

A COMMENT ON
DILEMMAS AND STRATEGIES OF DEVELOPMENT
IN THE ATLANTIC REGION

by

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The determination and implementation of development policy are undoubtedly among the most important and most difficult responsibilities of government. They are important because the well being of the people is highly dependent on the economic base, both in obtaining their livelihood and in determining the level of public services that governments can provide for them. They are difficult because, for their responsibilities to be adequately discharged, governments must be clear about the goals and objectives of society. They are also difficult because governments are not generally well equipped to make decisions on matters the outcome of which depends upon actions in the private sector; actions that are motivated primarily by private rather than public interest and that therefore require a full and clear understanding of what the private response to public policy will be.

The object of public policy is presumably to maximize the well being of the people. It is therefore necessary in speaking of problems of development in Atlantic Canada to establish what kind of society we want in the region. To establish this requires a continual dialectical discussion that leads to a consensus as to what constitutes an acceptable kind of society, with an understanding of what the limitations and alternatives are. This dialectical process is difficult to achieve and has not thus far been effectively achieved in this country or in this region.

The function of government of determining the appropriate types and levels of public services is relatively easy compared to determining the place of government in economic development. The self-regulating market that characterizes our economic system has many virtues, including those of flexibility and adaptability, but dependence on it means that we have no basis for ordering social priorities in the sense of making a deliberate social choice as to the purposes for which resources will be used. For example, deciding whether resources will be used to provide direct docking facilities for aircraft or to provide additional housing is not a matter of explicit social choice within a market framework.

We face the dilemma, then, of knowing that leaving development to the market is not necessarily going to

produce the most socially desirable result. This may make us feel more comfortable about governmental intervention, except that, given the shortcomings of governmental decision making that I have referred to, there is the risk that the outcome of governmental intervention may be worse than no intervention. It may even be disastrous.

In this matter of governmental intervention in economic development it is necessary to distinguish bad developmental decisions from bad management. For example, the decision of the government of Nova Scotia to underwrite the building of the Deuterium heavy water plant may or may not have been a wise one. The fact is that the management and government surveillance of the building of that plant were a costly calamity. There is no solace in this distinction. It simply underlines the importance of both making well calculated decisions and implementing them competently. Development is largely a political problem.

The major contribution that government can make to development is to ensure that it attends well to its primary functions of planning and of providing public services, including the establishment of carefully thought-out development controls. This requires that we have a governmental structure that can indeed effectively, efficiently and responsively plan and provide public services -- a structure within which governments can rationally determine developmental objectives, policies and programmes and can implement those policies and provide those programmes.

While the federal government has a legitimate concern with the development of the regions of the country in a national context--with considering whether and to what extent it should be concerned with regional disparities in income and employment--it is the provincial governments that comprise the principal political regional entities. Until each provincial government in the Atlantic Region places itself in the position of rationally determining its own interest, there is no firm basis for establishing a broader regional policy. This requires that the provincial governments and their municipal governments have a strong planning and administrative capability. The governmental organization should be such as to facilitate politicians' coming to grips with planning issues--indeed forcing them to do so--within the restraints imposed by the national and world economies.

While I do not have the time to discuss the requirements in detail, in outline they are, at the provincial level: ¹

1. Provision, preferably by means of a senior cabinet committee on planning and policy, for the establishment of provincial priorities so that what is regarded as the provincial interest will be clearly understood and delineated.

2. Effective provision for interdepartmental coordination, so that policies and programmes are coherent and are not compartmentalized and isolated in departments.

3. Provision for systematic indicative land-use planning, including the location of principal types of economic activity, so that guidelines to municipalities in discharging their responsibilities for detailed land-use planning will be clearly established.

4. Provision for programmes for the conservation and protection of the natural environment that are explicitly related to developmental policies and programmes.

5. A clearly articulated policy on manpower development and industrial relations to enhance the personal development of workers in relation to employment opportunities and to ensure a responsible and favourable industrial climate for employers and responsible and humane treatment of employees.

6. Provision of a uniformly high level of the general services--education, health, social services and housing--to develop the personal qualities of the people in accordance with their potential and so to increase their range of choice and mobility.

7. Provision of an efficient and effective transportation network.

At the municipal level the essential requirements are:

1. Adequate geographical jurisdiction and adequate administrative and financial capability to plan and provide public services over the region to which municipal functions logically relate. Such a region will normally contain both urban and rural areas having extensive mutual interests. There should, at the same time, be sufficient flexibility in this regional municipal structure to provide for differences in the type of services appropriate to different-sized urban areas. It is at the municipal level that the form of the highly interrelated urban and rural community should be principally determined. The present fragmented municipal structure, in Nova Scotia at least, is not up to these important tasks. For effective municipal government, planning and the implementation of planning must be carried out by the same governmental body. This requires a one-tier system of regional municipal government.

2. Systematic provision for citizen consultation to ensure that governments are cognizant of and responsive to the wishes of the citizens. This requires that citizens be well informed of major plans and developments before final decisions are taken so that their contribution can be effective.

Municipal planning does not mean producing a rigid blueprint, but should be a continuing process that systematically relates policies and programmes to carefully thought out goals and objectives. Planning and provision of public services are complementary and inextricably related functions of government. The municipal councillors themselves should be the planners, making decisions, with strong staff support, in the areas of physical, social and financial planning.

These elements in the provincial and municipal governmental structures are essential if our governments are to come to grips effectively with the modern world, something they are not now capable of doing.

The governmental structure that is most effective for the planning and provision of public services is also inherently and inevitably the most effective structure for exploiting the opportunities for economic development and for dealing with the environmental and other consequences of economic development to achieve the greatest social benefit for the people of the province and region. Indeed, the principal contribution that government can make to sound economic development is to do an effective and efficient job in the planning and provision of public services.

Only if the provinces are clear about their interests and positions will they be able, separately or in concert, to negotiate sensibly with the federal government in influencing the nature of federal programmes and be able to use these programmes effectively.

The general developmental objective seems fairly obvious: to put economic resources to work in the most productive way consistent with planning, including environmental, objectives. What are wanted are ample employment opportunities of the types and at income levels commensurate with skills, along with the development and maintenance of attractive urban and rural environments.

In attempting to meet these objectives it is necessary to take the pragmatic approach of doing what can be done within the limitations of resources, location and markets. However, it must be remembered that if unemployment can only be reduced by expanding low wage industry, some economic waste will be eliminated but regional economic disparities will not be much reduced.

With respect to rural underemployment it may be better to leave middle-aged and older people in their underemployed state if they are coping reasonably well and if they are living lives that are at least more satisfying and productive than if they were forced to move to a "foreign" urban community, even one in the Atlantic Provinces, where they could not cope at all. The provision of good educational and training programmes throughout each province will then help to give the next generation a wider range of choice as to where they will work and live.

It would in any case be a mistake to focus solely on the elimination of regional economic disparities as the regional developmental objective, although as long as these disparities are great they are probably symptomatic of national and regional economic maladjustment and their reduction is a legitimate aim. It would, moreover, be a mistake to assume that complete elimination of economic disparities in either income or employment is a sensible or desirable economic goal to the extent that such disparities reflect the differing character of the regions with respect to their resource base, location and occupational distribution. Even with perfect resource allocation according to the marginal productivity rule, substantial regional differences in per capita income will likely remain. In the interest of national unity, equity and efficiency it will continue to be desirable to employ devices of fiscal equalization at both federal-provincial and provincial-municipal levels to permit comparable levels of public services to be provided with comparable tax burdens in all provinces and municipalities.² To the extent that provincial economic disparities, and therefore differences in fiscal capacity, are reduced as a result of regional development policy the level of equalization payments automatically will be reduced.

Although time does not permit a detailed discussion of strategies with respect to the industrial sectors of the Atlantic Provinces, it might be useful at least to offer a few cursory suggestions, without any attempt at a comprehensive discussion.

In the primary industries--agriculture, fishing and forestry--there has been a great deal of rationalization and consolidation in the post World War II period after many years of failure to make fundamental adjustments to changing conditions. Much remains to be done, particularly in the area of farm consolidation and land use in agriculture. Careful land-use planning and management are particularly necessary where multiple uses of land are possible, for example, for agriculture, forestry, recreation, urban expansion, and for highways. In this planning the provincial government has the responsibility for delineating the broader divisions with respect to land use in the general provincial interest, and the municipal governments should have control over the detailed planning.

Tourism is an industry that is often over-rated in the economic contribution that it makes. It is mostly highly seasonal, being largely confined to July and August. It provides little year-round employment and the capital facilities are idle most of the year. The period is very short for obtaining an economic return on capital. There is also the danger of a high psychological cost of turning people into servants for foreign tourists. I would favour concentrating our efforts on developing recreational facilities primarily for the benefit of our own residents and concentrating in a few areas of the region facilities of the sort that will attract high spending

tourists. Tourists who come to use our campsites generally spend little money. They often bring much of their food and gasoline with them. And they crowd the facilities for tourists who live in the region. This does not mean overlooking the fact that tourism provides an important part of the cash incomes of many citizens but, rather, realistically assessing both costs and benefits from it.

While activity in the construction industry is largely dependent on development in other sectors, there is a great back-log of work to be done in renewing and extending municipal infrastructure and housing stock. Water and sewerage facilities alone likely require about half a billion dollars of work in Nova Scotia to bring them up to reasonable standards.³ These are areas where federal funds can appropriately be used with a high degree of assurance that social benefits will justify the expenditures, and that there will be considerable impact on regional employment and income. The attractiveness of construction as an employment-creating activity would be further enhanced if industrial relations were improved and stabilized, an important element in any programme of development.

The service sector is the largest and most diverse of all the sectors. Most of the elements in it would be enhanced by more effective planning and provision of public services. As real incomes rise, services increase in relative importance. It would be wrong to neglect them in a development strategy in the mistaken belief that they are less important and have less impact in generating income or contributing to well being than the production of commodities.

It has become common to regard manufacturing as the main hope and objective of development policy, largely because the primary industries offer declining employment opportunities, albeit at higher average incomes for those remaining. There is an efficiency argument for some subsidization of manufacturing if it leads to production from otherwise unemployed or underemployed labour, particularly if there is a good prospect for the industry to become economical. Firms should be subsidized, however, only if competent assessments of market expectations indicate that self-sufficiency can be achieved in a reasonable time. While, theoretically, long-term, even indefinite, subsidization may be economically justified, the great risk of miscalculation, especially where clear and objective criteria are lacking, and where the temptation for political abuse is ever present, makes such a policy a perilous and potentially very costly one. Incentives should be geared to the objective of providing employment to utilize potential skills at the highest return to labour and capital. Although the financing of fixed capital facilities is important initially and may have to be subsidized to get a firm under way, labour costs may be by far the largest part of total costs. In such cases the emphasis in the incentive package should be on an employment subsidy that extends

for more than the present two-year period under DREE programmes, possibly a subsidy that is gradually phased out over a ten-year period.

While the larger metropolitan centres will be the most appropriate locations for some industries by virtue of the concentration of population and diversity of specialized services found in large urban areas, it by no means follows that all, or even most, industries are most appropriately located there. A sensible development policy must be based on developmental opportunities and advantages wherever they present themselves in a province or in a region, always taking into account the costs as well as the benefits and always remembering that economic growth is not an end in itself. Its desirability is always something to be demonstrated, never taken for granted.

In general, policies and programmes that take advantage of opportunities for coordinated development of related industries, or of opportunities that are related to indigenous resources, have the best chances of success. Although it is too early to assess the coordinated development under the MULTIPLEX venture at Saint John, it appears to be on the right track, as does the direction recently being taken by DEVCO in Cape Breton in building, for example, on the resources for sheep farming, aquaculture, and tourism. With the energy crisis, coal too may come back into its own as an asset rather than an industry being heavily subsidized to provide employment.

Many parts of the Atlantic Provinces are attractive places to live. There are some close parallels in this respect with the situation of the Highlands and Islands of Northern Scotland. Within reason, the effort should be made to try to diversify and distribute economic development to at least sustain something like the present pattern of settlement in the rural and small urban areas, as well as to the metropolitan areas. Otherwise, much might be lost in the character and variety of life in the Atlantic region.

FOOTNOTES

1. For a detailed discussion of the requirements at both provincial and municipal levels of government in Nova Scotia, see Report of the Nova Scotia Royal Commission on Education, Public Services and Provincial-Municipal Relations, (Halifax: Queen's Printer, 1974) especially Chapters 2,5,6,18 and 32 in Volume II. See also the Overview in Volume I.
2. See John F. Graham, "Fiscal Adjustment in a Federal Country", in Inter-Government Fiscal Relations, Canadian Tax Paper, No. 40 (Toronto: Canadian Tax Foundation, 1964).
3. Report of the Nova Scotia Royal Commission on Education, Public Services and Provincial-Municipal Relations, Chapter 13. The estimate for 1973 was \$370 million. With inflation, the amount will have risen substantially.