

**Competitive Strategy
and Economic Development:
A Regional Case Study –
Atlantic Canada**

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**Ph.D. Thesis
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ABSTRACT

This thesis examines how, in the global context of the 1990s, economic planning for an economically disadvantaged peripheral region within a small open national economy has become an exercise in the maxim “Think Globally and Act Locally”. It examines the content, context and process of economic policy making in Atlantic Canada in the 1990s. It critically analyzes the dissonance between generic visions of a competitive Atlantic Canada and the particular regional realities that must be taken into consideration if the plans are to be successful. The thesis also suggests a normative course of action in policy planning and implementation that can reduce this dissonance.

The thesis is organized around four fundamental questions: 1) How is a competitive economy created in the global context of the 1990s and what roles should the state and the market assume? 2) What prescriptions for competitiveness are being presented in Atlantic Canadian economic policy documents? 3) What impediments and advantages does the Atlantic Canadian political-economy present to the realisation of this vision of a competitive economy? and 4) How can the economic policy planning and implementation processes be improved in order to better the chances of success for these kinds of policies?

The critical analysis of the literature addresses the first three questions by surveying the areas of industrial policy, management theory, and Atlantic Canadian economic history and economic development planning. The fourth question is addressed through an empirical case study evaluation of Nova Scotia Voluntary Planning, a non-government sector organization composed of industry and labour leaders, and of its economic strategy document entitled “Creating Our Own Future”. Theoretical and methodological guidelines for the evaluation models were drawn from the literature on policy research, cooperative inquiry, critical planning and critical evaluation theory, the role of mediating structures in public policy delivery and planning as social learning.

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PART I

OVERVIEW AND METHODOLOGY

CHAPTER 1

THESIS OVERVIEW

1.1 INITIAL THESIS CONCEPTUALIZATION AND DEVELOPMENT OF A WORKING HYPOTHESIS

I began this examination of the direction of regional development policy in Atlantic Canada¹ in 1989. My interest in the subject was motivated by the fact that the hundreds of students that graduate every year from the commerce department at Saint Mary's University in Halifax, Nova Scotia, where I teach, face relatively few local job prospects. Commonly, graduating students either remain under-employed or have to leave the region in order to find a "good" job. Economic conditions in the region are poor and have been poor for a long time. Were it not for public sector employment and for transfer and equalization payments from the federal government, the region's economy would have been even worse. Why was the region seemingly stuck in perpetual under-development? What had been done to stimulate economic growth? What else could be done? I decided to make these questions the central theme of my doctoral studies.

Given my previous experience as a marketing manager and consultant, my initial view of the task revolved around the application of strategic management and strategic marketing concepts to the process of economic planning. Economic development planning had often been criticized for not having clear objectives, effective means for policy implementation, or accurate measures of evaluation. Moreover, the vagaries of the political environment in which policies were created usually led to policy initiatives being arrived at in an ad hoc manner, as well as to uncoordinated efforts by the various levels and agencies of government. This seemed like a perfect opportunity for the application of models of "strategic planning" developed in the private sector to the public sector process of economic planning. The Japanese Ministry of International Trade and Industry (MITI) had managed to do it – could Atlantic Canadians do it too?

The first issue to consider concerned the nature of strategic planning at a regional or national economic level. I looked at the question of whether governments should actively "plan" the industrial structure through a "hands-on" approach, or whether development goals are best achieved through a "hands-off" approach to the economic sector. This led me squarely into the industrial policy/managed trade vs. laissez faire/free markets debate. As far as the focus of this thesis was concerned, I had to choose at that point between carrying on with my initial idea of applying private sector–

based schemes of strategic planning to the public sector process of economic planning, or instead, looking at private sector-led development initiatives where government limited its intervention in the economy to maintaining a “good business climate” and let the private sector decide the direction of economic activity. I chose the latter because this is the direction of current policy in Canada and in the Atlantic region, and an empirical study of actual policy in practice seemed more useful than a diatribe on counterfactuals. The focus of the research was now firmly established – the relationship between competitive strategy and economic development in Atlantic Canada.

In the summer of 1990 I had the opportunity to be a research assistant for the Atlantic Provinces Economic Council’s (APEC) 1990 Annual Conference background paper, “Strategies and Options for the 1990s” (APEC Oct. 1990). This major policy document established two of the principal themes² to be found in the regional economic development policy documents of the early 1990s – private sector competitiveness and regional economic cooperation. I examined the theory on competitiveness and contrasted the requirements for a competitive economy with the existing political economy of Atlantic Canada. The paper I submitted to APEC, and subsequently presented at the 1990 Atlantic Canada Economic Association Conference³ (ACEA), concluded that:

The initial findings of this research suggest that an economic development strategy for the Atlantic region based on competitiveness, entrepreneurship, productivity and innovation, as it is currently being developed and implemented, is likely to encounter serious obstacles and structural impediments. The right set of incentives is not being provided to the various agents of change. (Sagebien 1990)

The principal disincentives identified in the paper were monopoly, patronage, a paternalistic corporate culture, reliance on subsidies and transfer payments to attract or “prop-up” industry, a politicized government services delivery mechanism, and a clientelist attitude on the part of the recipients (provinces, business and individuals). The paper recommended that more interdisciplinary research be conducted and that policy action be developed beyond knee-jerk political ideology and party affiliations. Above all, the paper made a call for “realism” in policy development and implementation:

We *can* become competitive if we design a system that gives the right incentives to all the agents of change.... A new strategy will require an honest assessment of our strengths – let’s build on them. But it will also require a thorough examination of our weaknesses. The fact is that we do not have the right incentives for a competitive economy. Turning a deaf ear to well researched and documented articles because they come

from the critical attitude of the political left, or to disregard the value of all anecdotal evidence (even when intuitively appealing) because it does not meet academic rigour, will only lead to another embarrassing procession of the emperor in his new clothes. Furthermore, it is not enough to 'know' that the emperor is not wearing any clothes – policy makers must acknowledge these problems and attempt to deal with them honestly and effectively.⁴ (Sagebien 1990)

This thesis responds to this call for realism by critically analyzing the dissonance between generic visions of a competitive Atlantic Canadian economy and the particular regional realities that must be taken into consideration if the plans are to be successful, and by suggesting a normative course of action in policy planning and implementation that can reduce this dissonance. Thus the thesis has critical, analytic and normative components.

1.2 RESEARCH QUESTIONS

The thesis is organized around four fundamental questions.

- 1 . How is a competitive economy created in the global context of the 1990s and what roles should the state and the market assume?
- 2 . What prescriptions for competitiveness are being presented in Atlantic Canadian economic policy documents?
- 3 . What impediments and advantages does the Atlantic Canadian political-economy present to the realization of this vision of a competitive economy?
- 4 . How can the economic policy planning and implementation processes be improved in order to better the chances of success for these kinds of policies?

These questions are referred to throughout the text as “fundamental questions” one, two, three and four.

1.3 METHODOLOGY

The thesis addresses the questions posed above by: 1) *examining* the ideological content of the Atlantic Canadian economic policy documents of the 1990s – the themes that frame the discussions presented in the documents and the economic and managerial theories and assumptions from which they were drawn; 2) *critically analyzing* the context in which they were developed – global political economy of the 1990s and the political-economic and planning history of the Atlantic region; and 3) *evaluating* the

planning and implementation process undergone by one representative policy initiative in the province of Nova Scotia. In other words, it looks at what is being proposed, where it is being applied, and how it is being implemented. Furthermore, the thesis suggests that the success of the policy content (the plan) depends primarily on the way in which the process of delivery itself (the legitimacy and efficacy of the delivery agent) reflects an accurate understanding of the context in which it is being applied (the political-economy).

The content and the context are examined through an extensive critical analysis of the literature on competitiveness and on Atlantic Canadian economic and planning history. The process is examined through a case study, an evaluation of Nova Scotia Voluntary Planning and of its economic strategy "Creating Our Own Future" (V.P., Nov. 1991).

1.3.1 Critical Analysis of the Literature

The critical analysis of the literature proceeded on two major fronts:⁵ 1) an exposé of the current theories attempting to explain how and why economies and companies become competitive, and 2) the study of the Atlantic region's political-economic history and record of regional economic development initiatives up to the end of 1992. The first thrust of the critical analysis of the literature attempts to answer the first fundamental question posed by the thesis. The second thrust addresses the second and third fundamental questions.

The first part of the critical analysis of the literature provides an overview of the political-economic and ideological, global and national contexts that is required in order to understand current Atlantic Canadian regional policy as a "product of its times". It is a comprehensive, albeit not exhaustive, catalogue of the eclectic intellectual furniture that is available in the 1990s for the arrangement of economic policy documents in the region and elsewhere. This part of the thesis examines the interaction among state intervention, company strategies and market outcomes in the international economy by focusing on two major issues: 1) the debates over the right formula for achieving multinational, national, regional and local economic well-being (the competitive advantage of nations), and 2) the search for sustainable corporate competitive advantage (the major determinant of national competitive advantage).

The critical analysis of the literature on the regional development of Atlantic Canada included a survey of the works on the economic history of the region, the theories attempting to explain regional development and under-development, and the history of

regional economic development initiatives up to 1992. The analysis of current regional development initiatives (from 1990 to mid-1992), conducted through the examination of a variety of published documents, distilled the main themes in the regional development literature and assessed their various formulas for development.

1.3.2 Case Study

Despite the considerable regional development efforts of the Canadian government, Atlantic Canada still remains, by all economic indicators, an underdeveloped region of the country. Historically, it has high levels of unemployment and ranks below the national average in earned income levels. The economy is tied to low value-added primary resource production and to public sector-based services (e.g. schools, military, hospitals etc.). The region is also highly dependent on government subsidies to individuals and businesses. Moreover, the changes affecting the industrialized world call into question the Canadian government's commitment, or its ability, to continue along the present path of fiscal redistribution and regional economic development (or lack thereof).

The continued economic plight of the Atlantic provinces has resulted in the formation of non-governmental organizations aimed at mobilizing the human resources of the provinces for the purpose of economic revitalization. In Nova Scotia, for example, the forms these movements have taken throughout history have been varied – i.e. social gospel movements, lobbying groups, militant labour organizations, community economic development initiatives and regional rights advocacy groups within the Canadian federation. Recently, corporatist responses involving the concerted efforts of the private sector, labour, academia and the public sector have gained special importance as the confidence of citizens in the government's ability to solve economic problems erodes.

Nova Scotia Voluntary Planning (Voluntary Planning) is one such organization. Founded in 1963 as the province's sole economic planning body, Voluntary Planning has been involved a number of planning exercises in 30 years, providing a forum for the partnership of business, labour and government in the pursuit of provincial economic objectives. The organization has been successful in promoting communication among these economic sectors in a non-partisan, arms-length to government manner. In 1991, Voluntary Planning published "Creating Our Own Future" (V.P., Nov. 1991), Nova Scotia's formal economic strategy plan. The planning process for the development of this document included a series of province-wide consultations with sector leaders and with the public-at-large. This exposure gave the organization a higher

public profile and broadened its mandate beyond mediating the interests of government and the “private sector”. Voluntary Planning now spoke for the interests of the “non-government sector” – the private sector and the public-at-large. Both the provincial government and Voluntary Planning committed themselves to the implementation of this economic strategy plan and the maintenance of a communications loop connecting the sectors/communities, Voluntary Planning, and the government. A Monitoring Committee composed of influential government, private sector and labour representatives was appointed to oversee strategy implementation.

In late 1992 and in early 1993, I became involved in two activities that allowed me to closely observe and affect regional development planning and implementation. First, I was asked by the Executive Director of Voluntary Planning, Elizabeth Mills, to join the Communication Committee of Voluntary Planning in order to help design an evaluation methodology for Voluntary Planning’s activities. I was subsequently invited by Voluntary Planning to observe the series of public consultations conducted in 1993 and to participate in the Strategic Planning Review Committee that evaluated the entire organization. I also was invited by Mary Morrissey, Head of the Secretariat to the Monitoring Committee (Henson College), to join them on an informal basis⁶ in the process of conducting the Year One evaluation of both Voluntary Planning and the Provincial Government. While there was a definite conflict of interest because I participated in both Voluntary Planning and Secretariat activities, I was able to perform my duties on both committees by maintaining the confidentiality of the meetings and deliberations of both groups. These developments were most fortuitous in that they provided me with a case study of a private sector–led development initiative through which to examine regional policy formulation, implementation and evaluation within the global, national, managerial and individual context established in the literature review.

The work done as a member of Voluntary Planning’s Communication Committee, as an observer of the 1993 consultations, as well as a research assistant to the Secretariat to the Monitoring Committee provided the formal empirical evidence for the thesis’ arguments. Since the deliberations of the Strategic Planning Review Committee occurred after the data-gathering stage of the thesis was completed, the insights that I gained through participation in this activity are not formally part of the thesis. However, the preliminary results of this review strongly support the conclusions and recommendations presented in Chapter 12.

The case study attempted to answer the fourth fundamental question posed by the thesis by conducting a series of performance evaluations. These evaluations of “Creating Our

Own Future” and of Voluntary Planning were designed to shed some light on the questions: 1) Is the economic strategy working? 2) Why or why not? and 3) How can my research improve the chances for its success? Given this set of questions, the evaluations conducted addressed: 1) the effectiveness of the economic strategy and of the government of Nova Scotia and Voluntary Planning in meeting the goals outlined in the economic strategy; 2) the appropriateness of the model of economic development (private sector–led development) proposed by Voluntary Planning within the political economy of Atlantic Canada and of the world in the 1990s; and 3) the efficacy of Voluntary Planning in achieving the objectives laid out by the strategy, particularly in terms of its role as a mediating structure between the various publics⁷ of the province of Nova Scotia.

1.4 ASSUMPTIONS, CAVEATS AND THEORETICAL CONSIDERATIONS

The parameters of the research conducted for this thesis were set by three major assumptions and one caveat. The assumptions, made in 1989, were that in the 1990s: 1) Canadian federal transfer payments, subsidies and expenditures in the Atlantic provinces will continue to be substantially reduced; 2) Quebec will seek some form of sovereignty-association; and 3) North America will continue on its present path towards a U.S./Canada/Mexico trade bloc. The assumptions have proved accurate so far, and the vicissitudes they present to the Atlantic region will continue to exacerbate the economic conditions, as well as the need for fresh thinking and definitive action in regional policy planning and implementation.

The caveat is that the assumed efficacy of particular types of remedies for national and international economic ills is affected by the popularity of such remedies at the time, even when there is no truly reliable evidence on which to base their likely success or failure. When theory – right or wrong – is on the side of the coming rulers of social order, it is generally ensured a long life. In the words of Keynes:

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. (John Maynard Keynes, quoted in Fustfeld 1990)

Thus from the outset of the thesis, it was clear to me that the private sector–led model advocated by Voluntary Planning and by other Atlantic Canadian policy makers is a product of its time and place, not a panacea.

A review of the literature on social and planning policy implementation and evaluation revealed four very useful approaches to the research undertaken for this thesis. The critical theory approach to planning and evaluation provided the overall theoretical framework for the critical analysis of Atlantic Canadian regional policy and for the evaluation of “Creating Our Own Future” and of Voluntary Planning. It also suggested a normative course of action. The policy research approach provided the action-oriented methodological guidelines for the study. The cooperative inquiry approach provided the research rationale for direct involvement in the planning and implementation process. It also increased the likelihood of implementation of the recommendations made in the evaluation process. The social learning definition of planning provided a bridge between these two social policy research methodologies and the planning literature. The literature on mediating structures provided an alternative organizational model for Voluntary Planning. The approaches are documented in detail in Chapter 2.

1.5 RELEVANCE OF THE THESIS TO THE FIELD OF REGIONAL ECONOMIC PLANNING

In the early 1990s, there is hardly a speech or treatise on current events that does not begin with a litany of the dramatic economic and political reorganizations occurring in the world. Pandora’s box has once again been opened by the end of both the Cold War order and U.S. economic hegemony. The virtues of market-oriented economies and entrepreneurship, the need for productivity and competitiveness, the role of national industrial policy, and the extent of trade bloc protectionism are some of the issues being widely debated. Economists, business leaders and politicians alike are attempting to design the type of economic environment that can best position individual nations, regions and business firms within this unstable global environment. This thesis examines how, in this global context, economic planning for an economically disadvantaged peripheral region such as Atlantic Canada has become an exercise in the maxim “Think Globally and Act Locally”.

As a case-specific analysis, the thesis does not attempt to abstract a general model for either the development of regional economic strategies or for the methodologies to be used in evaluating them. Instead, it critically examines a private sector–led economic planning initiative within the regional, national and global political-economic and

ideological climate of its time. It demonstrates how generic, globally endorsed policy prescriptions encounter serious obstacles when the local political economy of the region to which it is being applied is overlooked in the process of planning and implementation. Case-specific recommendations for improving the success record of economic strategy implementation in Atlantic Canada are also presented.

While the thesis does not suggest a new body of theory, it is nevertheless of general interest to regional planners for three reasons. First, because “Creating Our Own Future” is a prime example, at a regional level, of the kind of private sector-led development economic planning that is dominant at a national level in the 1990s. Second, because it describes a planning organization undergoing a process of rapid change as a response to regional, national and global political-economic turbulence. The implementation of “Creating Our Own Future” is requiring Voluntary Planning to evolve from an elite advisory body to government towards a vehicle for participatory democracy in planning. Moreover, the fact that the organization has gone beyond merely giving advice through its planning documents and has taken on the role of implementation through public consultations, advocacy and lobbying, has made its planning activities go beyond being static policy prescriptions towards a dynamic and interactive model of planning. Third, because Voluntary Planning is reorganizing its activities and objectives along the lines advocated by critical planning theorists, and as such will provide in the years to come a rare empirical case study of the effectiveness of this innovative approach to planning.

1.6 ORGANIZATION OF THE CHAPTERS

The thesis is organized into five parts. Part I provides an overview of the thesis as well as a summary of the theoretical and methodological issues that provided the guidelines for the thesis research and organization. Parts II and III present a critical analysis of the literature on competitiveness and on Atlantic Canadian economic history and regional economic policy. This analysis provides the framework for the discussion of the case study presented in Part IV. Part V presents a summary and a set of conclusions and recommendations. In terms of the four fundamental questions posed by the thesis: Part II addresses the first question; Part III addresses questions two and three; and Parts IV and V address the fourth question.

Chapter 1 in Part I presents an overview of the thesis. Chapter 2 discusses how the thesis and case study evaluation design and analysis were guided by a critical theory perspective of planning and social policy evaluation, the definition of planning as social

learning, the principles of policy research and cooperative inquiry and by the notion of a mediating structure as an alternative delivery mechanism for social programmes.

Part II establishes the global and national ideological and political-economic context for the model of competitiveness advocated by the case study organization: a private sector-led economic development strategy. Chapter 3 looks at the changing political economy of the world in the 1990s and the resulting debate over the role of the state vs. the role of the market in achieving sustainable economic growth. It examines the debate over trade and industrial policy in the developed world and, to a lesser extent, the debate over state-centred development in the developing world. Chapter 4 examines some of the major debates on corporate management practices as well as Michael Porter's "diamond" model as a private sector/market driven alternative to activist industrial policy. Chapter 5 chronicles the history of industrial policy in Canada and examines the impact of the current model of national economic development on the "have not"⁸ regions of Canada.

Part III establishes the regional setting for the case study. Chapter 6 chronicles Atlantic Canada's economic history and the record of regional policy initiatives. Chapter 7 examines in detail the themes dominating the major economic policy documents at Atlantic, Maritime and Provincial levels from 1990 to 1992.

Part IV presents the case study. Chapter 8 provides a brief history of Nova Scotia Voluntary Planning and summarizes the tenets of its current economic strategy document "Creating Our Own Future". Chapter 9 describes the overall evaluation methodology design for the various evaluations conducted: 1) the evaluation of the effectiveness of "Creating Our Own Future"; 2) the evaluation of the appropriateness of the model of economic development proposed by Voluntary Planning within the political-economic context of Atlantic Canada; and 3) the evaluation of the efficacy of Voluntary Planning vis à vis its proposed economic strategy. Chapter 10 provides a more detailed account of the methodology followed for the effectiveness evaluation and then reports and discusses the findings of the public report. Chapter 11 presents the findings of the model appropriateness and efficacy evaluations.

In Part V, Chapter 12 summarizes the arguments presented in the thesis and provides a set of conclusions and recommendations to be used as guidelines for future economic planning in Nova Scotia and in Atlantic Canada. The chapter also presents a new series of research questions which surfaced during the research process undertaken for this thesis.

Appendix A lists the members of the Voluntary Planning Board and Staff and the members of the various committees involved in the preparation and evaluation of the economic strategy. It also provides the names of the groups and individuals consulted as part of the Strategic Planning Review.

It is my hope that the arguments presented in this thesis can help the process of economic planning for the citizens of Nova Scotia and, by extension, for all Atlantic Canadians.

ENDNOTES

- 1 Atlantic Canada comprises the provinces of Nova Scotia, Prince Edward Island, New Brunswick, and Newfoundland/Labrador. When the latter is omitted, the area is referred to as the Maritime Provinces. See map in Chapter 6.
- 2 The third major theme was the Canadian constitutional crisis of the early 1990s. These themes are addressed in Chapter 7.
- 3 Sagebien (1990). "Competitive Strategy and Economic Development in Atlantic Canada. Joining Vision with Practicality", presented at the Atlantic Canada Economics Association Conference in St John's, Newfoundland, in November 1990.
- 4 As in the case of the emperor's new clothes, it is well known that monopoly, patronage and paternalism are the pillars of the local political economy. However, they are very rarely acknowledged in economic development documents as factors contributing to regional underdevelopment, much less counteracted through practical remedial action.
- 5 A third topic – the dynamics of global political and economic integration vis à vis the Canadian constitutional crisis and NAFTA – was also examined in some detail during the research phase of the thesis. The rationale for examining this topic as part of the thesis was that Canada's constitutional crisis combined with the economic integration of the continent through the North American Free Trade Agreement (NAFTA) made the definition of the political context for planning very difficult. Would Canada as we know it exist in the mid-1990s? What political, economic and social forces were affecting national re-definition? Could a constitutional solution to Quebec's threat of secession be found? What would be the effect of continental integration? How would the region's provincial governments and business elites react to this new set of predicaments? In order to better understand the dynamics of political and economic integration and disintegration, I examined the experience of the European Community and of the European Free Trade Area (EFTA). My hope was to find some wisdom which I could then apply to the North American scenario. In 1991, Eastern Europe was "liberated" and the Soviet Union disintegrated. By mid-1993, the future of the Treaty of Maastricht looked uncertain. Wisdom became more difficult to find in the rubble of the Cold War order. In Canada, the 1992 referendum on the set of constitutional proposals agreed to in 1991 (the Charlottetown Accord) came and went and the country did not disintegrate on the spot as feared by proponents of the Yes side. In 1993, all is quiet on the Canadian front. In addition, since the evaluation of "Creating Our Own Future" did not require the examination of the impact of continental integration and disintegration, but only a discussion of the effects of the Canadian constitutional crisis on Atlantic Canada, the search for normative guidelines and helpful models with which to define some of the options available to Quebec, the Canadian Federation and North America was abandoned for the purposes of this thesis.
- 6 Given the confidential and politically charged nature of the report and the fact that I was not a member of Henson College (part of Dalhousie's School of Public Affairs & Continuing Education), it was decided that it would be best if I worked with the Secretariat on an "informal" basis. This arrangement proved beneficial in two ways: it expedited approval by the Monitoring Committee's Chairman, Allan Shaw, of my participation in the evaluation and it allowed me to have both active involvement in the process as well as some distance from which to observe and analyze it.
- 7 A public is a constituent group, a stakeholder.
- 8 A term used in Canada to refer to the poorer provinces.

CHAPTER 2

THEORETICAL AND METHODOLOGICAL CONSIDERATIONS

**“The only certainty is that the status quo is no longer an option.”
(Voluntary Planning, Nov. 1991)**

When the rate of social change increases steadily while our control over the changes appears to decrease, we perceive the times as turbulent. In such times, planners have two major options. One often-used planning strategy is to remain detached from the turbulence; waiting for it to subside into stability so that proven planning methods and theories may again be effective. A less common strategy is to plan within the turbulence; trying to understand its unfamiliar order while building new methods and theories appropriate to the changing conditions. Though the risks of the second strategy are greater, so are its opportunities for learning about society, planning and ourselves. (Godschalk 1974, p.1)

2.1 INTRODUCTION

The changes affecting the industrialized world have called into question the Canadian government's commitment, as well as its ability, to continue along the present path of fiscal redistribution and regional economic development initiatives. Thus the most salient unifying characteristic of the regional economic development documents published in Atlantic Canada in the 1990s is the tone of urgency in their rhetoric. According to the vast majority of these documents, adaptation to global, national and regional turbulence will require the rapid transformation of the Atlantic economy from that of a “have not” region dependent on government transfers, to that of a self-reliant, globally competitive economy.

As mentioned in Chapter 1, this thesis critically analyzes the dissonance between generic visions of a competitive Atlantic Canadian economy and the particular regional realities that must be taken into consideration if the plans are to be successful. The thesis also suggests a normative course of action in policy planning and implementation that can reduce this dissonance. It attempts to provide a “reality-check” for the aspirations for a competitive Atlantic economy articulated in economic development documents because while I agree that the status quo is not an option, I also believe that neither is wishful thinking.

A review of the literature on social and planning policy implementation and evaluation revealed several very useful approaches to the achievement of the research objectives of the thesis. This chapter surveys the methodological concerns of policy research and cooperative inquiry, relates these perspectives to the view of planning as social learning, reviews the theoretical underpinnings of critical planning theory and critical evaluation theory and examines the notion of mediating structures as an alternative administrative structure.

2.2 THE METHODOLOGICAL APPROACHES

2.2.1 Policy Research

Majchrzack's (1984) work, *Methods for Policy Research*, provided the overall research orientation and framework for the thesis. She defines policy research "as the process of conducting research on, or analysis of, a fundamental social problem in order to provide policy-makers with pragmatic, action-oriented recommendations for alleviating the problem" (Op Cit, p. 12). Policy research's distinctiveness comes from its high action orientation and from its concern for fundamental social problems. Even though evaluation research is often equated with policy research, the former "attempts to judge the utility of social programs" while the latter "examines a social problem and seeks alternative ways to solve the problem (including but not limited to social programs)" (Op Cit, p. 14). This thesis attempts to do both.

While policy research efforts and the disciplines that use this kind of research vary in a number of ways, the unifying characteristic of the types of research activities that can be classified under this rubric is that they are all focused on helping policy-makers solve social problems. In this way, policy research provides a bridge between the more reflective academic policy analysis and the practitioner-oriented applied policy analysis.

The *elements* that characterize policy research suited the research needs of the thesis in the following manner. Policy research:

- *is multidimensional in focus.* The causes of the economic underdevelopment of Atlantic Canada and the repeated failure of the policies designed to alleviate this problem are a highly complex matter involving, historical, social, economic, and political dimensions. Therefore, the thesis' literature review is comprehensive and the evaluation methodology for the case study incorporates these various dimensions in its analysis.

- *uses empirico-inductive research orientation.* Instead of the traditional scientific hypothesis testing approach, in which I would attempt to prove a predetermined theory, the thesis focuses on an iterative process whereby information and model building were constantly interchanged, particularly during the case study phase of the thesis.
- *incorporates the future as well as the past.* The retrospective policy analysis and current policy evaluation conducted for the thesis yielded normative guidelines for future planning.
- *focuses on malleable variables.* Given the thesis' orientation towards action and implementable recommendations, the research focuses on those aspects of the "social problem" of underdevelopment open to influence and intervention (i.e. malleable variables) – the planning and implementation process itself.
- *is responsive to study users.* The needs of the case study subjects – the Monitoring Committee and Voluntary Planning – set the general guidelines for the evaluation. Recommendations were designed with their implementability by these subjects in mind.
- *explicitly incorporates values.* Critical theory provides a framework for the analysis of the values and power relationships involved in the planning process and in the assumptions behind the policy statements themselves. My personal bias for analyzing the problem from various theoretical dimensions, including those of the radical left, while searching for a solution within the existing political-economic-social system, is evident in the research design.

The policy research *process* also suited the research exigencies of the thesis. This process consists of five phases:

- *Preparation.* The preliminary literature review on Atlantic Canadian economic and planning history, and on the theories of national competitive advantage conducted for the APEC project, provided me with sufficient background information to initiate the research project. After the thesis research began, the literature review was vastly expanded.
- *Conceptualization.* The original conceptualization of the thesis stated in the first draft thesis proposal involved the application of strategic planning concepts to the process of regional economic planning. That conceptualization changed after the activities undertaken for the APEC study. At that point, the focus of the thesis became the study of how generic policy prescriptions endorsed globally encounter serious obstacles when the local political economy of the region to which it is being applied is overlooked in the process of planning and implementation. Given this

conceptualization, I developed the four fundamental research questions that were to be addressed by the thesis (see page 10).

- *Technical analysis.* The thesis addresses these fundamental questions through a literature review and a case study.

The case study evaluations of “Creating Our Own Future” and of Voluntary Planning attempted to answer: 1) Is the economic strategy working? 2) Why or why not? and 3) How can my research improve the chances for its success?

Given this set of questions, the evaluations conducted addressed:

1. the effectiveness of the economic strategy itself, and of the government of Nova Scotia’s and Voluntary Planning’s implementation record vis à vis the goals outlined in the economic strategy¹
 2. the appropriateness of this model of economic development (private sector–led development) within the political economy of Atlantic Canada and of the world in the 1990s
 3. the efficacy of Voluntary Planning, particularly in terms of the organization’s role as a mediating structure between the various public and private sector publics of the province of Nova Scotia.
- *Recommendations analysis.* The recommendations made by the Monitoring Committee to the provincial government and to Voluntary Planning, as well as those I presented to Voluntary Planning, were made with an understanding of the potential consequences of the recommendations and an estimation of the probability that they would be adequately implemented.
 - *Communications.* An adequate communicative relationship between the researcher and the policy makers is considered *sine qua non* in ensuring that the research findings and recommendations are implemented.² The need for effective communication was a major factor in my adoption of cooperative inquiry techniques and in the application of critical theory to the evaluation of Atlantic Canadian regional development policy.

Two levels of communication were considered in the evaluation research design:

1) that between the researcher(s) and its clients – in the case of the Secretariat, the Monitoring Committee, and in the case of my evaluation of Voluntary Planning, Voluntary Planning itself, and 2) that between the subjects of the evaluation and their publics, in the case of the Monitoring Committee, the government, Voluntary Planning and the citizens of Nova Scotia, and in the case of Voluntary Planning, the private sector and the general public. Given the public nature of the Monitoring

Committee's Year One evaluation report, and Voluntary Planning's activities, an overall communications strategy was designed for making public the results of the evaluations and for facilitating the implementation of the strategy in Year Two.

While these five phases are quite similar to those of other social research methodologies, what characterizes the policy research methodology is its explicit intention to provide decision makers with useful knowledge as well as its commitment to action.

2.2.2 Cooperative Inquiry

Given my commitment to making a positive contribution to the economic condition of the Atlantic provinces, I welcomed the opportunity to work directly with the agents of change – the Secretariat to the Monitoring Committee and Voluntary Planning. I chose to use a cooperative inquiry model of research because it provided me with a research paradigm for my dual roles as researcher and participant.

Reason (1988) uses the term “cooperative inquiry”, which he had earlier termed “new paradigm research”,³ to describe “the various approaches to research *with* people” (Reason 1984, p. 1, emphasis added). According to him, different disciplines use different terms to describe this type of inquiry. For example, the terms “participatory action research” (PAR) and “dialogical inquiry” have been used in a Third World development context, while the terms “collaborative inquiry” and “action science” have been used in humanistic psychology and organizational development. Reason states that while the cooperative inquiry processes within the various disciplines look rather different, “the commonality in all the approaches is that they are all working openly, directly and collaboratively with the primary actors in their various fields of interest” (Op Cit, p. 2). As stated by Heron (1984), in cooperative inquiry the co-researchers are the co-subjects – “the same persons devise, manage and draw conclusions from the research; and also undergo the experiences and perform the actions that are being researched” (Heron 1984, in Reason 1988, p. 40).

Cooperative inquiry is characterized by three interdependent aspects: 1) participatory and holistic knowing based on a dialogical relationship with the world and the subjects under study; 2) critical subjectivity that acknowledges the subjective relative constructs that colour the researcher's view of the alleged “objective reality out there”; and 3) knowledge in action, knowledge formed in and for action, rather than for reflection. Cooperative inquiry, particularly the PAR approach, is of particular relevance to this thesis not only because it facilitated my dual role as researcher/participant, but because

this approach increased the level of “implementability” of the recommendations made in the various evaluation exercises. It contributed to the achievement of the normative objectives of the thesis by increasing the likelihood that the results of the evaluations would be implemented. Smith’s (1979) review of the record of implementation of results of evaluation studies suggested that by and large there is an apparent “non-use” of results. Echoing the findings of policy researchers, Smith suggests that

the first and possibly the most important theme in bringing about effective implementation of the results of evaluation studies... [is] ... *a close relationship between the evaluation researcher and a clearly identified customer (or customers) of evaluation studies, plus a sensitivity to the impact on others in the organization, if research results are acted upon. This suggests that at the very least, the researchers need to be aware of their own assumptive worlds, and to check them against those of their customers and of the subjects of research, to see if the research findings appear meaningful to either customers or the subjects of the research.* (Smith 1979, in Barret and Fudge 1981, p. 233, emphasis added)

Critics of this approach maintain that an arms-length distance from the evaluation subjects is required in order to maintain objectivity and not compromise the results should conflicts of interest arise. However, I do not believe that these two objectives – good communications and professional distance – are necessarily mutually exclusive. By being part of the Secretariat and of Voluntary Planning I was able to conduct the evaluations by establishing a dialogue within a community of shared values and outlook that increased the chances of implementation of the evaluation results. This “membership”, however, did not prevent me from contributing to the Secretariat’s rigorous assessment of the government of Nova Scotia’s and Voluntary Planning’s Year One performance, or from challenging the overall assumptions of the economic strategy and of Voluntary Planning in the model appropriateness and organizational efficacy evaluations conducted for this thesis. On the contrary, membership allowed me to provide recommendations that passed the “utilization test” (Smith 1979) – the design of a feasible set of recommendations intended to address programme and strategy deficiencies.

Besides good communication between evaluator and client, social policy scholars have also suggested that the likelihood of implementation of evaluation results increases when the evaluator transcends the roles of “servant, judge or scientist” and assumes that of a “teacher” (Wise 1980) and change agent. The cooperative inquiry approach to evaluation also allowed me to assume the role of evaluator as “teacher” since, through joint discussions, I was able to stimulate new thinking and open up new ways of look-

ing at things, which helped to introduce or foster a new emphasis or direction in the political debate about policy. The “repositioning” of Voluntary Planning as a mediating structure, discussed in Chapter 11 of this thesis, can be seen as a direct result of this shared action-oriented discovery process. The requirement of the evaluator as a change agent advocated by cooperative inquiry and policy research was also successfully met.

2.3 THE LINK TO THE PLANNING LITERATURE – PLANNING AS SOCIAL LEARNING

Michael’s (1974) conception of planning as a societal learning process and of planning organizations as boundary spanners and learning organizations provides a useful link between the planning literature and the policy research and the cooperative inquiry/PAR literature.

In his “Speculations on Future Planning Theory”, Michael (1974) suggested that

if society remains open enough to sustain the thrusts for autonomy, then some theorists will be preoccupied with understanding *how relevant publics can participate more productively in planning processes* undertaken by both formal and informal groups. Contributing to the complexity of this task will be the experimental political and public administration processes, superimposed on traditional ones. Weaving through the maze of organizational, legal, political, administrative and competence criteria for effective public participation will be the enlarging role of multinational corporations, which are themselves quasi-political entities of ambiguous potential for good and evil. (Op Cit, pp. 37-38, emphasis added)

He further suggested that, given this complex scenario, “the accumulation of formal understanding of the dynamics of complex human systems will be slow and erratic, encouraging a view of planning as a *societal learning process* rather than as social engineering.”

Planning as a form of social learning encompasses earlier meanings of planning,⁴ and sets out to self-consciously experiment with various social goals and programmes to discover a desirable future. Michael suggests that in this context, planning organizations become learning organizations – organizations that can create “a learning context [through communications activities] rather than merely an information processing system” (Op Cit, p. 47) where the planner also assumes the role of teacher. He speculated that a planning organization that could become a learning organization could also become more efficacious by acting as a boundary spanner “facilitating the

exchange of information, introducing signals into one component that elicits information useful or stimulating to the other components” (Op Cit, pp. 47-48).

Michael’s conception of planning organizations as boundary spanning and learning organizations bears considerable similarity to McCall’s (1987) notion of the function of PAR and to Berger and Neuhauser’s (1974) concept of mediating structures discussed later in this chapter. According to McCall, PAR can be used: 1) “as a means to facilitate and lubricate outside interventions and policies, or 2) as a mediation, that is, as a means to modify, guide or redirect interventions, and 3) for empowerment of the weakest groups, in which case it becomes emancipating and liberating (McCall 1987, quoted in Swantz and Vaino-Matilla 1988, p. 131). Thus the PAR process itself can provide both a boundary spanning function between development agencies and subjects, as well as a process of learning. In other words, the planner/researcher/evaluator himself or herself provides the vehicle for social learning through his/her involvement with the various stakeholders in the process.

Cooperative inquiry, policy research and the societal learning definition of planning share the view of the social research/planning process as an iterative learning process for both researchers/planners and subjects. These modes of inquiry, research and planning also intend for the research/planning results to lead to social action and to useful knowledge for both policy makers and for the research/planning subjects themselves. Rather than knowledge for knowledge’s sake, these approaches are concerned with knowledge that can articulate basic social problems in order to define action that can promote human welfare. However, in order to achieve those goals, two major questions have to be addressed: 1) What theoretical orientation can be applied to the study of social and planning policy formulation, implementation and evaluation that can help the social researcher/planner to conceptualize the nature of these social interactions in a way in which the knowledge accumulated by both the researcher and his/her “subjects” can lead to emancipatory action? and 2) What organizational model can facilitate these kinds of social policy goals? Critical theory provides the theoretical framework and the literature on mediating structures provides an organizational model.

2.4 THE THEORETICAL FRAMEWORK – CRITICAL THEORY

2.4.1 Critical Planning

Planning is a process by which present conditions are assessed through the analysis of the past, and where the vision of certain futures, favoured over other visions, are set in motion through action. In a pluralistic society this process is bound to be fraught with the inherent conflicts of interest between various groups in society. Since social choices are made and priorities are established – planning is more than merely a technical exercise – it is a political process. Unfortunately, the political process as well as the structure of the economy organizes autonomy and independence for some people, powerlessness and dependence for others.

Planning is primarily about people; about solving problems of, by and for people; about organizing people's efforts by suggesting a legitimate and attractive common vision of their future; and, in a democratic society, about obtaining their consent for action. Therefore, socially responsible planning requires that the nature of the unequal relationships resulting from political and economic imperatives of those controlling the planning process, even when unintended, be at the very least recognized, if not ameliorated in the process. Addressing these inequalities as issues of market imperfections, stickiness in labour market mobility, or of the culture of poverty are woefully inadequate approaches. Blaming the victim does not shed light on the nature of the crime, nor does it lead to future action that can solve, or at least prevent, the problem. Critical theory can perhaps provide a theoretical framework with which to approach socially responsible planning.

Critical theory refers to the particular approach to social philosophy developed under the aegis of the Frankfurt School by authors such as Adorno, Horkheimer, Marcuse and Habermas.⁵ While there is no “cohesiveness and unity of thought” in their writings, the “fundamental and unifying objective of all critical theorists is the achievement, through critique, of a society free from all forms of domination” (Kemp 1982, p. 59).

Authors outside critical planning theory have made similar formulations of planning's purpose. For example, Dyckman (1978) states that the “very purpose of planning is to release human abilities, to broaden the field of opportunity, and to enlarge human liberty” (Dyckman 1978, quoted in Muller 1982, p. 255); and Muller (1982) developed a model of “promotive planning” that sought to provide planning guidance and knowledge to disadvantaged groups in order to progressively promote self-sufficiency. Several of the essays collected in Paris (1982) address similar issues. For example,

Fainstein and Fainstein (1982) go beyond demonstrating how traditional planning serves the bourgeois interests and “discusses strategies for structural change” (p. 147); while Mazzioti (1982) and Hague (1982) discuss the limits of the popular “advocacy planning” and “community action” approaches respectively in providing alternatives to traditional planning. Despite the lack of conclusiveness of the debates, Paris (1982) suggests that planners must continue to question whether planning can be part of a radical reconstruction of society.

The value of the critical theory approach to planning is that it offers a comprehensive framework⁶ for the achievement of its egalitarian aims. Critical theory provides at once a critique of the processes by which dominant classes maintain their political and economic control, an analysis of how these processes work through the systematic distortion of communication, and a suggestion of how to overcome these repressions. Thus it is critical, analytic and normative.

Kemp suggests that the application of critical theory to urban and regional planning, what he termed “critical planning theory”,

seeks to understand the relations of political and economic power which constitute, and are constituted in the planning process and to demonstrate the contingency of existing formations – that is how they could be otherwise. (Kemp 1982, p. 60)

Habermas’ writings provide a framework for conducting the type of analysis suggested by Kemp. According to Forester (1987a,⁷ 1987b), Habermas sets the stage for an empirical political analysis that exposes

the subtle ways that a given structure of state and productive relations functions: (1) to legitimate and perpetuate itself while it seeks to extend its power; (2) to exclude systematically from decision-making processes affecting their lives particular groups defined along economic, racial or sexual lines; (3) to promote the political and moral illusion that science and technology, through professional experts, can ‘solve’ political problems; and so (4) to restrict public political argument, participation and mobilization regarding a whole range of policy options and alternatives which are inconvenient to (incompatible with) the existing patterns of ownership wealth and power. (Forester 1987a, p. 205)

By acknowledging the nature and dynamics of “what is”, and by reflecting on how it could be different, the planner can redress some of these deleterious consequences of this political-economic context.

According to Kemp (1982), the review of critical planning theory reveals three approaches – critical, analytic and normative. The critical approach derived from Habermas' critique of science and technology as ideology (Habermas 1971, 1974)

sets out to demonstrate that current orthodoxies in urban and regional planning theory merely serve to *perpetuate [and legitimize] the status quo*. By formalizing an instrumental, technical mode of rationality within the planning framework, existing theories suppress attempts to truly democratize the planning process. (Kemp 1982, p. 60, emphasis added)

From a critical planning theory point of view, the democratization of the planning process requires more than just an increase in the number of interactions between planning agencies and the public (public hearings, consultations etc.), but must also include an examination: 1) of class conflicts (Scott and Roweis 1977) as determinants of social and political control; 2) of the communication processes that dominate these interactions (Kemp 1987); and 3) an understanding of the difference between mere public/private interaction and actual social learning and citizen participation (Forester 1987a, 1989; Kemp 1982).

The critical approach shares several concerns with the political economy approach to planning described by McDougall (1982). Authors in the political economy approach to planning suggest that in order to understand the planning process and the nature of plans it is necessary to: 1) analyze them in terms of "(a) the capital accumulation process and (b) the process of ideological reproduction"; and 2) analyze "actual planning practices in specific socio-historic situations" (McDougall 1982, quoted in Healy 1982, p. 261).

The analytic approach to critical planning seeks to apply critical theory empirically in order to analyze the planning system and highlight the operation of power and ideology in planning. According to Kemp, this approach:

takes its impetus from Habermas' *Legitimation Crisis* [Habermas 1975] in which a sustained attempt is made to describe planning as an arm of the administrative sub-system of advanced capitalism, and thereby centrally concerned with processes of legitimation of state intervention in order to disguise the continued private appropriation of socially produced wealth. (Kemp 1982, p. 61)

For example, according to Kemp, by systematically distorting communication processes through decision-making and public inquiry,⁸ the "state first depoliticises the public arena, and subsequently gains legitimation for its policies" (1982). Thus one of

the aims of the analytic approach is to reconstruct this process of decision-making in order to examine the workings of power and ideology inherent in this process.

The normative approach to critical planning is concerned with helping planners overcome the distortions and repressions inherent in the planning system. According to Kemp (1982), this approach takes its impetus from Habermas' *Legitimation Crisis* and from his subsequent work on "universal pragmatics" and, as suggested by Forester, from Habermas' "communications theory of society".

Habermas (1979) suggests that ordinary everyday communications are underpinned by four norms of "universal pragmatics" or "validity claims" – comprehensibility, sincerity, legitimacy and truth. If these norms are violated by suppression or distortion, for example, then mutual understanding, trust and cooperation suffer. Habermas further sets out to isolate and reveal the debilitating power of communication systematically distorted by the bureaucratic, capitalistic and undemocratic institutions of the state and, by contrast, "the enabling power of democratic political criticism, mutual understanding, and self-determined consensus on the other" (Forester 1987, p. 205).

Forester (1987a, 1989) views planning as a communicative process that "unnecessarily" becomes distorted by political ideology.⁹ He sees critical theory as providing "a new way of understanding action, or what a planner does, as attention shaping (communicative action), rather than more narrowly as a means to a particular end (instrumental action)" (Forester 1987a, p. 203). Furthermore, he suggests that

If planners do not recognize how their ordinary actions may have subtle communicative effects, the planners may be well-meaning but counter-productive nonetheless. They may be sincere but mistrusted, rigorous but unappreciated, reassuring yet resented. Where they intend to help, planners may create dependency; where they intend to express good faith, they may raise expectations unrealistically. (Ibid)

As Habermas' theory would indicate, Forester suggests that

As our institutions and organizations violate the *ordinary comprehensibility* we need to understand situations we face, they confuse and bewilder us. As jargons obscure, we are rendered incompetent. As organization members violate our ordinary expectation of *sincerity*... they cultivate mistrust, the expectation of and perhaps acquiescence to manipulation and deceit ... Similarly as political structures and organizations violate the *legitimacy* condition, e.g. convert political issues into apparently technical ones through appeals to expertise, they depoliticize us, excluding us from collectively critical action affecting our lives. And

finally, as institutions and organizations violate the *truth* condition allowing us ordinarily to draw implications and act, they mislead us, concealing from our attention actual possibilities of action ... and the political and moral culpability and responsibility for the perpetuation of existing institutions. (Forester 1980, quoted in Kemp 1982, p. 63)

However, this process is not inevitable. Forester states that “by recognizing the practical, communicative character of planning actions, we can suggest strategies to avoid these problems and improve practice as well”. He suggests a series of “communicative strategies complementing planners’ technical work” (1987a, p. 219). However, he is careful to point out that these “organizing strategies” are nothing new if considered in isolation outside a context of structural analysis of systematically distorted communication. In his words:

responses to systematic misinformation must be more strategic, based on the planner’s analysis of the power structure at hand (Forester 1990, p. 35)... [For example] ... Only when planning administrators recognize ... that inequitably set project review agendas may be regular, *systemic products of the larger political economy*, then only will they be able to counter systematically managed agendas in their on-going work. (Forester 1980, p. 22, quoted in Kemp 1982, his emphasis)

In sum, the contribution of critical theory to planning is, in Forester’s words:

pragmatics with vision – to reveal true alternatives, to correct false expectations, to counter cynicism, to foster inquiry, to spread political responsibility, engagement and action. Critical planning practice, technically skilled and politically sensitive, is an organizing and democratizing practice. (1987a, p. 221)

This thesis addresses primarily the critical and normative approaches to critical planning theory. The model appropriateness evaluation suggests that the current economic strategies based on competitiveness serve the economic and political interests of the present ruling elite, are designed to maintain the status quo, and that it is the structural impediments presented by this political economy itself that have, to a great extent, prevented past development strategies from positively affecting the economic conditions under which the majority of the region’s population lives. The normative component is addressed in the efficacy evaluation of Voluntary Planning and in the Conclusions section. It focuses on Voluntary Planning’s repositioning as a mediating structure. The analytic approach was not used since I did not examine the dynamics of the planning system itself.

2.4.2 Critical Evaluation

While I did not use Fischer's (1987) critical evaluation model in the thesis I did find his discussion of the application of critical theory to the design of social programme evaluation very useful in helping me design an evaluation methodology for Voluntary Planning and for the Monitoring Committee's report. According to Fischer, "a critical evaluation is one that explicates (for the purposes of discourse) the full range of empirical and normative assumptions that contribute to a particular judgement, from manifest to latent, from concrete to abstract" (Fischer 1987, p. 238).

Fisher used a case study to illustrate the components of a critical evaluation. He described the debates surrounding the evaluation of Head Start, a compensatory educational programme for disadvantaged children initiated by U.S. Democratic president Lyndon Johnson in the 1970s as part of his "War on Poverty". The debate was sparked by a federal government-sponsored evaluation of Head Start conducted by the Westinghouse Learning Corporation (1969). The study concluded that after three years of programme implementation the "educational gains" as demonstrated by the measurement of reading scores tended to be small. These results were seized by the Republican party as proof that the War on Poverty had been a "proven failure". The ensuing debate over the validity of the results of the Westinghouse study proceeded on three fronts.¹⁰

Many social scientists questioned the validity of the results of this empirical evaluation on methodological grounds. A second group of social scientists was supported by leaders of community groups representing the poor. They argued that measuring reading scores did not provide the right criteria for judging programme success because increasing reading scores was not the only objective of the programme. The overall purpose of the programme, they argued, was to assist these children in the critical transition from poverty to middle class. Therefore, the success of the programme in providing "socially relevant experiences for ghetto children such as an enlargement of their sense of personal dignity and self worth and the development of socially responsible attitudes" (Fischer 1987a, p. 236) also had to be considered in evaluating programme success. Yet a third group suggested that

regardless of the outcomes or consequences (whether based on objective reading scores or on community related standards), empirical measurement was an insufficient ground for judging Head Start a failure. In this view, Head Start had been designed to 'facilitate a basic value that must extend to all citizens in a democratic system: the right to equal opportunity'. Thus *the final evaluation of such a programme must rest on a normative commitment to the equal opportunity principle regardless of*

its secondary or indirect consequences for other dimensions of the social system. (Op Cit, p. 237, emphasis added)

In other words, Head Start is intrinsically “worthwhile” as part of a commitment to insuring equal opportunity, an overarching societal goal.

In the case of the Monitoring Committee’s report and Voluntary Planning’s evaluation, the effectiveness measures utilized followed the first mode of inquiry suggested by Fischer – the empirical mode. However, the impetus for conducting the efficacy evaluation of Voluntary Planning was inspired by the third mode of inquiry suggested by Fischer – the notion of the intrinsic “worthwhileness” of a forum for participatory planning, regardless of the outcomes of other forms of evaluation.

2.5 THE ORGANIZATIONAL MODEL – MEDIATING STRUCTURES

So far this chapter has presented: 1) the research orientations that guided the thesis – policy research and cooperative inquiry; 2) the definition of planning that linked these orientations with the planning literature – planning as social learning; and 3) the overall theoretical framework for the analysis conducted – the critical theory approach to planning and evaluation. The next section presents the notion of mediating structures. This organizational model guided the evaluation of Voluntary Planning’s organizational efficacy evaluation.

Berger and Neuhaus’ (1975) notion of mediating structures arose from their examination of tendencies in thinking about public policy in the U.S. in the mid-1970s. Their study revealed a major contradiction centred on the call for both the continuation of the services provided by the modern welfare state, and the “animus against government, bureaucracy, and bigness, as such” (Op Cit, p. 1). Rather than consider this contradiction irrational, the authors posited that this reaction “is the sum of equally justified aspirations... [and that therefore] ...the public policy goal is to address human needs without exacerbating the reasons for the animus against the welfare state” (Op Cit, p. 2). The authors assert that what is being demanded is “alternative mechanisms for the provision of the services of the welfare state” (Op Cit, p. 1).

Berger and Neuhaus suggest that at the root of these seemingly contradictory demands for more services and less government lies the unprecedented dichotomy between public and private life presented by modernity. They depict individual life in modern society as a constant migration between the megastructures of modern life – the state

and the institutions of capitalist enterprise (management and labour alike) – and “that modern phenomenon called private life” (Op Cit, p. 2). This migration presents the individual with “the double crisis of modern society” – a crisis for the individual who must balance the demands of these two spheres, and a political crisis because the mega-structures have become devoid of personal meaning and are therefore viewed as unreal or even malignant (Op Cit, p. 3).

Mediating structures – “those institutions standing between the individual in his private life and the large institution of public life” – (i.e. church, neighbourhood, family and voluntary organizations) help relieve this “double crisis” because they alleviate both “the anomic precariousness of individual existence in isolation from society and the threat of alienation to the public order” (Op Cit, p. 3). Furthermore, when the political order becomes detached from the value and reality of individual life (“delegitimized”), mediating structures become essential as “value generating and value meaning agencies in society” (Ibid) and as the sought alternative means for the provision of the services of the welfare state. Moreover, the authors assert that this mediation cannot be “sporadic and occasional, it must be institutionalized in structures” (Op Cit, p. 4). They suggest three propositions: 1) that “mediating structures are essential for a vital democratic society; 2) that public policy should protect and foster mediating structures [the minimalist proposition]; and 3) that wherever possible, public policy should utilize mediating structures for the realization of social purposes [the maximalist proposition].”

Berger and Neuhaus are careful to point out that they are not advocating decentralization, devolution or smallness – three public policy proposals concerned with changing the structure of the system itself. What they are looking for is the “empowerment” of individuals by providing mediating structures that allow for the expression of the “real values and real needs of people in our society” (Op Cit, p. 7). In this way, mediating structures manage to integrate “top-down” and “bottom-up” approaches to planning by providing a communications and interaction loop between the various constituencies and governments. Berger and Neuhaus applaud the resistance of individuals to the “massification” of modern culture and they call for the emergence of a pluralist paradigm where particularism (“tribalism”), either inherited or through personal election, is not regarded as a derisive term indicative of reversal of progress and reason, but as a way to resolve “the identity crisis which results from the identity diffusion of mass society”. They assert that within one’s group – whether it be racial, national, political or religious, or all of these – one discovers an answer to the elementary question “who am I?”, and is supported in living out that answer” (Op Cit, p. 41). Within this pluralistic

paradigm, the goal of public policy is “to sustain as many particularities, in the hope that most people will accept, discover or devise one that fits” (Op Cit, p. 44).

Berger and Neuhaus’ findings on the dual call for both the continuation of the services provided by the modern welfare state, and the “animus against government, bureaucracy, and bigness, as such” (Op Cit, p. 1) bear a remarkable similarity to the results of Voluntary Planning’s 1991 “Report on the Consultation Process” (V.P., May 1991) conducted as part of the planning process for “Creating Our Own Future”. If the authors are correct and what is being demanded by this seeming contradiction is an alternative policy delivery mechanism, then the literature on mediating structures is of particular relevance to the study of Voluntary Planning.

As will be discussed in Chapter 7, in 1991 Voluntary Planning evolved beyond being simply a planning organization in an advisory role to government into one that is committed to implementing change through an advocacy role. Even though it does not have the legislative authority to wield either “carrots” or “sticks” in order to provide the incentives for change, the organization does have the ability to translate abstract economic objectives into specific actions implementable at the government, corporate, union and individual citizen. More importantly, it provides a legitimate forum for the “articulation” of common values. In this capacity, Voluntary Planning could increase the political efficacy of Nova Scotians by helping them answer the questions “who am I?” and “what do we collectively want?” and by supporting them in living out that answer through its intermediary and advocacy role.

By using this alternative mechanism for the articulation of common values and for the formulation of legitimate and effective social and economic policy, the technocrats, business people, workers, politicians and citizens of Nova Scotia might be able to learn to solve together the economic, political and social problems of the province.

2.6 THEORY AND METHODOLOGY AS APPLIED TO THE THESIS

This thesis hypothesizes that the success of the policy *content* of regional economic development strategies (the plans) will depend primarily on the way in which the *process* of delivery itself (the legitimacy and efficacy of the delivery agents) reflects an accurate understanding of the *context* in which it is being applied (the political-economy of a region). In other words, regions like Atlantic Canada can become competitive, but only if: 1) the policy prescriptions do more than just parrot calls for fashionable management clichés such as quality, excellence and innovation; 2) they directly address

the impediments to competitiveness presented by the local political economy such as monopoly, patronage, paternalistic corporate culture etc.; and 3) if the political efficacy of the citizens of the region can be increased. This latter requirement has two primary implications: 1) planning, implementation and evaluation, in both the private and public sector spheres, must be viewed as a process of social learning, 2) mediating structures that allow for the re-allocation of the power relations between bureaucrats/technocrats and citizens, and between managers and workers, must be in place before substantial change can occur.

Given the diverse component parts of this conceptualization, I have had to draw from the literature of a variety of disciplines in order to define the elements of the content, context and process of regional policy in Atlantic Canada. I also have had to design a multi-dimensional evaluation model for the case study that could address their inter-relationship. Critical planning theory provided me with a rationale for the analysis of the content and context of regional policy in Atlantic Canada and for the design of normative guidelines related to the process of policy delivery. The literature on mediating structures provided an alternative organizational model for policy delivery.

In his review of regional policy evaluation, partly based on earlier work (Diamond and Spence 1983), Diamond (1984) concludes that “the dominant view of evaluation research in regional policy is rather a limited one” (p. 37). Among the crucial missing elements is the study of “the political and administrative bureaucratic elements” (p. 37). Diamond also suggests that in addition to effects, effectiveness and efficiency, “worthwhileness” be used as an evaluation criterion in regional and urban planning in order to raise fresh questions. In order to address the missing as well as the desired elements mentioned by Diamond, I had to “borrow” models from the social policy research, implementation and evaluation literature and apply them to the regional economic development policy setting. Critical evaluation theory suggested a broader view of the process of regional planning evaluation. The evaluations conducted in this thesis attempted to address the two elements mentioned by Diamond by empirically evaluating the effectiveness of the two bureaucracies involved in the planning and implementation process and assessing the worthwhileness of Voluntary Planning as a mediating structure by conducting an organizational efficacy evaluation.

The practicality and direct involvement advocated by policy research and cooperative inquiry approaches to social research facilitated the design of the evaluation process as well as the likelihood that the study recommendations would be implemented. As the old adage states – “actions speak louder than words”.

ENDNOTES

- 1 See Alterman (1982) for a review of the literature on the “nascent” discipline of implementation analysis in urban and regional planning. The evaluation conducted for this thesis focused on the results obtained by Voluntary Planning and the provincial government rather than on the process of decision-making that led to these results.
- 2 The focus on communications as the key to policy implementation has been explored by several authors. For example, Goggin *et al.* (1990) have developed a model for exploring the federal/ state policy implementation process that “attempts to make sense of important aspects of the political and administrative behaviour associated with the intergovernmental implementation of public policy. The model uses communications theory as the glue that holds the pieces together. Messages, their senders, and the messages’ recipients are the critical ingredients. Decoding these messages and absorbing them into the agency routine is what implementation is all about” (Goggin *et al.* 1990, p. 40).
- 3 See Reason and Rowan (eds) (1981).
- 4 Definitions of planning have evolved a long way from the view of the planning as simply preparing long-range plans. According to Godschalk (1974), the first development was that of planning as a *process* that required continued organizational adaptation. The next phase was a concern with planning *policy*, resulting in two definitional streams, a *policy analysis* branch aimed at the pre-decision phase (see Lichfield 1970), and concerned with weighing alternative policy options; and a *management* branch aimed at the post-decision phase and concerned with implementation efficiency, effectiveness and efficacy and organizational decision-making. See Friend and Hickling (1987) and Faludi (1987).
- 5 See McCarthy (1978) for an excellent exposition of the works of Jurgen Habermas.
- 6 See Kemp (1982) for a detailed review of the critical, analytic and normative approaches to critical planning literature.
- 7 Earlier versions of this article appeared in the *Journal of the American Planning Association* (July 1980) and in Clavel *et al.* (eds) *Urban and Regional Planning in an Age of Austerity*, Pergamon Press.
- 8 See Kemp’s (1987) analysis of public hearings in England.
- 9 Forester acknowledges that some distortions in communications are inevitable in any context. However, many are artificial, and deceptive.
- 10 Fischer’s critical evaluation seeks to integrate the modes of inquiry of these three approaches to evaluation into a methodology of critical evaluation. He suggests that “what is needed is a method of logic designed to clarify the structures and the functions of the different of the different propositions that constitute a comprehensive evaluation argument.... The objective is to translate the epistemological requirements of the three modes of inquiry into a unified framework for the discursive assessment of policy judgements” (Fischer 1987, p. 240).

PART II

**THE GLOBAL AND NATIONAL CONTEXTS.
HOW ARE COMPETITIVE ECONOMIES CREATED?**

INTRODUCTION TO PART II

In order to understand Atlantic Canadian regional policy as a “product of its times”, Part II examines the ideological, national and global context that influenced current Atlantic Canadian regional policy-making. As such, it explores the first question posed by this thesis: How is a competitive economy created in the global context of the 1990s and what roles should the state and the market assume? The answers to this question will then be contrasted with the answers provided in Part III of the thesis to the next two fundamental questions posed by the thesis: What prescriptions for competitiveness are being presented in Atlantic Canadian economic policy documents? and What impediments and advantages does the Atlantic Canadian political-economy present to the realization of this vision of a competitive economy?

Part II is a comprehensive, albeit not exhaustive, catalogue of the eclectic intellectual furniture that is available in the 1990s for the arrangement of economic policy documents in the region and elsewhere. The critical analysis of the literature examines the interaction between state intervention, company strategies and market outcomes in the international economy by focusing on two major issues: 1) Chapters 3 and 5 examine the debates over the right formula for achieving multinational, national, regional and local economic well-being (the competitive advantage of nations), and 2) Chapter 4 examines the search for sustainable corporate competitive advantage (a major determinant of national competitive advantage). An examination of the global political economy of the 1990s preambles Chapter 3 as background for these discussions.

The multi-disciplinary critical analysis of the literature presented in Part II delves into the relevant aspects of the literature on political economy, industrial policy, national and regional economic development, and management. The review reveals that the pundits of the various disciplines seem to be asking similar questions: Which capitalists will synthesize the formula for the best capitalism? Who will get (through competitive advantages), and keep (through sustaining those advantages), the golden fleece (the highest standard of living)? Will it belong to individual nations, blocs of countries or stateless global corporations? How will the ubiquitousness of transnational corporations and the patterns of global trade link the corporate management practices, industrial, macro-economic and trade policies of various nations? While political leaders are still claiming national “sovereignty” (the monopoly over law-making), is the concept of national “autonomy” (the ability to reach independent decisions) losing significance? What approach to economic planning is most effective under these conditions?

Since there is no unchallenged orthodoxy, new paradigms are emerging by trial and error, and there are many camps in the debate. Despite the virulence of the arguments, regional policy formulation and evaluation in Atlantic Canada is best understood within this context because: 1) regional policy, particularly in Canada, is a sub-set of national industrial policy, which is in turn a sub-set of globalized interactions, thus the rhetoric used in regional economic development documents is an echo of that used in global and national forums, and 2) in Canada, as in many other countries, the private sector is progressively being asked to take a more active role in economic development. Since the opinions of the management analyst on which private sector agents are likely to base their prescriptions will affect economic policy development, the basis for their arguments also had to be examined.

The level of argument presented in Part II might seem far too detailed within the context of this thesis. The reason is that it is my firm belief that the arguments presented in Part II, particularly in Chapters 3 and 4, will serve as a means to decipher the fundamental conception of the global political economy and of the competitive strategies for adjustment that dominate current, as well as future, national and regional development policy in Canada. In the early 1990s, policy has taken a private sector-led orientation. However, it might swing in any relative direction between now and the end of the century. My aim is to provide a way to track the present and future trajectory of the swing by measuring it against the continuum of arguments presented in Part II.

CHAPTER 3

TO PLAN OR NOT TO PLAN? THE INDUSTRIAL POLICY DEBATES IN THE UNITED STATES, THE EUROPEAN COMMUNITY, JAPAN AND THE ASIAN DRAGONS

3.1 INTRODUCTION

Chapter 3 examines the debates over *laissez faire*/free trade vs. industrial policy/managed trade in the U.S. and the EC, and to a lesser extent the debate over state- vs. market-centred development presented by the rapid economic growth of Japan and the Asian Dragons (Hong Kong, South Korea, Singapore and Taiwan).

Several developments will bring the arguments presented in this chapter to the forefront of both national and regional economic planning in Canada in 1993. Among them are: 1) the election of Bill Clinton as President of the United States on a platform of activist economic policies and the appointment to economic advisory positions of Robert Reich and Laura D'Andrea Tyson, leading advocates of industrial policy; 2) the hardening of trade disputes between, and even within, the major trading blocs; and 3) the fact that 1993 is an election year in Canada and in Nova Scotia, and party platforms based on economic interventionism are likely to be formulated as alternatives to Voluntary Planning's private sector-led development model.

Canadians have a saying – whenever the U.S. sneezes, Canada gets a cold. The defeat of George Bush and the change in economic policy direction being attempted by the Clinton administration, might also signal the defeat of Brian Mulroney's policies which have suffered from intense Reaganomics for several years. Given that Canadians have traditionally expected their governments to be actively involved in providing economic solutions, the mid-1990s might see the return of the traditional Canadian approach of state intervention in the national and regional economy. As will be examined in Chapters 5 and 7, the fundamental limiting factor to an activist Canadian industrial policy is that the coffers in Ottawa are empty. In any event, the debate is likely to intensify substantially in the 1993 elections.

The arguments are presented in four sections. The first provides the contextual background by examining the political economy of international relations in the 1990s. The chapter then examines the strategies for adjustment to this context pursued by the U.S., the European Community, and the developmental states of Japan and the Asian

Dragons. The history of industrial policies in Canada, of which regional policy is an aspect, is examined in Chapter 5.

3.2 BACKGROUND – THE POLITICAL ECONOMY OF INTERNATIONAL RELATIONS IN THE 1990s

3.2.1 A Framework for Analysis – The Conflicting Logic of States and Markets

While Western economists have distinguished themselves as a profession where wide disagreement is the norm, “in economic theory, agreement that a regime of multilateral free trade was the best approach for promoting economic welfare was so universal as to be almost a prerequisite for membership in the association of professional economists” (Lawrence and Schultze 1990, p. 1). This core belief in the liberal trade system has always been debated,¹ however. It is currently under ferocious attack by economists, other academics, politicians, business leaders and a considerable segment of voters, particularly in North America and the EC. Neo-mercantilist arguments abound, centred on the need for activist “industrial policies” and “strategic” state intervention in economic matters. To add to the confusion, developing countries and the former Soviet bloc are liberalizing trade and markets just when many developed countries, notably the U.S. and the European Community, are involved in heated debates about the virtues of these policies.

What global circumstances are causing the questioning of the bedrock tenets of liberal economics? What are the competing theories? What are the implications of adhering to the policies suggested by these new theories, or of continuing along with the old policies – for developed countries, and for underdeveloped regional or national economies? Chapter 3 examines these questions. The work surveys the state of the industrial policy debate in the U.S. and in Europe, and examines the “developmental state” in Japan and in the Asian Dragons.

One way to understand the conflicts and debates presented in this chapter is to look at the dynamics of the international political economy in terms of the interaction of the state and the market, and particularly at the opposing logics of these two forms of social organization. “States and markets have tended to displace other forms of political and economic organization in the modern world because of their efficiency in the production of power and wealth” (Gilpin 1987, p. 10). As the most powerful forms of large scale social organization, the fact that their dynamics differ considerably results in a great deal of system-wide tension:

Whereas powerful *market forces* in the form of trade, money and foreign investments tend to *jump national boundaries* to escape political control and integrate societies, *the tendency of government is to restrict, to channel, and to make economic activities serve the perceived interests of the state and of powerful groups within it.* The logic of the market is to locate economic activities where they are most productive and profitable; the logic of the state is to capture and control the process of economic growth and capital accumulation. (Op Cit, p. 11, emphasis added)

Over the centuries, there has been considerable debate as to the nature and consequences of this fundamentally opposed logic of states and markets. For example, many economists adhere to the view that nations should pursue their comparative advantages in trade matters and in that way give rise to a global political economy where there is a fundamental harmony of interests. Others argue that this harmony of interests is spurious and that instead, economic interdependence establishes hierarchical, dependency and power relations among groups and national societies. These relations benefit some nations and groups more than others, inviting considerable inter-state conflict.

Several developments have made this debate particularly relevant in the latter part of the 20th century:

1. the unprecedented integration of the world's markets in terms of both trade and capital flows;
2. the absence of a hegemon in the liberal economic order;
3. the emergence of global oligopolistic markets that bear little resemblance to the world of perfect competition assumed by the economists;
4. the rise of multinational corporations;
5. the post-WW II development of the welfare state, where the state assumed the role of provider of various social welfare and economic services, and where citizens expect their governments to guarantee their long-term economic welfare; and
6. the astonishing economic success of Japan and the NICs predicated on the curious (from the point of view of liberal economists) mix of market and state referred to as the "developmental state".

The result of these developments is that markets and national economies have become more integrated and interdependent, while states have come under increasing pressure to safeguard national economic interests, in a world where the rules of the game have changed substantially. Thus in the late 20th century, there is a growing tension between a global economy based on market principles and domestic economies based on state interventionism. International responses to this tension could lead either to global trade

wars or to a new expansion of international trade through the realization of what Keinichi Ohmae (1991) calls the “Interlinked Economy”.² In order to prevent the former and give the latter some impetus, the need for “intensive coordination of national policies [particularly macro-economic policy] and economic practices” (Gilpin 1987, p. 364) must be recognized and acted upon. Whether this cooperation is achievable or not is open to question.

3.2.2 The End of an Era. America's Loss of Hegemony and the End of the Cold War

3.2.2a Hegemony Lost

The post-WW II era of stable and ever-expanding patterns of international trade and economic development has come to an end. As Gilpin has eloquently summarized:

a significant transformation of the postwar international economic order has occurred. The Bretton Woods system of trade liberalization, stable currencies, and expanding global economic interdependency no longer exists, and the liberal conception of international economic relations has been undermined since the mid-1970s. The spread of protectionism, upheavals in monetary and financial markets, and the evolution of divergent national economic policies among the dominant economies have eroded the foundations of the international system. Yet, inertia, that powerful force in human affairs, has carried the norms and the institutions of a decreasingly relevant liberal order into the 1980s [and 1990s]. (Gilpin 1987, p. 3)

Perhaps the most important element in this transformation is the U.S.'s loss of hegemony over the world economy. While there is considerable debate over whether the U.S. has actually declined as the world's foremost economic power, several factors call into question the U.S.'s ability to maintain its role as hegemon. According to Daly (1991), in the 1980s: 1) the U.S. became completely dependent on foreign capital (mostly Japanese); 2) the U.S. became the world's largest debtor nation; 3) foreign assets in the U.S. exceeded U.S. investments abroad by \$170 billion; 4) the total U.S. debt quadrupled; and 5) the U.S. government and trade deficit topped \$150 billion.

Compounding these problems is the fact that the U.S. has at times “abused” its role as hegemon in order to meet its own narrow national interests³ (Gilpin 1987). The turn towards protectionist policies has also further weakened the credibility of the U.S. In short, “America lacks the confidence to champion the cause of free trade and its government has lost the will to block demand for protection” (*Economist*, Sept. 22, 1990, p. 22).

But why is the role of the U.S. as hegemon so important? The answer can be found in the “hegemonic stability thesis” (Kindleberger 1973, cited in Daly 1991). According to its proponents, in order for the liberal economic order to be stable, the leadership of a hegemon is fundamental. A hegemon, such as Britain (the *pax Britannica*) in the second half of the 19th century or the U.S. after WW II (the *pax Americana*), is willing, for reasons of self-interest, to provide the leadership for and bear the costs of creating a liberal economic order. The critical role of the hegemon is that of crisis manager and, often, lender of last resort. Cooperating nations “find advantages in the simplification of situations of choice, in the reduction of bargaining costs, and the removal of uncertainty” (Daly 1991, p. 6). The world economic system under the stewardship of the hegemon is “institutionalized” by the establishment of mechanisms such as, in the case of the *pax Americana*, the IMF, GATT and the Bretton Woods agreement.

What happens when there is a vacuum of leadership? Since “the potential for order is a direct derivative of the concentration of power” (Op Cit , p. 7), the lack of a hegemon and the subsequent fragmentation of power and loss of institutional efficacy results in instability. Without a crisis manager, a crisis might simply “get out of control”. It follows then that, since the U.S. dominance over world economic affairs has declined, so too has the stability of the world economic order. The debate over the future of GATT, the volatility of exchange rates after the collapse of the Bretton Woods agreement, the fear of world-wide protectionism, and the concern over the debt problem can be all be seen as the result of this transformation.

According to Daly (1991), the world economic system in the 1990s depends on two things: the extent of the decline of the U.S. as an economic power, and the extent to which order is brought about through cooperation. Thus the crucial issues of the global political economy of the 1990s centre on the questions: What will replace the *pax Americana*? Is there a likely candidate for hegemon? Can the current system be maintained in some way? Will the various nations or economic blocs cooperate? Or will the system degenerate into trade wars?

3.2.2b Beyond the *Pax Americana*

While the “triad economy” of spheres of economic influence centred on the United States, Europe and Japan⁴ is a reality, the emergence of these trade blocs does not necessarily forestall an era of protectionist beggar-thy-neighbour trade policies. The reason is simply that it is in the interest of all parties involved (particularly in that of the

U.S. and Japan) to maintain the liberal economic order. Thus the emergence of some mechanism to safeguard the system is a likely occurrence, at least in the short run.

There are two major competing theories regarding the dynamics of this new balance. Keohane (1984, cited in Daly 1991) suggests a “system of complex interdependencies” as a replacement of hegemony. “It would rely on interest-based agenda-setting, of bargaining and negotiations. System wide cooperation provides the mechanism for stability, and the fear of protectionism and the uncertainties of competition the incentives” (Daly 1991, p. 8). Alternatively, Maswood (1989, cited in Daly 1991) suggests the likelihood of a “systems supporter” scenario, where the current system is supported by a second party.

According to Daly (Ibid), “the history of trade friction in the past two decades seems to support the systems support idea”, with Japan acting as the system-supporter. “The logic [of this U.S.–Japan arrangement] lies in the fact that Japan, under the present regime, is the leading surplus and credit nation, and therefore has the most to lose. It is also the nation that, through its success, creates the greatest instability in the system” (Ibid).

Another possible scenario would have either the Japanese or the Europeans assuming world leadership and becoming the next hegemonic power. But can they do it? Most observers doubt it.⁵

The Japanese are seen as poor candidates because a major restructuring of their economy and their trade and industrial structure would be required for them to carry out hegemonic responsibilities. For example, the Japanese would have to change their pattern of moderating their domestic economy in favour of export-led growth and shift to a policy of domestic-led growth in order to provide domestic markets that could serve as “engines for growth” for other economies. Moreover, the role of exogenous factors, such as the existence of the *pax Americana* itself, have been downplayed in the study of the Pacific-Asian “miracle”. Some observers doubt that this record of economic success could be maintained in a different global political economy. In addition, Japan does not possess military power and its people and domestic systems – political, cultural, social and educational – are not yet adequately prepared for the tasks of international leadership. The complexity of the role of hegemon and the changes required suggests that Japan is simply not ready for the role.

It is well established that Japan is critical to the maintenance of the current regime and the emergence of a new world economic order. However, some observers believe that the rise of a united Europe as a major global competitor could further weaken the Japanese position. First of all, while most observers worry about Japanese investment in the U.S. and Europe, the Americans and some of the EC nations are already the leading foreign investors in each other's economies. Thus the Europeans and the Americans have a strategic advantage over the Japanese when it comes to penetrating each other's markets and even "jumping" over protectionist trade barriers. Moreover, the sheer size of the EC market (which might grow even larger with the inclusion of the EFTA countries and possibly some Eastern European countries), and the massive restructuring and productivity growth that are likely to result from this experiment, suggest that Europe is becoming into an economic power capable of challenging and ultimately stifling the Japanese advance on world economics (Daly 1991). Thus EC support of the current regime, Europe's challenge of the Japanese, and the role that the EC chooses to play in any new order, are also of crucial importance.

However, is Europe a contender for hegemon? In Europe

the dual challenge of the United States and Japan in high technology industries and the low-wage NICs in traditional industries poses a threat to the economic position of the Europeans and to their social and welfare gains. The combination of high wages, inflexible economic structures, and extensive government interventionism make it exceptionally difficult for the Western Europeans to adjust to shifts in comparative advantage. (Gilpin 1987, p. 374)

These factors, combined with the pressures for including the EFTA countries and former COMECON countries in the EC, and the overtures for economic partnership from the newly formed states of the former Soviet Union, will most likely exacerbate Europe's tendency to turn inward.

In sum, neither Japan nor the EC seems a likely candidate for hegemon.

3.2.2c The End of the Cold War

The end of the Cold War and the desire of the former Soviet Union and of the Eastern European nations to "join the market" and to integrate their economies with the G7 economies suggests that the traditional east/west tensions are being relaxed. However, a whole new series of tensions have arisen. At least three major areas of conflict can be identified: 1) massive internal conflict within the former Soviet bloc as boundaries are

redefined; 2) an age of real war ushered in by the end of the Cold War;⁶ 3) the acceleration of trade bloc protectionism resulting from the use of trade policy as an instrument of foreign policy.

The heralding of the 1990s as an age when peace-loving democracies with economies too inter-dependent to muck up with messy conflicts would determine the patterns of trade and military conflict was perhaps premature. Instead, a pattern of multiple conflicts and general instability has arisen. Besides the sad cost in human life, the fear and anxiety unleashed by military conflict between nations can deal a fatal blow to the logic of free trade which, by definition, runs contrary to instincts of self-protection.

3.2.3 An Alternative Framework – The Sociology of Global Systems

Sklair's (1991) treatise on the sociology of global systems suggests that state-centred approaches to the understanding of the modern global political economy, a world largely structured by global capitalism in its various forms, must be enhanced by a new conception of the global system based on transnational practices operating in three spheres: economic, political and cultural-ideological. Typically, these practices are characterized by a key institution: 1) the transnational corporation is the major locus of transnational economic practices; 2) the transnational capitalist class is the major locus of transnational political practices; and 3) the major locus of transnational cultural-ideological practices is to be found in the culture-ideology of consumerism.

Sklair sees the triumph of global capitalism in the last decade of the 20th century as "the triumph of the transnational capitalist classes in selling the culture-ideology of consumerism and delivering goods through the transnational corporations and other economic institutions" (Sklair 1991, p. 238).

Thus if the U.S. as a nation-state can no longer lead the way to economic liberalism, can the interests of transnational companies and of the transnational capitalist class in inter-bloc trade be powerful enough to argue for the relaxation of trade barriers and stem the tide of protectionist sentiments in various part of the world? In other words, should the interests of these transnational classes and corporations be the real focus of analysis in the examination of global trends, rather than the conflicts between the interests of particular nation-states?

Since we do not really know how protectionist policies actually affect transnational companies and transnational capitalist classes, we cannot really tell where these companies and political actors stand on this issue. Can these companies simply adjust?

Can they “jump” the border by setting up subsidiaries? For example, the response of Japanese auto-makers to import quotas was to move up-market for less volume and better margin, and to manufacture abroad. The response of transnational capitalist classes can also be to buy up each other’s companies until the nationality of the owners becomes so diffused that the issue of national protectionism becomes moot. For example, is a policy that helps a U.S. auto maker with factories in Mexico more desirable for the U.S. than a policy that benefits a Japanese-owned auto factory in the U.S.? If nothing else, this promises to be a fecund topic for future research.

3.3 THE INDUSTRIAL POLICY DEBATE IN THE U.S.

The next sections of this chapter examine the debate over the appropriate strategies for adjustment to the new realities of the world political economy. The first two sections examine the debate over industrial policy in the U.S. and in Europe. The chapter emphasizes the former because the outcome of the debate is likely to have severe repercussions for the rest of the world and because it will be the major influence on the policy debate in Canada. The chapter then looks at the Pacific-Asia “miracles”, examines their models for growth and ponders whether these models are applicable in other economies or under different conditions.

3.3.1 The Rise of Protectionism

The relaxation of trade barriers in the last half of the 20th century resulted in an enormous expansion of global trade and in unparalleled economic growth for the nations involved in that trade. Tariffs on manufactured goods have dropped from 40% in 1947 to roughly 5% in 1990, and “between 1950 to 1975, the volume of trade expanded 500%, against an increased global output of 220%” (*Economist*, Sept. 22, 1990, p. 7). Thus, the pursuit of free trade became one of the major objectives of capitalist economic planners. As a result of such policies,⁷ the war-ravaged economies of Europe and Japan were rebuilt quickly, and the U.S. economy enjoyed its most prosperous period in history. The developing countries also busily tried to “catch up” to the developed ones by taking their place in the global trading system.

However, while most of this evidence supports the case for free trade, and while economists, policy makers and business people still proclaim a belief in free trade as a theoretical ideal, there is a sense that the “realpolitik” of world trade suggests that free trade is just a myth. While GATT has been successful in reducing tariffs, non-tariff subsidies have complicated the achievement of reciprocity. There is a general feeling that everyone is cheating⁸ and that while free trade is desirable, it is not achievable and

beggar-thy-neighbour policies are justified. Thus the belief in the mutual benefit of open economic borders is seen by some as: the naïve altruism of a past era (the claim of proponents of industrial policy, managed trade and strategic trade); a privilege to be extended only to other trade bloc colleagues (the view of supporters of economic regionalism); the right of richer, more powerful nations to the spoils of economic imperialism (the recurring fear of developing nations); or plain foolishness damaging to the national economy (the protectionists' point of view).

While the problem of adjustment to the new economic order described in the previous section of the chapter is in large part to blame for these “doubts”, the success of the post-WW II neo-mercantilism of the Japanese “developmental state” guided by MITI has also cracked the neatness and consistency of both the free trade and the laissez-faire arguments.

Japan bashing and Japan mimicking are both based on the belief that the Japanese model of economic development and trade policy has served Japan well, but at the expense of other countries. Some claim that the machinations and industrial policies of “Japan Inc.” render all hopes of a world of free trade inoperative. Thus, the knee-jerk reaction of the U.S. electorate and its policy makers is to say either: 1) there is something wrong with what we do, so let's do what they do (industrial policy and managed trade); or 2) let's make them do it our way or else (protect our markets from “unfair” competition, open up their markets, and retaliate if they do not play by our rules).

However, these two reactions fail to examine the real dynamics of the problem: 1) they do not capture the relationship between U.S. national economic policy and the loss of competitiveness in world markets;⁹ 2) they do not acknowledge that the Japanese market is perhaps one of the world's most “open” markets by traditional measures; and 3) above all, they do not examine whether the “developmental state” is suited to the realities of the new economic order.

The early 1990s have also brought a recession in the U.S. and Canada, and possibly in most of the world. Thus there is a heightened fear of further loss of jobs, particularly “good” jobs. There is a growing concern about the stagnation of real wages and incomes in the U.S. Moreover, there has been a growing identification of the threats to the national economy with international pressures on the U.S. economy (particularly from the Japanese), and a great deal of pressure to enact protectionist measures:

there has been a great deal of pressure on the U.S. government not only to protect older declining industries, but to push aggressively for a wider opening of foreign markets to American exports and to insulate newer, high technology, U.S. industries from the real or alleged predatory practices of industries in other countries. (Lawrence and Schultze 1990, p. 3)¹⁰

Legislation such as the Semiconductor Agreement and the Super 301 has been enacted in order to “protect” U.S. manufacturers from “unfair” (as unilaterally defined by U.S. trade officials) trading practices of other countries, particularly Japan.

The effect of protectionist policy on trade is causing a great deal of concern to the advocates of free trade, who see these protectionist policies as part of the problem, not part of the solution.

3.3.2 Points and Counterpoints – An Introduction to the Debate

As in any argument, there are many shades of grey. However, in the early 1990s the two major camps in the debate over economic and trade policy can be classified as follows: the orthodox case for *free trade* and *laissez faire* vs. the call for an *industrial policy* and for *managed trade*. At the core of these arguments lies the fact that the theoretical “pure competition” of classical economics has been replaced by a real world of rather “imperfect” competition. Big business and big government have gotten so big that their actions can certainly have an effect on (and in some cases even control) the market. Since the playing field can be tilted, what is actually being debated is not just whether this tilting is a good idea or not, but – how can one tilt it in one’s favour before others tilt it in theirs?

3.3.2a The Old Orthodoxy and the Case for Free Trade

The theoretical basis of this argument is rooted in the works of Adam Smith and David Ricardo. Advocates such as Schultze (1983), Lawrence and Schultze (1990), Krueger (1990), Curzon Price (1990a,b), Bhagwati (1988), and Porter (1990) among others, are currently defending and enriching this theory. Even though they differ among themselves on several points, in general terms they maintain that:

1. markets are the best way to allocate resources in an economy;
2. countries should specialize in their comparative advantage (some believe that the theory can be amended to take account of the increasingly complex structure of modern industry; others disagree);

3. the reduction of trade barriers will result in the best possible outcome for all trading partners (whether all partners follow suit or not);
4. international protectionism is an all around bad idea;
5. government intervention in the market is not a good policy because lobbying and patronage (its resultant political economy), along with bureaucratic inability to handle the information requirements, prevent governments from picking “winners”;
6. the restructuring that is caused by competitive markets is better than the protection of weak industries;
7. the diversion of resources into one segment of the economy inevitably damages other segments;
8. if foreign countries subsidize their exports it should be seen as a gift, and does not always warrant retaliatory action by the importing country; and
9. the spirit of GATT is worth salvaging.

As presented further on, advocates of “new approaches” to economic policy challenge many of these assertions.

For many of these “liberal” economists, the best industrial policy is to “keep inflation low, real interest rates gently positive and exchange rates stable” (*Economist*, June 8, 1991, p. 15). As far as government-led industrial initiatives, they suggest investment in human capital and infrastructure. “A well-educated labour force, able to acquire new skills and adapt to changing demands, is the most valuable asset an economy can have. Governments need to invest adequately in infrastructure (such as roads), because there are good reasons for thinking that private business will not” (Ibid).

GATT’s principles and rules-based, multilateral approach have provided the mechanism for the liberalization of trade. GATT’s multilateral approach to the development of the rules of trade and to trade negotiation has been considered better than unilateral moves, or an array of bilateral negotiations, for several reasons: 1) they ensure consistency with the three guiding principles of GATT¹¹ – reciprocity, non-discrimination and transparency; 2) they are simpler because they bring all negotiators to the table at the same time; 3) they are less likely to arouse the ire of those left out of, or harmed by, the negotiations.

3.3.2b The Case for Industrial Policy

Advocates of a more actively managed industrial and trade policy in the U.S., as well as in other developed countries,¹² usually base their arguments on a sub-set or combination of the following assumptions:

1. the U.S. is de-industrializing, or at least losing its competitiveness (Reich 1982);
2. Japan owes its industrial success to its industrial policy (Reich 1982; Johnson 1982);
3. governments are able to devise a “winning” industrial structure (Reich 1982; Johnson 1982);
4. the American political system is able to pick and choose among individual firms and regions in a substantive, efficiency driven way (Reich 1982);
5. a coherent and well-coordinated industrial policy is better than the current system of ad hoc policies;
6. the theory of comparative advantage, where countries specialize in what they do best, is too “static” and that some industries are more equal than others (Scott 1985);
7. there are “strategic” or “enabling” technologies “ (Tyson 1990);
8. imperfect competition is more the rule rather than the exception, and that the oligopolistic nature of some markets can be exploited through “managed trade” resulting in the capture of substantial rents for the managing firm/nation, at the expense of competing firms/nations (Tyson 1990);
9. GATT is ineffective or even dead (Thurow 1990);
10. if the “unfair” actions (usually unilaterally determined by the U.S.) of other governments (usually Japan) negatively affect U.S. industry, the government should retaliate.

3.3.2b A vs. B

Schultze (1983) argues that assumptions 1 through 4 in case B are simply wrong. He claims that instead:

1. the examination of the data does not reveal the de-industrialization of the U.S.;
2. the Japanese success owes a great deal to the Japanese high rate of savings and investment, to their constant upgrading of capital stock with new technologies (e.g. long-term return horizons for R&D investment), to the high quality of the Japanese workforce, to the guts and business instinct of Japanese executives who risked a great deal, and to the government’s provision of a supportive business environment, rather than direction;
3. the information requirements of picking winners would overwhelm bureaucrats;
4. industrial policy would degenerate into protectionist policy because the U.S. political environment is too vulnerable to lobbying.

Like Schultze, many critics of the merit of new strategic theories generally

do not so much dispute the theoretical possibility that carefully calibrated government trade intervention might, in certain circumstance, bring gains to the United States [or any country adopting them], but principally... [argue]... that the potential gains were small [the promised rents and technological advantages]; and that political pressure would convert an initially well-meaning intervention policy into a boondoggle of special interests. (Lawrence and Schultze 1990, p. 5, emphasis added)

In addition, critics argue that protectionism takes the competitive pressure off producers and often denies the economy access to new technology in the form of imports.

Two other issues merit a brief examination. One is whether government intervention in the market creates a disjunction between the policies that benefit producers and those that benefit citizens. In economic terms, the effect of government policy on consumer and producer surpluses must be factored in to policy making. For example, if the creation of a “national champion” requires the reduction of domestic competition, and if this monopoly results in higher domestic prices for these goods – is this a good policy? Are producers benefiting at the expense of consumers who, under freer market conditions, would get better prices? The second issue to explore is whether the industrial policy debates are really debates about trade, or are they instead debates about jobs, how to keep the desirable jobs at home and export the undesirable ones abroad.

3.3.3 What's GATT Got to Do With It?

The arguments about the future of GATT are reminiscent of the Monty Python “parrot” skit – some claim that it is dead, while others maintain that it is just resting or knackered. In either case, one suspects that something is seriously wrong. In December of 1990, the GATT talks failed over disagreements between Europe and the U.S. on European farm subsidies. Subsidiary talks continue in a frenzied attempt to patch up some kind of mutually beneficial deal. By late 1992, the U.S. and the EC had not yet resolved their differences. But the growing disenchantment with GATT, and its rules-based multilateral approach, reflects not only the frustration over the recent ‘lack of results’ of GATT talks, but a deeper disenchantment with liberal trade altogether. Bypassing GATT with bilateral agreements (which, if they do not discriminate against third parties, are not necessarily against the spirit of GATT) and unilateral retaliatory actions (many of which are illegal under GATT) is much in vogue. Defenders of GATT (or at least of some form of multilateral agreement) point out that the proliferation of bilateral deals is likely to result in an unmanageable portfolio of agreements, many of which will pose problems of conflicts of interest.

Other observers argue that since bilateral trade deals and national industrial policies are very much a reality, they should be managed through international agreements. Bemoaning their existence and hoping for a world of free trade is just sticking one's head in the sand. The call for harmonization of economic and trade policies for the Europe 1992 project¹³ might become a global campaign. Ironically, GATT might end up becoming what it was originally meant to be before being downsized in response to perceived threats to national sovereignty – the powerful and comprehensive International Trade Organization (ITO).

The need to include the handling of services and other thorny issues in the agreement is not the only new problem for GATT. "Nations are moving into a world of non-tariff barriers that reflect the national preferences for all sorts of things unrelated to trade" (Baldwin, Destler and Reich 1990), and this greatly affects GATT's effectiveness. Other trade barriers are also hard to dismantle. For example, archaic Japanese distribution channels, and the strong preference of Japanese consumers and industrial buyers for Japanese products stand in the way of gaining market share in the Japanese market. But does any country, or even the Japanese government under the pressure of U.S. trade negotiators, have the right to force the Japanese to consume more foreign products? Worse, some observers fear that this "market-opening" through quotas could have the perverse effect of cartelizing the Japanese market further.

The U.S. and the Europeans, and to a lesser extent the U.S. and the Japanese, have locked horns over protectionist agricultural policies in Europe (e.g. CAP) and Japan (e.g. rice). One of the ironies of this debate is that for all the talk about strategic technologies, the GATT talks might fail due to arguments over agricultural products—potato chips rather than microchips.

3.3.4 A Closer Look at the Theory of Industrial and Trade Policy

Since there are many variations of the industrial policy/managed trade vs. free trade/*laissez faire* debate, it is essential to define at least some of the most popular policy proposals, discuss the rationale of the various debates in general terms, and then examine some of the supporting arguments and criticisms.

3.3.4a Definitions

In a broad sense, every government has an industrial policy – a policy towards the industrial sector; and all trade is managed. Thus the argument is not whether to adopt these policies, but what form they should take. Bayliss and El-Agraa (1990) state:

Industrial policy embraces all acts and policies of the state in relation to industry [economic, social and environmental]. Such policy can be either positive, i.e. positive in relation to the state's participation in, or control of, industry; or negative, to the extent that it might be the industrial policy of the state to minimize intervention in industry. (Op Cit, p. 137)

The term "industrial policy" is used in this chapter to refer to "positive" policies. At the core of the argument of the industrial policy question is whether government should "deliberately set out to plan and create an industrial structure, and a pattern of output and investment, significantly different from what the market would have produced" (Lawrence and Schultze, 1990 p. 4). In essence, a government would delineate in broad terms a desirable industrial structure, and then proceed to lead economic activity and private investment along this path. The basic instruments of the state are protection and direct or indirect (tariff) subsidy. Various models exist in both market and non-market economies for the perusal of officials – communist central planning, French *dirigisme*, and the Japanese MITI-led model.

Trade policy is a sub-set of a nation's industrial policy. In turn, managed trade is a sub-set of trade policy. "Managed trade" is used "to describe different kinds of trade policy whose only common feature is some form or other of government intervention in international trade flows" (Op Cit, p. 11). The level of intervention varies from country to country. In the current debate in the U.S., the three most commonly discussed proposals that fall under the rubric of managed trade are:

1. *results oriented measures* – the establishment of quantitative targets for imports or exports... [These] are contrasted with rules-oriented policies, under which governments establish the rules of the trading game, whether they be protected or free in spirit, and then let the market determine the outcome" (Ibid). The most popular target for trade hardball is, of course, Japan. The U.S.'s Super 301 falls into this category.¹⁴
2. *strategic trade policy* – "unlike classical trade analysis, these theories apply to a world in which there are sometimes large gains from 'getting the furthest with the mostest' especially with specialized high technology products. If one or few firms can gain a foothold in a new market, through protection at home and favourable credit terms or subsidies for expansion, they may be able to take advantage of economies of large scale production and gain a sizeable share of the world market. They can, for a significant period of time, exploit the market to earn high incomes ["rents"] to be split among workers and owners" (Lawrence and Schultze 1990, p. 2). In other words, the creation of "national champions", at the expense of other

domestic competitors, is good policy when the objective is to win in the global arena of “imperfect competition”.

3. Support for “*strategic*” or “*enabling*” technologies – This is a variation of the traditional *infant industry* argument for the protection of domestic industries. Strategic technology advocates argue that the government should support these industries for several reasons:
 - certain high technology sectors, such as semiconductors, will underpin “advances in every field of science and technology for decades to come” (*Business Week*, Feb. 5, 1990, p. 56);
 - other governments (yes, Japan foremost) support this sector, thus the U.S. faces unfair foreign competition;
 - private investment alone is not an adequate source of funding because of externalities (e.g. training of footloose employees);
 - the “spillover” effects from the private investment in these technologies benefit the entire economy, but cannot be captured by the investing firm;
 - technological superiority used to be maintained by the “trickling down” of advances in defense R&D contracts into the consumer markets. This flow is no longer certain because the dynamics of consumer markets differ too much from those of the defense industry (*Business Week*, Feb. 5, 1990).

Since both “strategic trade policy” and the support for “strategic technologies” involve dealing with the externalities of high-technology industries, their rationales are often confused in the popular debate. They are, nevertheless, two quite different rationales. The first is actually a zero-sum game, where beggar-thy-neighbour policies are used in order to secure “rents” for one’s nation at the expense of others. The second addresses the externalities of high technology industries in a way in which, at least in principle, the whole world could benefit from the development of these technologies (*Economist*, Sept. 22, 1990).

What all these proposals have in common is that they disagree with the orthodox case for free trade and laissez-faire policies as the best economic doctrine. They are a response to a world of oligopolistic and imperfect markets where the governments of developed countries, and blocs of countries, are actively managing their industrial and trade policies to the alleged harm of other countries’ economies.

3.3.4b Analytical Frameworks for Trade Policy

Contrary to popular belief: 1) trade policy cannot change the overall level of national employment, and 2) “a country cannot, except in the short run, change its trade balance – the excess of imports over exports – by changing its trade policy. Whether a country runs a trade deficit or a trade surplus, and how large, is determined by its savings and investment propensities, not its trade policies” (Lawrence and Schultze 1990, p. 7).

What then can it do? Trade policy can: 1) improve the terms of trade by increasing the demand for national goods, and 2) it can change the composition of output and employment by favouring certain industries over others (Lawrence and Schultze 1990, p. 7).

Having established realistic objectives for trade policy, the arguments for managed trade policy, which come in many varieties, can be categorized in several ways.

Lawrence and Schultze (1990) suggest a framework that looks at: 1) which objective do they choose to attain – better terms of trade or promoting strategic industries; 2) what means or tools they would use to achieve them (GATT, bilateral deals etc.); and 3) whether the policies are offensive or defensive.

Baldwin, Destler and Reich (1990) suggest an alternative approach for the analysis and formulation of managed trade. They suggest a four-by-two matrix (four pairs of opposites) that locates the policies in terms of whether they are: 1) rule or outcome oriented (as previously discussed in this chapter); 2) sectoral or uniform (to benefit all sectors, or only some); 3) aggressive or passive (the degree of enforcement of agreements); or 4) bilateral or multilateral.

The choice of policy also depends on whether the goal of the policy is either: 1) more trade; 2) a zero-sum gain or positive sum gain; 3) relative wealth (the U.S. should be more wealthy than other countries, even if that means that the growth rate of all countries must slow down); 4) profits for U.S. corporations (whether manufacturing abroad or not); and 5) work force learning (who pays, and who benefits from this externality?). Whether trading blocs formalize or not, and what kind of policies they are likely to adopt if they do, adds yet another dimension to this argument.

3.3.4c Static or Dynamic Comparative Advantages

The wisdom of basing national economic policy on “comparative” advantages is being questioned by some economists. What exponents of “dependency theory” (Frank 1969) have pointed out for some time now perhaps is being more widely recognized by traditional policy makers. As pointed out by Scott (1985), static comparative advantage

favours the rich and the strong” (Op Cit, p. 94), and the specialized trade – commodities for manufactures – that binds less developed countries to the developed ones tends to perpetuate the status of the former as second class citizens. For example, had Japan based its post-WW II recovery on comparative advantages alone, it would have developed a policy based on exploiting its abundant cheap labour and would have minimized capital expenditures for advanced technologies in industries dominated by foreign giants. It did the reverse. It targeted industries which forced the nation’s firms to compete at breakneck speed and to innovate in order to catch up to the rest of the industrialized world.

In his discussion of East Asian competitiveness, Scott (1985) presents a revised theory of comparative advantage (Porter would call it “competitive” advantage) which focuses on opportunity as well as on resources, and on how a country can mobilize whatever limited resources it has in order to seize opportunities. It is a theory that focuses on “opportunities for change through time – a dynamic theory of comparative advantage which supplements the traditional static Western one” (Op Cit, p. 93). But the leap from the dynamic theory of comparative advantage to a rationale for strategic or managed trade is a long leap. Nevertheless, this argument has been used to support government intervention in industrial structure.

3.3.4d Empirical Evidence – Where are the Rents?

The empirical support for the various forms of managed trade is usually drawn from three sources: 1) the effect of government intervention on the commercial aircraft industry (i.e. Boeing vs. Airbus); 2) the role of an industrial policy in the Japanese “miracle” (and the Japanese-like minor miracles of the Asian Dragons); and 3) the importance of the semiconductor industry to the long-term technological superiority of a nation. The Asian miracle is discussed later on in this chapter. Therefore, I will only look at the other two cases in this section.

Boeing vs. Airbus

The commercial aircraft industry is probably one of the few industries in which the economies of scale are so large that a global oligopoly, possibly even a duopoly results. Economists like Baldwin and Krugman have studied both the real life version and the computer model version of the Boeing vs. Airbus struggle. Apparently, “these studies are no advertisements for the strategic approach to trade”:

Remembering the additional economic cost of the subsidy [by European governments to Airbus in the form of lower rates of return than commercially available] which must ultimately be financed through higher

implicit or explicit taxes, Europe probably lost. America lost more, though, because Boeing's profits were smaller, and this was not fully offset by the price benefit enjoyed by American aircraft users. The only clear winners were the countries whose airlines and passengers benefited from lower prices at no cost to themselves. (*Economist*, Sept. 22, 1990, p. 21)

The Semiconductor Agreement

In 1986, the U.S. and Japan signed the Semiconductor Agreement. "America's semiconductor industry had accused Japan of dumping chips in the American market and in third markets, and of restricting its own access to the Japanese market" (Op Cit, p. 22). Japan obliged by raising the price of its chips in the American market, but was initially slow both in raising prices in third markets and in granting better access to American chips in Japan. With some further American sanctions Japanese prices in third markets were raised, but "America's share of the Japanese chip market still refused to rise" (Ibid). Instead of promoting free trade and stopping predatory pricing, the Semiconductor Agreement had a perverse effect. It "ended up restricting free trade, helping the Japanese a little [because they kept the prices of chips cheap at home and thus gave a cost edge to its electronic products], and hurting everybody else a lot" (Ibid).

What these two examples of true-to-life managed trade suggest is not that the theoretical possibility of managed trade is flawed, but that the actual "management" of such trade is very hard to do. The hope of advocates of managed trade perhaps lies in the possibility that these measures can also benefit from "learning-by-doing".

3.3.4e Money Makes the World Go Around

If the rents to be captured by strategic trade policy are actually as substantial as argued by its supporters, why aren't private investors rushing to invest in these "strategic" firms? Their unwillingness to invest is based on the belief that the risks involved in these large, long-term ventures with many "externalities" are too high. Careful analysis of this rationale reveals that the capital markets (based on risk and reward) have simply not adapted to the new realities of global trade. Ironically, "Saxonhouse (1982) argues that much of Japanese industrial policy is merely a substitute for better-developed U.S. capital markets and more mobile labour" (Saxonhouse, quoted in Carliner 1986, p. 167). So, why not fix the capital markets, instead of coming up with an industrial policy. In other words, rather than asking taxpayers to invest (through government subsidies etc.) in the welfare of firms which will later reap the direct benefits of successful government intervention, a fairer, and perhaps more effective strategy, would be for the U.S. government to encourage the development of new forms of

private long-term venture capital vehicles. During their 1980s heyday, “junk bonds” were considered a vehicle for industrial restructuring (Peters 1991). Unfortunately, the financial abuses of this “decade of greed” led to their inglorious decline.

The fact that the cost of capital in the U.S. is rather high (for many reasons, but one is definitely the budget deficit), and that America has a low rate of savings and investment, makes funds scarce and profitability after debt-service much more difficult. As Japanese leaders often point out, their U.S. counterparts should be more concerned with putting their own financial house in order by increasing the rate of consumer savings and industrial investment, reducing the federal deficit, and acquiring a long-term investment outlook, than with Japan bashing (or mimicking), import restrictions or export targets.

3.3.5 Will Other Countries Take the U.S.’s New Protectionism Lying Down?

Probably not. In the late 20th century, protectionist sentiment in Europe and Japan runs much deeper than in the U.S. In addition, neither Japan nor the Europe of 1992 has to comply when subjected to American pressure. In Japan, for example, there is a growing feeling that “Japan matters as much to America as America does to Japan, and that it would do both some good if Japan acted accordingly” (*Economist*, Jan. 26, 1991, p. 98). In other words, Japan can now stand up for itself when dealing with the U.S.¹⁵ President Bush’s 1992 tour of Japan increased the level of mistrust and suspicion on both sides of the Pacific.

The fear of unleashing a retaliatory vicious circle (from more government-funded industry consortia to plain old quotas) is not totally unfounded. Not surprisingly, advocates and critics of strategic trade policy have developed an avid interest in “game theory”. The world of gargantuan firms engaged in cut-throat competition in global, oligopolistic industries resembles the “prisoner’s dilemma”. The “all spoils (read rents) to the victor” scenario is challenged by research that shows that you can’t always win. Actually the least costly and most beneficial strategy for both parties is “tit for tat” – cooperate until your opponent cheats, retaliate every time just once, then return to cooperation. Over time, the “credible threat” of retaliation should serve as a deterrent for cheating and thus establish a pattern of cooperation. All is well that ends well. But unfortunately, game theory players usually take several rounds to end up at the “tit for tat” strategy.

3.4 THE EUROPEAN COMMUNITY

European industrial policy development lies somewhere between the full blown Japanese developmental state (described in the next section) and the tentative American policy. The debate is as active in Europe as it has been in the U.S., and many times it has pitted nations and leaders against each other. For example, while the French have traditionally preferred to “guide” their economy through state-directed *dirigisme* and “indicative planning”, the British, under the leadership of Thatcher, have enshrined “the market” as the almighty saviour of economies, and have proceeded to dismantle many vestiges of English statism. Since the outcome of these debates is likely to affect the EC trade stance and the U.S. perception of the EC’s willingness to “play fair”, a brief look at the European debate is relevant.

The EC has been actively engaged in industrial policies for some time.¹⁶ Early debates centred on the need to dismantle regional development policies in member countries because they allegedly caused market distortions and could lead to trade wars. In the 1970s, the EC’s industrial policy was dominated by support for failing industries – the losers in the various EC countries.

In the 1980s and early 1990s industrial policy become more “forward looking” – it focused on transnational winners and high-technology. Besides their supervising and coordinating role, EC officials also began to have at their disposal resources to foster particular projects. According to Curzon Price (1990a), industrial policies became “legitimized” by their explicit inclusion in the Single European Act.

The arguments in support of industrial policy follow the same lines of those being put forth in the American debate. But the EC’s sense of urgency comes from the fact that the single market of 1992 is very near. Europeans worry that U.S. and Japanese firms will run off with all the market opportunities that the single European market will offer. Since European companies are relatively small and backward in high technology industries, and since many are still dominated by national perspectives, the EC is supporting high-technology projects and encouraging transnational cooperation.

The range of EC-sponsored projects and transnational corporate initiatives is impressive. Some examples are: the Eureka initiative (European Research Cooperation Agency) to develop and launch high-technology products; ESPRIT (European Programme for Research in Information Technology); JET, a thermonuclear fusion project; and other projects to aid traditional industries, biotechnology, telecommunications,

learning technologies, unconventional energy, X-ray examination, food science, informatics in medicine.¹⁷

Once again, whether “Europe 1992” becomes “Fortress Europe” or not might be what determines whether these projects are part of a protectionist, zero-sum scheme intended to benefit particular corporate interests, or a good way to advance R&D and increase trade. However, the fears of Fortress Europe seem to have some basis in reality. “While Europe’s proclamations have steadfastly championed the cause of free trade and open trade, the reality will be different. In critical areas such as motor vehicles and information technology the Europeans have displayed a dogged resistance to opening their markets to foreigners” (Daly 1991, p. 9). Since industrial policy has a political basis, the outcome of these debates will probably determine in great part the future of industrial policy in the EC.

3.5 THE DEVELOPMENTAL STATES – JAPAN AND THE ASIAN DRAGONS

The countries of the Pacific Rim, primarily Japan and the Asian “Dragons” – South Korea, Taiwan, Singapore and Hong Kong – are often cited as evidence in support of activist industrial policies and of state-centred development. Thus a closer look at these models is helpful in the analysis of these policies.

3.5.1 Japan

3.5.1a Japanese Model?

There are many competing explanations for the “Japanese miracle”.¹⁸ This section of the chapter concerns itself mainly with the explanation that stresses the role of the developmental state in the economic miracle, since this thesis has provided the model and the empirical evidence for the adoption of an industrial policy in the West. The discussion of the model is limited to a brief overview of the role of the state, its agencies and the objective of its policies as presented by Johnson (1982). The applicability of the model to other countries, and the possible dangers that the model might present for Japan in the future, are also examined.

According to Johnson (1982), in countries like the United States,¹⁹ where industrialization occurred early (19th century), the state took on only regulatory functions. Development was market-oriented and the role of government was to regulate that development. In countries where industrialization occurred later, like Japan, the state took on a “developmental function”. Development was planned and the government was the key planner. Johnson calls the Japanese model *plan rational* and the U.S.-type model

market rational. The Japanese model stands somewhere between the U.S.-type model and the *plan ideological* model of the communist countries. The plan rational and the market rational models have produced quite different orientations in terms of:

1) government/business relations (MITI-led industrial consortia or *kieretsu* vs. anti-trust regulated industry); and 2) government policy objectives (the achievement of a target industrial structure vs. the regulation of the market).

As in France, where indicative planning and *dirigisme* are conducted by an elite corps of bureaucrats, the effectiveness of the Japanese plan rational model depends on the existence of a “powerful, talented and prestige-laden economic bureaucracy” (Johnson 1982, p. 21). The most powerful agency of this bureaucracy is MITI. The fact that government bureaucrats form the hub of economic development gives the Japanese plan rational system a political rather than an economic base. While economists dominate economic policy-making in market rational states, nationalistic political officials dominate plan rational states. Thus the elegance of economic theory is less important than the effectiveness of government planning.

The making and executing of “industrial policy” is what the developmental state does through its agencies (e.g. MITI). The now familiar language of industrial policy in the West has been used to refer to Japanese economic policies for some time. Johnson quotes Ozaki’s definition of industrial policy in Japan:

...it refers to a complex of those policies concerning *protection of domestic industries, development of strategic industries, and adjustment of the economic structure* in response or anticipation of internal and external changes which are *formulated and pursued by MITI* in the cause of national interest, as the term ‘national interest’ is understood by MITI officials. (Ozaki in Johnson 1982, p. 29, emphasis added by author)

In sum, according to Johnson (1982, pp. 305-324) the Japanese model is based on four elements:

1. a small and elite bureaucracy capable of identifying an appropriate industrial structure and of devising and implementing strategies to achieve it;
2. “a political system where the bureaucracy is given sufficient scope to take initiative and operate effectively”. In this system, there must be a consensus that economic mobilization is a national priority;
3. “the perfection of market-conforming method of state intervention in the economy” (markets must remain competitive);
4. a pilot organization like MITI.

As far as the application of industrial policies to other countries, whether a particular government can or cannot manage such a policy effectively is, of course, a matter of judgement and of circumstance – which nation, government and specific policies are we discussing? As we have seen from earlier discussions, the key question is whether a country is able to replicate the Japanese model without giving in to pork-barrel politics and lobbying pressures. The Japanese are not free from these political failings, but somehow manage to muddle along.

Johnson is also careful to point out that

...for all their alleged borrowing from abroad, the Japanese political genius rests in the identification and use of their own political assets.... This suggests that other nations seeking to emulate Japan's achievements might be better advised to fabricate institutions of their developmental state from local materials. (Johnson 1982, pp. 322-333)

Thus, at least in the short-run, American proponents of industrial policy should examine carefully the objections of critics like Schultze (1983) as well as the more laissez-faire/free trade suggestions of how to get back on track. Building on one's strengths might be preferable to a change of course.

3.5.1b Future Prospects – Living on the Edge – Can Japan inc. Survive?

Following is easier than leading. At least you know where you are going – wherever others have already gone. The assertion that the industrial policies of Japan were key in helping Japan “catch up” to the developed West is plausible. What is harder to determine is whether these policies can adequately guide Japan, or any developed country adopting them, at the forefront of development.

Generally speaking, the great strength of the plan rational system lies in its effectiveness in dealing with routine problems, whereas *the great strength of a market rational system lies in its effectiveness in dealing with critical problems*. In the latter case, the emphasis on rules, procedures, and executive responsibility helps to promote action when problems of an unfamiliar or unknown magnitude arise. (Johnson 1982, p. 22, emphasis added)

As the world of unprecedented change of the 1990s and beyond continues to bring more surprises, perhaps a market-rational model will prove more effective for those in the lead. Are Americans (and as we shall see next, Europeans) throwing away their most valuable assets and asking for exactly the wrong policy at the wrong time?

Compounding the problem is the fact that Japanese investment and market strategy might not be suitable to the world of triad economics. In relative terms, Japan has not been able to follow the lead of U.S. and European companies, which invested heavily in each other and developed consortia capable of operating in each other's markets.

Perhaps the argument that most seriously questions Japan's ability to maintain its record of growth is the one which examines the role of exogenous factors in the development of the Pacific Rim. This argument is presented later in this chapter.

3.5.2 The Asian Dragons

The debate over development and underdevelopment has gone through various phases. As summarized by Petras and Hui (1991):

In the 1950s it focused on socialists vs. capitalist exchange theories, in the 1960s on dependency vs. modernization, and in the 1970s and 1980s it has been dominated by *laissez faire* neo-liberal vs. state centred polemics; discussion is now clearly onto the terrain of capitalist political economy. (Petras and Hui 1991, p. 179)

The collapse of the Soviet bloc provides evidence of the shortcomings of state-planned economies in managing and fostering the growth of developed economies, and has left a vacuum of support for underdeveloped economies following this model of development. Development polemics have taken a sharp turn to the right. Perhaps the most convincing evidence in support of a capitalist model of development is provided by the rise of the Asian Dragons. During the past few decades, the Asian Dragons have achieved unparalleled rates of economic growth. In 1991, these countries accounted for 10% of manufactured exports worldwide, barely behind the U.S.'s 12% (*Economist*, June 1, 1991). Thus "understanding this miracle is the most urgent task in development economics" (Op Cit, p. 85). The two crucial questions that researchers must answer are: 1) what were the roles of both free markets and of state intervention in their development?, and 2) can this "hybrid" model be replicated?

3.5.2a The Role of the Market vs. the Role of the State in the "Miracle"

The task of synthesizing a model from the development experience of the Dragons has proven to be complicated by the fact that observers have tended to see in the situation whatever they have wanted to see. Like the proverbial blind men describing the elephant, each can accurately describe a part of the elephant, but a composite picture of the whole beast never seems to emerge. The Dragons are cited as proof of the success of free markets, as well as of the crucial role of state intervention in the market. "Free

marketeers point to the Dragons' reliance on private enterprise, markets and relatively undistorted trade regimes. Interventionists point with equal assurance to clever bureaucracies, non-market allocation resources and highly distorted trade regimes" (*Economist*, June 1, 1991, p. 85). However, critique of either approach is often directed at their negligence in examining the role of exogenous factors (Daly 1991; Petras and Hui 1991), the role of class relations (Petras and Hui 1991), and the oppressive nature of the developmental state (Petras and Hui 1991; *Economist*, June 1, 1991).

Economic liberals are comforted by the fact that Taiwan's "real exchange rate was stable and undistorted, its exports were not discriminated against, wages were set to clear the labour market, [and] interest rates were kept positive in real terms" (*Economist*, Ibid). However, their confidence in Taiwan's liberalism is weakened by the fact that Taiwan's government also "intervened to alter the trade and industrial output in ways it thought desirable ... implemented land reforms, discriminated against owners of financial assets instead of industrial assets; used public enterprise as a means of conscious development strategy; protected parts of the economy from import competition; [and] used rules of inward investment to promote selected industries" (Ibid).

The level of state intervention in Taiwan is not an isolated case in the development experience of the Dragons. In a major comparative essay, Cummings concluded that "in the cases of South Korea, Japan and Taiwan, state direction of development was critical" (cited in Petras and Hui 1991, p.184). Petras and Hui use three indicators to determine the importance of the state in the economy: 1) the role of public enterprises; 2) the fiscal and financial power of the state (e.g. government's expenditure as a share of GNP); and 3) the use of financial controls. In all three cases, the Dragons (some to a greater extent than others, and with exceptions in some cases) scored high in the state intervention report card. So much for watertight arguments in favour of *laissez faire*. Perhaps the greatest consolation for liberal economists comes from the fact that dependency theorists have lost even more ground in light of the success of the Dragons. Integration into international markets seems to be a good idea after all.²⁰ State-centred explanations of development have attempted to fill the vacuum left by the failure of liberal and dependency theorists to explain the Dragons' rapid growth. That the role of the state was large seems to be well established. Whether it was *the* crucial element is still being debated. But whether this model can or should be replicated is another story altogether.

3.5.2b Can This Model Be Replicated?

This question is widely debated. While the success of the Dragons can in large part be attributed to state-centred policies, the failure of scores of other developing countries to achieve respectable rates of growth can be attributed to the use of the same development policies. Thus, other forces must also be at work.

The replicability of this model rests on the ability of the state to be “efficient”. Wade (1988, 1991) and White (1988) argue that for state-centred development to work there has to be an efficient state predicated upon: 1) a high exposure to the international market; 2) the ability to purge corrupt factions and tighten party discipline;²¹ and 3) political monopoly. While the first two elements of an efficient state are laudable, the last one makes liberals cringe. The developmental state is also quite often an agent of repression and a discipliner of the working class. Apparently, democracy has had to wait in many of the Dragons.

According to Petras and Hui, Wade and White’s²² analysis of the failures of Latin American development suggest that Latin American regimes intending to replicate East Asian policies were not able to do so, in part because the efficiency of the state was hampered by the existence of groups with sufficient autonomy to resist the development directives of the state. Latin American governments have recently been able to expose their economies to the market by replacing earlier policies of import-substitution. However, neither tight party discipline, less corruption, nor political monopoly has been achieved. The fact that much of the production in the lucrative end of the market is in the hands of the multinationals, and that there has been no concern with limiting the growth of financial capital and steering capital towards productive investments has further retarded the Latin American development experience.

But do the dangers of state intervention outweigh the possible benefits? According to the “World Development Report” (World Bank 1991),²³ the answer is yes. This report attempts to distill 40 years of World Bank experience as a lender and adviser to the Third World. According to the report, the growth record of the Third World has shown that poor countries do indeed grow, but that some grow faster than others, and these disparities are caused by the economic policies embraced. Economic distortions in trade (tariffs etc.), foreign exchange (higher black market exchange rates), interest rates (positive or negative real rates), and fiscal policy (the size of budget deficits) were linked with low yields on specific development projects, and the lack of distortion on the projects with high yields.

Apparently, many developing countries adopted the “wrong” kind of state intervention. Some capitalist developing countries tried policies of import substitution and infant industry protection to expedite their development and create better terms of trade. Their special status as “developing” countries allowed them exemption from GATT rules which otherwise would have exerted pressure on them to open their markets. For many of these developing countries, these policies backfired. Many other developing countries adopted the Soviet model of development where the market’s function of allocating resources is replaced by central planning. The results have been even more disastrous.

The World Bank’s report concludes that in order to grow, countries must use their economic assets ever more productively, and that the best way to spur productivity is for governments to intervene less in their economies. However, governments have a crucial role to play in financing public spending without creating inflation, investing in infrastructure like education, roads and health care. Thus, the formula for achieving better rates of growth involves four elements: 1) a competitive microeconomy brought about by allowing economies to “get the prices right”; 2) a stable macroeconomic policy; 3) global linkages; and 4) investment in infrastructure.

While the governments of Japan and the Dragons certainly did intervene in their respective economies, their success with state-centred development seems to be the result of knowing when and how to intervene, and when not to. The World Bank report suggests that getting the formula wrong could wreck a country’s economy.

3.5.3 The Role Of Exogenous Factors in the Development Experience of the Pacific Rim

The economic success of the Pacific Rim countries was a much heralded theme of the 1980s. In the 1990s, however, there is less optimism about the future of the region, as well as about the replicability of their models of economic development. The reason for this creeping doubt regarding the Asian “miracles” centres on a reappraisal of the role of exogenous factors in their development.

According to Daly (1991), the literature of the 1970s and 1980s that sought to explain the Pacific Rim’s success focused primarily on internal conditions.²⁴ The explanations covered many topics: managerial practices, work systems, Confucian ethics, savings ratios, government-business links, and the role of the giant trading companies. The externalities of open markets and access to capital and technology were taken for granted. But Asia prospered in great part because of the liberal trade system organized

by the U.S. It had “most favoured nation” access to the markets of developed countries (particularly the U.S.); deregulated international financial markets allowed them to borrow large sums of money; and the stable system of exchange rates provided by the Bretton Woods agreement facilitated trade and the development of export-based policies. What is usually also forgotten by those searching for endogenous causes of growth is that, in the Cold War era, Asian countries were of strategic importance to the U.S., and many enjoyed preferential treatment vis à vis other developing countries²⁵ in the form of direct aid, military bases, lack of U.S. import restrictions on their products, and other income-expanding flows. The unraveling of the *pax Americana*, and the protectionist mood in the U.S. and Europe, could have severe repercussions in the Pacific Rim. Externalities might dictate how well Asia will do in the 1990s.

Is the Pacific Rim strong enough or self-sufficient enough to chart an economic course independent of the U.S. internal economy or its hegemonic leadership? For Daly (1991) and other observers, the answer seems to be No. As has been discussed earlier, Japan’s financial exposure in the U.S. is enormous, and many of the Pacific Rim products are U.S.-bound. In addition, “the over-priced and over-burdened Japanese consumption base, and the low consumption levels in the rest of the Pacific Rim [where the previously U.S.-bound trade would likely be diverted, should U.S. protectionism increase], place the entire Asia sphere in a position of grave vulnerability when the period of triad competition begins” (Silva and Sjogren 1990, quoted in Daly 1991). The Japanese model and the Dragons’ state-centred model might both fail to adapt to the transformation of the externalities, which were largely responsible for their success.

3.6 CONCLUSION

The loss of U.S. hegemony over the liberal economic order, combined with the end of the Cold War, has ushered in an era of increased global instability while a new balance of economic, political and military power is sought. Japan has been willing and able to support the regime of the *pax Americana*, but the rise of Europe and the inherent weaknesses of the Japanese position call into question the continuation of this precarious system-support. Since neither the Europeans nor the Japanese seem ready to assume hegemonic duties, the period of non-hegemonic instability is bound to last for some time. Moreover, should confidence in the dollar be weakened for whatever reason, “the Japanese-financed American hegemony may also one day collapse along with the possibilities of a stable international political order” (Gilpin 1987, p. 381).

There is an enormous need for pluralist leadership and policy coordination. However, while the need for cooperation and conflict resolution among the G7 powers is perhaps greatest at this time, the complexity of the problems that face them, the lack of clear leadership (or even a clear “enemy”) or of mutually agreed upon rules (e.g. GATT), could overwhelm the system. Military conflict between them is doubtful. A broad-based détente accompanied by a “mixed system” consisting of “mercantilist competition, economic regionalism [trade blocs], and sectoral protectionism” (Op Cit, p. 394) is the likely result. In summary:

...the liberal world economy has begun to spiral downward.... The social and economic structures of the advanced countries have demonstrated considerable rigidity in their ability to adjust to these [as described in this chapter] developments.... The concentration of economic political power in corporations, unions and states, along with a decrease in global economic growth, have greatly limited the effect of the adjustment process.... Rather than adjustment, the response too frequently has been New Protectionism and Industrial Policy.... (Op Cit, p. 388)

In the U.S., the debate over appropriate adjustment strategies rages on. While some of the original advocates of activist policies, like Robert Reich (1990), have softened their stance (Reich 1991) and are now advocating a more indirect strategy of infrastructure and human capital investment, others like Robert Kuttner (1991) are still carrying the torch for economic planning. The call for industrial policies in the 1980s and early 1990s has been associated with Democrats (Messrs. Reich and Kuttner are Democrats), who are in general less averse to government intervention in the economy, be it for social welfare or for other reasons. The public stance of the Republican Reagan and Bush administrations, on the other hand, has traditionally been to champion the “market” and to resist calls for the need to “work with industry”. However, the enormous military spending of the Reagan era, the tradition of pork-barreling, and the protectionist hard-ball measures against Japan by both administrations, were simply activist industrial policies by another name. A subsidy by any other name would smell as sweet.

In the early part of 1992, the recession, the political pressure to “put America first”, and “the speed at which some of the U.S.’ most vaunted industries – computers, semi-conductors and commercial aircraft – had lost market share to European and Japanese rivals” moved the Bush administration towards the activist camp. Industrial policy initiatives – such as the High Performance Computing Act of 1991, and the offer to make some government laboratories previously engaged in the defense industry available to industry for R&D purposes – were being supported by the Bush adminis-

tration.²⁶ For Republicans, the term “industrial policy” still carried the stigma of bureaucratic wastefulness by Democrats that it acquired during the 1980s. Therefore, in the 1992 election, one of their major quandaries was to find a way to validate economic interventionism without indicating a U-turn in the Republican economic platform.

Republicans were not able to call a spade a spade. However, Bill Clinton, the president-elect, has no such problem. Some observers suggest that the promise of a more active government role in the economy might have been the election issue that secured the presidency for Bill Clinton. President Clinton’s economic platform commits his administration to a more activist industrial policy aimed at “kick-starting” the economy and providing jobs. His commitment was certainly demonstrated by the appointments of Robert Reich and Laura D’Andrea Tyson to economic advisory positions. Perhaps Mr. Reich and Ms. D’Andrea Tyson can design an American industrial policy that provides more than just scores of New Deal type jobs – one that also addresses the need for adjustment in the capital markets and in the “guns and butter now” attitude of American consumers. Otherwise, interventionism is likely to become only a temporary Band-Aid on a festering wound.

The tug of war over how to manage the market is also intensifying in Europe:

The commission is split between representatives from countries like France and Italy who favour support for critical industries and those from countries like Britain and Holland who believe the market should decide the firm’s fate [Germany is somewhere in the middle]. The same splits can be found within some governments as well as many of Europe’s industries. (*Economist*, Jan. 25, 1992)

After a brief disenchantment with *dirigisme* in the mid-1980s when Thatcher’s proclamations and the liberalization of Eastern Europe’s economy seemed to signal the triumph of the market, the cause for state intervention is once again being championed. “Recession, Europe’s trade deficit with Japan and America, and its weakness in high-technology businesses such as semiconductors are slowly shifting the balance of opinion in favour of the interventionists” (Op Cit). This time the stakes of the game are higher – instead of national champions, the call there now is for supra-national champions. The direction of policy is still unclear, but a move to activist policies is quite likely for the reasons cited above.

As for the Japanese, if their strategy of financing U.S. liquidity begins to falter, or if the rise of Europe 1992 substantially alters this equilibrium, drastic changes will have

to be made to their national economic and trade policies in order to adapt to a new world economic order. Fortunately for them, their track record appears to indicate that they are likely to adapt their system in whichever way is required, even in the face of the inherent structural weaknesses of their economy. But what is a bit worrisome for Japan's competitors and current trade partners is that a country that "for 40 years has acted like a poodle" is now suggesting that "it has the strength of a rottweiler" (*Economist*, Jan. 26, 1991, p. 98). Will it bite the hand that feeds it?

The Asian Dragons, like Japan, have developed under a hybrid system where some aspects of the market were mixed with aspects of state control. For Petras and Hui (1991), "the paradox of South Korea and Taiwan is the dual nature of its state – 'weak' on the outside and 'strong' on the inside, interventionists in the economy and submissive in international politics".²⁷ It is highly unlikely that the exact conditions that gave rise to this model can be replicated elsewhere. Whether parts of the model can be exported and result in successful development is not yet clear. Perhaps the most sober recommendation for countries trying to adopt this model is that both internal and external conditions must be right, and that a great deal of discipline is required on the part of politicians, bureaucrats, elites, managers, workers and citizens in order for this model to result in both efficient and equitable growth.

As far as the prospects for LDCs, I agree with Sklair's (1991) assessment that even though developmental strategies for most LDCs will continue to be driven from the outside by the demands of global capitalist system, the transnational capitalist classes created to mediate these developmental strategies at the national level are not only a *comprador* class, they can actually find ways to make these dynamics serve their own national development purposes.

What we are likely to see in the mid to late 1990s is an intensification of the debate in the United States, the EC and Canada as the neo-interventionists justify their policies after a decade of neo-liberal/free market orthodoxy, as well as a great deal of experimentation with hybrid approaches by all governments, large and small, developed and not. In mid-1990s, the world will often stand at the brink of trade wars between blocs. One can only hope that common sense prevails and trade wars are not unleashed.

ENDNOTES

- 1 For example, dependency theorists argue that participating in the international market causes development in some parts of the globe and underdevelopment in others.
- 2 See Chapter 4, on the management debates, for a discussion of the "Interlinked Economy".
- 3 For example, the U.S. financed its massive deficits by exporting inflated dollars to the rest of the world.
- 4 In 1992, the EC will comprise the world's largest single market, and could conceivably become larger if the EFTA and former COMECON countries can gain access. The U.S. recently negotiated a free trade agreement with Canada and is moving quickly to enter into an agreement with Mexico. The Asia-Pacific block, with Japan as its axis, is nowhere near as evolved as the other two blocs, but it is not hard to imagine that it might evolve as a defensive response to being left out of them. Probably the biggest obstacle to the formation of the Americas and the Asian trade blocs is the strong anti-imperialist sentiments of Latin American nations against the U.S., and of many Asian nations against Japan.
- 5 This section is based on the works of Gilpin (1987) and Daly (1991).
- 6 Apparently, the détente policies of the U.S. and the USSR, the "superpowers" of the Cold War, maintained a relative calm in military matters. Local conflict was tolerated, global conflict avoided.
- 7 See Berghahn (1973), Schrieber (1969), BBC (1990) for descriptions of the effect on Western Europe and Japan of American economic, political and managerial models, interests and direct intervention.
- 8 For example through non-tariff barriers, government subsidies, import regulations etc.
- 9 See Gilpin (1987).
- 10 Protectionism as the "cause" of this slowdown is, of course, a matter open to debate.
- 11 The three guiding principles of GATT are embodied in its articles (*Economist*, Sept. 22, 1990): 1) reciprocity – if one country lowers its tariffs against another's exports, it can expect the other country to lower its tariffs in return; 2) non-discrimination – every country is treated as a "most favoured nation" in trade; 3) transparency – GATT urges countries to replace non-tariff barriers (import quotas, for instance) with tariffs, and then to "bind" those tariffs (that is, not to raise them again).
- 12 For example, the arguments for activist policies in Canada described in Chapter 5 follow almost exactly along the same lines.
- 13 Many critics of this approach (*inter alia* Curzon-Price) fear the bureaucratic boondoggle that it implies. They prefer a system of competition between systems which will naturally select the most efficient ones and those preferred by consumers.
- 14 See Dornbusch (1990).
- 15 See Shintaro (1990).
- 16 See Curzon Price (1990a,b).
- 17 See Curzon Price (1990a).
- 18 Readers interested in the various competing theories are advised to consult Olson (1982), Johnson (1982), Odagari (forthcoming), Schultz (1983), Porter (1990), Daly (1991).
- 19 While this argument neatly contrasts the historical circumstances of the U.S. vs. Japan, I argue in Chapter 5 that the Canadian state that emerged out of the confederation of 1867 was a developmental state.
- 20 Petras and Hui (1991) list the strikes against dependency theory: 1) the prediction of stagnation by inclusion in an exploitative dependent relationship with developed economies did not prove to be correct; 2) the emphasis on multinationals as the major external factor in development and underdevelopment obscures the understanding of the role of strategic and political factors; 3) foreign direct investment in Asian NICs (except for Singapore) contributed little to domestic economic growth, and these countries have actually become big foreign investors themselves.
- 21 This line of argument is similar to the claim that industrial policy is very hard to implement because the delivery mechanism can be easily influenced by special interest groups.
- 22 Various sources. See Bibliography.

- 23 This section is based on a series of articles that appeared in the July 13, 1991 issue of the *Economist*. The source document has not been examined by the author.
- 24 Both liberal and dependency theorists' attempts to describe Pacific Rim development have been criticised for their lack of attention to the impact of international and geopolitical variables, security and strategic concerns and foreign aid.
- 25 As Petras (1991) is careful to point out, U.S. economic aid to Latin American countries was usually tied to conditions which benefited U.S. multinationals over local firms, while aid to Asian countries did not carry such stipulations.
- 26 See *Time* magazine, Dec. 23, 1991, pp. 32-33, 54-55.
- 27 Petras and Hui (1991) suggest that this paradox might be resolved by the emergence of a ruling class that demands its own independent political expression and the inability of the U.S. to carry on in its capacity of economic hegemon and global policeman.

CHAPTER 4

PORTER'S DIAMOND AND THE MANAGEMENT DEBATES. THEIR INFLUENCE ON PRIVATE SECTOR-LED DEVELOPMENT STRATEGIES

4.1 INTRODUCTION

As examined in previous chapters, there has been a great deal of debate in academic, business and government circles over the relationship between corporate competitiveness and sustained national economic growth. Economists and management experts find themselves looking at the same series of events, but through very different glasses. As a result, their findings, models and theories are articulated in very different languages, and there has been relatively little cross-fertilization between the two disciplines. There is a “gap” in understanding resulting from “at least a failure of communication [on both parts] and probably a failure of relevance in the economic profession” (Kay 1991, p. 59).

When the subject of economics is raised, business leaders and management academics usually think of macroeconomics (forecasting and economic policy in particular). Economics for them is just another external uncontrollable factor they must concern themselves with in managing the firm. Microeconomics, on the other hand, is rarely of concern to them because it is considered unrealistic. Much of the management and business strategy literature has been motivated in part by the deficiencies of contemporary microeconomics. For example, Ansoff, a pioneer business strategist, states that:

Study of the firm has been the long time concern of the economics profession. Unfortunately for our present purpose [the study of business strategy], the so-called microeconomic theory of the firm which occupies much of the economist's thought and attention, sheds relatively little light on the decision-making processes in a real world firm. (Ansoff 1965, quoted in Kay 1991, p. 59)

According to management experts and business people, one of the major blind spots in microeconomics¹ is that it does not concern itself with the study of managers. Since “it is only managers – not the nature of laws of economics or governments – that make resources productive” (Drucker, quoted in Johnson 1982), the understanding of the firm and of the dynamics of competitiveness is woefully incomplete without the study of managers, the Hamlets who must decide whether to be or not to be in the global competitiveness stage.

Economists, on the other hand, are critical of the management disciplines and consider them too “soft”.² For example, while acknowledging the limitations of micro-economics, Kay’s criticism of the discipline of business strategy is that

The tools of the strategist – the experience curve and the portfolio matrix – are jejune at best, and much of what passes for strategy is platitude or pious exhortation.... The absence of a well-ordered body of knowledge is most clearly reflected in the way in which the subject is taught ... the case method. (Kay 1991, p. 60)

In order to develop both a realistic and rigorous understanding of the firm and of the elements of corporate and national competitiveness, economists and business leaders and management academics must attempt to close the gap in understanding. This is of particular importance because, in the 1990s, national and regional policy initiatives have taken a definite turn towards private sector–driven solutions. The prevalent view in economic development circles is that while the road to economic development might be paved by the public sector through macroeconomic policy and infrastructure spending etc., the direction of the road is generally determined by the market. The vehicles on it are the firms of the private sector, and managers are the drivers. The term that is commonly used to refer to this approach to economic development and sustained economic performance is “private sector–led development”.

The purposes of this chapter are: 1) to examine one of the most influential works attempting to bridge the communications gap between economists and management analysts in their discussion of “competitiveness” – Michael Porter’s, *The Competitive Advantage of Nations* (1990a); 2) to examine in some detail the management issues that I consider most germane to national and regional economic development policy; and 3) to examine the import of some of these debates on public policy. The discussions presented in this chapter provide a broad view of the core issues involved in private sector–driven economic development. The analysis of the appropriateness of the model of economic development underlying “Creating Our Own Future”, presented in Part IV, will draw heavily on the arguments reviewed in this chapter.

4.2 PORTER’S DIAMOND AS AN ALTERNATIVE TO ACTIVIST INDUSTRIAL POLICIES

4.2.1 Summary

What advocates of industrial policy in the developed countries want to achieve is probably not all that different from what advocates of the more traditional liberal approach

want. They all want to be “competitive” in global markets. Thus the *ends* of their policies – a healthy economy and an economic structure that can give the nation a competitive edge in global trade – are not disputed. What is being debated hotly, though, are the *means* of keeping up a winning pace in this endless neck-and-neck race. As examined earlier, the most contentious issue in the debate is the need for, and the healthy extent of, an “industrial policy”. Michael Porter offers the advocates of free-trade and laissez-faire policies an empirical justification for their theories, and much more.

In *The Competitive Advantage of Nations*, Porter goes beyond static positive explanations of the competitiveness, or lack thereof, of certain industries within specific countries and suggests a normative course of action – the constant and dynamic quest for productivity and innovation, through “polishing the national diamond”. He presents a comprehensive and systematic model of analysis – the “diamond” – which can be used by economic and business policy-makers to identify sources of competitive strengths and weaknesses, and to develop policy initiatives to address them. Thus policy-makers can make policy about industry, without resorting to “industrial policy”.

In this book Porter analyzes ten nations and an array of industries in search of the determinants of competitive advantage in an attempt to “isolate the fundamental forces underlying national competitive advantage from the idiosyncratic ones” (Porter 1990a, p. 24). The importance of Porter’s work for economic planners rests on his attempt to provide a general theory of international economic success which can answer: 1) “why do some companies based in some nations innovate more than others? and 2) why do some nations provide an environment that enables companies to improve and innovate faster than foreign rivals?” (Porter 1990b, p. 85). Porter’s comprehensive “diamond” model provides a powerful analytical framework with which to examine economic change and the development of the international “competitive” pecking order. His definition of competitiveness and the diagnostic tools he proposes provide a new vocabulary, grammar and syntax with which to examine “competitiveness”.

Perhaps one of Porter’s greatest contributions to the literature is his definition of “competitiveness”. Given the high profile of the debate on competitiveness, this word means many things to many people, and lends itself to all kinds of dubious interpretations that serve ulterior motives (i.e. lay-offs during labor/management disputes, monopolistic concentration of assets etc.). The criteria used to judge the “competitiveness” of a nation have ranged from a favourable balance of trade or exchange rate, to the creation of jobs through abundant cheap labour. For Porter “the only meaningful concept of competitiveness at the national level is national productivity... [and] sustained produc-

tivity growth requires that an economy continually upgrade itself" (Porter 1990a, p. 6). Explanations of why some nations are competitive and others are not, based solely on the study of macroeconomic phenomena (exchange and interest rates etc.), factor advantages (cheap and abundant labour or natural resource endowments), interventionist government policies, management practices, or labour/management relationships, are considered incomplete and inadequate. He points to examples that both support and disprove the rule that any one of these factors is primarily the source of competitive advantage.

Porter's work goes beyond what he considers "static" models of comparative advantage to explain the patterns of international trade. Comparative advantages like abundant resources, cheap labour and artificially low currency exchange rates have been devalued by the advances in technology, communications and capital mobility. The traditional emphasis on building economies of scale is considered less important to national competitiveness than the need to maintain dynamism by not stifling vigorous domestic competition.

Porter suggests a more dynamic competitive advantage which takes into account the perpetual state of change of competition (exploiting and sustaining fleeting advantages), and the fact that managers of firms can respond creatively even to comparative disadvantages, and thus affect their competitive standing in an industry. For Porter, building on one's strengths, as the theory of comparative advantage would suggest, is only reasonable. But more importantly, since necessity will always be the mother of invention, a country's weakness can be the base of a newly found strength. Thus the Swedes develop specialized hard-rock mining products because they suit the Swedish terrain, while the Koreans can build capital-intensive empires from a base of almost no capital at all. In the parlance of strategic management, country specific advantages (CSA) as well as country specific disadvantages can be turned into firm specific advantages (FSA).

For Porter, the relevant level of analysis in determining national competitive advantage is the industry, not the nation as a whole. Firms in industries compete, not nations. In other words, a nation's overall economic well-being depends on the competitiveness of its key industries. This, in turn, is dependent on a high and rapidly rising level of productivity. The national "diamond" is what determines the dynamics.

4.2.2 The Diamond

Porter's analytical model, the "diamond", is perhaps one of the most comprehensive models for the study of national competitive advantage developed to date. The diamond model is a mutually reinforcing system composed of four primary and two ancillary determinants. The determinants of the diamond (Porter 1990a, p. 71) and Porter's main conclusions about their effects are:

4.2.2a Primary Determinants

1. "*Factor conditions*. The nation's position in factors of production, such as skilled labour, infrastructure, necessary to compete in a given industry."

Basic factors, such as a pool of labour or local access to raw materials do not constitute competitive advantages in and of themselves, particularly in knowledge-intensive industries. Factors must be highly specialized to an industry's particular needs (i.e. specialized skills, or pools of venture capital) and require sustained investment to create. Nations succeed in industries where they are good factor creators and creating factor advantages is more important than inheriting them. Competitiveness is achieved and maintained by going beyond comparative advantages and disadvantages and creating higher level factors (value added, differentiated etc.) through innovation, education etc.

2. "*Demand conditions*. The nature of home demand for the industry's product or service."

The size of the market is not as important as the sophistication of the consumers and industrial buyers. National characteristics (German high regard for engineering, Italian love of design) affect the type of industries which become global contenders. National passions are great as long as they are tempered with the right dose of competitive discipline. Demanding buyers (consumers and industrial buyers alike) in the domestic market are needed to pressure companies to innovate faster, and can at times serve as indicators of global market trends.

3. "*Related and supporting industries*. The presence or absence in the nation of supplier industries and related industries that are internationally competitive."

Porter's research reveals a pattern of industrial concentration similar to that presented by Perroux. "Competitive industries are not scattered helter-skelter throughout the economy but are usually linked through vertical (buyer-seller) or horizontal (common customers, technology, channels) relationships. Nor are clusters usually scattered physically; they tend to be concentrated geographically"

(Porter 1990b, p. 83). Since industries develop in geographical and sectoral clusters, the existence of an internationally competitive firm can spur the formation of other internationally competitive firms in the same industry, or in a related (vertical or horizontal) industry. The flow of information creates dynamic networks of sophisticated buyers, suppliers and competitors. Companies benefit most when the suppliers themselves are global competitors.

4. *“Firm strategy, structure and rivalry.* The conditions in the nation governing how companies are created, organized and managed.” National circumstances affect the goals of individuals and companies, the nature of capital markets, the kinds of careers skills pursued by workers, as well as their work ethic. No one managerial system is universally appropriate, and competitiveness results from a managerial system well suited to the success requirements of a particular industry. “Among all the points on the diamond, domestic rivalry is arguably the most important because of the powerfully stimulating effect it has on all others” (Porter 1990b, p. 82).

4.2.2b Ancillary Determinants

5. *“Government”* – The role of government and its policy implications are examined later on in this chapter.
6. *“Chance”* – These are acts of serendipity which present a challenge or an opportunity. For example, the loss of the U.S.’s pre-eminent economic position in the post-war years (which it gained by chance by winning WW II) can be attributed to the resurgence (catching up) of other economic powers like Japan and Germany, whose industrial base was destroyed during WW II (through the chance event of losing the war and having the war theatre in their territory).

4.2.2c The Diamond as a System

The points of the diamond are self-reinforcing. However, two elements have the greatest impact on the system: domestic rivalry because it forces companies to upgrade continuously, and geographic concentration or “clusters of industries” because this proximity magnifies the interaction of the other four influences.

The dynamic nature of the “diamond” allows nations to develop substantial competencies in specific industries in a relatively short time, and to maintain these competencies:

When a national environment permits and supports the most rapid accumulation of specialized assets and skills ... affords better ongoing

information and insight into product and process needs... [and] pressures companies to innovate and invest ... companies both gain a competitive advantage and upgrade those advantages over time. (Porter 1990b, p. 77)

The dark side of the “diamond” is that once the process of decline has started, it is equally hard to arrest or reverse. For example, wealth brings its own decline, as managers and citizens seek their self-fulfillment rather than the relentless drive to improve and innovate.

4.2.3 Porter’s Stand on the Industrial Policy Debate

Porter is careful not to fall into either extreme of the laissez-faire vs. industrial policy debate. He notes that advocates of a diminished government presence “ignore the legitimate role that government plays in shaping the context and institutional structure surrounding companies and in creating an environment that stimulates companies to gain competitive advantage”. He also notes that advocates of government help for industry “frequently propose policies that would actually hurt companies in the long run and create the demand for more helping” (Porter 1990b, p. 86). However, despite these caveats, he tends to lean strongly on the side of the free marketeers:

I find, consistent with the traditional liberal position, for example, that strict anti-trust laws, tough health and safety regulations, and heavy investment in training and human resources are beneficial. But my evidence seriously questions the wisdom of intervention to resurrect sick industries, regulations that limit competition, most efforts to restrict imports, and policies to tax long term capital gains. (Porter 1990a, p. xvi)

For Porter, the best way to boost productivity is essentially that also argued by Adam Smith – competition. Thus, the proponents of Strategic Trade Policy like Paul Krugman (1986) from MIT, as well as those of managed trade like Lester Thurow also of MIT, will find that Porter’s conclusions based on empirical research,³ unlike most of their theoretical research, contradict some of their assertions. For example, Porter’s verdict is that protectionist policies (such as subsidizing infant industries) rarely succeed, and that they do not result in competitive advantages, even in the case of the often cited MITI (Porter 1990a, p. 664). Moreover, managed trade is seen as a cartelization of markets by inefficient companies.

Even though supporters of strategic trade (or at least Krugman) do not consider themselves “protectionists”, and are opposed to managed trade, their theories do suggest a

rationale for protectionism, and are thus not in line with traditional laissez-faire prescriptions. Perhaps what is most unfortunate is that these arguments have found their way into the arsenal of protectionist lobbies who, in the promotion of their own parochial interests, have further confused the public debate on industrial policy. The contrast between corporate and political time compounds the problem. While industries need a relatively long time horizon to develop competitiveness, politicians are forced to show short-term results. The usual result is that politicians succumb to the allure of quick-fixes.

Since the role of government in the economy is at the heart of this debate, Porter spells out clearly what governments should and should not do. He suggests that “the proper role of government is as a catalyst and challenger” (Porter 1990b, p. 86). Governments should push and challenge companies to upgrade their advantages. They should strengthen the diamond, not through direct industrial policy, but by creating higher factors indirectly through the enforcement of product, safety and environmental standards, and by spending in education, infrastructure etc. Thus the role of government is by definition *partial* because companies, not nations, compete, and by preference *indirect* because direct government involvement creates more problems than it solves. Porter’s policy prescriptions include (Porter 1990b, pp. 86-88):

- “1. Focus on specialized factor creation [e.g. education];
2. Avoid intervening in factor and currency markets [devaluation];
3. Enforce strict product safety and environmental standards;
4. Sharply limit direct cooperation among industry rivals [*à la* MITI and ESPRIT];
5. Promote goals that lead to sustained investment [in the private sector – investment in human skills, innovation and physical assets; in the public sector – promote policies such as providing tax incentives for long-term capital gains];
6. Deregulate competition;
7. Enforce strong domestic anti-trust policies;
8. Reject managed trade.”

4.2.4 Porter on Japan

Porter does not mince words in his assessment of Japanese success:

Westerners have tended to create fantasies to explain Japanese success: Japan Inc, neomercantilism, and national goals which are not centred on raising the standard of living... [However] Japan is an economy driven by firms not government....

Japan is today in many ways two economies. One is vibrantly competitive and characterized by rapid upgrading and productivity growth. Side by side is another economy in which there is little true competition and widespread inefficiency.... Some observers have argued that the Japanese model supersedes the model based on free trade and open competition that has underpinned postwar efforts at trade liberalization. Instead, the Japanese case starkly illustrates the importance of competition and the need for a policy model to evolve [from previous more protectionist models] if a nation is to continue advancing. (Porter 1990a, pp. 420-421)

Porter reached similar conclusions regarding Korea's success. Government-led industrial policies were not the key factor in growth, but rather a vibrant private sector. "Korea's uniqueness as a nation comes from its rapidly improving talent base, the presence of large *chaebol*, the willingness to take risk, and the intensity of competition" (Op Cit, p. 479).

4.2.5 Economic Development

What are the implications of the "diamond" for developing countries, regional policy and slow growth regions in developed countries? Porter only briefly examines this subject.

Porter suggests an evolution of national competitive advantage involving four stages: factor-driven; investment-driven; innovation-driven; wealth-driven. For him,

...the stages represent one of the ways of abstracting the upgrading process in a national economy. Each stage involves different industries and industry segments as well as different company strategies. The stages also differ substantially in the appropriate array of government policies toward industry. (Porter 1990a, p. 544)

In this model, the process of economic development involves upgrading an economy's competitive position through achieving higher-order competitive advantages and in that way developing the ability to compete in high productivity segments and industries. Each nation goes through its own trajectory of development and economies do not necessarily move through these stages sequentially since stages can be skipped, and economies slip into decline. Unfortunately, the parallels between Porter's "Stages of Competitive Development" and Rostow's (1971) "Stages of Economic Growth" will probably cause the displeasure of development economists who consider Rostow's theories both empirically unsubstantiated as well as ethnocentric.

However, Porter's typology does offer some insights regarding the requirements of industries at the various stages of their development. For example, as an industry moves from the "factor-driven" through the "investment-driven" stages, investment in Chandlerian economies of scale and scope are needed. Both Porter and Chandler trace the decline of industries, the "wealth-driven" stage for Porter, to management's desire to harvest their industries through systematic dis-investment.

According to Porter, since upgrading leads to higher national productivity, economic prosperity tends to rise as a nation moves through the first three stages. However, nations with abundant natural resources, like Canada and the oil producing countries of Kuwait and Saudi Arabia, can enjoy high per capita income and high standards of living while still in the factor-driven stage. Unfortunately, this privileged position cannot be sustained in the long run because it does not provide a solid foundation for sustained productivity growth and because complacency can easily lead to decline:

...where resource abundance is great enough, a nation may move directly from factor-driven stage to the wealth-driven stage. Diminishing competition, adversarial labour-management relations, and protection may arise as attention in the economy shifts towards preservation of the *status quo*. (Porter 1990a, p. 564)

"The decline of a wealth-driven economy can be arrested through policy changes, major discontinuities, or shifts in social values" (Op Cit, p. 565). Since, according to Porter, Canada faces the risk of slipping into the wealth-driven stage, its constitutional crisis and the industrial restructuring that NAFTA will precipitate might be the silver lining of its dark cloud.

Porter's assertion that all the points of the diamond have an effect on the competitiveness of national industries, and that the nature and dynamics of the diamond vary depending on which stage the national economy is undergoing, should be of some assistance to economic planners in the process of formulating policy. Porter's assertion that any industry, whether mature, sunset, sunrise, information-based etc., can be competitive is welcome news to most of the industrialized areas of the world that face problems of structural adjustment. His prescription, reminiscent of Levitt's "visceral feel of greatness" (Levitt 1964), is to go beyond the narrow view of the industry and find a sector where the firm can compete through some sort of innovative approach. Porter uses Italian success in shoes, textiles, micro steel mills, and tiles to illustrate this point. The fact that these industries are highly fragmented, and that the successful firms are mostly small and family owned, seems to contradict some of Chandler's (1962,

1977 and 1990) assertions about the necessary requirements for global competitiveness – economies of scale and scope, and hierarchical professional management structures.

The tendency of industry participants to cluster around each other has serious repercussions for regional planners in backward areas. In order for planners to attract firms to these areas, they need to counteract the gravitational pull of companies wanting to locate within their clusters, which are presumably in another geographical area. The use of industrial location incentives has not generally guaranteed long-term benefits to these regions because the fierce competition between constituencies for companies willing to relocate has made the costs of attracting them increasingly higher, and because these firms tend to be “footloose”, ready to relocate to ever greener pastures. Compounding the problem for planners is the fact that fostering endogenous development by helping one company become competitive might require the creation of parts of an entire competitive industry cluster – a daunting task.

Porter’s policy prescriptions for achieving competitiveness are strikingly similar to the World Bank’s (1991) prescriptions for economic development. They both assign the starring role to “the market” and cast “the state” in a supporting role as infrastructure investor and watchdog of market distortions. Given this convergence of opinion,⁴ economic planners in the 1990s are likely to seriously consider these prescriptions.

4.2.6 Competitiveness, Efficiency and Equity

“Incentives, effort, perseverance, innovation and especially competition are the source of economic progress in any nation and the basis for a productive satisfied citizen” (Porter 1990a, p. 736). Even though Porter explicitly mentions that this statement is not an ideology or a set of values, but a reflection of what has worked in the nations he has studied, his conclusion does extol the virtues of the Protestant ethic and of capitalism. The “ideological neutrality” of this statement is likely to be debated.

Perhaps the issue that will draw the most heat is whether the efficiency of the capitalist model implied in the call for competitiveness can also deliver social and economic equity through a fair distribution of the fruits of success, within nations and amongst nations (e.g. what about the Southern hemisphere?). The choice of Sweden as a case study will help support Porter’s argument (at least his implicit assumption) that efficiency and equity are not necessarily in contradiction, and that the implementation of the policies he outlines will result in the greatest economic performance, and by extension, in the greatest social good. All this without sacrificing the basic core of a

social democratic platform. The debate on the supposed trade-offs between efficiency and equity is not new, and Porter's book has certainly not provided any definitive conclusions on this subject.

4.2.7 Are Porter's Recommendation's Implementable?

Lester Thurow correctly points out that Porter's findings and policy prescriptions are not much different from those of other experts in the field whose writings have not "made a dent in the system" (Thurow 1990). Thurow does not expect Porter's book to overcome this inertia. He bemoans the lack of presidential leadership and of a political system that can support initiatives aimed at reversing the relative decline of the U.S. economy. The fact that, as discussed in the previous chapter, industrial policy Japanese style has a political, rather than an economic base becomes important when "actions" rather than words are demanded.

American bureaucratic indifference and inefficiency are familiar experiences for Porter. *The Competitive Advantage of Nations* itself was inspired by his disappointment with the efficacy of President Reagan's 1984 *President's Commission on Industrial Competitiveness*, which degenerated into arguments about the definition of competitiveness and the desirability of an industrial policy. Bureaucratic stone-walling of the report was the straw that broke the camel's back (Schrage 1990). *Ergo*, Porter's new book. Actually, the turgid prose that Porter uses to make the same assertions over and over again in his analysis of hundreds of industries and a dozen or more countries sometimes comes across as a way to conceal his glee while saying "I told you so – it's competition or else...".

The Competitive Advantage of Nations has been generally accepted by the academic management community, but has not really been subjected to the scrutiny of the academic community of economists. This is perhaps because Mr. Porter was trained as an industrial economist before becoming a management guru (he popularized the discussion of "competitive advantage") and is therefore considered AWOL by some academic economists. Objections to his unorthodox approach to the measurement of economic performance and its implications for the development of economic policy is likely to come from this group. His light dismissal of the role of macroeconomics is also likely to arouse the ire of the economists whose bread and butter is directing the future well-being of their nations by tinkering with the economy through macroeconomic tools. The business press, on the other hand, has been quick to laud the work (despite unanimous agreement on the inadequacies of its prose and the excessive length of the

work), with some reviewers claiming that Porter “has done for international capitalism what Marx did for the class struggle” (*Economist*, May 19, 1990). In any case, this controversial book provides a useful model for private and public sector policy-makers.

4.3 THE MANAGEMENT DEBATES

Six of the ten “levers” presented in Voluntary Planning’s “Creating Our Own Future” have more to do with the language of management than with the language of traditional economic planning: people; quality; productivity; labour/management relations; trade; and creating and developing business. While relatively new to economists and regional planners, these topics have been discussed by management analysts for some time, and there is a rich body of literature and considerable debate. Tom Peters, management guru *par excellence*, has summarized the debates among leading management analysts in the 1990s (Peters 1991). He lists eight major rows: competition vs. cooperation; global vs. local; big vs. small; integration vs. de-integration; quick and by the numbers vs. time consuming and messy; consistency vs. anarchy; gentle humanist vs. disturber of the peace; junk bonds (and the chaotic market for corporate control) vs. industrial policy. I have used Mr. Peters’ classifications and basic arguments and added authors and issues which he left unexamined in his article. I have dealt with some issues at length, and only briefly examined others which were deemed less relevant to this work. While the arguments are presented as polarities, they are not necessarily mutually exclusive. Rather, they generally represent the arguments for or against the extremes of a position.

This section of Chapter 4 presents the ideological background for documents such as “Creating Our Own Future”. It is organized as a broad survey, rather than an in-depth study, of the key areas in the management literature that provide the building blocks of private sector-led development strategies. I have presented a few relevant highlights from the vast literature on management as pointers for more in-depth study. First, this section examines the debates over: competition vs. cooperation; global vs. local; big vs. small; integration vs. de-integration and managers vs. entrepreneurs; and internal vs. external advantages. Then it looks at an area of universal agreement – the need for quality and innovation. The question of how to create the learning organizations that can foster quality and innovation brings us back to Peters’ debates on quick and by-the-numbers vs. time consuming and messy; consistency vs. anarchy; and gentle humanist vs. disturber of the peace. The debate over junk bonds (and the chaotic market for corporate control) vs. industrial policy was examined in earlier chapters. Finally, it examines some of the implications of these debates on public policy by looking at the question of whether entrepreneurs can be fostered through public policy initiatives.

4.3.1 What Will Managers Have to Worry About in the 1990s?

Our so-recently tried and true management tools are, arguably, worthless, many downright dangerous.... What is an organization? What is a product? What is a market? What is a person? What is a customer? I used to think I knew the answers, I don't know. (Peters 1989)

According to Peters, competitiveness is likely to be based on a successful adaptation to ten major forces:

1) unprecedented uncertainty (i.e. price of oil, interest rates); 2) the need to respond with speed, flexibility and responsiveness and adaptiveness; 3) all markets are being fractured as products are increasingly customized; 4) quality design and service are important; 5) giant firms need to become more flexible in order to respond; 6) organizational configurations must reflect this flexibility; 7) old ideas about economies of scale being necessary are being challenged; 8) single organizations are giving way to cooperative networks for more efficient vertical and horizontal integration; 9) internalization and globalization; 10) despite technology, the line worker committed to constant improvement, and instantly retrained, must become the chief agent for adding value and achieving continuous innovation. (Peters 1989)

The obstacles and opportunities that managers will face in the 1990s are daunting. According to Lipsey, Purvis and Steiner (1991) a number of key characteristics dominate the modern industrial world:

- 1) Transnational corporations control much of the production and can locate their production of individual components of any one commodity wherever costs are lower;
- 2) This leads to globalized competition among transnational firms whereby firms in one country compete with firms in many other countries [and often in the same product/market which is referred to as 'intra-trade'];
- 3) In contrast, much innovative activity is done by individual entrepreneurs, who raise their capital in 'angel markets' [usually private investors who are willing to take considerable risks in funding start-ups] and, as they grow, look to more traditional capital markets for funds;
- 4) As new firms with new ideas succeed, they look to becoming globally competitive; at this point, it is often more profitable to sell the firm, with its ideas, to an established transnational rather than incur the enormous costs of developing a global marketing organization to sell the firm's products;
- 5) Much modern production – both in transnational and in small, innovating firms – is knowledge intensive; it will go where the human

capital is supplied cheapest; traditional natural resource motivations for industrial location are becoming less and less important in many lines of production;

6) In today's rapidly changing, globally competitive world, each firm's competitive advantage increasingly depends on its ability to innovate at a rate sufficiently rapid to stay on the cutting edge of product and production process development. (Lipsey, Purvis and Steiner 1991, p. 832)

Given this Darwinian scenario, where monolithic transnational corporations roam the globe in search of better breeding grounds while gobbling up small innovative firms, the search for "competitiveness" can be regarded as the search for adaptive behaviour that can guarantee survival in this environment. As examined in Chapter 7, Sklair (1991) suggests that the sheer size of these corporations makes their impact in global economic restructuring is greater than the efforts of many national policy-makers. But whether firms are big or small, transnational or local/national, in a developed or underdeveloped economy the reality of the nineties is that they all seem to find themselves playing alongside each other in a seemingly ever-shrinking playing field. Unfortunately, the survival of the fittest is complicated by the fact that the characteristics of the fittest are elusive, hard to define and vary depending on the environment they must adapt to.

4.3.2 How Should Managers Respond? The Debates.

4.3.2a Competition vs. Cooperation⁵

The pro-competition camp is led by Michael Porter. As examined earlier, the main message of *The Competitive Advantage of Nations* is that "vigorous domestic competition" in industry clusters (groups of world-class competitors, buyers, suppliers) is the key to sustained global competitive advantage, and thus to national economic well-being.

Porter's assertion bears some resemblance to Mancur Olson's (1982) thesis that the "economic miracles" of post-war Germany and Japan can be explained by looking at the disruption that losing the war caused for its entrenched economic, social and political elites. According to Olson, the decartelization of Germany and the breaking up of the *zaibatsu* (privately owned industrial empires) in Japan, through a combination of the ravages of war and the active intervention of the occupying Allied forces (mainly the U.S.), created the fundamental conditions for their rapid post-war growth. For Olson, "countries whose distributional coalitions have been emasculated or abolished by

totalitarian government, or foreign occupation, should grow relatively quickly after a free and street legal order is established”⁶ (Op Cit, p. 75).

Olson’s assertion seems to strike a chord with Japanese observers. The pointed urgency of the Japanese to rebuild their economy after WW II has been compared with what the Japanese refer to as “the last fart of the ferret” (BBC 1990). Ferrets apparently emit a foul odour when in mortal danger and, according to these observers, the Japanese consensus and almost super-human productivity was caused by the same instinctual response to a life and death struggle.

Olson and Porter predict dynamic economies in countries where these coalitions or monopolies are prevented from mopping up, or biasing in their favour, all economic opportunities. If this is so, the economies of Eastern Europe are poised for fast growth. Matuschka (1991) refers to the “advantages of defeat” for Eastern Europe: “when the past is bankrupt (both morally and economically) the models of the future can be fully realized without concession to the inefficiencies of previous system” (Op Cit, p. 130).

Olson points out that, conversely, the accumulation of distributional coalitions (cartels etc.) in stable democracies like the U.K. and the U.S. can explain their slow growth rate. “Distributional coalitions slow down a society’s capacity to adopt new technologies and to relocate resources in response to changing conditions and thereby reduce the rate of economic growth” (Olson 1982, p. 74). Thus, both Porter and Olson predict the adverse effect that the formation and maintenance of these distributional coalitions, with their narrow cartel self interests will have for a nation’s productivity. Like the U.K. and the U.S. before them, Japan and Germany have much to worry about now that they have achieved their miracles. After all, the *zaibatsu* have been replaced by the *kieketsu*. Koreans and their *chaebols* (also large industrial complexes) should also be on guard. Apparently, well organized packs of fat and happy ferrets do not fart.

Despite the assertions of observers like Olson and Porter, European corporations are busily merging and forming alliances that can give them the economies of scale that are allegedly required for them to be global contenders. In Europe and the U.S., critics of the traditional free trade and laissez-faire policies support their arguments by pointing to the neo-mercantilist policies which were adopted by the Japanese “developmental state” after WW II. These observers assign MITI (Johnson 1982) and the Japanese *keiretsu* (industrial groups or the oligopolistic organization of industries by conglomerates) the key roles in the “Japanese miracle”. They advocate a reduction of anti-trust laws in

order to allow scale and more “cooperation” between industry actors, as well as more active participation by government in the development of an industrial policy.

Porter’s main message to managers and policy makers is that a quiet life gained through reliance on monopolized national markets is the number one enemy of global competitiveness and a nation’s future standard of living. He echoes the battle cry of Tom Peters – “stop whining, overcome organizational inertia (so called ‘stability’) and learn to love change, competition, innovation and improvement” (Peters 1987). In a similar vein, Bishop and Kay (1988) conclude their study on privatization in the U.K. with the recommendation that government should reassert the promotion of competition over the transfer of ownership. In other words, who owns a monopoly is not important. Getting rid of the monopoly conditions is the point.

As examined earlier, Porter’s advice to nations trying to hitch their economic future to global entrepreneurial success is: don’t kid yourselves about the requirements for a lively entrepreneurial environment.

Porter dismisses the romantic illusion that entrepreneurial visionaries spring full blown into the global marketplace, like Athena from the head of Zeus. He convincingly argues that if these national diamonds [the dynamic factors required for national competitive advantage] don’t exist, these entrepreneurs are likelier to end up Don Quixotes than Henry Fords. (Schrage 1990)

His advice to companies is:

1) Create pressure for innovation; 2) Seek out the most capable competitors as motivators; 3) Establish early-warning systems; 4) Improve the national diamond [by encouraging the formation of world-class clusters]; 5) Welcome domestic rivalry; 6) Globalize to tap selective advantages in other nations; 7) Use alliances only selectively; 8) Locate the home base to support competitive advantage. (Porter 1990b, pp. 89-93)

4.3.2b Global vs. Local

Kenichi Ohmae (1990), from McKinsey Japan believes that the “Interlinked Economy” (ILE) – the economies of the “Triad” (U.S., Europe and Japan) joined by other aggressive economies (beginning with the NICs and eventually including Eastern Europe and Latin America) – is already a reality and that national sovereignty is the only roadblock to the road offered by the ILE. Thus his main policy recommendations are to establish a global governance that can ensure the free flow of information, money goods, services,

people and corporations (*Report on Business*, Oct. 1990). He further points out that companies are becoming stateless world citizens independent of their original nationalities.

Porter's conclusion that, despite globalization, the characteristics of the home nation are crucial in determining the competitiveness of its firms abroad is diametrically opposed to Ohmae's thesis. For Porter, productivity and innovation begin at home. Therefore the best strategy for managers of global firms is to preserve (and improve on) the characteristics of the home base which spurred its growth and global advantage, rather than shake off the company's origins, as Ohmae would suggest.

Both Porter and Ohmae agree on some crucial points that have important implications for national policies on foreign ownership. For both authors, the nationality of a company's owners is less important than the locus of its strategy-steering, innovation-driven, change-inducing activities. As long as these kinds of strategic decisions can be reached by managers of the foreign subsidiary, the host nation is able to derive long-term benefits from the foreign transplant. Thus, relying on cheap resources and labour as a way to attract foreign capital is not a good strategy unless some "technology transfer" is part of the deal. National comparative advantage is "dynamic" and "man made" and is, therefore, subject to national economic development policies. Porter and Ohmae also agree that government restriction of trade is an all around bad idea which generally only serves the interests of entrenched bureaucracies.

As far as the future permeability of international boundaries, I remain quite skeptical about the advent of the borderless world. A redefinition of sovereignty and redrawing of boundaries is a more likely scenario. However, as presented in an earlier chapter, the fact that the primary determinants of the global political economy of the 1990s are no longer nation states, but rather transnational corporations, the transnational capitalist class and the ideology of consumerism does lend support to Ohmae's vision of a borderless world, at least for corporations.

4.3.2c Big vs. Small

Chandler's (1990) logic argues for large, professionally managed, vertically integrated organizations. The emergence of "global markets" and the existing dominance of transnational corporations in many markets will ensure a crucial role for large corporations in the years to come. But is bigness always better? Porter (1990a) doubts it. For him, niche markets dominated by family owned micro-firms (such as ceramic tiles in Italy)

are an equally important source of competitive success in fragmented industries. Peters (1987) abhors American fascination with bigness and further points out that German success is due more to the “unheralded success of the *Mittelstand* (mid-sized firm) than to the Siemens, BASF’s and Daimler-Benz” (Peters 1991). In Japan “a mass of nameless subcontractors” play a vital role and in the U.S. “up-start firms” are the cornerstone of American productivity (Op Cit).

Some compromise models which simultaneously exploit the advantages of scale and the motivational forces of more flexible and participatory organizations have become the object of much research. The Japanese organizational model, which includes life-time employment (for the lucky, mostly male, roughly 50% of the population), more convergent pay-scales between workers and managers, steeper work profiles, enterprise unions, job rotation, quality circles, and constant retraining, has been meticulously examined and even copied (e.g. the GM Saturn operation). New forms of organization, such as consortia of smaller firms who can be linked by telecommunications technology, are also beginning to emerge.

Flexible Specialization (Piore and Sabel 1982) is one of these compromise models. FS has become the catchphrase that best describes the hopes of management analysts seeking effective alternatives to Chandlerian corporate organizations involving mass production for mass markets. These analysts see the world that gave rise to Chandlerian corporations as having undergone a crisis in the late 20th century – a crisis caused by several critical episodes including social unrest, abandonment of the gold standard, oil shocks and inflation. Corporations were simultaneously hit with the need for flexibility in responding to market demand and in structuring production or supply. The crisis required firms that could respond to chaotic and rapidly changing market requirements with flexible, specialized production processes and managerial organizations.

American mini-mills, the Italian textile firms and the German and Japanese machine tool makers are examples of adaptive responses to the bleak prospects of traditional industries in advanced economies. The flexible specialization debate centres on whether “Fordism” and Taylor’s “scientific management” can be replaced by something less dehumanizing but equally efficient. On the one hand, we have the legacy of Fordism and scientific management – large, rigid, fragmentary, impersonal, robot-like, cost-cutting, high volume driven production, run by professional, hierarchically structured management for a world of standardized consumption. On the other hand, FS – the promise of a new appreciation of the humanness involved in the flexible production of specialized, higher quality goods by skilled craftsmen in flatter, decentralized

organizations who are capable of innovating and improving standards. Let's hope that the latter vision is actually replicable outside of the Third Italy and other areas in which it has been successful so far.

The implications of flexible specialization are important for developing countries and for disadvantaged regions in developed economies. FS provides a rationale for successful indigenous development based on the production of world-class goods for export. This model provides an alternative to the traditional model of economic development, which relies on large scale projects associated with either transnational corporations or government agencies. What must be carefully determined by economic developers, though, is whether the particular projects involved are actually feasible. In other words, certain markets are better served by mass production and mass marketing, and unless the appropriate niche can be found within it, flexible specialization approaches are likely to fail. In the process of bringing about a visionary change, the bottom line is always a good reminder of practicality.

Small businesses were lauded in the early 1980s as being major contributors to the economy. David Birch of MIT claimed that in the U.S. small businesses created eight of every ten net new jobs, a proportion he has since argued may have grown in the early 1980s (*Economist*, June 30, 1990, p. 61). But some researchers are beginning to doubt this conventional wisdom. In the U.S., "the Small Business Administration (SBA) suggests that small businesses' share of new jobs created during most of the 1980s was really somewhere between 60% and 65%, compared with their 50% share of existing jobs" (Ibid). The scaling back of venture capital investment in small businesses seems to have slowed the rate of small new venture creation.

Small businesses are also highly volatile. The SBA estimates that three out of five new small firms fail during the first five years. While they tend to grow faster than larger businesses once established, they also shrink faster when the economy is weak. Small businesses backed by venture capital also tend to have a higher rate of failure than self-financed enterprises. In conclusion, while small businesses still offer a chance to achieve the American Dream (or any other national dream of success), the odds do not seem as good as they were once thought to be.

Canadians face an even more depressing small business profile. The problem of low productivity in Canada is often identified with the smaller, Canadian-controlled plants and not with subsidiaries. In other words, large Canadian plants and foreign-owned plants, whether small or large, consistently outperform small Canadian plants. O'Farrel

(1989) found a lack of competitiveness (in price and quality) in small manufacturing firms in Nova Scotia. In both cases, the managers of these plants were happily unaware of their lack of competitiveness or their relative low rate of productivity. The NAFTA is likely to have a painful effect on this sector of the Canadian economy.

4.3.2d Integration vs. De-integration and Managers vs. Entrepreneurs

Who competes? Entrepreneurs and managers compete. The belief in the entrepreneur as the hero of the all important competitive challenge has acquired an almost mythological dimension, and the pursuit of “entrepreneurship” has preoccupied academics, policy makers and business people alike.

Entrepreneurship has alternatively been seen as an economic activity (Schumpeter), a cultural phenomenon (Weiss 1988), a set of character traits that define individuals (much of the popular business press), a type of organizational behaviour (Stevenson and Sahlman 1986). While the specific determinants of entrepreneurship still prove to be elusive, some common factors emerge in the literature. Kirzner (1980) describes the “primacy of entrepreneurial discovery” – the entrepreneurs’ ability to perceive and harness opportunity – as the primary causal agent for successful business activity. Like Kirzner, Stevenson and Sahlman (1986) refer to the entrepreneur as an individual who “perceives opportunity, finds the pursuit of opportunity desirable in the context of his or her life situation, and believes that success is possible” (Op Cit, p. 24). Since these personality traits can be manifested in both start-up companies and established organizations, Stevenson and Sahlman’s prescription for long-time success echoes Peter’s recommendations – the need to build “adaptive organizations and society” and the perception of opportunities as inherent in change (Op Cit).

Traditional corporate managers have recently acquired a sleepy, self-satisfied, stodgy and bureaucratic image and are blamed for the non-competitiveness of U.S. and British corporations. The assertion that large corporations inevitably stifle entrepreneurs has resulted in a call for flatter and more decentralized organizational structures (Peters 1987), and for the divestiture of the misfitting bits of the portfolios of the “mindless” conglomerates of the 1980s (de-integration). The literature on the inadequacy of traditional managerial structure stands in contrast to the findings of Alfred Chandler. Chandler sees the corps of professional managers in large firms as the real heroes of capitalism. Vertically integrated and hierarchically managed institutions with ample economies of scale and scope result in the most efficient (and thus successful) firms.

Whether the Chandlerian type of organization (in size and structure) was the causal agent for the success of large firms, or simply a natural adaptation to the requirements of the time – the rapid expansion of oligopolistic corporations into a mass market with mass production technologies – has not been firmly established. The fact that this “corporate” model resulted in extraordinary business successes, that it has been applied world-wide (*Scale and Scope* looked at U.S., German and British corporations), that the “visible hand” of large corporate organizations has played an active role in shaping many economies, and that this model of organization is still being taught in the leading business schools makes the study of Chandler’s work important in understanding the history of modern enterprises and economic organization. What is not clear at this point, though, is whether this model should be emulated by those seeking to survive the global markets in the next century.

Livesay (1989) examined the role of the entrepreneur in small and large 19th and 20th century organizations and concluded that “the presence or absence of intelligent, organized and creative entrepreneurs has determined the success or failure of companies much more clearly than the nature of their organizational charts” (Op Cit, p. 1). Thus the presence of a Lee Iacocca at Chrysler, who is as much an entrepreneur as Steve Jobs of Apple Computers, had more to do with Chrysler’s turnaround than the army of Chandlerian managers that managed the day-to-day operations. Even though Livesay never used the term “intra-preneur” his work points to the emergence of this new mythical figure in the corporate landscape. This internal entrepreneur is supposed to be able to thrive and innovate in the quasi-open (read entrepreneurial) environment of decentralized corporations, despite size.

Whether entrepreneurs are capable of guiding the companies that they have built once they reach a certain size (in sales volume and employees) or more “stable” period is another issue which is often pondered. The usual argument is that the entrepreneurial “make-up” does not lend itself to the requirements of order and control of more stable corporations. Since there is evidence to both prove and disprove this argument, what can be learned from this debate is that self-examination is good advice for all business people, particularly successful entrepreneurs. You have started a great company, but can you really manage it now?

4.3.2e Internal vs. External Advantages

The arguments presented by Porter (1990a) and Chandler (1990), in respect to the sources and strategy implications of competitive advantage for the firm, at times

support and contradict each other. Hannah and Williamson (1991) analyze these works from the point of view of whether: “long term advantage [is] primarily derived from sources internal to the firm? ... [or] ... Alternatively, does advantage come from tapping into the economies of scale and scope primarily external to an individual firm?” (Op Cit, p. 91). For Porter, “competitive advantage is drawn from a firm’s external environment as well as its own internal advantages ... [thus] ... the need for greater focus of management attention on developing strategy and structure that draw maximum strength from [“the diamond”]...” (Ibid, pp. 92 and 95). Chandler’s analysis centres on the success (or failure) of U.S., U.K. and German corporations in developing internal economies of scale and scope, and on the importance of the “visible hand” of professional managers. Hannah and Williamson’s analysis of Porter and Chandler suggests that: 1) external factor advantages must be managed properly and even created by management, and 2) scale and scope go beyond the ownership boundaries of the firm and involve clusters of firms in an industry.

The research on the effect of internal and external agents on firm behaviour and strategy is reminiscent of research that has been conducted for some time by social scientists and psychologists on the effects of inherent psychological tendencies and capabilities and of social conditioning on individual behaviour. In the case of individuals and firms, deterministic models prove to be inadequate in explaining and predicting behaviour. In both cases an active decision maker’s response to the internal conditions and to the external environment is the key to successful adaptation. The “primacy of entrepreneurial discovery”, in its broadest sense, seems to be the place of departure in understanding good management.

4.3.2f An Area of Agreement – Innovation and Quality

Since innovation leading to higher productivity is seen by most experts as the key to competitiveness, much research has gone into trying to capture the “Eureka factor”. Once again, the Japanese, who built their global reputation on efficient production of copies of Western design, now seem to be bringing out new breakthrough models in electronics at an astonishing rate (*Economist*, Jan. 12, 1991, p. 75). To the Western economies, and to the U.S. in particular, this is adding insult to injury. How do they do it? Monocausal explanations for this phenomenon are certain to be unsatisfactory. But part of the answer might be found in the way Japanese companies, and those U.S. companies Peters calls “excellent”, deal with human capital.

According to Hannah, the fundamental thesis of Odagari (1991) is that the “Japanese miracle” owes less to a government-led industrial policy and more to the ability of Japanese corporations to “create human capital, capability at all levels of the organization, and a learning organization” (Hannah 1991). Therefore, since only humans can innovate, human capital is what creates other forms of capital, not the other way around. As Peter Drucker (1980) put it in *Managing in Turbulent Times*: “It is only managers – not nature or laws of economics or governments – that make resources productive” (quoted in Johnson 1982).

In a similar vein, when asked about the secret formula for Japan’s success, Akio Morita of Sony states:

...the ingredients of success in our enterprise are people. It is very simple. The human infant is born curious but that natural curiosity gradually drains away as they grow older. I consider it my job as a manager to do everything I can to nurture the curiosity of the people I work with. (Morita quoted in Cleese 1991)

In Search of Excellence (Peters and Waterman 1982) profiled a handful of companies believed to have “the right stuff”. One of these was 3M, a highly innovative company. The book focused on the company’s policy of allowing their engineers to “bootleg” some time – to devote some of their work hours to unofficial projects they felt were promising. This grey zone between working and tinkering, which empowers workers and managers, has resulted in some very successful product innovations, “Post-It” notes being a prime example.

However, one of the worrisome aspects of innovation (in technology, management practices, production techniques, marketing approaches, labour relations etc.) is that while it might confer on the innovator “first mover advantages” (Lieberman and Montgomery 1988), these (or any) competitive advantages are not necessarily sustainable (Coyne 1986). Reverse engineering,⁷ the lack of intellectual property protection in many countries, and the sheer interdependence of world trade make capturing the benefits of innovation quite difficult. As examined in Chapter 3, this “externality” is one of the arguments used to support the need for a government-sponsored industrial policy in North America and the EC.

Porter (1990a) alludes to the findings of Chandler (1990) on the importance of scale economies, and of Lieberman and Montgomery (1988) on first mover advantages, but points out that these theories do not explain which firms from which nations will reap

the advantages which can be sustained. In other words, having first mover advantages and considerable scale economies might explain how certain firms got ahead in the global marketplace. But what environments and circumstances brought about these competitive advantages, and how does the national “diamond” create obstacles or advantages in this process?

Staying ahead in the global competitiveness race has become even more difficult with the rise of “intra-industry” trade or cross-trade between firms in developed countries of similar products within the same industry (e.g. cars for cars). The more traditional model of comparative advantage and inter-industry trade assumed a world of mutual benefit through specialization and, at least in theory, assumed that head-on collisions could be avoided because they were not in the interests of the involved parties. But in the world of economic giants battling it out in the same global industry, only the “best” firms, those most responsive to the needs of a particular market at a particular time can survive. These firms can be large or small, the first in the market or a later development – but they must be swift.

4.3.3 Can Anything be Concluded from the Debates?

The ability to learn faster than your competitors may be the only sustainable competitive advantage. (Arie De Geus, head of planning Royal Dutch Shell, quoted in Senge 1990, p. 4)

Authors like Porter, Olson and Peters are all involved in the search for a *dynamic* model that can explain growth and competitiveness. Their prescriptions for healthy economies and corporations boil down to the need to welcome pressure, disruption and change. For Porter, the secret lies in a system that fosters vigorous domestic competition in world-class products. Peters tends to concentrate on the kind of management and structure that makes “excellent” companies. His recipe for success is “people oriented” (Peters 1983) and process oriented – change is the name of the game (Peters 1987). For those who are hopeful about Eastern Europe’s transition to a market economy, political and economic freedom (read capitalism and democracy) are seen as the “switch” that can turn on entrepreneurial vision and discovery. For the “small is beautiful” and the flexible specialization supporters, human scale and flexibility are key. For Olson (1982) the tendency of democratic nations under laissez-faire economic models to degenerate into cartelization must be acknowledged and counteracted. Others (Scott 1985) believe that comparative advantages must be redefined in a way which incorporates an active

managerial element, strategic decision making. Ohmae (1990) believes that breaking the ties to nationalism will bring the benefits of a truly global economy.

What all these authors are in some way saying is that *stability causes inertia, that standing still is likely to result in quick paralysis and atrophy*. Thus the most fundamental conclusion that can be drawn from the discussions presented in this chapter and in Chapter 3 is that size, management structure or style,⁸ global or local focus, competition or cooperation are not *per se* important. What is important, though, is the design and management of organizations that can keep pace with the frenetic level of change occurring in the world. As summarized by Peters:

To thrive 'amidst' chaos means to cope or come to grips with it, to succeed in spite of it. But that is too reactive an approach and misses the point. The true objective is to take the chaos as given and learn to thrive *on* it. The winners of tomorrow will deal proactively with the chaos, will look at the chaos *per se* as the source of market advantage, not as a problem to be got around. Chaos and uncertainty are (will be) market opportunities for the wise; capitalizing on fleeting market anomalies will be the successful business's greatest accomplishment. It is with that in mind that we must proceed. (Peters 1987, p. xiv)

According to Peters, a new management paradigm that is by nature holistic and integrative rather than reductionist is needed in order to cope with chaos.⁹ This new way of managing must:

1) be able to accommodate constant change or 'thrive on chaos'; 2) have a long-term investment orientation; 3) be centred around people, consumers and workers; 4) see the need to go beyond mass markets and mass production and also seek profitability by specializing in high-quality, value-added niche markets; 5) be socially and environmentally responsible; 6) be willing and capable of developing an effective cooperative relationship with government and labour; 7) build flexible operations and management structures; 8) have a corporate commitment to an educated or 'educable' work force, which is dedicated to high levels of product and service quality; 9) invest in research and development projects; 10) create new markets for both new and apparently mature products and services; 11) create cooperative channel relations that are neither antagonistic nor monopolistic; 12) develop systems of incentives that reward change and innovation rather than bureaucratic mind; 13) and above all create the kind of leadership that can thrive on change and competitiveness and instill this vision in others by empowering them.

Senge (1990) focuses on the thirteenth aspect of a new management paradigm and argues that the companies that excel in the chaos of the future will be those that discover

how to tap people's commitment and capacity to learn at all levels in an organization. These types of organizations are termed "learning organizations"¹⁰, defined by Senge as places where people are "continually discovering how they create their reality. And how they can change it".¹¹ (Op Cit, p. 13).

What distinguishes these organizations from traditional authoritarian "controlling organizations" is the mastery of certain basic disciplines:

1. *the discipline of personal mastery* – based on continually clarifying and deepening personal vision, of focusing energies, of developing patience and of seeing reality objectively. The juxtaposition of vision (what is wanted) and a clear picture of current reality (where one is relative to what one wants) creates the crucial "creative tension" that seeks resolution through effective action;
2. *the discipline of mental models* – being able to unearth the personal internal pictures of the world, bring them to the surface and hold them rigorously to scrutiny, as well as the ability to balance inquiry and advocacy;
3. *the discipline of building shared vision* – the ability to unearth shared "pictures of the future" that foster genuine commitment and enrollment rather than compliance;
4. *the discipline of team learning* – based on dialogue and the ability to "think together"; and
5. *the discipline of systems thinking*¹² – needed for seeing the structures that underlie complex situations, and for discerning high from low leverage change.

Systems thinking is the cornerstone that underlies all five learning disciplines because "all are concerned with a shift of mind from seeing parts to seeing wholes, from seeing people as helpless reactors to seeing them as active participants in shaping reality, from reacting to the present to creating the future" (Op Cit, p. 69). Thus the essence of systems thinking lies in a shift of mind (a metaonia) "of seeing relationships rather than linear cause and effect chains ... seeing processes of change, rather than snapshots" (Op Cit, p. 73). For Senge, systems thinking is crucial because structure influences behaviour and subtle systemic feedback mechanisms predispose people to certain types of behaviour. Most often the system is dysfunctional. Moreover, leverage – the ability to find an efficacious way to change a situation – often comes from the new ways of thinking that systems thinking promotes.

What the literature on learning organizations suggests is that while tyrannical bosses, abusive organizations and dictators can exact great sacrifices from workers and citizens in the short-run, in the long-run, motivated workers and citizens are more flexible, productive, dedicated and responsive to change than coerced or unappreciated ones.

Therefore, human dignity and wakefulness must be fostered in the workplace, and in society at large – all of which can most certainly be done without endangering the bottom line. Similarly, economic planners attempting to improve economic conditions by relying on the entrepreneurship of the private sector should consider the words of Bill O'Brian, CEO of Hanover insurance:

We believe that there is no fundamental tradeoff between the higher virtues in life and economic success. We believe we can have both. In fact, we believe that, over the long term, the more we practice the higher virtues of life, the more economic success we will have (O'Brian quoted in Senge, p. 143).

Chapter 7 applies Senge's framework to the analysis of the "learning disabilities" of the Atlantic Canadian political economy, and Chapter 12 examines some possible areas of what Senge calls "high leverage change" for future economic planning in the region.

4.4 CAN ENTREPRENEURS BE CREATED? SOME IMPLICATIONS FOR PUBLIC POLICY

Most of the arguments presented this chapter revolve around the right formula for fostering the kind of entrepreneurial environment that can guarantee national or regional competitive advantage. The proponents of private sector-led development strategies in Atlantic Canada and elsewhere assume that entrepreneurship can be created, that public policy has a role to play in such a creation, and that the availability and quality of entrepreneurs is in part related to the regional industrial culture. Are these assumptions valid? If so, what policy instruments are optimum?

According to liberal economists, the process of economic development can generally be attributed to the efficient interaction of factors such as capital, labour and natural resources. For Schumpeterian economists, the entrepreneur is the driving force behind the process of economic growth because, in the search for private gain, he or she makes use of these factors in innovative ways. Given the intuitive appeal of this formulation, it is not surprising to see the emergence of the entrepreneurship theme in the development as well as in the management literature. While the *effect* of lively entrepreneurship activity in economic development is not disputed, the *causes* of such dynamisms as well as its *replicability* in underdeveloped countries and regions still present baffling research questions.

The role and impact of public policy on the development of entrepreneurship is a widely debated topic. In extreme cases, such as the economic liberalization of the Eastern

Europe, the change of public policy towards enterprise formation will certainly (in time) be the decisive factor in economic growth and in the spread of entrepreneurial activity. But in developed capitalist economies, public policy aimed at developing entrepreneurship¹³ does not seem to show dramatic results. While a conclusive study has not yet been conducted, my review of the evidence of such programmes in Canada and the U.S. has led me to agree with Mokry's (1988) conclusion:

It is widely accepted that government should play an integral part in entrepreneurial development. The assumption is that if government and private interests provide the right kind of supports, more firms will start and survive. The evidence examined here indicates that *activist government has produced neither the positive effects hoped for by its proponents nor the dire consequences predicted by the critics of government....* The findings reported here support studies by Carlton, Pennings and Dennis discussed earlier. Despite the use of the different methodologies, the data indicate that *the public policy environment is not important in business start-up activity when measured at the community or state level.* (Mokry 1988, p. 109, emphasis added)

As far as the types of programmes that have shown some positive results and which can guide future policy, Mokry's literature review suggests that

programs to assist new or small firms do help ventures get under way or improve performance if they are intensive and designed around the needs of a particular group or individual business.... In other words, if we propose to raise the level of entrepreneurship in the community we must either engage in support programs on a scale many times larger than states or communities have tried or sharply target our efforts to selected individuals.... (Op Cit, p. 11)

The success of these policies also requires the selection of "privileged locations" where there are sufficient agglomeration economies and a combination of "local initiative, flexible state legislation regarding local autonomy, and available federal state and private funding. In summary, the programmes must be "intensive, designed around community needs, managed at the community level, and sustained over a long period of time." (Op Cit, pp. 112 and 113). While the democratic political process requires a visible response to the poorest communities (many of them in sparsely populated regions), the satisfaction of various constituencies, that leadership be drawn from members of the sponsoring party, and the evidence of short-term results, the vagaries of the process work against the achievement of these goals.

The effects of national, regional and local culture on entrepreneurship has also been the subject of many studies. Since economic activity does not occur evenly along geographic lines, the study of the effect of regional and local factors on economic development and underdevelopment has become important to economic planners. Research findings (Weiss 1988) suggest that regional cultures within individual nations play an influential role in shaping, and are in turn shaped by, industrial and management practices. The way these regional values, infrastructure, financial and educational institutions, and industrial tradition affect risk-taking behaviour and the adoption of innovation is a crucial determinant of regional entrepreneurial dynamism. These findings are in concert with Porter's description of industry clusters.

"High-technology" based economies have held considerable allure for economic planners in the 1980s and 1990s. What has yet to be determined though is the formula for creating these economies. In his comparative study of Massachusetts' Route 128 and California's Silicon Valley, Weiss (1988) extended the concept of corporate culture to the level of "industry regional culture" which includes both subjective and objective influences of external characteristics on organizational members. He suggests that there is no one "high-tech" culture (or for that matter any "generic" industry culture), but rather a series of regional characteristics that weave themselves into an industry regional culture.¹⁴ These influences include: 1) geography, climate and physical layout; 2) history, culture and social traditions; 3) socio-demographic and work force characteristics; 4) regional economy; 5) political and legal conditions; 6) technological infrastructure. Case studies of Finland, India, France, Catalonia (Spain), Switzerland, Germany and Belize support Weiss' claim that regional variables are a primary determinant of entrepreneurial and managerial behaviour across several industries.

The fact that many of the factors affecting regional entrepreneurship are beyond the control of most governments makes the design of effective public policy to spur entrepreneurship very difficult. Mokry recognizes the appeal of "entrepreneurship" for policy-makers and local communities in the process of economic development. While he acknowledges that "continued evolution of entrepreneurial development policies will take place regardless of negative findings...", he warns that "if we want to avoid putting resources into programs that do little to promote entrepreneurial activity, we need to continually ask the critical questions about what it is that we expect to accomplish through entrepreneurial development and how to go about it" (Op Cit, p. 115). Some of these critical questions centre on the kinds of programmes that can benefit specific communities in specific ways, and whether the specific firms being aided are the ones that can strengthen the community's ability to generate its own firms

in the future. In other words, Mokry is calling attention to the “environmental” context that Weiss and his colleagues outlined in their research.

While regional factors affect the entrepreneurial spirit, and this in turn affects the nature of economic development in a given region, it must be emphasized that entrepreneurship is neither a factor that a region can “lack” nor a force which can be unleashed by merely summoning it. Thus, two points presented earlier are well worth repeating: entrepreneurship is “inherent”; however, the right “diamond” must be present in order to nurture the spark of enterprise. What is still in question is whether public sector initiatives have the capacity to alter the diamond significantly. If “entrepreneurship” is used as a “quick-fix” for economic development needs, neither the vociferous cheerleading of business leaders, nor the generic piecemeal approach of government is likely to be any more effective than “snake oil”.

ENDNOTES

- 1 Another common criticism of microeconomic models is that they assume the existence of perfect competition. The development of a “new industrial economics” based on more “realistic” models of imperfect competition is a response to his inadequacy in microeconomic modeling. Some of these arguments are presented in Chapter 3.
- 2 I acknowledge that a weakness of this dissertation is that I have not concerned myself with either traditional macroeconomic proposals for economic management or microeconomic analysis of the firm.
- 3 Criticism is likely to arise from those who might consider Porter’s omission of France, a nation which has achieved success in some industries through high-handed government economic planning (*dirigisme* and indicative planning), as a way to avoid testing his claim that government intervention, in the long-run, is harmful to economies.
- 4 Supported by extensive comparative research and, in the case of the World Bank, by the analysis of 40 years of development experience.
- 5 Some of these arguments and themes were presented earlier in this chapter. They are repeated here to highlight the nature of the debate on competition vs. cooperation.
- 6 While Olson flirts with the notion that “the blood of patriots” might be required from time to time in order to upset these distributional coalitions, the economic boom of the 1980s in Europe and North America supports his more optimistic hope that systems can de-ossify in other ways too.
- 7 A method of copying industrial and electronic products. Competitors can disassemble the product (“reverse” it), learn how it was engineered, and duplicate it.
- 8 “No one managerial style is universally appropriate and competitiveness in a specific industry results from convergence of the management practices and organizational modes favoured in the country and the sources of competitive advantage in the industry” (Porter 1990b, p. 81). Abell’s (1978) notion of strategic windows – the matching of market requirements with company capabilities at a particular point in time – bears great similarity to Porter’s argument.
- 9 As described in Chapter 8, many of the elements of this new management paradigm are reflected in Voluntary Planning’s “Creating Our Own Future”.
- 10 For a study of the models of management education and labour force training followed in the major industrial countries of North America and Europe see Handy (1987) and NCEE (1990).
- 11 As reflected in the name “Creating Our Own Future”, the notion of being able to create one’s own future is key to the economic development strategy of Voluntary Planning. However, as discussed in Part IV, the need to see how people themselves create the reality in which they are living is not clearly understood in the process of implementing the economic strategy.
- 12 *The Fifth Discipline* is the name of Senge’s book on learning organizations.
- 13 See for example, Hisrich, R. (ed) (1988).
- 14 Porter’s clusters are a variation of these industry-regional characteristics.

CHAPTER 5

INDUSTRIAL POLICY IN CANADA. HISTORY AND IMPLICATIONS OF CURRENT POLICY FOR THE “HAVE NOT” REGIONS

5.1 INTRODUCTION

Activist industrial policies have been a familiar aspect of the Canadian political-economic landscape for some time. Since the themes and budgets of national industrial policies have in many instances determined the nature and scope of regional policy, this chapter examines the ebb and flow of industrial policies in Canada in an attempt to shed some light on the development of Atlantic Canadian regional policy. Given that the general arguments for and against industrial policy have been presented in Part II, and since the focus of this research is on regional policy, I will limit my treatment of Canadian industrial policy to a few relevant highlights in the 19th century and in the late 20th century.¹ The discussion of the 19th century revolves around the repercussions of Confederation and the National Policy on the current political economy of the country. The discussion of 20th century industrial policies focuses on the policy environment from the 1970s to the early 1990s.

5.2 ERAS IN CANADIAN INDUSTRIAL POLICY

Canadian industrial policy-making has gone through several phases: 1) a strong activist phase during the 19th century based on the National Policy and other interventionist policies; 2) a period of confusion and breakdown in national industrial policies during the inter-war years; 3) the formation of a revised and more integrated set of policies during and immediately after WW II; 4) the erosion of that framework leading to a confused multitude of policies in the 1980s (Bliss 1982); and 5) the creation of a new neo-liberal framework based on the pursuit of “competitiveness” in the early 1990s. In sum, in a little over 100 years the policy pendulum has done a full swing from the protectionist National Policy of 1867 to the neo-liberal “Prosperity Initiative” and NAFTA of the 1990s. All too often, though, the pendulum has swung in the middle, with confusing market signals and disappointing economic results.

The historical evolution of industrial policy in Canada is the result of the interplay of many factors, primary among them: 1) the debates between two visions of economic development – the laissez-faire/free market approach and the activist industrial

policy/protectionist approach; 2) the role taken by the public and the private sectors in development; 3) the effect of U.S. economic policies and political climate on Canada;² and 4) the tensions between the federal and provincial governments. These themes can be seen in the proceeding historical analysis.

5.2.1 Repercussions of Confederation and the National Policy

The history of Confederation and of the National Policy will be reviewed in some detail in Chapter 6. Thus the discussion in this section focuses on how Confederation and the National Policy set the stage for the future political economy of Canada in terms of national and regional economic policy making. Five main effects can be noted:

1) Canada was established as a federation and regionalism would forever be part of the political and economic scene. Moreover, the British North American Act of 1867 would tend to centralize power by giving clear authority over many key matters, such as defense and economic development, to the federal government whose interests were more closely identified with the interests of central Canada.³ Thus conflicts between the federal and provincial governments would often arise and threaten the stability of the federation and complicate the process of national economic policy-making. According to Brown and Eastman:

In most advanced countries the central focus of industrial policy making is the relationship among government, industry and labour. In Canada, however, the federal system adds another crucial institutional layer which has often overshadowed the public-private process. With two levels of government controlling many of the tools necessary for forging industrial policy, such policy must reflect a balance between national and regional interests. (Brown and Eastman 1981, p. 5)

The effect of regionalism on Canadian economic policy-making has been so pronounced that Canadian national industrial policy has been referred to as the combination of ten separate regional industrial policies with varying and often conflicting aims.⁴ As would be expected, calls for policy coordination and federal/provincial cooperation have abounded. But according to Brown and Eastman (1981), the achievement of a coordinated national policy will prove an elusive goal:

In general, Canada's political realities are such that the territorial and inter-governmental perspective will dominate economic policy-making in the next decade. *Any 'national' industrial strategy will of necessity sacrifice clarity to the exigencies of regionalism.* It will have to be sensitive and differentiated so as to benefit all regions, which means that it cannot focus on only one sector, even one as large as manufacturing,

which is so highly concentrated on regional terms. To a very real degree, the limits of consultation between the public and private sectors, and between the two orders of government, will continue to constrain the making of an industrial strategy and a general economic policy for Canada. (Op Cit, p. 190, emphasis added)

- 2) The fiscal arrangements that resulted from Confederation meant that “there was a commitment to rough fiscal equity across provinces, and a recognition that responsibility for achieving it rested with the federal government” (Norrie and Oworm 1991, p. 286). This commitment to the “pursuit of parity” established the rationale for future regional development programmes and for federal transfer payments to the poorer provinces. After WW II, federal *largesse* became a way to keep the country together.
- 3) The current debates over the restructure of Canadian industry, the liberalization of trade, and the regional effects of commercial policy focus on the economic results of the industrialization behind the tariff walls of the National Policy.
- 4) Economic policy-making has been subject to the effects of powerful lobbies, and patronage is a familiar sight in the political landscape.⁵ For example, lobbies have been able to argue for non-interference with their growing empires and to neutralize government anti-trust action. This susceptibility to the effects of lobbying has exacerbated the distrust felt by the less powerful provinces for the political and commercial elites of Central Canada.
- 5) “Canadian liberalism has always placed more emphasis on the state’s role in development than is characteristic of mainstream liberalism”(Cannon 1984, p. 72). The debates about whether these 19th-century policies were successful or not are reminiscent of the modern debates on the desirability of industrial policies. They centre on whether the existence of these policies increased the rate of Canadian wealth creation, or whether the wealth would have been created by private sector agents in equal or even greater magnitude without government interference.

5.2.2 Industrial Policies from the 1970s to the Mid-1980s

In the 1970s, the relatively coherent set of policies developed during and shortly after WWII began to break down and there was considerable debate over the need for a new set of strategies for national economic development. Two main views developed, each associated with a federal-government research agency. 1) The Economic Council of Canada favoured trade liberalization as the best way to bring about the reorganization of

industry. The pursuit of bilateral talks on a free trade agreement with the United States showed the most promise. 2) The Science Council, on the other hand, suggested that before liberalizing trade, some sort of “industrial policy” was needed. The industrial policy proposals included: particular sector promotion based on a presumed comparative advantage,⁶ an examination of the degree of Canadian ownership in specific industries, the relaxation of anti-combines regulations, R&D grants and other forms of government subsidy.

In the usual “Canadian compromise”, aspects of both policy stands were implemented in the 1970s and early 1980s. However, since the early 1980s, the economic policy pendulum has definitely swung towards market-driven solutions. For example, the 1984 “Agenda for Economic Renewal” outlined initiatives designed to reduce direct government intervention in economic-decision making (i.e. investment liberalization, privatization, deregulation, elimination of some foreign ownership restrictions), and to enhance the environment for private sector action (i.e. deficit reduction, tax reform, trade liberalization) (ISTC 1990).

The result of these various policy initiatives has been that trade liberalization has become a reality in the 1990s through participation in GATT, and through the FTA and NAFTA, while the success of industrial policies has “proved more elusive” (Norrie and Owsram 1991, p. 606). In the 1970s and 1980s, industrial policies have been hampered because these initiatives have often fallen victim to “government austerity” (Ibid, p. 606) and bureaucratic inefficiency, and that in the early 1980s, government initiatives designed to develop Canada’s rich resource base and the resulting manufacturing and service industry linkages fell victim to unfavourable market conditions for energy and commodities.

5.2.3 Competitiveness Fever – The Late 1980s and the Early 1990s

In the late 1980s and early 1990s Canada has also been afflicted with competitiveness fever.⁷ As is the case in the EC and the U.S., while diagnosing the economic problems is generally an easy task, prescribing the right solution leads to fierce debates about the desirability of industrial policies. However, some observers believe that in Canada the important question is not whether to have an industrial policy, but what kind to have. They base their assertion on the pervasiveness of the welfare state and on the extent of the redistributive policies of the federal government, which they considered a *de facto* industrial policy.⁸

5.2.3a Diagnosing the Economic Problems

By world standards, Canada's economic, political and social welfare record is enviable. Canada is a rich, pleasant, peaceful and prosperous country. However, many fear that the relative levels of prosperity cannot be maintained unless changes are made. While the fears of a reduced standard of living are perhaps exaggerated when Canada's rich resource base is taken into account, there is nevertheless reason to worry. In the early 1990s, Canada faces among other dilemmas: a recessionary environment (in Canada and in the U.S., its major trading partner), a large budget deficit, the most profound constitutional crisis in its history, unprecedented levels of distrust of government, a tax revolt over the Goods and Service Tax, and regional and minority alienation.

There is considerable agreement among economists, management analysts and politicians on the illnesses of the Canadian economy:

- a. The rate of growth of Canadian productivity has been third lowest among all OECD countries over the past 30 years (ISTC 1990, p. i). "Annual productivity growth, which had been 2.3% in 1946-73, fell to 0.9% in 1973-90" (*Economist*, June 29, 1991);
- b. Canada cannot continue to rely on primary resource exploitation for three reasons: it is not environmentally sustainable; while the prices of its commodity exports have been rising in the 1980s, they could just as easily drop; and unless value is added to these resources, low-cost competition from the Third World commodity producers or from more productive developed competitors⁹ will continue to erode Canada's market position;
- c. Canada spends less of its GNP on R&D than its major trading partners – 1.33% of GDP in 1989, the lowest of the G7 (*Economist*, June 29, 1991). Only 3% of the national firms have any research capability (ISTC 1990, p. iii). The general lack of inventiveness can be seen in the few patents taken out by Canadians; in 1987, 7,246 Americans and 1,889 Germans took out patents in physics, while only 150 Canadians did (*Economist*, June 29, 1991). Investment capital and innovation have not been linked by the private sector (private companies and investment firms alike), and the public sector has spent \$2.7 billion a year on research without being able to evaluate if these funds have been spent "to maximum advantage" (Wilson, quoted in *Financial Post*, July 24, 1991, p. 1);
- d. Canada's educational system is expensive for taxpayers and inefficient. "Canada ranks fourth among the world's industrialized countries in per capita spending on education. Still, we have a 30% high school drop out rate and close to 40% of adults cannot meet the most everyday reading demands" (*Financial Post*, July 24,

- 1991, p. 10). Students also rank low in international test scores. The connection between jobs and learning has not been made.
- e. Canada has a high cost of capital. While the high interest rates and the high Canadian dollar exchange rate that characterized 1990 and 1991 have come down in 1992, the banks and capital markets have yet to adjust to the reality that large sums of risk capital are required if the fashionable high technologies are to be developed. Small pools of venture capital are not enough. In addition, payments on the fiscal budget deficit devour a third of government revenues (*Economist*, June 29, 1991).
 - f. Canadian business culture has traditionally been characterized as “relatively risk averse and parochial in outlook, not aggressive and well informed in trade matters, limited in its understanding of science and technology and often too dependent on government” (ISTC 1990, p. viii). “Canadian managers regard their companies as bureaucratic, poorly focused and relatively conservative and rigid” (NCMRD, p. 2). This tends to result in a brain drain to the U.S. of the most dynamic and innovative employees.

5.2.3b The Cures

Given these ailments, most generic cures for the Canadian economy involve:

1) enhancing productivity-based competitiveness through innovation; 2) diversification into “knowledge intensive” industries; 3) improvement of the Canadian technological base; 4) better education; 5) improved access to capital; 6) a good “business climate” (whatever that is...); 7) the reduction of interprovincial barriers to trade; and 8) that government “do” something. This latter point is the crux of the matter – do what? Two reports offer suggestions: “Prosperity through Competitiveness” (Government of Canada 1991) and “Canada at the Crossroads” (Porter 1991).

In 1991, Industry Minister Michael Wilson released “Prosperity through Competitiveness”, a report that suggests Canadian competitiveness can be built with “five building blocks – learning,¹⁰ science and technology, financing investment, a competitive domestic market and trade” (*Financial Post*, July 24, 1991, p. 1). The findings of Wilson’s report were supported by Michael Porter’s subsequent study of Canadian competitiveness – “Canada at the Crossroads”. Porter’s report was commissioned in part by the Government of Canada,¹¹ and the fact that government officials were involved in defining the particulars of the study has raised suspicions about Mr. Porter’s ability to be an independent observer. Some critics believe that the report was commissioned as part of a campaign to “reinforce firmly the government’s message

[Wilson's report] on prosperity/competitiveness issues" (Enchin 1991). These allegations are strongly denied. In any case, Canada's stated "industrial policy" has certainly taken a Porterian turn and Porter's report has often served as a justification of the government's neo-liberal policies. Thus a brief examination of Porter's report on Canada is appropriate at this point.

Almost any individual with some basic knowledge of the Canadian economy and the competitive pressures brought about by the forces of globalization, and who succeeded in reading through *The Competitive Advantage of Nations*, could have guessed the findings of "Canada at the Crossroads". In sum:

We believe ... that Canada today is at an economic crossroads, and that the core of its economy is at risk. Canada's rich natural resource endowments, its proximity to the United States [which affects trading patterns and which has resulted in an unusually high degree of foreign ownership], and a history of insulation from international competition, have combined to allow Canadian industry to achieve an enviable economic performance. These same advantages, however, have led to an array of policies, strategies and attitudes on the part of governments, business, labour and individual Canadians that leave the economy in many respects ill equipped to respond to a rapidly changing competitive environment. (Porter 1991, p. 4)

... This brief overview of Canada's position in international competition and its export economy highlights a number of real or potential weaknesses. Canada's high dependence on exports of relatively unprocessed natural resource based products signals a lack of breadth even in the country's most prominent export clusters. Likewise, Canada's very weak position in machinery indicates a lack of depth within key industry clusters. Most importantly, our analysis found little evidence that either the breadth or the depth of Canada's major export clusters is increasing. Taken together, this evidence is consistent with the brief macroeconomic picture, previously presented [low productivity growth, rising unit labour costs, rising unemployment, lagging investment in upgrading skills and technology, chronic government deficits and growing public debt], which point to an economy that shows limited signs of upgrading, and suggests that productivity growth – the critical driver of prosperity – may be increasingly difficult to achieve" (Op Cit, p. 21)

Moreover, the Canadian economy is presently being haunted by a particularly scary boogey man. According to Porter, within the context of Free Trade with the U.S. (and by extension NAFTA), many of the foreign-owned companies that dominate Canada's major industries, and which had a *raison d'être* during the era of protectionism and

insularity, might simply pack up their bags and go somewhere else, presumably South of one or two borders, in search of better “diamonds”.

Porter puts a great deal of the blame for fostering this inefficient economic order squarely on the shoulders of government, since government policy: 1) insulated industry from internal and external competition; 2) forestalled the need for upgrading by artificially constraining factor inputs; 3) intervened directly in the economy through subsidies and activist industrial policies; 4) concentrated on programmes to distribute wealth and improve welfare which “needlessly” (sic) undermined the economy; and 5) had conflicting policies and objectives. Industrialists are also to blame. The tendency of Canadian industrialists to administer existing wealth instead of investing in the creation of new wealth has weakened the country’s competitiveness.

As far as what to do about all this, Porter’s prescriptions are “by the book” (his book, of course). According to Porter, Canada must respond to the forces of globalization, technology and free trade by developing a new paradigm of economic activity based on, as would be expected, productivity and innovation. The elements of a new economic vision are to: 1) become an innovation-driven economy; 2) increase the sophistication of the natural resource sector; 3) tackle barriers to upgrading throughout the economy; 4) build on Canada’s regional strengths (as opposed to creating “sameness” through redistributive policies and diversification within the regions); 5) move quickly and decisively to achieve free trade within Canada; 6) transform foreign subsidiaries into home bases; and 7) create and maintain a supportive and stable macroeconomic environment. Porter ends his report by creating a series of “to do” lists for the business, labour and government sectors.

5.2.3c Obstacles to Policy Implementation

For Porter, there are systemic barriers to change which must be overcome before his strategy can become a reality. Canada’s: 1) workforce is not well equipped for upgrading and change; 2) R&D structure is not aligned with the requirements for upgrading; 3) level of home demand sophistication works against upgrading; 4) firm strategy and structure and the extent of local rivalry have done little to enhance domestic productivity; and 5) business attitude must become less complacent and more competitive.

What remains to be seen is whether Mr. Porter’s recommendations can, in Lester Thurow’s words, “make a dent in the system”. Once again, while all in favour of competitiveness, the *players* themselves are likely to present a series of obstacles to the implementation and efficacy of Porter’s recommendations: 1) *big business* will resist

calls for more domestic competition; 2) *big labour* will resist the suggestion of more “flexibility”; 3) the *have not provinces* will object to less activist regional development initiatives; 4) the *federal government*, despite its assertions to the contrary, will resist calls for a diminished role in the economy; and 5) finally, *Canadian citizens*, proud of the extensive social welfare system which truly distinguishes them from Americans, will be suspicious of the vision of a leaner, meaner Canada.

The public sector – Can the government actually implement these policies?

While many observers agree that the problems of the Canadian economy identified by Porter and by Michael Wilson are certainly real and that the solutions outlined above are desirable, many doubt whether the government can move beyond rhetoric on the competitiveness issue. The *Financial Post*'s analysis of “Prosperity through Competitiveness” is that the report “may be wishful thinking” (*Financial Post*, July 24, 1991, p. 4). This view is supported by many other observers:

Their [the government's] hands are tied. They can't deliver on most of the problems they outline short of radical re-allocation of government spending.... What they are trying to do is simply shape public opinion. They want to be seen as consulting with Canadians at large and divert attention from confrontational matters. But they are not much further ahead than they were a few years ago. They are asking the same questions. (quotes from various sources in Fagan 1991)

As has become evident in Eastern Europe and the Confederation of Independent States, one of the major obstacles to market liberalization is that the elimination of the state apparatus leaves a vacuum which the market is slow to fill. The central planning functions of price setting, establishing exchange relationships and distribution logistics, as well as the employment provided by state-subsidized firms were all part of a system, albeit an inefficient one, which actually “worked”. The move towards a free market economy has required dismantling this system and waiting for a new system to take form. The hiatus between the two systems is a political powder keg.

Similarly, one of the greatest obstacles to the retreat from activist industrial policies in developed capitalist countries like Canada is that the existing system has become responsive to certain signals, such as high levels of governmental employment and spending. Weaning the private sector from government cash, and reducing the size and budget of government bureaucracies will also create a vacuum which must be filled by “something”. The hope is that this something will be private investment and new ventures which can “soak up” redundant government workers and employees of previously protected inefficient firms. Without financial incentives the government, particularly the federal government, cannot have any real clout. This creates a Catch-22 –

how to implement this new “market-driven” policy without adding to public spending, and how to become more competitive by relying more on market forces without resorting to activist industrial policies as a way to kick-start the process.

The fifth building block of competitiveness in Michael Wilson’s proposal deals with “competitive domestic markets and trade”. The meaning assigned by the report to “competitive domestic markets” leads one to ask whether the Canadian government is finally going to get serious about anti-trust legislation or if, once again, it will just pay lip service to it.

The first Anti-Combines Act of 1889 has been characterized as “pious anti-monopoly posturing that had no effect on anything (Bliss, quoted in Norrie and Owsram 1981, p. 382). Even with the Combines Act of 1910 and with the new Competition Act of 1986, Canadian regulators have proven to be relatively ineffective “trust busters”. “For most of the past century, competition legislation in Canada has been ineffective compared with the stringent antitrust laws in the United States” (*Macleans*, July 16, 1990, p. 32). Speculation on the government’s new posture vis à vis the Competition Act suggests that further relaxation of the act is expected.

If Michael Porter is right, and vigorous domestic competition is *the* key element in competitiveness, Canada’s oligopolistic markets are in trouble. According to David Olive, editor of *Report on Business* magazine,

a survey in the mid-1980s revealed that nine Canadian families represented 46% of the total capitalization of the Toronto Stock Exchange 300 composite index. That the cross ownership structure of Canadian Pacific, BCE Inc and other huge conglomerates effectively prevents foreigners – or local entrepreneurs, for that matter – from acquiring a significant stake in a wide variety of Canadian industries. (Olive 1991)

Diane Francis, hardly a radical journalist, has written a well documented account of the staggering level of economic concentration in Canada. *Controlling Interests* is replete with examples of the way in which “unchecked ‘free enterprisers’ destroy their own system, mopping up all opportunities and pushing political leaders towards socialist alternatives” (Francis 1987, cover page). The socialist alternatives alluded to allow the private sector to pass the buck to the public sector on issues such as unemployment insurance (resulting from seasonal layoffs), retraining of employees, and employee benefits like health insurance and severance pay. In *Canadian Corporate Power*, Veltmeyer (1987) also examined, with more academic rigour than Francis, the extent of and the economic, political and social implications of Canadian monopolies. There is no

Canadian level playing field. For all intents and purposes, the playing field is a private country club where the rules are made by the home team:

The Canadian economy is certainly not now based on open competition among more or less equal small business operators – independent commodity producers or capitalists. It is dominated by huge corporations that, contrary to classical economic theory, engineer and control market forces, rather than respond to them. (Veltmeyer 1987, p. 18)

Some observers suggest that these “national champions” are a good idea. After all, the EC’s new wave of mergers is based on the idea that bigness is better in global competition. Others, like Porter, disagree and claim that these behemoths quickly become dinosaurs poorly suited to global competition. In Canada, the spectre of large U.S. corporations both south of the border and within Canadian territory (branch plants), has fostered a logic of acceptance and even reverence of large monopolistic Canadian concerns. Trust-busting is not a Canadian pastime. It is considered high treason.

One of the most curious strategies to address this large concentration of economic and industrial power was suggested by Olive (1991). He asserts that Canada’s conglomerates are similar to Japanese *kieiretsu* and wonders “why these behemoths have largely failed to exploit the competitive advantage that size and diversity should give them” (Op Cit, p. 7) in exploiting global markets. Olive’s answer is that Canadian firms failed to emulate the “values that the Japanese bring to their conglomerates. Which are long-term planning, genuine sharing of resources among affiliates, and an unflinching dedication to achieving sound objectives” (Op Cit, p. 8). Well, why did they not do it? The irony is that Porterians would simply answer “Because size of conglomerate is not the point”. Dynamism of conglomerate is, and you cannot have that without vigorous domestic competition, exactly what Canadian *kieiretsus* have managed to wipe out.

5.3 WHAT ARE THE IMPLICATIONS OF THE COMPETITIVENESS DEBATES FOR THE “HAVE-NOT” REGIONS?

In the Canada of the 1990s, both supporters and opponents of industrial policy agree on one point – the major beneficiaries should be the “winners” not the “losers” in the economy. For example, Curtis, a supporter of industrial policy states that

‘The problem is not how to choose winners,’ says Curtis. The problem is getting rid of the losers, finding a way to stop giving money endlessly to a steel company that has no future or to stop subsidizing the most expensive cows in the world. Then we should support the winners we already have. We should ask ourselves what we need to do to make sure that Canada has a position in the car industry in the late 90s and how to

defend Canada's place in the telecommunications industry. In most other countries, governments and industry act on such issues in concert but the *Canadian government prefers a hands-off attitude. 'That approach is shortsighted'*, says Curtis, 'it is leading to a dead end'. (Curtis, quoted in Stoffman 1990, p. 48, emphasis added by author).

D'Cruz and Fleck, opponents of industrial policy, state :

One of this study's principal findings is that Canada's manufacturing sector has not changed sufficiently to cope with this [global competitiveness] new environment. ... The main cause of this rigidity in Canada's manufacturing sector has been the national economic strategy pursued over the last two decades. *The goals have been redistributive, and there has been insufficient emphasis on growth and development.... This political climate has been coupled with a preference for policies of 'hands-on' decision making by government in specific economic projects, to the detriment of market processes of industrial transition....* (D'Cruz and Fleck 1985, p. xii)

In sum, whether in support or against hands-off or hands-on approaches, the policy emphasis has clearly shifted away from redistributive policies and towards "efficient markets". Given Canadian regional economic disparities, the implications for disadvantaged regions of the recent national economic development strategies, whether for or against industrial policy, are quite serious. One only needs to ask: Where are the steel industries without a future, the world's most expensive cows, and the automobile and telecommunications firms located? Where do the workers of "loser" firms go once these firms are "gotten rid of"? What happens to the recipients of hands-on redistributive efforts when the hands decide to let go?

Regional development policy in disadvantaged regions has been largely a re-distributive policy designed to help the losers. While this approach might have only softened the blow of industrial restructuring rather than created thriving economies in once "have-not" regions, the success of the policy of "picking winners" in Ontario as well as in Newfoundland has been as elusive as in race-track betting. One can only wonder if this approach is still being proposed because it offers some sort of psychological comfort to both economic planners and to politicians to think that they are associating themselves with winners, not losers.

Michael Porter did not address the Atlantic region specifically in his national report. However, he addressed Atlantic Canadian academics, business and labour leaders, and government officials in June of 1992, in Halifax, Nova Scotia. His recommendations

for improving the region's economy followed the general outlines provided in *Canada at the Crossroads*. He recommended that the government concentrate on providing physical, human, and regulatory infrastructure, and leave the building of competitive industry clusters to the private sector. He touted the need for constant improvement in productivity and innovativeness, and so on. In his address he emphasized the importance of the local community in providing the unique characteristics that would determine the right set of industry clusters:

It is going to be the unique characteristics of the Atlantic Provinces, their tradition, their culture, their idiosyncrasies, their strangeness, their whatever, that's going to be very important, I feel certain, in identifying the areas where there is really a chance of success. (Porter, quoted in Schaefer 1992, p. 25)

Some of the unique Canadian, and certainly Atlantic Canadian, characteristics that he alluded to as problems were the lack of a risk-taking tradition, the tradition of government smokestack chasing, and the tendency to encourage further concentration of assets in pursuit of the critical mass that is allegedly required for global success. Trust-busting is an act of heresy in Canada and in particular in the Atlantic region. Moreover, success comes to those who toe the line in either private or public bureaucracies, not to those who rock the boat with new ideas. Chapter 6 will discuss the "convenient" regional mythology of backwardness, the lack of truly indigenous articulateness in culture and politics, and the low level of political efficacy in Atlantic Canada. These shortcomings make it all the more difficult to find those unique characteristics that can guide the way to the creation of the right set of clusters, through either local entrepreneurship or the attraction of the "right" kind of foreign investments.

5.4 CONCLUSION

An evaluation of the success of industrial policies in Canada leaves the reader with a sense of unease:

The historical record as a whole shows that there has been little unity or coherence to Canadian industrial policy. Policies have sometimes been contradictory, sometimes complementary, sometimes simply confused. Whether they have succeeded or failed, on balance, cannot be determined. Some of the specific policies have certainly been disastrous failures. It is difficult to determine whether Canadian prosperity is a legacy of visionary, effective government economic management, or a testimonial to the triumph of Canadian resources and enterprise over political mismanagement. (Bliss 1982, p. vi)

As far as prospects for future industrial policies, I must once again agree with Michael Bliss' conclusion:

The view that there can be some kind of 'New National Policy', which solves all Canadian industrial problems, misunderstands not only the present and future situation, but, as we have seen, is based on a misreading of our past national policies. The likelihood is that policies will continue to be developed, as they were in the past, by real politicians dealing with real problems on a day-to-day basis. (Op Cit, p. 43)

The prominence of the industrial policy debate in the United States is also likely to affect Canadian economic policy-making. On both sides of the U.S./Canadian border the bureaucrats charged with maintaining the letter of the Free Trade Act are likely to argue over many gross and fine points; in particular, over the existence of non-tariff barriers such as those created by activist industrial policies. While the United States, through the FTA, might force Canada to dismantle its extensive network of assistance to business and individuals, the U.S. might, at the same time, be politically pressured to develop a more activist industrial policy, for reasons that have nothing to do with Canada, such as the election of Bill Clinton. As Canada becomes more like the U.S., the U.S. becomes more like Canada.

Unless the 1993 Canadian federal election brings about a U-turn in economic policies, national and regional economic policy in the 1990s is probably going to continue towards less government and a more pro-business stand. However, whether less government leads to a healthy and competitive "business climate", or to oligopolistic markets, remains to be seen. But by far the greatest problem of Canadian economic planners in the 1990s will be determining the political unit they are planning for, and realizing that the success or failure of their economic policy prescriptions is key in the determination of the political fate of the country. As expressed by Valaskakis, Canada is like

a club in which the dues (taxes) keep going up while the services (links to Britain, the railways, CBC and Air Canada) keep being cut: no wonder the members are tempted not to renew their subscription. If, however, the enterprise were a bit more successful, dissolution would soon be off the agenda. (Valaskakis cited in *Economist*, June 29, 1991, p. 14)

ENDNOTES

- 1 Readers interested in Canadian industrial policy are advised to see *inter alia* Bliss (1982), Government of Canada. Department of External Affairs (1983), Science Council of Canada (1979) and (1980), French (1980), and Wonnacott (1975).
- 2 The election of Bill Clinton in the U.S. on a platform of more activist industrial policies might set the stage for a comeback of this approach to economic management in Canada.
- 3 The history of Maritime grievances against central Canada began with Confederation.
- 4 As Sir John A. McDonald, the federation's first prime minister, once remarked "the place [Canada] has too much geography and too little history" (McDonald quoted in *Economist*, June 29, 1991, p. 11).
- 5 For an examination of the concentration of wealth and economic control in Canada, see Francis (1987) and Veltmeyer (1987). Simpson (1988) examines the pervasiveness of patronage in Canada.
- 6 For example, one of the major industrial strategy initiatives of the 1970s established "23 sectoral task forces, charged with making recommendations for 21 manufacturing industries, plus construction and tourism" (Norrie and Owrap 1991, p. 606).
- 7 There are numerous examples of prescriptive works on Canadian competitiveness. See *inter alia* D'Cruz and Fleck (1985); ACOA (1988); Province of Nova Scotia (1984); the Canadian Manufacturers Association (1989); Wilson (1991); ISTC (1990); Stoffman (1990).
- 8 "One of our most popular national debates concerns whether or not Canada should have an industrial strategy [policy]. The very question is beside the point because maintaining the UI [Unemployment Insurance] program in its current form, which encourages the use of seasonal labour, or dishing out agricultural subsidies that add 17% to total farm output, are quite potent applications of an industrial strategy. *The important question is not whether to have a strategy, but what kind to have* (Stoffman 1990, p. 48, emphasis added by author).
- 9 Canada's biggest commodity export, pulp and paper, is losing its cost competitiveness vis à vis other developed countries. The delivered cost of Canadian newsprint in 1989 was \$573 a tonne, compared with \$570 in Sweden and \$485 in the U.S. (*Economist*, June 29, 1991).
- 10 "Learning Well... Living Well", which forms part of the "Prosperity through Competitiveness" report, suggests among other things that the federal government should take over aspects of the present provincial responsibility for education as part of a national effort towards competitiveness.
- 11 The US\$1.2 million report was commissioned in part by the Department of Industry, Science and Technology, and by the Business Council on National Issues, a private sector group.

PART III

**THE ATLANTIC CANADIAN CONTEXT.
AILMENTS, PRESCRIPTIONS AND PROGNOSIS**

INTRODUCTION TO PART III

Part II has critically analyzed the debates surrounding the question *How is a competitive economy created in the global context of the 1990s and what roles should the state and the market assume?* Chapter 3 concluded that, within capitalist systems, determining the right balance between the role of the state and the role of the market in the achievement of national competitiveness has more to do with a realistic assessment of the particular set of internal and external conditions facing a particular economy at a particular time than it does with adherence to any economic orthodoxy, whether from the free markets/laissez faire camp or from the managed trade/industrial policy camp. Similarly, Chapter 4 concluded that as far as corporate competitiveness is concerned, size, administrative structure, or ownership etc. is not the key determinant of sustainable competitive advantage in the 1990s. The ability to “learn faster than one’s competitors” is.

Chapter 5 chronicled the various phases of Canadian industrial policy and concluded that, since Confederation, policy has swung from one end of the spectrum of the free markets/laissez faire vs. managed trade/industrial policy debate to the other, often with confusing results. In the 1990s, neo-liberal orthodoxy dominates the economic and political debate. The free trade and more competitive markets (i.e. less government intervention) that these policies suggest have put in question Canada’s traditional pursuit of regional “parity” and commitment to federal transfer and equalization payments. The message to the “have not” provinces from the Federal government and from the richer provinces is “Become more self-sufficient”. This message gains even more urgency when Canada’s federal and provincial fiscal crisis is considered.

Part III of the thesis examines whether Atlantic Canada is equipped to meet the challenges outlined in Part II. It explores the fundamental questions: 2) What prescriptions for competitiveness are being presented in Atlantic Canadian economic policy documents? and 3) What impediments and advantages does the Atlantic Canadian political-economy present to the realization of this vision of a competitive economy? Like Part II, Part III critically analyzes the literature of several disciplines in search of answers to these questions.

In order to provide an adequate background for the discussion of regional development policy in the 1990s, Chapter 6 first surveys the literature on the economic history of the region, the theories attempting to explain regional development and underdevelopment, and the history of regional economic development initiatives up to 1992. The first part

of the chapter provides some general economic and demographic facts, a brief economic history of the region up to the end of the 19th century, and a review of the various interpretations of the region's economic history up to the late 20th century. This review of the core questions addressed by Atlantic Canadian economic historians is preambled by an examination of the theoretical frameworks that have guided these interpretations. The second part of Chapter 6 then examines regional development policy up to 1990. It chronicles the history of development initiatives and evaluates the effectiveness of these policy directives in general terms.

Chapter 7 begins by examining the Atlantic Canadian economy in 1991-1992, with special reference to Nova Scotia. It provides a set of economic, demographic and development policy success indicators. The chapter then takes a look at the various agencies charged with economic planning and at their major policy documents published between 1990 and 1992. It examines a variety of published documents, distills the main themes in the regional development literature and analyzes their various formulas for development. The discussion is organized around the three primary themes that are evident in this literature: 1) *competitiveness*, 2) *cooperation*, and 3) *constitution* – what I have termed the “3 Cs”. Chapter 7 further argues that the impediments presented by the political-economy of the region will seriously retard the chances of success of these development initiatives.

CHAPTER 6

HISTORY, INTERPRETATIONS AND THE SEARCH FOR SOLUTIONS

6.1 INTRODUCTION

The region¹ known as Atlantic Canada (see Exhibit 1) comprises the Canadian provinces of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador (henceforth referred to as Newfoundland). When the latter province is omitted, the region is known as the Maritime Provinces or the Maritimes. While the Maritimes were early members of Confederation, Newfoundland did not join until 1949. In this chapter sometimes I refer to Atlantic Canada as a whole, and sometimes to the Maritimes and Newfoundland separately. Exhibit 2 provides some of the basic demographic facts about the Atlantic Canada.

Perhaps one of the most incisive and oft-quoted descriptions of the Atlantic region is that provided by Harris and Warkentin:

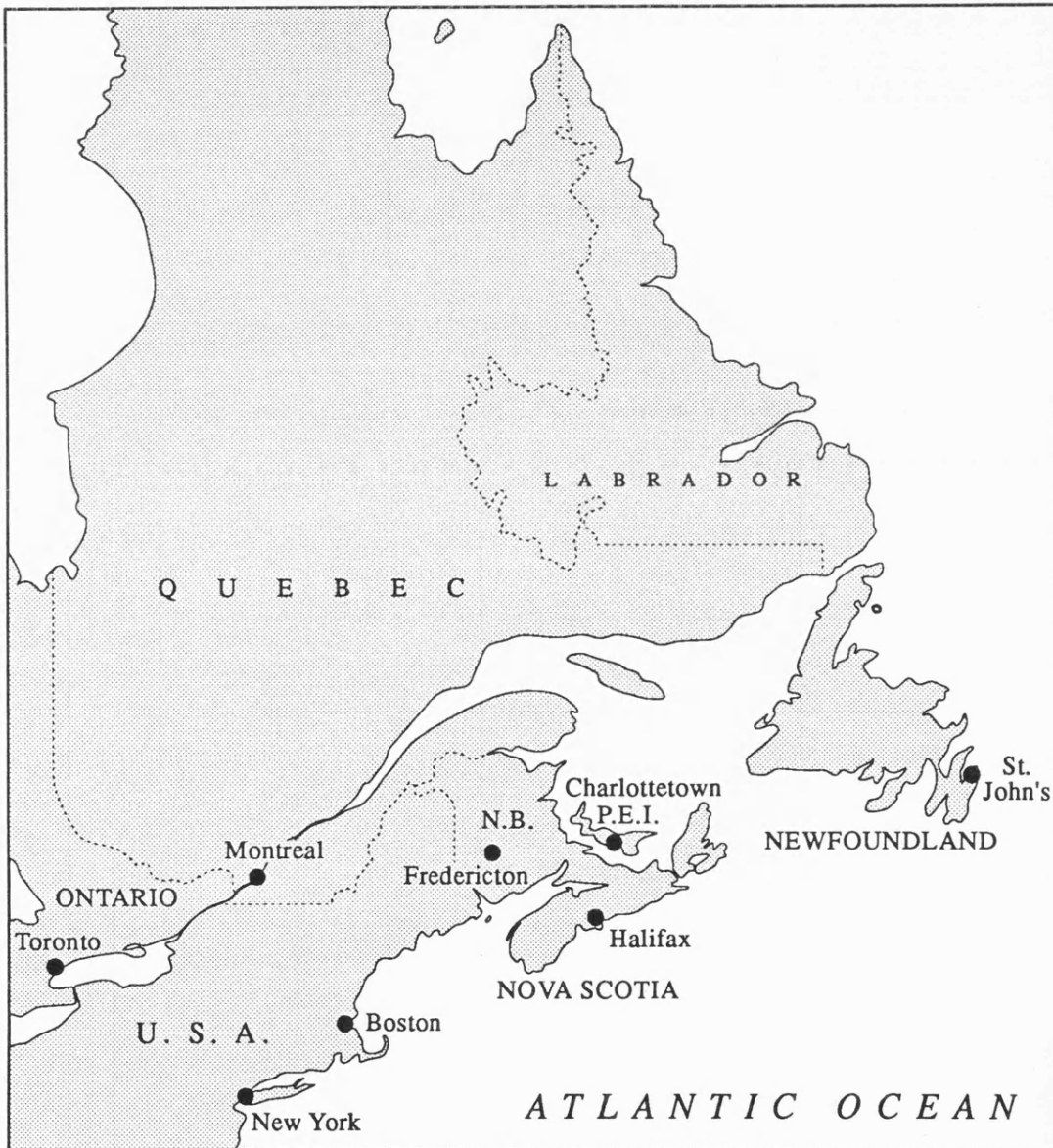
This is a very complex region. It has no unifying configuration of physical features, and even the surrounding sea provides a matrix rather than a focus. There is no centralization of economic activity or function, no rich heartland. If there is unity, it is a unity of mutual problems arising from the attempt to wrestle from the modest resources a standard of living roughly equivalent to that of the rest of Canada and the United States. (Harris and Warkentin 1974, p. 10)

A generally accepted explanation of the dynamics of these “mutual problems” has yet to be developed, but while the explanations are in dispute, the facts certainly are not:

Atlantic Canada still remains at lower levels of development and income, and higher levels of dependence on government spending and transfer than any other part of the country. In this respect, *the region remains underdeveloped*. (APEC 1987, p. 125, emphasis added)

According to Norrie and Owram (1991), regional disparities were present in Atlantic Canada as early as 1890, and rapid national economic growth during 1897 and 1910 accentuated these disparities into a pattern that still exists today. Various levels of government have frequently attempted to reduce these disparities through regional development programmes. This chapter provides an overview of the economic history of the region, the theories explaining its “underdevelopment”, and the regional development initiatives which have been implemented up to 1990.

EXHIBIT 1
Map of Atlantic Canada



The chapter is divided into two parts: history and interpretations from early colonial history to the 20th century; and regional development in Atlantic Canada from 1950 to 1990.

The first part sets the stage by providing a brief history of the region up to the end of the 19th century, and then reviews the various interpretations of the region's economic history up to the late 20th century. This review of the fundamental questions addressed by Atlantic Canadian economic historians is preambled by an examination of the theoretical frameworks that have guided these interpretations.

The analysis of the 19th century asks: 1) What were the origins of development; 2) Was the decline inevitable? 3) What role did local merchants and entrepreneurs play in the decline? and 4) Were the policies of the federal government responsible for the marginalization of the region? The analysis of the 20th century asks: 1) What were the patterns of continued economic decline? 2) Is underdevelopment the result of market failure or the inevitable consequence of capitalism? and 3) Entrepreneurial failure – again?

The second part of this chapter examines regional development policy up to 1990. It chronicles the history of development initiatives and evaluates the effectiveness of policy directives in general terms. This chapter sets the stage for the analysis of regional policy in the 1990s conducted in Chapter 7.

EXHIBIT 2 ATLANTIC CANADA FACT CHART

A. Population, Atlantic Provinces and Canada, 1851-1986

	Newfoundland & Labrador (1)	Prince Edward Island	Nova Scotia	New Brunswick	Canada
1851		62.7(2)	276.9	193.8	2,436.3
1861		80.9	330.9	252.0	3,229.6(3)
1871		94.0	387.8	285.6	3,689.3
1881		108.9	440.6	321.2	4,324.8
1891		109.1	450.4	321.3	4,833.2(4)
1901		103.3	459.6	331.1	5,371.3
1911		93.7	492.3	351.9	7,206.6
1921		88.6	523.8	387.9	8,787.9
1931		88.0	512.8	408.2	10,376.8
1941		95.0	578.0	457.4	11,506.7
1951	361.4	94.8	642.6	515.7	14,009.4
1961	457.9	104.6	737.0	597.9	18,238.2
1971	522.1	111.6	789.0	634.6	21,568.3
1981	567.7	122.5	847.4	696.4	24,343.2
1986	568.3	126.6	873.2	710.4	25,354.1

Notes:

(1) Censuses for Newfoundland before 1951 were not always held regularly. Population for Newfoundland in various years was 75,000 (1836); 124,000 (1857); 147,000 (1869); 161,000 (1874); 97,000 (1884); 202,000 (1891); 221,000 (1901); 243,000 (1911); 263,000 (1921); 290,000 (1936); 322,000 (1945); and 354,000 (1949).

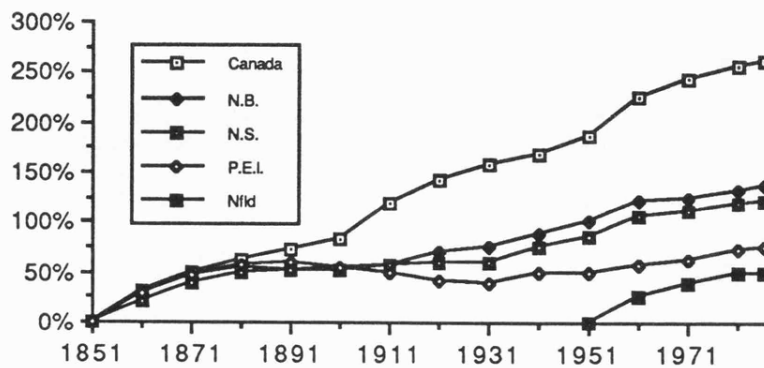
(2) For 1848.

(3) Includes Manitoba for the first time.

(4) Includes Saskatchewan and Alberta for the first time.

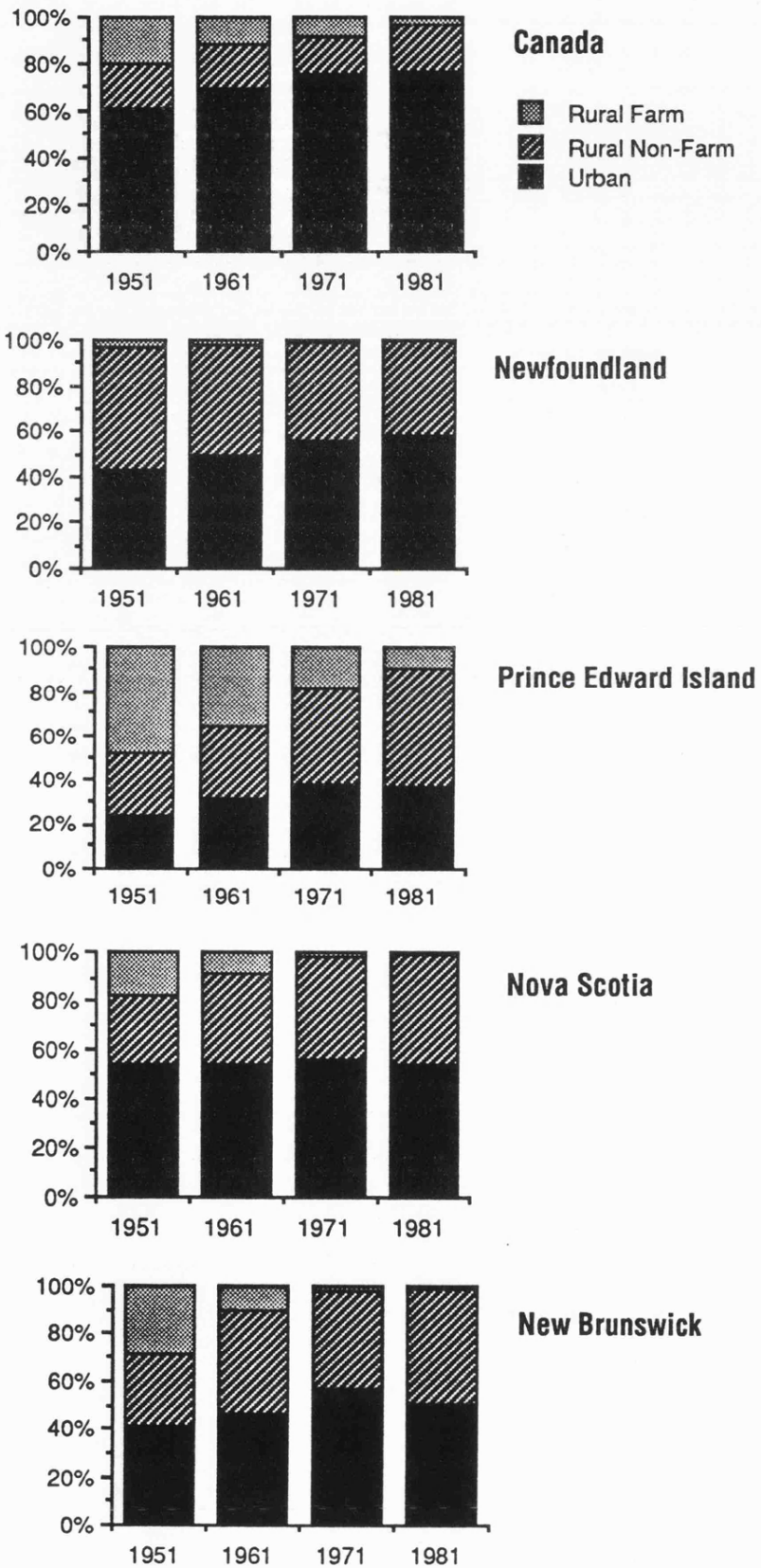
Sources: Censuses of Canada; Historical Statistics of Newfoundland and Labrador (1970).

B. Cumulative Percentage Rate of Population Growth, Atlantic Provinces and Canada, 1851-1986



Sources: Censuses of Canada; Historical Statistics of Newfoundland and Labrador, 1970.

C. Rural-Urban Distribution of Population, Atlantic Provinces and Canada



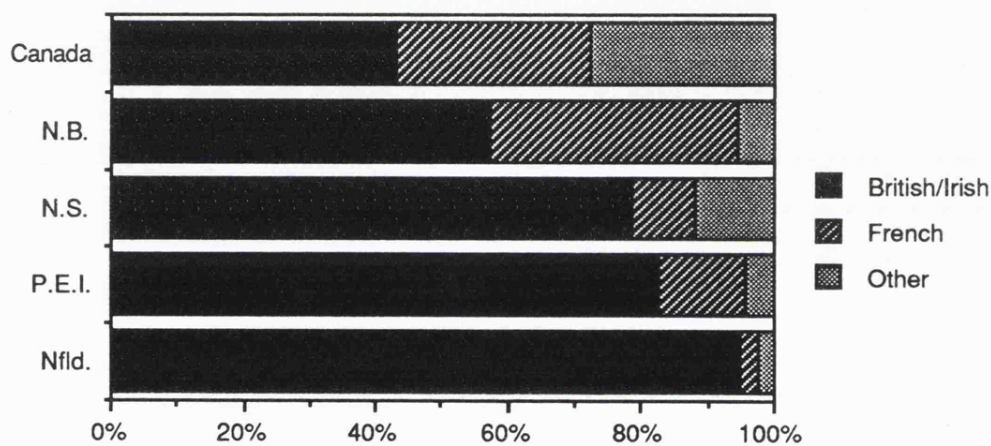
Source: Censuses of Canada.

D. Approximate Land and Freshwater Areas, Atlantic Provinces and Canada

	Land	Freshwater	Total	% of Total
Newfoundland & Labrador	370,485	34,032	404,517	4.1
Island	106,614	5,685	112,299	1.1
Labrador	263,871	28,347	292,218	3.0
Prince Edward Island	5,657	-	5,657	0.1
Nova Scotia	52,841	2,650	55,491	0.6
New Brunswick	72,092	1,344	73,436	0.7
Atlantic Canada	501,075	38,026	539,101	5.4
Canada	9,167,165	755,165	9,922,330	100.0

Source: Canada Year Book 1980-81.

E. Ethnic Origin of Population, Atlantic Provinces and Canada, 1981



Source: Census of Canada

6.2 THEORETICAL FRAMEWORKS

The course of Atlantic Canadian development has been the subject of a great deal of academic study.² However, given the existence of competing explanations of the economic fate of the region, some of these reviews focus on the literature of specific "schools" and either do not cover the literature of competing schools, or are organized with the purpose of establishing the superiority of a particular explanation. Cannon's (1984) comprehensive review is perhaps most useful because it categorizes the literature according to the alternative analytical frameworks on which they are based. He organizes the literature around the two major competing paradigms for explaining development and underdevelopment: the liberal paradigm, which includes both the narrow neo-classical and the broader liberal political-economy interpretations, and 2) the Marxist paradigm, which includes both traditional class analysis and the analysis of other forms of unequal relationship (i.e. spatial).

These paradigms are fundamentally different in their conception of the relationships between society, state and market. Thus the adoption of a particular conceptual framework profoundly influences explanations of regional development and underdevelopment as well as policy prescriptions. A brief look at these frameworks as they relate to the process of regional disparities and regional development can shed some light on the logic underlying the alternative explanations and policy orientations presented here.

The liberal paradigm is rooted in the industrialization experience of modern western nations. As such it shows an inherent belief in the “primacy of the market” and in the economic opportunities that capitalism can bring to individuals and nations. According to the liberal formulation, under “ideal” conditions (competitive markets for example) the economy moves towards an equilibrium and is able to distribute resources in an equitable and optimum fashion. Not all liberals regard this process as either efficient or fair, at least in the short run. Thus there are two approaches to policy based on, among other things, the view of the ability of the market to reach equilibrium: neo-classical and Keynesian economics.

Since the movement towards equilibrium is at times unacceptably slow for citizens and politicians alike, interventionist measures to ease the transition period, such as regional policy, are justified in the eyes of Keynesian liberals. On the other hand, neo-classical economists argue that these measures “distort” the market and retard the process of adjustment, and at times even cause the “dependence” of the recipient region on external assistance.³ The policy implications are obvious. While the neo-classical economists would encourage wage and price flexibility, labour mobility and unrestricted markets in order to solve the “market imperfections” which might be causing, for example, unemployment, the Keynesian economists would acknowledge that the market does not guarantee full employment and would therefore advocate government intervention in order to stimulate aggregate demand. In Atlantic Canada, “while neo-classical theory appears to have a considerable influence on most orthodox models there is no evidence of a wholehearted application of pure neo-classical principles. Policy has been tempered with Keynesian and political concerns for the most part” (Morley 1986, p. 34).

In terms of their understanding of the process of development, two main schools exist within the liberal paradigm: the liberal political-economics and the neo-classical. The liberal political economists take a more comprehensive or “broad” view of development which acknowledges the interdependence of economy, policy, society and its institutions. The neo-classical economists, on the other hand, treat development more “narrowly” as an economic process.

The Marxist view of economic processes and of development is substantially different from the liberal view. While the liberal paradigm assumes that development is progressive and that the market is a “good” thing, the Marxist paradigm suggests that the root of underdevelopment can be found in the workings of the capitalist system itself. Since the capitalist mode of production, with its emphasis on capital accumulation and on the appropriation of surplus value, exaggerates unequal relationships between classes and between spatial entities (e.g. between countries and between domestic regions), “underdevelopment” is simply the natural result, the flip-side of development. Thus Marxist analysis focuses on the conflicts among groups in society, and on the mechanisms that produce uneven development.

Regional disparities in growth are in this view a natural and endemic characteristic of capitalism and can be directly related to the goal of accumulating wealth. Wealth is distributed unequally among classes. The role of peripheral regions is as a supplier of resources, capital and labour. High unemployment in the exploited region represents a large reserve army of labour that can be drawn upon at lower cost when needed in the dominant area. A Marxist perspective on regional disparities would also focus on the presence of a regional government stripped of funds through infrastructure commitments [partly as a way to lure foreign direct investment]. These funds could have been used to stimulate indigenous growth. (Morley 1986, p. 40)

With this theoretical framework in mind, the analysis can now proceed to a review of the economic history of the region and of the various interpretations.

6.3 HISTORY

Though there was intermittent contact between Europeans, such as the Vikings, and Newfoundland since around A.D. 1000, the period of uninterrupted European settlement in Canada began in 1608 with Champlain’s founding of Quebec. According to Norrie and Owrarn, the central theme in the economic history of the Atlantic region is “the evolution of the area from its status as a fishery to that of a collection of colonies capable of supporting permanent populations” (Norrie and Owrarn 1991, p. 51). Among the major determinants of this development was the imperial rivalry between France and Britain, which took the form of economic, political, military and religious competition.

At the beginning of the 18th century, France had claim to the Maritime provinces, while British attention was concentrated in Newfoundland. However, Halifax in Nova Scotia had been established as a British garrison town. By the mid-18th century, the perma-

ment settlements in the Maritimes were engulfed in the long-standing military conflict between France and England. In 1763, through the Treaty of Paris, France relinquished its 150-year old colonial presence in North America. The era of “competing mercantile claims ended, and Canada’s future now rested on how the British would reorganize their much-expanded North American empire” (Op Cit, p. 27).

The period from 1763 to 1850 saw the most dramatic growth in Atlantic Canada’s history. The small outposts were transformed into thriving economic centres. Newfoundland’s economy relied mostly on fishing, with some diversification into shipbuilding and trading. Maritime economies also depended on fishing, shipbuilding and trading. In addition, Prince Edward Island diversified into agricultural products, New Brunswick into timber exports, and Nova Scotia into mineral production. Small manufacturing existed in most settlements. The economic development that resulted in great part from the application of British mercantile policy was matched by political evolution – Newfoundland attained colonial status in 1824, as had all three Maritime provinces by the 1850s. This thriving era is known as the “Golden Age” of Atlantic Canada.

By the mid-1800s, the idea of linking the British North American colonies together in some governmental system had been discussed for some time. However, proposals had been generally vague and the right set of circumstances for the formation of a new political entity had not yet arisen. In 1864, the Maritime provinces – Prince Edward Island (PEI), New Brunswick and Nova Scotia – called a conference in Charlottetown, PEI to discuss the possibility of a Maritime union. The Province of Canada (later to become Ontario and Quebec) managed to convince the Maritimers to allow Canadian representatives to attend the conference and present their own views regarding the future of the British North American colonies. The Canadians’ idea of a Confederation of all provinces managed to generate tremendous enthusiasm, and the idea of Maritime union was swept aside.

While political considerations were certainly at work in Confederation, Norrie and Owrarn suggest that economic forces were perhaps even more influential:⁴

Without denying the importance of these political motives [the desire for greater colonial autonomy; fear of the forces being unleashed by the American civil war; the British interest in cutting back on the management of colonial affairs; uneasiness about the effect of a strong U.S.; and the political stalemate in the province of Canada], it is possible to argue that Confederation was equally, perhaps even primarily, the product of two separate economic forces. In part, its roots lay in the

mercantile period and in the attempts in the 1850s and 1860s to recreate that environment... [and]... The perception remained that commercial prosperity and industrial success were linked to an expanding resource frontier. (Norrie and Owsram 1991, p. 275-6)

Thus the vices and virtues of the Confederation of the British North American colonies were often argued in economic terms, particularly with the purpose of determining if benefits would (or would not) accrue to the various participants. For example, proponents of Confederation in New Brunswick and Nova Scotia saw two main advantages: 1) the ports of Halifax and Saint John could be used for Canadian and even U.S. exports to Europe; and 2) with a rail connection, the Maritimes could share in the growth of the West. Both requirements were more easily met through coordinated action.⁵

Opponents of Confederation in the Maritimes and in Newfoundland, on the other hand, were afraid that Canada would “threaten the Maritime economy with a high tariff structure and with a high debt charge from profligate canal and railway construction” (Op Cit, p. 283). In 1867, Nova Scotia, New Brunswick and the Province of Canada formed a Confederation. Prince Edward Island would soon join Confederation as an alternative to the bankruptcy brought about by massive railroad-building debts. Newfoundland chose not to join Confederation.

The effects of Confederation on the Atlantic Provinces is a widely debated subject. However, historical evidence does reveal that the Newfoundlanders were right about tariffs, and that the Maritimers were wrong about railways and ports. All in all, central Canada benefited the most.

Another key formative event in Canada’s history was the “National Policy”.⁶ It can be argued that Canada owes its inception as a modern nation⁷ to a 19th-century version of industrial policy. As Vernon Fowke remarked:

the national policy [the successful economic platform of the 1868 election] predated the creation of a national government in Canada [Confederation in 1867] and *envisaged the establishment of such a government as one of its indispensable instruments*. (Fowkes, in Norrie and Owsram 1991, p. 286, emphasis added by author)

In other words, the creation of Canada as a nation was *de facto* the creation of a “developmental state” with the mandate of designing an industrial structure for the new nation.

The promise to introduce a “National Policy” of wide-ranging protectionism was essential in winning the 1878 election for the opposition Conservatives of the newly formed state. Nineteenth century industrial policy was based on the “mercantilist protectionist-nationalist notion of economic growth as being the construction of a secondary manufacturing sector in addition to or on top of the country’s basic primary industries” (Bliss 1982, p. 11). The policy initiatives included: tariff barriers; the promotion of primary industries; the stimulation of secondary industry;⁸ and the subsidization of transportation and other utilities.

The appeal of protectionism to Canadian politicians at this time can be attributed to: 1) the world-wide rise in protectionist sentiment in 1870s;⁹ 2) the demands of powerful local manufacturing lobbies which managed to overshadow the opposition of established interest in the Maritimes and in the West; and 3) the assumption of 19th-century Canadian governments that they had a responsibility to stimulate industrial development.

6.4 INTERPRETATIONS

The next section examines the fundamental questions that have guided Atlantic Canadian economic historians in interpreting the data presented thus far.

6.4.1 Early History to 19th Century

6.4.1a What Were the Origins of Development?

Innis’ “Staple Theory”, a distinctively Canadian contribution to the field of political economy (Innis 1940; Watkins 1963), attempts to describe Canadian development by viewing natural resources as the engine for growth. Innis’ approach can be said to be “clinical” or patient-based. Rather than proposing a theory of universal applicability, Innis argued that “appropriate theory could only be developed on the basis of a thorough analysis of each unique situation” (Weaver and Gunton 1982, p. 7). Innis’ clinical approach has been criticized for failing to provide a clear theoretical framework. However, given that to date (1993) “there is no general theory which would enable us to deal with all cases and objectives of regional development and that it is unlikely that one will surface” (Higgins and Savoie 1988, p. 383), the clinical approach is still considered an effective methodology for regional economic analysis and planning.

Two versions of the staple concept have developed: a broad political economy, and a narrow economic version (Cannon 1984). McIntosh’s version of staple-based development¹⁰ focuses more narrowly on economic events and holds a progressive view of

history and development (Watkins 1963). For McIntosh, external demand for Canadian resources stimulated economic expansion and diversification through the creation of economic “linkages”: forward linkages into processing products before exports; backward linkages into production of resource extraction machinery and equipment; and demand linkages into the production of consumer goods for workers of the staple industries.

Innis’ broader interpretation is more careful in assuming that development would be progressive. Innis was aware of the centre-periphery nature and the relative weakness of the staple producer vis à vis its markets. Innis’ version also considers the economic relationships that shaped the political and social structures of the staple economy (i.e. imperial rivalries). In some ways, Innis’ interpretation anticipated the core/periphery formulations of the dependency theorists, where the production of staples is seen as having subordinated Canada to the interest of imperial nations.¹¹ For example, since Atlantic Canada is a peripheral region of Canada (the periphery of the periphery), the core/periphery analysis has also been applied to explain the region’s underdevelopment, with Toronto and Montreal interests at the core – interests which are in turn subordinate to those in the major U.S. industrial centres.

The effect of staple production and linkage formation in the Atlantic region has been the subject of many academic studies. Historical analysis suggests that the production of fish and timber created linkages such as shipbuilding, which in turn led to involvement in the international carrying trade. Despite these linkages, the export orientation of the economy made it vulnerable to shifts in international demand for its staple products. “By the mid-1860s, it became apparent that the British colonial system was no longer capable of sustaining Atlantic Canada; nor had the promise of an alternative American market materialized [yet]” (Cannon 1984, p. 70).

While most observers agree that staples production was crucial to the region’s development, there is ample disagreement about the origins of economic decline. The fact that the decline of the region’s staples markets, the shift to a new technology (steam shipping), and that Confederation and the National Policy all occurred within a relatively short time has complicated the search for an explanation.

6.4.1b Was the Decline of the Atlantic Region Inevitable?

Saunders (1939/1984) linked the economic problems of the region to two major conditions:

1. the decline of the markets for its staple products: a) the British market for timber and ships; b) the West Indies market for fish and the carrying trade; and c) the market for wooden ships and sail-driven carrying trade which was replaced by steam and steel ships; and
2. the natural disadvantage of the region in terms of geography and poor resource endowment with respect to new industries.

For Saunders, there could never have been diversification beyond the staple base – the economy of “wood, wind and sail” – because natural disadvantages were too great. “No amount of tinkering with freight rates and tariffs would have made much difference, and no group of merchants, however astute, could have held off the inevitable decline for long¹² (Norrie and Oworm 1991, p. 401). Many dispute this view. For example, some critics have pointed out that shipbuilding and shipping were not the “propulsive” industries that Innis made them out to be and that there was never a golden age of wood, wind and sail. If this interpretation of historical records is correct, then the appearance of steel and steam cannot be wholly responsible for the stagnation of the region (Memorial University of Newfoundland [MUN] study quoted, in Nowrie and Oworm 1991).

6.4.1c What Role did Local Merchants and Entrepreneurs Play in the Decline?

One of the recurring themes in this debate is entrepreneurial failure. This line of argument links the region’s decline not to structural problems, but to the inability of local business concerns to adapt, diversify or invest. In other words, decline was not (and is still not) inevitable. It was (and still is) due to entrepreneurial failure.

One of the earliest versions of the “entrepreneurial failure” thesis links the surge in wooden ship-owning during the 1860s and 1870s not to a business-minded diversification into a profitable sector, but to the decline in demand for wooden ships in England which “forced” ship-builders into the carrying trade. This view is in turn refuted by those who maintain that “it was a noble and enterprising group that faced the end when it came, and not the myopic builders-cum-inadvertent-owners of ‘floating coffins’ that is sometimes supposed” (Norrie and Oworm 1991, p. 400).

Acheson (1972/1988) has suggested that Maritime entrepreneurs responded positively to the opportunities after Confederation. Regional entrepreneurs became involved in iron and steel, textiles, sugar-refining and a range of manufactures. However, the long depressions of 1880 and 1890, coupled with the absence of the regional metropolis

needed for the transition to an industrial economy, made adjustment too momentous. The result was that many businesses were forced to close or were purchased by outside interests, though this fate was not inevitable. According to Acheson, local business elites failed to adopt a leadership role in the industrial adjustment, preferring instead to invest in stocks and banks. For Saunders, decline was inevitable – the obstacles to industrialization and diversification were insurmountable. For Acheson, it was a missed opportunity – regional merchants chose to invest elsewhere in order to maximize short-run returns.¹³ However, Acheson's conclusion is that ultimately, perhaps inevitably, the regional entrepreneur lost control to external forces which he could rarely comprehend, much less master (Acheson 1972).

6.4.1d Were the Policies of the Federal Government Responsible for the Marginalization of the Region?

The economic difficulties of the Maritimes have often been linked to the deleterious effect of federal policy. The degree of “complicity” of the state in regional decline is of course dependent on the view one holds of the state. While the “view of the state as an ‘active participant’ on behalf of certain interests leads to the conclusion that policies were explicitly discriminatory”, the view of the state as a ‘neutral mediator’ leads to “the conclusion that the effects were an inevitable side-effect of nation building” (Cannon 1984, p. 73). Nevertheless, Confederation and the National Policy, as well as the subsequent national banking legislation, brought about centralizing effects through tariffs, railway rates (Forbes 1977) and banking policies (Frost 1982).

Tariff policy helped stimulate Maritime industry for a brief period after Confederation. However, the long-term effect of the policy was to favour metropolitan over peripheral regions. The development of transport policies and railway rates was guided by the principle of national symmetry. The fact that these policies were not designed to address specific regional needs, and that in the 20th century they would no longer offer the Maritime region preferential rates, compounded the economic problem of the Maritimes (Forbes 1977). With the passing of national banking legislation in the late 19th century, the Maritimes became a source of “surplus-funds” for investment in other parts of Canada. Whether railway rates and tariffs were designed to serve the interests of central Canadian constituencies to the detriment of peripheral regions, or whether the deleterious effects were an unintended consequence, is subject to debate. Similarly, whether the flow of surplus funds is seen as a natural consequence of capital seeking its best alternative (Frost 1982), or the result of the bias of national capital markets which ignored opportunities in the region is also a matter of opinion.

That federal policy could have been more beneficial to the Maritimes is well established. However, as Alexander (1978/1988, 1976/1988) has wisely pointed out, there is a danger in attributing too much to political factors. For example, attributing the decline of the Maritimes to joining Confederation, and the decline of Newfoundland to not joining Confederation, is illogical. Certainly, there must be other forces at work.

6.4.2 The 20th Century

6.4.2a What Were the Patterns of Continued Economic Decline?

During the 1920s the economic decline of the Maritimes was further accelerated. The overall plight of the Maritimes at this time was summarized by S.A Saunders:

The decade of the 1920s started out badly for the Maritime Provinces, as it did for most other parts of the world, with all the major branches of industry severely depressed. Elsewhere in the North America and more significantly Canada, there soon came a fair amount of recovery and before the end of the decade a period of exceptional prosperity. In the Maritime Provinces, recovery from the acute post-war depression was long deferred, and the period of prosperity in most parts of the Dominion has not yet arrived. (Saunders 1984, cited in Norrie and Owrarn 1991, p. 463)

The debate over the reasons for the dismal economic record of the Maritimes in the 20th century echoes the arguments presented earlier for the cause of decline. For example, the themes include¹⁴ that: 1) the region was too peripheral to take advantage of industrialization; 2) the primary resources of the region were no longer growth industries; 3) governmental decisions, especially in Ottawa, hampered the region rather than helped it; and 4) the changes in the rate structure of the Intercolonial Railway turned against the region and local manufacturers were not able to compete in central Canada.

Maritime grievances over the adverse economic policies of the central government led to the emergence of the Maritime Rights Movement in 1919. While some historians have characterized the movement as an opportunity for politicians of all ilks to gain some advantage while not addressing the real reasons for regional economic decline, Forbes suggests that the roots of this movement expressed the genuine sentiment of the populace. For Forbes, the Maritime Rights Movement

saw all classes united in their demands upon the rest of the country. This did not mean that different classes did not have distinct aspirations of their own; on the contrary, they were probably more conscious of them in 1919 than in any other period before or since. Each class held a dream of progressive development in which its own collective interests

were directly involved... But none of these aspirations was capable of realization with the continued decline of the economic and political status of the Maritimes in the Dominion. (Forbes 1989)

The 1926 Duncan Royal Commission established the legitimacy of Maritime grievances. However, bureaucratic stone-walling would, over time, nullify the positive effects brought about by the implementation of the Duncan Commission's recommendations.

In Canada, most notably in the Prairie provinces, the advent of the Great Depression of the 1930s and early '40s gave rise to radical political and third-party movements. In the Maritimes, on the other hand, the responses were fundamentally apolitical and the central government was seen as an ally rather than a foe. According to Alan Wilson (1992), some of the reasons for this phenomenon include: 1) the region was already exhausted by the struggles of the 1920s (Cape Breton mining strikes and no post-WW I economic recovery); 2) a more rural and less industrialized economy that inhibited the formation of radical movements and which, at the same time, gave people a place to "go home to" during hard times; 3) no third-party traditions but instead fierce two-party loyalties; and 4) a tradition of resiliency in the face of economic hardship.

For many communities across North America, World War II offered a way to recuperate from the Great Depression, but for most Atlantic Canadians the only way to enjoy this prosperity was to "leave home". The fact that this recovery was not as deep or as long-lasting in the Maritimes as in other regions is also the subject of controversy. In his study of the Maritimes and the industrialization of Canada during the Second World War, Forbes paints a familiar picture:

While one can outline with precision the negative impact of the federal government's role, its motives remain open to controversy. There was, of course, no conspiracy to de-industrialize the Maritimes... [but] ...their policies [e.g. withholding funds for modernization and expansion of Maritime industries and drawing labour to Ontario and Quebec or into the armed forces], *far from helping to overcome trends towards regional disparity of which some Canadians were conscious, served rather to accentuate and consolidate them.* Howe may have sincerely believed, given his vision of Canada's future development, that the decline of industry in the Maritimes was inevitable. If so, with the mobilized resources of the Canadian state at his disposal, including billions of dollars in direct investment, his was a powerfully self-fulfilling prophecy. (Forbes 1986, p. 407, emphasis added)

In 1949 Newfoundland joined Canada. Its formal integration into the country's political economy has not improved the lot of Newfoundlanders to any great extent. For example, in 1949 personal income per capita in Newfoundland was 51% of the national average, while in Ontario it was 120% (Norrie and Owram, p. 594). Disparities have narrowed somewhat, but remain substantial. In 1982, Newfoundland had risen to 68% of the national average, while the richest province, Alberta, stood at 113%. However, if earned income rather than total personal income is taken as a measure, thereby excluding transfer payments, most of the narrowing disappears. Such convergence as there is apparently is mainly a result of transfer programmes; underlying relative economic strengths and weaknesses have not altered perceptibly.

6.4.2b Is Underdevelopment the Result of Market Failure, or the Inevitable Consequence of Capitalism?

The liberal political economy model shares with neo-classical economics the view that underdevelopment results from some form of malfunction in the market, often attributed to a weakness in some essential economic ingredient. It is not surprising then that, as we have seen in the previous sections of this chapter, the Atlantic region has often been characterized as lacking the attributes necessary for development – natural resources, capital, entrepreneurship, urban structure, skilled labour force and management talent. This conceptualization is also evident in many government reports. For example, following a neo-classical argument, the Economic Council of Canada's *Living Together* (ECOC 1977) claims to explain the low levels of economic development in Atlantic Canada in terms of low levels of productivity, low levels of urbanization, and inadequate aggregate demand. However, this view is not without its critics: "while the labels have some appeal as explanatory variables, the nature of the explanation is less satisfying. Critics of this analysis would argue that the so-called explanatory variables are, in fact, the results rather than the causes of development" (Cannon 1984, pp. 67 and 69).

The strongest challenge to the traditional liberal paradigm of economic development has been posed by Marxist scholars. Since the mid-1970s, there has been a proliferation of writings based on this approach and alternative frameworks have been used to analyze the way in which capital accumulation processes create uneven regional development (Cannon 1984).¹⁵ Marxist explanations of underdevelopment can be categorized in most general terms as those that focus on the dynamics of class struggle and those that focus on other forms of unequal relationship. According to Cannon (1984), the fundamental research questions shared by most of the studies are: "1) how do peripheral regions contribute to the process of capital accumulation? 2) what are the mechanisms

through which peripheral regions are exploited? and 3) what are the effects of the accumulation process on peripheral regions?"

Rather than a comprehensive literature review, analysis or categorization of the Marxist explanations of regional underdevelopment,¹⁶ this section highlights several relevant arguments.

Maritime de-industrialization in the 1920s has been attributed by some authors to the "concentration and centralization of capital in Montreal [which] produced a pattern of destruction and 'branch planting' of Maritime manufacturing [and] which led to the de-industrialization of the region" (Clow 1984, p. 119). Clow follows a comprehensive approach in which the role of the Canadian state, the balance of social forces, and Confederation itself are seen as elements in the explanation of how uneven capitalist development worked itself out in the Maritimes. Clow warns of the dangers of either: 1) assuming that "the process of centralization and concentration of capital is self-explanatory as a law of capitalist development (Sacouman 1984), or 2) romanticizing the process as one where "our" ("good") Maritime capitalists were beaten by the ("bad") ones from Central Canada (the view held by Forbes, Acheson and the authors of the "fairer-deal-within-Confederation school" as Sacouman has called them).

Frank's (1976) work on the bitter struggles between capital and labour in the Cape Breton steel industry attempts to show how the capital accumulation process, facilitated by the state, resulted in the eventual redeployment of such capital to areas promising higher profit. This work also provides a great deal of evidence for arguments supporting the view that Maritimers were far from passive in confronting the challenges of economic downturn. Instead, their struggles were simply defeated by capital and state.¹⁷

Authors like Veltmeyer and Sacouman (various works) argue that "capitalist production has truncated and exploited domestic commodity producers [involved in pre-capitalist modes of production], directly through production relations and indirectly in trade relations" (Cannon, p. 78). However, Fairley's (1984) work on the Newfoundland fishery suggests that independent commodity producers (the so-called pre-capitalists) are more capitalistic than was assumed, and that the struggle is better understood as that between small and big capital. In any event, the control of monopoly capital over various sectors of the economy has been well documented and has been shown to have a marginalizing effect on workers and on smaller competitors (Burril and Mckay 1987; Veltmeyer various works; Sacouman various works).

Andre Gunder Frank's model of underdevelopment as the result of unequal exchange relationships has been applied to Atlantic Canada. For authors in the "dependency" school, "underdevelopment is not natural but created ... underdevelopment is a process as well as a condition. Most societies are not naturally underdeveloped; they are made underdeveloped largely through their contact with more developed ones" (Mathews 1984, pp. 3-4). For these authors, assuming that the causes of underdevelopment are solely endogenous is akin to "blaming the victim". The main culprits can be found in the exploitation first by British then U.S. interests as well as by "powerful central Canadian interests – often acting in concert with and aided by the federal government, and too often armed with the theoretical models and justifications designed by 'establishment' economists to legitimate their self interests" (Mathews, back cover; Archibald 1971). In a similar vein, Veltmeyer (1978) has argued that the "depressed conditions in peripheral regions are explained by the persistent attempts of capital to counter conditions [crisis] producing a falling rate of profit at the centre" (Cannon 1984). Veltmeyer stresses the role of the "reserve army" in supplying a low-wage, mobile labour force which depresses wages in both the metropolis and the periphery.

The role of the international/inter-regional corporation as a mediator of uneven exchanges has been highlighted in many studies. Whether foreign investment is a source of technology transfer and a stimulant to the economy, or a way to exploit local workers and syphon off the profits from local resource exploitation is of course at the heart of this debate. Regardless of one's ideological orientation, though, the evidence presented in case studies of companies like Michelin (Bradfield 1981) and Stora Kopaberg in the Round One series (Belliveau and de Marsh 1977, May, Nov.) cause the reader to wonder if the benefits of government locational programmes are worth the cost in dollars and in quality of life and work. Nevertheless, in a world of global integration, assuming that all foreign investment is detrimental to the region is an unrealistic and autarkic view. As discussed in Chapter 4, foreign companies can contribute to the local economy if they reinforce an existing cluster and if they are willing to relocate to the region higher order administrative, manufacturing and R&D jobs rather than just the traditional low-pay, low-skill jobs of a branch plant in an unrelated industry. Thus, the relevant issue is not who owns an industry, but whether the industry enhances the industrial structure by providing the right kind of jobs in the right clusters.

In Canadian policy circles, at both the national and Atlantic regional levels, the discussion of "market imperfections" rarely takes into account the extraordinary degree of capital concentration, and horizontal and vertical integration that characterize the

country's industrial structure. Discussing the way in which this pattern of economic concentration tends to result in inefficient markets and uncompetitive practices is not considered polite conversation in mainstream Canadian politics or academe. However, it must be examined.

Francis¹⁸ (1987) has written a well-documented account of the staggering level of economic concentration in Canada. She states that "one third of Canada's wealth is in the hands of 32 families and five conglomerates" (Op Cit, back cover) whose officers also sit on the boards of the national banks. For Francis, "unchecked 'free enterprisers' destroy their own system, mopping up all opportunities and pushing political leaders towards socialist alternatives" (Op Cit, cover page). The socialist alternatives alluded to allow the private sector to pass the buck to the public sector on issues such as retraining of employees and employee benefits like severance pay.

Veltmeyer is one of the proponents of dependency theory as an explanation of underdevelopment in Atlantic Canada. In *Canadian Corporate Power* (1987) he examined, with more academic rigour than Francis, the extent of and economic, political and social implications of Canadian monopolies. His conclusions are pithy:

...what emerges ... is a pattern of a giant national wheel with a Toronto-Montreal hub of five chartered banks dominating the many spokes" (Op Cit, p. 60) ...The Canadian economy is certainly not now based on open competition among more or less equal small business operators – independent commodity producers or capitalists. It is dominated by huge corporations that, contrary to classical economic theory, engineer and control market forces, rather than respond to them. (Op Cit, p. 18)

This centralization of activity affects the region in many ways, but perhaps one of the most palpable is the inability of local manufacturers to sell their goods to the major retail conglomerates (e.g. The Bay, Zellers etc.) because their buying is done centrally.

This pattern of highly concentrated national ownership and control is replicated at the regional level. The extent of ownership, economic and political influence of large, family-owned or -controlled companies in the region is dramatic. For example, in New Brunswick, "one out of every 12 workers in the province is [in 1986] employed by Irving" (Francis 1987, p. 17). Those who do not work for the Irvings probably work for the McCains, given the degree of vertical and horizontal control of the industries they operate in. Veltmeyer quotes the National Farmers Union, *The Spider and the Fly* :

Here is how McCain does it [vertical integration]: First, they could either grow the produce themselves on [land owned by] McCain

Produce, Valley Farms or McCain Farms (PEI) ... or ... sell you some seed from McCain Produce or Foreston seed to grow what they will later buy. Then they can sell you fertilizer from McCain Fertilizer to help it grow. To help you plant, harvest and cultivate your crop, they'll sell you their own make of equipment, from Thomas Equipment or McBain Equipment. Once they've got your crop, they can either process it at McCain Foods or store it at Carleton Cold Storage while waiting and working for a better price through Hartland Potato brokerage. After the produce is processed they can ship it to Ontario, Quebec or as far west as Saskatchewan on their own Day & Ross trucks; or if it is a Maritime consignment they may use M&D Transport or one of their two other trucking companies. Finally, if you should decide to branch out into livestock, you could always buy a Holstein from McBain Sales Agency. (quoted in Veltmeyer 1987, p. 38)

Vertical and horizontal integration bring many benefits to the companies that accrue them. However, when carried to the extreme, this pattern of ownership does not create an environment rich in entrepreneurial opportunities for those left outside of it.

Political economists are willing to ask the question: Who wields economic and political power and for what ends?¹⁹ The fundamental purpose of the writings of the regional political economists, whether from a Marxist, dependency theory or populist perspective, seems to be to document the facts that will support their claim that "capitalism has failed in Atlantic Canada". In general, the political economists blame the underdevelopment of the region not on a lack of resources, talent or entrepreneurship, but on "capitalist development itself" and they repudiate the capitalist system for its inability to provide economic efficiency with equity. Considering the evidence, maybe they are right – capitalism has failed in Atlantic Canada, where neither efficiency nor equity have been accomplished. It appears that in Atlantic Canada the invisible hand has been tied with the double-strength rope of monopoly and patronage.

6.4.2c Entrepreneurial Failure – Again ?

George (1970) suggests that modern regional underdevelopment in Nova Scotia is not due to differences in factor costs or to differential transportation costs, but rather to the region's supply and quality of entrepreneurship. Similarly, Alexander and other members of the "Newfoundland School" refute the thesis that decline was inevitable. While acknowledging that the economic difficulties of Newfoundland were in part due to external causes over which Newfoundlanders had little control, the fact that Iceland and Norway were able to adapt successfully to similar vicissitudes suggests that effective action at a local level can counteract economic difficulties. Above all, these

actions determine whether local control and models of economic development, as opposed to those of metropolitan regions – national or foreign – can be maintained. In summary, Alexander “argues that the fundamental problems were internal and involved the inability and unwillingness of local leadership to adjust to changing conditions and the all too willing acceptance of external development initiatives” (Cannon 1984, p. 74). As in the case of the Maritimes described by Acheson, the legacy of this local “entrepreneurial failure” has been the loss of confidence in endogenous development initiatives, and the assumption that the solution to Newfoundland’s problems (from the 1900 to the present time), can be found in the promise of foreign direct investment.

The alleged “complicity” of the federal government in the entrepreneurial failure of the Atlantic region is the source of a great deal of regional resentment. Central Canada is seen as having benefited from structural policies that favoured indigenous growth and access to a large market, while Atlantic Canada was denied such assistance. McMillan (1990) quotes some modern examples: quotas on autos (manufactured by U.S. subsidiaries in Canada for export to the U.S.) as a subsidy to Ontario workers; an expenditure bias in procurement on the part of the federal government in favour of central Canada; federal development spending is skewed towards central Canada (McMillan 1990, p. 25).

Contrary to the view that Atlantic Canadians are not entrepreneurial and that they are “inherently conservative creatures, basically satisfied with their way of life”, Brym and Sacouman argue that

...if formally political attempts at improvements have not been as successful as in, say, the Canadian west, this is due less to any inherent conservatism than it is to the fact that the character of regional underdevelopment has, at least until recently, distributed political resources so unevenly as to militate against widespread success.... (Brym and Sacouman 1979, p. 13)

In his examination of the alleged political conservatism of the region, Brym concludes:

Overall ... the citizens of Atlantic Canada know well that they have little political power. Indeed, they manifest by far the lowest sense of what political scientists call ‘political efficacy’ of any group of Canadians. ‘The Little Man’, Alden Nowlan quotes his Nova Scotian father as saying, ‘had better learn to keep his mouth shut and his arse low’. The social bases of this entirely rational assessment of capabilities, and not, as is frequently claimed, any stubborn clinging to tradition or any illusory sense of satisfaction with one’s lot, are largely responsible for

the long history of political conservatism in Atlantic Canada. (Brym 1979, p. 33)

For Barret “as long as the social structure [which condones exploitive working conditions] and power relations remain unchanged it is utopian to think that the entrepreneurial class will be the harbinger of progress” (Barret 1980, p. 277).

6.5 REGIONAL DEVELOPMENT IN ATLANTIC CANADA – 1950 TO 1990

There is probably no other field of government expenditure in which so much public money is committed but so little is known about the success of the policy. (Savoie 1986, p. 3)

It was not until the 1950s that academics and government officials began to look at economic development from a regional perspective. Since that time a substantial amount of public funds have been spent under the banner of regional development, not only in Canada, but also in most parts of the world. According to Higgins and Savoie (1988), the nature of federal systems makes them particularly susceptible to the call for regional equity. For example, in Canada “one of the most regionalized of the industrial market economies” (Op Cit, p. 21), the alleviation of regional disparities became a prime concern of federal-provincial relations. The debates over national unity have been closely linked with the need to lessen the disparities between the “have” and the “have not” provinces. In Canada, as well as in other federations,

the liberal view has come to acknowledge that particular national policies may have uneven impacts. Thus in a dynamic federal system, the principle of compensating disadvantaged regions to satisfy national distributional and equity goals and to assure the maintenance of certain economic standards has become entrenched. (Cannon 1984, p. 73)

Regional policy in Canada has traditionally had two components – regional equity in services and regional economic development.

The logic behind providing regional equity in services rests on the theory that demand can be propped up by transfer payments to individuals and by fiscal equalization schemes. These transfers give residents the increased purchasing power necessary to spur the economy, and allow “have not” provinces to provide the same level of services and basic standard of living as other regions. While some claim that these transfers are a form of “charity” that creates dependence in the recipients, others point out that it is the recipients’ right to be treated as equals in terms of government services, regardless

of where they live in Canada. Arguments also erupt over whether or not these transfers help national efficiency in terms of labour migrations.

Regional economic development policies are aimed at creating equity in employment and earned income among the regions by promoting economic growth. In Atlantic Canada, spending for structural policies to promote economic growth has been much less than spending in the kinds of transfers designed to compensate for lack of economic growth discussed above (APEC Nov.-Dec. 1990). Given that these two types of transfers are considered as “substitutes” – the more the Atlantic economy expands through regional development spending, the less equalization or unemployment insurance expenditures are required – this expenditure pattern only serves to reinforce the image of the region as a welfare basket case.

The next section deals with regional economic development efforts in Atlantic Canada, up to 1990.

6.5.1 Theories and Programs

6.5.1a The 1950 and 1960s

Margaret Conrad suggests that the 1950s saw an “Atlantic Revolution” in terms of the public sector’s responsibility over the amelioration of regional disparities:

Although the Atlantic revolution fell short of its aims ... it left a legacy which is still with us. It established the goal of regional equity within Confederation which is now enshrined in the Charter of Rights of 1982; it created a bureaucratic apparatus to fight the inter-cine battles that regional policy demands; and it sanctioned the role of the interventionist state at both the provincial and federal levels in dealing with regional disparity. (Conrad 1988, p. 61)

The 1950s and '60s are known as the ad hoc years. Policies and programmes were created to deal with issues as they arose, there was no coordinated effort and the emphasis was on poor regions. For example, the Agricultural Rehabilitation and Development Administration (ARDA) and the Fund for Rural Economic Development (FRED) were created to deal with rural areas facing dislocation because of industrialization.

In the early 1960s, the federal government realized there were specific regional structural problems, so programmes were created to concentrate efforts on a region.

The Atlantic Development Board (ADB) was designed to initiate major public works in areas of high unemployment in the Atlantic Provinces.

6.5.1b The 1970s

In 1969, the ADB was disbanded and the Department of Regional and Economic Expansion (DREE) established. DREE's original mandate was to stimulate economic development east of Trois Rivières, Quebec. Its policy initiatives were guided by Perroux's "growth pole theory"²⁰ and the perceived need to create "scale economies",²¹ therefore efforts were concentrated in "special areas". The development instruments used by DREE included regional industrial incentives, particularly for infrastructure projects, and location grants. Concentration of efforts east of Trois Rivières and the design of projects adhering to the guidelines suggested by the growth pole theory, such as families of projects designed to create linkages and to foster economies of scale or the scale economies approach were soon abandoned.²² The enormous political pressure exerted on DREE resulted in the extension of the "special area designation" and the funding of all kinds of projects. This dilution of efforts was exacerbated by the effects of the 1970 Quebec crisis and the global recession.

Policy shifted again in the early 1970s. The theoretical underpinnings of policy initiatives shifted away from the growth pole theory towards that provided by the concept of "comparative advantage"²³ in trade theory. Broad federal-provincial agreements called General Development Agreements (GDAs) were negotiated. This new approach enabled all sectors and all regions to qualify for assistance. Given the nationwide access to money, a gradual shift away from spending in Atlantic Canada began to take place. Despite the assertion of politicians and bureaucrats alike that policy initiatives were being modeled according to the exigencies of the theory of comparative advantage, an examination of the record suggests that there were no real policy directions, programme criteria or targets.

6.5.1c The Early to Mid-1980s

In 1981 DREE was combined with the Department of Industry Trade and Commerce and the new Department of Regional Industrial Expansion (DRIE) was created. The principal instruments of DRIE were the Industrial and Regional Development Programs (IRDP) which allowed companies anywhere in Canada to apply for assistance, although the level of assistance varied according to a Development Index and Economic and Regional Development Agreements (ERDA), which replaced GDAs (mostly in name). DRIE was centrally managed and the new emphasis on national priorities and industrial

incentives favoured spending in Atlantic Canada even less than under DREE. Atlantic Canadian development initiatives were centred on resource-based megaprojects, particularly in offshore oil and gas.

There were some Atlantic region-specific efforts like the Atlantic Enterprise Program which provided subsidies and other forms of assistance, and Cape Breton Development Corporation (DEVCO) whose mandate was to diversify Cape Breton's coal and steel-dependent economy. Other programmes also provided incentives like cash grants, tax breaks and the construction of industrial parks.

6.5.1d The Mid to Late 1980s

In the mid to late 1980s, emphasis began to move towards spending in Atlantic Canada again. In June 1987, the Atlantic Canada Opportunities Agency (ACOA) was announced. The fact that ACOA was locally rather than centrally managed was considered a great leap forward. It took over the initiatives and the staff of DRIE and other regional programmes, but with a \$1.5 billion budget to manage. ACOA's role was one of: policy advocacy (promoting local development), coordination of joint development projects), cooperation (managing cost-shared programmes) and action (assistance to businesses, particularly to small and medium-sized businesses with projects worth \$20 million or less). ACOA funded a wide range of programmes and initiatives and in general terms was guided by a Schumpeterian vision of the primacy of entrepreneurship in development and growth (ACOA 1988). In 1989, the federal budget was drastically cut, severely hampering the range of initiatives that could be undertaken under ACOA sponsorship.

In the 1980s there was a perceptible shift in the definition of development from one where development was synonymous with growth in the output of goods and services towards a more holistic view of development emphasizing societal well-being.²⁴ The concern over endogenous solutions to development problems, the dignity of workers and citizens in less-developed countries and regions, and the need to foster self-reliance through entrepreneurship came out of the realization that it is people who make a development strategy work.²⁵ Moreover, not only were individuals important in the success of development initiatives, but so was the "community's cohesion".

In this view, "disadvantaged regions" were defined as those not using their local resources well. Therefore, development initiatives were designed to mobilize the economic and social potential of communities, promote efficiency and equity, prevent the per-

petuation of a brain drain, and create stable and self-sustaining growth. Ideas and capital did not have to be imported; the community could generate them themselves by initiating and managing projects that met community objectives. Communities needed to be given the opportunity to build on their strengths. Also, within this approach, development did not have to be centred in urban or industrial areas, but could take place in rural or semi-rural settings where a considerable percentage of the Atlantic population live.

Policy initiatives subscribing to this view were generally classified under the rubric of Local Development and Community Economic Development. The range of projects is quite broad. For example, in Nova Scotia alone: 1) several Community Development Corporations were established with the purpose of organizing communities (geographic communities and ethnic groups), and 2) the Coady Institute carried on with the social gospel work of Moses Coady, not only locally but internationally. The Antigonish Movement,²⁶ which Coady founded during the Depression, advocates self-help and dignity through education, cooperatives, credit unions, and joint work programmes.²⁷

The Economic Council of Canada hailed this approach as the new direction of development and concluded their study of community economic development by remarking that

this approach can revitalize the economies of small and isolated communities, some of the regions that are themselves depressed.... The activities that have the best chance of success are those which build on local human resource and information infrastructure, so that the community begins to respond to market opportunities and to foster entrepreneurship in a diverse array of projects ... public sector assistance [should be applied] in ways that do not stifle the enthusiasm and innovativeness of local development organizations ... or ... local control. (ECOC 1990, p. 18)

6.5.2 Have These Efforts Been Successful?

According to APEC (1987), efforts aimed at creating regional equity in services have been relatively successful. However, regional economic development efforts have not fared as well. As mentioned in the introduction to this chapter, Atlantic Canada is still underdeveloped – it is dependent on transfers and has lower levels of development and income. Thus, traditional approaches to regional development have come under strong criticism because they have not managed to close the economic gap between the provinces. Critics claim that the federal government does too little (APEC 1989), too much (Courchene and Melvin 1986), or something in between, such as spending in too dispersed a manner (Savoie 1986). Some of the criticism centres on the theories and

policies being advanced, while other critics highlight the inefficiencies in the administration of economic development programmes (Savoie 1987, 1990).

6.5.2a To Aid or Not to Aid?

The pursuit of parity among the provinces, which has been for several decades the driving force behind the economic development initiatives of the various levels of the federal and provincial governments of Canada, has come under strong criticism. As discussed in Chapter 5, some critics claim that the concern over parity in national economic policy has blurred the line between economic and social policy (D’Cruz and Fleck 1985), and has resulted in considerable “market imperfections” which have made market adjustment mechanisms inoperative. These critics also maintain that “economic policy should be directed towards baking more pie, not towards how the pie is to be divided among the country’s regions and income groups” (Op Cit, p. xiii). The return to the “market driven” economy that they advocate will require a rethinking of economic development strategy, where government intervention and assistance in the Atlantic region is likely to be further curtailed and supplanted by “a hands-off resource allocation process” (Ibid), and where the competitiveness and productivity of the private sector become the new engine for growth. Opponents of the “restructuring” that a return to a market-driven economy demands warn that, for the Atlantic region, “baking more pie” might become analogous to “let them eat cake”.

The distorting effect of government subsidies on the competitiveness of markets is well documented and can perhaps be described by using a Darwinian analogy. Assuming that the level playing field of a free market has the ability to reward successful adaptation to the vagaries of environmental change, what the past development policies have created in Atlantic Canada is a distorted jungle.

Once upon a time, all the animals in the Jungle were concerned with adapting to their habitats and did the “normal” things that adapting species do. In order to reduce inequities among the subjects and keep the Jungle together as one nation, the King of the Jungle decided to make contributions to some of the animals in order to reduce their plight. For example, Giraffes were given GRF grants. Being a small Jungle, the Hippos soon heard there was free food for Giraffes (GRF grants), and they decided to dress up like Giraffes in order to get GRF grants. They were so successful at getting GRF grants that they gave up behaving like Hippos. Soon after, Elephants lobbied effectively for their share of Royal largesse and the GRF grants had to be discontinued. By Royal decree, the GRF food was to be supplanted by Grants for Elephants (GFE). After a brief crisis, Hippos realized that they had become adept at the art of impersonating Giraffes and receiving GRF grants, and that they

stood a good chance of obtaining GFES too. They realized they could look like Elephants if they managed to turn their newly acquired Giraffe necks into trunks, if ever so awkwardly. Soon, there was a Jungle of impersonators involved in short-term trickery to take advantage of a Jungle Development programme or two. They were no longer evolving and adapting to the real changes in the environment. Hippos with Giraffe necks as Elephant trunks cannot adapt – or compete. Their long-term survival will be based on acknowledging these distortions, shedding their trappings and remembering who they are – Hippos. (Sagebien 1990)

6.5.2b The Public Sector Report Card

Perhaps one of the most compelling arguments for the failure of economic development policies, regardless of their theoretical basis or the structure or locus of control of the administrative delivery apparatus (centralized vs. locally managed bureaucracy), has been presented by Savoie in his various treatises on politicians and the politics of public spending in Canada (Savoie 1987, 1990). He points out that

the failure of Canada's regional policies results as much from the way they [the policies] have been applied as from the incomplete theories on which they were based [Savoie 1987, p. 227] ...Regional development theories and approaches, it seems, are something to be trotted out for press conferences but should not be expected to interfere with how decisions are actually made... [Op Cit, p. 225] [And] the provincial premiers have obviously mastered the rhetoric of regional alienation and national industrial strategy has been shaped by the often conflicting interests of 11 interventionist governments. (Tupper, in Savoie Op Cit, p. 216)

The result is that policies lack coherence and the theories that underlie them have been stretched beyond recognition. Like Lithwick before him, Savoie reminds us that the "marriage of good analysis and good administration" has yet to take place in Canada:

As a result, Canada has never been able to mount effective and coherent development planning. It is also impossible to test how the various theories or approaches have worked in Canada because the necessary requirements have never been respected, even in their broadest terms. Thus, Canada has not been able to pursue a comprehensive strategy because it has never been determined which of the elements of a particular programme should be retained or discarded. (Savoie Op Cit, p. 226)

There are many regional examples of good analysis and good policy frameworks. For example, the dual call made by the Atlantic Provinces Economic Council in *The Atlantic Vision – 1990* (APEC 1980), for a regional alliance that can facilitate interprovincial

cooperation in trade and policy-making, and for the improvement of our “developmental software” (human skills) is still being made a decade later. But it has not been answered in terms of results.

The concluding chapters of Savoie’s (1986) *Regional Economic Development – Canada’s Search for Solutions* are an impassioned plea for better management of programmes in terms of objectives, organizational design, adequate instruments and measures of effectiveness. While the design of ACOA incorporated some of Savoie’s recommendations, the disappointing fate of the programme stands instead as further evidence of the government’s inconsistent approach to development. In 1989, federal government budget cuts severely hampered the Agency’s effectiveness by extending its mandate for two years with no corresponding increase in funding, and making significant adjustments to eligibility requirements. Thus, the government made the “old mistake of changing regional policy horses in mid-stream... ACOA never really got off the ground before its wings were clipped” (APEC 1989, p. 3). Criticisms of the Agency include: that its overhead consumed a great deal of its resources even though the programme was severely understaffed; that in the initial excitement too many funds were committed early on and with little analysis of the projects involved; that taxpayers’ money was used to fund dubious projects which resulted in high-profile business failures; that the tourism infrastructure was overbuilt to the detriment of the industry as a whole; and that investment was discriminatory to those that did not receive assistance. ACOA has met its mandate of job creation though. According to an ACOA official “about 20,000 jobs had been created in its [the Agency’s] first three years (*Globe and Mail*, Oct. 17, 1991). Unfortunately, in 1991, the unemployment rate in all four provinces increased and the GDP change rate for the region was negative.

Perhaps it is in the administration of the policies, and in the structure of the delivery mechanisms themselves, that the obstacles can be found. McNiven has shown how the federal/provincial funding formulas actually tend to retard development because the regions are not given the right incentives to develop:

Not only are individuals subject to the welfare trap; so are the poor provinces.... The [equalization] payments are based on a complex formula that is related to the indicators of fiscal capacity. If a recipient province’s economy were to improve relative to national averages, then the equalization payments would be reduced. There is no real incentive to get ‘off the dole’. In fact, there may be a disincentive, since there is no guarantee that the relative prosperity of the recipient province’s economy will generate tax returns that would be equivalent to the lost equalization

revenues that otherwise would be realized through a federal formula and payments. (McNiven 1986, p. 81)

In *The Politics of Public Spending*, Savoie (1990) explains how regional development has degenerated into a grab bag for federal funds where: 1) governments lobby for their “share of the waste” in order to spend public funds in every conceivable commercial activity and, 2) where most businessmen, even though they do not believe these programmes will lead to broad-based economic development, justify participating in subsidy grabbing because of a mixture of entitlement to their “share of the waste”, and of fear that if they do not get the grant, their competitors will. In his review of *The Politics of Public Spending*, Michael Bliss (1990) warns that “The enemy is us: As a people we seem to have lost the discipline fundamental to the survival of a healthy nation.... The mania among Canada’s people and politicians to secure a place in the public trough is slowly, but surely, destroying the country” (Ibid).

The end result is that the public sector lacks the incentive to manage regional development programmes effectively because the funding formulas work against such an approach, and the private and public sector “culture” that surrounds the delivery of these programmes is counterproductive.

As far as alternative models of development are concerned, while this approach has many inherent advantages and shows great potential, the effects of community and local development initiatives will usually be limited if the programmes are not supported by overall economic policy or given power and resources to implement recommendations. These programmes must be tied to a larger vision of development and adequately supported by the public sector in order to avoid becoming a “nation of souvenir makers”. In sum, hitching the wagon of development to the engines of community corporations without “leveling the playing field”, by providing adequate public support and by redressing their relative weakness vis à vis banks and the highly concentrated private sector, is likely to result in a vehicle breakdown. Moreover, the rationale for supporting these programmes must not be used as a justification of government retrenchment in overall economic development spending. Community economic development without the adequate level of public policy support could quickly qualify this strategy for inclusion in the inventory of development follies along with growth poles, cargo cults and megaprojects.

6.6 CONCLUSION

6.6.1 The Historical Analysis

As the earlier analysis has shown, there is a plethora of interpretations of Atlantic Canadian decline. Nevertheless, several themes recur throughout the literature of the various schools. Among them: 1) entrepreneurial failure to adapt to new technologies and develop new markets (Saunders); to invest in local industrial interests (Acheson and Alexander); to maintain local control of resources (Alexander); to use resources efficiently and innovatively (George, ACOA documents); 2) soft markets for resources and labour (Saunders; Veltmeyer); 3) capital drain (Mathews; Frank; Frost; Clow); 4) the co-existence of various modes of production (so called pre-capitalists vs. capitalist; or small vs. big capitalists) (Veltmeyer; Sacouman); 5) the effects of government policy (Acheson; Frank; Frost; Forbes; almost all Marxists writers consider the state to be an agent for capital; and while most liberal economists recognize the uneven spatial effects of government policy there is considerable debate about the desirability of economic intervention); and 6) centralization of power and control and colonial legacy .

All of these themes contain some truth, but none can convincingly claim to be the key, major or root cause of underdevelopment. The composite picture reveals a syndrome of symptoms or a dysfunctional system. Addressing any one of these symptoms through policy initiatives without addressing the rest is likely to result in failure. Moreover, ignoring the contributions of authors whose explanatory frameworks one does not subscribe to is counterproductive because each of these explanations is a point in this composite picture. Thus, a useful analysis of these historical interpretations would be incomplete without an examination of the contributions and shortcomings of the various theoretical approaches.

The Marxist paradigm shares with the liberal political economy approach what I consider to be a sensible and necessary regard for the context of economic analysis and policy making. Its understanding of the unequal power relationships between classes and regions, the deleterious effect of monopoly capital (foreign or domestic) and of compliant governments and local elites cannot be simply ignored, as it often is by orthodox economists. However, the “complicity” of the capitalist class, of transnational corporations and of the state in the underdevelopment of the region is once again a matter of whether one regards them as “active participants” in a “conspiracy” to drain the region of its resources and keep its workers powerless, or as rational economic agents somewhat “naively” out to safeguard their own interests with unfortunate

consequences for others. The fact remains, though, that capitalist rationality has had deleterious effects on the development of the region, whether unintended or not.

Nevertheless, I find three major weaknesses with the “application” of the Marxist analysis: 1) an excessive theoretical rigidity²⁸ which attributes all ills to Capitalism with a capital “C” and is therefore unable to articulate a solution within existing structures (e.g. there is no manual for dependency theory economic development); 2) the fact that, short of revolution, traditional Marxist policy prescriptions are not feasible in the Atlantic Canadian context; and 3) that the experience of the Asian Dragons in “getting the prices right”, when contrasted to that of Latin American countries pursuing “import substitution policies”, suggests that the participating in the international market is, after all, a good idea.

While I consider myself firmly planted in the liberal camp, and in general favour market solutions over government intervention, I also consider neo-classical economic analysis impractical and unrealistic as long as it is based solely on econometric exercises and divorced from the realities of its socio-political and historical context. Thus the issue for the proponents of liberal solutions is to make sure that in the pursuit of neo-classical economic models realism is not abandoned for the sake of theoretical and analytical elegance. As the political economists of both ilk (liberal and Marxist) will attest, we unfortunately live in a world of irrational people with fuzzy emotions, organized in groups with uneven power.

6.6.2 In Which Direction is the Policy Pendulum Swinging?

As was examined in the national context in Chapter 5 and will be examined in the regional context in Chapter 7, in the 1990s Keynesian policies have lost much of their appeal. In addition, the policies advocated by the Atlantic Canadian left – more state control, union power, centralized planning, more generous equalization transfers, resistance to structural adjustments – have also fallen into disrepute. The direction that regional development policy has taken in the late 1980s and early '90s is certainly that advocated by Courchene – policy has moved “towards adjustment (efficiency), towards decentralization, and towards reliance on private sector participation” (Courchene and Melvyn 1986, p. 66).

But how was this direction set? According to Higgins and Savoie (1988),

In many ways, the influence of each paradigm has waxed or waned more in tune with general economic circumstances and prevalent poli-

tical mood of the country than on its own merits. It seems that in times of growth, and when governments place a priority on redistributive policies, government measures for promoting regional development are favoured. When governments retrench on redistributive policies, regional development programmes tend to be cut back, and observers invariably point to the neo-classical approach as the way ahead for regional policy. (Higgins and Savoie 1988, p. 381)

Unfortunately, as discussed in Chapter 5, the current emphasis of national industrial policies on the winners rather than the losers could prove disastrous to the “have-not” provinces.

6.6.3 The State of the Art in Regional Economic Development

Higgins and Savoie (1988)²⁹ have characterized the current state of regional analysis policy and planning as “yeasty” and “transitional”. There are debates associated with political/economic orientation; people vs. place prosperity; national efficiency vs. regional equity etc.³⁰ Higgins and Savoie state that there is no single economic theory that can explain regional disparities or a proven model for ameliorating them. They trace some of the disappointment with regional development models and initiatives in part to earlier exaggerated expectations about the effect of government intervention on the regional economy and to the naïve belief that some sort of panacea or wonder drug could be found. As Nigel Spence of the London School of Economics suggests, any one of the regional development instruments by itself – infrastructure projects, subsidies, tax breaks, training centres etc. – is “necessary but not sufficient” to spur development (Spence 1990). It is as if regional policy-makers were being asked to replicate the work of Dr. Frankenstein³¹ – first assemble all of the parts of the body and then activate them with that mysterious spark that can give it life. As for regional economic development, so far the parts have been assembled, but the spark of life is proving to be more elusive.

Higgins and Savoie also note that recently there is more of a willingness on the part of politicians, policy-makers and citizens alike to realize that there will always be regional differences and that these disparities need not always be eliminated (at least in theory) through policy interventions. As Richard Lipsey puts it:

For all the concern about regional area development and regional problems in Canada, we do not really have an underlying theory. We do not know what we would have to do, what are the conditions under which there would be regional equality, however we define equality. (Lipsey, in Savoie 1986, p. 5)

Despite all the debates, the disappointments, and the lack of conclusive evidence pointing towards effective regional policy frameworks, two things can be concluded: 1) that should some form of federal structure with or without Quebec continue, federal and provincial regional development initiatives will not disappear completely from the Canadian scene for the simple reason that they are an aspect of national cohesion, and 2) that the “have not” regions, which were probably better off thanks to regional policy expenditures than they would have been otherwise, will have to do a lot of serious thinking about surviving the retrenchment of public expenditure in regional development. Unfortunately, as far as theories and approaches which might guide the future of regional development policies, Savoie points out that senior researchers in the field admit that considerable uncertainty still exists. He quotes the Economic Council of Canada:

Doctors used to try to cure syphilis with mercury and emetics. We know that mercury works but emetics do not and, moreover, that penicillin is best of all. We suspect that the regional disparity disease is presently being treated with the mercury and emetic-type remedies, but we don't know which is which. Perhaps one day an economic penicillin will be found. (ECOC, in Savoie 1986, p. 21)

6.6.4 What Does Quebec Have that Atlantic Canada Does Not? – Quebec Inc.

In the 1960s, French Canadians in Quebec earned 64% of the national average income. Over half of those aged 20 and over had not reached grade 8 and only 2% of students went to university. In spite of constituting 80% of the population, they owned only 20% of Quebec's manufacturing sector and 47% of the total commercial sector (Fortin 1990). In the 1990s, however, two-thirds of the productivity gap with Ontario has been closed, almost all teenagers go through grade 8 and over 20% of students make it to university. The income gap between Francophones and others is no more than 10%. Francophones own 40% of the manufacturing and 62% of the total commercial sector, and run 27 of the 50 fastest-growing public companies in Canada, and Quebec companies spend more on R&D than the rest of the country. How did they do it?

There are, of course, many explanations for this phenomenon. However, Fortin's list of the key factors in the economic modernization of Quebec provides a good overview of the province's development experience:

1) The educational revolution with its emphasis on economics and business, and the development of a strong, self-reliant, market oriented mentality.

2) The shrewd evolution of the provincial government from being the main engine of economic progress in the 1960s to becoming the oil which helps the business engine run smoothly in the 1980s.

3) The widespread understanding that competitiveness in the long run is the product of four key ingredients: (i) the quality of manpower, (ii) technological innovativeness, (iii) the stability of the financial environment, and (iv) a reasonable level of taxation; and *the willingness to act decisively upon the environment to make them happen.*

4) *The very strong sense of community across regions, industries, and social groups, which is reflected in tightly knit cooperative institutions.* (Fortin 1990, emphasis added)

The experience of Quebec is a bright spot in the picture of Canadian regional development. As will be examined in the next chapter, regional development policy in Atlantic Canada has incorporated Mr. Fortin's first two key factors and most of the third. Unfortunately, if Fortin's four elements are part of a synergistic whole, Atlantic Canadian economic development policy will once again result in failure, in part because policy-makers and politicians alike have not managed to incorporate the last element of the third key factor – the willingness to act decisively. Fortin's fourth key factor could be regarded as Quebec's *projet de société*, or in economic terms, Quebec Inc. In Atlantic Canada regional institutions – provinces, counties, universities, small communities – are instead characterized not by their cooperativeness or common purpose, but by their petty squabbles for territory, and their demands for their “share of the waste”.

In order to achieve the elusive dream of economic development, Atlantic Canadian scholars, artists, politicians and populace, will have to face the challenge of discovering the inherent base of the region's confidence, and then articulating a new vision based on this rediscovered confidence. In the words of Fleming (1988), Atlantic Canadians must move beyond

mere 'anger' about de-industrialization, central Canadian exploitation, capitalist underdevelopment, federal government recalcitrance, or top down arrogance and stupidity... [as well as beyond] ...mere 'longing' for communities past and missed or present and threatened [Fleming 1988, p. 12] ... [and instead] ... actively and collectively create their own circumstances. (Ibid)

The shift towards self-reliance and endogenous development is examined in the next chapter.

ENDNOTES

- 1 Regionalism has always played an important part in Canadian social, cultural and economic history. The country as a whole has often been compared to a collection of regionally based societies, and to a mosaic of cultures. While the question of what constitutes a region (geography, language etc.) is of some importance to this analysis, for the sake of simplicity and brevity I will not explore the subject in this work. Instead, I have taken the existence of Canadian regions, of which Atlantic Canada is one, as a given. For a discussion of regionalism in Canada see: Westafll (1980); Lithwick (1980) and Stevenson (1980).
- 2 See *inter alia* Cannon (1984), Norrie and Owram (1990), Weaver and Gunton (1982), APEC (1987), Morley (1986), Barret (1980).
- 3 See the works of Thomas Courchene.
- 4 Soderlund *et al.* (1990) rate the importance of the political, economic, cultural and geopolitical dimensions differently. Their content analysis of the debates of the Confederation era concluded that "our analysis discloses the primacy of political consideration [over the other three] in the process of Confederation in decision-making in Canada.
- 5 The Canadian predilection for activist industrial policies can also, in part, be attributed to its daunting geography. While in the U.S. the westward expansion was fueled by the myth of rugged individualism, in Canada the hardships of opening up the Canadian Rockies and the Canadian Shield necessitated a more collective endeavour fostered by the state (*Economist*, June 29, 1991).
- 6 Michael Bliss (1982) has been careful to point out that the term National Policy was used in the 19th century to refer exclusively to the tariff barriers that were erected between the U.S. and Canada. He suggests that historians have mistakenly assumed that the National Policy was a coherently designed industrial policy which included railway construction and the development of manufacturing behind tariff walls. While these policies were implemented, they happened in an ad hoc manner and were not part of a grand national design: "The imputation of a clear, planned and effective relationship between a National Policy of protective tariffs and Canada's other national policies is actually an intellectual construct, imposed after the fact by economists looking backward through glasses tinted by a preference for rationality and clarity" (Bliss 1982, p. 18). However, whether coherently designed or ad hoc, the result of this collection of policies could be said to qualify the new Dominion as a "developmental state" engaged in the pursuit of activist industrial policies.
- 7 Canada did not change its legal status as a colony to that of a fully independent sovereign state within the British Commonwealth until 1931.
- 8 It is interesting to note that in the late 1800s constituencies already competed fiercely with each other in attracting foreign branch plants through a system of "bonuses" to industry. This pattern is still in effect in the 1990s and was a primary "development tool" in the 1970s.
- 9 Reciprocal free-trade agreements between Canada and the U.S. were being explored even during this period of protectionist sentiment, but it would take over a century to establish a mutually agreeable treaty. In an interesting twist of fate, in the 1980s, it was the Conservative party that argued for free-trade, rather than for protectionism.
- 10 McIntosh's narrow version of the staple theory is similar to Douglas North's "economic base" approach.
- 11 At first to those of Britain and then of the U.S.
- 12 Rates, tariffs and entrepreneurs form part of alternative explanations of regional decline.
- 13 It can be argued that if regional merchants had had a longer-run perspective the investment required for the industrialization of the Atlantic region would have occurred. Apparently, merchants in the 19th century suffered from the same short-run mentality that afflicts modern managers. Efforts to create local venture capital pools and investment vehicles that invest in local stocks have failed repeatedly.
- 14 See Norrie and Owram (1991), pp. 452-463.
- 15 Atlantic Canada shares with the Western and Prairie provinces the tradition of grievances against central Canada. According to Arsenault (1991) "what interlocks the Atlantic and Prairie regions is the belief that they are outgunned in national politics, and that as a consequence they have been economically exploited by central Canada" (p. 14). While the lack of political voice can be seen as the result of a lack of economic power in Atlantic Canada and in the Prairies, in the case of the West the economic power gained in the 1980s has not been converted into political power for

Western and Prairie provinces during prosperous years. Western alienation has “persisted and intensified in Alberta and Saskatchewan”.

- 16 See Cannon (1984); Barret (1980) and Sager (1987).
- 17 This theme is addressed in a subsequent section.
- 18 Diane Francis is a journalist not associated with the left.
- 19 See Burrill and McKay (1987), Brym and Socouman (1979).
- 20 The theory of “Growth Poles” was advanced by Francois Perroux and later refined by Boudeville. In general terms the theory suggests that growth does not occur naturally and evenly, but at poles of growth with various intensities, and that certain propulsive industries act as the “engines” for growth in these poles. The policy implications of this theory are to encourage clustering in urban “special areas” in retarded regions that were deemed to have the potential for rapid and sustained growth. The growth pole theory resembles Porter’s clusters discussed in Chapter 4. See Perroux (1988) for a recent discussion of the notion of poles of development.
- 21 Another way to increase the effects of clustering is to encourage industries in various sectors to develop close together and be accessible to each other as buyers and suppliers. This “one stop shopping” enables better access to labour, resources and infrastructure. The policy responses centre around the creation of industrial parks.
- 22 Critics of both of these approaches maintain that there are also dis-economies of size, that quality of life suffers during agglomeration, and that there is no need for large-scale projects in a post-industrial economy. Savoie further suggests that waiting for development to happen by simply building an industrial park is analogous to the “Cargo Cult” in the South Pacific where natives built airplane runways and waited for the silver birds (U.S. military planes) that had once brought food and supplies to return.
- 23 The notion of “comparative advantage” is part of the “export-base” model of growth, where development depends on increased exports, which in turn create linkages to the service sector, multiplying the growth effect. Whether dealing with a region or a country, its economic potential can be best realized by concentrating on its economic strengths – its comparative advantage. Exports also create foreign currency for imports. While intuitively appealing, this model also has its critics. See the discussion of comparative vs. competitive advantages in Chapters 1 and 2.
- 24 See for example Doug Houses’ work on Newfoundland (1988).
- 25 The roots of this view of development can be traced to Schumacher’s (1973) seminal work *Small is Beautiful. Economics as if people mattered*. Schumacher advocated development policies that fostered participatory development, bottom up planning education and training, and the transfer and use of adequate technology.
- 26 The Antigonish Movement in Nova Scotia bears great resemblance to the Sarvodaya Movement in Sri Lanka. They are both self-help social gospel movements, the former based on Christian principles and the latter on Buddhist ones.
- 27 Wilson (1992) suggests that the Antigonish Movement failed to translate its objectives beyond a social gospel and into a broader political dialogue which could have increased the movement’s power base and impact on the region.
- 28 For example, some authors in the most radical camp reject growth in the peripheral region as a possibility, despite empirical evidence to the contrary (e.g. the NICs).
- 29 This work can be considered representative of the “state of the art” in regional economic development in the late 1980s. It is based on a collection of papers presented by distinguished Canadian and international scholars at a conference organized by the Canadian Institute for Research on Regional Development, held in Grand Pré, Nova Scotia, in 1985.
- 30 See Lithwick (1982) for a critique of Canadian regional policy-making.
- 31 According to Hindle (1985), Mary Shelley’s classic novel *Frankenstein* expresses Mrs. Shelley’s view of the idealism that characterized her husband Percy as well as many of their contemporaries. This romantic idealism with its overarching heroes is “based in man’s, or more correctly *men’s* ‘divine’ or creative powers. It is Mary Shelley’s critique of where such highly *abstracted* creative powers can lead when put in a ‘realizing’ scientific context and then driven along with ‘lofty ambition’ and ‘high destiny’ that we see in the pages of *Frankenstein*” (Hindle, introduction to *Frankenstein*, 1985 edition, p. 19)

CHAPTER 7

THE 3 Cs – COMPETITIVENESS, COOPERATION AND CONSTITUTION. REGIONAL POLICY IN ATLANTIC CANADA IN THE 1990s

7.1 INTRODUCTION

Regional development policy-making in Atlantic Canada has become a very difficult exercise in the 1990s. On the economic front, planners must simultaneously grapple with: 1) the forces of globalization; 2) the impact of the U.S./Canada Free Trade Agreement (soon to be NAFTA); 3) the Canadian and U.S. recessions; 4) increased worldwide competition in commodities; 5) crisis conditions in the resource sectors; 6) the rippling effects of the tight monetary policy of the late 1980s; and 7) the 1991 Goods and Services Tax. On the political front, they must contend with: 1) the recent Canadian constitutional crisis; 2) the continuing threat of a sovereign Quebec; and 3) a growing distrust of both politicians and the private sector as leaders. Compounding the problem is the fact that planners also face uncertainty over which development policies are more effective, just at the time when policy options are severely restricted by fiscal restraint in Ottawa. In sum, the economic and political problems of the region are reaching crisis proportions, confidence in economic prescriptions of the past is faltering, the federal and provincial coffers are empty, and there is not yet a person, group or sector that can take charge of leading the region through the messy years ahead.

Responses to these vicissitudes have come from all quarters of Atlantic Canadian society. The federal government, the various provincial governments, the private sector, labour and academics have all developed plans and initiatives. This chapter examines the major themes of development policy developed at the Atlantic Canadian, Maritime and provincial levels from 1990 to 1992. In this way it sets the regional planning context in which “Creating Our Own Future” was developed, and introduces some of the arguments that will be used in the evaluation of Voluntary Planning in Part IV.

The chapter begins by presenting a composite picture of the Atlantic Canadian economy in the early 1990s. Chapter 7 then examines the nature of regional development policy from 1990 to 1992 by taking a look at the development policy documents prepared by the major agencies charged with economic planning: the Atlantic Provinces Economic Council, the Council of Maritime Premiers and the four Atlantic provincial governments. The chapter organizes the discussion around the three primary themes evident in these policy documents: 1) competitiveness, 2) cooperation, and 3) constitution – what

I have termed the “3 Cs”.¹ These descriptive sections are followed by an analysis of the 3 Cs within the Atlantic Canadian political economy. Chapter 7 ends with a discussion of the “learning disabilities” that hinder development in the region. This section couches the arguments presented in Chapters 6 and 7 in the language of Senge’s (1990) “learning organizations” presented in Part II of the thesis, and sets the rationale for several of the recommendations presented in Chapter 12.

7.2 THE ATLANTIC CANADIAN ECONOMY

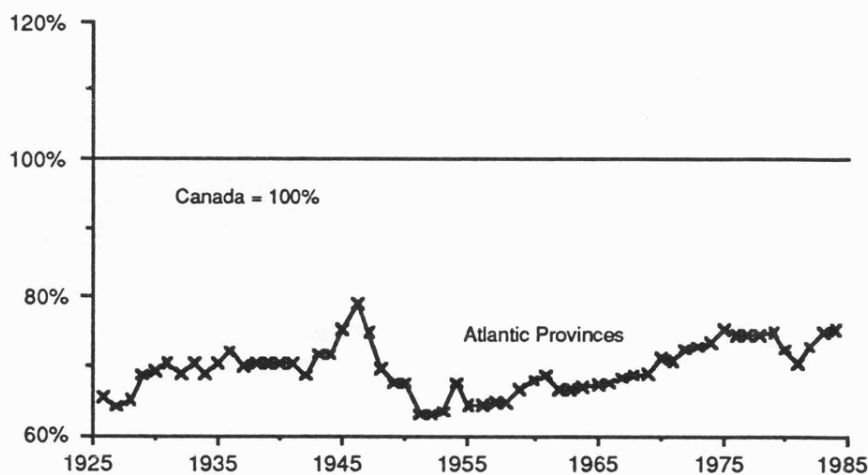
The basic demographic statistics of the Atlantic region were presented in Chapter 6. Section 7.2 complements this overview by providing a summary of the Atlantic Canadian economy. It presents the main economic indicators for 1990-1992, a near-term forecast and a more detailed outlook for Nova Scotia, the setting for the case study. The section draws heavily from several documents prepared by APEC. The rest of Chapter 7 catalogues and analyzes the responses that regional policy-makers have given to these vicissitudes.

7.2.1 1990-1992

Disparities between Atlantic Canada and the rest of the country have remained wide for several decades. Most of the narrowing in these disparities has been due to transfers from Ottawa rather than to greater productivity, or to increases in GDP. Personal and earned income remain below the Canadian average (Exhibits 1 and 2) as does real per capita GDP (Exhibit 3). Regional unemployment has also remained higher than the national average (Exhibit 4).

EXHIBIT 1

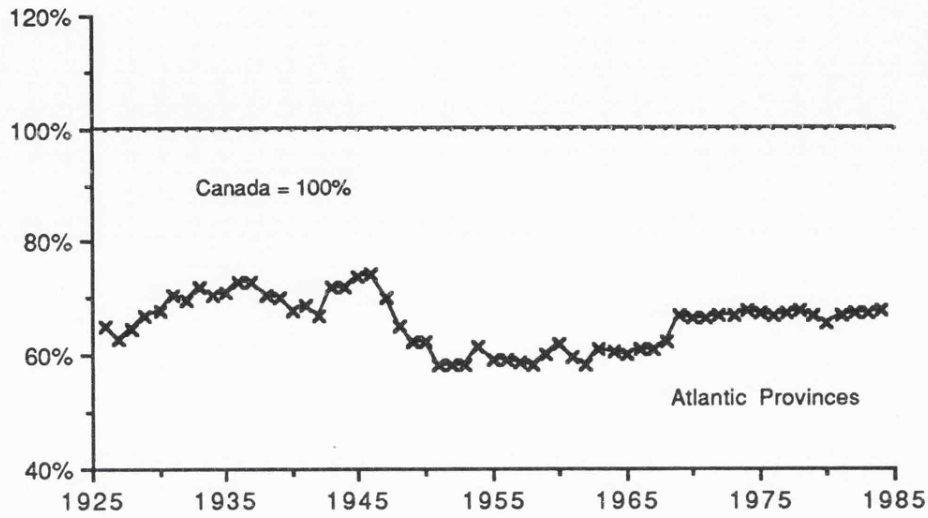
Personal Income per Person of Atlantic Provinces, as a Percentage of Canada, 1926-1984



Source: Statistics Canada 13-213

EXHIBIT 2

Earning Income per Person of Atlantic Provinces,
as a Percentage of Canada, 1926-1984

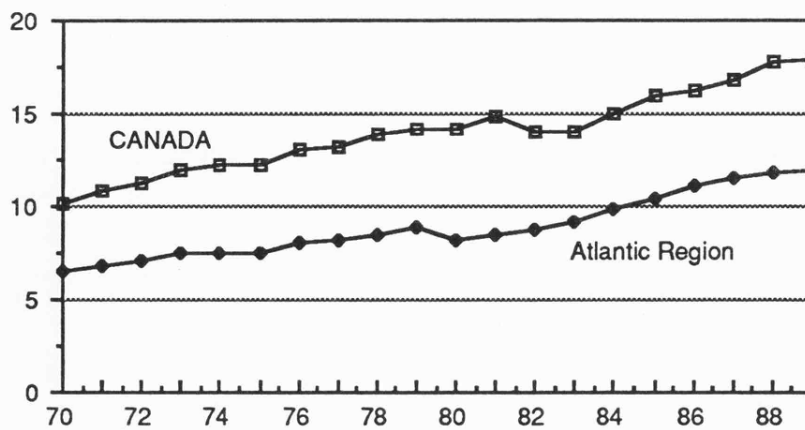


Source: Statistics Canada 13-213

EXHIBIT 3

Canada and Atlantic Canada
Real Per-Capita GDP

\$ thousands (1981)/year



Source: Provincial Economic Accounts; Bank of Canada

EXHIBIT 4

Unemployment Rate, Atlantic Provinces and Canada, 1966-1986

	Percent of Labour Force				
	Newfoundland/ Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Canada
1966	5.8	-	4.7	5.3	3.4
1967	5.9	-	4.9	5.2	3.8
1968	7.1	-	5.1	5.7	4.5
1969	7.4	-	4.9	6.7	4.4
1970	7.3	-	5.3	6.3	5.7
1971	8.4	-	7.0	6.1	6.2
1972	9.2	10.8	7.0	7.0	6.2
1973	10.0	-	6.6	7.7	5.5
1974	13.0	-	6.8	7.5	5.3
1975	14.0	8.0	7.7	9.8	6.9
1976	13.3	9.6	9.5	11.0	7.1
1977	15.5	9.8	10.6	13.2	8.1
1978	16.2	9.8	10.5	12.5	8.3
1979	15.1	11.2	10.1	11.1	7.4
1980	13.3	10.6	9.7	11.0	7.5
1981	13.9	11.2	10.2	11.5	7.5
1982	16.8	12.9	13.2	14.0	11.0
1983	18.8	12.2	13.2	14.8	11.9
1984	20.5	12.8	13.1	14.9	11.3
1985	21.3	13.2	13.8	15.2	10.5
1986	20.0	13.4	13.4	14.4	9.6

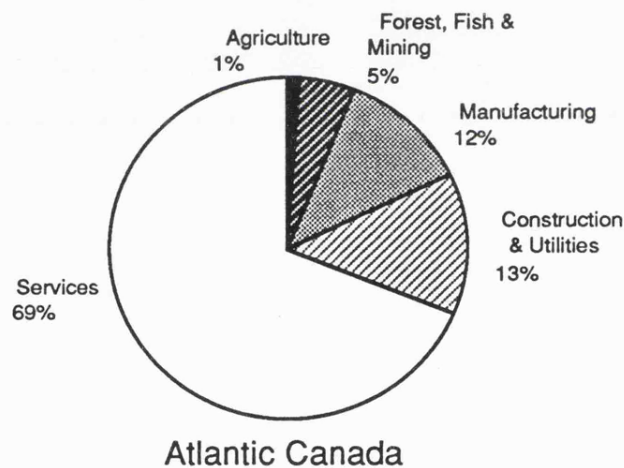
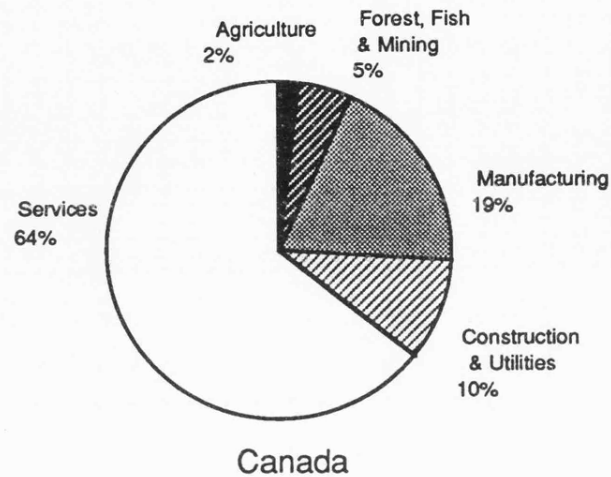
Note: Not available for Prince Edward Island in most years before 1975.

Source: Statistics Canada Catalogue 71-201

Services, which account for 70% of the value of output, are either government-spending related (military, hospitals, universities etc.) or dependent on resource and manufacturing performance (Exhibit 5). They are rarely exported. In 1991 and 1992, publicly-funded services like health care and education were hit by spending cuts and the tourism sector suffered. The Atlantic region is still heavily resource-based. Most of these resource exports undergo very little value-added, a factor that makes them even more vulnerable to swings in the volatile, and often depressed, commodities markets. In 1991, "the fisheries remain mired by pressures on stocks or low prices for some important species. Pulp and paper in North America has too much capacity in the face of soft markets. Mining inevitably suffers when consumers stop spending" (APEC, Dec. 1991, p. 3). Non-resource base manufacturing is not well developed.

EXHIBIT 5

Goods and Services Production by Sector – Atlantic Canada and Canada, 1989



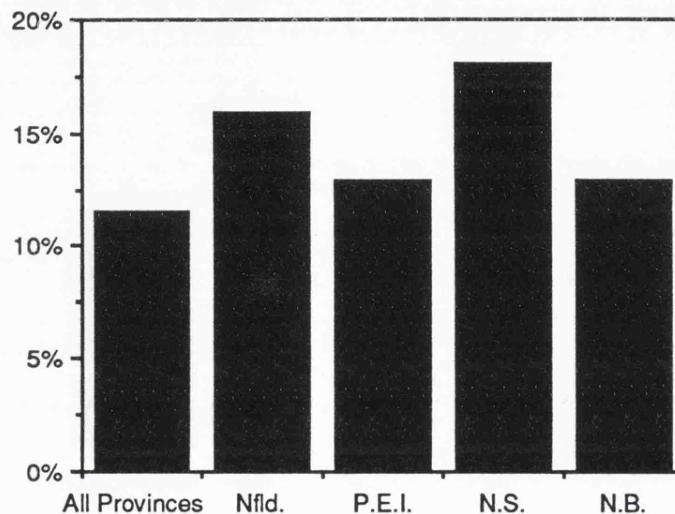
Source: Conference Board of Canada

The region is hampered by a shortage of capital. There is very little equity financing available due to both problems in the quality of the demand (the level of sophistication of the seekers of investment capital) and the supply of capital.² According to Venture Economics Canada Ltd., only 1% of Canada's available pool of professionally managed venture capital was invested in Atlantic Canada in 1987 (quoted in V.P., Nov. 1991). Sixty-three percent of those surveyed by Voluntary Planning in a Start-Up Business Survey reported that their growth was seriously constrained by a lack of equity capital. While Atlantic Canadians have a relatively high rate of savings, most of these deposits are syphoned out of the region for investment in other areas of Canada, in part because there are few instruments designed to invest these funds in the region. By some estimates, there is \$20 billion worth of private Maritime capital tied up in pension

funds and retirement savings plans, which are neither managed nor invested locally (Ross 1992). There is no regional securities commission. Provincial governments have a combined public-sector debt of \$20 billion (McMillan 1989). Debt charges as a proportion of provincial revenues are burdensome (Exhibit 6).

EXHIBIT 6

Debt Charges as a Percent of Provincial Revenues



Source: Departments of Finance

Skill levels in the region are low. For example, 48% of the people aged 16 to 69 cannot meet everyday reading demands, compared with a national average of 38%.³ This low level of skill is in part due to the region's chronic out-migration. Besides lowering the skill base of the work force, this brain drain of the "fittest" and the "best" also depresses average income for the region and hampers efforts to attract or retain high-skill job companies in the region. The Atlantic Canadian private sector is characterized as lacking competitiveness and entrepreneurship; [having] poor management; lower productivity [the lowest in Canada, due in part to a low-tech, low skill industrial structure]; slower adoption of new technologies; inadequate skill and lack of training; fewer scale economies; and there is little risk-taking tradition (APEC Nov.-Dec. 1990).

In the late 1980s and early 1990s, national macroeconomic policies were far from helpful to the region. Fiscal policy has been restrictive in order to fight fiscal deficits and until late 1991 a counter-inflationary monetary policy has been applied equally across Canada, although inflationary pressures emanated from Ontario. In 1991, the high interest rates that supported a high Canadian dollar dampened the export potential

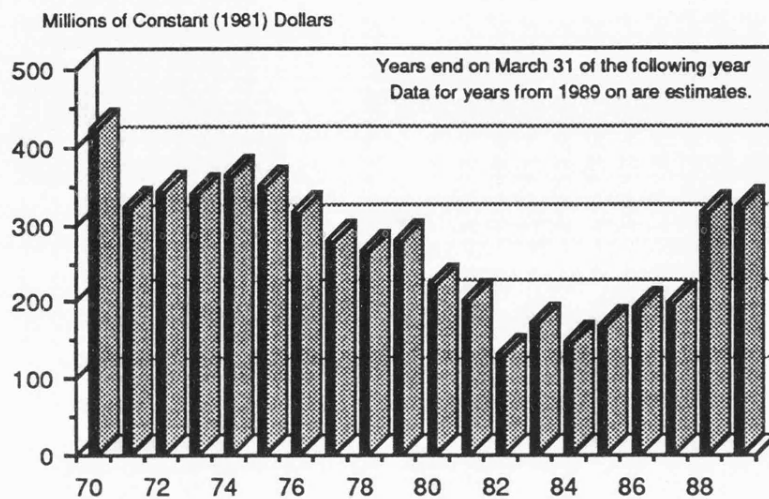
of Atlantic Canadian goods. In 1992, the lower interest rates and lower dollar exchange rates have yet to help the region out of recession. The 1991 Goods and Services Tax placed a short-term heavy burden on the Atlantic economy which is 70% services.

Atlantic Canada is highly dependent on several kinds of transfers from Ottawa.⁴ Federal spending in the region includes:

- 1) *Equalization and unemployment insurance programmes* which compensate for lower levels of economic opportunities. Of the \$8.4 billion paid out nationally in equalization payments in 1991-92, \$3.1 billion will flow to the Atlantic region. Of the \$39 billion dollars spent nationally on transfers to persons in 1989, the Atlantic region accounted for \$4.7 of this total. Atlantic Canada generally accounts for one-fifth of all unemployment payments and the region's residents receive more in benefits than they pay in premiums.
- 2) *Subsidies and regional development programmes* aimed at spurring economic growth (ACOA etc.). Atlantic Canada generally received higher transfers per person up to the early 1980s, but has consistently fallen behind other parts of Canada, especially the West. Transfers to Atlantic Canada decreased for almost a decade and then have steadily increased since the mid-1980s due to the activity of ACOA. Real (in constant dollars) regional development spending began to decline in the Atlantic region in 1969. Regional development spending as a percent of total programme spending was as high as 1.3% in 1970-71 and fell as low as 0.2% in 1981-82. The upward trend in Atlantic regional development spending in the late 1980s associated with the ACOA programme has been short-lived, with spending once again sliding in the 1990s (Exhibit 7).
- 3) *Transfer to provincial governments*, primarily Equalization, Established Programs Financing (EPF) and Canada Assistance Plan (CAP). The proportion of provincial revenues coming in the form of federal transfers in 1991-92 ranges from 37 to 44%. This compares with 12% in Ontario and 20% in Quebec. Equalization as a proportion of provincial revenue has been declining in recent years, however.⁵ Federal spending through CAP has assisted the provinces with spending on social assistance on a 50:50 basis. EPF spending has assisted with provincial health care and post-secondary education programmes. Growth in the CAP and the EPF have been reduced in the 1990 and this pattern is likely to continue as part of federal deficit control efforts.
- 4) *Spending on goods and services* (e.g. military personnel, preferential purchasing). Of the \$20 billion dollars of federal spending on wages and salaries in 1989-90, \$2.8 billion were spent in Atlantic Canada. Nationally, federal employment declined by only 0.7% from 1985-86 to 1989-90. In Atlantic Canada, it declined by 3.7%.

EXHIBIT 7

Regional Development Program Spending, Atlantic Canada, 1970-71 to 1989-90



Sources: Departments of Regional Economic Expansion; Industry, Trade and Commerce; Regional Industrial Expansion.

7.2.2 Forecasts for the Atlantic Economy

According to APEC, the prospects for the economic future of the region will depend in great part on: 1) the American recovery; 2) the recovery of Ontario; 3) the interest and dollar exchange rates; 3) the return of consumer confidence; 4) political uncertainty in Canada; 5) the possibility of further spending restraint by the public sector; 6) whether the Hibernia project (offshore oil) gets off the ground given the withdrawal of Gulf Canada Resources Limited and delays in funding; and 7) the effect of the dramatic decline in northern cod stocks. Exhibit 8 provides a comparison of main indicators for the U.S., Canada and Atlantic Canada.

In the uncertain global and national climate of the 1990s, the future economic well-being of Atlantic Canada will depend in great measure on the region's ability to become less dependent on transfers from Ottawa by becoming more self-sufficient. From 1990 to 1992, regional policy-makers concentrated their efforts on: 1) developing an internationally competitive economy; 2) leveraging the efforts of the individual provinces by fostering regional cooperation; and 3) negotiating a constitutional arrangement that could benefit its residents. In 1993, regional planning documents will most likely continue seeking competitiveness and regional cooperation, as well as some form of federal/provincial arrangement, outside of the constitutional arena, that best suits regional needs.

EXHIBIT 8**Summary of Main Indicators, United States, Canada and the Atlantic Provinces 1991-1993**

	1991	1992	1993
United States			
Real GDP (% change)	-0.7	2.5	3.7
Canada			
Real GDP (% change)	-1.5	2.0	3.6
Unemployment rate (%)	10.3	10.8	10.5
Employment (% change)	1.8	0.0	1.7
Retail sales (% change)	-6.3	2.5	5.5
Housing starts (thousands)	156.0	175.0	195.0
CPI (% change)	5.6	1.8	2.4
Prime business rate (%)	10.0	7.25	7.25
Canadian dollar in U.S. cents	87.3	83.5	83.5
Newfoundland and Labrador			
Real GDP (%)	-0.5	-1.0	1.0
Unemployment rate (%)	18.4	21.0	20.0
Employment (% change)	-2.0	-5.0	1.0
Retail sales (% change)	-2.7	1.7	4.0
Housing starts	2,836.0	2,300.0	2,500.0
CPI (% change)	6.2	1.2	2.0
Prince Edward Island			
Real GDP (% change)	-1.5	2.0	3.0
Unemployment rate (%)	16.8	17.0	17.0
Employment (% change)	-4.2	-0.2	1.5
Retail sales (% change)	-10.0	5.0	4.0
Housing starts	553.0	600.0	625.0
CPI (% change)	7.5	1.5	2.1
Nova Scotia			
Real GDP (% change)	-1.0	0.4	2.5
Unemployment rate (%)	12.0	12.7	12.4
Employment (% change)	-2.1	-2.0	1.1
Retail sales (% change)	-5.4	2.5	4.5
Housing starts	5,173.0	4,900.0	5,000.0
CPI (% change)	6.1	1.5	2.1
New Brunswick			
Real GDP (% change)	-1.2	1.0	3.0
Unemployment rate (%)	12.7	13.0	12.8
Employment (% change)	-1.7	0.5	1.3
Retail sales (% change)	-6.0	2.5	5.5
Housing starts	2,872.0	2,900.0	3,200.0
CPI (% change)	6.5	1.8	2.3

Source: APEC, June 1992.

7.2.3 The Outlook for Nova Scotia

Since Part IV of the thesis focuses on Nova Scotia Voluntary Planning, a closer look at the prospects for the province is called for. From 1990 to 1991, the average unemployment rate rose from 10.5% to 12% and is expected to become even higher in 1992. The province's fisheries, manufacturing plants and public sectors experienced

large lay-offs. Declines in federal transfers and revenue shortfalls did not permit a stimulative provincial budget, and further public sector lay-offs are expected. Prospects for the end of 1992 and for 1993 are for modest recovery. See Exhibit 9 for a summary of leading indicators for the province.

EXHIBIT 9

Nova Scotia – Leading Indicators

	Latest Data	Year Earlier	% change from year earlier	
			N.S.	Canada
Labour force (May/92)	413,000	421,000	-1.9	-0.2
Employment (May/92)	357,000	370,000	-3.5	-1.2
Unemployment rate (May/92)	13.6%	12.1%	–	11.2%*
Participation rate (May/92)	59.9%	61.3%	–	65.4%*
Unemployment insurance beneficiaries (Apr/92)	76,640	74,050	3.5	-2.7
Total wages and salaries (\$ million, Jan-Apr/92)	2,746	2,765	-0.6	-2.5
Consumer Price Index (all items, 1986=100, May/92)	125.71	24.5	1.0	1.3
Value of retail trade (\$ million, Jan-Apr/92)	1,786	1,723	3.7	2.1
Value of domestic exports (\$ million, Jan-Apr/92)	721.67	16.4	0.7	8.1
Value of manufacturing shipments (\$ million, Jan-Apr/92)	1,625	1,752	-7.2	-0.4
Cargoes shipped through Port of Halifax ('000 t, Jan-May/92):				
Imports	3,123	3,090	1.1	N/A
Exports	2,698	2,834	-4.8	N/A

Note * Actual rate, Canada, May 1992. Labour force data are adjusted for seasonal variation.
Sources: Statistics Canada; Ports Canada.

7.3 THE AGENTS OF CHANGE – THE INSTITUTIONS AND THEIR PLATFORMS

Despite the bleak economic conditions revealed by traditional economic indicators presented in this chapter, “quality of life” is often cited as the primary reason for living in the Atlantic region, and for wanting to return to it. As stated by APEC, “the consensus, both in the region and in Canada as a whole, is that intangible social and environmental qualities make Atlantic Canada a better-than-average place to live” (APEC 1987, p. 19). Crime, suicide and divorce rates are lower than the national average. The region

is a pleasant, clean, peaceful, non-aggressive, friendly and beautiful place to live. Well-paying, year-round, stable jobs are hard to come by, but the safety net provided by the welfare state in part compensates for this lack of opportunities. Given that the decline of the economic region began in the mid to late 1800s, one could posit that by-and-large, except for a few industrial areas, the region somehow missed the industrial revolution. The result is a certain level of social and community “wholesomeness” and cohesion that is quite rare in a world where, in the Cold War terminology: 1) the “first world” must contend with congested and violent mega-cities and inter-bloc friction caused by lower national economic growth rates; 2) the ex “second world” is threatened by regional warfare and “ethnic cleansing”; 3) and the “third world” must pay the social costs of structural adjustment programmes.

From the point of view of the intangible and elusive indicator “quality of life”, the Atlantic Canadian political-economic system has actually worked quite well. The region might lag behind the rest of Canada in some indicators, but the inhabitants in general feel that these economic disparities are offset by other more important socially-based advantages. Unfortunately, the system is showing signs of stress. A combination of external factors over which the region has little control is threatening this cherished “quality of life”. As stated in Chapter 1, the three major factors affecting the region are: 1) the reduction of federal transfer payments, subsidies and expenditures; 2) the political instability resulting from Quebec separatism; and 3) the economic pressures of the FTA and soon those of NAFTA. The general distrust of the political system’s ability to manage these challenges effectively is a contributing factor to the rate of system failure. In the years to come, the key questions for regional planners, academics and politicians will be How can the good aspects of the old system, “the quality of life of the region”, be salvaged while at the same ameliorating the hardships that can be expected from the transition between the old system and the new? Section 7.3 examines some answers to this question.

Section 7.3 catalogues the major economic development policy documents produced, from 1990 to 1992, by the principal policy-making agencies at the Atlantic, Maritime and provincial levels – the Atlantic Provinces Economic Council (APEC), the Council of Maritime Premiers (CMP) and the four provincial governments respectively. The analysis is organized around the three major themes evident in this literature – competitiveness, cooperation and constitution – what I have termed the 3 Cs. This descriptive section is followed by an analysis of the 3 Cs within the political economy of the Atlantic region and within the framework of “systems thinking” presented by Senge (1990).

7.3.1 The Atlantic Provinces Economic Council

APEC is certainly the voice of authority in regional economic matters, and its many publications and conferences are considered the “state of the art” in Atlantic Canadian regional economic planning. Formed in 1954, APEC is

an independent not-for-profit, private corporation... [whose] objective is to promote the economic development of the four Atlantic Provinces... through development of public policy, analysis and comment on emerging issues, delivering unique information service to members, and promoting economic cooperation among the Atlantic provinces and the federal government. (APEC 1987, p. ii)

APEC publishes scores of reports on subjects of importance to the regional economy. However, from 1990 to mid-1992, a substantial amount of their work focused on the 3 Cs. Section 7.3.1 examines their major policy documents and annual conferences with special attention to the treatment of these themes.

APEC’s 1990 conference, held in St. John’s, Newfoundland, during the Meech Lake constitutional debates, marked the transition towards a more wholehearted commitment to a different approach to regional development. Rather than focusing on the alleviation of regional disparities, and calling for more government intervention in the economy, the conferences key argument was that the development goal for the region in the 1990s was to achieve

self reliance and increased productivity ... [through a more] ... adaptable, flexible, innovative, risk taking private sector... [which in turn requires] ...improvement to fiscal, monetary and exchange rate policies and by elimination of some of the need transfer payments through successful development programme for the region. (APEC Nov.-Dec. 1990).

The conference discussion paper and follow-up report, “Strategies and Options for the 1990s” (APEC Oct. 1990; Feb.-Mar. 1991), established the twin themes of self-reliance through competitiveness and regional economic cooperation as the key elements of regional economic development strategy. While the constitutional theme was not addressed directly, the call for increased regional self-reliance can be seen as a response to the uncertain national political climate of the times. APEC’s “Strategies” for achieving these goals included: interprovincial cooperation; federal policy negotiations; community economic development; infrastructure expenditures; adequate capital; export orientation; good management skills; human resource development; and environmental considerations.

While the theme of cooperation was championed by the Council of Maritime Premiers, APEC has strongly supported the CMP proposals which are examined in more detail in section 7.3.2. For example, APEC published "Inter-provincial Barriers to Trade and Shared Infrastructure: Two Aspects of Atlantic Economic Integration" (APEC July 1991), and made regional cooperation the theme of its 1991 annual conference (APEC June 1991). APEC's support of regional integration and of the CMP proposals is based on its assessment of the benefits it would bring to the region. APEC states that,

the potential benefits of the removal of interprovincial barriers to trade are between 0.5% and 1% of gross domestic product. This would amount to between \$200 and \$400 million annually [in static gains alone]... [The additional gains brought about by] dynamic effects could be more important over time... Further benefits can also come from cooperative action in areas of shared infrastructure [transportation, investment funds, energy, bureaucracy, health care and education, common data corporation, and coordination]. (APEC, July 1991, p. 6)

The subsequent document "The Atlantic Economy Beyond 125: Some Key Influences" (June 1992) included an assessment of the progress of the CMP on their regional cooperation proposals. APEC's July Newsletter (APEC July 1992) contained a "report card" (Exhibit 10). Some of the possible causes for the somewhat disappointing performance evidence by the report card are addressed in section 7.4.

While the call for competitiveness and cooperation is clear in all Maritime provincial government documents and in those prepared by the CMP, in Atlantic Canada APEC has been the champion on constitutional matters (see APEC Jan. 1992; Sept.-Oct. 1992; Oct. 1992a and b)⁶. APEC's stance on constitutional issues and on federal/provincial negotiations is consistent with Finbow's assessment that

the region's position is one of support for federal power when it suits the regional interests, normally economic policies, and demands for change when the federal policy is perceived as hurting the region. Typically this has meant strong central economic control (to maintain regional development programmes) but reforms to increase the province's input into central decision-making, including greater access to federal fiscal decision-making. Certainly they seek reforms that would aid them in shedding their "have-not" status. The Atlantic's preferred vision is that of a strong region in a united, regionally sensitive Canada. (Arsenault's summation of Finbow, in Arsenault 1991, p. 17)

APEC (June 1990 *Newsletter*) reprinted a series of articles prepared in 1980 during an earlier "constitutional crisis". These articles (Winter 1980/1990 and Sinclair 1980/1990)

speculated on the economic consequences for Atlantic Canada should Quebec separate from Canada. Four possible scenarios were outlined by Winter (1990) and implied in the arguments of the other three contributing authors:

1. *The Romantic Solution – Separation from Canada.* This option is generally considered the most traumatic option because all transfers would cease, the region's economy would not be able to support its population, international trade and transportation agreements would have to be worked out from a weak power base, and substantial out-migration would likely result. However, since the retrenchment of transfers might occur in any event within either a highly decentralized or fractured Canada, this option should not be automatically dismissed.
2. *The Anti-Loyalist Solution – Union with the United States.* Transfers would also be forfeited in this option. While there is a sector of the region's population that would consider this a viable option,⁷ critics are quick to point that there is no indication whatsoever that the United States is interested in annexing any part of a fragmented Canada, particularly a poor "welfare dependent" region like Atlantic Canada. Economic ties with New England, Atlantic Canada's largest foreign trade partner, are increasing steadily. Thus a shift from an east-west to a north-south axis is occurring, but in economic rather than political terms.
3. *The Bangladesh Solution – Remain Part of a Fragmented Canada.* Some more optimistic observers would rather look at it as an "Alaska" rather than a "Bangladesh" scenario where being geographically separated from the "rest of Canada" (ROC⁸) is not a particular problem. The Alaska scenario owes its workability in part to the fact that the territory in between it and the rest of the U.S. – Canada – is "friendly territory", and also to the fact that Alaska is a rich state, and is thus fiscally self-sufficient. Whether Atlantic Canada follows the example of either Bangladesh or Alaska will perhaps depend on whether Quebec remains friendly to the region and to the ROC and on whether transfers are continued.
4. *The Unthinkable Solution – Union with Quebec.* Winter concludes that this would be the most sensible option because it would give Quebec access to the east and Atlantic Canada access to the west, it would eliminate any worries about trade and transportation barriers being built between Atlantic Canada and the ROC, it would build on a strong history of trade relations between the two regions. Winter's argument is based mostly on the pull of geographical proximity and the economic benefits of open trade with Quebec. However, the various political/economic experiments of the 1990s suggest that political and economic integration can operate at different levels simultaneously. An independent Atlantic Canada within NAFTA could enjoy similar economic benefits without the political trauma of transferring allegiance from Canada to a new state, particularly a French-speaking one.

Moreover, if geographic proximity and trade relations are the key elements in choosing a partner, one would imagine that Quebec and Ontario would certainly find each other highly attractive mates.

The *APEC Newsletter* (June 1990) quantified the negative consequences of a loss of transfer payments. Without transfer payments, income levels in Nova Scotia will drop 21%, in New Brunswick 19%; in Newfoundland 30%; and in Prince Edward Island 36%. If unemployment rises, the drop will be even worse. The barriers to trade and mobility that would likely arise between the new political entities could exacerbate the economic situation by making it more difficult for Atlantic Canadians to sell their goods in Central Canadian markets, or to escape the poverty by moving somewhere else.

In the Fall of 1991, during the national constitutional consultations and negotiations that preceded the Charlottetown Accord,⁹ APEC conducted a forum on the constitution and published "Restructuring Federalism: Impacts on Atlantic Canada" (APEC, Oct. 1991). The report examined the hypothetical effects on Atlantic Canada of five possible constitutional scenarios ranging from the status quo to limited or extensive decentralization to separation of Quebec from Canada, with and without association. While the preferred option for the region, in terms of tangible economic benefits, was seen as the status quo,¹⁰ the constitutional proposals at the time suggested that substantial changes might occur. APEC reasoned that the more likely outcome was some form of decentralization or separation. Unfortunately, any one of the decentralization or sovereignty options was expected to impose, to a greater or lesser extent, high costs on Atlantic Canada.¹¹ The more decentralized or the more acrimonious the separation, the higher the cost for the Atlantic region.

The general consensus in the region's academic and policy-making circles about the negative consequences of either extensive decentralization or separation is based on an assessment of: 1) the region's dependence on transfers and the likelihood that they will be eliminated; 2) its weak economic base; 3) the difficulties that provincial legislatures would face if they were to assume the management of more powers while at the same time losing the support of federal transfers; 4) the negative effects in terms of the business climate and possible out-migration that would result from either a drop in living standards or the higher tax rates that would be required to provide services without federal transfers; and 5) the fear that the "have" regions might not want to support the "have not" regions anymore.¹²

“Restructured Federalism and its Impacts on Atlantic Canada” (APEC Oct. 1991) provides a vivid example of the way in which the 3 Cs have been linked in policy documents. The report concludes by suggesting three “paths which Atlantic Canada may choose to follow”:

- (i) *negotiate flexibly but firmly for retention* of the equalization structure and for maintenance support for social programmes (CAP)
- (ii) Recognizing that other forces will cause ongoing reduction in fiscal transfers to the provinces, follow strategies designed to *restructure the region’s economy effectively*
- (iii) To strengthen both the negotiating position of the region in constitutional discussions and the efforts to restructure the economy, pursue the option of *regional economic integration* more aggressively. (APEC, Oct. 1991, p. 30)

In sum, the three paths address: (i) constitution; (ii) competitiveness and (iii) cooperation.

In 1992 (APEC Sept.-Oct. 1992) APEC’s stance on the Charlottetown Accord was made crystal clear. The Council indicated that the agreement was “mostly good” and that the region would gain in a “number of areas including limited decentralization, enhanced commitments to equalization and regional development, and opportunities related to the new Senate” (APEC, Oct. 19, 1992 press release, p. 1). The report concluded that this was the best, or nearly the best agreement that the region was likely to achieve. Apparently, Atlantic Canadians agreed with APEC’s assessment. On October 26, 1992, the region overwhelmingly voted Yes on the referendum on the Charlottetown Accord: Newfoundland (62.9%); PEI (73.9%); New Brunswick (61.3%). Nova Scotia voted No by a close margin (51.1%). Unfortunately, except for the Northwest Territories and Ontario which also voted Yes, the rest of Canada voted No (54.4% overall).

In 1992, the discussion paper for the annual conference entitled “The Atlantic Economy Beyond 125: Some Key Influences” (APEC June 1992) updated their stance on the 3 Cs and reviewed federal and provincial development efforts. The paper also contained a section on business assistance programmes in the U.S. and Canada. This latter section suggests that while the private sector is still being charged with the responsibility of becoming more competitive, the public sector is once again being asked to assist in this process.

7.3.2 The Council of Maritime Premiers

Established in 1971 as a follow-up to the “Deutsch report”¹³ (1970), the CMP created a “permanent interprovincial structure for negotiating and implementing various agreements among the Maritime provinces (Tomblin 1991, p. 101). In 1988, the CMP commissioned Dr. Charles McMillan to review the key issues currently facing the Maritime provinces and to propose a plan to the Council on those issues. McMillan’s report “Standing Up to the Future; the Maritimes in the 1990s” (McMillan 1989) presented a blueprint for the “strategic revitalization” of the CMP.

For McMillan, the lack of coordinated efforts among the Maritime provinces is at the heart of the region’s dismal economic fate. For example, the report states that

Maritime policy coordination ... remains a distant goal on the most important issue – industrial development. Parochialism, a short term horizon, lack of vision, institutional inadequacies and federal provincial squabbling – all these factors have played a role in reducing the potential for a visionary plan of action for the Maritime provinces ... the ebb and flow of cooperation and coordination among the Maritime provinces relate to a number of factors, including provincial priorities, not the least of which is reelection ... partisan political concerns will dominate over non-partisan Maritime cooperation. (Op Cit, p. 1)

While the report suggested many administrative revisions to the Council,¹⁴ in this chapter I will focus the discussion on the recommendations for economic revitalization. In the section entitled “A Vision Option: A Competitive Maritime Canada”, McMillan proposes that an “outward looking virtuous circle of profitability, export trade, learning skills and productivity” should replace the “vicious circle” of the status quo. In order to bring about this change, he suggests that three “dramatic examples” be incorporated into the Council’s agenda:

1. Removal of all inter-provincial barriers;
2. A Maritime Savings Fund;
- and 3. A trade promotion strategy to increase the level of exports from the Maritime region by 50% in five years ... [with the aim of making] the Maritime region a ‘have’ area of Canada by the year 2000.

(McMillan 1989, p. 30)

“Maritime Economic Cooperation” or “Maritime Economic Union”¹⁵ has become a major theme of the Council, championed by the premier of New Brunswick, Frank McKenna, and, as already discussed, fully supported by APEC. Subsequently, the CMP prepared a follow-up report on the subject entitled “Challenge and Opportunity: A

discussion paper on Maritime economic integration" (CMP, May 1991) which detailed its regional cooperation proposals.

At an Atlantic Canadian level – APEC's "Strategies and Options for the 1990s" (APEC Oct. 1990) and "Interprovincial Barriers to Trade and Shared Infrastructure (APEC July 1991) – and at a Maritime level – McMillan's "Standing Up to the Future" (McMillan 1989), and the Council's "Challenge and Opportunity" (CMP, May 1991) – bear remarkable similarities in their understanding of the political and economic problems of the region (Atlantic and Maritime) and in the elements of the solution of these problems.

7.3.3 The Provincial Governments¹⁶

Each province has developed its own economic development document. The oldest, New Brunswick's "Towards 2000: An Economic Development Strategy for New Brunswick" (Province of New Brunswick 1988) is being revised in late 1992. The most recent document is Newfoundland's "Change and Challenge", released in mid-1992 (Province of Newfoundland 1992). Both of these documents were prepared by their respective provincial governments. PEI's "Building an Island Economy: Strengths, Opportunities and Challenges", prepared by Donald Savoie, a leading expert in regional economics, was released in January 1992 (Province of Prince Edward Island 1992). Nova Scotia's strategy "Creating Our Own Future" was developed by Voluntary Planning and released in November 1991. The papers were exposed to various levels of public consultation, with Newfoundland and Nova Scotia conducting the most extensive consultations.

According to APEC (June 1992 and Nov. 1992), these documents have many common themes. Similar problems and challenges were identified. Among them:

the influence of global forces; lagging productivity; persistent disparities; declining traditional industries; inadequate infrastructure; human resource difficulties; slower adoption of technology and lack of R&D; dependence on transfers; changes to confederation; the lack of risk taking tradition; and the changing role of government. (APEC June 1992, p. 27)

Common advantages included:

opportunities for value added and import substitution; a good quality of life; a reasonably clean environment; access to European and America markets; some highly developed centres of natural and applied sciences; and cultural and linguistic assets. (APEC June 1992, p. 27)

Given the shared problems and opportunities described by these documents, there are also common elements in all of their articulated goals, such as increased self-reliance, increased competitiveness, market or private sector orientation, and the environment. The policy instruments recommended in each strategy also bear broad similarities. They generally include mechanisms to promote business development; measures to support community economic development; economic building blocks [e.g. human resources, infrastructure] and programmes to help with the economic environment and attitudes". However, APEC also points out that there were "interesting" differences in terms of the specific applications of, and the priorities given to, these more generic policy instruments. For example, the role given to government in each strategy is somewhat different – Nova Scotia and New Brunswick are looking for a "partnership" with the private sector, Newfoundland's charges the government with the responsibility of creating a good business environment, while PEI asks the government, particularly the federal government, to continue playing a key role in its development. In terms of monitoring and evaluation, New Brunswick's strategy has been carefully monitored and a great many initiatives actually implemented. Nova Scotia's Action Plan and report card are discussed in Part IV. Newfoundland's strategy suggests that specific goals be measured, and PEI's is vague in terms of criteria for evaluation.

As far as the 3 Cs are concerned: 1) the preoccupation with private sector competitiveness is a key issue in these documents; 2) all Maritime premiers support Maritime economic integration, and Newfoundland has kept a close watch on these developments, occasionally flirting with the notion of a closer working relationship with the CMP; and 3) while these documents did not, by and large, deal explicitly with the various constitutional proposals, the call for cooperation and competitiveness was in great part a response to the spectre of constitutional failure.

7.4 DISCUSSION OF THE 3 Cs

Section 7.4 analyzes the policy prescriptions presented in section 7.3 within the context of the Atlantic region's political economy. Once again, the arguments are organized thematically around the 3 Cs.

7.4.1 Competitiveness

As examined in Chapter 3, the fundamental tenets of neo-liberal orthodoxy (i.e. free trade and laissez-faire) are currently being challenged by those who propose more activist industrial policies and managed trade. As presented in Chapter 5, in Canada however, the policy pendulum has swung the other way, towards neo-liberal stances,

as it returns from the interventionist and redistributive policies of the past. If one adds to these policy debates the sorry record of government-led regional policy initiatives presented in Chapter 6, and the retrenchment of federal spending examined earlier in this chapter, one arrives at the context in which the call for a competitive Atlantic Canada is being made. Given the severity of the patient's condition and the economic ailments that competitiveness can allegedly cure, it is no surprise that Atlantic Canadian policy-makers would want to try some of it.

Grant (1989) postulated that regional planning in Nova Scotia failed because it ignored "the political culture of the region and the realities of the modern political economy" – patronage, territoriality, conservatism, and distrust of Upper Canada (Op Cit, p. 274). The literature reviewed in Chapter 6 and in this chapter suggest that an economic development strategy for the Atlantic region based on both public and private sector competitiveness is likely to encounter serious obstacles and structural impediments, beyond those postulated by Grant, including: 1) monopoly; 2) patronage; 3) the low political efficacy of Atlantic Canadians; 4) province-building; and 5) a vacuum of leadership. In sum, the right set of incentives is not being provided to the various agents of change. A detailed discussion of these structural impediments follows.

7.4.1a Monopoly

While there is a great deal of anecdotal information on the management practices and corporate culture of Atlantic Canadian corporations, there is very little academic literature on the subject. Research into the *modus operandi* of corporations in the region tends to be regarded with a great deal of suspicion by the host companies. There is a general atmosphere of secrecy and fear of leakage of confidential information, particularly because it is usually quite easy to determine in such small markets which specific companies are being referred to when discussing any one sector in general terms. The fact that many of these companies are privately owned and do not have to go through the exercise of public disclosure makes the walls of these institutions a lot less permeable than those of their publicly-traded counterparts. The local business press tends to be somewhat superficial and self-congratulatory, and rarely provides the necessary tools for critical analysis of the issues. The fact that the media are in many instances owned by the business barons themselves, and business biographies are often commissioned by those being studied, certainly does not encourage investigative reporting.

Research has concentrated on the small-business sector. Two primary examples are O'Farrell's (1990) report on the competitiveness and performance, by international

standards, of the small manufacturing sector in Nova Scotia and ACOA's¹⁷ (1992) *The State of Small Business and Entrepreneurship in Atlantic Canada*. According to O'Farrell (1990), the small business sector is far from competitive. His report concludes that "It is clear that it is not labour costs but lower productivity and a less competitive market that contribute to the lack of price competitiveness of most Canadian products in New England. Such problems, in addition to quality, will need to be addressed if more Canadian firms are to successfully penetrate the U.S. market" (Op Cit, p. 17).

Despite the dearth of material on the larger and more influential companies in the Atlantic region in the mainstream press and in academic journals, as examined in Chapter 6, the literature of Atlantic Canadian Marxist political economists does provide a disciplined and well-documented critical analysis of the local private sector. This literature reveals a pattern of highly concentrated economic assets resulting in a corporate and civic culture of paternalism and patronage respectively. However, in almost every circumstance, mainstream academic research and public documents do not examine the effect of local monopolies, an aspect of the local political economy of the region which, according to the competitiveness gurus like Porter (1990a), will thwart all long-term competitiveness.

The "magic of the market" requires capital. The policy documents in the 1990s have addressed with urgency the need for new private-sector investment and financing vehicles which can take over the gap created by the ever-increasing cuts to public funding and by the likely ultra-conservatism of bankers in a crisis environment. But where are the funds going to come from? Given that the names that now represent local capital (McCain, Irving, Sobey, Jodrey etc.) developed their empires on the ruins of the industrial economy left by the Great Depression, one wonders if this new reduction in capital availability, could result in further concentration and control – what is referred to in the management literature as Vulture Capital rather than Venture Capital. For that matter, will these even larger monopolies survive in the face of "meaner and leaner, quality and service oriented" international competition? Will new wealth be created, or will the monopolies simply change hands? Globalization and free trade might have brought Atlantic Canadian monopolists a surprise – barbarians are at the gate.

As revealed during the Voluntary Planning consultations examined in Chapter 7, and as I have argued on previous occasions,¹⁸ any policy orientation that gives carte blanche to the private sector in the search for competitiveness is bound to meet with a great deal of resistance from Atlantic Canadians for three primary reasons: 1) the appeal to the private sector is a reaction to the failure of the public sector more than a true com-

mitment to “private-sector-led solutions”;¹⁹ 2) in Atlantic Canada, the private sector is far from trustworthy. It is characterized by monopoly capital (local, central Canadian or foreign) and bad labour relations; and by its dealings with government, by patronage and political favours; and 3) that the gains of the redistributive welfare state were gains fought for by ordinary citizens demanding their fair share of the country’s riches, riches which were increasingly falling in the hands of the few. Ordinary citizens fear, and with good reason, that without the public sector to defend their interests, the private sector will most likely save itself the trouble and the expense of the welfare state. They fear a return to the exploitative company town conditions and to the marginalized existence that characterized earlier periods in the region’s economic and labour history.

7.4.1b Patronage

Jeffrey Simpson (1988) has carefully documented the extensive use of the practice of patronage in Canadian politics.²⁰ In the Atlantic region patronage is endemic, and the examples numerous. But while many ordinary citizens probably derive their livelihood from such practices, many feel that patronage is a “problem”. Surveys suggest that many Atlantic Canadians believe that patronage is one of the top problems in the provincial government and that the problem will not go away if the government changes. There is nothing “wrong” with patronage per se, or particularly nefarious about Canadian patronage. But once again, these practices certainly discourage the pursuit of excellence, quality and innovativeness.

7.4.1c Low Political Efficacy

Perhaps one of the most useful aspect of the political economic perspective for the discussion of the region’s competitiveness is that which documents the powerlessness felt by many Atlantic Canadians in terms of their ability to affect their economic and political destinies and on the circumstances and mechanism that originated and perpetuate that powerlessness. As examined in Chapter 6, Atlantic Canadian economic and labour history does not reveal a pattern that would encourage the entrepreneurship, competitiveness and innovation that policy documents of the 1990s are trying to stimulate. Burrell and McKay’s documentation of the state of the Atlantic Canadian primary resource sector supports this view:

Whether we are watching the North American fishermen trapped in a capitalist boom-bust cycle from which neither capital nor the federal state can rescue them; the landowners of Cape Breton trapped into taking environmental risks [spraying] they neither choose nor accept; or potato growers caught in a vice of debt, rising costs and restrictive contracts, we come up with the same patterns of development... Their

[primary producers] struggles have been made immensely difficult by the paternalistic approach of the state and the unrestrained anti-labour strategies of capital. (Burrill and McKay 1987, p. 3)

The direst impact of the long crisis of the regional economy has been its effect on workers and primary producers. Sympathetic outsiders frequently wonder why, given the weight of the evidence against the region's present path of development, the people of the region do not rise up and demand something else. They forget the dampening effects that out-migration and unemployment have on those who might protest. Economic decline weakens the workers' ability to fight back by undermining their bargaining position. It also inflicts on them the less tangible but very real *cultural wounds of dependency: a cynical, 'clientelist' attitude to politics; a sense of powerlessness in the face of paternalistic employers; and a pervasive despair over the prospects of change.* (Burrill and McKay 1987, p. 6, emphasis added by author)

In sum, as argued here and in Chapter 6, the "low political efficacy" of the citizens of the region is not the result of an inherently conservative character²¹, but rather a rational response in the face of their powerlessness vis à vis capital and the state.

7.4.1d Province-building

As discussed in detail in the section 7.4.2, the province-building habits of the premiers of the four provinces and of the CMP puts in question their ability to bring about the static and dynamic benefits of integration or a more competitive climate for reasons already discussed.

7.4.1e A Vacuum of Leadership

The study of regional development initiatives in Atlantic Canada reveals that the region has seen its share of shattered dreams, broken promises and dust-collecting initiatives. There are a few bright spots though. In the early 1990s, New Brunswick's economy is showing some signs of recovery ahead of the other three provinces, and it is the only province to have seen its credit rating upgraded in the last two years (Gherson 1992). While many reasons can be given for this relative dynamism, one most often heard is that it is mostly due to Premier Frank McKenna's leadership. Mr. McKenna's political style "fits no conventional mould: policies that reflect a strong streak of liberal idealism; a political manager who rules his province with an iron grip; and an earnest populism..." (Op Cit, p. 9). His economic policies reflect frugality in government; good federal/provincial relations; a strong industrial promotion programme; and a fairly activist industrial policy designed around certain key industries. He has championed the cause of Maritime Economic Union, and since the failure of the Charlottetown Accord

has taken up the cause of national interprovincial free trade (*Globe and Mail*, Nov. 24, 1992). According to APEC (June 1992), the monitoring system and the record of implementation of the economic strategies developed by his government are excellent.

What this record indicates is that strong leadership makes an enormous difference. However, a review of the political economy of the province also indicates that the extent of the economic advances that McKenna will be able to realize in New Brunswick will, in part, reflect his ability to stay clear of the interests of the Irving and of the McCain families. Should his policies impinge on their fiefdoms, trouble will surely arise since there is no reason to think that these feudal dynasties would act differently in defending their empires now than they have in the past.

The design of a competitive economy in New Brunswick and elsewhere in the Atlantic region will require the careful examination of the impact of regional monopolies on the economy. It will leave regional planners and politicians with the choice of either “trust-busting”, or making these business elites much more responsible for the development process. Interprovincial cooperation will require giving up some political “turf”. Unfortunately, either action in the present political economy of most provinces would be considered business and political suicide.²²

7.4.2 Cooperation – Economic and Political

The idea of Maritime “union” has been discussed since before Confederation. In the late 1960s and in the early 1990s, both times of political instability in Canada/Quebec relations, the subject has come to the fore again. In 1968, the “Maritime Union Study” (Deutsch 1968) was commissioned by the governments of the three provinces. The study’s final report, known as the “Deutsch Report” (1970), concluded that the principal weakness of economic planning in the Maritimes stemmed from lack of interprovincial cooperation and coordination. In the 1990s the same causal agent was established by McMillan and seconded by APEC.

However, while the Deutsch report fully endorsed the economic and political union of the Maritimes, the CMP and APEC proposals for inter-regional cooperation in the 1990s have recommended only Maritime economic union or cooperation. McMillan (1989) states that “Maritime [political] Union is a non-starter... Maritime cooperation can only build on this premise” (Op Cit, p. 16). Accordingly, McMillan’s policy initiatives centre on the reduction of interprovincial barriers²³ to goods, services, labour mobility and capital, and the harmonization of policy, coordination of efforts or joint action in

several sectors. But why this change of heart from the endorsement of a proposal for both economic and political union to one proposing only economic union? The answer can be found in the fact that while the gains and losses of economic integration are well established in economic theory, the gains and losses of political union are, however, less clear and therefore, open to debate and political influence.

According to traditional economic theory, economic cooperation is beneficial because it increases productivity and reduces production costs. The harmonization of policy between the cooperating political entities further reduces costs. There are also dynamic improvements to economic performance that result from the increased competitiveness in public and private sectors. Unfortunately, the benefits of integration are not evenly distributed throughout the various groups in society and there will be losers along with winners. Thus, the need to protect some of these losers or to give some extra assistance to possible winners is what motivates governments to interfere. As shown earlier in this chapter, APEC states that Maritime economic union would bring benefits to the region in quantifiable static terms as well as in dynamic terms. Even though these gains are small, the proposal for a Maritime economic union allows provincial governments to leverage their efforts in the move towards greater regional self-sufficiency. For regional politicians, the call for interprovincial cooperation and for economic union is a relatively “safe” way to position themselves in the eyes of their constituents as doing “something” about the economy. Safe, because the way the proposal is articulated does not impinge upon their provincial “sovereignty”.

According to McMillan, Maritime cooperation, “must be a creature of political leadership”. Nevertheless, for him as well as for the CMP and APEC, this does not imply, presume or require political union. Change is to be brought about through a quasi-functionalist²⁴ approach, where bureaucrats develop the habit of working together by tackling non-political and technical issues before moving on to more sensitive areas. Maritime political union has been opposed on several grounds: 1) that in federal-provincial relations one voice and three votes is better than just one voice and one vote; 2) that the alleged gains from the elimination of overlapping bureaucracies are not well established; 3) that there is a need to protect provincial political sovereignty (à la Thatcher); and 4) that cultural or linguistic minorities might suffer from further amalgamation (i.e. Acadians).

On the other hand, Winter maintains that the Maritimes “do not have the political will at the present time, nor some of the institutional structures to carry it [some beneficial level of Maritime integration] out, unless you go to full political union” (Winter quoted

in *Daily News*, Nov. 4, 1990). Winter, one of the authors of the Deutsch report, echoes the report's conclusion, which stated:

Our study of the problems and the evidence of experience has convinced us that the three individual governments of the region, even if supported by greater efforts to achieve voluntary co-operation, will not be able to overcome in substantial ways the disabilities that have operated for many years. (Deutsch 1970, p. 67)

Several major questions remain to be answered regarding the prospects for successful Maritime integration. Primary among them is whether the CMP can truly facilitate integration. If the answer is No, the success of the entire initiative would also be in question. As discussed earlier, the CMP was created as a "permanent interprovincial structure for negotiating and implementing various agreement among the Maritime provinces" (Tomblin 1991, p. 101). However, Tomblin's analysis reveals that the CMP has been used to "reinforce and defend province building tendencies in the Maritimes" rather than to integrate the concerns of the provinces into a united front. According to Tomblin,

originally the CMP and the idea of Maritime union went hand in hand [following the guidelines of the Deutsch report]... Through time, however, the CMP has been *transformed from a supra-provincial government into a coordinator of regional programmes, and the regional confederacy now reinforces province building tendencies in the region... the provinces [have] seized control of the institution to ensure territorial and jurisdictional interests were well defended against Ottawa and a group of reformers.* (Tomblin 1991, p. 100, emphasis added)

No wonder Maritime political union is such a "non-starter". The CMP, founded to promote this very same concept, now protects its very own province-building-based existence by opposing the idea.

The success of Maritime economic cooperation will rest on the ability of the various provincial governments to work together and rise beyond province-building habits. In early 1992, the Maritime provinces are making significant progress in their drive towards Maritime economic cooperation, mostly through the reduction of trade barriers. However, there has been "little or no progress on some important policy areas" (APEC, July 1992, p. 3).

EXHIBIT 10**Report Card on Policy Areas**

Grades have been assigned by APEC based on information available in early June. It is offered as a guide only, and is subject to change and interpretation. The grades are:

A – goals reached.

B – progress well under way, timetables set.

C – reports to be issued, no goals or timetables.

F – neither progress nor timetable.

Interprovincial barriers to trade:

1. Government procurement	B
2. Employment mobility	C
3. Regional Securities Commission	C
4. Cooperatives/Credit Unions	C
5. Liquor Commissions	B
6. Fisheries	B
7. Agriculture	B

Shared infrastructure:

8. Health care	C
9. Electric utilities	C
10. Higher education	C
11. Geomatics	B
12. Science and technology	C
13. Savings development	F

Policy harmonization:

14. Environmental Accord	A
15. Investment promotion	F
16. Transportation	B
17. Sales Tax	B
18. Corporate registration	B

APEC suggests that a change in the process – such as the appointment of independent, arms-length bodies with authority to hold consultations and make proposals directly to the Premiers – may now be necessary to get things moving in low-scoring areas. The recommendation to appoint a Secretariat is a way to overcome the impediments inherent in the economic union-only proposal.

In his discussion of EC integration during the 1960s, Pinder suggests that “negative integration²⁵ is unsatisfactory, and may well prove to be objectionable, unless it is accompanied by a substantial measure of positive integration” (Pinder 1972 in Hodges 1972, p. 149). While positive integration can happen at either an economic (e.g. GATT) or political level, the mechanisms that bring about positive integration are political and

therefore require a high level of political cooperation. What the “independent, arms length bodies” are substituting for is this level of political cooperation. They are providing the structure for positive integration that the CMP does not seem able to provide because the provinces are afraid to lose political turf in the process.

Critics of the economic union-only option believe that “a bad attitude”, parochial and provincial biases, a lack of vision, patronage, decades of government intervention, interprovincial squabbling for federal favours and the need to serve one’s jurisdiction regardless of loftier objectives will prevent significant changes from happening. For them, probably nothing is going to change until things get bad enough (e.g. Quebec separation, extensive decentralization, cessation of transfer payments etc.)²⁶ for political union to enter the dialogue again.

But should planners and politicians really wait until things get “bad enough”? A review of the current challenges facing the region suggests that things have already gone from bad to worse. Thus an examination of all options is called for. Even though there has yet to be a document that can convincingly refute the findings of the Deutsch report on the desirability of both economic and political union – the designation of political union as a non-starter, meaning no debate required – says more about the province-building tendencies of the Atlantic governments and of the CMP than about good policy-making in the region. Political “union” as such is not the issue – political solutions that are appropriate to the task at hand are. If political configurations represent a response to the challenges and opportunities facing a people at a certain point in time and space, then the radical change of these conditions suggests that the debate on the optimum political configuration of such an entity must be re-introduced. Provincial governments, minor jurisdictions, cultural, ethnic and linguistic minorities – in essence, all the various communities that form not just the Maritimes, but Atlantic Canada – will have to come to terms with their shared economic and political destiny. The “non-starter” might have to get kick-started in order to take control of the region while it is rapidly going downhill.

7.4.3 Constitution

In late 1992, the agony of the Charlottetown Accord has finally ended and constitutional matters have been “put on the back burner” by the Tory government of Brian Mulroney.²⁷ However, the defeat of the Charlottetown Accord does not mean either the return to or the approval of the status quo. It simply means that the issues that framed the failed constitutional Accord will now need to find new forums for debate and new venues for policy action.

For Atlantic Canadians, it's "back to square one". They still face: 1) the threat of a politically fractured Canada; 2) the continuing loss of fiscal support from Ottawa; 3) the need to secure greater national political leverage through venues such as a reformed Senate; and 4) the need to secure federal commitment to the alleviation of regional disparities. For regional planners, this means "back to the drawing board".

Federal/provincial negotiations for a "better deal" have been going on since Confederation. But if the Charlottetown Accord was in fact the "best deal" the region could expect, the political and economic future is most certainly disconcerting. The citizens of the Atlantic region had a lot at stake in the issues that surrounded the constitutional debate, but the agenda for the 1991-92 round of proposals and referendums was hardly set by them. For all the local roundtables, conferences and reports, fundamentally the Charlottetown Accord was a matter of waiting to see how to benefit from whatever deal everyone else negotiated. The region was a constitutional "taker" not a constitutional "maker". Fortunately, the Accord turned out to be "mostly good" for the Atlantic region. Unfortunately, the resounding Atlantic Canadian "Yes" vote for the Accord had little impact on the final outcome "No" of the 1992 referendum.

If Canada's political configuration remains intact, Atlantic Canadian regional planners will probably be able to just "muddle along" as usual. However, should the country break into two sovereign constituencies, they will have to put on their thinking caps very quickly because all bets with Canada would be off. At that point, the choices would really boil down to only two: 1) to be "saved" by the ROC, the U.S. or Quebec; or 2) to figure out how to pull up one's socks on one's own.

7.5 A SYSTEMS PERSPECTIVE OF UNDERDEVELOPMENT

Senge's (1990) notion of "systems thinking" discussed briefly in Chapter 4, is presented in this section of Chapter 7 as a way to comprehend the systemic forces that bind the political, economic and social structures of the Atlantic region to habitual patterns of behaviour. This analysis suggests some reasons for the inability of economic planners to effect change and prepares the ground for the recommendations presented in Chapter 12. Most importantly though, the systems thinking perspective couches the analysis of the dysfunctions of the Atlantic Canadian political economy presented in Part III, traditionally the realm of the political left, in the management language of the political right presented in Part II. This is particularly important because, as I have argued in Chapter 6 and in earlier works, I believe that policy design in Atlantic Canada should be guided by the view that "while the [political] left might be right about what is wrong, the [political] right might be the only vehicle left to do what

is right” (Sagebien 1990). The left is systemic in its analysis. The right is proactive in its approach. While the right has access to policy instruments, its analysis tends to be limited. The converse is true for the left. Senge’s framework of “systems thinking” provides a way to present the seemingly opposing arguments of the political left and right outside the traditional polarized political discourse. Moreover, it suggests that these perspectives are complementary. In sum, Senge’s framework is useful because it *illustrates* the impediments to change in the region, as well as the possible areas of policy intervention and leadership in planning.²⁸

Many of the Atlantic Canadian regional development documents of the 1990s discussed in this chapter share with Senge’s (1990) theory of “learning organizations” the notion that individuals are able to meet the challenges that face them, make optimum choices and thus create their own future as desired. However, Senge is quick to point out that enthusiasm for “creating the future” is not enough. Change requires the ability to discover the structural or systemic causes of behaviour and the way in which the structure is in turn perpetuated by the habitual mental models of the participants in the system or its “learning disabilities”. It also requires leaders than are able to make the shift in thinking that is necessary to recognize the systemic nature of behaviour, who can break the mental models or archetypes that perpetuate systemic dysfunction and who can recognize and utilize areas of high-leverage change.

Like any other system, the Atlantic Canadian political-economy responds in certain “learned” ways to cues, incentives and sanctions. Learned responses pre-condition the system to function in certain ways. When the learned behaviour becomes habitual and entrenched, the ability of the system to adapt to changes is thwarted. Using the language of Senge’s “learning organizations”, this results in “learning disabilities”. This thesis has similarly argued that the citizens, business people, politicians and bureaucrats of Atlantic Canada will perpetuate the old political economic system characterized by uncompetitive practices such as monopoly, patronage, etc. because they have not collectively learned how to respond differently. Repeating the mantra of competitiveness and parroting fashionable management clichés such as quality and productivity is not enough. If the desired change is to occur, participants in the system will have to begin by addressing the way in which their participation in the system works against change.

Senge suggests that organizations with “learning disabilities” exhibit certain types thinking patterns that affect their behaviour. For example, individuals tend to focus on defending their administrative “turf”; problems are blamed on outsiders; “reactive” responses to the perceived “enemy out there” are veiled in the mantel of taking action; a

fixation on short-term events results in an inability to see the long-term patterns that shape collective behaviour; slow, gradual change thwarts the ability to respond to crisis effectively; etc.

These patterns of behaviour are evident in Atlantic Canadian economic development policy circles. Several examples illustrate these points. One of the most oft-heard words in regional public consultations is the word "turf".²⁹ The private and public sector agents in the region are involved in desperate struggles to defend their territory – a job, a market, a social programme, a department, a budget level etc. The unfortunate result is that the entirety of the problem remains hidden and most of the energy is used trying to maintain the dysfunctional system that supports one's small piece of the action, rather than finding comprehensive solutions. The tendency of Atlantic Canadians to blame Ottawa, or Upper Canadian business, or recently, Mexican workers, for the poor economic conditions in the region is a prime example of this tendency to feel powerless in the face of an unspecified "enemy out there".

The behaviour of regional economic planners also exhibits learning disabilities. When they get "proactive" they often make matters worse because they are generally reacting to the perceived threat of the enemy out there rather than seeing how their own actions affect the whole. In fact, the most common characterization of government policy in the region is that it distorts the market as well as the dynamics of the very social problems it is attempting to redress. For example, efforts to attract "footloose" companies to the region have often caused more problems in the communities they were intended to help than they have delivered the promised benefits bought with taxpayer dollars. Rather than seeing the long-term systemic nature of change, planners and politicians constantly flip-flop between crisis management and complacency. For example, the notion that the constitutional crisis "went away" with the 1993 referendum is an illusion fostered by media quite aware that people are just sick of the whole constitutional debate and do not want to hear about it any more. However, sentiments in Quebec are still inflamed and the 1993 provincial election is likely to result in an upset win by the separatist elements in the province. The consequences of this victory for the Atlantic region are still as severe as the last time separatism reared its ugly head. But do we care? Well, not yet, again. While the dramatic threats posed to the region by the constitutional crisis, the closing of a major industrial employer, or the fisheries crisis get the attention of the media, planners, academia etc., it is the slow process of decline and paralysis of the political economy of the region which prevents change from happening because, after all, "it's always been that way" and "better the devil you know than the devil you don't".

The conflict between the short-term political timeframe that dominates policy-making and business decision-making, and the long-term timeframe of social and economic development is also illustrative of learning dysfunctions. More often than not, narrow, politically-driven, short-term solutions are applied to broad, endemic, long-term problems. Also driven by this short-term orientation is the low value-added, low-cost, and environmentally destructive business strategies of many of the region's major industrial producers. As a consequence, the region's forests are rapidly losing their biodiversity, the fisheries have become exhausted and the workforce is poorly trained to face new challenges.

According to Senge's framework, in order to effect significant change in an organization, the set of "archetypes" that guide the fundamental dynamics of the system must first be understood. These archetypes are made up reinforcing, balancing and delay processes. When one looks at organizations and at systems from the perspective of these fundamental archetypes, one discovers the generic structures at play, as well as a set of management principles that suggest the areas of high- and low-leverage change. Two of Senge's archetypes and corresponding management principles are most germane to the discussion of Atlantic Canadian economic development planning:

Senge refers to the "Limits to Growth" archetype as a reinforcing or amplifying process which once set in motion produces a desired result. It creates both a spiral of success as well as inadvertent effects which eventually slow down the success. This balancing process either slows down the rate of improvement, comes to a standstill or even runs in reverse. In order to eliminate this limit to growth the management principle suggests that change agent identify the "limiting factor" to growth and then "Do not push growth; [rather] remove the factors limiting growth" (Op Cit p. 95). As presented in Chapter 6, in the Maritimes the Golden Age of wind, wood and sail of the mid-1800s has degenerated into the welfare case of the 1990s. That chapter presented theories that attempt to describe the amplifying forces at work in the initial economic growth of the region, as well as those that resulted in its eventual decline. Chapter 7 and Part IV are devoted to identifying the limiting factors that prevent renewed growth and competitiveness. I have argued that the political economy of the region presents serious obstacles to the success of regional development policies based on competitiveness and that these limiting factors must be addressed directly for the policy prescriptions to work.

A second archetype, one which Senge calls "Shifting the Burden" is also illustrative of the Atlantic Canadian predicament. In this scenario, an underlying problem generates symptoms that demand attention. Since the underlying problem is difficult to address,

either because it is obscure or costly to confront, individuals 'shift the burden' of their problem to other solutions – well intentioned, easy fixes which seem extremely efficient. Unfortunately, the easier 'solutions' only ameliorate the symptoms and leave the underlying problem unaltered. "The underlying problem grows worse, unnoticed because the symptoms apparently clear up, *and the system loses whatever abilities it had to solve the underlying problem*" (Op Cit p. 104, emphasis added). Rather than providing fundamental solutions, symptomatic solutions not only atrophy the system's ability to correct itself over time, but foster a cycle of dependency on the short-term fixes provided by the symptomatic solution itself. Shifting the burden type structures tends to create organizations where: 1) long-term fundamental goals are allowed to decline in favour of "quick fixes", and where participants in the system never learn how to deal with the problems themselves because they become dependent on "the cure". Correcting these tendencies requires strong leadership that can stick to the vision and empower the participants of the system to help themselves. "Dealing effectively with shifting the burden structures requires a combination of strengthening the fundamental response and weakening the symptomatic response" (Op Cit p. 110).

This "shifting the burden" scenario is, in generic systems terminology, the most basic argument of my thesis. I believe that regional economic development initiatives are providing symptomatic solutions that leave untouched the real nature of the problem – an uncompetitive political-economy. The helplessness felt by ordinary citizens in the face of paternalistic public and private sectors, and the dependence of provincial governments on Ottawa are prime examples of the effects of this archetype. Regional development policy in Atlantic Canada has concentrated on symptomatic responses. The fundamental problems that impede competitiveness – lack of venture capital (neither vulture capital nor charity); the domination of entire vertical and horizontal industries by a few jealous and combative giants; the granting of contracts through patronage and nepotism – are rarely dealt with through policy. Instead, vast sums of money have been spent propping up failing industries and attempting to set up an "entrepreneurial culture". The burden has been shifted and the goals eroded. Moreover, as the parable of the distorted jungle presented in this chapter has suggested, these efforts have only resulted in a system incapable of adapting to the challenges it faces. The system has become addicted to the quick fixes of regional development funds and transfer and equalization payments. The goals have been eroded and instead of a high level of political efficacy in achieving them, one encounters either apathy or a clientelist "share of the waste" mentality.

To address these learning disabilities and reverse the deleterious effects of these systems archetypes, Senge suggests that managers, and by extension in this case planners and politicians, must become adept at five disciplines in order to create change through organizational learning. The evidence of failed and poorly performing economic development initiatives suggests that economic planners are not adept at these five disciplines – developing their personal mastery (joining vision and practicality), examining their own mental models, building teams, building shared visions, and adopting a systems perspective.

As far as *personal mastery* is concerned, economic planners have not been able to balance the juxtaposition of vision with a clear picture of current reality. The unwillingness to deal with realities of the local political economy will present very real “limiting factors” to change. Without this creative tension between vision and reality, the practical high leverage points that facilitate change in the system cannot be found.

Because economic planners, politicians, managers and even union representatives have not examined their *mental models* – the way in which their work perpetuates the existing structure – they cannot truly bring about change. For example, as presented in detail in Chapter 8, Voluntary Planners were surprised to find that ordinary citizens resist words such as “competitiveness”, “private sector” and “privatization”. A review of Nova Scotia’s labour history would have predicted this response.

Since regional planners are new at the game of *team building*, they have not been able to establish the dialogue necessary to build *shared visions* at a scale large enough to effect significant change. For example, once again, as will be shown in Chapter 8, Voluntary Planning has been quite successful in building sectorally-based teams with a vision of industrial competitiveness. However, Chapter 11 argues that a second dimension must be added to the industrial sector dimension in order to create the matrix through which problems can be seen systemically. This second dimension is the community dimension – whether communities are defined by race, age, gender, religion, ethnic origin, geography, organizational affiliation, clan membership, etc. People are not simply managers and workers; they are members of communities. A vision that is not consistent with values that people live by day to day will not only fail to inspire genuine enthusiasm, it will likely foster outright cynicism. “Creating Our Own Future” promotes a business-based society which is not quite representative of the values held by most Nova Scotians. Simply stating in the text of the document that the strategy’s vision is based on Nova Scotian values is not enough to overcome the decades of mistrust towards big business and government.

Finally, because economic planners do not have a *systems perspective* the structures that underlie the political economy of the region are not sufficiently exposed as the most significant determinants of individual and collective behaviour. Since these subtle structural feedback loops remain hidden, areas of high leverage for change are hard to identify. As critical theory would suggest, the way in which the existing structures perpetuate the status quo is not exposed, and therefore real change is difficult to effect.

7.6 CONCLUSION

A review of the regional planning documents of the 1980s and '90s leaves the reader with a sense of *déjà vu*. Voluntary Planning's "Creating Our Own Future" (V.P. 1991) was written as a replacement for the 1984 Nova Scotia provincial government report "Building Competitiveness" (Province of N.S. 1984). APEC's "Strategies and Options" (APEC 1990) updated the data on *Atlantic Canada Today* (APEC 1987) and re-framed the discussion presented in *Atlantic Vision: 1990* (APEC 1980). McMillan's "Standing Up to the Future" (McMillan 1989) trod the same ground as the "Deutsch Report" (Deutsch 1970). Many of the same themes are examined, many of the same problems are identified, many of the same recommendations are made. Two major differences are evident though between the policy platforms of the 1970s and 1980s and those of the 1990s: 1) the private sector now plays a more prominent role; and 2) political union is no longer coupled with economic union. This juxtaposition of similarities and differences begs the question Does the retrenchment of the public sector in creating a competitive environment and the abandonment of political solutions to regional integration mean that the private sector and the market alone are supposed to deliver a better *tomorrow* for the region in the face of a *today* that is even worse than *yesterday*? The analysis presented in Part III suggests that this prescription for economic recovery is likely to result in failure.

The slogans that best captured the mood that dominated Atlantic Canadian regional economic planning from 1990 to 1992 were: "The only certainty is that the status quo is no longer an option" (V.P, Nov. 1991, cover page) and "The status quo is not an option" (McMillan 1989, p. 3). The assertion that the only certainty in the region is change was repeated in every policy document examined. However, in order to make the strategies for coping with this change real, the least savoury parts of the regional economy must also be examined. Otherwise these slogans will be as useful as stating "Toto, I have a feeling we're not in Kansas anymore" (Dorothy in "The Wizard of Oz", MGM, 1939). Atlantic Canadians have been Going Down the (yellow brick) Road to Prosperity for almost 40 years. After battling many a Wicked Witch of the West, the

only thing we can conclude is that the powers of the Wizard of Ottawa were vastly exaggerated. In the 1990s regional development planners are wishing for the right things. They want to have a Brain – a competitive economy. They want to have a Heart – a caring and cooperative sense of community. They know Atlantic Canadians can always Go Home – when the economy gets bad, they can still hunker down on the farm. But unfortunately, they still have not mustered the Courage to address through remedial policy actions the major structural impediments in the political economy of the region such as monopoly capital, patronage and province-building. We might not have any option.

Part IV evaluates Voluntary Planning's "Creating Our Own Future" with a systems perspective of economic planning and in search of high-leverage areas of change.

ENDNOTES

- 1 An earlier set of "3 Cs" dominated Atlantic Canadian development planning in the 1950s. In tune with the development orthodoxy of the time, the "Cs" referred to a series of infrastructure construction projects: 1) the Chignecto Canal; 2) the Prince Edward Island Causeway; and 3) a Corridor Road through Maine to Quebec (see Conrad 1988).
- 2 See ECOC (1989) for an analysis of the demand and supply problems of the investment capital industry in Newfoundland.
- 3 See "ACOA focuses on Training", *Globe and Mail*, Oct. 17, 1991.
- 4 Most of this information was taken *verbatim* from APEC's Dec. 1992 report. I have not made specific page references in order to simplify presentation of the data.
- 5 While there is talk of further spending cuts, Ottawa has promised to raise equalization payments by \$600 million over the next two fiscal years beginning in 1992. The proposed program, designed to help the poorer provinces with sufficient revenue to finance roughly equivalent services, is to last only two years instead of the usual five, because all transfer payments are presently under review. In any event, government critics wonder where Ottawa is going to find the extra \$600 million to spend. See "Ottawa raises equalization payments \$600-million", *Globe and Mail*, Jan. 31, 1992, p. A3.
- 6 See also Government of Canada (Sept 1991) and *The Globe and Mail's* Constitutional Primer series (Jan 1992).
- 7 In what observers have qualified as an "unguarded moment", Nova Scotia's premier John Buchanan made headline news in 1990 by declaring that Nova Scotia "would not have any option" but to join the United States if the Meech Lake talks failed and Quebec separated. The premier retracted the statement. See "N.S. may eye 51st statehood", *Chronicle-Herald*, April 19, 1990.
- 8 The terms "Anglophone Canada" or "English Canada" are no longer considered applicable because of the growing cultural diversity of the country.
- 9 The constitutional proposal that was subjected to a national referendum on October 26, 1992.
- 10 The French-speaking Acadians, who make up about one-third of New Brunswick's population and a smaller percentage of the population in the other Atlantic provinces, are among the strongest supporters of the status quo – a united, asymmetrical Canada with official bilingualism, multiculturalism, and redistributive programs. They are concerned about three major issues: 1) the progressively hardening stand of anti-bilingualism groups in the ROC; 2) the effect a Canada without Quebec would have on the country's official bilingualism policy; and 3) the fact that Acadians would become an even smaller minority than they are now in New Brunswick in a politically amalgamated Maritime or Atlantic Canada. However, the Acadian community is examining all of its options, including the formation of an Acadian province, annexation to Quebec and an assembly of communities, similar to Belgium's, where each linguistic minority has control over key areas such as language and culture. See *Telegraph-Journal*, June 14, 1991, pp. 21 and 9.
- 11 This view was supported by the Economic Council of Canada's 28th Annual Report (ECOC 1991).
- 12 Savoie presents a "nightmare scenario" where the rich provinces cast the poor ones adrift: "O.K. this is going to be a pretty hostile environment. We cannot continue the status quo. Everything is on the table. Equalization and transfer payments, we're not sure if we can continue that. So, the Maritime provinces, we'll give you a five-year transition grant to get your act together but after that you'll be on your own hook and your hospitals, your universities, your institutions have to be financed from your own wealth" (Savoie quoted in "Atlantic Economy in for a Major Jolt", *Chronicle Herald*, May 20, 1991). There is a minority that suggests, however, that the ROC would still be willing to support regional transfers in order to foster its new unity *sans Québec*. The good news for Atlantic Canadians in this scenario is that, this time, most of the money sent eastward would not stay in Quebec's coffers as it has in the past.
- 13 To be discussed later in this chapter.
- 14 One such suggestion is that Newfoundland and Labrador become a "full partner" in the Council.
- 15 Maritime "union" is a misnomer since Canada is already an economic and political union.
- 16 Only Nova Scotia's document "Creating Our Own Future" was directly examined by the author. This section was drawn from APEC's "The Atlantic Economy Beyond 125: Some Key Influences" (July 1992) and "The challenge of change in Newfoundland's economy", *Commercial News*, Sept. 1992.

- 17 ACOA has funded numerous small business-related research and training projects. However, the study of the political economy surrounding this sector is looked at with suspicion or simply neglected.
- 18 See Sagebien (1991).
- 19 Canadians are “setting aside what historians and political scientists have regarded for decades as a deeply rooted national characteristic: their reliance on government to protect the livelihoods of ordinary citizens... Decima researchers asked Canadians whom they depended on most ‘to look after your best economic interest: government, businesses or unions?’ Fifty percent of those polled replied ‘business’. Only 25% answered ‘government’. Another 15% said ‘unions’, and 10% expressed ‘no opinion’ ... *Rather than being enamoured of business, it is really people being disillusioned with government*” (Wood and Bethune 1990, p. 22, emphasis added by author).
- 20 Jeffrey Simpson is a journalist not associated with the left.
- 21 See Howell (1978) for an examination of the Maritime and Canadian political cultures.
- 22 The problem is analogous to that presented in a traditional Spanish children’s story. In this story, the mice gather to address the need to safeguard themselves from the vicious housecat. After much deliberation, they decide to put a bell around the cat’s neck to act as warning of its approach. Happy and proud to have conceived such a brilliant strategy, the mice decide to celebrate. But the festivities come to a sudden end when a small mouse innocently asks Who is going to put the bell around the neck of the cat?
- 23 The Canadian Manufacturers Association identified 500 barriers to interprovincial trade (CMA 1991, quoted in APEC, June 1991, p. 9). McMillan’s list is more modest: 1. Government procurement contract; 2. Wine, beer, liquor boards; 3. Highway construction tenders; 4. Product labelling, protection, safety programs; 5. Supply management boards; 6. Crown Corporation policies; 7. Professional credentials; 8. Direct grants and subsidies to companies; 9. Provincial advertising contracts, including tourist promotion campaigns; 10. Provincially funded loan boards; 11. Provincial trucking regulations; and 12. Provincial incentive programs for industrial development.
- 24 Only “quasi-functionalist” because in this case the ultimate result of the cooperative exercise is not political union, as was the case with the EC functionalists, but rather economic union.
- 25 Negative integration is the removal of barriers to trade and mobility, while positive integration is the creation of administrative vehicles etc. that facilitate the integration.
- 26 See *Globe and Mail* “Will anything change on the basis of this report?”, Nov. 2, 1990, and *Daily News* (Halifax) “A bad attitude, parochial and provincial biases and a lack of vision will prevent Maritime union from becoming a reality”, Nov. 4, 1990.
- 27 Other issues now preoccupy politicians: 1) the 1992 recession in Canada and the U.S.; 2) the 1993 federal election; and 3) the series of upcoming provincial elections, particularly Quebec’s.
- 28 It would, of course, be quite useful to test this framework first in order to determine its inner consistency, as well as its applicability to regional economic planning. However, such a test would be outside the scope of this thesis. Since the purpose of using Senge’s framework in this thesis is merely illustrative and heuristic, I feel that it is appropriate to use it in this case without any further testing.
- 29 See the results of Voluntary Planning’s 1993 Community Revisits presented in Chapter 11.

PART IV

A NOVA SCOTIA CASE STUDY

**HOW CAN THE ECONOMIC POLICY PLANNING AND
IMPLEMENTATION PROCESSES BE IMPROVED?**

INTRODUCTION TO PART IV

As Part III has demonstrated, while a wholly satisfactory explanation of the causes of the continued economic decline of the Atlantic region has not been found, since the 1950s a multitude of initiatives have been carried out in an attempt to reverse this trend of decline. Economic development policy-making in the region has passed through a variety of phases in terms of policy orientation and administrative programme structure. Earlier periods were characterized by a reliance on state-centred development strategies usually involving megaprojects and regional development funds and agencies dependent on federal largesse. Since the mid-1980s and particularly since 1990, economic development policy in the region has instead emphasized the key role that the private sector plays in development and has stressed greater regional economic self-reliance and cooperation, as well as community-based endogenous development initiatives. While federal financial development assistance is still certainly welcome (e.g. the ACOA), these funding programmes have also come under fierce attack, primarily because they allegedly “distort” the market and “waste” taxpayers’ money.

In terms of the debates presented in Part II, in the 1990s regional policy in Atlantic Canada has moved from away from a reliance on industrial policy towards a reliance on private sector-led development strategies. The aim of these recent policy documents – to transform Atlantic Canada from a “have not” region into a dynamic, entrepreneurial and competitive region – is not all that different from the aim of earlier policy documents. What is different are the prescriptions for how to do it. In the 1990s, they echo the rhetoric of the management discipline and of the neo-liberal stances presented in Part II – quality, productivity, learning, economic integration, free markets, less government, etc. This thesis argues that the political economy of the Atlantic region presents serious obstacles and impediments to the achievement of these policy aims, and that policy makers are not being realistic in their assessment of the magnitude and counterproductiveness of these impediments. Furthermore, since the right set of incentives for change is not being provided to the agents of change, little change can be expected. Repeating the word “competitiveness” as a mantra is not enough. As Porter and others have attempted to demonstrate, competitiveness is systemic¹ (i.e. the diamond). Therefore, as argued in Part III, the assessment of competitive advantages or disadvantages, as well as the strategy for achieving competitiveness, must also be systemic. Practices that retard competitiveness like monopoly, patronage, etc. cannot simply be glossed over because they are politically sensitive issues or because the critical analysis of the deleterious effect of these practices on the economy generally comes from the political left.

Given the normative objectives of the thesis, though, arguing as Part III did, that policies will not work, is only half the job. Part IV empirically tests these conclusions and attempts to answer the fourth fundamental question – how can the policy planning and implementation processes be improved? (see page 10).

While Parts II and III focused on issues of regional policy *content* and on the global, national and regional political-economic *context*, Part IV focuses primarily on the *process* of planning, implementation and control (monitoring and evaluation) undergone by a representative Atlantic Canadian economic planning organization – Nova Scotia Voluntary Planning. Nova Scotia Voluntary Planning (Voluntary Planning) and its economic development strategy “Creating Our Own Future” (the economic strategy), briefly examined in Chapter 7, provide an excellent case study for a variety of reasons. First, because of all the Atlantic Canadian economic development documents of the 1990s, Voluntary Planning’s “Creating Our Own Future” goes the furthest in advocating a private sector–led development model. In addition, the organization itself is not just a part of the provincial government, but is also an independent forum of volunteers committed to creating a partnership between business, labour and government.² The organization’s ability to affect government policy and the actions of the private sector comes not from legislative authority, but from the influential nature of its membership.

Several other reasons make Voluntary Planning an appropriate case study. As will be discussed in Chapter 8, regional development documents are regarded by the majority of Nova Scotians (and quite likely by many Atlantic Canadians) as exercises in futility meant to promote short-term political objectives and then be shelved to “gather dust”. This assessment is understandable given the lack of results from the previous provincial economic blueprints. To counteract this cynicism and attempt to change the record of implementation failure, “Creating Our Own Future” carefully lays out an implementation plan and a yearly monitoring of progress along the lines set out by the strategy. Moreover, as a result of the public consultation process that led to the publication of the economic strategy, Voluntary Planning went beyond the role of planner and committed itself to be a “catalyst” for change in the “non-government sector”. This approach to planning, with a focus on implementation and control, allowed me to empirically test the fundamental hypothesis of the thesis – that the regional political economy tends to checkmate the chances of success of economic development initiatives, and that policy success would be vastly improved if the process of policy planning and policy implementation itself was designed to address the checkmating nature of this context. Through the case study I could now look at a specific initiative and ask:

- 1 . Is the economic strategy working?
- 2 . Why or why not?
- 3 . How can the chances for its success be improved?

Two opportunities greatly facilitated this research project. One was participation in Voluntary Planning's Communications Committee, 1993 Community Consultations and Strategic Planning Review process. The other was participation, on an informal basis, in the Secretariat to the Monitoring Committee's evaluation of Voluntary Planning's and the government of Nova Scotia's record in Year One of implementation of "Creating Our Own Future". While there was a definite conflict of interest because I participated in both Voluntary Planning and Secretariat activities, I was able to perform my duties in both committees by maintaining the confidentiality of the meetings and deliberations of both groups. The policy research and cooperative inquiry methods of social research described in Chapter 2 provided extremely useful guidelines for my dual role as both participant and researcher.

In sum, as a case study, Voluntary Planning provided me with: 1) the "purest" example of a private sector-led development initiative in the region in which to test the hypothesis of this thesis; 2) the opportunity to observe and actively participate in a regional policy monitoring and evaluation exercise; and 3) a chance to directly affect the planning process.

Part IV describes the methodology design and the results of the various evaluations that were conducted as part of the case study. The social policy evaluation literature describes four main types of evaluations: 1) effectiveness, 2) model appropriateness, 3) efficacy and 4) efficiency evaluations. The first type of evaluation is fundamentally performance-oriented and suitable for a Short-Term/Plan-Specific evaluation exercise. The other three types of evaluations are more analytical and suitable for a Long-Term/General/Organizational evaluation exercise. Given the overall argumentative thrust of the thesis, a multi-dimensional evaluation design was required. The first three types of evaluations were conducted for the thesis. Each evaluation served a specific purpose and adopted a different methodology. In terms of the case study questions posed earlier, the Short-Term/Plan-Specific *effectiveness* evaluation attempts to answer the question Is the strategy working? The other two Long-Term/General/Organizational evaluations attempt to answer the questions Why or why not? and How can the chances for its success be improved? In other words, the performance-oriented effectiveness evaluation tested whether, given the hypothesis of the thesis, my prediction that policy

prescriptions would be ineffective was correct or not. The other two sets of evaluations then tested whether the reasons for ineffectiveness were consistent with the analysis previously provided in support of the hypothesis.

Part IV is divided into four chapters. Chapter 8 provides a description of Nova Scotia Voluntary Planning and summarizes the tenets of “Creating Our Own Future”. Chapter 9 presents the methodological details of the various evaluations conducted. Chapter 10 presents a more detailed description of the methodology followed for the Year One effectiveness evaluation conducted by the Monitoring Committee and then reports and discusses the findings of this report. Chapter 11 presents the analysis conducted for the model appropriateness and efficacy evaluations. Part V, Chapter 12, provides a set of case-specific and region-wide conclusions and recommendations and addresses the effects of the 1993 change in the Federal and Provincial administrations on the implementation of the economic strategy. Appendix A provides information regarding the membership of the Voluntary Planning Board and staff and other relevant committees mentioned in Part IV. It also lists the organizations, individuals and groups consulted as part of the 1993 Voluntary Planning Strategic Planning Review.

ENDNOTES

- 1** The words “systemic” is used in Part IV to indicate that the issue under consideration must be viewed as part of an entire system. The words “systems thinking” and “systems perspective” are used in Part IV to refer to this holistic way of examining phenomena.
- 2** While Voluntary Planning maintains that it is an arm’s-length advisory organization to government representing the interests of the “non-government sector” (the private sector and the general citizenry), critics are quick to point out that this assessment of itself is not entirely true. Voluntary Planning’s small administrative staff and its operational costs are funded by the provincial government, so it is not wholly independent of government. However, the majority of its activities are carried out by its volunteer members outside of the confines of government.

CHAPTER 8

NOVA SCOTIA VOLUNTARY PLANNING

8.1 INTRODUCTION

The long-standing economic difficulties of the province of Nova Scotia have resulted in the formation of non-governmental organizations aimed at mobilizing the human resources of the province for the purpose of economic revitalization. These movements have taken various forms – from social gospel movements (e.g. the Antigonish Movement), to lobbying groups, to militant labour organizations, to community economic development initiatives, to regional rights advocacy groups within the Canadian federation (e.g. the Maritime Rights Movement). In recent years, the distrust of politicians and the sense that public sector economic blueprints are created to “gather dust” have raised the profile of corporatist solutions to economic problems. Nova Scotia Voluntary Planning (V.P.) is one of the most well-organized and advanced of this type of organization in Atlantic Canada. It has been at the forefront of private sector-led economic development planning in Nova Scotia for almost three decades. It therefore provides an excellent case study through which to examine the content, context and process of a private sector-led economic development strategy within Atlantic Canada.

Chapter 8 examines the 30-year planning history of Voluntary Planning. It provides an overview of the organization and a summary of its major economic planning activities broken down into three major periods: from 1963 to 1987, from 1988 to 1991, and from late 1991 to 1993. The focus of the Chapter is on the last two planning periods.

8.2 NATURE OF THE ORGANIZATION¹

Voluntary Economic Planning (VEP), as the organization was known until 1969, was founded in 1963 through the efforts of the Progressive Conservative² government of Premier Robert Stanfield. The purpose of the organization was to provide a province-wide consultative forum with the mandate of planning the province’s economic future. Until 1969, the organization was the only economic planning body in the province.

Since its inception VEP’s organizational structure has reflected a corporatist model³ of economic development – the partnership between business, labour and government. While governments world-wide regularly enlist the advice of the private sector in economic planning, Voluntary Planning’s uniqueness comes from the fact that the

organization operates through enduring standing committees representing “sectors” of the economy rather than through short-term advisory task forces.

With the exception of a small number of civil service staff and a salaried Executive Director, the organization is composed entirely of volunteers. Voluntary Planning is structured to include a Board of Directors and standing committees comprising Sector and Cross-Sector Committees, an Executive Committee and a Nominating Committee (see Exhibits 1 and 2). The Board, comprising volunteer Sector chairs and members at large, provides decision-making authority and administrative direction for the organization. The Executive Committee is the chief operating body of the Board. A small staff of civil servants supports the day-to-day activities of the organization. (See Appendix A for composition of the Board and staff.) The Board reports to the Premier and the Cabinet (see Exhibits 1 and 2). Funding for Voluntary Planning’s activities and its administrative staff comes from the provincial Department of Economic Development.

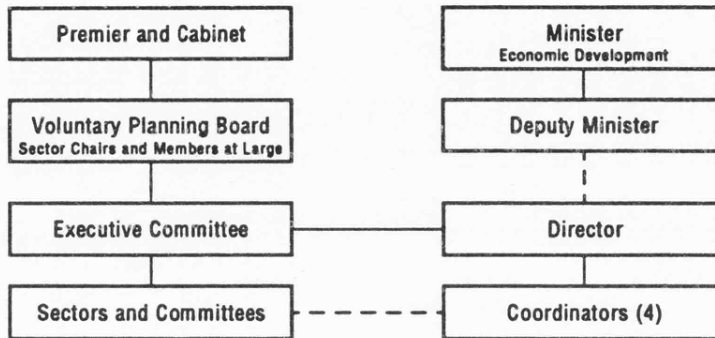
Sector Committee members are recruited by the Sector members themselves for their expertise in particular fields of endeavour and for their ability to provide a well-informed balanced opinion on issues. A staff Sector Coordinator offers support services to the Sector Committee. The chairs of the Sector Committees sit on the Board. Other Board members are recruited through a Nominating Committee. The Chairman and Vice Chairman of the Board are appointed by the government, even though they are not government employees.

Despite its direct funding and reporting relationship, and the fact that its highest officers are government appointees, Voluntary Planning has strived throughout the years to maintain an arm’s-length, non-partisan relationship to government. Its structure as a volunteer organization provides a counterweight to government influence. The Executive Director’s role is to maintain this delicate balance.

The primary objective of Voluntary Planning is

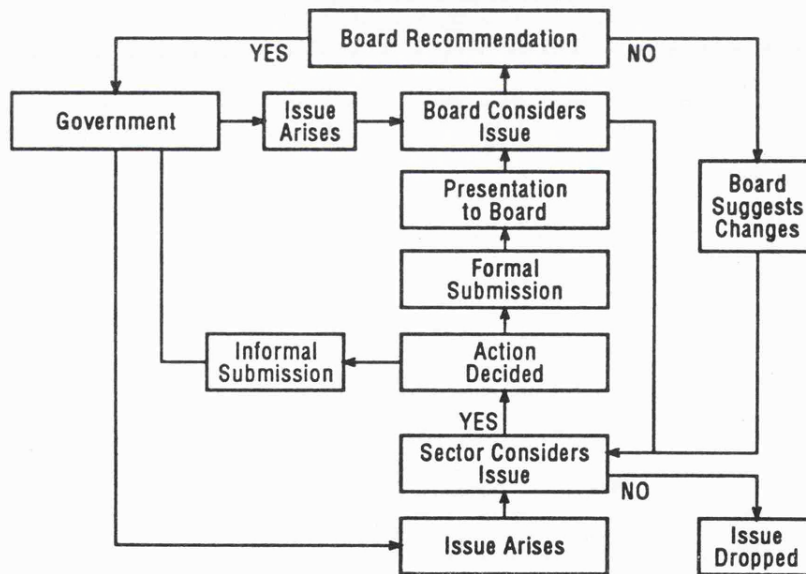
To provide for the effective involvement of the non-government sector in planning and development. Within this general definition two specific functions are seen: i) to facilitate identification of problems by the non-government sector and to relate appropriate private and public sector resources in an attempt to resolve these problems; [and] ii) to involve the non-government sector in the analysis of government planning proposals during the process of their development, and prior to final approval. (V.P. Orientation Manual, p. 7)

EXHIBIT 1
Voluntary Planning Organizational Chart



Source: Voluntary Planning, Strategic Review binder, 1993.

EXHIBIT 2
The Voluntary Planning Process – How It Works



Source: Voluntary Planning, Strategic Review binder, 1993.

The activities of the organization are *proactive*, in that Voluntary Planning implements measures within the private sector and raises issues for the government to consider; and *reactive*, in that Voluntary Planning responds to requests from the government for advice on matters of policy. In the latter case, confidentiality is strictly observed. Sector Committees prepare papers and proposals which then flow up to the Voluntary Planning Board for consideration and approval.

The Sector Committees have considerable contact with government departments on an informal basis. For example, government technical and research resources are available to the Sectors and regular meetings with their corresponding Ministers are encouraged. However, the Board, in its advisory capacity, is the primary contact for government and is responsible for forwarding Sector Committee proposals to the appropriate government agencies.

Voluntary Planning's deliberations are characterized by confidentiality and consensus. These traits offer both benefits and obstacles. For example, while the respect for confidentiality has allowed government to share sensitive policy matters with Voluntary Planning, it has also given the organization a low public profile as well as an elitist image.⁴ Voluntary Planning is known by those who are aware of the organization's existence – mostly powerful individuals in business and government involved in the economic policy matters – as “Nova Scotia's Best Kept Secret”. Similarly, the consensus decision-making process of the Sector and Board deliberations enables the organization to inspire a diverse group of individuals from the many communities and economic sectors of the province to reach consensus on policy matters. Unfortunately, consensus decision-making is time consuming and frustrating, requiring enormous patience and dedication on the part of participants.

In 1993 there were 14 active Sector Committees⁵ and over 600 members in the organization. The Board, originally composed of 32 white establishment males, is now far more representative of the various communities of Nova Scotia. Its 40 members now include male and female representatives of the various geographic, racial and ethnic communities of the province. While the original Voluntary Economic Planning was concerned solely with economic issues, Voluntary Planning currently has a broader mandate which includes social and environmental issues. For example, Voluntary Planning currently has a Race Relations Committee and an Environment and Economy Sector. Communications within the organization are maintained through regular reporting procedures (e.g. minutes), a newsletter, an Annual Report and an Annual Meeting, and are supported by a Communications Committee.

As the rest of Chapter 8 will demonstrate, the organization's influence and power has fluctuated considerably during its 20 years of existence as a consequence of either the nature of its working relationship with government or of its internal ability to capture and direct the efforts of its volunteer membership.

8.3 PLANNING HISTORY – 1963 TO 1987

In its 30-year history, Voluntary Planning has been involved in scores of public consultations and economic sector planning meetings and has advised the government on many issues relevant to the economic well-being of the province. However, for the purposes of this thesis, I will focus my examination of Voluntary Planning's planning history on its involvement in the preparation of major economic planning documents and initiatives for Nova Scotia.

The "First Plan for Nova Scotia Voluntary Planning", originally intended as a five-year plan, spanned only the 1965 to 1968 period. This document concerned itself solely with economic matters and did not delve into social issues. Voluntary Economic Planning's task was to "identify the challenges confronting the province and to prepare a reasonable set of economic objectives as a framework into which the plan would fit" (Lamport 1988, p. 31). The plan identified the main problem in the economy as one of "inertia" (Ibid). The objectives of the plan included: higher rates of growth in per capita income, higher employment levels, increases in productivity, more efficient resource development, and the achievement of an economic and political climate that would encourage industrial growth. The core philosophies guiding the plan reflected the economic thinking of the time. For example, while moderate growth of the resource industries was expected to continue, real opportunities were envisaged in the growth of the service and secondary manufacturing sectors. The strategy also supported the notion of specially designated growth centres and the attraction of certain industries to the area through the lobbying and promotional efforts of organizations such as Industrial Estates Limited. In a region with a long-standing history of government support for ailing industries (e.g. coal and steel), the strategy's most controversial policy statement revolved around the notion of supporting competitive businesses while terminating those industries that were not viable.

Implementation of the plan was relatively "successful", though "patchy and inconsistent" (Op Cit, p. 45). The greatest success of the plan was that it legitimized the concept of planning all together. However, many aspects of the plan were not implemented for a variety of reasons, primarily resistance within the civil service to a plan crafted by outsiders, and the conflict of interest between Voluntary Economic Planning and the provincial government resulting from political pressure for the continued support of the Cape Breton coal and steel industries, which were not competitive. In sum, Voluntary Economic Planning

...had prepared a superb plan that no one could implement.... The very creation of a document that articulated goals for the province's economy was an outstanding achievement. It established at once both the power of planning as a persuasive medium and its accessibility as a tool of the private sector. The problem was that the plan established goals but not specific means. It showed where to go but not exactly how to get there. (Op Cit, p. 46)

In 1969 the development of a second plan was considered by Voluntary Economic Planning and the provincial government. This time, Voluntary Economic Planning's "proper place in the planning process" was identified (Op Cit, p. 49). The mission statement of the new organization known as Voluntary Planning was "to provide for the effective involvement of the private sector in development planning" (Op Cit, p. 50). Voluntary Planning was distinguished from its predecessor, Voluntary Economic Planning, by two key propositions: 1) it would not plan *for* the government but *with* the government" (Op Cit, p. 51), and 2) it would involve social and environmental issues along with economic ones in the broader scope of development planning.

In the early 1970s, relieved of the task of developing a second plan, Voluntary Planning sponsored an innovative experiment in participatory planning – "The Encounter on Urban Environment". The Encounter process, modeled after Prince Philip's 1968 Australian Conference on Industrialization and Urbanization",

was to be psychologically unsettling, a calculated and controlled assault on a particular society's assumptions about itself and its future [Op Cit, p. 54] ... [and] ... was to evolve development goals based on social, economic and physical realities of the region, shaped and widely understood by the community. These would then become the reference points whereby the private and public sectors could evaluate planning, decision-making and action. (Op Cit, p. 56)

The enthusiasm generated by Encounter Week in Metro Halifax demonstrated the general public's interest in participating in planning and government. Follow-up activities and other "mini-encounters" took place around the province. Several metro area planning agencies sprang up in the wake. However, the fanfare also increased the government's wariness of such open-ended participatory strategies. Further Encounter programmes were not funded.

The early and mid-1970s, referred to by Voluntary Planning members as "the dark days" (Op Cit, p. 61), were characterized by an ebb in Voluntary Planning activities and enthusiasm, and by a lack of direction and purpose. This period of low activity was

in part a result of both the election of a new Liberal provincial government suspicious of Voluntary Planning's claim to non-partisanship, as well as of the loss, in the early 1970s, of a direct planning mandate. To compound the problem, the organization's credo as "a partnership between labour, business and government" had been tarnished by the lack of participation in the organization by labour and women, and by the association of Voluntary Planning with government interests in the long-term crisis of Cape Breton's coal and steel industries. The board resolved to involve labour and women more directly in Voluntary Planning's activities and held a series of public meetings around the province to improve public relations at a "grassroots" level.

It was not until the late 1970s that Voluntary Planning again became involved in an integrated long-term planning effort. The notion of "developmental planning" – "the recognition of the inter-connectedness of all sectors of the economy as well as the quality, strength and vigor of daily life" (Op Cit, p. 76) guided the new plan. In this collaborative effort between Voluntary Planning and the Department of Development, "Voluntary Planning listened as much as it spoke and advised rather than proclaimed" (Op Cit, p. 77).

The strategic objectives of the plan were: 1) self reliance, and 2) the redirection of development policies and programmes away from hardware and infrastructure and towards productivity improvement, management development, manpower needs identification, training and development, technological innovation and adoption of new products and processes, and marketing and trade development. Two major documents resulted from this effort. The first discussion paper, "The Green Paper", was prepared by civil servants. Unfortunately, it looked at the economy solely from the points of view of government policy and government intervention. This approach was rejected as insufficient because it did not address the need for private sector participation. The White Paper, subtitled "Building Competitiveness" (Province of N.S. 1984), reflected a major shift in planning thinking in the province. While the Green Paper asked "What can we [government] do for you?", the White Paper was more "What can we [private and public sectors] do together?" (Op Cit, p. 155). The private sector was attempting to go "beyond the philosophy of handouts" (Ibid).

The White Paper included the insights gathered from the Green Paper as well as input from other policy and planning documents. It stated that

the focus of the development strategy was competitiveness, not new economic programmes. The key to raising employment opportunities and incomes lay in improving the position of Nova Scotian firms in

local, Canadian and international markets. The government role would be two-fold: 1) to improve the business environment through procurement policies, regulation, taxation, information etc.; and 2) strengthening human resources by concentrating on manpower initiatives, entrepreneurship and management. (Op Cit, p. 80, emphasis added)

Both Voluntary Planning and the government were charged with monitoring the progress of the strategy. According to Lamport, 31 of the 35 strategies recommended by the White Paper had been implemented by October 1984. However, the fact that the expected positive impact of the strategy on the economy has not yet materialized suggests that APEC's assertion that the document was, for the most part, simply ignored is perhaps a more accurate account of the implementation record of the strategy.

The mid-1980s were once again difficult years for Voluntary Planning. Membership in the organization had declined from over 600 members to under 400 and the turnover in the Executive Director's position had recently become extremely high (several directors in eight months). Organizational change had become very difficult to implement. For example, the most recent director had tried to make major changes in the organization (e.g. number and kinds of sectors, administrative procedures etc.) but was unable to do so because of organizational resistance to her ideas and to her leadership style. These conflicts had led to her dismissal. Moreover, as stated previously, "Building Competitiveness" had been simply ignored by the bureaucracy. Voluntary Planning's role in planning as well as the purpose of its very existence were in question.

In mid-1987, Elizabeth Mills was hired as Executive Director of Voluntary Planning. She is still in this post at the time of writing (1993). As a condition of employment she stipulated that an On-Site Analysis be conducted in order to address some of the problems facing the organization at that time.

The On-Site Analysis is

a problem-solving model developed by Robert Myers and introduced by him as a programme of United Way/Centraide Canada in 1979. It is a process whereby the people doing similar work in other organizations join the staff in an organization to help them analyze their operations on site. Together they assess the organizational performance, discover and prioritize (sic) problems and develop solutions. (Lamport 1988, p. 89)

Through this type of evaluative exercise, essential questions of organizational effectiveness, efficiency, relevance, credibility, and accountability to its members,

governments and taxpayers could be examined. Ms. Mills felt the On-Site Analysis would: 1) help establish a common purpose for all Voluntary Planning volunteers, the Board, administrators and staff; 2) assist in establishing a set of clear administrative guidelines and protocols for the organization; and 3) bring about changes that could be supported by all stakeholders. Given that 1987 marked the 25th anniversary of Voluntary Planning's formation, it seemed most appropriate to conduct this exercise.

The major result of this intensive five-day evaluation, contained in a report written by both the On-Site team and Voluntary Planning (V.P. 1988), was the identification of two key areas for change. One was the need to do more on-going organizational planning (long-range and operational). The second was the need to develop an effective communications strategy that could publicly establish Voluntary Planning as a key player in the non-government sector. The logic of the latter recommendation was simple – Voluntary Planning had to be “known, understood and respected in order to attract and involve key private, non-government sector participants” (Op Cit, p. 90).

Once the organizational infrastructure was felt to have some cohesion, Ms. Mills' attention turned to setting a direction for the main thrust of Voluntary Planning activities which would allow her to implement the main recommendations of the On-Site Analysis. The possibility of developing a plan to replace “Building Competitiveness” (Ibid) seemed a promising option. The feeling in economic circles was that the previous strategy was outdated because it had been overtaken by events such as the US.–Canada Free Trade Agreement, the uncertainty surrounding GATT, concern over sustainable development etc. Worst of all, as stated earlier, the document had, for all intents and purposes, been largely ignored by the bureaucracy. Therefore, it was felt that a new plan that could set out mutually agreed upon and implementable objectives was needed. The preparation of a new plan would also allow Voluntary Planning to further the organizational cohesiveness that had resulted from the On-Site Analysis.

8.4 AN ECONOMIC STRATEGY FOR THE 1990s – 1988 TO 1991

8.4.1 The Genesis of a New Plan

In mid-1988, Voluntary Planning invited a union, the Nova Scotia Federation of Labour, and two private sector advisory councils to government – the Nova Scotia Council of Applied Sciences and Technology (CAST) and the Nova Scotia Trade Council (TC) – to join Voluntary Planning in an appeal to the Premier for a new economic development blueprint. The Federation of Labour expressed interest in the project but did not participate directly. The two Councils joined in the effort. The aim of

the plan was to involve the private sector more directly in the process of improving the economy of the province. In June of 1988, an appeal for a new plan was made to Cabinet. In January of 1989, the Premier approved the project and asked Voluntary Planning to lead the effort. A CORE Committee composed of Voluntary Planning members, CAST and TC members, and academics was formed to coordinate the activities of the three planning partners and of all other potential stakeholders such as labour groups and the Department of Economic Development. The Deputy Minister of Economic Development was appointed as an ex-officio member (see Appendix A for composition). Individuals were chosen for their knowledge and expertise in economic, business and community matters as well as for their commitment to better economic prospects for Nova Scotia. Sectoral and geographic diversity was also sought.

From the beginning the CORE Committee was concerned about Premier John Buchanan's commitment to a dynamic and concerted economic development plan. The Premier had not distinguished himself for careful planning nor for earnest implementation, but rather for finding ways to increase his political profile in a somewhat opportunistic manner. Thus the planning partners felt it was necessary to base the plan on sound and credible research that could withstand political interference. While the support and advice of APEC was requested, Canada Consulting, an Ontario consulting firm, was appointed as the economic research consultant. Canada Consulting was chosen primarily because the firm was already conducting an economic development-related study for CAST and because the firm's qualifications were considered adequate given their preparation of Ontario's economic blueprint.

Canada Consulting faced several obstacles in its work. It needed to undergo a considerable learning curve on the province's economic challenges very quickly, local stakeholders were suspicious of an Ontario firm, and it did not have a reliable network of contacts for data gathering. The result of these impediments was that the majority of its reports⁶ (V.P. 1990) were considered by some critics in economic circles as being somewhat "lightweight", "too general" and a "good background lacking in-depth analysis". Some critics actually considered Canada Consulting's analysis "flawed". On the other hand, many of the side reports contracted to individuals and to other private and public agencies (e.g. the Department of Industry, Trade and Technology) received accolades. For example, O'Farrell's⁷ (March 1990) report on the competitiveness of small manufacturers in Nova Scotia, while not widely circulated, was extremely well received. Perhaps this negative evaluation of Canada Consulting's work is accurate. However, it could also be unduly harsh and due in part to the fact that the Consultants met with considerable resistance from some of the provincial players, particularly from

the Department of Economic Development (DED). The relationship between DED and Canada Consulting had been strained; DED had been asked to abandon the project because some CORE Committee members did not consider previous DED submissions to be of sufficient quality. In addition, it was felt that the strategy would best be developed by the “private sector” without government interference.

In retrospect, some CORE Committee members now feel that APEC would have been a much better choice of economic research consultant because: 1) APEC was an “expert” on the region’s economic challenges and as such would have had a very short learning curve; 2) it was respected by all stakeholders and it had an established network of contacts for data gathering; and 3) it was already preparing a major economic analysis study and development plan for the region⁸ so duplication of efforts and expenses could have been avoided while obtaining what proved to be a more sound study. However, while not a formal consultant, APEC provided a great deal of *pro bono* work and advice to the CORE Committee. Regular quarterly meetings involving three to five APEC staff were held for the two years of the planning process. APEC’s input ranged from editorial suggestions to criticisms that the strategy’s recommendations were not grounded in proper analysis and theory. For example, at one point the draft strategy recommended that telephone rates be lowered. While this might seem like a good policy in terms of reducing transaction costs for firms, the recommendation was being made without a cost-benefit analysis of the impact of this change on all involved parties (utilities, private sector and tax revenues) or a comparative study with other regions to determine alternative cost structures. On APEC’s suggestion the recommendation was changed from a call for lower telephone rates to “identifying the concerns” about rates raised during the consultations. APEC’s guidance and support were greatly appreciated in light of the problems that Canada Consulting encountered during the research phase and the fact that the DED did not remain an active participant throughout the entire planning and strategy-making process.

As far as relations with the Council of Maritime Premiers (CMP), Voluntary Planning had very little interaction with the CMP itself. Voluntary Planning’s CORE Committee spent considerable time examining “Standing Up to the Future”, McMillan’s report to the CMP (McMillan 1989) and exploring ways to incorporate some of the report’s major tenets into its own plan. As discussed in Chapter 7, McMillan’s primary message was a call for Maritime interprovincial cooperation or “economic union”. APEC’s support for interprovincial cooperation was also instrumental in the incorporation of this notion into Voluntary Planning’s plan.

On September 12, 1990, John Buchanan resigned as Premier of Nova Scotia. On that same day, he was appointed to the Canadian Senate by Prime Minister Brian Mulroney. This move was severely criticized as a blatant example of patronage by Prime Minister Mulroney and was considered an ironic expression of Premier Buchanan's own predilection for pork-barrel politics. The office of Premier was filled in the interim by Roger Bacon until a new leader of the Progressive Conservative party could be chosen. Donald Cameron was elected conservative leader on February 9, 1991 and was sworn in as Premier on February 26, 1991. The CORE Committee saw the change in leadership in the Progressive Conservative party as an opportunity to conduct the planning and strategy-making process more along the lines it had originally intended.

CORE Committee members had felt that the articulation of a legitimate vision of the economic future of the region, and the implementation of the strategy to follow, required the support of all Nova Scotians and the direction of the private sector. While the CORE Committee had considered both the possibility of conducting province-wide consultations before releasing its final document and having the planning and strategy process "driven" by the private sector (both management and labour), as opposed to by government, there had been considerable resistance to these ideas. On the one hand, Premier Buchanan's administration was not comfortable with the notion of consultations or of less government control. Since the activities of the CORE Committee did not have an independent budget, the process remained well within the confines of government making a private sector-driven report and strategy highly unlikely. On the other hand, labour groups doubted the ability of the planning and strategy-making process to truly represent their views and concerns. During the research phase organized labour audited the research process but was not willing to be a full participant in the deliberations. It remained on the sidelines and was often negative.

At the request of the CORE Committee, Premier Cameron approved a budget for the consultative process. The fiscal independence and the fact that the government (i.e. the DED) was no longer directly involved in the planning process, gave the CORE Committee a large measure of control over the planning process and the editorial content of the strategy documents. Armed with this newly found independence and the commitment to province-wide consultations, the CORE Committee was able to successfully recruit labour's participation. The new 12-member CORE Committee, composed of representatives of labour, business, academe and community economic development groups, with the government being represented solely by the Deputy Minister of Economic Development as an ex-officio member, felt that the planning and strategy-

making process was now legitimately a private sector–driven process that could solicit the views of all Nova Scotians.

The major philosophical issue facing the CORE Committee at this point was whether the consultations were intended as a learning exercise for those consulted in terms of their ability to comprehend the initial consultation document; or a learning exercise for the CORE Committee on what Nova Scotians thought about the economy with the purpose of incorporating their views into the final strategy. The consultation process was conducted with both learning objectives in mind.

When it came to writing the initial consultation document based on the Canada Consulting research, the CORE Committee felt that it was best to hire a local writer to prepare it because the proper “tone” for the report could not be established by Canada Consulting. Thus the Ontario consultant’s participation in the planning process came to an end. A well respected local writer, academic and journalist prepared the initial consultation paper “Our Province. Our Future. Our Choice” (V.P., Mar. 1991). In March of 1991, 20,000 copies of the paper were printed and distributed. The paper was subjected to a province-wide consultation involving interviews with over 1,000 major players in the provincial economy, public consultations held in 10 communities,⁹ and feedback from 1,563 Nova Scotians. Two consultation teams of three members of the CORE Committee, each representing industry, labour and academe, were recruited and sent “on the road” to conduct province-wide consultations. A subsequent document – “Report on the Public Consultation Process” (V.P., May 1991) – detailed the feedback provided through the consultations.

8.4.2 The Results of the Public Consultations

The consultation process revealed not only what Nova Scotians thought should be added to or deleted from the proposed strategy. It also revealed a deep-seated cynicism regarding the implementability of the programme by either the public or private sectors, as well as a cognitive dissonance between the neo-liberal values and interpretations of economic history underlying the strategy, and those of “ordinary” Nova Scotians. Private sector elites in Nova Scotia, both management and labour alike, were anxious to bring about better economic prospects for the province. However, the majority of the citizens of Nova Scotia were just as suspicious of them as they were of the provincial and federal governments. As Chapter 11 will argue, a review of the literature presented in Chapters 6 and 7 of the thesis on the labour history and political economy of the region would have predicted this outcome.

The input from the consultations were summarized by Voluntary Planning in a report entitled "Report on the Public Consultation Process" (V.P., May 1991). Section 8.4.2. presents some of the highlights of the report most germane to the arguments presented in the thesis and shows how these inputs were incorporated into the final strategy document, "Creating Our Own Future" (V.P., Nov 1991).

The "Summary of Meetings" section of the consultation report states that

Nova Scotians are disillusioned with politicians and do not trust government (regardless of political affiliation); Nova Scotians do not trust business and industry; Nova Scotians have become over-dependent on government to solve our economic difficulties. However, government does have a role to play; In addition to infrastructure impediments, 'attitude' is a real part of our problem; Removal of barriers to performance must be a major part of the government's role of implementation; Active partners and supporters for non-government implementation must be brought into a coordinated initiative; The task of evaluating the 'larger provincial agenda' above all private agendas and making it real to everyday Nova Scotians will be enormous. (V.P., May 1991, p. 9)

The report also documents a high level of resistance to the use of the terms *competitiveness*, *private sector* and *privatization*.

The consultations revealed that the word *competitiveness*

conjured up images of labour exploitation, plant closures and policies that sacrificed the quality of life of all Nova Scotians for the short term profit of the few.... [the word] naturally implies there would have to be losers as well as winners, and that any gains Nova Scotians made would come at someone else's expense. (V.P., May 1991, p. 14)

It was argued, particularly by the labour sector, that the ethic of competitiveness needed to be replaced with the equally important ethics of cooperation, consultation and collaboration. Voluntary Planning's (Nov. 1991) final document responded to this concern by stating that it "maintain(s) our commitment to ever-increasing global competitiveness while recognizing and acknowledging the role Nova Scotian traditions of cooperation should play in achieving that objective" (Ibid).

Similarly, the term *private sector*

while intended to encompass business, labour and all other outside government, [was] ... equated ... by many ... with business alone... [It] evoked images of smokestacks, closed plants, job losses and 'big, bad, ugly foreign-owned business'. (V.P., May 1991, p. 14)

It is interesting to note that in the final Voluntary Planning report the words “foreign owned” were added to the description of “big, bad and ugly business”. The interim “Report on the Public Consultation Process” does not specify ownership and suggests instead that the resistance to a private sector–led initiative revolved around: 1) the long history of adversarial relationships between labour and industry, and 2) the need to have all sectors – public, private (big and small business), labour and “the people” – working together to ensure participation by all concerned and to prevent another dust-collecting document. In Voluntary Planning’s final document, “the term private sector has been altered by using the term non-government sector” (V.P., Nov. 1991, p. 14). In addition, the grassroots links were strengthened by the recognition of “the importance of the community economic development approach as a vehicle for the implementation of an economic development strategy at a community level” (Op Cit, p. 47).

Resistance to the private sector was also evident in the discomfort felt by many Nova Scotians regarding the possibility of wholesale privatization of public corporations. Voluntary Planning’s response was to frame the discussion around strategic privatizations and thus recognize the need for appropriate consultations before any decisions are made regarding privatization.

The most salient recurring theme in the history of Voluntary Planning is the concern over the implementability of its economic blueprints. The 1990 public consultations revealed this concern. As stated in the preface to “Creating Our Own Future”:

Given the reality that many Nova Scotians are skeptical about the ability or willingness of Government to translate economic blueprints into action – *something that was made clear to us over and over again during our public consultation process* – the question of how to make sure this strategy is implemented is now the most important one we face. Our success in answering it will, in fact, be the ultimate test of the usefulness of this process. (V.P., Nov. 1991, p. 4, emphasis added)

The fear of creating just another dust-collecting document is most certainly well founded considering that neither the 1960s nor the 1980s documents had reached their desired goals. Of primary concern was the fact that the themes and general planning approaches presented in the White Paper “Building Competitiveness” bore a great resemblance to those in the 1991 discussion paper and, if anything, the economic conditions in the region had worsened over the eight-year span. The 1960s plan had identified the main problem in the economy as one of inertia. If the record of past plans was to serve as an indicator of forward movement in the economy, the only logical conclusion was that this inertia was still at work.

The consultation process also clearly revealed concern over the quality of the leadership of the province as well as a desire for a more open participatory style of governing.

On behalf of the Nova Scotians who had attended the consultations and asked for a reliable implementation and monitoring process, the CORE Committee requested from Premier Cameron that a Monitoring Committee be established as part of the economic strategy. Funding and the agreement to support an internal governmental monitoring process through the establishment of a Deputy Minister Committee were secured. In turn, Voluntary Planning made a commitment to act as a “catalyst for change in the private sector” and agreed to be monitored and evaluated for its part in the implementation of the strategy. In April of 1992, a Monitoring Committee was appointed (see Appendix A for composition). Five of the six CORE Committee members who had travelled the province in the consultations were selected for membership in the Monitoring Committee. While conflicts of interest could have arisen from having the planners and strategists also be the evaluators, this choice was made because it insured continuity and awareness of the entire process, particularly direct knowledge of the fervent desire of Nova Scotians to have a well-monitored process. Several other individuals were chosen to serve on the Monitoring Committee in order to have representation from women and the government.

In order to further insure the implementation of the strategy, an Action Plan was drawn by the CORE Committee. The Action Plan involved the coordinated actions of several provincial government departments and of private sector agents representing various sectors of the economy. CORE Committee members were aware that the Action Plan being proposed was flawed in two ways: 1) the support of all parties mentioned in the Action Plan had not been explicitly obtained, and 2) benchmarks and evaluation criteria that would allow the Monitoring Committee to judge whether the implementation process was on-track had not been developed. While publication of the final economic strategy could have been delayed in order to increase partnership and participation and to develop an evaluation methodology and criteria at the outset of the implementation process, the strategy was released in November 1991 because the CORE Committee felt pressured by its commitment to Nova Scotians to produce a report within the shortest possible time after the May 1991 consultations. In any event, it was felt that an Action Plan, however flawed and rushed, was better than no Action Plan at all. In hindsight, some CORE Committee members now feel that it would have been appropriate at that time to contract the services of a technical advisor with experience in public policy evaluation to set up an effective monitoring process at the onset of the implementation phase.

In sum, the most important result of the process of public consultations was the explicit commitment by all parties to the implementation of the economic strategy. The commitment was supported by several actions:

1. Voluntary Planning committed itself to act as the “catalyst” for change in the non-government sector (mostly the private sector and labour);
2. The provincial government established a Deputy Ministers’ Committee and assigned to it the task of overseeing the implementation of the strategy within government;
3. An *Action Plan specifying* who was committed to do what, by when, was to be included as part of the economic strategy; and
4. A Monitoring Committee composed of public and private sector leaders (management and labour) would be established to oversee implementation by both Voluntary Planning and the provincial government.

This latter result is perhaps the most significant. The establishment of a non-partisan, arm’s-length monitoring body committed to overseeing and evaluating strategy implementation was unique in the history of Atlantic Canadian economic planning. The evaluation of economic programme success or failure, if conducted at all, had generally fallen prey to partisan schemes by all levels of government – federal, provincial, and municipal – designed to justify or attack party policy platforms. The evaluation exercise proposed by a Monitoring Committee would provide an unusual opportunity for a more objective determination of not just the effectiveness, but also the opportunities and impediments that any economic strategy would encounter in the Atlantic Canadian political economy. The findings of a Monitoring Committee would provide a sober, legitimate and credible reference point from which to judge progress.

8.4.3 The Final Document

On November 13, 1991, the document entitled “Creating Our Own Future: A Nova Scotia Economic Strategy” (V.P., Nov. 1991) was released jointly by Voluntary Planning Chairman Allan Shaw and by Nova Scotia’s Premier Donald Cameron. In order to maintain the non-partisanship of the report the CORE Committee obtained the support of the opposition Liberal party for the economic strategy.

“Creating Our Own Future” is a well laid out and easy-to-read document . While it contains some of the analysis conducted by Canada Consulting, most of its content came from the deliberations of the CORE Committee and from the results of the provincial consultations.¹⁰ The model appropriateness evaluation conducted in Chapter 11 of the thesis “locates” the content of the final economic strategy document “Creating

Our Own Future” within the context of the reports published by APEC and the CMP during the same planning period.

“Creating Our Own Future’s” vision of Nova Scotia is one where the province becomes “more and more economically self-reliant while maintaining and enhancing the province’s natural environment” (V.P., Nov. 1991, p. 18). The economic strategy was developed as a way to make that vision a reality. Its goal is “to build an economy that is based on competitive success so we [Nova Scotians] will be able to sell more goods and service in the global marketplace” (Op Cit, p. 19). Underlying this goal is a series of “core values”: strengthened non-government sector; outward looking; value-added; technologically advanced; performance oriented; environmentally sustainable; and regionally sensitive (to the needs of smaller and larger communities). The document’s detailed *Action Table*¹¹ clearly defines *what* needs to be done, by *whom* in the public and private sectors, *how* in general terms and by *when*.

The document’s “Strategic Approach”, “Vision”, “Levers” and “Action Plan” are summarized in Exhibit 3.

EXHIBIT 3

“Creating Our Own Future” – Summary

[“Strategic Approach”]

Based on Nova Scotian beliefs — to be successful not only on our natural resources and opportunities, but also on Nova Scotian values and beliefs. These include respect for a caring society, enhancement of the Nova Scotian way of life, concern for our environment, utilization of a cooperative approach, and a community-driven approach.

Strategic concentration on export sales — only new, earned commercial revenue will sustain and enhance the Nova Scotian way of life. That revenue must come from the development and sale of value-added tradable goods and services including tourism, and by learning to trade at home in our domestic market through import replacement, commercial linkages and strategic procurement.

Competitiveness, the Nova Scotian approach — the achievement of competitiveness will be the result of doing many things differently and better than we presently do. Nova Scotian competitiveness must be achieved by calling upon the best and most constructive of Nova Scotian values: fair play, quality workmanship, customer satisfaction, protection of our environment and satisfying, well paying jobs.

Quality as a cultural ethic — Nova Scotia must adopt a cultural passion for quality performance in all aspects of society. We are lagging in this matter and immediate, wide scale action is urgently needed as a key part in the strategy.

[“Vision”]

The strategy’s **vision** for Nova Scotia is to become more economically self-reliant while maintaining and enhancing the province’s natural environment. The goal is to build an economy based on competitive success so we will be able to sell more goods and services in the global market.

["Levers"]

The strategy has **10 levers** – strategic areas in which specific action can achieve a lasting change in our economic development prospects. These are:

People — skilled and motivated people are the single most important lever for competitive success;

Quality — providing customers with quality goods and services must involve a never-ending effort.

Productivity — we must dedicate ourselves to continuously improving productivity in relation to our competition;

Labour/Management Relations — workers and unions can play a critical role in innovation and economic prosperity. Our potential for success will increase greatly if Government, Labour and Business work together;

Technology — technology has become an increasingly critical lever which all companies can use to achieve competitive success;

Trade — Nova Scotia businesses must place more emphasis on entering out-of-province markets, and must undertake the research and necessary investments to access outside markets;

Infrastructure — effective trade, and a strong, competitive economy requires efficient transportation, telecommunications and energy systems;

Creating and Developing Business — Nova Scotia must ensure a positive provincial climate where entrepreneurship is enhanced and responsible risk-taking encouraged;

Community Economic Development — the province's economic development programs should be designed for delivery at the community level and to build the capacity required for increased economic activity to occur in smaller communities;

Government Role — Government must change; it must stop spending more than it receives and it must evolve to being a partner with strengthened non-government sectors.

Under each lever there are one or more objectives; in turn each objective may have one or more actions associated with it. Within each action an attempt was made to identify "who" would be primarily responsible for undertaking the initiative, by when and with whom – potential partners.

["Action Plan"]

The Strategy in its "Call to Action" chapter suggests the following general structure to deal with implementation of the "Action Plan":

- An overall Monitoring body;
- A catalyst within government composed of a small committee of deputy ministers;
- Voluntary Planning as the catalyst for the non-government actions.

These structures are currently in place; however there is much work left to do to ensure the strategy's actions do not gather dust, to ensure all Nova Scotians are made aware of the challenges, and to ensure the long-term economic growth of our province. To date we have focused our efforts in three separate, but complementary, ways:

- Creating awareness
- Building partnerships
- Economic Strategy Actions

Source: Voluntary Planning (1992) Annual Report 1991-1992.

"Creating Our Own Future" marked the culmination of a two-and-a-half-year planning process. This economic strategy was the third major plan produced by Voluntary Planning in almost 30 years of history. As stated in the preface of the document,

'The biggest part of the process,' as someone attending the public consultations for this economic strategy pointed out forcefully 'is still

ahead of us....' The job is nothing less than turning the words, and objectives, and proposed actions on the pages that follow into concrete actions that will make Nova Scotia an economically vibrant, more self-reliant province. (V.P., Nov. 1991)

Thus the question now was – would the plan work this time? The evaluations conducted in Chapter 10 demonstrate the successes and failures of the strategy in its 18 months of implementation. The evaluations conducted in Chapter 11 provide some preliminary analysis of this record. One-and-a-half years is of course a very limited time in which to judge the merits of such an exercise in planning. However, these evaluations set the parameters, processes and methodologies for longitudinal tracking of the strategy's performance.

8.5 EVALUATIONS, CONSULTATIONS AND REVIEW – 1991 TO 1993

8.5.1 The Year One Evaluation

The monitoring of the implementation of the economic strategy was organized around two primary sets of activities: 1) the *on-going review* of reports forwarded to the committee by Voluntary Planning and by the Deputy Ministers' Committee, and 2) the preparation of a *year-end public report* indicating progress by the government ministries and by Voluntary Planning along the guidelines set by the *Action Plan* outlined in the economic strategy.

While there was great enthusiasm in both government and non-government circles for the establishment of a Monitoring Committee to review implementation of the economic strategy, implementation of the Committee's mandate became somewhat difficult. The Committee was scheduled to publicly release the Year One (November 1991-1992) evaluation of the progress of both Voluntary Planning and the provincial government on strategy implementation by early 1993. By late 1992, both the government and Voluntary Planning were aware that many of the initiatives outlined for Year One in the *Action Table* of "Creating Our Own Future" would not be met. The various government and private sector agents charged with the responsibility to bring about these changes had not been able to develop either a monitoring process or an evaluation methodology. While many meetings had taken place, concrete progress towards the desired changes was not evident in most instances. Compounding the problem was the fact that guidelines for measuring progress along the lines laid down in the *Action Table* had not been established by the Monitoring Committee prior to the evaluation exercise. Thus the evaluation process suffered from the lack of both an agreed-upon methodology for

measuring change and a monitoring process that assured progress towards the specific objectives. In November 1993, the Monitoring Committee contracted the services of Dalhousie University's Henson College as Secretariat to the Committee.

The Monitoring Committee retained all decision-making responsibilities and charged the Secretariat with: 1) gathering, analyzing and preparing data from the Deputy Ministers' and Voluntary Planning's reports for Monitoring Committee review; 2) developing a process for organizing report content and the review; 3) assisting in the development of a public report; 4) assisting in the development of a communications strategy; and 5) preparing agendas and providing administrative and logistical support for Monitoring Committee meetings. In sum, the Secretariat's mandate was to design an evaluation methodology and to facilitate the process of producing the Monitoring Committee's "Year One" progress report. The report, the summary of which is presented in Chapter 10, was published in February 1993.

8.5.2. The 1993 Community Revisits

The objectives of the 1993 community revisits were: 1) to fulfill the promises made during the 1991 consultations to return to the communities to discuss the progress on implementation; 2) to discuss the Monitoring Committee's Year One report; and 3) to gather community input regarding priorities for Year Two of implementation.

For the meetings: 1) 14,500 copies of the Monitoring Committee report were distributed; 2) meetings were advertised in newspapers and 2,000 invitations were sent; 3) town hall meetings took place in 10 communities, from March 22 to March 30, 1993; 4) local chairpersons and local panelists conducted the meetings; 5) proceedings were recorded and transcribed for the purpose of preparing a public report; 6) written submissions from participants were accepted; and 7) the input gathered from the meetings was to be presented to Voluntary Planning's executive board and to the Premier and his Cabinet.

Attendance in the community revisits was extremely low. However, close to 40% of the audience participated in the discussions (234 people attended, 90 people spoke, and a number of written submissions were received). One-fifth of the attendees expressed a desire to remain involved in the Voluntary Planning process. The meetings revealed that poor attendance was in part due to a lack of awareness and understanding of what Voluntary Planning was and of the exact purpose of the meetings.

Common themes in all meetings were: 1) government's role in the economy; 2) feedback on the Community Economic Development discussion paper; 3) education; 4) the economy; 5) citizens seeking a way to "claw" back citizenry responsibility; 6) the need to improve labour/management relations; 7) the need for Voluntary Planning to expand/change; and 8) that future community meetings should have a workshop/problem-solving format.

The preliminary assessment of the results of the meetings conducted by Voluntary Planning staff revealed that: 1) participants felt that the pace of implementation was too slow and that urgency was required; 2) there is very little truthfulness in government communications or effectiveness in their actions; 3) there is disillusionment with government regardless of political affiliation; 4) government policies cause distortions in the marketplace and in the resolution of social problems; 5) it is not that Nova Scotians are bad entrepreneurs, but that the business environment is not conducive to entrepreneurial activity; 6) there was too much "turf" protection on the part of government agencies, community groups and companies; therefore, there is a need to cooperate with each other in order to compete in the global market; and 7) change in the way business and government are conducted is imperative and Nova Scotian citizens are seeking a way to become involved in this process.

Overall comments regarding "Creating our Own Future" indicated broad-based support for the strategy. However, comments also indicated that: 1) the goal statement should be based on quality of life versus competitiveness; 2) the cooperative sector was left out of the strategy; 3) the strategy does not consider the needs of the black communities, other minorities or youth; and 4) there is a need to broaden focus from private sector to non-government sector (i.e. non-government is not a euphemism for private sector).

Voluntary Planning's staff stated that the fundamental lesson learned from the revisits was that the organization needed to raise its profile to create better understanding and more involvement. It would also need to be more aggressive and action-oriented in its communications strategy and in the implementation process. As far as the *Actions* scheduled for Year Two, the staff felt that Voluntary Planning should make clear to the Monitoring Committee that certain *Actions* were clearly the responsibility of other non-government organizations. It also needed to broaden its role to provide a community-based vehicle for public participation beyond the business/labour/government elites. For example, it should continue its work on race relations and consider establishing a youth sector. These themes are addressed in Chapters 11 and 12.

As in the case of the publication of the *Action Plan*, the way in which the community revisits were conducted was recognized as “flawed” from the outset. The Year One report was authored by the Monitoring Committee, not by Voluntary Planning and should have been publicized by the former, not the latter. However, Monitoring Committee budget constraints and the fact that Voluntary Planning, not the Monitoring Committee, had promised to return to the communities consulted in 1991 with Year One results, resulted in Voluntary Planning going “on the road” instead of the Monitoring Committee. This only aggravated the existing confusion in the minds of bureaucrats and citizens alike regarding the difference between Voluntary Planning, the government and the Monitoring Committee. For example, Voluntary Planning, which had not conducted the evaluations and which had itself been evaluated by the Monitoring Committee, received a lot of plaintive phone calls from disgruntled civil servants whose departments had been harshly graded in the Year One report. If the confusion on the part of the bureaucrats was that great, one can only imagine how confused citizens were.

8.5.3 Phase II and the Strategic Planning Review

In March 1993, in response to the Monitoring Committee’s Year One evaluation report and the input from the community revisits, a Phase II Economic Strategy Management Committee was established. The mandate of the Committee was to coordinate sector, board and communication’s¹² involvement in strategy implementation. In order to facilitate the work of this committee, a sub-committee was established with the purpose of conducting an internal Strategic Planning Review.

The mandate of the resulting Strategic Planning Committee (see Appendix A for composition) was to conduct “a critical and strategic analysis of the purpose, structure and effectiveness of Voluntary Planning and to make recommendations about its future” (V.P., Nov. 5, 1993). The committee solicited input from over a dozen business, labour and special interest groups in the province, from the Board, staff and Sector Committees of Voluntary Planning, from the Premier and close to 40 elected officials, and from APEC (see Appendix A for consulted individuals and groups). These groups were asked to state their perception of Voluntary Planning’s effectiveness and to recommend an optimum role and process for the organization. Since the deliberations and results of this Strategic Planning Review fell outside the data gathering phase of the thesis, they are not formally reported as part of this work. However, reference is made to some of the findings resulting from this process in Chapters 11 and 12.

EXHIBIT 4
Voluntary Planning Chronology

Date	Event/Document
1963	Voluntary Economic Planning founded
1964	First Economic Plan
1969	Second Economic Plan
1969	Name changed to Voluntary Planning
1970s (early)	Encounter Week and Mini Encounters
1970s (mid)	The "dark days"
1984	"Building Competitiveness"
1988	On-Site Analysis and New planning process begins
March 1991	"Our Province, Our Future, Our Choice"
May 1991	"Report on the Public Consultation Process"
November 1991	"Creating Our Own Future"
February 1993	"Progress Report on the Implementation of the Economic Strategy. Year One"
March 1993	Community Revisits (Consultations)
March 1993	Phase II Committee established
June 1993	Strategic Planning Review

8.6 THE CORE COMMITTEE – PLANNING AS SOCIAL LEARNING

The planning process that led to the publication of "Creating Our Own Future" took two and a half years and involved the participation of thousands of Nova Scotians. As the coordinators of the effort, the CORE Committee underwent a comprehensive learning curve in relation to the notion of "planning as social learning". Since the initiative involved the cooperation of business people, labour representatives, academics and community advocates, the process was characterized by debates, discussions, irreconcilable differences, understandings and compromises. The learning process was valuable because not only did these individuals receive the advice of economic and business "experts",¹³ but they also listened to each other and, most important of all, they also listened to the "average Nova Scotian". This listening was "effective" in three ways. The individuals involved: 1) managed to transcend the limitations inherent in the perspectives that characterize the respective constituencies from which they were drawn; 2) were able to understand the perspectives of the other participants; and 3) were able to establish a "common discourse" which became reflected in the final strategy document. This section of the thesis presents some of the debates that dominated this two-and-a-half-year planning process and how these debates changed over time. It draws from the narrative sections presented earlier in Chapter 8, the critical

planning theory presented in Chapter 2, and the discussion of the political economy of the region presented in Chapters 6 and 7.

According to Elizabeth Mills (Mills 1994), the themes that dominated the debates surrounding the two-year strategy planning process were: 1) the role of the private sector, labour unions and the government in economic development; 2) the value and possible role of community-based economic development initiatives; and 3) the need for an improved educational system, from primary education through university.

As Chapter 7 discussed, in the late 1980s and early 1990s there was a consensus at the Atlantic, Maritime and provincial levels that the record of failure of government-led economic development initiatives could be redressed through the application of private sector-led economic development models. Thus the fundamental discussions that dominated the CORE Committee deliberations and the original discussion paper centred on issues of competitiveness, privatization, value-added, quality etc. discussed in Part II of the thesis. The enthusiasm of the CORE Committee members was, nevertheless, somewhat dampened by two events – the results of the O’Farrell report commissioned as part of the background research for the economic strategy plan, and the input from the consultations. The O’Farrell Report demonstrated that the Nova Scotia private sector was far from competitive and that provincial managerial capacity left much to be desired. Thus the private sector would have a difficult time leading the region out of economic stagnation. During the consultations, the CORE Committee was quite surprised to discover that it was not regarded as the “white knight” it thought itself to be, but instead was regarded as an untrustworthy robber baron. As mentioned earlier in Chapter 8, this led to some changes in the language in the final document from “private sector” to “non-government sector”, from “privatization” to “strategic privatization”, and to the addition of the word “cooperation” as a balance to the use of the word “competitiveness”. More importantly, the CORE Committee gained a new respect for the ordinary citizens of the region and a new appreciation of the role of communities in development. Initially, the CORE Committee had shown a marked resistance to the community-based economic development perspective, perhaps as a result of the type of specialized discourse engaged in by the community economic development professionals on the committee. However, the consultations established a common reference point and the reality behind the discourse became evident. This resulted in the community economic development perspective being enthusiastically incorporated in the final plan. Also, the business people and the community economic development advocates were able to understand each other and the grassroots constituencies in the

region by (unknowingly) applying the types of communicative strategies suggested by critical planners as aids in planning.¹⁴

Labour groups had originally been quite wary of the Voluntary Planning–sponsored planning process because they identified the notion of private sector–led development, as well as Voluntary Planning itself, with the ineterests of management. They nevertheless joined the CORE Committee as an active participant in the province-wide consultations since they felt that the consultations somewhat legitimized the planning process and because they could not afford to remain on the sidelines of such a broad-based planning exercise. Labour’s participation was extremely valuable not only because it “rounded-out” the private sector perspectives on the economy, but also because the need for a less confrontational and more regular dialogue, as well as the necessity to join forces in a globally competitive marketplace, became evident to both groups. In addition, the comradeship that developed between labour and management leaders led to the subsequent formation of various labour-business forums within Voluntary Planning intended to continue the dialogue initiated during this provincial “road-show”.

While the original intention to include academics in the CORE Committee came from the recognition that these individuals could contribute particular types of expertise to the process (e.g. business, economics and technology experts), the efforts of these scholars often became focused on the problems affecting the delivery of the entire educational system of the province. Thus their expertise was called upon not only as scholars, but as educators. The way to improve the quality of “teaching” at all levels continues to be a key issue in public policy debates world-wide.

The various Voluntary Planning sectors reacted in different ways to the comprehensive perspective developed by the members of the CORE Committee and reflected in the final strategy document. Some sectors were quite supportive. Others were expecting a more traditional economic strategy document outlining specific policies to be followed by each economic sector and were somewhat put off by the general statements that characterized the presentation of the Levers (e.g. quality, productivity etc.). However, over time, the way in which these Levers could be applied across all sectors became more obvious through internal sector reports. This discomfort with the general and abstract nature of the Levers was also expressed by many business, academic, community and government individuals outside the CORE Committee.

Unfortunately, both by choice and by exclusion, the government sector, particularly the Department of Economic Development, was not a full participant in this “planning as

social learning” exercise. As Chapter 10 will discuss, the alienation of government officials and departments from the workings of the CORE Committee and from the development of the content of the final report is perhaps a major reason why the performance of the government sector in Year One was so poor.

When the long-term effects of the planning and strategy-making process on the economic prospects for the province are analyzed, the process-oriented results were perhaps more positive than the results of the policy prescriptions themselves (to be discussed in Chapter 10). For example, the five major results of the two-and-a-half-year process described in this chapter were: 1) the first steps towards a “systems perspective” of economic underdevelopment that could take into consideration the various parts and players that make up the whole of the economy; 2) the establishment of a comprehensive research- and consultation-based planning, implementation and evaluation process; 3) the establishment of a strong working relationship between business and labour; 4) the enforcement of a monitoring and evaluation process aimed at insuring implementation and public accountability; and 5) the revitalization of Voluntary Planning as a more public and independent agency.

Part of the discussion of the CORE Committee revolved around the need to change the attitudes of Nova Scotians and around the notion of dependency on government “hand-outs” and the way in which these expenditures distort the incentives structures for businesses and individuals alike. As the discussion of Senge’s work in Part II showed, the acknowledgement of the “dysfunctions” of the systems and the need to take personal responsibility and command of change is only the first step in change. The check-mating nature of dysfunctional systems will tend to work against any sort of change. Only through consistent, committed, deliberate and high-leverage change strategies led by individuals who have understood how their own actions contribute to this check-mating and who are willing to change themselves, can the system begin to “learn” again. As Chapters 11 and 12 will discuss, the process has only just begun.

The legacy of the comprehensive planning process that developed through trial and error during planning exercises can serve as a guideline for future planning exercises. The 10 steps involved in the model are: 1) recruitment of experts on the regional economy and leaders in the public, private, academic, union and community sectors as members of a coordination committee; 2) preparation of economic research background papers; 3) discussion of research results by the coordinating committee; 4) preparation of an initial consultation paper; 5) community consultations aimed at effective listening to community concerns rather than at “selling” the discussion paper; 6) development of

a final document incorporating consultation input and establishing deadlines, responsibilities and a monitoring process; 7) monitoring and evaluation of implementation plan; 8) public reporting of monitoring; 9) consultations; and 10) review of plan and process for subsequent year.

The continuity of the labour/business cooperation has been insured by the formation of a Labour Management Forum within Voluntary Planning. The continuity of the monitoring and evaluation process has been insured through the establishment of an independent Monitoring Committee. Lastly, "Creating Our Own Future", put Voluntary Planning "on the map", and thus the need to further establish Voluntary Planning's independence and visibility has become one of the themes dominating the 1993 Strategic Planning process.

While it cannot be firmly established at this point, chances are that the effects of better labour-management relations, monitoring and evaluation of economic plans and an advocacy organization on the economy are likely to be positive. At the very least, as the Postscript will discuss in more detail, the learning curve undergone by several dozen business, labour, government, academic and community leaders will serve as a valuable resource in the preparation, evaluation and implementation of any future economic development plan in the province.

8.7 WILL NOVA SCOTIANS BE ABLE TO CREATE THEIR OWN FUTURE?

Voluntary Planning has come a long way since its inception. It has participated in several planning rounds and has survived the organizational doldrums of the "dark days". It has kept up with the beat of the times by advocating a private sector-led development strategy. "Creating Our Own Future" suggests that the market and the private sector are the true heroes of competitive economies, and that the government should limit its involvement to playing only a supporting role. The notions that levers of competitiveness can be manipulated, and that the individual acts of corporate competitiveness add up to a competitive economy, have a Porterian ring. Moreover, the name of the document suggests that the citizens of Nova Scotia can participate in private and public "learning organizations" to jointly achieve the province's economic development objectives. In sum, "Creating Our Own Future" demonstrates that Voluntary Planning has adapted the market-oriented rhetoric of the 1990s to suit its organizational mandate and its policy implementation mechanism.

“Creating Our Own Future” stresses the importance of skilled and motivated people, the upgrading of technology, the pursuit of quality, innovativeness and productivity, good labour-management relations and the search for global niche markets. But how are these desirable qualities to be achieved? Will Nova Scotian companies encounter either the right incentives (active competition, favourable tax structure, good communications infrastructure, the synergistic effects of clustering etc.) or the right resources (adequate capital, skilled people etc.) to achieve this vision? Moreover, Chapter 4 concluded its review of the management debates by suggesting that the creation of a corporate environment where workers and managers can creatively solve problems together is perhaps the most important requirement for competitive success in the long run. This requirement stands in sharp contrast to the paternalistic, monopolistic and bureaucratic corporate culture of the Atlantic region.

The prominent role given to the private sector in the pursuit of competitiveness can be seen as a result of both frustration over the past failure of government initiatives and of the popularity of market-oriented economic solutions of the 1990s. In the economic strategy, government’s role is seen as that of *partner* rather than a *doer* and the main responsibilities assigned to it are the provision of human and physical infrastructure, community development policy and regulatory reform. Despite its diminished role, the Catch-22 of private sector-led development strategies is that if the government does not provide an “enabling environment” for the private sector to thrive in, national and regional competitiveness are elusive goals. In short, the government must be proactive, it must be a doer, in order to be a good partner. Can the Nova Scotia government become proactive? Will it be effective? If its past record is an indication of future success, inertia and inefficiency can most certainly be expected.

Chapters 9, 10 and 11, as well as Part V of the thesis examine the questions and issues raised above through the analysis of a series of evaluations.

ENDNOTES

- 1 The sections in this Chapter on the organization and planning history of Voluntary Planning are based on Lamport (1988), on the review of Voluntary Planning documents and on interviews with Elizabeth Mills (1993) from Voluntary Planning and with Fred Morley (1993) from APEC.
- 2 There are three major political parties in Nova Scotia - Progressive Conservative, Liberal and New Democratic parties.
- 3 Nova Scotia Voluntary Planning can be seen as belonging to a "corporatist" view of political, social and economic organization. In corporatism, large segments of society, labour unions, business leaders, academics, special interest groups, the state, the church etc. join together to govern a political unit. While this approach would be considered more "participatory" by its proponents, it does violate the fundamental tenet of liberal democracy – decisions are not made by elected public officials, but by the non-elected corporatist players. Corporatist solutions gained a bad name during the years of fascism, but have recently been returned to favour because, allegedly, corporatism is at the root of the great economic successes of Japan, Korea and Quebec Inc's.
- 4 These widely-held perceptions were noted during the consultations held as part of the strategic planning process.
- 5 The Sector Committees are: Agriculture, Community Development, Construction, Energy, Environment and Economy, Fisheries, Forestry, Human Resources, Land Resources Coordinating Council, Manufacturing, Mineral Resources, Taxation, Tourism, Transportation.
- 6 All Canada Consulting reports are filed in Voluntary Planning's internal library in a binder entitled "Nova Scotia Economic Strategy Project. Background Information." This binder includes a series of reports prepared by Canada Consulting directly, reports subcontracted to other agencies and individuals, as well as several reports prepared by the provincial Department of Industry, Trade and Technology and by Dunn and Bradstreet. This series of reports is referenced in this work as Voluntary Planning (1990) *Background Information*.
- 7 This study was commissioned by the Department of Economic Development. The findings of this report were discussed in Chapter 7. The report was not included in the binder mentioned in the previous footnote.
- 8 APEC (1990 Oct.) Strategies and Options for the 1990s.
- 9 Consultations were conducted in the communities of 1) Colchester/East Hants/Truro; 2) Cape Breton, Victoria, Sydney; 3) Cumberland, Amherst; 4) Pictou, Antigonish, New Glasgow; 5) Richmond, Guysborough, Inverness, Part Hawkesbury; 6) Annapolis, Kings, Hants, Kentville; 7) Queens, Lunenburg, Bridgewater; 8) Digby, Yarmouth, Shelburne; 9) Halifax; 10) Dartmouth Eastern Shore.
- 10 This report was written by the same local author of the initial consultation paper.
- 11 See Chapter 10 for a copy of the *Action Table*.
- 12 The Communication's Committee is now a sub-group of the Phase II Committee.
- 13 Even Sir Graham Day, a Nova Scotian by birth, was invited to contribute his knowledge of the U.K. privatization experience as a possible model for provincial privatizations.
- 14 See Chapters 2 and 11.

CHAPTER 9

EVALUATION METHODOLOGY

9.1 INTRODUCTION

As stated in Chapter 8, the most important result of the 1991 public consultation process that led up to the publication of "Creating Our own Future" was the commitment to the implementation of the strategy expressed by all of the governmental and non-governmental parties involved. In order for the implementation of "Creating Our Own Future" to remain on target and on schedule, a clear set of *Objectives* and *Actions* had been developed and a monitoring and evaluation process had been set in place. The questions now facing Voluntary Planning, the provincial government and the Monitoring Committee were – Would the strategy work? Why or why not? How was progress to be measured?

This thesis has argued that the political economy of the Atlantic region presents considerable impediments to the successful implementation of regional policy initiatives as currently envisioned and articulated in policy documents. Empirical data supporting this assertion would strengthen my argument, and direct involvement with planning agencies that gather the data would allow me to meet some of the normative objectives of the thesis. Since the types of questions facing Voluntary Planning, the government and the Monitoring Committee were exactly the kinds of questions that my research was exploring, I welcomed the opportunity to have Voluntary Planning and the Year One evaluation of "Creating Our Future" serve as the case study for the thesis.

Chapter 9 describes the overall evaluation methodology designed to test the effectiveness, efficiency, model appropriateness and efficacy of Voluntary Planning and of "Creating Our Own Future". The chapter is divided into two parts. The first describes the types of evaluative activities I conducted in conjunction with Voluntary Planning and the Secretariat to the Monitoring Committee, and presents an outline of the overall evaluation methodology. The second part discusses the requirements of the evaluation design vis à vis a similar monitoring and evaluation effort proposed for the North West of England.

9.2 EVALUATING VOLUNTARY PLANNING AND THE ECONOMIC STRATEGY

9.2.1 Chronology of Evaluation Activities

In the Fall of 1992, Elizabeth Mills, Executive Director of Voluntary Planning, became aware of my research interest in Atlantic Canadian economic development planning and invited me to join Voluntary Planning's Communications Committee to assist in developing a methodology that could be used as part of the evaluation of Year One (November 1991-1992). As mentioned in Chapter 8, by this time both Voluntary Planning and the government of Nova Scotia were well aware that very little progress had been made along the lines stipulated in the *Action Table* of "Creating Our Own Future". Moreover, the evaluation process itself was complicated by the fact that the Monitoring Committee had not established at the outset of the implementation phase either a clear set of criteria to measure change or a monitoring process that assured progress towards specific objectives. While the Monitoring Committee had regularly reviewed the reports submitted by Voluntary Planning and the Deputy Ministers' Committee, it had been unable to analyze or evaluate these submissions. Dalhousie University's Henson College was hired as the Secretariat to help the Monitoring Committee develop a methodology for the Year One evaluation report.

My first task as a member of the Communications Committee was to delve into the public policy evaluation literature and suggest an overall framework for evaluating the activities of Voluntary Planning. This process raised a number of questions regarding not only the effectiveness of Voluntary Planning and the provincial government as implementers of the economic strategy, but also about whether this or any similar strategy was feasible at all in Atlantic Canada. In other words, the evaluation of the short-term and plan-specific details of the strategy required for the Year One evaluation highlighted the need to examine the more long-term and organizational issues surrounding the strategy document, as well as the various organizations involved in the implementation. Given the multiple set of frameworks, players and purposes involved, a multi-dimensional evaluation design was developed to address two levels of analysis – Short-Term/Plan-Specific and Long-Term/General/Organizational. In October of 1992, the evaluation design described in Chapter 9 was presented to the Communications Committee.

Since Voluntary Planning's request for an overall evaluation methodology coincided with the start of the Monitoring Committee's Year One evaluation process, my first suggestion to Voluntary Planning was that in Year One it use whatever evaluation

format the Monitoring Committee developed for that year. For Year Two, as well as for subsequent years (Years Three and Four), the evaluation design should follow a Strategic Planning Review of the organization's past and proposed future activities. In other words, once a set of desired activities for the year had been decided upon, an evaluation component with clearly established criteria could be built in as part of that activity.

The evaluation plan presented to the Communications Committee assumed that the task of conducting the Short-Term/Plan-Specific evaluations would be the responsibility of the Monitoring Committee, and that once the Year One results were made public I would then analyze them through a series of Long/Term/General/Organizational evaluations. However, in early November 1992, I was invited by Mary Morrissey, Head of the Monitoring Committee Secretariat, to participate in the Year One evaluation process; thus I was able to directly participate in this evaluation exercise. Ms. Morrissey has documented that the author of the thesis was involved in the great majority of the meetings and deliberations that led to the findings presented in the "Progress Report on the Implementation of the Economic Strategy". Moreover, my contributions to the Secretariat were instrumental in the choice of the evaluation methodology. In sum, while I personally did not write the text for the report and cannot, therefore, claim "authorship", I can confidently consider its findings a legitimate part of my thesis research. A summary of the report is presented in Chapter 10.

Once the Year One *effectiveness* evaluation had been completed, I then proceeded to analyze the results of the report through a *model appropriateness*, and an *efficacy* evaluation of Voluntary Planning. The arguments presented in Parts II and III of the thesis were used to examine the appropriateness of the economic strategy model used in "Creating Our Own Future". The data for the efficacy and efficiency evaluations were gathered through participation in the 1993 Community Revisits and in the 1993 Strategic Planning Review Committee. Elizabeth Mills, Executive Director of Voluntary Planning, and Rene Quigley and Brian Ives, Co-chairs of the Strategic Planning Committee have documented my active participation in these two activities. The results of the two analytic evaluations described above are presented in Chapter 11.

I had originally intended to perform an efficiency evaluation also. However, this would have required the incorporation of the Strategic Planning Review data into the thesis, an activity which occurred outside of the data-gathering phase of the thesis.

9.2.2 Overall Evaluation Design

As presented in Chapter 2, the literature on the critical theory approach to planning and evaluation, mediating structures, cooperative inquiry and policy research, and planning as social learning provided the theoretical framework and research orientation for the conceptualization of the entire thesis. Handbooks on evaluation methodologies,¹ as well as academic literature and textbooks² on social policy and social programme planning, implementation and evaluation provided the guidelines for the practical evaluation design of the case study. This literature suggested that the evaluation process should include the steps outlined below.³ This list is quite similar to that provided in Chapter 2 on policy research guidelines. However, while the list in Chapter 2 was presented to establish the action and decision-making orientation of the overall thesis research, the list in this chapter shows the steps that were followed in the actual case study evaluation.

Given the various time frames, users and objectives of the proposed evaluation exercises, the description of the evaluation design given below is organized under two main subheadings – Short-Term/Plan-Specific and Long-Term/General/Organizational evaluations. This organization was helpful in framing the discussion around discrete and manageable sets of information.

Steps in Evaluation Methodology Design

1. understanding the programme and the environment in which it is operating

The critical analysis of the literature conducted for Parts II and III of this thesis provided me with a context for the design of the overall evaluation of Voluntary Planning. Empirical data were collected through participation in Voluntary Planning's Communications Committee and Strategic Planning Review Committee and through direct involvement with the Monitoring Committee's Secretariat.

2. identifying users and purposes of the evaluation study

Short-Term/Plan-Specific

The main "users" of the Monitoring Committee's yearly reports would be the citizens of Nova Scotia since they were intended primarily as public accountability vehicles. The reports would also be used by the provincial government and by Voluntary Planning as feedback on their performance and as a guide to planning for the next year of implementation.

Long-Term/General/Organizational

For the purposes of this thesis, I would have to conduct additional evaluations that could give the case study the broader perspective needed to address the more general kinds of questions posed by the thesis.

3. identifying potential evaluation questionsShort-Term/Plan-Specific

In terms of the case study questions posed in the introduction to Part IV, the Short-Term/Plan-Specific *effectiveness* evaluation attempts to answer the question Is the strategy working? Evaluation questions included:

- a) How effectively have Voluntary Planning and the government met the objectives outlined in “Creating Our Own Future”? What is the overall impact of the strategy on the economy?

Long-Term/General/Organizational

In terms of the case study questions, the Long-Term/General/Organizational evaluations attempt to answer the questions Why or why not? and How can the chances for its success be improved? Evaluation questions included:

- b) Where do the arguments presented in the document come from in terms of the debates presented in Parts II and III of the thesis? What agencies and theories influenced the document? Does the economic strategy make sense within the local and global political economy? Are the goals and objectives feasible within this context? How can a more realistic view of the context help programme performance?
- c) Is the role of all Voluntary Planning well defined? Has a “plausible” relationship between the programme activities outlined in the economic strategy for Voluntary Planning and expected results been established? Is Voluntary Planning truly able to meet the *Objectives* it set for itself in the economic strategy? How should roles and responsibilities be more clearly established in order to insure greater success?

4. determining evaluation approaches

Given the three sets of questions posed above, three types of evaluation approach were proposed to answer them:

Short-Term/Plan-Specific

- a) An *Effectiveness* evaluation would focus on outcomes by measuring the external impact of the strategy against its established goals. It would establish the record of strategy implementation by the provincial government and by Voluntary Planning. The Monitoring Committee Secretariat chose a Report Card approach for each of the four years of the strategy. A complementary econometric analysis was suggested by

me to the Nova Scotia Department of Economic Development, but was not conducted by the Department.

Long-Term/General/Organizational

- b) A *Model Appropriateness* evaluation would analyze the results of the effectiveness evaluation in terms of whether the goals and objectives of the strategy made sense in the political economic context in which the economic strategy operated. A critical theory model of planning would provide the evaluation guidelines and the critical analysis of the literature conducted in Parts II and III of the thesis would provide the data.
- c) Voluntary Planning's *Efficacy* – its “power to produce effects”⁴ – was examined in terms of its ability to meet the objectives it set for itself in the economic strategy, as well as in terms of its role as a mediating structure between the various publics of the province. The literature on mediating structures and on critical theory provided the guidelines for the analysis. The preliminary analysis of the results of Voluntary Planning's 1993 round of consultations (the “community revisits”) and of the 1993 Strategic Planning Review provided empirical support for the findings of this analytical evaluation.

5. estimating resources available – people, time, costs etc.

Short-Term/Plan-Specific

The Monitoring Committee contracted the services of Henson College as a Secretariat for the organization of the evaluation process. Henson College was chosen over the Atlantic Provinces Economic Council (APEC) because the Monitoring Committee was concerned with getting more than just an economic impact evaluation. They were also concerned with issues of public administration, such as the process by which the strategy was being implemented and monitored. In Year One, the Monitoring Committee's report was scheduled to be released early in 1993. Therefore, all evaluation activities had to occur between November 1992 and January 1993. A crucial contingency in planning design was the unknown timing of the 1993 Federal and Provincial elections. Even though the economic strategy was presumably a “non-partisan” document, the elections could affect the longevity of the strategy and the process of implementation. Moreover, electoral campaign “noise” could drown out efforts to communicate strategy goals.

Long-Term/General/Organizational

The activities to be evaluated had to fall within the data-gathering timeframe of the thesis and be relevant to the overall argumentative thrust of the work.

6. *determining specific options – questions and approaches – for the evaluation study*

Chapter 10 describes the methodology and the results of the Short-Term/Plan-Specific evaluation. Chapter 11 describes the methodology and results of the Long-Term/General/Organizational evaluations.

7. *formulating recommendations*

Short-Term/Plan-Specific

Two sets of recommendations were developed: 1) those of the Monitoring Committee Secretariat directed to the Monitoring Committee itself, and 2) those of the Monitoring Committee directed to Voluntary Planning and to the government of Nova Scotia.

The recommendations of the Monitoring Committee Secretariat directed to the Monitoring Committee itself had to address issues of process and content in order to improve future implementation performance. In addition, while the Year One evaluation focused on *Actions* and *Objectives* that had been assigned to specific government departments and to Voluntary Planning sectors for implementation in Year One, the recommendations had to be made with the larger context of the overall strategy in mind. The recommendations of the Monitoring Committee directed to Voluntary Planning and to the government of Nova Scotia had to provide practical and implementable recommendations. In addition, they had to be presented in a format accessible to the general public.

Long-Term/General/Organizational

The recommendations made by this thesis had to address the overall effectiveness, efficiency, model appropriateness and efficacy of Voluntary Planning. These recommendations would then have to be generalized in order to be applicable within the larger Atlantic Canadian context.

The recommendations to Voluntary Planning had to address questions such as: How well was Voluntary Planning doing its job? Did it have the power to produce the desired results? Would it be credible or effective? Could the organization position itself as a mediating structure between the various sectors of the economy and government, and between the various geographical, ethnic, religious communities etc. and the government? Could it provide a legitimate forum for non-partisan participatory democracy in planning? If it positioned itself this way, would it still have the support of management and labour leaders? Would the government of Nova Scotia, which funded Voluntary Planning, approve of this broadened mandate for the organization?

Region-wide recommendations had to address whether private sector-led models of economic development were suited for the region and, if so, what kinds of organiza-

tions could lead these efforts. High-leverage areas of interprovincial cooperation also had to be identified.

8. reporting the findings and recommendations of the assessment study

Short-Term/Plan-Specific

The Progress Report on the Implementation of the Economic Strategy. Year One. was made public at a press conference in early 1993. Fourteen thousand five hundred copies of the report were printed for distribution. Voluntary Planning organized a media relations campaign to accompany the Report Card release, even though it was evident from early on that results for Year One (grades assigned) would be rather negative. Voluntary Planning would also publicize the results of the evaluation through a series of consultations. This communications campaign reinstated the organization's commitment to implementing the strategy through its role as a "catalyst" for private sector action and as a forum for public participation.

Long-Term/General/Organizational

My recommendations were provided in the manner of internal reports to Voluntary Planning's Communications Committee, in the forthcoming Strategic Planning Review Report, and in the form of this thesis in Chapters 11 and 12.

9.3 REGIONAL POLICY EVALUATION

In order to establish an effective, efficient, appropriate and efficacious regional and provincial economic planning "process" that can embody the notion of planning as social learning outlined in Chapter 2, plans must not only be developed, but also monitored, evaluated and strategically recast over time. However, this comprehensive approach to planning is rare in economic development circles, particularly in the Atlantic region. As shown in Part III of the thesis, Atlantic Canada has been the subject of a plethora of regional and provincial economic development plans. The fact that few development plans have put much emphasis on careful monitoring and evaluation is perhaps one of the major contributing factors to the failure of these initiatives. The historical dissonance between plans and results is also the source of much skepticism about the likelihood of success of any economic development initiative in the region. Chapter 8 chronicled how Voluntary Planning came to address this lack of results by making a commitment to the monitoring and evaluation of the implementation process.

As presented in Chapter 2, the evaluation design for the thesis case study was guided by social policy evaluation models, in part because the state of the art in regional planning monitoring and evaluation is not as well advanced. However, an attempt to

ensure implementation and strategic control (monitoring and evaluation) in regional planning⁵ similar to that followed by Voluntary Planning was proposed by Wedgwood-Oppenheim *et al.* (1976). A brief review of their proposal provides a reference point for the evaluation design presented in this chapter.

Wedgwood-Oppenheim *et al.* proposed the formation of a Performance Evaluation and Policy Review (PEPR) Unit for the North West region of England that “could play an active part in transforming the regional planning process and make it an informed influential reality” (Wedgwood-Oppenheim *et al.* 1976, p. 5). According to the authors, the PEPR could perform a number of roles, including that of “regional sensor, advocate, planning co-ordinator and catalyst” (Op Cit, p. 4). It could supply planning agencies with “current information in a utilizable form”, as well as increase policy “leverage” (rather than control) over implementing agencies “through the systematic development of public influence” (Ibid). Given the desired dynamism, the PEPR monitoring and evaluation process would have to allow for both the evaluation of previous performance and the review of existing and proposed policy. In sum, it would perform many of the same types of activities that Voluntary Planning, the government of Nova Scotia and the Monitoring Committee had set out to perform.

The authors suggest that given the level of stability of the planning environment and of control over the issues planned for, as well as the number of fields of interest involved, any one of three types of monitoring approaches is appropriate. In ascending order of environmental complexity faced, they are: 1) implementation monitoring (insures implementation takes place according to plan in relatively stable environments); 2) impact monitoring (associated with managerial control and resource reallocation as a way to address variances in forecasts); and 3) strategic monitoring (requiring on-going planning and review to address complex, rapidly changing environments).

In terms of the specific design of any monitoring and evaluation unit, Wedgwood-Oppenheim *et al.* stressed the importance of “contextual matters” and state that their proposed unit, for example, would be appropriate “at this particular time for this particular region on the basis of our study of other regions, our case studies, and our discussions with decision makers in the North West” (Op Cit, p. 8). However, the authors also suggest that, in general, monitoring must be more closely linked with both planning and implementation if regional planning is to succeed; that the regional planning process must include a learning component that allows for a more flexible control process; and that the gap between planners, governments and those “planned for” should be bridged.

9.4 CONCLUSION

The discussion of Voluntary Planning as a case study for the thesis, as well as the evaluation design presented in this chapter, echo many of the concerns examined by Wedgwood-Oppenheim *et al.* In the case of Nova Scotia, the task of evaluating previous performance was undertaken primarily by the Monitoring Committee. The task of reviewing the strategic direction of strategy implementation was the responsibility of the two “partners” in economic development – Voluntary Planning and the provincial government. Voluntary Planning has also taken on the roles of regional sensor, advocate and planning coordinator, as well as that of catalyst for change in the non-government sector. The importance of contextual case-specific issues, the role of planning as social learning and the need to bridge the planning gap has been stressed in this thesis. In addition, the evaluation design presented in this thesis involves all three levels of monitoring – implementation and impact monitoring (Short-Term/Plan-Specific evaluations), as well as strategic monitoring (Long-Term/General/Organizational evaluations).

Even though the arguments presented above in support of the establishment of monitoring and evaluation components in regional planning are quite compelling, political imperatives are often capable of derailing the best intentions of planners. The PEPR Unit was never established in England. While a definitive study of why the recommendations of the Wedgwood-Oppenheim study were not implemented does not exist at this point, the fact that a PEPR Unit was most likely regarded by politicians as a nuisance rather than as a helpful tool suggests one possible explanation. In Nova Scotia, the Monitoring Committee was able to conduct its Year One evaluation. However, the long-term effects of the evaluation are not known and the longevity of the Committee is not assured. The demand for public accountability brought about the Monitoring Committee. Continued demand for public accountability will most likely determine the Committee’s long-term impact and permanence. In sum, the adoption of a comprehensive approach to “strategic planning” in the realm of public policy, with all of its planning, evaluation and control components, will require a political as much as a technical and an academic process. Chapters 10 and 11 examine in more detail the various dynamics of regional policy evaluation initiatives in Nova Scotia in the 1990s. The Postscript to the thesis details the effects of changes in Federal and Provincial administrations on the implementation of the economic strategy.

ENDNOTES

- 1 Office of the Comptroller General of Canada (1986). Mt. Auburn Associates (1987). Herman *et al.* (1987).
- 2 Patton and Sawicki (1986). Pal (1987). Barret and Fudge (1981). Goggin *et al.* (1990). Lichfield (1970). Glass (1973). Alterman (1982). Diamond (1984). Diamond and Spence (1983). Herman and Fitz-Gibbons (1987). Davis and Salasin (1975).
- 3 This list was adapted from Office of the Comptroller General of Canada, 1986, p. 7.
- 4 *New Expanded Webster Dictionary*, 1989 edition, P.S.I & Associates, p. 104.
- 5 In this case, for land planning rather than for economic development planning.

CHAPTER 10

EVALUATION RESULTS. SHORT-TERM/PLAN-SPECIFIC EFFECTIVENESS EVALUATIONS

10.1 INTRODUCTION

Chapter 9 described the overall evaluation methodology designed to test the effectiveness, model appropriateness and efficacy of Voluntary Planning and of “Creating Our Own Future”. The evaluation design took into consideration both Short-Term/Plan-Specific perspectives as well as a Long-Term/General/Organizational perspectives. Chapter 10 describes in detail the methodology and the results of the Monitoring Committee’s Short-Term/Plan-Specific “Progress Report on the Implementation of the Economic Strategy. Year One”. The Chapter presents a summary of the findings and a part of the report’s analysis of the results of the evaluation. Given my active participation in the deliberations of the Secretariat, Chapter 10 presents a great deal of the material contained in this report *verbatim*. As mentioned in Chapter 9, while I cannot claim authorship of the report, I can certainly consider the findings and analysis presented in the report as a legitimate aspect of my thesis resulting from my own extensive contributions to the evaluation process. My independent analysis of the findings of the Year One report is initiated in Chapter 10 and continued in Chapter 11.

10.2 DETAILED DESCRIPTION OF THE METHODOLOGY

Once the overall evaluation design for Voluntary Planning described in Chapter 9 had been established, my next task was to work closely with the Monitoring Committee Secretariat in the design of the Year One evaluation strategy. This design was to be followed in subsequent years of strategy implementation and evaluation.

As mentioned in Chapter 8, the monitoring process had been organized around two primary sets of activities: 1) the *on-going review* of reports forwarded to the committee by Voluntary Planning and by Deputy Ministers, and 2) the preparation of a *year-end public report* indicating progress by the government ministries and by Voluntary Planning along the guidelines set by the *Objectives* and *Action Plan* outlined in the Economic Strategy. Given the difficulties experience by the Monitoring Committee in evaluating this flow of data, a Secretariat was hired. I joined the Secretariat as an informal researcher/evaluator in November 1992.

The Monitoring Committee retained all decision-making responsibilities and the Secretariat was charged with: 1) gathering, analyzing and preparing data from the Deputy Ministers' and Voluntary Planning's reports for Monitoring Committee review; 2) developing a process for organizing report content and the review; 3) assisting in developing a public report; 4) assisting in developing a communications strategy; and 5) preparing agendas and providing administrative and logistical support for Monitoring Committee meetings.

As mentioned in Chapter 8, there was some concern in policy circles over possible conflicts of interest within the Monitoring Committee because some Committee members had also participated in the CORE Committee and would, therefore, be evaluating their own implementation record. The appointment of the Secretariat gave considerable credibility to the Monitoring Committee's claim that it was capable of objectively evaluating the record of Year One implementation. The expertise of the Secretariat also brought public policy evaluation experience to the process. As the subsequent sections of Chapter 10 will demonstrate, the Monitoring Committee was a harsh judge of the government of Nova Scotia's and Voluntary Planning's performance in Year One.

While the Monitoring Committee had received several reports from the provincial government and from Voluntary Planning throughout the year, a generalized format for the organization of information had not been established and progress along the lines established by the economic strategy was difficult to determine. In November 1992, the Monitoring Committee asked both the government of Nova Scotia and Voluntary Planning to submit comprehensive progress reports specifically detailing their success in achieving the *Actions* and *Objectives* for which they had been assigned primary responsibility in the economic strategy. The Secretariat reviewed, analyzed, summarized and presented¹ to the Monitoring Committee the reports prepared for that committee by the provincial government² and by Voluntary Planning.³

The Secretariat also prepared an additional "Action Table Report"⁴ evaluating in more detail the progress along the specific "Immediate" (six months) and "One Year" *Actions* outlined in the *Action Table* included in the economic strategy. This report cross-tabulated the *Action Table Actions* with the relevant economic strategy *Objectives* and with the government and Voluntary Planning progress reports submitted in December 1992.

On December 10, 1992 both Voluntary Planning and the government presented the highlights of the progress reports⁵ they had previously submitted to the Monitoring Committee and which the Secretariat had analyzed. The Secretariat then presented to the Monitoring Committee its analysis of the government and Voluntary Planning reports

along with the *Action Table* Report mentioned previously.⁶ At this meeting, the Monitoring Committee approved the evaluation process, schedule and methodology suggested by the Secretariat. The evaluation process and schedule assigned responsibilities and deadlines to all the involved parties.

The methodology chosen for the preparation of the final report centred on the application of a grading scale (Exhibit 2) to the “Immediate” and “Year 1” *Actions* listed in the *Action Table* (Exhibit 3). The grading system was an adaptation of the “Report Card” given by APEC to the CMP on the latter’s progress on Maritime economic integration.⁷ The “Report Card” evaluation methodology was chosen for the Year One report for two primary reasons: most importantly, because the report card format provided all involved parties, including the Nova Scotia general public, with a simple, understandable and clear guideline of the provincial government’s and Voluntary Planning’s success or failure in achieving the specific *Objectives* and *Actions* committed to for Year One in “Creating Our Own Future”; secondly, because the time constraints facing the Monitoring Committee did not allow for a long period devoted to evaluation methodology design. The thorough analysis of the reports had been conducted by the Secretariat already, and what was being sought was a succinct method for organizing and communicating the results of the analysis. While I had personally reviewed other evaluation approaches for the purposes of the thesis,⁸ once I made the suggestion to use the report card format, no other methods were examined.

To complement this process-oriented evaluation and findings, I suggested that an econometric evaluation of the aggregate impact of the strategy on the overall economy of the province in terms of traditional economic indicators (unemployment, wages etc.) be prepared by the Nova Scotia Department of Economic Development (DED). The DED evaluation would address whether these efforts amounted to anything in terms of a change in the overall economic condition of the province. This recommendation was not followed.

The grades assigned to the accomplishment of these *Actions* were based on the following scale:

EXHIBIT 1
Grading Scale⁹

1	=	Goal/Objective reached.
2	=	Progress well under way, timetables established.
3	=	Goals and timetables unclear, some evidence of work completed, reports to be issued.
4	=	Neither progress nor timetables.

The Immediate and Year-One Actions to which this grading scale was applied were:

EXHIBIT 2
Action Table

Legend	Group(s) or Department(s) responsible for action • Indicates specific responsibility
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IMMEDIATE

Business Associations

- Attract U.S. carrier to provide increased jet services to Halifax

Business Associations, Labour

- Promote increased training for workers in the workplace

Community Economic Development Groups, Industrial Development Commissions, Union of Nova Scotia Municipalities

- Community economic development groups accept and give priority to their role in the implementation of the strategy

Department of Education/Advanced Education

- Complete implementation of the Community College Program

Deputy Ministers

- Conduct a quality enhancement program in government to improve customer orientation

Individual Companies

- Companies must find ways to develop new products that emphasize value-added and niche markets

Management Board

- Create an arm's-length review committee to evaluate all business assistance programs (and re-justify their existence) on a three-year basis

Minister and Deputy Minister Responsible for Education

- Launch a concerted effort to improve the high school science and math programs

N.S. Federation of Labour, N.S. Council of Labour, Business Associations with Voluntary Planning acting as catalyst

- Establish a joint Labour/Employer forum to promote a greater sense of partnership in the workplace and the economy

Voluntary Planning

- Identify concerns raised during Voluntary Planning's "Encounter on the Nova Scotia Economy" to Maritime Telephone and Telegraph re: the cost of long distance charges, the small size of local area calling markets, the need of high volume transmission services to all parts of the province

Voluntary Planning, Environment and Economy Round Table

- Coordinate with the Provincial Round Table on Environment and Economy (public consultation currently in progress)

ONE YEAR**Business Associations, Labour, Community Economic Development Groups**

- Promote the adoption of productivity management practices and good industrial relations in order to produce superior products and services to consistently meet customer satisfaction

Research Institutions

- Review the mandates, policies, and practices of the major public and quasi-public R&D establishments

Department of Education/Advanced Education

- Ensure community colleges remain accessible for vocational training to those without a grade 12 diploma
- Publish the results of standardized achievement tests given to school children
- Improve the availability of literacy training in the workplace

Department of Industry, Trade and Technology

- Develop a comprehensive policy for facilitating community economic development
- Promote coordination of existing local economic development programs sponsored by federal, provincial and municipal governments
- Ensure entrepreneur and business programs and services information are readily available at the local level
- Modify provincial trade assistance to centralize information about federal and provincial trade programs in one office; focus on encouraging the trade readiness of business; focus attention on tradable goods; support training programs in the trade field

Intergovernmental Affairs

- Achieve greater coordination among all levels of government

Management Board

- Give managers in Government greater authority and accountability over their operations

Policy Board

- Establish a coordinated process for government consultations

Source: Voluntary Planning (Nov. 1991), "Creating Our Own Future"

In order to provide the Monitoring Committee with as much information as possible on progress along the Immediate and Year One *Actions* and *Objectives*, the Secretariat drew up a list of supplemental questions¹⁰ to be answered by government and by Voluntary Planning. The responses¹¹ to these questions were analyzed by the Secretariat and forwarded to the Monitoring Committee for consideration in assigning a grade. Several *ad hoc* communications from Voluntary Planning staff and from government officials were received by the Secretariat and included in their analysis of progress along the *Action Table*.

On January 14, 1993 the Monitoring Committee met to prepare the Report Card. Each Monitoring Committee member assigned his or her own grade on an Objective-by-Objective/Action-by-Action basis using the scale provided above. The final grade was assigned by consensus of all Committee members. The Secretariat subsequently prepared a Report Card¹² and the first draft of the Year One progress report.¹³ The latter report was sent to the Monitoring Committee members, government and Voluntary Planning.

The Report Card was formally presented to all parties by the Secretariat on January 21, 1993. At this meeting both the government and Voluntary Planning were invited to comment on the grade assigned to them, to correct any factual errors and to provide feedback on the development and release strategy of the public report. Grades assigned by the Monitoring Committee were not subject to negotiation.

A second draft Year One progress report was sent to the Monitoring Committee for final approval on February 1, 1993. The final report – “Progress Report on the Implementation of the Economic Strategy. Year One” – was released by the Monitoring Committee on February 18, 1993. The highlights of the report are presented below.

10.3 THE REPORT CARD

Most of the text of this section of Chapter 10 is taken directly from the Monitoring Committee’s “Progress Report on the Implementation of the Economic Strategy. Year One” (Monitoring Committee 1993, pp. 3-12). The report evaluates the implementation of the objectives identified for completion in Year One by the provincial government (G) and by Voluntary Planning (VP) under eight of the levers: People, Trade, Community Economic Development, Quality, Technology, Labour-Employer Relations, Infrastructure, and Government Role. This section of the report also highlights efforts to coordinate the Economic Strategy with the Sustainable Development Strategy. The section of the report justifying the grades received has been omitted since it provided more detail than necessary for this thesis. A general discussion of the grades received is presented in Section 10.4.

EXHIBIT 3 Report Card Results

PEOPLE (EDUCATION AND TRAINING)

Action	Rating	Responsibility
Launch a concerted effort to improve high school science and math programs.	1	G
Publish the results of standardized achievement tests given to school children.	1	G
Complete implementation of the Community College Program	2	G
Ensure Community Colleges remain accessible for vocational training to those without a Grade 12 diploma.	4	G
Improve the availability of literacy training in the workplace.	2	G
Promote increased training for workers in the workplace.	3	VP

TRADE

Action	Rating	Responsibility
1) Modify provincial trade assistance. 2) Focus on encouraging trade readiness of business. 3) Focus attention on tradable services. 4) Support training programs in trade field.	4	G
To achieve greater value added in goods and services products.	3	VP

COMMUNITY ECONOMIC DEVELOPMENT

Action	Rating	Responsibility
Develop comprehensive policy for facilitating community economic development.	4	G
Promote coordination of existing, local economic development programs sponsored by federal, provincial and municipal governments.	4	G
Ensure information about entrepreneur and business programs and services available.	4	G
Development of a comprehensive policy for facilitating community economic development.	4	VP

QUALITY

Action	Rating	Responsibility
Promote adoption of productivity management practices and good industrial relations in order to produce superior products and services to consistently meet customer satisfaction.	3	VP

TECHNOLOGY

Action	Rating	Responsibility
Review the mandates, policies and practices of the major and quasi-public R&D establishments.	3	VP

LABOUR-EMPLOYER RELATIONS

Action	Rating	Responsibility
Establish a joint labour/employer forum to promote a greater sense of partnership in the workplace and the economy.	1	VP

INFRASTRUCTURE

Action	Rating	Responsibility
Identify Maritime Tel & Tel concerns, raised during Voluntary Planning Encounter on the Nova Scotia Economy, over the cost of long distance charges, small size of local area calling markets and the need for high volume transmission service to all parts of the province.	1	VP
Attract U.S. carrier to provide jet service to Halifax.	3	VP

SUSTAINABLE DEVELOPMENT STRATEGY

Action	Rating	Responsibility
Coordination with Sustainable Development Strategy	2	VP

GOVERNMENT ROLE

Action	Rating	Responsibility
Give managers in Government greater authority and accountability over their operations.	3	G
Achieve greater coordination among all levels of government.	3	G
Establish a coordinated process for government consultations.	4	G
Conduct a quality enhancement program in Government.	4	G
Create an arm's-length review committee to evaluate all business assistance programs.	4	G

10.4 ASSESSMENT OF THE RESULTS

Why were the results of the Year One evaluation so dismal? How come some government departments received low scores while others scored highly? Why did Voluntary Planning do well in some areas and badly in others? Was it because the government and Voluntary Planning had simply not done their part? Was it because, at least in the case of Voluntary Planning, there was no plausible relationship between what the organization had committed itself to do and what it actually had the power to do? Or was it perhaps because the kinds of *Objectives* and *Action*s outlined in the economic strategy were simply not feasible in the context of Nova Scotia? The next section of Chapter 10 looks at these questions. It first presents the Progress Report's assessment of the results developed by the Secretariat with some contributions from me. It then initiates my individual analysis of the government's and Voluntary Planning's performance. Chapter 11 then continues my independent analysis of the Report Card results.

10.4.1 The Report's Analysis of the Results

As stated in the executive summary of the report, "of the twenty three objectives, a small number (7) have either been accomplished or show significant progress; action on the majority of objectives (16) was judged as inadequate given the time-frame and the urgency of the need for completion" (M.C. 1993, p. i). In 14 *Actions*, the Government scored: two 1s; two 2s; two 3s; and eight 4s. In nine *Actions*, Voluntary Planning scored: two 1s; one 2; five 3s and one 4. Overall, the Government performed worse than Voluntary Planning.

The conclusion section of the Progress Report addresses these results. Below are some highlights (Op Cit, pp. 14-15).

In assessing the first year of implementation the Monitoring Committee found both achievements and disappointments. Under the most important lever People, the Monitoring Committee found solid evidence of progress. The Department of Education has set an example of what can

be done in the implementation of objectives. Significant gains have also been made in the development of the Community College system. These achievements, however, must be maintained and even surpassed if we are to realize any long term change.

The intensity of change and progress must be maintained within the public school system for at least another five years. The Community College system must focus on developing a curriculum relevant to current learning needs and improving the level of accessibility to vocational and technical training for a wider range of Nova Scotians.

In the workplace both labour and employers must focus on issues of quality, productivity and innovation. Levels of training must increase and include training for managers and supervisors, as well as workers.

Business, labour and community groups must be prepared to assume a greater level of responsibility and leadership if they are to become a driving force in the implementation of the Strategy. Many issues in the areas of technology, trade, infrastructure and sustainable development as well as in quality, innovation and labour-employer relations demand the committed and sustained attention and action of these groups.

The Labour/Management Forum must be able to move far beyond its current position to begin to shape the new approaches and the new relations that are required in the workplace of tomorrow. The role of labour in the implementation of the Economic Strategy must be clarified and supported if a new and productive partnership in the workplace is to result.

For Nova Scotians to live in '*economically vibrant communities throughout the Province*' as suggested by the Strategy, community economic development must find a place in the priorities of Government. The objectives of developing and facilitating community economic development must receive more serious attention. Trade education and support for business development must be relevant and accessible in ways that are judged to be meaningful by the consumers of the service. Programs from all levels of government must be streamlined, coordinated, and accessible if they are to provide support at the ground level.

The Economic Strategy stipulates that '*government has a critical role to play as facilitator or enabler towards strengthening our economic climate. Its role must evolve from "doer" to "partner," with a strengthened non-government sector.*'¹⁴ For this to be accomplished, changes within government must assume greater importance if they are to affect the delivery of services to, and the quality of relationships with, its partners in the non-government sector.

As with Government, the role of Voluntary Planning is crucial to the success of the plan. Voluntary Planning accepted a massive task in the role of providing leadership to the non-government sector. As the

second year of the plan begins, the Monitoring Committee would recommend that Voluntary Planning reassess its role in *'implementing'* the Strategy. Voluntary Planning has an important and increasingly sophisticated role to play, if it is to act as a catalyst for change. Such a reassessment might include the role of the Voluntary Planning Board, the sector committees, constituencies, and the organization's overall relationship to Government.

To retain its credibility, the Monitoring Committee must remain independent and operate at arm's length from Voluntary Planning and Government. It is the Monitoring Committee's job to evaluate progress on the basis of the reports it receives. It is not the Committee's role to re-evaluate the Strategy or give advice on how to implement it. The Monitoring Committee must assume that Government and Voluntary Planning already have, or are developing, a dynamic understanding of what needs to be done and are engaged in doing it.

In future reports the Monitoring Committee will seek greater clarity about goals, alternative approaches, plans, timetables, and indicators for measuring success. Through these measures it is expected that Government and Voluntary Planning's expertise in *'enabling'* and *'mobilizing'* widespread economic revitalization will become increasingly apparent and effective.

The Monitoring Committee report also included an "Additional Observations and Comments" section that acknowledged and highlighted some of the accomplishments of the provincial government and Voluntary Planning not scheduled for review until Year Two, and thus not taken into consideration in the assessment of Year One progress.

In addition to noting achievements not accounted for in the Year One Review, the Monitoring Committee drew attention to key components of the Strategy which required attention if future objectives were to be realized:

For Government these include increasing the availability of investment funds, and developing tax incentives to encourage investment. Both of these fall under the lever *Creating and Developing Business*, and will be reviewed at the end of Year Two.

Key components requiring sustained attention by the non-government sector in the second year include: increased emphasis on workplace training and the creation of a private sector venture capital mechanism. The Monitoring Committee would encourage Voluntary Planning, business and labour groups to focus on *'increasing training requirements for supervisors and managers,' (People)* as the skills of management are directly linked to product and service quality, innovation, and work productivity. The Monitoring Committee encourages Voluntary

Planning in its efforts to put together a working group on venture capital in Year Two. (M.C., pp. 13-14)

These recommendations are addressed in more detail in Chapter 12.

10.4.2 Additional Analysis

The works of Diamond (1984) and Diamond and Spence (1983) referenced in Chapter 2 stress the importance of evaluating the political and administrative bureaucratic context of regional planning. This section of Chapter 10 provides a brief analysis of this context vis à vis the results of the Report Card. Primary data were gathered through interviews with Elizabeth Mills (1993), Executive Director of Voluntary Planning, Fred Morley (1993), Senior Policy Analyst for APEC and government sources who requested they remain unnamed.

10.4.2.a The Government of Nova Scotia

One possible explanation for the dismal performance of the government in Year One is that even though Premier Cameron supported the strategy, most of his administration was not committed to it, in part because of the likelihood that the Progressive Conservative party would not win the next election. Premier Cameron inherited Premier Buchanan's Cabinet during a time when the Progressive Conservative administration was deeply unpopular and had exhausted its credibility and trustworthiness. The administration was demoralized and the citizenship angry. The fact that an election would have to be called within the next two years did not augur well for Premier Cameron's government in these circumstances. Despite the Premier's support for the economic strategy, according to sources close to government, the implementation and internal monitoring process entrusted to the newly formed Deputy Ministers' Committee became an exercise in paper shuffling without vision or practicality.

In terms of actual ratings, the Department of Education scored highest. This is the direct result of the Minister of Education's committing himself and his department to achieving the goals set out by the *Action Plan*.. In contrast, the scores for the DED in the Year One Report are embarrassingly low (mostly 4s). These scores reflect the fact that the active support and cooperation of the DED was never obtained. This was most likely a result of the "bad blood" that had developed between the DED and Canada Consultants during the planning phase. As Chapters 7 and 11 address, issues of leadership are at the heart of positive changes in government performance.

Even though Premier Cameron had made some efforts to bring a measure of good policy management and accountability to Province House, his government was overwhelmingly defeated in May of 1993. As the Postscript to this thesis presents, the new government of Liberal Premier John Savage has yet to determine the fate of the economic strategy, Voluntary Planning and the Monitoring Committee.

A comprehensive study evaluation of the effectiveness of the government of Nova Scotia vis à vis regional economic development initiatives has, to my knowledge, not been published. However, as presented in Part III, there is an extensive literature on the politics of public spending in Canada. A brief review of this literature is helpful in analyzing the poor results obtained by the government.

Savoie's many works have convincingly established that the failure of regional economic development policies in Canada, regardless of their theoretical basis (e.g. industrial policy debates) or the structure (centralized or diversified) or locus of control of the administrative delivery apparatus (federal vs. provincial vs. local), has as much to do with the way in which the policies have been applied as from the incomplete theories on which they were based. Political imperatives have distorted the requirements for effective policy implementation and evaluation to the point where it has become impossible to determine which elements of a particular program should be retained or discarded. Government ineptitude and political shortsightedness have created an environment where the effectiveness of theories and approaches cannot be determined.

Compounding the problem is the fact that the federal/provincial funding formulas actually retard development because the regions are not given the right incentives to develop (McNiven 1986). There is no real incentive to get "off the dole" since the recipient province's economy might not generate tax returns that would be equivalent to the lost federal equalization revenues.

The end result is that regional development has degenerated into a grab bag for federal funds where the public and private sectors feel entitled to their "share of the waste" even though they do not believe these programs will lead to broad-based economic development. Moreover, the public sector lacks the incentive to manage regional development programs effectively because the funding formulas work against such an approach, and the "culture" that surrounds the delivery of these programs is counter-productive. Widespread patronage presents yet another possible obstacle on the road to competitiveness.

The Monitoring Committee does express its optimism for better results in Year Two. This optimism is based primarily on the belief that the public nature of these yearly Report Cards should act as an incentive for achieving the *Objectives* and *Actions* delineated in the “Action Plan”. There is some evidence to support this belief. For example, while the progress reports submitted to the Secretariat/Monitoring Committee by the responsible government ministries and, to a lesser extent, by Voluntary Planning were at first somewhat vague and nebulous, as the evaluation process gained impetus and credibility a flurry of additional reports detailing progress were received. Thus the simple act of carefully monitoring and evaluating “Creating Our Own Future” seems to have unleashed a “flurry of activity”¹⁵ related to the strategy’s *Actions* in the various departments of the provincial government. In addition, the fact that Voluntary Planning discussed the results of the Report Card in public community consultations should put even more pressure on the government to achieve results in Year Two.

10.4.2.b Voluntary Planning

In terms of actual scores, Voluntary Planning performed well in areas fully within its mandate and power to produce effects. For example, it scored 1s in the formation of a labour-management forum and in initiating negotiations with the telephone company with the aim of reducing rates. However, it did not do well (mostly 3s) in areas where it could only “influence” the final decision maker. For example, Voluntary Planning scored poorly in the *Actions* related to workplace training, greater value added in goods and services, adoption of productivity management practices etc. In sum, it had been unable to “catalyze” the private sector into action. On policy matters, such as the community economic development policy, it received a low score (4) because, while this Sector of Voluntary Planning had developed a policy, it had been unable to influence government policy in terms of content or schedule. Voluntary Planning had, however, successfully coordinated its own efforts with the government’s sustainable economic development policy and thus received a score of 2 on this *Action*. Despite some of the low scores, as Chapter 8 argued, perhaps the greatest success of the strategy was that it established a comprehensive approach to planning and brought together various sectors of the economy as a working group.

I believe that Voluntary Planning’s performance was affected primarily by its lack of efficacy – the power to bring about a desired result. While it committed itself to be the catalyst for the private sector, Voluntary Planning had neither the power nor the resources to legislate or influence change in private sector agents. Additionally, as is the case for most volunteer organizations, Voluntary Planning is not particularly efficient in

its workings. Lastly, as the hypothesis advanced in this thesis suggests, the results of the effectiveness evaluation were expected to be poor because the economic strategy did not directly address the impediments to change inherent in the political economy of the region. These arguments will be examined in detail in Chapter 11.

10.5 CONCLUSION

Apparently, the concern of most Nova Scotians over the implementability of the economic strategy that became evident during the consultation process was well founded. Not much was accomplished in Year One and the “grades” received by Voluntary Planning and the government were indeed poor. In conclusion, one can give two answers to the question Is the strategy working? The first is simply *no*. The second and more optimistic answer is *not yet*. I prefer the latter. At least the monitoring process has created a sober reference point for the determination of progress, motivated action along the lines specified by the economic strategy, and provided a vehicle for public accountability. Unfortunately, despite the best intentions of the provincial government and Voluntary Planning to bring about the vision of a competitive economy for Nova Scotia, the strategy is bound to encounter serious obstacles along the way. Consistent with my interest in positively affecting the implementation process of “Creating Our Own Future”, Chapter 11 presents an analysis of these obstacles within both an organizational-dynamics and a political-economic framework.

ENDNOTES

- 1 The Monitoring Committee Secretariat. "Analysis of the Government report to the Monitoring Committee on the Implementation of the Economic Strategy for Nova Scotia", Dec. 1992, and "Analysis of the Voluntary Planning report to the Monitoring Committee on the Implementation of the Economic Strategy for Nova Scotia", Dec. 1992.
- 2 Government Response Committee of Deputy Ministers. "Report to the Monitoring Committee on the Implementation of the Economic Strategy for Nova Scotia", Nov. 1992.
- 3 Voluntary Planning. "Creating Our Own Future. A Nova Scotia Economic Strategy. Objectives and Actions. Progress at December 1992", Dec. 1992.
- 4 Monitoring Committee Secretariat. "Action Table Report", Dec. 1992.
- 5 Voluntary Planning (Dec. 10, 1992). "Presentation to the Monitoring Committee", and Conrad, C., Deputy Minister Policy Board. "Government Report to the Monitoring Committee", Dec. 10, 1992.
- 6 Unlike previous Monitoring Committee meetings, representatives of Voluntary Planning and the government were not present during these deliberations.
- 7 See the "Report Card on Policy Areas for Maritime Economic integration" (APEC Newsletter, July 1992) presented in Chapter 7 of the thesis.
- 8 For a description of other approaches to implementation analysis, see Alterman (1982). "Implementation Analysis in Urban and Regional Planning", in Healy, McDougall, and Thomas (eds) *Planning Theory. Prospects for the 1980s*, Pergamon.
- 9 The original grading scale assigned letter grades (A,B,C,F) rather than numbers. This was changed at the request of government officials.
- 10 Monitoring Committee Secretariat (Dec. 22, 1992). "Supplemental questions to Government and to Voluntary Planning".
- 11 Department of Economic Development. "Response to Monitoring Committee Secretariat Questions for Clarification", Dec. 22, 1992; Department of Education "Response to Questions for Clarification", Jan. 13, 1993; and Voluntary Planning. Memorandum from Elizabeth Mills to Mary Morrissey, Jan. 7, 1993.
- 12 Monitoring Committee Secretariat (Jan. 1993). "Report Card on The Implementation of the Economic Strategy for Nova Scotia".
- 13 Monitoring Committee Secretariat (Jan. 1993). Draft "First Annual Report of the Monitoring Committee. Implementing 'Creating Our Own Future: A Nova Scotia Economic Strategy' ".
- 14 Voluntary Planning, (Nov. 1991), p. 49.
- 15 Phrase used by sources internal to government to describe the effect of the Monitoring Committee's evaluation process on the activities of several provincial government ministries.

CHAPTER 11

EVALUATION RESULTS. LONG-TERM/GENERAL/ORGANIZATIONAL EVALUATIONS

11.1 INTRODUCTION

As stated in Chapter 9, Voluntary Planning, the provincial government and the Monitoring Committee were primarily interested in the Short-Term/Plan-Specific performance effectiveness evaluations. In order to analyze the results of this kind of evaluation within the broader perspective taken by the thesis, Chapter 11 conducts a model appropriateness evaluation and an efficacy evaluation. These two evaluations are based on the conclusions of the critical analysis of the literature presented in Parts II and III of the thesis, and are supported by personal observations made during the preparation of the Year One Report Card, the 1993 Community Revisits and the 1993 Strategic Planning Review. As stated earlier, the results of these evaluations are by nature tentative given the short time that the strategy has been in operation and the long time required for the process of planning as social learning to take root.

The chapter is divided into two parts, one corresponding to each of the two evaluations. Part V, Chapter 12 provides conclusions and recommendations largely based on the discussions presented here.

11.2 MODEL APPROPRIATENESS EVALUATION

The model appropriateness evaluation *critically analyzes the dissonance* between generic visions of a competitive Atlantic Canadian economy based on global models and the particular regional realities that must be factored in if the plans are to be successful. It attempts to provide a “reality check” for the aspirations for a competitive Atlantic economy articulated in “Creating Our Own Future”, as well as in other Atlantic Canadian economic development documents. As described in Chapter 9, the evaluation looks at questions such as: Does the economic strategy make sense within the local and global political economy? Where do the arguments presented in the document come from in terms of the debates presented in Part II and III of the thesis? What agencies and theories influenced the document? Are the goals and objectives feasible within this context? How can a more realistic view of the context help programme performance?

This evaluation exercise is organized around a summary of the answers that have been given in Parts II and III of the thesis to the fundamental thesis questions – How are competitive economies created? What are the policy prescriptions? and What impediments and advantages are present in the region? (see page 10). The evaluation revisits the conclusions of Chapters 3 through 7 in Parts II and III, and then examines these conclusions from the perspective of the literature on critical planning and evaluation presented in Chapter 2. Through this comparative exercise, the thesis demonstrates how the right set of incentives is not being provided to the various agents of change charged with bringing about a competitive Nova Scotia or Atlantic Canada and offers some suggestions for the causes of this dissonance.

Most of the literature presented in this section as evidence of the impediments to the achievement of a competitive economy in Nova Scotia is regional in scope. However, the similarities between Nova Scotia and the other Atlantic provinces far outweigh the differences. Therefore, the regional arguments presented by this literature are considered valid in the analysis of Nova Scotia and of “Creating Our Own Future”. Similarly, the recommendations made to Voluntary Planning have regional applications.

11.2.1 How are Competitive Economies Created?

11.2.1.a To Plan or Not to Plan?

As stated in Chapter 3, the loss of U.S. hegemony over the liberal economic order combined with the end of the Cold War has ushered in an era of increased global instability while a new balance of economic, political and military power is sought. The debates over industrial policy in the developed world revolve around the determining optimal strategies for adjustment to these vicissitudes. What advocates of industrial policy and managed trade in the developed countries want to achieve is not all that different from what advocates of the more traditional liberal approach to trade and national economic management, such as *laissez-faire* and free trade, want. They both want to be “competitive” in global markets. Thus the *ends* of their policies – a healthy economy and an economic structure that can give the nation a competitive edge in global trade – are not disputed. What is being debated hotly, though, are the *means* of keeping a winning pace in this endless neck-and-neck race. The most contentious issue in the debate is determining the proper roles of the state and of the market in the pursuit of competitiveness.

Like Schultze and Porter, many critics of the merits of industrial policy and of the new strategic trade theories generally:

do not so much dispute the theoretical possibility that carefully calibrated government trade intervention might, in certain circumstance, bring gains to the United States [or any country adopting them], but principally... [argue] ... that the potential gains were small [the promised rents and technological advantages]; and that political pressure would convert an initially well-meaning intervention policy into a boondoggle of special interests. (Lawrence and Schultze 1990, p. 5, emphasis added)

In addition, they argue that protectionism takes the competitive pressure off producers and often denies the economy access to new technology in the form of imports.

On the other hand, proponents of a more activist approach to trade and economic management, like Lester Thurow, point out that findings and policy prescriptions such as those provided by Porter, are not much different from those of other experts in the field whose writings have not “made a dent in the system” (Thurow 1990). Thurow does not expect this inertia to be overcome by more pronouncements of the merits of less government as best government. He bemoans the lack of presidential leadership and of a political system that can support initiatives aimed at reversing the relative decline of the U.S. economy.

In the mid-1990s, the industrial policy debates are likely to intensify, and a great deal of experimentation with hybrid approaches by all governments, large and small, developed and not, can also be expected. In this context, perhaps the most sober recommendation for countries trying to adopt any economic development model – state- or market-centred – is that both internal and external conditions must be right for either model to succeed. For example, it is highly unlikely that the exact internal and external conditions under which the hybrid model of development (where some aspects of the market were mixed with aspects of state control) practiced in Japan and the Asian Dragons arose can be replicated elsewhere. Whether parts of the model can be exported and result in successful development is also not yet clear. In other words, simply adopting a developmental state model is not enough. In order for this model to lead to “development”, favourable conditions – such as the U.S. preferential trading status enjoyed by Japan and the Asian Dragons, the post-WW II Japanese drive to rebuild from the ashes, the chance to “get the prices right” in an open world market etc. – are in place.

The chaotic economic reform experiences of the former Soviet empire and Eastern Europe also provide a caveat to the wholesale adoption of free markets and democracy. These experiences seem to indicate that adopting the market-based systems that have

brought the U.S. and the EC countries their great fortunes is also fraught with massive difficulties. What is becoming evident in the process of economic reform is that privatization does not automatically result in a “private sector”; that entrepreneurship and enterprise building are two different things because no amount of business *chutzpah* can compensate for entering the global competitive arena without adequate capital, technology, worker training and managerial knowledge; and that open markets at home facing closed markets abroad, particularly those of the U.S. and the EC, do not result in much benefit to the newly converted adherent of free trade, but rather in economic neo-colonialism.

In addition to the right set of internal and external circumstances, a great deal of discipline will be required on the part of politicians, bureaucrats, elites, managers, workers and citizens in order for any model to result in both efficient and equitable growth. In the 1990s the danger is that the need for political discipline and clear leadership during times of radical economic transition is more likely to result in fascism than in democracy.

As demonstrated in Chapter 5, in Canada, national and regional economic policy shifts cyclically from interventionist to non-interventionist and back without any clear evidence of the superiority of one approach over the other. In the early 1990s, economic strategy is based on a private sector-led development model along the lines of that recommended by Porter. Since in this model the relevant level of analysis is the industry/firm level, rather than the national economic management level, an examination of Porter’s conclusions and my conclusions regarding the managerial debates is helpful at this point.

11.2.1.b The Management Debates

In order to develop both a realistic and rigorous understanding of the firm and the elements of corporate and national competitiveness, economists, business leaders and management academics must attempt to close the gap in understanding between the models used by economists and those used by management experts. This is of particular importance because in the 1990s national and regional policy initiatives have taken a definite turn towards private sector-driven solutions.

As discussed in Chapter 4, authors like Porter, Olson and Peters are all involved in the search for a dynamic model that can explain growth and competitiveness. Their prescriptions for healthy economies and corporations boil down to the need to welcome

pressure, disruption and change. For Porter, the secret lies in a system that fosters vigorous domestic competition in world-class products. Peters tends to concentrate on the kind of management and structure that makes “excellent” companies. His recipe for success is “people oriented” (Peters 1983) and process oriented; change is the name of the game (Peters 1987). For those who are hopeful about Eastern Europe’s transition to a market economy, political and economic freedom (read capitalism and democracy) are seen as the “switch” that can turn on entrepreneurial vision and discovery. For the “small is beautiful” and the flexible specialization supporters, human scale and flexibility are key. For Olson (1982) the tendency of democratic nations under *laissez-faire* economic models to degenerate into cartelization must be acknowledged and counteracted. Others (Scott 1985) believe that comparative advantages must be redefined in a way that incorporates an active managerial element – strategic decision making. Ohmae (1990) believes that breaking the ties to nationalism will bring the benefits of a truly global economy. Senge (1990) focuses on the creation of learning organizations – places where people are continually discovering how they create reality and how they can change it.

What all these authors are in some way saying is that *stability causes inertia, that standing still is likely to result in quick paralysis and atrophy*. Thus the most fundamental conclusion that can be drawn from the discussions presented in this chapter and in Chapter 4 is that size, management structures or style,¹ global or local focus, competition or cooperation are not *per se* important. What is important is the design and management of organizations that can keep pace with the frenetic level of change occurring in the world. In the words of De Geus, “the ability to learn faster than your competitors may be the only sustainable competitive advantage” (quoted in Senge 1990, p. 4).

What the literature on the management of chaos or learning organizations suggests is that while tyrannical bosses, abusive organizations and dictators can exact great sacrifices from workers and citizens in the short run, in the long run motivated workers and citizens are more flexible, productive, dedicated and responsive to change than coerced or unappreciated ones. Therefore, human dignity and wakefulness must be fostered in the workplace, and in society at large – all of which can most certainly be done without endangering the bottom line. Similarly, economic planners attempting to improve economic conditions by relying on the entrepreneurship of the private sector should consider the words of Bill O’Brian, CEO of Hanover insurance:

We believe that there is no fundamental trade-off between the higher virtues in life and economic success. We believe we can have both. In fact, we believe that, over the long term, the more we practice the higher

virtues of life, the more economic success we will have. (O'Brian, quoted in Senge, p. 143)

11.2.1.c Can Entrepreneurs Be Created?

The proponents of private sector–led development strategies in Nova Scotia and elsewhere assume that entrepreneurship can be created, that public policy has a role to play in such a creation, and that the availability and quality of entrepreneurs is in part related to the regional industrial culture. While the *effect* of lively entrepreneurship activity in economic development is not disputed, the *causes* of such dynamism as well as its *replicability* in underdeveloped countries and regions still present baffling research questions.

In developed capitalist economies, public policy aimed at developing entrepreneurship does not seem to show dramatic results. While a conclusive study has not yet been conducted, my review of the evidence of such programs in Canada and the U.S. has led me to agree with Mokry's (1988) conclusion that while government plays an integral part in entrepreneurial development, activist government has produced neither the positive effects hoped for by its proponents nor the dire consequences predicted by the critics of government. As far as the types of programs that have shown some positive results and which can guide future policy, Mokry's literature review suggests that in order to raise the level of entrepreneurship in the community, governments must either engage in support programs on a scale many times larger than states or communities have tried or sharply target their efforts to selected individuals. The appeal of policies to promote "entrepreneurship" has so far been strong enough to counteract negative findings about their success. However, in order not to succumb to a "quick-fix mentality that only wastes public funds (and private hopes), policy-makers must continually ask themselves the critical questions regarding what it is that is expected to be accomplished through entrepreneurial development, what resources are required to achieve these goals and how achievement is to be measured (economic growth, community self-sufficiency etc.).

While regional factors such as industrial structure and corporate culture affect the entrepreneurial spirit, and these in turn affect the nature of economic development in a given region (Weiss 1988), it must be emphasized again that entrepreneurship is neither a factor that can be lacking in a region (Kirzner 1980) nor a force that can be unleashed merely by summoning it. Entrepreneurship is inherent; however, the right "diamond" must be present in order to nurture the spark of enterprise. Still in question, therefore,

is whether public sector initiatives have the capacity, or the political will, to alter the “diamond” significantly.

11.2.2 What are the Prescriptions for Competitiveness?

The first part of the model appropriateness evaluation presented above provided a summary of the competitiveness debates presented in Chapters 3, 4 and 5 of the thesis. Section 11.2.2 now “locates” the policy content of “Creating Our Own Future” within these global theoretical debates as well as within the national and regional planning contexts presented in Chapters 5, 6 and 7. This second part of the evaluation exposes the influences, theories and assumptions dominating the formulation of “Creating Our Own Future”. The third and last part of the model appropriateness evaluation, presented in section 11.2.3, provides a critique.

Section 11.2.2 first locates “Creating Our Own Future” within the context of the 3 Cs and then within the context of the competitiveness debates.

11.2.2.a The Economic Strategy and the Three Cs

Part III argued that three primary themes evident in the Atlantic Canadian regional economic development literature of the early 1990s are: 1) competitiveness, 2) cooperation, and 3) constitution – what I have termed the “3 Cs”. The latter two themes were seen as inextricably tied to the first one. As far as *competitiveness* is concerned, the primacy of the private sector in achieving a healthy economy is enshrined in all public documents at the Atlantic, Maritime and Provincial level. However, “Creating Our Own Future” goes furthest in promoting a private sector–led economic model of development and in making “competitive success” an explicit goal of the economic strategy (V.P. Nov. 1991, p.21). The interprovincial economic *cooperation* theme, championed by the Council of Maritime Premiers is explicitly supported in “Creating Our Own Future”.² Lastly, the *constitution* theme, as was the case in most Atlantic Canadian economic development plans,³ was not explicitly dealt with in “Creating Our Own Future”. Only APEC addressed this theme in detail. However, the urgency to find a more self-sufficient and endogenous model of development is in part a response to the spectre of constitutional failure.

Given the close interaction between APEC and the CORE Committee described in Chapter 8, and the fact that the latter reviewed the work of the CMP carefully, it is not surprising that the major economic development reports published by these three planning agencies between late 1989 and late 1991 show remarkable consistency in

terms of their treatment of the three major themes of Atlantic Canadian regional policy discussed in Chapter 7. All three reports are intended to provide pathways to competitiveness and suggest that interprovincial economic cooperation is one such path in an environment clouded with worry about the constitutional future of the region.

Given the shared problems and opportunities described by Voluntary Planning, APEC and the CMP, as well as by the governments of the other three Atlantic provinces, there are common elements in all of their articulated goals. For example: increased self-reliance, increased competitiveness, market or private sector orientation, and the environment. The policy instruments recommended in each strategy also bear broad similarities. They generally include mechanisms to promote business development; measures to support community economic development; economic building blocks [e.g. human resources, infrastructure] and programmes to help with the economic environment and "attitudes".

The Council, APEC and the three Maritime provincial governments see a Maritime "economic union" as a way to increase economic growth and competitiveness through integration. Political union, a concept that has been discussed on several occasions in Maritime history, was termed a "non-starter" in this round of proposals for regional integration. According to the CMP, APEC, Voluntary Planning and the other two Maritime provincial governments, economic integration can be achieved without political integration.

Exhibit 1 illustrates this parallelism in policy content between APEC, Voluntary Planning and the CMP.

EXHIBIT 1

Comparative Chart of the Themes of "Competition" and "Cooperation" in APEC, Voluntary Planning and CMP Economic Strategies (1989-1991)

APEC Strategies	Voluntary Planning "Levers"	CMP Actions
Cooperation		
Inter-provincial cooperation	The Government Role	Removal of interprovincial barriers
	Trade	
	Quality	
	Creating and Developing Business	
Federal policy	The Government Role	

APEC Strategies	Voluntary Planning “Levers”	CMP Actions
Competitiveness		
Community Economic Development	Community Economic Development	
Infrastructure	Infrastructure	
Adequate capital	Creating and Developing Business	Regional Investment Fund
Export orientation	Creating and Developing Business Quality Productivity Technology Trade	Export Promotion Strategy (Virtuous cycle)
Good management skills	People Quality Productivity Labour Employee Relations	(Virtuous cycle)
Human resource development	People Quality Productivity Technology The Role of Government	(Virtuous cycle)
Environmental considerations	(Core value)	

NOTES:

- All three documents suggest the need for “attitudinal” change from an inward looking, government dependent and protectionist mentality towards an outward looking, entrepreneurial, free-trading spirit.
- The CMP “Actions” were part of the creation of a “an outward looking”, “virtuous cycle” which incorporated “profitability, learning skills, productivity, and export trade”.

As examined in Chapter 7, there are major differences in the reports, however. For example, there are differences in terms of the specific applications of, and the priorities given to, the policy instruments. Additionally, the role given to government in each strategy is somewhat different and the attention given to monitoring and evaluation also varies. “Creating Our Own Future” is the most private sector-oriented document and the one with the most developed monitoring and evaluation process. Given the different fundamental orientations and membership structures of these different agencies, their plans view the process of economic change differently. APEC has a more traditional economist’s view of Atlantic Canadian regional problems and solutions; the CMP suggests a series of Maritime economic integration strategies that can be brought about by a revitalized CMP; and Voluntary Planning sees the process as being private sector-driven and thus proposes a plan that leverages the cooperation of business, labour and government as partners.

11.2.2.b The Economic Strategy and the Industrial Policy Debates

The preamble to the presentation of the economic strategy (Section III) addresses much the same issues that were presented in this thesis in the background section of Chapter 3 and summarized in section 11.2.1.a. The chaotic and rapidly changing nature of the international political economy (e.g. trade bloc formation etc.) is seen as one of the primary reasons why a new approach to economic strategy-making is needed in Nova Scotia. The second reason given for this need for change, is the likelihood of a further retrenchment of the Canadian welfare state resulting in reduced transfer payments to the province. What is being alluded to in these passages are the consequences, in terms of regional policy options, of the national economic policy swing towards neo-liberal theories discussed in Chapters 5, 6 and 7. Since, “the only certainty is that the status quo is not an option” in terms of global stability or government support, the economic strategy’s fundamental aim is to enlist the assistance of all Nova Scotians in a process that can turn these threats into a challenges and an opportunities.

While protectionist measures have been adopted by some advanced economies as a way to defend their gains, in terms of the debates presented in Chapter 3 of the thesis, the arguments put forth in “Creating Our Own Future” fall clearly in the laissez faire/free market camp. Increased levels of foreign and interprovincial trade are advocated as a clear turn away from an actively managed industrial/regional policy is made. Arguments in favour of any aspect of the developmental state described in Chapter 3 (Japan and NICs) and Chapter 5 (Canada’s historical predilection for interventionist national and regional economic policies) are not even referenced in the document as a discussion point. As in the case of the new market economies of the former Soviet bloc, perhaps the province simply did not have anything to lose, and hopefully much to gain, from becoming more market-oriented. In Canada, so far the only manifestation of the kind of political chaos that has accompanied the transition to open markets in the former Soviet empire has been the persistent threat of a sovereign Quebec.

As summarized in section 11.2.2.a, critics of the merits of industrial policy do not dispute the possibility that these policies might be beneficial in some circumstances. What they object to is the way political pressures distort well-meaning government interventionist policies. A review of the reasons for the disappointing record of regional policy initiatives in Atlantic Canada presented in Chapter 6 would most certainly strengthen their case. As a reaction to this record of ineffectiveness, “Creating Our Own Future” casts the private sector as the “driver” of the strategy and the government as “partner” rather than “doer”. What the CORE Committee did not realize until the 1991 consulta-

tions, though, was that there was no grassroots show of support for the private sector either. Moreover, given the poor results of the private sector-led strategy proposed by Voluntary Planning, one could conclude that perhaps Thurow is right in his assertion that the more traditional liberal approaches to economic development “have not made a dent in the system” and that some form of active government policy is needed.

11.2.2.c The economic strategy and the management debates

“Creating Our Own Future” does not directly frame its prescriptions for economic recovery in Porter’s “diamond” model. However, there is strong parallelism in theoretical orientation between Porter’s model and “Creating Our Own Future”. For example, they both: 1) enshrine the role of the private sector in bringing about the competitive advantage of nations; 2) assign government the role of investing in human and physical infrastructure, and suggest that direct intervention is often harmful; and 3) assume that the economic condition of a nation or a region can be improved through the proper understanding and manipulation of a dynamic set of elements such as Porter’s “Diamond” or Voluntary Planning’s “Levers for Competitive Success”.

Porter’s influence in Canadian national economic circles was already being felt at the time of the publication of “Creating Our Own Future”. As described in Chapter 5, Porter’s “Canada at the Crossroads” was instrumental in providing support for Michael Wilson’s “Prosperity Through Competitiveness”, the government’s national economic strategy. At a Maritime level Porter participated in the “Atlantic Partners” conference, organized by Norm Schaeffer of the University of New Brunswick to discuss the application of Porter’s work to the region (Schaeffer 1992). A follow-up conference is being held in November 1993 to advance regional economic development plans along Porterian lines. More importantly though, as of August 1993, APEC has been involved in a major review of the Atlantic Canadian economy using a Porter-like model developed by DRI McGraw Hill. According to Fred Morley of APEC (Morley 1993) the two-phase project should deliver an analysis of the economy and a policy orientation. DRI’s model is considered similar to Porter’s in that: 1) the objective is to develop regional comparative advantage by analyzing the economy in terms of six elements (e.g. human and physical infrastructure, role of government etc.); 2) it is based on a dynamic conception of the economy ; and 3) it assumes that the economy can be improved by facilitating linkages and “clusters” in the private sector and by investing in human and physical infrastructure. According to Morley, this project is more detailed in its analysis and practical in its recommendations than was Porter’s Canada-wide report, which was considered somewhat general and generic.

In sum, if Voluntary Planning were drafting an economic strategy in 1993, a Porterian view of the economy would most likely find its way into the document. Whether or not such a follow-up document is ever written, the climate of opinion in regional economic circles encourages the adoption of Porter's views on economic policy and competitiveness, and thus affects current opinion on the appropriateness of "Creating Our Own Future" in meeting Nova Scotia's current economic challenges.

The vast majority of the arguments and policy prescriptions presented in "Creating Our Own Future" presume the direct involvement of the private sector. As a quick glance at Exhibit 3 in Chapter 8 would show, the language of the document, particularly that of some of the "Levers" – People, Quality, Productivity, Labour-Employee Relationships, Technology, Creating and Developing Business, Trade – has more to do with management theory than with economic or planning theory. Thus the debates reviewed in Chapter 3 of the thesis are particularly germane to the discussion of this document. The next section presents a summary of the arguments contained in the "Levers for Competitive Success" and relates them to the debates presented in Chapter 4 and to the discussion of the political economy of the Atlantic region presented in Part III of the thesis. In order to be more succinct, "Creating Our Own Future" is referred to as "the strategy".

- **People** – This Lever addresses the need for a "seamless web of fully integrated educational and training opportunities" as well as the notion of "life-long learning" in school and in the workplace (V.P. Nov. 1991, p. 25). These concepts are akin to the notion of the "learning organization" presented in Chapter 4. In both cases the core notion is that the ability to learn faster than one's competitors is the only sustainable competitive advantage at the micro level of the classroom or the shop floor, and at the macro level of the regional economy.
- **Quality** – This Lever presents the highlights of the O'Farrell Report (1990), one of the side reports that was commissioned by the Nova Scotia government as part of the research conducted by Canada Consulting. O'Farrell's study of the Nova Scotian small manufacturing sector, summarized in Chapter 7 of this thesis, concluded that Nova Scotian products are inferior in quality and price to comparable New England products and that managers of Nova Scotian companies are unaware of this differential. O'Farrell also concluded that the quality performance of foreign subsidiaries in Nova Scotia suggests that with better managers, local resources can produce superior quality. Thus the Lever suggests, as does Chapter 4, that people and quality are inextricably tied because it is people who make quality happen through the judicious application of technology and through commitment to bench-

marks of product and service quality. The Lever calls for the establishment of a quality ethos in all Nova Scotian companies supported by a government-funded “Performance Enhancement Service”. The need to improve the quality of government service delivery is also mentioned. However, as mentioned in Chapter 7, neither this economic strategy nor any other discussions of regional competitiveness address the deleterious effect of monopoly and patronage on the incentive to produce quality products and services in both the private and public sectors.

- **Productivity** – This Lever also mentions O’Farrell’s report. O’Farrell concluded that low productivity is the most crucial shortfall in the relative performance of Nova Scotian firms against their American competitors and that manufacturing productivity is well below that of other industrial nations. The Lever links this lower productivity with lower levels of technology, but primarily with poor management practices. Thus one of the objectives of the “Performance Enhancement Service” mentioned above would be to improve managerial quality. While the discussion in Chapter 4 about the ability of small firms to compete effectively in global markets through some form of Flexible Specialization is welcome news to the myriad of small firms in the province, the criticism of Fordism made in Chapter 4 (rigidity in responding to market changes, authoritarian managerial culture, excessive emphasis on economies of scale and scope) also applies to the few vertically integrated giants that dominate entire sectors of the economy such as forestry, fisheries, oil refining and goods distribution. Once again, the strategy fails to link productivity with what is considered by Adam Smith, Porter and others the fundamental incentive for achieving higher levels of productivity – vigorous domestic competition.
- **Labour Employer Relations** – This Lever makes a commitment to improving the record of labour-employer relations in the province. While the thesis did not address the literature on labour-employer relations directly, Chapters 6 and 7 highlighted the long history of labour problems in the region, and Chapter 4 addressed how managerial culture and style is a key issue in competitive success. As summarized in section 11.2.1.b, humanist management is, in the long-run, positively correlated to improvements in the bottom line. Thus the strategy’s efforts to improve these relationships should show positive economic results in the long run.
- **Technology** – This Lever mentions that the “technology paradox of Nova Scotia is that the province has a disproportionately large share of Canada’s basic and applied research activity but it also has a relatively low level of commercial applications of science and technology”. If necessity is the mother of invention, scientists and academics must feel a need to invent. However, the private sector must lack the

incentives to commercialize the technology or the resources (financial and managerial) with which to do it. The latter is more likely the case since, as Chapter 7 has discussed, there is a severe lack of venture and investment capital in the region. The technology paradox might also be related to the fact that regional development funds have distorted market signals in the region so profoundly that it is often extremely difficult to establish businesses that can compete outside the region. The lack of capital and the distorting effect of government policy on the market is also mentioned by the strategy in the Creating and Developing Business Lever.

- **Trade** – As the strategy’s neo-liberal orientation would suggest, this Lever is supportive of increased interprovincial and export trade. As discussed earlier in this chapter and in Chapter 7, the strategy addresses the need for Atlantic/Maritime economic cooperation in much the same way as the APEC and CMP reports – pro economic cooperation without any mention of political union. The analysis presented in Chapter 7 concluded that this formulation for interprovincial cooperation is not likely to result in any significant increase in economic growth. The thesis did not directly address the effects of the U.S./Canada Free Trade Agreement or the North American Free Trade Agreement on the province’s economy. Future research should address this gap.
- **Infrastructure** – This Lever addresses the inadequacies of the provincial physical infrastructure. Consistent with Porterian and neo-liberal logic, the task of redressing this problem is seen as the government’s primary role. Since this Lever is not related to the management debates it will not be examined further.
- **Creating and Developing Business** – This Lever focuses on entrepreneurship, strategic procurement and industrial promotion. The latter two strategies have shown a serious record of failure since they were first experimented with in the 1960s. There is, however, a need to include industrial promotion and procurement strategies in economic planning because, as many regional development documents suggest, the economic condition of the province would probably have been worse if these efforts had not been made. In other words, any one of these strategies is “necessary but not sufficient” (Spence 1990). Additionally, Porter’s evidence shows that attracting the right kind of branch plant jobs (i.e. managerial, decision-making or highly technical positions) is beneficial in transferring to the host country technical and managerial know-how. As far as motivating entrepreneurship, Chapter 4 concludes that while entrepreneurship is inherent, and in fact not something that can be lacking in any particular place, the right “diamond” must be present in

order to nurture the spark of enterprise. Moreover, Chapter 4 offers an admonition that if “entrepreneurship” is used as a quick fix for economic development needs, neither the vociferous cheerleading of business leaders nor the generic piecemeal approach of government is likely to be any more effective than “snake oil”.

- **Community Economic Development** – The document suggests that “Nova Scotia’s economic strategy cannot be thought of as applying in only a few areas of the economy – individuals and communities across the province must adopt, support and implement it” (V.P. Nov. 1991, p. 46). It therefore strongly supports the bottom-up approach of community economic development groups as a complement to the other Levers. As Chapter 6 suggests, it is perhaps the traditional lack of cohesiveness within and between Atlantic Canadian communities that has thwarted the spirit of many economic development initiatives in the past. If the citizens of the region are to move beyond mere “anger about de-industrialization” and “longing for communities past or missed” (Flemming 1988), its citizens must commit themselves to a vision of self-reliant and endogenous development. What Quebec has that Atlantic Canada does not is Quebec Inc., the industrial reflection of its *projet de société*. Unfortunately, as Chapter 7 suggested, such a collective process will remain wishful thinking until strong leadership is found and the right kind incentives to change offered.
- **Government Role** – The role suggested for the government follows the standard neo-liberal prescriptions presented in Chapter 3. For example, the strategy states that in order to build a strong economy,
 - the government must strive constantly to improve the economic climate: by its collaboration with business labour and other concerned groups; by its programs to support business; by its own efforts to enhance internal quality and productivity; and by reducing deficits and ‘strategically privatizing’ suitable operations after appropriate ‘consultations’. (V.P. Nov. 1991, p. 49)

Similarly, the report also suggests measures the government should follow to reduce “redundancy and waste of scarce government resources” (Op Cit, p. 50). Given the “share of the waste” scenario argued by Savoie’s (1987, 1990) various treatises on the politics of public spending in Canada, these recommendations are at the heart of positive change in government efficiency and effectiveness. One suggested way to reduce waste is to improve the management of provincial business assistance programmes, the “Distorted Jungle” presented in Chapter 6 (Sagebien 1990).

Now that “Creating Our Own Future” has been located in the context of the literature presented in Parts II and III, the third part of the model appropriateness evaluation conducted in section 11.2.3 takes a look at how the political economy of the region is likely to present impediments to the success of these policies.

11.2.3 What Impediments are Present in the Region?

Nova Scotia’s economic strategy is predicated on two primary statements: that the status quo is no longer an option; and that Nova Scotians can create their own future through the adoption of a private sector–based economic strategy supported by an “enabling” public sector. While the former statement is certainly true, the latter remains to be supported by the facts. As demonstrated in Chapter 7, the assertion that the only certainty in the region is change was made not only in Nova Scotia, but was repeated in every policy document examined. However, this thesis argues that in order to make the strategies for coping with this change “real”, the least savoury parts of the regional economy must also be examined. Otherwise these slogans will be as useful as stating “*Toto, I have a feeling we’re not in Kansas anymore*” (Dorothy in “The Wizard of Oz”, MGM, 1939).

Part III concluded that the political economy of the Atlantic region is characterized by: 1) monopoly; 2) patronage; 3) low political efficacy; 4) province-building; 5) a vacuum of leadership; 6) antiquated management practices reflecting an anti-labour stance; 7) a severe lack of investment capital; 8) a “share of the waste” clientelist mentality to public spending held by both the private and the public sectors; 8) government policies that distort the market and impede the resolution of the very social and economic problems they are intended to address; 9) the perception by public and private sector entities that, at all costs, they must protect their “turf”; and 10) high illiteracy rates and low investment in worker training.

The characteristics mentioned above stand in sharp contrast to the requirements for creating and sustaining competitive economies and firms presented in Chapters 4 and 5 and summarized in section 11.2.1. As stated earlier, all these authors are in some way saying that *stability causes inertia, that standing still is likely to result in quick paralysis and atrophy*. In Atlantic Canada, stability has degenerated into atrophy over the past 100 years. Moreover, change is difficult to bring about because, as the examination of the Levers has once again demonstrated, the core institutions and practices that maintain the status quo are never questioned. Better quality, increased productivity, technological commercialization and business start-ups and growth cannot be brought about

through the repetition of these words as mantras. There have to be economic incentives to compete, resources to put towards these goals that expedite the process rather than distort it, and a playing field level enough to inspire would-be entrepreneurs. The reasons for these persistent errors of omission in policy documents are examined in a later section.

The ability of the Maritime provinces to achieve the economic cooperation called for in “Creating Our Own Future”, and in all other economic policy documents of the time, has been quite slow. Progress has been impeded, as predicted, by the province-building tendencies of the provincial governments and of the CMP itself, as well as by the well-entrenched tradition of patronage. Once again, a review of the works of Pinder (1972) on European integration and of the Deutsch (1970) “Report on Maritime Union” presented in Chapters 6 and 7 would have suggested that the economic union only model was not likely to be effective. This thesis argues that, given the counter-productiveness of these forces, the political integration of the region is the *sine qua non* of economic integration, not the “non-starter” that it was deemed to be by the CMP and others. Unfortunately, since political integration is highly unlikely unless “things get bad enough”, economic integration is also bound to falter until then.

Because the region’s population is so small and its economic and political power so weak, Atlantic Canadians are constitutional takers, not constitutional makers. The constitutional fate of the region will be determined by Upper Canada, Quebec and the Western provinces, not by Atlantic Canada. Since the constitutional uncertainties of Canada are likely to continue for some time, particularly now that the Bloc Québécois is the official national opposition party, the call for endogenous development initiatives and a competitive economy that can survive without government largesse are also likely to continue.

In sum, while I strongly endorse the aims and aspirations of the private sector-led development models advocated by Voluntary Planning and by other Atlantic Canadian agencies and governments, I believe that these initiatives, as they are presently being implemented, are bound to have a poor track record. The Year One report card most certainly supports this assertion. This thesis argues that the characteristics of the political economy presented above will present serious impediments to the creation of the competitive private and public sectors articulated in the economic development documents of the 1990s. Moreover, while these characteristics are common knowledge – even a part of the regional folklore – the inability of economic planners to acknowledge them formally in their plans as impediments to competitiveness is, in my

judgement, what repeatedly thwarts attempts to improve the economic condition of the region. Economic planners can certainly “think globally” in modeling their economic development strategies after the fashionable truisms of the 1990s – competitive economies, entrepreneurial companies etc. Unfortunately, they will never be able to effectively “act locally” because they are not acknowledging the dynamics of where they are.

11.2.4 Critical Theory Analysis – The Emperor’s New Clothes

This analysis reveals a sharp dissonance between the requirements for competitiveness and the political economy of the region, a dissonance that is by and large ignored in the economic development documents. If the impediments to Atlantic competitiveness are so serious, why do we ignore them? Why do we not acknowledge, and for that matter “do something about”, monopoly, patronage etc. in economic planning? Critical theory provides answers to these crucial questions.

Critical theory analysis suggests that the current economic strategies based on competitiveness: 1) serve the economic and political interests of the present ruling elite since they have the most to gain; 2) are designed to maintain the status quo since they do not challenge the structure and dynamics of power relationships; and 3) ignore the structural impediments presented by the political economy of the region, and in that way prevent the strategies from actually working.

Fortunately, these contradictions between the aims of the economic strategy and the likely lack of results are not inevitable. Kemp (1982) suggests that through the application of “critical planning theory” the relations of political and economic power which constitute, and are constituted in, the planning process can be understood and therefore can be altered.

By acknowledging the nature and dynamics of “what is”, and by reflecting on how it could be different, the planner can redress some of the deleterious consequences of this political-economic context on those for whom they are planning. In this way, regional economic planners can: contribute to the “achievement, through critique, of a society free from all forms of domination” (Kemp 1982, p. 59); be true to Dyckman’s assertion that the “very purpose of planning is to release human abilities, to broaden the field of opportunity, and to enlarge human liberty” (Dyckman 1978, quoted in Muller 1982, p. 255); and provide planning guidance and knowledge to disadvantaged groups in order to progressively promote self-sufficiency (Muller 1982).

These egalitarian social goals are generally desirable. However, there are other more pragmatic reasons why the critical planning analysis should be conducted. As stated earlier, in Atlantic Canada the dis-empowering effects on workers and citizens of the polarized nature of power distribution in the political economy is in itself a major contributor to regional underdevelopment. The design of a competitive economy in the Atlantic region will leave regional planners and politicians with very tough choices. For example, it will require careful examination of the impact of regional monopolies on the economy and suggest either “trust-busting” or making these business elites much more responsible for the development process. Similarly, interprovincial cooperation will require giving up some of the political “turf” of planners, bureaucrats and politicians alike. Dismantling the patronage system would leave a political/administrative vacuum.

Any of these actions in the present political economy of most Atlantic provinces would be considered business and political suicide. Strong leadership, an informed and politically efficacious public, or a major crisis in the system will be required to bring about change. The latter will most likely be a necessary requirement. The first two are desirable and should be experimented with in the meantime by change agents such as Voluntary Planning.

11.3 EFFICACY EVALUATION OF VOLUNTARY PLANNING

The *Model Appropriateness* evaluation presented in section 11.2 analyzed the results of the effectiveness evaluation in terms of whether the goals and objectives of the strategy made sense in the political economic context in which the economic strategy operated. The *Efficacy* evaluation will build on the analysis of the Report Card results presented in section 10.4.2.b by looking more carefully at Voluntary Planning’s ability to meet the objectives it set for itself in the economic strategy, as well as its role as a mediating structure between the various publics of the province. The literature on mediating structures and on critical theory provided the guidelines for the analysis. The preliminary analysis of the results of Voluntary Planning’s 1993 round of consultations (the “community re-visits”) and of the 1993 Strategic Planning Review provided empirical support for the findings of this analytical evaluation.

The model appropriateness evaluation has established that the model of economic development proposed in “Creating Our Own Future” will continue to encounter serious impediments to success because of the nature of the political economic context of the region. Regardless of whether or not the model is appropriate for the region, it is important to determine what Voluntary Planning’s proper role, if any, should have been

in implementing the economic strategy. The efficacy evaluation now looks at whether this role was well defined and tries to determine whether a “plausible” relationship between the programme activities outlined in the economic strategy and expected results was established. In other words, it asks whether Voluntary Planning was ever truly able to meet the *Objectives* it set for itself in the economic strategy. Moreover, the evaluation asks – how should its roles and responsibilities be more clearly established in order to insure greater success? In this way, it meets the normative objectives of the thesis.

As stated by Flemming, the citizens of the region must move beyond

mere ‘anger’ about de-industrialization, central Canadian exploitation, capitalist underdevelopment, federal government recalcitrance, or top down arrogance and stupidity... [as well as beyond] ...mere ‘longing’ for communities past and missed or present and threatened” (Flemming 1988, p. 12)... [and instead] ... ‘actively and collectively create their own circumstances’. (Flemming 1988, emphasis added)

This exhortation captures the spirit of Atlantic Canadian regional economic development initiatives in the 1990s. As presented in Chapter 7, these documents all point to the need to move beyond the resentment and nostalgia that characterize the explanations for the long history of regional underdevelopment presented in Chapter 6 towards an era of greater regional self-sufficiency and self-determination. “Creating Our Own Future” is Nova Scotia’s response to this call. Voluntary Planning is the organization attempting to lead the way. In order to do so, however, Voluntary Planning must find an organizational model that can address the questions:

- 1 . How can it be most efficacious in implementing the economic strategy?
- 2 . How can it make government accountable for its part of the implementation?
- 3 . How can it motivate the private sector to implement the strategy?
- 4 . How can it encourage Nova Scotians to identify with and implement the strategy in their lives?

In Year One, Voluntary Planning, a neophyte at strategy implementation, had committed itself to a series of *Objectives* and *Actions* in the economic strategy that it did not truly have the means to bring about.⁴ For example, not being a government agency, Voluntary Planning did not have at its disposal policy instruments such as taxation and financial incentives. It could only try to communicate with and persuade those in charge of the change (e.g. top managers of firms and labour union representatives) to bring about these changes. The results of the Year One Report Card attest to this inability to

produce results. In addition, the 1990 consultation process and the commitment to revisit these communities in 1993 had changed the nature of the organization from an elite advisory body to government to a vehicle for participatory democracy in planning. Thus, a process of “re-positioning” of the organization vis à vis feasible and measurable *Objectives* and *Actions* for subsequent years of strategy implementation were required. This re-positioning would have to address the questions posed above.

The analysis provided below is based on data gathered through a series of meetings with the Secretariat and with Voluntary Planning’s staff, and through the preliminary assessment of the 1993 community revisits.

11.3.1 How Can Voluntary Planning Be Most Efficacious in Implementing the Economic Strategy?

In 1991, Voluntary Planning evolved from being simply a planning organization in an advisory role to government into one that was committed to implementing change through an advocacy role. Given the characterization of the private and public sectors of Nova Scotia presented earlier, Voluntary Planning’s task is indeed a difficult one. As a partner with the public and private sectors in the economic development process, Voluntary Planning accepted the responsibility for being the “catalyst for change” in the non-government sector. Voluntary Planning’s efficaciousness, however, is seriously hampered by the organization’s lack of legal authority or regulatory mechanism to offer the incentives or impose the sanctions that can expedite this change.

The Monitoring Committee recognized this fact and suggested that in Year Two Voluntary Planning reassess its role in the implementation of the strategy:

Voluntary Planning accepted a massive task in the role of providing leadership to the non-government sector. As the second year of the plan begins, the Monitoring Committee would recommend that *Voluntary Planning reassess its role in ‘implementing’ the Strategy*. Voluntary Planning has an important and increasingly sophisticated role to play, if it is to act as a catalyst for change. Such a reassessment might include the role of the Voluntary Planning Board, the sector committees, constituencies, and the organization’s overall relationship to Government. (Monitoring Committee 1993, p. 15, emphasis added)

Voluntary Planning’s press release addressing the results of the Report Card captures this fundamental dilemma facing the organization as well as the direction it is taking in response:

Voluntary Planning's role in the strategy changed when implementation began from that of facilitator to acting as a catalyst for change in the non-government sector.... Voluntary Planning is no longer an advisor.... We are using communication strategies and partnerships to change long-held attitudes and relationships, to bring these partners to implement changes.... Voluntary Planning can not dictate to government, business or labour what needs to be done. Voluntary Planning has no carrots and no sticks. We work through cooperation, to bring together these partners to implement changes.... At our last board meeting, *we initiated a Strategic Planning Review process for Voluntary Planning*. We will be looking at our role, structure sector work, and positioning.... (V.P. Press Release, Feb. 18, 1993, emphasis added)

At the heart of the Strategic Planning Review process was the examination of Voluntary Planning's "positioning" as a mediating structure. While the organization has neither carrots nor sticks, it does have the ability to establish two-way communication between the various sectors of the province. On the one hand it can take a persuasive role aimed at attitudinal change – it can translate the abstract economic objectives of the economic strategy into specific actions implementable at the government, corporate, union and individual citizen level. More importantly, Voluntary Planning's non-partisan as well as joint public/private/labour sector identity can provide a legitimate forum for the articulation of common values across the fragmented and "particular" communities of the province (ethnic, geographical, religious etc.). As a mediating structure, Voluntary Planning would be integrating "top-down" and "bottom-up" approaches to planning by providing a communications and interaction loop between the various constituencies and governments.

During the Strategic Planning Review consultations, perceptions had arisen that Voluntary Planning's policy-making ability was "lightweight" and that it created policy mostly through "anecdote". To counteract these perceptions, Voluntary Planning should expand its ability to conduct more traditional economic policy research.⁵ The APEC model, which incorporates considerable independence from government despite partial government funding, as well as credibility and accuracy in its research and recommendations, should be emulated. This will require that Voluntary Planning add strong research capabilities to support the work of the Sectors and become more independent from government by not being funded through a line department but as a separate not-for-profit, publicly-funded agency.

As far as the Report Card and the monitoring and evaluation processes for subsequent years are concerned, Voluntary Planning must first establish its proper role in the

process of economic planning and development before appropriate measures of its effectiveness and efficacy can be developed. It must realistically reassess its ability to carry out the *Actions* it committed itself to in the *Action Table* for the next three years of implementation. While the commitment to these specific *Actions* is important, as this chapter argues, the organization's role as a mediating structure is perhaps its most valuable contribution to the implementation of the strategy. Regardless of its scores in the achievement of these *Actions*, the organization's intrinsic "worthwhileness" comes from its ability to provide the necessary communication and participatory infrastructure for the process of change through consultations, creating awareness and building partnerships. The importance of "worthwhileness" as an intrinsic aspect of public policy and regional policy evaluation is supported by the findings of Fischer (1987) and Diamond and Spence (1983) respectively. The results of the 1993 round of community revisits confirms the public perception of the worthwhileness of mediating structures.

11.3.2 How Can Voluntary Planning Make Government Accountable for Its Part of the Implementation?

Ironically, Voluntary Planning owes its existence and importance to the very fact that the provincial government is ineffective. In other words, if government could provide the province with economic answers, Voluntary Planning would not be needed. It would remain a province-wide "chamber of commerce", but it most likely would not be a political mediating structure. Given the "checkmate" scenario presented in the model appropriateness evaluation, the provincial government might remain ineffective for quite some time. In the meantime, Voluntary Planning has a demanding job to do.

The most efficacious way of making government accountable for its part in the implementation is for Voluntary Planning to continue supporting the activities of the Monitoring Committee. Voluntary Planning can do so by: 1) maintaining its status as a non-partisan public accountability vehicle; 2) widely publicizing the results of the Report Cards, consultations and report feedback to government; and 3) following the Monitoring Committee's recommendation to conduct a strategic evaluation of its efficacy vis à vis the *Objectives* and *Actions* committed to for the next three years and reposition itself accordingly.

Another important way to ensure implementation of the strategy by provincial ministries is for the industry sector committees⁶ to work closely with their corresponding government ministries in order to arrive at joint policy proposals that can be acted upon. The *Objectives* and *Actions* of the economic strategy that correspond to the various

economic sectors should be identified and clear pathways to their achievement established. The industry sectors would then act as lobbying groups.

11.3.3 How Can Voluntary Planning Motivate the Private Sector to Implement the Strategy?

“Creating Our Own Future” places the fundamental responsibility for bringing about the vision of a thriving economy on the Nova Scotian private sector. Unlike past approaches to economic development, the government is not seen as the doer, but rather as a partner in this process. However, if there is ever to be a healthy private sector in the region, many things will have to change. For example, venture and working capital will be required, tax and regulatory structures will have to provide incentives for change, companies will have to invest in in-house training, and the effects on “competitiveness” of monopoly, patronage and a paternalistic corporate culture will have to be addressed. Once again, the irony is that Voluntary Planning would not be needed if Nova Scotia’s private sector were competitive. But because it is not, Voluntary Planning has a role in fostering this competitiveness.

Voluntary Planning’s membership and board of directors includes some of the most important and influential individuals in the province’s private sector. Given the polarized political economy presented earlier in this chapter, Voluntary Planning’s ability to maintain a balanced view between the various constituencies of an industry sector is key to the efficacious functioning of the sector committees. This is a difficult task because the organization must, at the same time, represent the needs and demands of the small business sector, labour, and the vertical and horizontal members of the industrial structure, while maintaining the support of the managers and owners of the large companies that dominate most industries. Voluntary Planning needs to continue lobbying for the implementation of the economic strategy, mostly through advocacy and communications strategies.

In Year Two, Voluntary Planning’s private sector efforts will focus on a three-pronged strategy. It will: 1) continue working through the various economic sector committees; 2) implement a communications strategy; and 3) carry out the One-to-One programme,⁷ a strategic intervention designed to help make the abstract goals of the strategy tangible at a boardroom and shop floor level.

The ability to change the “feudal” nature of corporate and civic culture in the region will most likely be predicated on Voluntary Planning’s ability to appeal to the self-interest of

the elites by demonstrating how the economic strategy benefits them. The fact that workers will also most likely benefit through more inspired and caring management, rather than only through the usual union “protection”, is a welcomed coincidence. In Year One, Voluntary Planning scored top marks for the establishment of a joint labour/employer forum. Excellent Year Two performance in this area is expected.

An aspect of the industrial structure of Nova Scotia that is crucial to the success of “Creating Our Own Future” is referred to in the development literature as the “missing middle”. The notion of the missing middle is that in many developing countries or regions there is a polarized industrial structure – a few very powerful large companies and many small powerless ones. The lack of a middle range is considered an impediment to the transformation of the economic structure because these are exactly the types of companies that can benefit from private sector–led development initiatives. Large companies will basically march to the global drum regardless of what local economic strategists proclaim, while small companies are too strapped to do much more than just survive. It is the mid-sized companies which represent a “threshold” for growth and competitiveness. They are the companies where entrepreneurship and resources abound. Unfortunately, time and word limit constraints did not permit the examination of this topic in this thesis. It is certainly on my research agenda for the future.

11.3.4 How Can It Encourage Nova Scotians to Identify with and Implement the Strategy in Their Lives?

The round of consultations that led to the final draft of “Creating Our Own Future” revealed a profound distrust of both government and the private sector, and a deeply ingrained cynicism about the prospects for change. The 1993 community revisits revealed a similar pattern. If Voluntary Planning’s fundamental role in the implementation of the strategy is to provide a legitimate forum for two-way communication and grassroots political participation within the delegitimized political economy presented earlier, it must understand the causes of this distrust and hopelessness and address them through remedial action. The summary of the 1990 community consultations presented in Chapter 8 and the analytical framework proposed by critical planning theory can provide some useful insights on this matter.

As described in Chapter 2, the *normative approach* to critical planning is concerned with helping planners overcome the distortions and repressions inherent in the planning system. Forester (1987, 1990) views planning as a communicative process which “unnecessarily” becomes distorted by political ideology.⁸ He sees critical theory as

providing “a new way of understanding action, or what a planner does, as attention shaping (communicative action), rather than more narrowly as a means to a particular end (instrumental action)” (Forester 1987).

The theory suggests that as the norms of “universal pragmatics” – *comprehensibility, sincerity, legitimacy and truth* – are violated through either suppression or distortion, mutual understanding, trust and cooperation suffer:

As our institutions and organizations violate the *ordinary comprehensibility* we need to understand situations we face, they confuse and bewilder us. As jargons obscure, we are rendered incompetent. As organization members violate our ordinary expectation of *sincerity* ... they cultivate mistrust, the expectation of and perhaps acquiescence to manipulation and deceit... Similarly as political structures and organizations violate the *legitimacy* condition, e.g. convert political issues into apparently technical ones through appeals to expertise, they depoliticize us, excluding us from collectively critical action affecting our lives. And finally, as institutions and organizations violate the *truth* condition allowing us ordinarily to draw implications and act, they mislead us, concealing from our attention actual possibilities of action ... and the political and moral culpability and responsibility for the perpetuation of existing institutions. (Forester, quoted in Kemp 1982, p. 63)

Forester further suggests that

If planners do not recognize how their ordinary actions may have subtle communicative effects, the planners may be *well-meaning but counter-productive* nonetheless. They may be *sincere but mistrusted, rigorous but unappreciated, reassuring yet resented*. Where they *intend to help, planners may create dependency*; where they *intend to express good faith, they may raise expectations unrealistically*. (Forester 1987, p. 203, emphasis added)

As revealed by the 1991 and 1993 Voluntary Planning consultations, mistrust, incompetence, dependency, resentment and disappointment are all familiar aspects of the Atlantic Canadian public arenas. However, this need not be so. While on the one hand Habermas’ analysis reveals the debilitating power of communication systematically distorted by the bureaucratic, capitalistic and undemocratic institutions of the state, on the other hand it suggests “the enabling power of democratic political criticism, mutual understanding, and self-determined consensus” (Forester 1987). Forester states that “by recognizing the practical, communicative character of planning actions, we [planners] can suggest strategies to avoid these problems and improve practice as well”. Forester’s strategies are provided in Exhibit 2.

EXHIBIT 2

Communicative Strategies Complementing Planners' Technical Work

Complementing their technical work, planners can:

1. cultivate community networks of liaisons and contacts, rather than depending on the power of documents, both to provide and disseminate information;
2. listen carefully to gauge the concerns and interests of all participants in the planning process to anticipate likely political obstacles, struggles, and opportunities;
3. notify less-organized interests early in any planning process affecting them (the more organized groups whose business it is to have such information won't need the same attention);
4. educate citizens and community organizations about the planning process and the "rules of the game";
5. supply technical and political information to citizens to enable informed, effective political participation;
6. work to see that community and neighbourhood nonprofessional organizations have ready access to public planning information, local codes, plans, and notices of relevant meetings, and consultations with agency contacts, "specialists" supplementing their own "in-house" expertise;
7. encourage community-based groups to press for open, full information about proposed projects and design possibilities;
8. develop skills to work with groups and conflict situations, rather than expecting progress to stem mainly from isolated technical work;
9. emphasize to community interests the importance of effective participation in informal processes of project review, and take steps to make such design-change negotiation meetings equitable to professionally unsophisticated groups;
10. encourage independent, community-based project reviews and investigations;
11. anticipate external political-economic pressures shaping design decisions and compensate for them – soliciting "pressure we can use" (e.g. countering vested anti-public interests) rather than minimizing external pressure altogether.

(These actions are all elements of "organizing" practices, practically mobilizing concerned and affected persons, in addition to technically calculating problem solutions.)

Source: Critical Theory and Planning Practice

Voluntary Planning's 1993 round of consultations allowed the organization to meet the promises it had made during the 1991 round to return to the communities to report on progress. Its open discussion of the Report Card demonstrated to the citizens of the region that it is possible to know the truth about policy-making and implementation, that their opinions are valued, and that the government can be held accountable. The fact that close to one-fifth of those attending the consultations expressed an interest in becoming involved with Voluntary Planning in its efforts to implement the strategy, and the repeated statement that citizens would overcome their apathy if given a legitimate and effective vehicle for participation, demonstrates that with the proper process the political efficacy of Nova Scotians can be increased. This in turn would put pressure on the government and the private sector to achieve the objectives of the economic strategy they themselves proposed and agreed to implement. Voluntary Planning committed itself to being a catalyst in the non-government sector. In order for this not to be a

euphemism for the private sector, the organization will have to either involve itself in the process of community-based participatory democracy by becoming a mediating structure, or it will have to officially return to its private sector/labour advisory role to government.

11.4 CONCLUSION

The effectiveness evaluation – the Monitoring Committee’s “Progress Report on the Implementation of the Economic Strategy. Year One” – concluded that implementation progress on the part of both Voluntary Planning and the provincial government was poor. The strategy is not working – yet. The model appropriateness evaluation concluded that the impediments to competitiveness were particularly serious in the region because they were being by and large ignored in the economic development policy documents. The efficacy evaluation of Voluntary Planning concluded that the organization’s most efficacious role in implementing the strategy would be that of a mediating structure, not only between the interests of management/labour and government, but also between the interests of the various communities in the region and the provincial government. This consultative role should be complemented by sound research and analysis. Only in this way can it truly be a “catalyst for change in the non-government sector”.

The evaluations presented in this chapter provide preliminary answers to the case study question – Why is it (the strategy) not working? In doing so, they bring together the objectives of the critical analysis of the literature presented in Parts II and III of the thesis – an analysis of the dissonance between the generic visions of competitiveness and regional realities – and the objectives of the case study – the comprehensive evaluation and analysis of “Creating Our Own Future” and of Voluntary Planning. As far as the case study question – What can be done about it? – the efficacy evaluation suggests one answer. Part V of the thesis provides additional recommendations and answers to this question.

ENDNOTES

- 1 “No one managerial style is universally appropriate and competitiveness in a specific industry results from convergence of the management practices and organizational modes favoured in the country and the sources of competitive advantage in the industry” (Porter 1990b, p. 81). Abell’s (1978) notion of strategic windows – the matching of market requirements with company capabilities at a particular point in time – bears great similarity to Porter’s argument.
- 2 The Council, APEC and the three Maritime provincial governments see a Maritime “economic union” as a way to increase economic growth and competitiveness through integration. Political union, a concept that has been discussed on several occasions in Maritime history, has been termed a “non-starter” in this round of proposals for regional integration. According to the CMP, APEC and the individual provincial governments, economic integration can be achieved without political integration.
- 3 Several province-wide consultations were held at various times during the Canadian “constitutional crisis” of 1990-1992. Since the purpose of these consultations was fundamentally political rather than economic development-related, they are not discussed in this thesis. It is interesting to note, though, that while New Brunswick, Newfoundland and P.E.I. voted Yes in the 1992 referendum on the Charlottetown constitutional amendments, Nova Scotia voted No by a narrow margin. See, for example, Nova Scotia Working Committee on the Constitution. (1991, Oct 18). *Roundtables on the Constitution*.
- 4 This is evidenced by the grades received in the Report Card.
- 5 Brian Ives, co-chair of the Strategic Planning Review Committee suggested a research-based model for Voluntary Planning.
- 6 This thesis did not examine the workings of Voluntary Planning’s sector committees in detail. Instead, it focused on the overall mandate and purpose of the organization vis à vis the economic strategy.
- 7 The One-to-One programme consists of visits by industry leaders of the various economic sectors to companies in these sectors. Sixty industry leaders will be recruited to visit three companies each, three times. The purpose of the visits is to discuss the way in which the basic tenets of the strategy could be applied to each specific company setting. Great care will be taken to design a One-to-One programme whose impact could actually be measured by establishing adequate criteria for evaluation and a simple instrument and format of record keeping. Care will also be exercised in company selection in order to insure a representative sample by sector, size, region, and whether their firm was “converted” to the principles of the strategy or not. The programme design will also insure effective two-way communication – from company to Voluntary Planning to government, and back. These strategic interventions would be evaluated by administering pre- and post-AIDA tests (AIDA - Awareness, Interest, Desire and Action). The pre-test would initially measure awareness of the “Levers” and impediments to their implementation. The post-test would measure the effect of visits on the company in terms of actual changes. The evaluation methodology centred on measuring initial awareness and implementation of the strategy, changes in managerial values, and, more importantly, actual changes in managerial practices as a result of the three visits. An attempt was also made to evaluate the communications loop. The timetable took into consideration the need to increase general levels of awareness of the strategy as well as the internal constraints on change within organizations before concrete changes can be expected to occur and thus be measured. Given the massive scale of the One-to-One project, a pilot programme would be conducted first.
- 8 Forester acknowledges that some distortions in communications are inevitable in any context. However, many are artificial, and deceptive.

PART V

CONCLUSION

CHAPTER 12

SUMMARY, CONCLUSION AND RECOMMENDATIONS

12.1 SUMMARY OF FINDINGS

As stated in Part I (Chapters 1 and 2), the purpose of this work is twofold: 1) to critically analyze the dissonance between the generic visions of a competitive Atlantic Canada articulated in the regional and provincial economic development documents of the 1990s and the particular regional realities that must be taken into consideration if the plans are to be successful; and 2) to suggest a normative course of action in policy planning and implementation that can reduce this dissonance. The methodology for approaching these two areas of research involved a critical analysis of the literature on competitiveness and on Atlantic Canadian economic and planning history, as well as a series of case study evaluations of a representative private sector-led planning agency, Nova Scotia Voluntary Planning. Key to this methodological approach were the participatory and action-oriented research models provided by cooperative inquiry and policy research respectively. The argumentative thrusts of the thesis were organized around four fundamental questions:

Fundamental Thesis Questions

- 1 . How is a competitive economy created in the global context of the 1990s and what roles should the state and the market assume?
- 2 . What prescriptions for competitiveness are being presented in Atlantic Canadian economic policy documents?
- 3 . What impediments and advantages does the Atlantic Canadian political-economy present to the realization of this vision of a competitive economy?
- 4 . How can the economic policy planning and implementation processes be improved in order to better the chances of success for these kinds of policies?

Part II (Chapters 3, 4 and 5) critically analyzed the literature on the debates surrounding the first fundamental question. Chapter 3 concluded that, within capitalist systems, determining the right balance between the role of the state and the role of the market in the achievement of national competitiveness has more to do with a realistic assessment of the particular set of internal and external conditions facing a particular economy at a particular time than it does with adherence to any economic orthodoxy, whether from the free markets/laissez-faire camp or from the managed trade/industrial policy camp.

Similarly, Chapter 4 concluded that as far as corporate competitiveness is concerned neither size, nor administrative structure, nor ownership etc. is the key determinant of sustainable competitive advantage in the 1990s. The ability to “learn faster than one’s competitors” is. In sum, in the volatile and chaotic market and political forces of the 1990s, nations and corporations must adapt fast through specific internal responses while at the same time maintaining a holistic “systems perspective”.

Chapter 5 chronicled the various phases of Canadian industrial policy and concluded that, since Confederation, policy has swung from one end of the spectrum of the free markets/laissez faire vs. managed trade/industrial policy debate to the other, often with confusing results. In the 1990s, neo-liberal orthodoxy dominates the economic and political debate. The free trade and more competitive markets (i.e. less government intervention) that these policies suggest have put in peril Canada’s traditional pursuit of regional “parity” and commitment to federal transfer and equalization payments. The message to the “have not” provinces from the federal government and the richer provinces is “Become more self-sufficient”. This message gains even more urgency when Canada’s federal and provincial fiscal difficulties are considered.

Part III (Chapters 6 and 7) of the thesis examined whether Atlantic Canada is equipped to meet the challenges outlined in Part II. It addressed the second and third fundamental thesis questions outlined above. Chapter 6 concluded that a wholly satisfactory explanation of the causes of the continued economic decline of the Atlantic region has not been found, and that, instead, competing explanations present partial answers that are most useful when considered within the context of each other. Chapter 6 also chronicled the multitude of regional economic development initiatives that have been carried out from 1950 to 1990 in an attempt to reverse the trend of economic decline. In this period, policy-making has gone from a reliance on federally-funded, state-centred development schemes towards endogenous private sector-led and community-based development. Chapter 7 presented the economic challenges facing the Atlantic region in the 1990s and examined the major Atlantic Canadian regional economic development plans aimed at facing these challenges. Three primary themes were identified in these documents: 1) competitiveness; 2) cooperation; and 3) constitution – what I have termed the “3 Cs”.

Part III argued that the characteristics of the political economy of the Atlantic region will present serious impediments to the creation of the *competitive* private and public sectors articulated in these economic development documents. This political economy is characterized by: 1) monopoly; 2) patronage; 3) low political efficacy; 4) province-building; 5) a vacuum of leadership; 6) antiquated management practices reflecting an anti-labour

stance; 7) a severe lack of investment capital; 8) a “share of the waste” clientelist mentality to public spending held by both the private and public sectors; 8) government policies that distort the market and impede the resolution of the very social and economic problems they are intended to address; 9) the perception by public and private sector entities that, at all costs, they must protect their “turf”; and 10) high illiteracy rates and low investment in worker training. These characteristics stand in sharp contrast to the requirements for creating and sustaining competitive economies and firms outlined in Part II. Similarly, the ability of the Maritime provinces to achieve economic *cooperation*, or economic union, will be predicated on the ability of the provincial governments and the CMP to transcend both province-building tendencies and the well-entrenched tradition of patronage. As for the *constitutional* theme, Chapter 7 concluded that because the region’s population is so small and its economic and political power so weak, Atlantic Canadians will remain constitutional takers, not constitutional makers.

While Parts II and III of the thesis examined the first three fundamental questions through an extensive critical analysis of the literature on competitiveness and on Atlantic Canadian political-economic and planning history, Part IV (Chapters 8, 9, 10 and 11) examined the last fundamental question through a series of case study evaluations of Nova Scotia Voluntary Planning and of the Province of Nova Scotia’s economic strategy – “Creating Our Own Future”. The case study re-examined the issues presented in the critical review of the literature and provided the empirical evidence for its conclusions. The case study analysis was organized around three questions:

Case Study Questions

- 1 . Is the economic strategy working?
- 2 . Why or why not?
- 3 . How can the chances for its success be improved?

In order to answer these questions, three types of evaluations were conducted:

Evaluations

Short-Term/Plan-Specific evaluations addressed the question *Is the strategy working?*

1. An *effectiveness* evaluation focused on outcomes by measuring the external impact of the strategy against its established goals. It was conducted through participation in the Monitoring Committee’s “Progress Report on the Implementation of the Economic Strategy. Year One”. This document established the official public record of strategy implementation of the provincial government and of Voluntary Planning in the first year of implementation of “Creating Our Own Future”.

Long-Term/General/Organizational evaluations addressed the questions *Why or why not?* and *How can the chances for its success be improved?*

2. A *model appropriateness* evaluation re-examined the findings of Parts II and III of the thesis in an attempt to establish if the private sector-led development model advocated by Voluntary Planning was appropriate given the political-economy of Atlantic Canada.

3. An *efficacy* evaluation of Voluntary Planning examined the power of the organization to produce effects in terms of the objectives it set for itself in the economic strategy, and in general, in terms of its role as a mediating structure between the various publics of the province.

The effectiveness evaluation concluded that implementation progress on the part of both Voluntary Planning and the provincial government for the first year of strategy implementation was poor. The strategy is not working – yet. Given that the economic strategy had been in effect for only a year and a half at the time the Long Term/General/Organizational evaluations were conducted, the conclusions reached through these evaluation exercises are somewhat preliminary. However, the evaluation results do reveal clear areas of strength and weakness which must be managed properly if the outcomes of subsequent effectiveness evaluations are to improve. The model appropriateness evaluation concluded that impediments to competitiveness were numerous, and were particularly serious in the region because they were being by-and-large ignored in the economic development policy documents. However, while the politics surrounding the government of Nova Scotia's development initiatives, as well as the antiquated management culture that prevails in the region, work against any sort of significant progress, strong leadership and a powerful monitoring and evaluation process have proven capable of getting the implementation process moving in both the public and private sectors. The efficacy evaluation of Voluntary Planning concluded that while the structure of Voluntary Planning might have been adequate for its previous role as advisor to government and policy-maker, it is not be suitable for its new role as implementer and catalyst for change. It has neither "carrots nor sticks" with which to provide incentives to change. The efficacy evaluation also concluded that the organization's most efficacious role in implementing the strategy would be that of a mediating structure, not only between the interests of management/labour and government, but also between the interests of the various communities in the region and the provincial government. This consultative role should be complemented by a strong public policy research capability in order to give more depth and credibility to policy recommendations. Only in this way could Voluntary Planning truly become a "catalyst for change in the non-government sector". The Strategic Planning Review of the organization scheduled for 1993 will examine the proper role of the organization in economic

planning and implementation and will provide guidelines for the necessary “re-positioning”.

While the results of the evaluations presented above indicate that there is much room for improvement and that a great deal of work remains to be done in order to improve the economic condition of the province, the planning and implementation process surrounding “Creating Our Own Future” has brought about several very positive results in terms of planning as social learning. As mentioned in Chapter 8, “Creating Our Own Future” established the importance of a broad-based participatory process in setting common goals between various constituencies, it suggested an Action Plan with timetables and clearly assigned responsibilities, and it established a monitoring and evaluation process aimed at insuring implementation and public accountability. Additionally, the CORE Committee process established a strong working relationship between business and labour and it revitalized Voluntary Planning as a more public and independent agency. As mentioned in Chapter 10, while it cannot be firmly established at this point, chances are that the effects of better labour-management relations, of the monitoring and evaluation of economic plans and of an advocacy organization on the economy are likely to be positive.

12.2 CONCLUSIONS AND RESULTING FUTURE RESEARCH AGENDA

The fundamental conclusions that can be deduced from the findings presented above parallel the conclusions I reached in my 1990 APEC/ACEA paper. The in-depth research conducted for this thesis suggests that regions like Atlantic Canada can become “competitive” (the generic goal of private sector-led development initiatives), but only if three conditions are met: 1) the policy prescriptions do more than just parrot calls for fashionable management clichés such as quality, excellence and innovation and actually implement these principles in the management of public and private resources and workforces; 2) they directly address through remedial policy the impediments to competitiveness presented by the local political economy such as monopoly, patronage, paternalistic corporate culture etc.; and 3) the political efficacy of the citizens of the region is increased. The third requirement has two primary implications: 1) planning, implementation and control (monitoring and evaluation), in both the private and public sector spheres, must be viewed as an inclusive and participatory process of social learning where common values can be articulated and acted upon; and 2) mediating structures that allow for participatory democracy and for the re-organization of the power relations between bureaucrats, technocrats and citizens, as well as between

managers/owners and workers must be put in place before substantial change can be expected.

The thesis findings also strongly support the suggestion made in Chapter 1 that the success of the policy *content* of Atlantic Canadian economic development strategies based on competitiveness (the plans) will depend primarily on the way in which the *process* of delivery itself (the legitimacy and efficacy of the delivery agents) reflects an accurate understanding of the *context* in which it is being applied (the political-economy of a region). The importance of the planning, implementation and control *process* is examined in more detail in section 12.3.

In sum, Atlantic Canadian economic planners can certainly “think globally” in modeling their economic development strategies after the fashionable truisms of the 1990s – competitive economies, entrepreneurial companies etc. Unfortunately, they will never be able to effectively “act locally” because they are not acknowledging the dynamics of where they are – the regional political economy. The analysis of this dissonance begs the questions: If the impediments to Atlantic competitiveness are so serious, why do politicians and economic planners ignore them? Why don’t they acknowledge and for that matter “do something about” monopoly, patronage etc. in economic planning? The critical theory analysis presented in Chapter 11 suggests that the current economic strategies based on competitiveness: 1) serve the economic and political interests of the present ruling elite since they have the most to gain; 2) are designed to maintain the status quo since they do not challenge the structure and dynamics of power relationships; and 3) ignore the structural impediments presented by the political economy of the region, and in that way prevent the strategies from actually working. Fortunately, these contradictions between the aims of the economic strategy and the likely lack of results are not inevitable. Kemp (1982) suggests that through the application of “critical planning theory” the relations of political and economic power which constitute and are constituted in the planning process can be understood and can therefore be altered. By acknowledging the nature and dynamics of “what is”, and by reflecting on how it could be different, the planner can redress some of the deleterious consequences of this political-economic context on those for whom they are planning. In this way, regional economic planners can: contribute to the “achievement, through critique, of a society free from all forms of domination” (Kemp 1982, p. 59); be true to Dyckman’s assertion that the “very purpose of planning is to release human abilities, to broaden the field of opportunity, and to enlarge human liberty” (Dyckman 1978, quoted in Muller 1982, p. 255); and provide planning guidance and knowledge to disadvantaged groups in order to progressively promote self-sufficiency (Muller 1982).

The conclusions and recommendations presented in this thesis mirror the views of the planning process held by the critical planning theorists. Moreover, the 1993 Strategic Planning Review of Voluntary Planning will allow for experimentation with the implementation of these planning guidelines into actual practice. In this way, the critical, analytic and normative objectives of the thesis will be met.

As stated in Chapter 1, my original conceptualization of the thesis revolved around the examination of the ways in which the strategic planning/management concepts developed for the management of private firms could be applied to the public process of economic planning as a way to improve the success rate of economic development initiatives. This conceptualization was abandoned in favour of an examination of the more laissez faire, private sector-led economic development strategies that characterize economic planning in the 1990s, particularly in Atlantic Canada. The irony of the findings of the thesis is that they point to the need to apply strategic management concepts in the economic planning process; however, not in the process of planning the economy itself, but in the administration of the economic agents. In other words, the findings of the thesis suggest that the success of the more laissez faire/free market models of economic planning requires the strategic management of the agents of such change – the private sector firms, the public policy agencies and the communities that form the social fabric of the economy. While managers in the private sector have recognized for some time the need for strategic management of their firms and for contribution of all stakeholders in achieving competitiveness, the public sector planning agencies are apparently only now beginning to recognize the importance of the strategic management process (planning, implementation and control) in the success of their economic blueprints.

It is perhaps now that I have understood the industrial policy and management debates, that I have had the opportunity see how policy-making agencies in Atlantic Canada derive their policies from the ideas being debated, and that I have personally experienced the difficulties facing public and private sector agents in the implementation and control phases of planning, that I am ready to research the application of strategic management process to public policy. Voluntary Planning's and the Province of Nova Scotia's newly found emphasis on implementation and control (monitoring, evaluation and review) will provide a fertile ground for postdoctoral research on the application of the strategic management process to public policy and economic planning.

The 1993 Strategic Planning Review of Voluntary Planning's mandate and organizational structure will serve as a testing ground for the findings of this thesis. The initial round of consultations with management, labour and community groups (racial,

gender, religious and special interest communities) conducted for this Strategic Planning Review reflect an remarkable consistency with the overall findings of the thesis and more specifically with the results efficacy evaluation. While there is frustration with the organization's present level of effectiveness, Voluntary Planning is already perceived to be a potentially powerful mediating structure. The consulted groups are requesting from Voluntary Planning a more inclusive and participatory format for planning and implementing economic strategy as well as a process that insures implementation through careful monitoring and lobbying.

The academic research that I will have to conduct in order to make the findings of the Strategic Planning Review suitable for scholastic publication will examine a range of issues concerned with the application of strategic management concepts to the regional economic planning process. I will search for other suitable case studies for the purpose of comparative analysis of the conclusions reached in this thesis. A likely choice will be Newfoundland, since the provincial government has involved the private sector in economic planning and development. The comparative case studies will also explore the notion that "threshold companies" (mid-sized firms poised for growth) are the appropriate audience for private sector-led development strategies. This proposition was derived from studies conducted in developing countries which suggest that the "missing middle" – a polarized industrial structure characterized by a few large and powerful firms and many small ones without much in the way of threshold firms – is a problem in development strategies that emphasize the role of the private sector. This industrial structure is also characteristic of Atlantic Canada.

Besides the strategic planning process, I will also examine the way in which some of the private sector management guidelines addressed in Chapter 4 could be applied in the public sector planning process. For example, the Total Quality Management (TQM) concept which addresses the need for organizations to improve their record of customer satisfaction by working in teams of "empowered" workers and managers bears similarities to the notion of mediating structures. I will also take part in the research group being spearheaded by Dr. Norman Schaeffer of the University of New Brunswick in Fredericton which is exploring the applicability of Porter's notion of industrial "clusters" to economic development in Atlantic Canada and abroad.

The research will also involve an exploration of several meta issues in social science that are reflected in the thesis' analysis. For example, the thesis discussed Sklair's (1991) model of the sociology of the global system as an alternative to the traditional state/market model of the world political economy. While Sklair suggests that this new

global sociology is the result of the triumph of transnational corporations, the transnational capitalist class and the culture-ideology of consumerism, he also suggests that a “Third Way” might be possible. These movements would combine the efficiencies of the market with some of the structures of the welfare state, and with the commitment to restrictions on the abuse of private economic power and to grassroots democracy of some socialist societies. This concept of a Third Way is closely tied to the conclusions and recommendations derived from the thesis’ case study.

The thesis has also addressed, in a broad brush manner, other sociological meta issues. Atlantic Canada’s predicament is a direct result of the need for adaptiveness that has resulted from the compression of time and space brought about by globalization. The deleterious effect of systemic inertia on specific localities has become more evident in a world of rapid change. Given these changes, planning organizations themselves will have to adapt. Some of the major areas of adaptation will involve the need to address the plurality of cultures and discourses that characterizes the post-modern political condition¹ and critical theory’s concern with the legitimacy of planning and of planning organizations as a political process. These themes reflect the “Think Global. Act Local” maxim mentioned at the outset of the thesis research. In sum, further research will examine the themes outlined above in more depth as well as search for comparative case studies in an attempt to find ways to generalize some of the case-specific conclusions presented in this thesis.

12.3 RECOMMENDATIONS

This section provides a series of recommendations that address the fourth fundamental question posed by the thesis – *How can the economic policy planning and implementation processes be improved in order to better the chances of success for these kinds of policies?* – as well as to the third case study question – *How can the chances for its success be improved?* As presented earlier, the entire case study was designed to help answer the fourth fundamental thesis question. However, the third case study question was posed in order to frame case-specific recommendations that could address the normative concerns of the thesis. The case-specific recommendations are presented first since the provincial case study provided the empirical evidence to support the regional conclusions and recommendations made through the critical analysis of the literature conducted in Parts II and III.

12.3.1 Recommendations to Voluntary Planning. Areas of High Leverage Change.

As stated in Chapter 2, policy research is action-oriented and committed to practical solutions, and cooperative inquiry is participatory. The advantage of using these two research approaches is that the likelihood that adequate policies will be developed and implemented is increased. In terms of the case study, participation in Voluntary Planning's 1993 Strategic Planning Review process will allow me to present the series of action-oriented recommendations outlined below in a context conducive to implementation.

The systems perspective of organizations, of the dynamics of change and of impediments to change outlined by Senge (1990) and referred to in thesis Chapters 4 and 7 suggests that in order to bring about change, high-leverage change strategies should receive emphasis. These areas are important because they directly address what Senge calls the "limiting factors" of the system. Given the systemic underdevelopment facing the province, the urgency of its economic problems and the limited resources available to Voluntary Planning, a careful targeting of high leverage change strategies is required. The high-leverage strategies recommended below revolve around three themes: 1) a revised mandate and organizational structure for Voluntary Planning; 2) interprovincial efforts; and 3) people (education and leadership). The *Actions* for Years One and Two outlined in the Action Table of "Creating Our Own Future" that were consistent with these priority themes are examined. The likely impediments to the implementation of the recommendations as well as the future prospects for the organization are also explored.

12.3.1.a Recommended High-Leverage Strategies

1) Conduct a Strategic Planning Review

In order to improve the track record of provincial economic development strategy implementation, a Strategic Planning Review of Voluntary Planning will be conducted in 1993. The areas to be examined include:

- How to become more "inclusive" by repositioning the organization from a behind-closed-doors advisor to government to that of a mediating structure between the various constituencies of the province. The private sector/labour/government communications axis should be complemented by a community/government axis. In this way, Voluntary Planning could become a modern version of the Antigonish movement,² and similarly provide "the ideology which motivated the emergence of a new strategic and institutional framework aimed at eliminating the imbalance of economic power and improving the economic environment through the diffusion of appropriate knowledge and information and broad cooperative action" (Dodaro and

Pluta 1988, p. 69). This consultative role should be supported by a strong public policy research capability in order to ensure the depth and credibility of its recommendations.

- How to hold the government accountable for its part in the implementation of the economic strategy. The Catch-22 of private sector-led development strategies is that for them to work properly, governments must also do their part. Otherwise, there is likely to be too much distortion such as policies that give the contradictory market and political signals. Also, only governments can provide the legislated reward and sanction structures (regulations, taxes etc.) that can match stated policy aims. Voluntary Planning must also come to terms with the manner in which its dependence on government funding affects its claim to “arm’s-length-to-government” status as well as its capability to take independent and possibly controversial policy stances. Voluntary Planning must also address the perception by government line departments that it is “lightweight” by strengthening its research capabilities.
- How to be an effective catalyst for change in the private sector. Voluntary Planning cannot legislate change or provide internal/managerial or external/regulatory sanctions and incentives for change. It can only influence the decisions of private firms through communications efforts. Therefore, rather than being responsible for the implementation of economic strategy *Actions* associated with private sector agents, Voluntary Planning should instead direct its efforts towards an effective communications plan that includes broad-based communication vehicles as well as one-to-one contact with firms. One of Voluntary Planning’s greatest assets is that it has managed to bring together business, labour, academe and community in the planning process. In addition, it is not a single or multi cause/sector lobbying group. It must therefore seek to preserve its status as a forum for pluralistic policy discussion and planning as well as avoid becoming a lobbying group of any kind.
- How to support the workings of Nova Scotia’s Monitoring Committee. The establishment of credible, non-partisan public accountability vehicles should result in an increase in the political efficacy of Nova Scotians and improvement of the implementation record of the provincial government. However, in order to present a true “systems perspective”, monitoring and evaluation initiatives should balance these Short-Term/Plan-Specific evaluation objectives with Long-Term/General/Organizational ones.
- Once the above issues have been resolved, the final issue to address would be what organizational structure would be most suitable for the newly defined organization.

2) Inter-provincial efforts

The governments of the three Maritime provinces and the Council of Maritime Premiers should be held to their schedule of interprovincial cooperation. This would involve implementing two Action Table *Actions* scheduled for Year Two as well as the elements of regional integration proposed by the CMP (see Chapter 7).

- **Develop a region-wide investment vehicle.** *Action – “Develop a venture capital mechanism, possibly on an Atlantic region basis, supported by government tax incentives”* (Lever – Creating and Developing Business). This investment vehicle should allow for a more realistic assessment of business potential than the existing government grant structure and should help wean business from government dependency. The fund should also provide businesses with an alternative source of funds from that of risk averse banks or “vulture capital”. While this option has been discussed for some time, anecdotal evidence indicates that resistance to this option comes from lack of trust in the region’s economy. If this is so, this fund will ask all the private sector development champions to “put their money where their mouth is”.
- **Integrate federal procurement efforts.** *Action – “Develop practices for strategic procurement (consider on an Atlantic basis)”*. Rather than focusing on the strategic procurement *Action* as an isolated event, efforts should concentrate on regional economic integration as a whole. The counterproductive and non-competitive aspects of patronage and province-building will be exposed, and ideally redressed in this process.
- **Strengthen anti-trust legislation and create a dispute mechanism with “teeth”.** This recommendation has never been made in any of the regional development documents I have ever examined. Given the unusually high level of economic concentration in the region, and the assertions by the competitiveness experts that monopoly is one of the major obstacles to competitiveness, this error of omission is indicative of the unwillingness of planners and politicians to counteract some of the most unsavoury aspects of the regional political-economy. This legislation should expose the far-from-competitive practices of the big industrial players in the region. Over time it should also increase domestic competition and open up opportunities for entrepreneurs.

3) People

- **Invest heavily in education at all levels.**

In the classroom: *Action – “Establish an awards program to encourage innovation and education”* (People Lever, Year Two) This award should reflect not just isolated

incidences of innovative teaching, but a commitment to educational reform at all levels of the educational system.

In the workplace: *Action – “Promote increased training for workers in the workplace” (People Lever, Year One) and Action – “Promote adoption of productivity management practices and good industrial relations to produce superior products and services to consistently meet customer satisfaction (Quality Lever, Year One).*

The objective would be not just to create better trained workers, but to create learning organizations that reflect the need to value and empower people at all levels of the firm in order to achieve competitiveness. The Actions associated with the Technology and Trade Levers are closely associated with this “life-long learning” view of the workplace. Voluntary Planning’s One to One programme, described in Chapter 8, should help accomplish this Action.

- **Seek and support leaders that embody this new vision of the province.** The core leadership strategy is simple – be a model. According to Senge, leaders that foster the notion of personal mastery build organizations where “it is safe for people to create visions, where inquiry and commitment to truth are the norm, and where challenging the status quo is expected – especially when the status quo includes obscuring aspects of current reality that people seek to avoid” (Senge 1990, p. 172). Premier Frank McKenna of New Brunswick has provided strong economic leadership and Premier Clyde Wells of Newfoundland has provided strong political leadership during the constitutional crisis. The political economy works against change, but good leaders have proven that leadership can overcome many of these obstacles.

12.3.1.b Impediments to Implementing these Recommendations

1) In terms of organizational change, the organization’s members are quite likely to resist change. They are comfortable planning and giving advice when asked and may not want to involve themselves any further in the messy issues surrounding “social change”. In addition, Voluntary Planning’s present funding structure works against any radical changes. While the organization maintains that it is an arm’s-length-to-government advisory forum, it is nevertheless funded by the Nova Scotia Department of Economic Development. It must therefore be sensitive to government concerns. For example, Voluntary Planning has to support the Monitoring Committee’s watchdog approach while at the same time not be seen as hurting government credibility. Voluntary Planning should consider a mix of public, private and membership funding in order to have more room to manoeuvre. This funding model, along with a strong

research component, has allowed APEC to thrive as a the most well respected and credible economic policy agency in the region. As far as Voluntary Planning's re-positioning as a mediating structure, the organization would have to weigh the benefits of providing a vehicle for participatory democracy against the traditional confidentiality and discretion it has maintained whenever consulted by government on sensitive policy matters. Being a more public advocacy organization would require that it re-examine its current *quid pro quo* arrangement with the provincial government. Finally, the change in government in 1993 from a Progressive Conservative (PC) government to a Liberal government could also affect Voluntary Planning's future. PC governments have tended to rely on Voluntary Planning for policy planning and implementation, while the Liberals' commitment to Voluntary Planning is more questionable.³ Voluntary Planning must therefore foster good relations with all political parties in order to keep "Creating Our Own Future" on track and, more importantly, to maintain its claim to "non-partisanship".

2) Interprovincial initiatives will have to overcome a long history of province-building by the individual provinces and by the CMP. The fact that there are no organizations equivalent to Voluntary Planning in other provinces will also have to be taken into consideration in designing the interprovincial policy process. As stated earlier, in Atlantic Canada the dis-empowering effects on workers and citizens of the polarized nature of power distribution in the political economy is in itself a major contributor to regional underdevelopment. Thus the design of a competitive economy in the Atlantic region will leave regional planners and politicians with very tough choices. For example, it will be necessary to carefully examine the impact of regional monopolies on the economy and suggest either "trust-busting" or making these business elites much more responsible for the development process. Similarly, interprovincial cooperation will require giving up some of the political "turf" of planners, bureaucrats and politicians alike. Dismantling the patronage system would leave a political/administrative vacuum. Any of these actions in the present political economy of most Atlantic provinces would be considered business and political suicide. Strong leadership, an informed and politically efficacious public, or a major crisis in the system will be required to bring about change. The latter will most likely be a necessary requirement. The first two are desirable and should be experimented with in the meantime by change agents such as Voluntary Planning.

3) Perhaps one of the most deleterious results of the low political efficacy of the citizens of the region and of a paternalistic public and private sector is that citizens and workers are more likely to perceive change as a threat rather than as an opportunity. Participants

in an unequal power relationship generally do not feel empowered to take control of their lives and effect change themselves. Thus, to bring about the “changes in attitudes” that Voluntary Planning has called for, a more inclusive, participatory and less authoritarian management ideology and organizational structure must be applied to the management of the private and public sectors. As stated earlier, an interprovincial investment capital funding vehicle and a set of strong and enforceable anti-trust laws should help “level the playing field”. However, enormously strong political will be required to carry these initiatives through.

12.3.1.c The Future of Voluntary Planning

At the time of writing, January of 1994, the future of Voluntary Planning and of the Monitoring Committee is rather uncertain. In 1993, the Federal and Nova Scotia Progressive Conservative administrations, both of which had been in power for several consecutive terms of office, lost elections to the Liberal Party. By the end of 1993, there were Liberal administrations in Ottawa and in the four Atlantic Provinces. Even though Voluntary Planning has consistently maintained that it is a non-partisan, arms-length-to-government organization, and its membership has been drawn from all political denominations, the organization’s record of service has been more closely associated with Progressive Conservative administrations than with Liberal ones. Other than the fact that the organization was founded by Progressive Conservative Premier Robert Stanfield, the “Tory” perception of Voluntary Planning is perhaps mostly an accident of fate. The Nova Scotia Liberal Party has been in power for only one term during the 30-year life of Voluntary Planning, and the Liberal Premier at that time was somewhat suspicious of Voluntary Planning’s “non-partisanship” because of its “Tory” origins.

While the current Liberal Premier John Savage and some of his Cabinet members have been members of Voluntary Planning at some point in their careers, the vast majority of the Liberal politicians and bureaucrats have reservations about the organization for a variety of reasons (e.g. Toryness, usefulness, effectiveness, costs etc.). In addition, the fact that Voluntary Planning and the Monitoring Committee are often seen as one and the same has made it difficult for Voluntary Planning to establish that it is not a “watch dog” organization. The unfortunate result of these various perceptions is that Voluntary Planning is now in the unenviable position of being regarded both as a Conservative organization and as one critical of government of any stripe.

Sensitive to the fact that Premier Savage’s administration needed to understand and appreciate the kinds of contributions Voluntary Planning could make to public policy

before deciding whether or not to continue supporting the organization, the Executive Committee of Voluntary Planning accepted Premier Savage's request to organize and coordinate a series of province-wide economic policy consultations modeled after US. President Clinton's 1993 economic summit. The process, known as "30-60-90"⁴ for the number of days in office that it would take the new administration to complete the three consultative and planning phases of the initiative, resulted in the publication of a document entitled "Leadership Starts with Listening. Nova Scotians Speak Out on the Economy" (Province of Nova Scotia, Sept. 1993).⁵ The prescriptions for competitiveness given in this document are very similar to those in "Creating Our Own Future" even though the "Levers" had now been replaced by the "Four Corners of Discussion" – Community Economic Development, Training for Jobs, Business Climate, and Technology. Even though the document has been termed by many observers a "Creating Our Own Future" with a red (the Liberal colour) cover, "Creating Our Own Future" has been shelved. Additionally, the Liberal government has, from a political perspective, understandably, taken full ownership and control of any future economic planning and implementation. Nevertheless, as far as promoting a political and bureaucratic climate that can foster better government as well as private sector competitiveness, Premier Savage deserves credit for steadfastly refusing to grant the vast majority of patronage jobs that every change in provincial administration has traditionally involved.

In terms of determining the role that Voluntary Planning could play in the new administration, Premier Savage allowed the organization to complete its own Strategic Planning Review before subjecting Voluntary Planning to a government-sponsored audit. In November 1993, the Strategic Planning Committee released its report (V.P., Nov. 1993). The recommendations were by-and-large in concert with those presented in Chapters 11 and 12 of the thesis.⁶ In December 1993 the government-sponsored management audit of the Department of Economic Development and the Department of Tourism and Culture was released (Deloitte & Touche, Nov. 1993). This document contained two primary recommendations concerning Voluntary Planning:

- 1) that the employees of Voluntary Planning be removed from civil service positions and become direct employees of the Voluntary Planning organization; and 2) that the government challenge the funding agreement to Voluntary Planning and look to an alternate funding approach where the membership of Voluntary Planning would contribute to the financial costs of operating the organization. (V.P., Dec. 1993)

While these two recommendations were in concert with the recommendations made by the Voluntary Planning Strategic Planning Committee and those made in this thesis, the

suddenness of possible large funding cuts and personnel changes (from civil servants to not-for-profit agency workers) has further jeopardized the future of the organization. For Voluntary Planning, the status quo is, for certain, no longer an option.

As for the Monitoring Committee (Rans, 1994), in the Fall of 1993 Premier Savage asked the Committee to prepare a proposal outlining the role the Committee could play in a new Liberal economic strategy. Response to this proposal has been delayed for a variety of reasons. One of them is that the specific details of the Liberal economic strategy have not been developed beyond the broad brush parameters established through the “30-60-90” process. Another is that while the Liberal Party liberally used the poor Report Card scores of the previous Conservative administration in its favour during the 1993 election campaign, it has been somewhat reluctant to empower a committee to evaluate its own progress. In 1991, the Nova Scotian public wanted a watch dog group to monitor the progress of Conservative Premier Cameron’s economic record. While not discounting the positive effects of an effective monitoring process in making government “work”, Premier Savage’s administration apparently believes that the clean record of its brand new administration leaves them some room to manoeuvre without a third party monitoring entity “breathing down their neck”.

Another issue which might be delaying the establishment of a more detailed Liberal economic strategy plan is the possibility that Maritime, if not Atlantic-wide, economic *cooperation* initiatives may be in the making (Rans, 1994). The conditions for regional cooperation have never been better. There is a Liberal Prime Minister in Ottawa, four Liberal Atlantic Premiers, worsening economic conditions and ever less Federal money. If the much touted “economic union” does not come about this time around, perhaps the powers that be will finally realize that some measure of “political union” (Pinder’s positive integration) is a necessary requirement to economic integration.

The *constitutional* theme has not had nearly the level of national exposure it received during the Meech Lake and Charlottetown Accord fiascoes. However, the fact the 1993 Federal election radically changed the face of Canadian politics has decreased the stability of the federalist proposition. The federalist views of the three traditional, mainstream Canadian political parties – Liberal (the ruling party), Progressive Conservative (now reduced to only two seats in Parliament), and New Democratic (also greatly reduced in number of parliamentary seats) – are now being strongly challenged by the separatist views of the Bloc Québécois (currently the **official opposition**) and the right-wing Western regionalism of the Reform Party (with the third highest number of parliamentary seats). The tensions inherent in this political configuration augur a

period of extreme regionalism and a further loss of the federally controlled powers and fiscal resources that have traditionally benefited the “have not” regions like Atlantic Canada.

In sum, as far as prescriptions for competitiveness, calls for regional cooperation and constitutional uncertainty (the 3Cs) are concerned, we are once again in the realm of *déjà vu*. The same debates rage on. However, the fact that the three fundamental assumptions that provided the parameters for the thesis have been proven correct – there has been a progression towards political fragmentation, fiscal austerity and continental economic integration – will only increase the urgency to find effective solutions beyond just rhetoric.

However, despite these unresolved issues, at least in the Province of Nova Scotia, an extremely valuable process of social learning has resulted from the planning exercises surrounding “Creating Our Own Future”. The demand for a non-partisan, participatory planning forum that can gather the input of the private and non-government sectors has been repeatedly and indisputably established through input from Voluntary Planning’s 1991 Consultations, 1993 Community Revisits, and Strategic Planning Review, as well as through the Liberal 30-60-90 process. While it was not truly effective in its first year of implementation, “Creating Our Own Future” at least attempted to prevent another “dust-collecting” document by preparing an “Action Plan” with timetables and clearly assigned responsibilities, and by establishing a monitoring and evaluation process aimed at insuring implementation and public accountability. An additional result of the social learning that took place during the planning process was the establishment of a strong working relationship between business, labour and community groups.

In conclusion, whether Voluntary Planning and the Monitoring Committee, as currently configured, can or should continue to exist, is not what is important at this point. What is important for the new Liberal administration is to find a way to capture the benefits of four years of learning, hard work and goodwill by a multitude of individuals representing a number of economic sectors, communities and special interest organizations, and of the experimentation with a comprehensive approach to planning. In the public climate of the Nineties where citizen participation and accountability are demanded of both the public and private sectors, if organizations like Voluntary Planning and the Monitoring Committee did not exist, they would have to be invented.

12.3.2 Regional Recommendations

While the circumstances facing the three other Atlantic provinces are not exactly like those of Nova Scotia, as Chapter 7 has demonstrated, there is sufficient commonality of economic problems and policy purposes to suggest that other Atlantic Canadian planning agencies should consider concentrating their efforts on the same series of high leverage areas of change that I have outlined earlier for Voluntary Planning. These recommendations would be directed both at government agencies as well as at non-partisan, private sector-led organizations such as the Economic Recovery Commission in Newfoundland. The findings of this thesis suggest that the formation of Voluntary Planning-like organizations should be encouraged for the purpose of providing mediating structures for participatory democracy that can advise on policy formulation and, more importantly, can hold government accountable for implementation of the broad policy recommendations. Therefore, the establishment of such organizations should be explored in New Brunswick and in Prince Edward Island.

In Chapter 5, I contrasted the economic success of Quebec with the slow progress of Atlantic Canada and examined the question What does Quebec have that Atlantic Canada does not have? The answer was a *projet de société* – Quebec Inc. Quebecers have been willing to act decisively upon a vision of development in which they are *maîtres chez nous*. Atlantic Canadians, on the other hand, have so far been unable to articulate a common vision of themselves, a coherent sense of regional identity (other than the heritage of poverty), and a place of importance within the Dominion. Among its 2.3 million inhabitants live: Acadian French, Mic Mac Indians, descendants of Scottish, Irish, German and British immigrants, and Blacks. These communities have certainly not been able to go beyond their own boundaries to create the strong sense of community across regions, industries, and social groups. Patronage, province-building, corporate feudalism, a clientelist attitude towards government, as well as racism by English-speaking whites towards all other groups have resulted in mutual distrust, small vision and a fractured sense of shared community.

To achieve the elusive dream of economic development, Nova Scotians as well as other Atlantic Canadian scholars, artists, politicians and populace will have to face the challenge of rising beyond their sense of helplessness and petty territoriality. They must discover the inherent base of the region's confidence, as well as articulate a new vision of the region based on this rediscovered confidence. Unfortunately, I believe that this process will probably only take place if the assumptions that provided the parameters for the thesis research come true. The assumptions were that, in the 1990s: 1) Canadian

federal transfer payments, subsidies and expenditures in the Atlantic provinces will continue to be substantially reduced; 2) Quebec will seek some form of sovereignty-association; and 3) North America will continue on its present path towards a U.S./Canada/Mexico trade bloc. The challenges these vicissitudes will present to the Atlantic region will continue to exacerbate both the economic conditions and the need for fresh thinking and definitive action in regional policy planning and implementation. When “things get bad enough” and change does occur, legitimate social and political agents will be needed as facilitators. In Nova Scotia, Voluntary Planning might prove to be the most efficacious agent for economic change. Other Atlantic provinces should begin examining which organizations might be able to facilitate local change.

This thesis was also guided by a *caveat* – that the assumed efficacy of particular types of remedies for national and international economic ills is affected by the popularity of such remedies at the time, even when there is no truly reliable evidence on which to base their likely success or failure. When theory – right or wrong – is on the side of the coming rulers of social order, it is generally ensured a long life. In the words of Keynes:

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. (John Maynard Keynes, quoted in Fusfeld 1990)

The private sector–led model advocated by Voluntary Planning and by other Atlantic Canadian policy makers in the 1990s is a product of its time and its place – not a panacea. Thus, once again, I believe that the economic development of the province and of the region has more to do with a change in the power relations between the various constituencies in the region towards a more participatory and empowered political and corporate structure than it does with the application of theories on competitiveness and industrial policy that “come from away”.⁷

ENDNOTES

- 1 See Heller, A. and Ferenc, F. (1988). *The Postmodern Political Condition*. Polity Press, Cambridge, England.
- 2 According to Dodaro and Pluta (1988) the Antigonish Movement “offered an alternate and essentially non-political solution to the economic crisis of the 1930s – an approach which was well received by a population which had lost its faith in both the existing political process and the free enterprise system.... The basic strategy of the movement revolved around the goal of self reliance whereby individuals through education and cooperative action would become ‘masters of their own destiny’ ” (Dodaro and Pluta 1988, pp. 50 and 54).
- 3 For example, Voluntary Planning’s “dark-days” in the 1970s occurred during a Liberal government administration.
- 4 At the invitation of the “30-60-90” organizers, I facilitated one of these consultations in Halifax.
- 5 It is interesting to note that while Voluntary Planning commandeered the effort for the 30-60-90 exercise, the organization’s input was not acknowledged in the final document.
- 6 The major difference between the thesis recommendations and those of the Committee are the recommendations effectively lobbied by one labour representative in the Committee to have equal representation of labour and management, as well as a number of seats reserved for “equity groups” within the administrative bodies of the Voluntary Planning. I opposed the first recommendation because it would endanger the notion of “inclusiveness” by giving labour and management the power to control the organization, and the second because it would “ghettoize” the process of inclusiveness by creating a tokenist structure.
- 7 “Come From Away” is the expression used by Atlantic Canadians to describe individuals that are not from the region, or for that matter from their part of the region.

APPENDIX A

COMMITTEE COMPOSITIONS AND GROUPS CONSULTED FOR STRATEGIC PLANNING REVIEW

APPENDIX A

COMMITTEE COMPOSITIONS AND GROUPS CONSULTED FOR STRATEGIC PLANNING REVIEW

I. VOLUNTARY PLANNING BOARD MEMBERS

A. Voluntary Planning Board Members (January 1994)

The first line of each entry is the individual's name and specific post in the Board of Voluntary Planning (if any). The second line is position and place of employment, if available from Voluntary Planning records.

Mr. Robert P. Radchuck, Chair, Voluntary Planning Board
Peat Marwick Stevenson & Kellogg

Mr. Bruce Anderson, Chair, Tourism Sector
Kidston Landing

Mr. Alan V. Bell, P. Eng., Co-Chair, Environment & Economy Committee
ADI Nolan Davis

Mr. Dan Brown, Chair, Energy Sector

Mr. William Byard, Chair, Race Relations Committee

Mr. Paul Campbell
Ernst and Young

Mr. Nick Coyle
President and CEO, Micronav International Inc.

Dr. J. Colin Dodds, Ph.D.
Vice President, Academic & Research, Saint Mary's University

Mr. Alvenie Doucet
President, Nova Scotia Council of Labour

Mr. J. D. Eisenhauer
ABCO Industries Ltd.

Mr. Ron Grant
President, Future Forestry Services Co-op Ltd.

Mr. E. C. Harris, Q.C., Chair, Taxation Committee
Daley Black & Moreira

Mr. Les Holloway
Secretary-Treasurer, Marine Workers Federation

Mr. Greg Isenor, Chair, Mineral Resources Sector
Atlantic Industrial Minerals Incorporated

- Mr. Raymond Ivany, Chair, Human Resources Sector
Dean of Institutional Affairs, Assistant to the President, University College of
Cape Breton
- Mr. Brain Ives, Chair, Fisheries Sector
Owner, Nova Mariculture
- Mr. Gordon F. Jones, Chair, Manufacturing Sector
Owner, Peninsula Farms Ltd.
- Mr. Gordon Keeling
Assistant Business Manager, International Brotherhood of Electrical Workers,
1928
- Mr. Maurice Lloyd, Chair, Professional Service Industry Sector
UMA Engineering
- Mr. Alex MacDonald
Canadian Paperworkers Union
- Ms. Marilyn MacDonald
Director, Public Affairs Department, Dalhousie University
- Mr. Bill MacLennan, Chair, CORE Committee and Phase II Committee
Executive Director, Atlantic Institute of Biotechnology
- Ms. Lynette Mensah
Associate Professor, Dalhousie University School of Nursing,
and Business Owner
- Ms. Elizabeth Mills, Executive Director, Voluntary Planning
- Mr. Alex Mombourquette
President, Nova Scotia Co-op Council
- Mr. Murray Nicoll, Co-Chair, Construction Sector
Vice President and General Manager, Beasy Nicoll Engineering Limited
- Mr. Bob Ojolic
Ojolic Associates
- Dr. Elizabeth Parr-Johnston
President, Mount Saint Vincent University
- Mr. Rene Quigley
International Representative, BCT Union
- Ms. Katherine Rice, Co-Chair, Environment & Economy Committee
Principal Consultant, Sage Consulting Group
- Dr. John T. Sears
Academic Vice-President, Saint Francis Xavier University
- Mr. Lester Settle, Chair, Land Resources Coordinating Council
Executive Director, Christian Rural Research & Resource Service

- Ms. Elaine Sibson, Co-Chair, Construction Sector
International Brotherhood of Electrical Workers, #625
- Mr. A. Keith Thompson, Chair, Health Care Sector
Partner, Thompson Wallace Bond Inc.
- Mr. Wayne Thomson, Chair, Transportation Sector
- Mr. Charles Weir (Jr.)
Business Manager, International Union of Operating Engineers, # 968
- Mr. Fred Were
Acting Deputy Minister, Department of Economic Development
- Mr. Peter Wile, Chair, Agriculture Sector
- Ms. Heather Williams, Chair, Community Development Sector

II. VOLUNTARY PLANNING STAFF

Elizabeth Mills	Executive Director
Cathy Berkholder	Senior Office Secretary
Karen Emberly	Secretary
Rita Fraser	Sector Coordinator
Sergio Greguoldo	Sector Coordinator
Carole MacDonald	Sector Coordinator
Penelope Russell	Logistics Coordinator
Peggy Tibbo-Cameron	Sector Coordinator
Lorraine MacCormac	Economic Strategy
Janice Nugent	Economic Strategy

III. CORE COMMITTEE AND RESOURCE STAFF (April 1992)

This list provides the names of the CORE Committee members and their place of employment, when available from Voluntary Planning records. It also provides the names of the Voluntary Planning staff and government officials who acted in a resource capacity.

A. CORE Committee

- Ms. Robin Gale Anthony, Bowater Mersey Paper Co. Ltd.
- Mr. Don Down, Business Owner (MP and Liberal Cabinet Member as of 1993 election)
- Dr. Janet Eaton, Director, Community Education Research, Development Program, Dalhousie University.

Mr. Max Forsyth-Smith, Trade Council.

Dr. Robert O. Fournier, Associate Vice President - Research, Dalhousie University

Prof. Walter Isenor, Acadia University, School of Business

Mr. Bruce MacDonald, Plumbers & Steamfitters Union

Mr. Hector Jacques, Jacques Whitford, Chair of the Trade Council

Mr. Bill MacLennan, Executive Director, Atlantic Institute of Biotechnology

Mr. Dan MacLeod, Sales Manager Mobile Communications, Maritime Tel & Tel

Mr. Thomas G. Merriam, Deputy Minister, Dept. of Economic Development

Mr. Pat O'Neil, Managing partner, Price Waterhouse

Mr. Jim Peers, Management Consultant, Peers Management Assoc. Ltd.

Mr. Stewart Perry, Senior Program Specialist, Centre of Community Economic Development

Mr. Rene Quigley, Bakery, Confectionery & Tobacco Union

Mr. Robert P. Radchuck, Office Managing Partner, Peat Marwick Thorne

Dr. John Sears, Academic Vice-President, Saint Francis Xavier University

Mr. Gordon W. Stewart, Trade Council, Tourism Industry Association.

B. Government and Voluntary Planning Resource Staff

Ms. Carol Conrad, Deputy Minister, Policy Board

Mr. Richard Shaffner, Policy Analyst, Economic Planning & Tech., Dept. of Economic Development.

Mr. Robert Doherty, Executive Director, Planning and Policy Division, Dept. of Economic Development.

Ms. Elizabeth Mills, Executive Director, Voluntary Planning

IV. YEAR ONE MONITORING PROCESS – PARTICIPATING COMMITTEES

These four lists provide the names of individuals in the various committees and organizations that were involved in the Year One monitoring process. Also listed are their positions and places of employment, if available from Voluntary Planning records.

A. Monitoring Committee

Mr. Rick Clarke, President, Nova Scotia Federation of Labour

Ms. Karen Cramm, Deloitte & Touch

Dr. Robert O. Fournier, Associate Vice President – Research, Dalhousie University

Ms. Daurene Lewis, Community Services, Kentville, Nova Scotia
 Mr. David Nantes, MP
 Mr. Ken Rowe, I.M.P. Group
 Mr. Joe Shannon, Seaboard Liquid Carriers
 Mr. Allan C. Shaw, Chairman & CEO, The Shaw Group Ltd.
 Mr. Larry Work, First Vice-President, Nova Scotia Federation of Labour

**B Secretariat: Henson College of Public Affairs and Continuing Education,
 Dalhousie University**

Ms. Mary Morrissey, Head of Secretariat, Dalhousie University
 Mr. E. Grant MacDonald, Dalhousie University
 Dr. Peter Rans, Dalhousie University
 Prof. Julia Sagebien (un-official member, Saint Mary's University)

C. Government of Nova Scotia – Deputy Ministers' Committee

Mr. Gordon Gillis, Premier's Office
 Ms. Carol Conrad, Policy Board
 Mr. Thomas Merriam, Department of Economic Development
 Mr. Douglas Tobin, Management Board

D. Voluntary Planning

Mr. Robert Radchuck
 Ms. Elizabeth Mills

**V. STRATEGIC PLANNING REVIEW:
 COMMITTEE MEMBERS AND CONSULTED GROUPS**

A. Committee Members (June–December 1993)

This list provides the names of the Strategic Planning Review Committee members and their place of employment, when available from Voluntary Planning records.

Sandy Archibald, Managing Director, Britex Limited
 Les Holloway, Secretary-Treasurer, Marine Workers' Federation
 Alex MacDonald, Representative for Communication, Energy & Paperworkers Union
 Lynette Mensah, Associate Professor, Dalhousie School of Nursing
 Katharine Rice, Principal consultant, Sage Consulting Group
 Julia Sagebien, Assistant Professor, Saint Mary's University
 Lester Settle, Executive Director, Christian Rural Research & Resource Service
 Fern Tardif, Business Manager, International Brotherhood of Electrical Workers, #625

B. Consultations conducted with:

Union of Nova Scotia Indians
Nova Scotia Federation of Labour
Nova Scotia Council of Labour
Nova Scotia Federation of Agriculture
Council of Applied Science and Technology
Nova Scotia Council on Higher Education
Nova Scotia Council of Labour
Confederation of Mainland Micmacs
Economic Strategy Process Phase II Committee
Canadian Federation of Independent Business
Black United Front of Nova Scotia
Canadian Manufacturers' Association
Nova Scotia Chamber of Commerce
Nova Scotia Advisory Council on the Status of Women
Atlantic Provinces Economic Council
Voluntary Planning Board
Voluntary Planning Staff
Sector Chairs and Members at Large
Government and elected officials

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