

# War's Impact on the Maritime Provinces: A Review

By G. A. McALLISTER

**R**EALISTIC post-war planning presupposes that the war-time changes wrought in Canada's economic structure should be evaluated in their extent and character, and in their regional and national significance. Such an evaluation is Professor Keirstead's *Impact of the War on the Maritime Provinces of Canada*.<sup>1</sup> Certainly, for such a study, no region could present a more imperative need, when, as the Rowell-Sirois Royal Commission declared in 1940, "cessation of one of the major Maritime industries .....has much the same effect as taking a wheel off a tricycle," when, in the same report, the region could only be described as Canada's "most mature and the most chronically depressed."

## Scope and Form

Initiated by the Institute of Public Affairs, Dalhousie University, and financed with grants from the Rockefeller Foundation and the University, this study was intended neither as a detailed economic history of the war period nor as a full economic analysis of Maritime problems. "My terms of reference indicated that the work should be aimed at problems of post-war adjustment and should seek to assess the more significant events of the war period with the object of informing policy decisions when they came to be made."

One area of post-war decision will concern relations between the Dominion and its constituent provinces. But it

would be a mistake, as Professor Keirstead says, to suppose that the Maritimes can be treated as a unit separate from the Canadian economy. "They have their regional peculiarities and distinction . . . but they are politically a part of the Dominion of Canada. As such, they have felt the war-time effects of Dominion policy . . . The future of the Maritimes lies, too, in the unified nation." Having thus avoided an "unreal level of abstraction," lost in flights of economic fancy, the study's scope is described:

The assessment must be an attempt to see how far the war-time effects are permanent, how they affect the basic industrial and economic problems of the region, how they modify those problems, create new ones, how they affect relations of trade, of industry, of finance between the region and the national whole, how they create political problems to be faced and solved. We shall have to ask, therefore, how the war-time industrial revolution has affected the localization and regional concentration of Canadian industry, and how far it has modified the regional dispersal to the disadvantage of the Maritime region. In particular we must inquire more specifically into the nature and probable permanence of the effects on the major Maritime extractive industries, viz., those based on the forest, those based on coal and iron ore, those based on the sea and agriculture . . . we need to see the effects against the background of previous development, realize their potentiality to change that development in direction, mass and impetus, and assess the nature of the problems so created.

This empirical basis resulted in four main units in Professor Keirstead's Study: a comparative examination of war stimulus in the Maritimes and Canada as a whole; an interpretation of effects and their significance against the background of the Maritime economic structure; specific examinations of the effects on the region's major extractive and processing industries; and an assessment of war-time changes in their employment effects and consequent policy implications. Constant attention is given

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1. *The Impact of the War on the Maritime Provinces of Canada*. Published by the Institute of Public Affairs, Dalhousie University, 1944. 224 p. \$2.00.

The main part of the report is by Professor B. S. Keirstead, Bronfman Professor of Economics, McGill University, Montreal. Professor Stewart Bates, Professor of Commerce, Dalhousie University, and Economic Advisor to the Department of Fisheries, Ottawa, contributed a chapter on Fisheries; Professor J. H. Lattimer, Professor of Agricultural Economics, McDonald College, a section on Agriculture. The volume is introduced by Sir Lyman Poore Duff, P.C., G.C.M.G., President of the Institute of Public Affairs.

A summary of the study is also available in bulletin form under Professor and Mrs. Keirstead's authorship.

throughout to comparisons between the Maritimes and Canada as a whole.

That this approach is partial and selective is readily admitted. But, verging neither on the uncertain ground of prophecy nor statistical compilations, it is an approach of the greatest conceivable significance to the million or more persons who inhabit the Maritime Provinces—New Brunswick, Nova Scotia, and Prince Edward Island. Moreover, it is an approach singularly valuable, devoid as it is of that wishful thinking about a Golden Age long past or soon to be, which so often and still characterizes much Maritime thought. Skillfully brought together are the warp and the woof: the fundamental economic forces which operate in and upon the region, which determine its basic prosperity. The picture presented is sobering yet hopeful, essentially so.

### War Stimulus

The proportionate increase in Maritime regional income, and in other components of economic activity, in the period 1938-42, is shown to have been as rapid, and roughly equal to that for Canada as a whole. In the Maritimes, however, the effects of Dominion war-time policy have been "moderated, amplified or otherwise distorted by regional peculiarities."

While Maritime income increased at a rate equal to that for the Dominion, business activity increased at a rate falling continuously and increasingly behind that of the Dominion. Thus, in the period 1939-42, business expansion was only 61% as against 85% for Canada as a whole. The explanation given is twofold: the Maritimes, as a primary defence area, received large concentrations of troops with their dependents, and income payments consequently increased more than in proportion to local business and industrial activity; and, in the second place, wages in the Maritimes were abnormally low, compared with those of industrial central Canada, and war-time wage increases have been more than in proportion to increased employment and business activity.

In contrast, moreover, with the variegated development of new processes in engineering, chemical, machine tool and motor industries in the central provinces, war-time developments in the Maritimes have taken "the form of an expansion of existing industries rather than the establishment of new ones." War demands are shown to have greatly stimulated activities natural to the special defence position of the Maritimes—construction for defence, shipping and transport services; steel production, steel manufactures and ship-building have increased enormously, as have products of wood; in agriculture the special war demands for meat and dairy produce have won precedence over cereals, apples and root crops. "Most pronounced gains were registered by forest products in New Brunswick, by animal products in New Brunswick and Prince Edward Island, and by manufacturing, particularly in Nova Scotia and New Brunswick."

Particularly significant is the analysis given of Dominion war spending in the Maritimes. Compared with Canada as a whole, capital assistance to Maritime industry has been a negligible amount, less per capita than for any province or region, and at a lower rate of industrialization than for any other economic region or province, except British Columbia. Dominion war orders, though similarly small compared with those placed in Central Canada, have, however, been "a significant amount . . . in relation to Maritime regional income" and "a very important stimulus."

Figures<sup>1</sup> for the period 1939-41 show the peculiar distribution of this spending, and its concentration in a few localities. Of the \$56 million channeled to the Maritimes, 51% went for construction—over one-half of this to purely defence works. On the whole, Dominion war contracts have stimulated manufacturing industries only to a very minor degree, the Maritimes having received less per capita and less per \$1000 invested in industry, far less, than the rest of Canada. "The important stimulus to manufactures came from sources other than government

1. After August, 1941, no further figures were released by the Department of Munitions and Supply.

contracts, namely from increased demand, from subcontracting, and from the purchasing of iron and steel products by secondary manufacturers in other parts of Canada." Thus, to the end of 1941, while the increase in Maritime manufacturing output was in the vicinity of 40%, direct war contract orders represented less than 3% of total output. "The only other category of any magnitude of the Dominion war contracts was agriculture, and this represented only 2% of war-time agricultural production."

### Manufacturing

"Given the conditions of Canadian industry and the nature and needs of the war . . . war-time development could not have been otherwise" in the Maritimes. But what has been insufficiently understood, "is, in the first place, why the conditions were as they were, why manufacturing industry had failed to develop in the Maritime Provinces, and, in the second place, what we may expect these war-time changes will mean . . . in the future." Scarcely open to question is the general thesis advanced:

The basis of Maritime manufacturing in the days of its prosperity was its transportation advantage with respect to the chief overseas markets, the West Indies, the United Kingdom, and the New England States; an expanding purchasing power in the domestic market, protected by distance and poor transport from other possible North American competitors, and a natural advantage and accumulated managerial and labour skills in the chief industry, basic to the other development, lumbering and wooden shipbuilding . . . The Maritimes were unlucky in the conjuncture of technological and political events; the abrogation of reciprocity and the creation of the Canadian national economy which destroyed their general situation advantages with respect to their chief markets coincided with the development of the steamship which destroyed their particular advantage in one industry, shipbuilding; with the opening of the Panama Canal, which destroyed their particular advantage in another industry, sawn lumber; with the railway development in Canada, which broke down

the isolation of the domestic market for the product of small-scale manufacturing units and with the rapid expansion in economies of scale in mass production industry.

In the period between the two Great Wars, there was, Professor Keirstead believes, at least a temporary location equilibrium in Canadian industry. Forces leading to further concentration in the centre were brought into balance by other forces—a rising cost of management, labour and material shortages and so forth—leading to industrial devolution. Such industrial establishments as existed in the Maritimes during this period did so

because (a) they enjoyed particular situation advantages, as did iron and steel, pulp and paper and sugar refining, or (b) because they were units tied in through ownership integration with Central Canadian firms, and were operated by them in an imperfect market, as was probably the case of cotton textiles or (c) because as small units who accepted price leadership it was cheaper to permit them to compete than to destroy them, or (d) because they were units in an industry in which economies of scale were not sufficient for the large scale firms to reach down to the Maritimes and sell cheaper in the local market than firms on the spot, or (e) because they were units in an industry in which there were no economies of scale, an industry naturally dispersed in widespread, small scale units, such as bread-making, creameries, custom-built interior fittings for stores and offices, potteries and handicrafts.

In general this equilibrium was maintained by lower wage costs and by the special inherent advantages in particular industries. In general, it was opposed to the further development of manufacturing in the Maritimes, with the exception of pulp and paper.

So penetrating an analysis throws an entirely new light on basic Maritime economic problems. It is the key to Professor Keirstead's assessment of the permanency of war-time changes in manufacturing, apart from unpredictable market changes and alternative sources of supply. In general, the tendency for industry to concentrate in central Canada has been further aggravated by the war:

It has tended to some equalization of industrial wages on a national basis, particularly in steel, and it has . . . added much more to the machine and technical equipment of Ontario and Quebec than it has to that of the Maritimes. To some extent the industrial training has improved labour skills in the Maritimes and this may to some extent offset the reduction in the wage differential, and some of the new plant in the central provinces will be useless after the war. But, on the whole, it would appear that both sides of the balance have been disturbed so as to produce a further trend toward increased concentration in the centre . . . the effects of the war seem unlikely to bring any permanent benefits to the majority of Maritime manufacturing industries. They have maintained their position in a precarious balance of location advantages . . . which . . . to the extent it has been disturbed by the war, has moved in a manner probably detrimental to Maritime manufacturing.

### Forest Industries

There is reason to believe, however, that the forest industries, primarily important in New Brunswick, and after agriculture and heavy industry the most important Maritime occupation, will enjoy their full share of post-war business if the industry is generally healthy. As Professor Keirstead says, the future of the pulp and paper industry as such is a more crucial question than whether chemical and other processes will develop around it. In intra-regional competition, the pre-war industry held "a strong position." If anything, the war has strengthened the Canadian industry's competitive position—a position in which the Maritime section should enjoy "fair market success."

Apart from an expansion of output, the war has brought other advantages to the lumber industry. Demand for wood, cut and processed in a variety of new ways for many new uses, has given the industry a much greater variety. It has developed plant and skill in precise dimensional cutting and woodworking, in veneers and plywood, and in processing the wood in a multitude of forms. "If post-war demand in housing, furniture and interior fittings is as lively as now

seems likely . . . one cannot . . . but be impressed with the possibilities of the woodworking industries, given the initiative and capital necessary to operate on a sufficient scope."

While the post-war forest industries may "enjoy a degree of prosperity and provide a level of employment considerably in excess of the pre-war level," this view depends on the policy adopted toward cutting. Unless there is some improvement in forestry methods, particularly cutting of pulp, "we have to look for a reduction in cut, or a great increase in the cost of cutting, in the very near future." Should wood costs become higher, by reason of the increasing inaccessibility of merchantable stands or because of an increase in the relatively low wage scale paid in the woods, it is doubtful whether competitive advantages could be maintained. Bold planning for the future—for the preservation of so rich an endowment—is obviously required. Whatever the details of the policy to be pursued, Professor Keirstead's general observation is inescapable:

That policy requires to be a combination of programmes of action, one for the wood-lot farmer, one for forest roads, one for protection against insect and fire, one for securing proper cutting methods, and others for such special purposes as soil conservation, game protection and so forth.

### Heavy Industries

Complicated by functional and ownership integration, Maritime heavy industries would appear to have a rather uncertain future. War-time expansion in the steel industry "has been of a nature which, considering their competitive position and the probable state of post-war markets, will not be permanent." While the war has added to their flexibility, it has not equipped them "to follow the line of great diversification or is there likely to grow up in the Maritimes a great subsidiary engineering industry." Direct munitions production and the aircraft division of the industry must be expected to decline to about nothing. Prospects for shipbuilding based on steel are no

more bright. Without a subsidy, Professor Keirstead says, the industry could not hope to compete with Britain; and even a subsidy would do little to relieve the competitive position of the Maritimes.

It would be similarly optimistic to assume that the basic steel industry would feel much stimulus from European reconstruction, considering the great increase in the world's basic steel capacity. On the other hand, Professor Keirstead feels that, even with a minimum of protection, the industry should continue as a successful competitor in the post-war local and Quebec markets in basic steel, in railroad equipment, in wire and in steel bars. It should receive a good share of the steel requirement for Canada's reconstruction program. Failing the adoption of such a program, it will lapse into relative stagnation.

Basic to steel is the coal industry of Nova Scotia. With an estimated life of 200 years, at the present rate of yield, 75% of the pre-war production went to the Quebec market, and 25% to the Maritimes, the bulk of this to the C.N.R. and the Sydney steel plant. In competition with British and American coal, the Quebec market was maintained by a federal subsidy paid to the railways equal to the difference in cost between water haulage, via the St. Lawrence, and rail haulage—a subsidy in the amount of \$2.00 per ton. Diversion of Cape Breton coal in such large quantities from the Quebec market to war use in the Maritimes has further aggravated the weakness of this industry. Probably, as in the previous post-war period, difficulty will be found in re-entering the Quebec market.

The "real test" for Nova Scotia coal, however, is considered to be neither one of markets, although an expanding market is not foreseen, nor one of supply, but primarily of cost. It is a high cost industry, attributed to three factors, which would appear to be intimately bound up together: long and deep drillings, inadequate mechanization, and too frequent labour stoppages. Opposition to mechanization, like the frequent work

stoppages, can only be understood, Professor Keirstead says, when the sad, embittered history of the Cape Breton mines and miners is read, for wages are not low, but the highest of all industrial wages in the Maritimes. "It is not enough to condemn the miners . . . we have a depressed and suffering community, oppressed by the spectre of its future, the inheritance of its unhappy past, and its belief that no care or plan is given to its problems."

There may be no single solution to these "problems," but if one is to be found, it will demand a "new attitude" on the part of the miners, the Dominion Steel and Coal Corporation, and its associated companies. Describing the extent and nature of these problems Professor Keirstead wrote:

Perhaps it is not so much a matter of wages. With mechanization, steady work, a regular market, earnings in Nova Scotia mines could average higher than in any alternative occupation in the Maritimes, could average as high—in real purchasing power—as in American mines. But the conditions of life in the coal mining towns would have to be improved, and other employment would have to be offered for those who could not find employment in the mines. Thus the problem may be largely a social one, and, if this is so, would require social solution, a bold and generous plan of regional development and social amelioration.

It is to this task, and to the consideration of such policies, that the recently appointed Dominion Royal Commission on Coal must address itself in its search for a solution to the Canadian coal problem as it affects Cape Breton.

### Agriculture

"The typical Maritime farm"—a no more accurate description could be given—"is a small holding, worked by the farmer and members of his family, unspecialized in produce, with a small cleared area, a few livestock, and, probably, a wood-lot, not too wisely exploited." Apart from specialized crops (potatoes, apples, hay and fox furs), the produce of particular areas and mainly

for export, the pre-war Maritimes "were not self sufficient even in agricultural produce actually grown in the Maritimes, and had to import grains, dairy produce and meats, as well as the agricultural imports usual to all Canadian provinces." The war has had two principal effects on this economy: it has drained off surplus labour, and induced a change over in the type of crop.

These developments, Professor Keirstead finds, have been beneficial in two ways: they have brought an improvement in farm incomes, and given farmers, for the first time in a generation, a standard of living comparable to that in industrial occupations of like skill; and they have taken the form of permanent improvements in farming methods and types of crops. Labour shortages have resulted in increased mechanization. In response to demands for dairy and meat products, there has been an increase in herds, an improvement of stock, the introduction of better methods of feeding and breeding, and an improvement in local slaughtering conditions. Of the more specialized crops, fox furs and apples, particularly the latter, have declined, potatoes have shown only a moderate increase. But, on the whole, "Maritime agriculture is in a sounder state to-day, in spite of acute manpower problems in some areas, than at any time in recent history."

Apart from the normal hazards of an export market, "the time is coming when the potato growers will have to diversify their crop, and the apple growers, though less pressed by soil conditions, might do well to consider a similar policy." Suggested diversification is along the lines of stock raising, mixed crops and fodder, and, in some areas possibly, other small fruits. Because of favorable climatic and soil conditions, particular emphasis is given to the possibilities of stock raising for the region as a whole. Specialized dairy farming is considered possible in some areas; in others, the raising of beef cattle, hogs and sheep, in combination with mixed sustenance farming in summer, and wood-lot operation in winter. Further expansion in these directions,

would as Professor Keirstead maintains, result in a more balanced farm economy.

The promise of a more prosperous post-war agriculture depends, however, upon the fulfillment of conditions essential to that end:

If, after the war, there is failure to provide for cheap feeds, if there is a collapse of world trading, if agriculture is regarded as a "reception industry" on any large scale, so that surplus labour is dumped back on the farms, the hard won war-time gains may be lost. To become permanent, they require on the part of the Maritime people a conscious and sustained effort directed towards improving stocks, agricultural techniques, and marketing organizations, and a national policy designed to prevent industrial depression and unemployment.

### Fisheries

Maritime fisheries, once the very foundation of the regional economy, have suffered with agriculture a great reduction in the labour force engaged in fishing. It has been accompanied by some potential, rather than real, loss in market for salt fish. On balance, this and other war-time changes are regarded as not a bad thing for the pre-war undercapitalized and overmanned industry. Reduction in manpower has necessitated some extension in capital equipment, and disturbed the typical Nova Scotia attitude of resistance to the introduction of modern fishing craft. "There is implied in this changing attitude, a change also in the relative place of the fresh and salt fish trades respectively, in fishery affairs. It implies that the latter alone cannot hope to dominate the vision of the future in the Canadian Atlantic fishery."

On the whole, however, prospects for the industry can hardly be said to have improved:

Its equipment is poorer, on average, and replacements have not been maintained. It has suffered an inflation in costs, especially in the approximate trebling of raw fish prices . . . This rise in fish prices has allowed the fishermen a reasonable revenue and some chance to rehabilitate himself. But the rise

has not been accompanied by any improvement in technique or processing such as would strengthen the competitive position of the industry when other fishing countries return to win back markets.

If, however, the trend toward capitalization is continued, if techniques are improved, if demand is not too upset by competition, there is the prospect of a more prosperous post-war industry. But it will be an industry which, though it may offer more employment in shore plants, will not absorb any very great quantity of the post-war labour surplus.

### Employment Possibilities

Estimated, in magnitudes only, are the post-war primary employment possibilities in thirteen principal districts. These are both valuable and essential to proper development in the areas concerned. In general, war-time developments have brought to the heavy industries, to the forest industries, to fishing and agriculture, improvements which indicate a better standard of living, but the Maritimes will be unable to absorb in profitable employment the full post-war labour surplus. Even if Canada adopts a big scale public investment program, there would probably remain in the Maritimes, on the basis of the estimates, a significant number of persons requiring immediate post-war employment. Professor Keirstead believes this surplus might be absorbed in employment possibilities elsewhere. To retain it in the Maritimes, he points out, would be at the expense of the improved living conditions now possible.

### Social and Political Implications

The reasoned post-war prospects foreseen by Professor Keirstead depend on social and economic policy. If there is, he insists, failure to make a wise international settlement and no resumption of international trade, if there is failure in Canada itself to carry out sound employment and investment schemes after

the war, the general trade stagnation would affect the Maritimes cruelly. Thus the future of the Maritimes is seen not so much as a matter of regional policy and "provincial rights," but as part of the general national and international problem of reconstruction. It is not too much to say that any other view would be devoid of realism, in effect so much twittering in the twilight.

"What would appear necessary if there is to be a . . . full employment program . . . is a complete re-allocation of governmental powers . . . a concentration in the hands of the Dominion of complete monetary and fiscal control and authority over investment . . . It would require also authority over labour relations and full competence for labour legislation." Official opinion in Canada has cautiously avoided an expression of policy in these terms. Yet there can be no honest doubt that the approach to full employment is to be found only along the lines suggested. No advocate of government by bureaucracy, Professor Keirstead believes that the concentration of necessary powers at Ottawa could be accompanied by a parallel devolution of powers over matters (many of the natural resources) best administered on a regional or provincial basis. In substance, the implications for national and, therefore, regional prosperity are stated to be: a unification of attitude as well as authority in post-war Canada; an acceptance on the part of the people of the Atlantic provinces of their place in the national whole, a realization that their future is now intimately bound up with that of the Dominion; and a reciprocal realization on the part of the centre that no country can afford to allow certain regions to suffer economic stagnation, poverty and destitution while other areas are prosperous and comfortable.

### Conclusion

"If we are prepared to pay, as we are now paying, for the right to build up a good national life according to our own purposes, we should not find the price of that positive achievement beyond

our means." In these words, there is a challenge to those who would prescribe remedies for Maritime problems. Professor Keirstead's analysis shows that the region's economic future is inextricably linked with the nation's future, that its basic problems must be resolved within the national structure. He shows, too, that within the nation's structure the Maritimes themselves must exert their utmost effort to achieve positive prosperity. Coming at this time, his

study is more than timely. The war has brought a new spirit and a new hope to Maritime people. For them Professor Keirstead has succeeded in stating the central economic issues, their historical background, and with incisive clarity the areas within which decisions must be made. His is the first such systematic study; no one seeking realistic understanding of the region's basic economic problems can afford to ignore it.

## The Outlook for Canada's Wheat Industry

By W. A. MACLEOD

**I**N the writer's opinion annual wheat production in Canada in the post-war years is likely to run between three hundred and three hundred and fifty million bushels. Apart from feed and seed kept on the farm the crop will be delivered on a quota basis by the growers to a national Wheat Board, or Wheat Pool, with a guaranteed initial payment to the grower when he takes his grain to the elevator.

The forecast should not be taken too seriously. It is purely the writer's guess, and may differ widely from the views of the Wheat Pools.

Since 1938, production in Canada has averaged considerably higher than the writer's estimate. For 1933, 1934, 1935, 1936 and 1937, the Canadian wheat crop was substantially below estimate. This year's crop is estimated at 450 millions. To justify the writer's position, it will be necessary to explore the past of our wheat industry and then take a leap into the future from the firm ground of the present.

### The Rise of the Wheat Economy

When the writer was a small boy, Canada was jogging along with an annual wheat crop of between twenty-two and twenty-five million bushels, exporting

between three and nine million bushels annually and importing from the United States two or three million bushels more than she exported. Practically all the wheat grown in Canada was from the eastern provinces, for while wheat had been grown on the prairies from 1812, there was rarely enough to supply the needs of the little prairie settlements until near the end of the century. As late as 1876 when there was a crop failure in Ontario and an order for 5,000 bushels for seed was sent to the Red River settlers, all that could be supplied was 857 bushels, the first wheat shipped from the prairies.

The completion of the Canadian Pacific Railway line across Canada in 1886 inaugurated the wheat era in the Dominion. Between 1880 and 1885 the production of wheat in Manitoba increased from one million bushels to six millions. In 1890 Manitoba's wheat crop reached sixteen millions; eighteen millions ten years later, with five million bushels produced in the North-west Territories, from which the provinces of Saskatchewan and Alberta were carved five years later.

In 1892 Canadian wheat, "Manitobas," was quoted for the first time on Liverpool markets, and the name stuck although in a few years the volume of wheat from Saskatchewan and Alberta left Manitoba far in the rear. By 1905 our national wheat crop exceeded a hundred million