

# The Effect of the War on the Maritime Provinces

By B. S. KEIRSTEAD

TO a very considerable extent war effects in the Maritimes correspond to what has been happening throughout the country as a whole. We must pass briefly in review the effects on Canada as a whole before we can distinguish what may be regarded as the unique effects which have peculiarly overtaken the Maritime economy because of one or another of the characteristics which differentiate it as a special economic region.

Canadian national income has increased since 1939 by an estimated \$1,600,000,000, an increase of about 40%. This increase has been generated by the spending of government and industry on war supplies and new capital, spending which has been accompanied by a nicely-calculated monetary and fiscal policy on the part of the Bank of Canada and the Treasury. The new income comes, in large part, from the employment of previously unemployed or underemployed resources, so that many of the new incomes are being spent by people who have been below the margin of decent subsistence. It has been impossible, and properly so, to prevent an expansion in the consumption of these newly employed classes, many of whom are just beginning to enjoy a level of subsistence which is regarded as a minimum. Consequently the reduction in the consumption of those classes who previously enjoyed a better standard of living has had to be sharply restricted and this restriction has been accomplished by sharp increases in taxation, by public borrowings supported by considerable social pressure and, in some cases, by direct restrictions of supply. In effect this has meant a redistribution of the social income. We have been far from any equitable social distribution of

income in Canada, and we are still far from it, but the war has tended to level out some of the worst inequities. In general the war has given something like a decent standard of living to a large section of the industrial working class that was previously underemployed; it has improved the standard of living of some agricultural classes, though many, notably the western grain growers have suffered a reduction in their relative, if not in their absolute position; the more skilled workers who were previously employed have registered some slight gains, though the differential between them and the unemployed has been reduced; white collar workers and many professional men on salary, such as teachers and civil servants, have probably suffered both an absolute and relative reduction in their scale of living, and some restrictions, though probably none they could not well afford, have been imposed on the classes with incomes of \$5,000 or over.

The Maritimes, as a region, have experienced this general increase and this general redistribution of income. When we attempted to make an estimate, with the help of the Dominion Bureau of Statistics, of the increase in the Maritime regional income in the fall of 1940, at the end of the first year of war, we found it to be in the neighbourhood of 25%, which was slightly better than the increase for the whole of Canada at that time. This is partly to be explained by the increases which would result from the concentration of troops and navy personnel in the provinces, partly by the extraordinary expansion in the income of such ports as Halifax, but partly by reason of the fact that the national income was being redistributed in favour of the unemployed and less well-to-do classes. The Maritimes had a comparatively high level of unemployment and of partial employment and a large number of low

EDITOR'S NOTE: Professor B. S. Keirstead is head of the Department of Economics and Political Science, University of New Brunswick. The above was given as an address before the Fourth Maritime Conference on Industrial Relations held in Halifax, November 6 and 7, 1941.

paid workers, with, compared to the central provinces, a small class of the well-to-do. Thus the redistribution of the national income benefitted the Maritimes, not so much because of any special geographical conditions but because socially the Maritimes contain a larger percentage of the very poor section of the industrial proletariat and a very small percentage of the class with high incomes.

How permanent will be the benefits which the Maritimes have experienced as a result of the redistribution of the national income will depend in part on the social policy of the Dominion government after the war and in part on the permanence of the industrial development which has taken place and is taking place in the Maritime industries. This leads us, therefore, to an examination of the general wartime development of industry throughout Canada and of the special effects that may have been experienced by industry in the Maritimes.

Of the manufacturing industries primarily engaged in civilian supply those which are most prominently represented in the Maritimes are the pulp and paper industry, textiles, sugar refining and confection making, and boots and shoes. Of these pulp and paper is far and away the most important in the economy of the Maritime region. This industry has now pretty well reached full employment, which means that the mills are running at about 100% rated capacity, slightly over in some cases, and that the employment of labour is maintained at the peak. The expansion in output of this industry over 1939 has been in vicinity of 25-30%. Business and welfare conditions in the pulp towns are consequently comparatively good. But when one looks to the future one cannot be too optimistic. This industry is prosperous at present less because it has developed new uses for its product or because it has learned satisfactory by-product utilisation of waste liquors than because it enjoys remarkable freedom from Baltic and Scandinavian competition on the British and American markets. Various estimates of the Scandinavian cut have

been made but all agree that after the war the Scandinavian and Baltic countries will have stocks for perhaps two years' world consumption ready to dump on the market at any price. Moreover this industry is based on a wasting asset and there is some doubt as to how far in the Maritimes exploitative cutting methods are in use. This is a controversial point which we cannot discuss here, but we must say that there is at least the possibility that the basic material cost of bringing the cut to the mill will exhibit the characteristic of increasing in time, and if this happens it will damage the ability of the Maritime industry to hold its place in competition on the world market after the war.

Other manufacturing for civilian use such as sugar refining and boots and shoes have experienced some expansion but the stimulus appears temporary and they do not appear to have bettered their competitive position.

The Maritime economy contains certain industries that have received certain special stimuli from the war. First among these are the basic and secondary steel industries. In Cape Breton Island the basic steel industry underwent an expansion of 40% in the first year of war. That expansion has continued with the increase of capacity that has since taken place. There has been a parallel, though not proportionate, increase in employment. The secondary steel industry, situated in the Trenton, New Glasgow area, was slower to feel the stimulus, but the expansion there will now become most marked with an increase of 100% in the plant capacity of the area and a proportionate increase in employment to follow, once the new plant goes into operation. This is one of the few cases in the Maritimes of large-scale capital plant extension under the government capital assistance to industry program. There has been some attendant increase in coal production, though this has been less great, for it has been limited by the number of working shafts and to some extent by labour difficulties. It must be

remembered that several of the mainland mines were, at the outset of the war, on the margin of profitable operation, and that under normal conditions these mines might have been closed. The war has enabled the company to keep them in operation; it has prevented a reduction in fuel supply rather than caused any large increase. The diversion of increased quantities of Nova Scotia fuel to the steel industry has meant a reduction in the supply available for other purposes and this has been felt by civilian coal consumers both in these provinces and in central Canada.

This boom in the heavy industries has relieved the acute employment problem—and its consequent social problems—in the steel and coal towns, but that the relief is permanent we may well doubt. Indeed there is sound reason for believing that the problem after the war may be more serious than it was before by reason of the attraction of casual labour to the urban industrial centres from the farms and from fishing communities. When the wartime demand for steel is at an end the world capacity will tremendously exceed any probable demand, even if we allow for reconstruction in the devastated European cities. Not only will the primary steel industry suffer but the secondary steel industries will feel, even more acutely, the changed circumstances. The secondary steel industry of Nova Scotia was developed originally in the days when the chief demands for steel were for construction steels and steel for railways and rail rolling stock. They never successfully developed to compete with newer industries in the lighter steels and alloys which came to be in demand in the automobile age. The new plant capacity which this war has given the New Glasgow industry is for munitions manufacture and it is doubtful if it can be successfully and profitably adapted for peacetime production. The tremendous munitions and heavy industry of Canada will have to be rationalised after the war and there can be little doubt that the rationalisation will hit hardest those industries which can least easily be adapt-

ed and those which have a relatively high unit cost of production. On neither count are the Maritime secondary steel industries apt to receive favourable judgement.

Finally the reduction in the domestic demand for coal for the steel industry will mean that the coal industry will have at last to face the issue which the war enabled it to escape. Marginal mines, and mines which will have become marginal during the rapid exhaustion of wartime production, may have to be closed. The operators of the mines maintain that this problem is in the future and that it is not within the responsibility of private companies to attempt to make provision for eventualities of this sort. The province, on the other hand, deriving no profit from the operation of the mines, has not felt any urgency in devising policy now for a possible future condition. Yet back of the miners' various particular complaints, some of which have not seemed to the public to be serious enough to justify stoppages of work, may well be a feeling of insecurity about the future, about employment for their sons, a feeling that the very existence of their communities is in jeopardy and that nothing has been done or is being done to provide alternative employment and a more varied industrial base for their region.

The construction industry is another which has experienced a very special and rapid growth under the stimulus of war. It has been greater than the average rate of industrial expansion but has been less great than the growth of the same industry in the provinces of Ontario and Quebec. Moreover, whereas the new construction in those provinces has been to a large extent industrial and thus of some permanent value, the new construction here has been, much of it, of a temporary nature, temporary accommodation for the personnel of the services and temporary extension of wharfage facilities. (There has also been some permanent construction in the ports of Saint John and Halifax). Our capacity to build is greater and we have some new plants, new docks, air stations and so

forth, but our permanent productive capacity has been but little increased. We have suffered here by reason of our geographic position and by reason of our comparative lack of existing industrial capacity. Naturally the government built defenses here, naturally it concentrated troops here and built accommodation for them. Just as naturally it built new industrial plant in the areas safe from enemy attack and where there were already supplies of skilled labour, established industries, power resources and power distribution and experienced management.

The result of all this has been that the Maritimes have experienced a considerable business boom, much of it concentrated in a few areas, but very little of it has much promise for the future. The industries of the central provinces may likewise have to contract after the war, but, comparatively, they are less apt than ours to suffer from rationalisation, and moreover the establishment of new industries in those provinces will give them a more varied and probably more stable economic basis. Canada promises to be a much more important manufacturing nation after the war than she was before and one of the most important—if at the moment most problematic—effects of the war must be the effect on the internal balance of the economy of confederation. Canada will be a creditor nation and her foreign trade policy will have to be reformulated to suit her new position. She will have to admit imports and may be less able to export. This will accentuate regional divisions of interest and the fact that Canada will have a manufacturing capacity in excess of domestic need will intensify the problem. The manufacturing provinces will want, more than ever, high tariffs and a policy of assistance to manufactured exports and this may well necessitate a curtailment of export of agricultural produce and raw materials. The determination of proper economic policy will be difficult and we cannot say

now what it should be. It is clear, however, that the influence of these Maritime provinces in the councils of the federal state will be no stronger than it is now, if as strong: clear, too that the prairie provinces will be no more influential than they have been in recent years. Whatever policy is adopted it will be a policy largely dictated by the needs of the prevailing economic interests in Ontario and Quebec. We in the Maritimes must accept that, and we should accept then as now the philosophy that national policy must be conceived in a federation in terms of the greatest good for the federation as a whole. That philosophy means now that war industry, among other things, must be planned not with regard to regional distribution but with the object of most efficient production of war goods and in peacetime that philosophy will mean that policy must be directed towards the most effective development of the economy as a whole. This will imply undoubtedly, policies which are conceived as primarily beneficial to the dominant central provinces. But it should mean also a policy which is conceived not for the profit of a small social class, but for the material prosperity of all classes and we may hope that this war will bring a wider degree of social security and a minimum standard of welfare to all classes in the country. If we identify ourselves with the Dominion as a whole and cease to think of ourselves as a region apart, and if we realise that our lot is part of the lot of the poorer regions and the poorer classes throughout Canada we shall see that our policy within the federal union should be, not to press for regional favours which too frequently are retained by a small class, but to urge for social reforms which will protect the poor of this, as of every other, region, and to support economic policies which will enable the nation as a whole to afford a decent standard of living to all its people.