and coordinated approach to the underlying problems of the region in order to make the best possible use of the resources of the area and to improve transportation and other basic services [5, p. 404].

To coordinate the proposed capital investment program, the Gordon Commission suggested that the federal government establish a Capital Projects Commission for the Atlantic Provinces or an appropriate agency, to provide the needed facilities over a reasonably short period. Accordingly, they suggested that the proposed commission or agency would have a limited life and then disband. The Commission also recommended that the new body collaborate closely with the four provincial governments in determining priorities among projects. Moreover, it is clear from its final series of related recommendations, that the Commission expected that the main burden of regional adjustment would continue to be borne by labour migration, and possibly that such migration would have to be on a scale even greater than had been the case in the past.

These recommendations for the Atlantic Provinces were to play an extremely important role several years later in the formation and operation of the Atlantic Development Board. In particular, as the Board's avoidance of direct assistance to Industrial development in the Atlantic Region may be traced to the failure of the Gordon Commission to recognize the manufacturing sector as an important instrument for accelerating that region's economic development.

An Alternative Strategy

The provinces held a somewhat different view of how regional development should be fostered. By the end of the 1950s, they had come to accept an increased responsibility for stimulating economic development within their borders. The substantially enlarged financial resources made available to them by Ottawa through the Atlantic Provinces adjustment grants, the special Newfoundland grants, and the federal equalization grants had also expanded the area within which they could exercise this responsibility. This in turn led them to identify a further need for federal financial intervention in the field of stimulating economic, and especially industrial, development, partly because further financial support was considered necessary and could only be obtained from Ottawa, and partly also in the belief that federal government could bring about some regional coordination of the development programs of four separate, thinly populated, provinces. The industrial development of the Atlantic Provinces as a whole was less difficult if approached on an overall regional basis rather than attempted in an uncoordinated fashion by four separate provincial governments.

In 1960 the four Premiers arranged for Professor A. K. Cairncross of the University of Glasgow to undertake a study of "the effects of monetary policy on the economy of the Atlantic Provinces, an recommendation methods by which it might be made flexible so as to meet the particular needs of these Provinces [1, p. 1]." The Atlantic Region had felt the effects of the 1956-1957 and 1959 "tight money" policies imposed by the Bank of Canada to restrain the inflationary growth of the Canadian economy. Regional interests were disturbed that there was no method of protecting the region, where unemployment rather than inflation was the pressing problem, from the full effects of this national policy. Accordingly, the original purpose in requesting Professor Cairncross to examine the situation was to determine the extent of influence the tight money policy had had in preventing economic growth and development in the region, and to suggest what modifications might be made in monetary policy to protect the region from similar occurrences in future. Cairncross found that a shortage of investment opportunities was a stronger deterrent to faster development than monetary restraint, and therefore devoted the second part of his report to a consideration of the role that development policy could play. His recommendations were to give a considerable impetus to government economic policy at both the federal and provincial levels.

Cairncross argued that there is no need to take a determinist view of regional economic development. Rapid national growth is likely to be impossible without divergencies in regional growth rates, but there is nevertheless scope for helping the laggards. The grounds for federal government help with industrial development in the Atlantic Provinces were to give a consideration of the role that development policy could play. His recommendations were to give a considerable impetus to government economic policy at both the federal and provincial levels.

The Cairncross Report was published early in 1961. Its value lay mainly in his emphasis on the possibilities of regional development, a marked change from the more forlorn conclusions about future prospects drawn by some other students and followers of the region's economic difficulties, including certain senior civil service advisors in Ottawa. The report had a strong influence on the attitudes of provincial governments towards the region's economic development and was used by them in advocating changes in federal policy. They were supported in this endeavour by the privately sponsored Atlantic Provinces Economic Council (APEC), which conducts continuing research into regional problems and potentials and advocates changes in public policy on the basis of the overall regional interest. The Cairncross Report had focused attention on the need for a development policy in the broad regional sense, rather than particular measures to deal with problems in particular industries. The pressure for policy reform was drawn by some other students and followers of the region's economic difficulties, including certain senior civil service advisors in Ottawa. The report had a strong influence on the attitudes of provincial governments towards the region's economic development and was used by them in advocating changes in federal policy. They were supported in this endeavour by the privately sponsored Atlantic Provinces Economic Council (APEC), which conducts continuing research into regional problems and potentials and advocates changes in public policy on the basis of the overall regional interest. The Cairncross Report had focused attention on the need for a development policy in the broad regional sense, rather than particular measures to deal with problems in particular industries. The pressure for policy reform was
the region at this time was instrumental in bringing about significant changes in regional development policy at the federal level.

New Federal Development Agencies

The 1960s saw the federal government adopt a more direct role in the economic development of the Atlantic Provinces, with the coming into operation of three new federal agencies: the Atlantic Development Board (ADB), the Area Development Agency (ADA), and the Agricultural Development and Rural Administration (ADRA). A further federal initiative was the Fund for Rural Economic Development (FRED), which assisted in the planning and implementation of area development programs and programs operated in the Atlantic region, but the ADB was the only one of the four to do so exclusively; the others were active in other parts of Canada as well.

The Atlantic Development Board was largely inspired by the Gordon Commission and Howland's analytical and policy conclusions. It administered the Atlantic Development Fund. Disbursements authorized by the Atlantic Development Board totaled $186 million over the period 1962 to 1969, including $87 million for highways, $56 million for electricity-generating and transmission facilities, and $23 million for water and sewerage systems, along the lines recommended by the Commission. The Board also spent $9 million in servicing new industrial parks at various locations throughout the region, but in general it resisted becoming committed to assisting manufacturing industries. Partly this was because ADB, another federal agency, was involved in offering direct tax incentives, and their capital grants to manufacturing enterprises establishing or expanding production facilities in certain labour market areas within the Atlantic Provinces.

Unfortunately, these areas became eligible for ADA assistance because of high rates of local unemployment and thus excluded the main population and industrial centres within the region in which new factories could be expected to have the best chances of successful survival. The initial tax incentives were replaced in 1964, after Professor Thomas Wilson's report [9] pointed out their shortcomings and advocated their replacement by capital grants. Others later suggested that grants should be more selective and exclude aid to pulp and paper mills and other types of industry whose location was determined by factors other than the availability of grants or tax concessions.

The ADB came under considerable criticism from within the region, particularly from the Atlantic Provinces Economic Council, on two main grounds. The first objection was to their development strategy and its failure to regard the manufacturing sector as central to the creation of enough job opportunities to absorb existing unemployment and expected labour force growth, and its consequent lack of real commitment to expanding manufacturing activity. Related criticism was the ADB's demonstrated preference, in accordance with Howland's conclusions and the Gordon Commission's recommendations, for social capital expenditures rather than direct assistance to industry.

The second major shortcoming of the ADB was its failure to discharge the mandate the federal government gave it in 1963 to prepare a regional development plan for the Atlantic Provinces. A planning staff was engaged from within the federal civil service, considerable research was undertaken on the various sectors of the regional economy, some consultations were held with provincial planners, and subsequently a few research reports were published. But the ADB planners never did come to grips with enunciating a development strategy, let alone a full-scale plan. Nobody should suppose that regional planning is easy, or that the national policy framework in Canada is hospitable to such efforts; nevertheless, the ADB planners spent most of the 1960s working at it and failed to produce any meaningful results. The best that can be said is that it was an expensive learning experience for the individuals involved.

Much better planning results were obtained from the Agricultural and Rural Development Administration. ARDA began as a federal-provincial effort to stimulate agricultural development. Then it was expanded to include non-agricultural programs in rural areas, to absorb surplus labour from farming. In 1966 it was complemented by FRED, which undertook more or less comprehensive regional development planning in several parts of the Atlantic Provinces. There were FRED plans for the Macaquac and Northeast regions of New Brunswick, the whole province of Prince Edward Island, and for the Nine Northern Counties of Nova Scotia. All except the last resulted in federal-provincial development agreements, and those for Northeast New Brunswick and P.E.I. have been extended and remain in effect today.

The Department of Regional Economic Expansion

In 1969 a new federal Department of Regional Economic Expansion was established, with broad powers relating to economic and social adjustment in areas requiring special measures to improve opportunities for productive employment and access to those opportunities [2]. The new Department also integrated a number of separate regional development programs administered previously by various departments and agencies, including the financial incentives for industrial development offered by the Area Development Agency, the ARDA and FRED programs, and the Atlantic Development Board. DREE is concerned with all Canadian provinces, including the Atlantic Region. The legislation establishing the new Department provided a framework, but did not specify the nature of the development program to be pursued in the Atlantic Provinces and other regions of the Canadian economy.

The first indication of the type of development strategy contemplated came with the passage of the Regional Development Incentives Act in July 1969. This Act provides for capital grants to manufacturing and processing operations establishing, expanding, or modernizing facilities and applies throughout the Atlantic Provinces (except Newfoundland-Labrador). The amount of each grant is related to the size of the capital investment involved, and in some cases also to the number of jobs to be created, but subject in all cases to the discretion of the Minister of Regional Economic Expansion (and his officials). In the case of newly established facilities, the grants may run as high as 50 per cent of the capital to be employed in the operation - a level of assistance that is high by comparison with grants offered under regional development programs in other countries.

*See also Frank T. Walton [8].
"Special Areas" and Growth Centres

The DREE legislation also provided for the designation of so-called "special areas", after consultation with the provincial government concerned, and authorized the Minister to formulate and implement plans "for the economic expansion and social adjustment" of such areas in cooperation with other federal departments and agencies and the provinces concerned. He may also enter into an agreement with a province for the joint implementation of such a plan.

In March 1970 DREE announced the designation of twenty-two "special areas" across Canada, including twelve in the Atlantic Region - two in New Brunswick, two in Nova Scotia, and eight in Newfoundland. Six of the Newfoundland "special areas" were selected as population resettlement centres for persons moving from the province's outports. Their designation would permit federal financial assistance, in particular, for the community facilities required to accommodate the new concentrations of population. The other six "special areas" were chosen for development as industrial growth centres. They were all medium-sized or large urban centres, with the exception of the Strait of Canso area in Nova Scotia. The others were Halifax-Dartmouth in Nova Scotia, Saint John and Moncton in New Brunswick, and St. John's and Corner Brook in Newfoundland. In these centres the initial emphasis was placed on the construction of infrastructure facilities expected to be required by incoming industrial enterprises. Federal-provincial agreements were negotiated which provide for federal assistance with such expenditures. In New Brunswick, for example, a special Canada-New Brunswick growth centre committee was established to coordinate the development planning for Saint John and Moncton, comprised of senior officials of both governments and employing a supporting staff.

The omission of Prince Edward Island from the "special areas" program was due to the fact that a comprehensive development plan, negotiated under the Fund for Rural Economic Development Act, had been signed in March 1969. Thus P.E.I. was already a special kind of "special area". The P.E.I. Development Plan covers fifteen years, and is now in Phase Two. It is based on the expansion of agriculture, tourism, fisheries, and education.

The Atlantic Development Council

In place of the former Atlantic Development Board, the DREE legislation provided for the establishment of an Atlantic Development Council of eleven members, appointed to reflect the economic structure of the Atlantic Provinces after consultation with the provincial governments and other organizations in the region. Unlike the ADB, the Council is entirely an advisory body to the Minister.

In 1971 the Atlantic Development Council submitted a "Strategy for the Economic Development of the Atlantic Region, 1971-1981" to the Minister of Regional Economic Expansion. This document contained a comprehensive analysis of the development opportunities and problems confronting the region, and advocated the setting of employment and investment targets in pursuit of the "growth centres" approach to industrial development as the key to more rapid regional growth.

The absorption of the Atlantic Development Board into the Department of Regional Economic Expansion means that there is no longer a separate federal program directed exclusively at the economic problems of the Atlantic Provinces. Any regrets at this outcome must be tempered, however, by a recognition that the problem of regional disparities in Canada generally has been given nation-wide prominence and a much greater priority among the objectives of federal economic policy. Also, the region has retained some degree of special treatment with the establishment and efforts of the Atlantic Development Council, and the fact that RDIA grants can be larger in the Region than elsewhere in Canada.

The departure of the ADB does seem to imply, however, some diminution of the federal acceptance of responsibility for preparing an overall plan for the economic development of the Atlantic Region. The Atlantic Development Council carried out the important but less ambitious task of devising a development strategy for the regional economy.

In the absence of overall planning, and notwithstanding the strategy recommendations advanced in 1971 by the Atlantic Development Council, the focus for assessing the likely impact of the new federal policy must shift to the programs actually carried out by the Department of Regional Economic Expansion. The latter first included the elements of industrial incentives and growth centres outlined above, along with other elements as well. By and large, the main objective appears to be to make the Atlantic Provinces more self-supporting in an economic sense, since the emphasis has been clearly on promoting development of the regional economy and not on directly redistributing income. Obviously, also, the program was aimed particularly at expanding the size of the region's manufacturing sector.

As regards the financial incentives to industry, the whole Atlantic Region (except Newfoundland-Labrador) has been designated as eligible. This represents a considerable improvement over the situation that existed under the previous ADB programs, when the population centres were not covered. With the new program, the framework has been created within which a growth centres approach to industrial development can be pursued.

General Development Agreements

The "special areas" programs remained in effect from 1970 to 1974. When implemented, they were expected to take ten to fifteen years to achieve their objectives. Well before that time was up, however, there were pressures within and outside the federal government for a re-assessment of the whole DREE concept. As a result, in 1972 DREE undertook an internal policy review which led to important new conclusions regarding the strategy which should be pursued in the Atlantic Provinces. These conclusions became subject matter for consultations between the federal Minister and each Atlantic Premier, which preceded the signing of new General Development Agreements in 1974.

The purpose of the General Development Agreements is to facilitate joint federal-provincial cooperation in initiatives for economic and socio-economic development in each province to achieve the objectives stated in an agreed strategy. The approach to joint development activity outlined in each GDA is broad and relatively unstructured in terms of what can or cannot be undertaken. There can be many different activities under a number of subsidiary agreements. In the New Brunswick GDA, for example, the primary objective of economic and socio-economic development is to reduce the gap in earned income per capita between New Brunswick and the national average. A second objective is to raise
per capita incomes while minimizing net migration from the province.

To meet these objectives, economic and socio-economic policy is to be aimed at achieving a faster rate of growth in provincial output by raising productivity, increasing the number of viable employment opportunities, and encouraging the development of a skilled and versatile labour force.

The internal policy review had led DREE to conclude that development initiatives existed in various sectors, that the reliance on manufacturing in the regional strategy should be reduced. New Brunswick did not agree with this, however, and the GDA negotiations consisted in large part of an effort to reconcile the two views.

The GDA modified the DREE-New Brunswick development strategy in three main respects. First, there was to be relatively less concentration on manufacturing, although this sector was still regarded as important, and although the RDIA Program was left relatively unchanged. Secondly, there was to be correspondingly more emphasis on the resource sectors. "Special areas" agreements were dropped, although provision was made to complete certain highways and other infrastructure projects. This meant a significantly reduced emphasis on the "growth centres" approach to manufacturing development.

Subsidiary agreements under the GDAs can take three different forms:

1. Those coordinating existing federal and provincial programs towards a particular development opportunity;
2. Those providing specific support not available through other government programs;
3. Those establishing continuing programs to fill gaps in the existing range of government development programs.

In New Brunswick there are separate sub-agreements for Industrial Development, Forestry, Minerals and Fuels, Agricultural Development, Kent Region Pilot Project, Saint John and Moncton Arterial Highways, Outer Highways, King's Landing Historical Settlement, Tourism, and Planning. In addition, a new extension of the Northeast New Brunswick Agreement is under active preparation and negotiation as a separate GDA sub-agreement.

A generally similar range of subsidiary agreements have been negotiated with DREE under the General Development Agreements by the Newfoundland and Nova Scotia provincial governments.

The GDAs and their associated subsidiary agreements represent the broadest and largest joint federal-provincial development effort ever undertaken in the Atlantic Region. It is significant in terms of the range of programs that can be cost-shared and, with an average federal-provincial cost sharing ratio of 75:25, it has significant fiscal implications for the four provinces. For example, the total expenditures by DREE in the four Atlantic Provinces under the GDAs approximated $98 million in the 1975-76 fiscal year. In addition, DREE spent $41 million for the P.E.I. and Northeast New Brunswick FRED programs, and $23 million in RDIA grants throughout the Atlantic Region.

Concluding Observations

Let me conclude with a few general observations about economic development policy for the Atlantic Region.

1. Perhaps the first comment should be a qualification. Economic development policy does not constitute the only, or even the major, aspect of federal or provincial economic policy. I have mentioned federal-provincial fiscal relations, that the reliance on manufacturing in the regional strategy should be reduced. Suffice it to note that federal equalization grants to the four provinces have increased steadily during the postwar period, reflecting general acceptance of the recommendations of the Rowell-Sirois Commission's 1940 report that Canadians resident in the Atlantic provinces are entitled to the same standard of public services as Canadians elsewhere, without being subject to above-average levels of taxation. Ottawa also provides some income redistribution programs directly to regional residents, including family allowances, old age pension, and unemployment insurance benefits. Some economic sectors come under federal jurisdiction, such as transportation, defence and fisheries; federal expenditures in these sectors have been significant in their economic impacts on the regional economy, and federal employment increases have been a major influence in regional job growth since the early 1950s. Thus the federal economic development policy outlined above should be viewed within the wider perspective of total federal economic policy. Much the same qualification applies also to provincial programs which are explicitly developmental.

In this regard Professor William Y. Smith [7] pointed out, at the APEC Conference in October 1976, that federal equalization and other grants to the four Atlantic Provinces amounted to roughly $800 million in 1975. He compared this figure to DREE expenditures in the region of roughly $200 million, including approximately $25 million in RDIA grants. Professor Smith's conclusion was that federal policy is still more oriented to promoting consumption by Atlantic Canadians than to creating jobs for them.

2. Explicit economic development policy for the Atlantic Region was not seriously undertaken until the 1960s. We have seen that for one hundred years before then the region had been unable to complete a region like Quebec in the early development of the textile sector, whereas the Atlantic Region does not have resources complementary to Central Canadian resources comparable to wheat, petroleum, and B.C. timber; instead we have had to compete with Ontario and Quebec in selling our resource products, and put up with the fact that in most manufacturing lines we could compete with Central Canada for neither national nor foreign markets. Thus the task of integrating the region within the Atlantic Region economy viable and self-supporting by encouraging and promoting its further development and growth. That resistance has been overcome, although we must recognize that ineffective development programs could easily lead to its revival.
Since 1955 federal economic development policy has changed its emphasis significantly and has become more active and more direct with each succeeding phase. The Gordon Commission began this process by recognizing that the region's economic prospects could not be assured simply by rapid national growth, and by taking steps to encourage private sector investment, while the Area Development Agency offered a limited program of direct incentives to induce new industry. In 1961, the Commission recommended the replacement of these early measures with comprehensive regional planning and development programs, but only for selected parts of the whole region. With DREE's creation in 1969 came a more comprehensive and sectorally-diffuse approach to development that was implicit in the RDIA and the Special Areas Agreements; namely, a growth-centres strategy of manufacturing growth and economic development.

Since 1973 the concentration on manufacturing has been modified but not eliminated, and all DREE programs except RDIA have been brought together under a single General Development Agreement with each province except P.E.I., where the Development Plan remains in effect. It is too soon to judge the efficacy of this approach or whether it is better than the growth-centres industrial development approach it replaced. Indeed, the agreements are so many, and so varied among the provinces, that it is a challenge simply to comprehend them all. What is clear, however, is that the federal government and the four provinces are now engaged in substantial, comprehensive, and joint efforts. It is a challenge simply to comprehend them all. What is clear, however, is that the federal government and the four provinces are now engaged in substantial, comprehensive, and more serious joint efforts than ever before, to foster accelerated economic development in Canada's Atlantic Region. Whether regional disparities are to be significantly reduced now depends not so much on securing new commitment from Ottawa and new federal and provincial legislation and programs, but more on how well this new framework is put to use by the many people involved.

One aspect of this framework which should be remembered is the mandate of DREE to coordinate the development activities of all federal departments towards regional development objectives. Potentially, this could be an important role for DREE to perform, especially if it extends to devising policy recommendations regarding related fields of federal jurisdiction, including trade, tariff and exchange rate policy, fiscal policy, and monetary policy. To date the Department has been successful in persuading the Government to relax federal administrative operations in the region, including decentralization of its own operations in 1974. This coordinating role should be developed further to encompass more than simply referring provincial GDA proposals to other federal departments for approval or disapproval.

5. The coordinating efforts of DREE would be greatly facilitated if there were a development plan for the Atlantic Region, worked out in collaboration with the provinces. The Atlantic Development Council made a noble effort with its 1971 Strategy but the DREE Minister, in his wisdom, rejected the ADC's main proposal that he adopt employment and investment targets for the region, although he indicated his agreement with the approach recommended for his Department in the Strategy. Now we have GDAs with each province, each of which contains its own development strategy, but there is no requirement at present to ensure that these provincial strategies are compatible with one another or that they add up to a proper overall approach for the whole region. No doubt DREE officials are aware of this gap in the scheme of things. At present both DREE and the provinces are entering into the process of evaluating the first generation of GDA subsidiary agreements, and perhaps the overall Atlantic dimension of development and planning will be included in that process.

6. I have sketched the main outlines of development policy. In doing so I have had to skip over some interesting examples of innovative development initiatives which have been taken. One example is the P.E.I. Development Plan. Another has been the Multiple Industry Complex which was pursued by Canada and New Brunswick as a means of extending the manufacturing structure of the Saint John and Moncton growth centres in New Brunswick. Still another, related to private sector employment expansion, is the Metropolitan Area Growth Investment Ltd. project in Halifax-Dartmouth in Nova Scotia. Newfoundland's GDA includes a complex regional agreement establishing a crown corporation to promote development based on ocean research. Further innovative approaches are to be welcomed, and indeed the GDAs are designed specifically to take advantage of these and other "development opportunities" as they arise.

7. Finally, we should remember that all these regional development efforts will not make much headway unless and until economic growth is resumed in the national economy. The recessionary conditions of the past two years in Canada have been a major factor in dampening new investment in the Atlantic Region, especially in the manufacturing sector. The RDIA especially cannot be effective without a revitalization of manufacturing Investment in Canada generally and, indeed, in North America.

References