

*Frank Strain*

### **Norman McLeod Rogers: A Neglected Nova Scotian Contributor to Regional Economics**

Economic stagnation and relative economic decline during the nineteen twenties united Maritimers from all walks of life in the Maritime Rights Movement. Maritimers demanded a new deal within Canadian federalism; a deal which acknowledged their right to share fully in the prosperity of the nation. The cause of Maritime Rights was championed by practical men — politicians, business and labour leaders, and commodity producers — and the region's intellectuals. Indeed, the Maritime Rights Movement, with its focus on the economic problems of Atlantic Canada sparked new and exciting intellectual contributions in a branch of economics now known as regional economics.

Some of the most remarkable intellectual contributions in this period appear in a study by a Nova Scotian, and occasional contributor to the *Dalhousie Review*, Norman McLeod Rogers. These neglected contributions are found in *A Submission on Dominion-Provincial Relations and the Fiscal Disabilities of Nova Scotia Within the Canadian Federation* presented to the Nova Scotia Royal Commission of Provincial Economic Inquiry (The Jones Commission). The Premier of Nova Scotia established the Royal Commission of Economic Inquiry in July 1934, appointing as commissioners John Henry Jones, Professor of Economics and Head of the Department of Commerce at the University of Leeds, England, Alexander S. Johnston, an Ottawa lawyer, and Harold A. Innis, Professor of Economics at the University of Toronto. Governments of the day were facing serious fiscal crises. Nova Scotia was no exception and the Premier expected this Commission to provide theoretical and empirical arguments which might strengthen the Province's hand in petitions to Ottawa.

The Commission presented its final Report and a complementary report by Innis in 1935. The report itself reflected the hand of Harold Adam Innis. Innis is now recognized as the "father of Canadian

Economic History” and as one of the best social scientists this country ever produced. The Report of the Royal Commission is a neglected piece of Innis’s work.

But even more interesting than the contribution of Innis is that of Norman McLeod Rogers. Innis’s theoretical approach is well known and rightfully acclaimed. Rogers’s theoretical approach, on the other hand, went unrecognized. It was a unique contribution and only much later would this theoretical approach make an impact on economic thought.

Norman McLeod Rogers was born in 1894 in Amherst, Nova Scotia. He completed his undergraduate education at Acadia University in Wolfville, and in 1919 he won a Rhodes Scholarship. While at Oxford, Rogers specialized in history and law, and on his return to Nova Scotia in 1922, he became Professor of History at Acadia.

From 1927 to 1929, Rogers served as MacKenzie King’s Secretary for Privy Council Affairs. This stint in politics was followed by a six-year appointment as Professor of Political Science at Queen’s University. It was during this period that he prepared the submission to the Jones Commission. In 1935, he won a seat in the House of Commons representing the Kingston area. He became one of the stars of the Mackenzie King government, first as Minister of Labour and, after the outbreak of war in 1939, as Minister of National Defence. On June 10, 1940, Rogers died in a tragic plane crash during a flight from Toronto to Ottawa.

During his brief career, Rogers made many important contributions to Canadian political economy. W. A. Mackintosh listed some of his intellectual contributions in an obituary. More than anyone he was responsible for smashing that product of the parochial ignorance of Ontario and New Brunswick, the compact theory of confederation. He made solid and illuminating contributions to the understanding of federalism, adding to the common stock of ideas which bore fruit in the Sirois Report.<sup>1</sup>

Mackintosh also noted that Rogers’s “submission, as counsel for the Province of Nova Scotia, to the Jones Commission drew a great deal of fire from economists.”<sup>2</sup> The reason was simple. His submission simultaneously challenged orthodox economic theory and widely accepted descriptions of Atlantic Canadian deindustrialization.

The submission to the Jones Commission emphasized tariff policy and its impact on Nova Scotia. Not surprisingly Rogers, the political scientist, carefully examined the political debate over Canadian tariff policy. His interpretation was not new. Like others before him, Rogers argued that tariff policies (and the original Confederation agreement)

were designed to serve imperial and national interests. Thus, the interests of Nova Scotians were often neglected.

Not content to base his arguments on general impressions or anecdotal evidence, Rogers undertook a detailed study which judiciously blended statistical data and theory to make the Nova Scotia case. He began by donning the hat of an economic historian. The deindustrialization process, "the gradual but persistent decline in manufacturing activity," had to be documented.<sup>3</sup> Here he used not only published and unpublished data from the Dominion Bureau of Statistics but also an original survey. Among his findings was that over two hundred manufacturing establishments in Nova Scotia disappeared between 1900 and 1933.<sup>4</sup>

To link the deindustrialization process and the tariff he assumed the role of an applied economist. Since a tariff protects domestic firms from foreign competition, it allows domestic firms to charge higher prices. This, in turn, redistributes income from some Canadians (consumers) to other Canadians (domestic producers). But how did Nova Scotia fare in the process? Rogers undertook one of the first tariff incidence studies in Canada to answer this question.

Not surprisingly, Rogers found that the tariff benefited Ontario and Quebec while the rest of the country lost. His calculations suggest that Nova Scotians lost over six million dollars in 1931 as a result of the tariff.<sup>5</sup> He also noted that the tariff had been an established feature of Canadian life for over fifty years. Therefore, the losses, in total, were substantially higher than the figure for a single year would suggest.

Norman McLeod Rogers's contributions to the Jones Commission were not limited to political and economic history or applied economics. Indeed, his most remarkable contribution was theoretical. Rogers was not content to identify the static income loss which resulted from tariff policy. He believed this measure seriously underestimated the impact of the tariff. Why? Because the tariff policy set in motion a dynamic process which contributed to deindustrialization and exacerbated regional disparities. Rogers's description of this dynamic process is remarkably similar to the description offered by the Nobel Prize winning economist, Gunnar Myrdal, in his 1957 book *Economic Theory and Underdeveloped Regions*.<sup>6</sup> In contrast to the orthodox theorists Rogers did not believe the market economy to be self-correcting. Instead, he emphasized the principle of "circular and cumulative causation," the principle which later became Gunnar Myrdal's greatest contribution to economic thought.

Neoclassical economics, the prevailing orthodoxy, emphasized the self-correcting tendencies inherent in market-based economic systems. Neoclassical economists argued that disparities introduced by tariff

policy or for any other reason could not last for long. Mobile workers leave the low-wage region, decreasing the supply of workers and increasing wages. At the same time, the supply of workers rises in the recipient region forcing wages down there. Moreover, capital is mobile. Capital flows into the poor region to take advantage of low wage rates. In the long run, the movement of capital and labour induced by changing market prices assures equal wage and profit rates in all regions.

Not so, argued Rogers, and later, Myrdal. The adjustment process will increase, not decrease, disparities. The theory of the adjustment process offered by both Rogers and Myrdal begins by noting that migration is selective. The most productive tend to be the first to leave.

In Chapter VII of *The Submission*, Rogers carefully documents the selective nature of migration. He notes:

The analysis of population affords even more striking evidence of the migration from Nova Scotia of an abnormal proportion of its native-born between the ages of 25 and 45 ... the percentage distribution of age groups from 25 to 44 years in Nova Scotia is in every case well below the average of these groups for Canada as a whole. There is an even more striking disparity between the distribution of those age groups in Nova Scotia and in the Provinces of Ontario and Quebec.<sup>7</sup>

Rogers then moved on to explain the consequences of this for both donor and recipient regions. "Under normal conditions" the population between 25 and 45 years of age exhibit "the highest degree of enterprise and productivity."<sup>8</sup> With the outmigration of this group "the most active element of [the] population [is] drawn away from the province to contribute to the upbuilding of foreign countries and other sections of the Dominion."<sup>9</sup> At home:

A movement of this character has a cumulative effect upon the morale of a community. It creates in itself an attractive power beyond the province which draws each succeeding generation of younger Nova Scotians to seek success beyond its boundaries. It creates as well, a sentiment of restlessness and dissatisfaction among those of the lower age groups who remain in the province. It leads to an assumption that a large proportion of each generation in Nova Scotia must seek its livelihood beyond the province. It is not too much to say that the persistence of this movement over a period of years has in itself contributed largely to the failure of Nova Scotia to realize the promise of its resources, even under the disabilities which have handicapped its economic progress.<sup>10</sup>

Moreover the success of the recipient region increases the tax base there. Governments in that region can finance infrastructure investment thereby improving the health and education of the labour force and the transportation, communication and electrical facilities de-

manded by industry, without raising tax rates. The declining region, on the other hand, faces stagnation. Tax rates must be increased simply to finance the most basic activities and this higher tax rate acts as an extra incentive for businesses and workers to leave the community and as a disincentive to those who otherwise might have considered moving in. Rogers describes this process:

the decline in manufacturing activity...has led to a severe depreciation of property in many industrial communities and a loss of tax revenue followed by rising tax rates imposed on the inhabitants of these communities who remain. It has gradually undermined confidence in local industries and has made it exceedingly difficult to secure the investment of capital by Nova Scotians in new enterprises. At the same time foreign capital uninfluenced by conditions of sentiment has been diverted.<sup>11</sup>

The process of decline, once begun, continues to spread. Rogers points out its consequences for the agricultural sector.

The close down or removal of factories in various towns throughout the province has brought about a contraction of the market for agricultural commodities within the province. During the same period there has been no compensating enlargement of the market for Nova Scotian agricultural production in the growing industrial areas of central Canada. The result has been that farming areas in the immediate vicinity of the declining industrial communities have themselves been involved in the process of economic retrogression. Sons and daughters of farmers expecting to find employment in the industrial centers within the province have been compelled to go father afield in the search for a livelihood.<sup>12</sup>

Rogers's theory of regional adjustment is a remarkable anticipation of Myrdal. To be sure, there are numerous points on which the two would have disagreed. For example, Myrdal believed that the pattern of economic development in market societies was largely a result of historical accident. This is evident in the following passage:

Within the broad limits the power of attraction today of a centre has its origin mainly in the historical accident that something was once started there, and not in a number of other places where it could equally well or better have been started, and that the start met with success. Thereafter the ever increasing internal and external economies — interpreted in the widest sense of the word to include, for instance, a working population trained in various crafts, easy communications, the feeling of growth and elbow room and the spirit of new enterprise — fortified and sustained their continuous growth at the expense of other localities where instead relative stagnation or regression became the pattern.<sup>13</sup>

Rogers, on the other hand, felt that central Canada enjoyed natural (locational) advantages as a centre for manufacturing but that tariff policy limited Nova Scotia's ability to develop its natural advantages,

its resources, to the full. Myrdal did not share Rogers's preoccupation with tariff policy.

But still, Rogers used his theory of regional adjustment to turn the traditional explanation of underdevelopment on its head. His interpretation is most evident in the following passage.

A continued decline of industry and trade over a long period of years must have its inevitable effect upon the morale and outlook of a community. Charges that the people of Nova Scotia are lacking enterprise have been made on frequent occasions but there has been too little disposition to look behind the alleged fact to its basic cause. It had been assumed generally that the lack of economic progress in Nova Scotia has been the result of the failure of enterprise in the province. This is a superficial view of the true situation. It would at least be closer to the truth to say that the lack of enterprise is the accumulated result of a long period of gradual but persistent economic debilitation.<sup>14</sup>

Moreover, like John Maynard Keynes, Joan Robinson, Piero Sraffa, and the other economists in the nineteen thirties, Rogers challenged the conventional vision of the self-correcting market economy. Consequently, he argued that government has a role to play and that an activist policy is appropriate. Indeed, in addition to advocating changes in tariff policy, Rogers argued for "developmental undertakings to assist in the establishment or resuscitation of forms of economic activity for which the province possesses natural advantages by virtue of its resources and geographical location."<sup>15</sup>

Although Norman McLeod Rogers was not an economist, his good intelligence and his accurate, shrewd, and independent observation of economic development in Canada enabled him to produce a remarkable piece of economic analysis.<sup>16</sup> The work of this Nova Scotian deserves more recognition.

#### NOTES

1. W. A. Mackintosh, "Obituary: Norman McLeod Rogers, 1894-1940," *Canadian Journal of Economics and Political Science*, 1940, 477.
2. Mackintosh, 477.
3. Norman McLeod Rogers, *The Submission on Dominion-Provincial Relations and the Fiscal Disabilities of Nova Scotia in the Canadian Federation* (Halifax: King's Printer, 1934), 57.
4. Rogers, 56.
5. Rogers, 101.
6. Gunnar Myrdal, *Economic Theory and Underdeveloped Regions*, (London: Duckworth, 1957).
7. Rogers, 83.
8. Rogers, 82.
9. Rogers, 83.

10. Rogers, 84.
11. Rogers, 84.
12. Rogers, 84.
13. Myrdal, 26-27.
14. Rogers, 81.
15. Norman McLeod Rogers, 198.
16. This description of Rogers was offered by an anonymous referee.