

**Contrary Agendas:
Political Culture and Economic Development Policies
in Newfoundland**

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Abstract

The analytical focus of this thesis is the economic development policies of Newfoundland governments. Specifically, the thesis builds upon the disciplines of political economy and sociology in an analysis of policy responses to underdevelopment and dependency. The "contrary agendas" of the title refer to internal contradictions within policy approaches. This thesis attempts to characterise these contradictions, which reflect competing and contradictory ideas as to which development trajectory is most appropriate to Newfoundland society.

A comprehensive overview and analysis of the manner in which the themes of underdevelopment and dependency have been approached in Canadian scholarship is provided. Environmentalism, another tradition that is significant to developmental issues, is incorporated into the theoretical framework.

Newfoundland and federal policy approaches to economic development are reviewed and analysed. Reference is made to developments in Newfoundland politics in the early twentieth century, but emphasis is on more recent shifts in the agendas for economic development. The two periods of 1971-72 and 1986-90 receive particular attention.

Although the importance of structural impediments to successful development strategies is acknowledged, this thesis reaffirms the relevance of political choices and policy making to Newfoundland's recent past, current situation, and future prospects.

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Map 1

Newfoundland and Part of Labrador

Area of Labrador = 292,218 km²
Area of island = 112,299 km²

NEWFOUNDLAND

- Trans-Canada Highway
- Primary Road
- Ferry
- Railway
- National Park

POPULATED PLACES

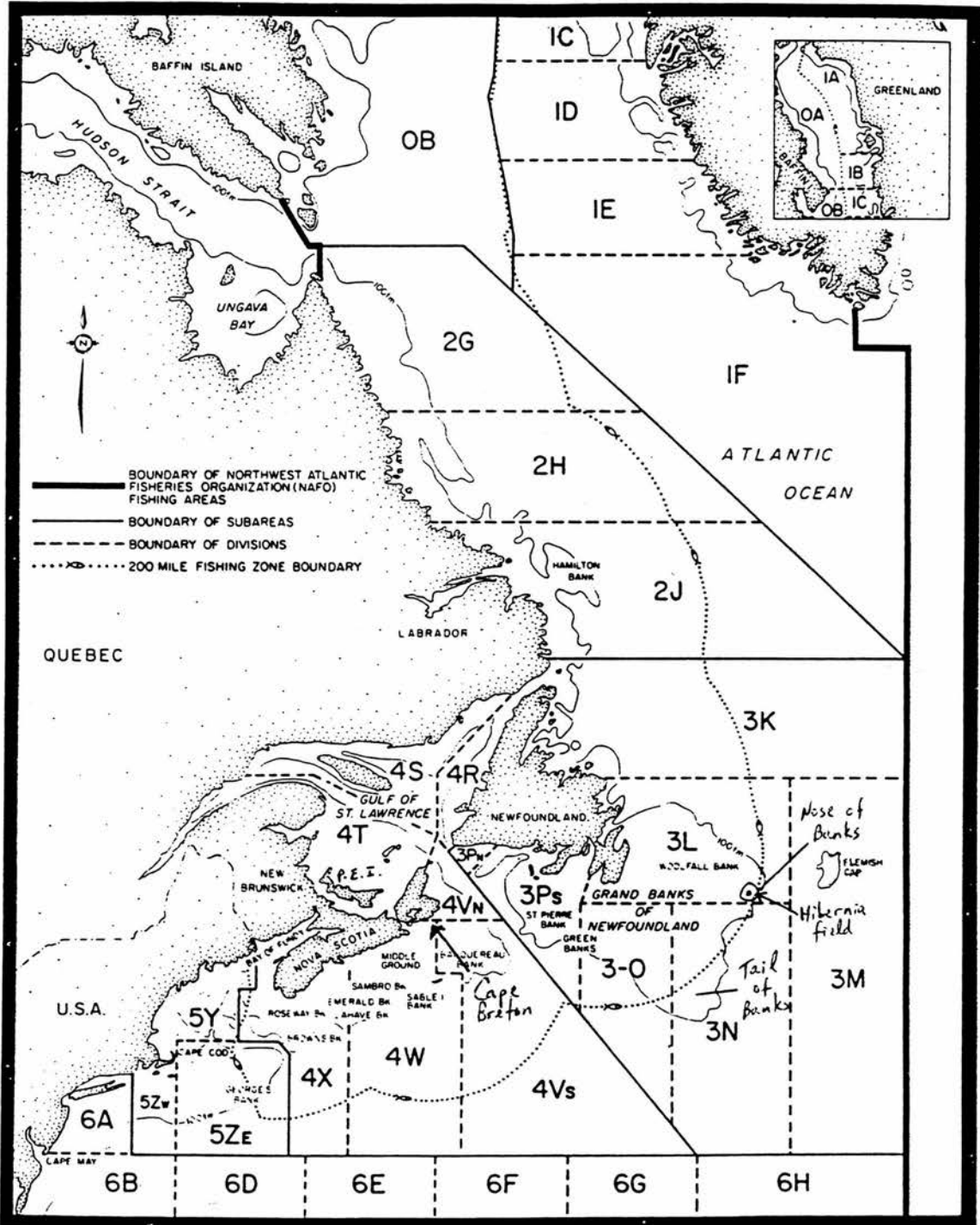
- 1-999
- 1 000-4 999
- 5 000-24 999
- 25 000-99 999
- Provincial Capital

0 50 100 150 km
1:6 200 000



Map 2

Areas Adjacent to Newfoundland, Including Northwest Atlantic Fishing Organization (NAFO) Zones



Subareas and Divisions of the NAFO Convention Area and limits of the Canadian fishing zone (East coast).

Chapter 1

Introduction

At issue is why one province of Canada – Newfoundland – is distinctly poorer than the rest of the nation.

– Steven Antler, "The Capitalist Underdevelopment of Nineteenth-Century Newfoundland" (1979)

Statement of Purpose

The question at the head of this chapter essentially summarises the motivation for this thesis. More than one plausible answer to it can be offered. Antler's approach focused on Newfoundland's class structure and events in the nineteenth century.¹ The approach taken in this thesis draws upon the disciplines of political economy and sociology. It analyses economic development policies of Newfoundland governments, with emphasis on the second half of the twentieth century. It also inquires into attitudes to such policies and attempts to associate them with the changing views of what kind of society Newfoundland was, is, and should be.²

The central proposition of this work is that there has been a succession of contradictions within the economic development policies of Newfoundland governments since the early 1970s. The purpose is therefore to characterise these contradictions – the "contrary agendas" of the title. The characterisation will depend in part on the following broad theoretical dichotomy: between the development approach that requires Newfoundland society to conform to an already-existing societal model – for example, an industrial one – on the one hand, and on the other, the approach that seeks a local development model to conform to an already-existing and largely rural society.

¹ See Antler (1979: 180).

² The formal name of the province is Newfoundland. Official government documents, however, use the name Newfoundland and Labrador, the latter being the larger and more sparsely populated mainland part of the jurisdiction. See map 1 which precedes this chapter.

It will be argued that the latter approach emerged as an identifiable, rural-orientated social goal in Newfoundland at the end of the 1960s – two decades after Newfoundland's union with the Canadian federation in 1949. It represented a disjunction in Newfoundland's political culture which became apparent by the 1971-72 period – a period of political change and instability in the province. This argument is premised on the theory that throughout the intervening period, Newfoundland's development strategy was internally consistent – because its political culture was impoverished. In the 1950s and 1960s, the province had one clearly dominant development agenda – modernisation through industrialisation. In political terms, the province was characterised by a deficiency of effective opposition and thus a dearth of the political tensions and debates which accompany the democratic process. These two decades were the era of the "modernisation paradigm", which is meant to connote not only the economic hegemony of the United States after World War 2, but the export of the American societal ideal globally. Newfoundland was one of the societies in which that ideal was welcomed. By the early 1970s, however, that ideal had come under challenge.

From Contradiction to Disarticulation

The emergence of the "post-modernisation" local (or rural) development model was in essence the origin of the internal contradiction of the political culture.³ This led to the first demonstrable policy contradiction by the end of the 1970s. This contradiction may be characterised as a dichotomy between socio-economic goals based on the local development ideal and an economic strategy that was consistent with the modernisation paradigm. The next demonstrable policy contradiction was apparent by the mid-1980s, by which time a sophisticated analysis of Newfoundland's socio-economic plight was available. The 1986 *Report of the Royal Commission on Employment and Unemployment* is a document which exhibits some of this sophistication.⁴ The contradiction may be characterised as a dichotomy between its useful diagnosis of regional underdevelopment and policy recommendations that constituted an inconsistent treatment of this diagnosis. The third (current) contradiction was apparent in Newfoundland in 1990, when a wide range of interviews was conducted in preparation for this thesis. By this time, the approach of some elites, including those in governmental circles, was informed by the consideration that the

³ The principles of the "local development model" will be outlined in Chapter 2. Although the phrase "rural development" is often used (see, for example, Newfoundland and Labrador (1986a) and Simms (1986)), "local development" will be employed in this thesis because the principles of the model are not restricted to rural areas.

⁴ See Newfoundland and Labrador (1986a). This document will be analysed in detail in Part I of Chapter 6.

narrow economic base and consequent high levels of unemployment had been caused and exacerbated by the direct actions of previous Newfoundland governments. It followed from this approach – which has been influenced by neoconservative thought – that responsibility for job creation rested with private sector entrepreneurs acting in conjunction with market forces.

This third contradiction is threefold in nature. First, it denies the analysis of regional underdevelopment that was elaborated by Canadian sociologists and political economists in the 1970s and 1980s. The crux of that analysis is that market forces do not always work to the advantage of peripheral economies. Secondly, it is inconsistent with the government's support for the recommendations of the Royal Commission on Employment and Unemployment. That document, while reflecting an ambiguous ideological foundation, reaffirmed the "structural" aspect (beyond the immediate influence of Newfoundland government policy) of regional underdevelopment, for example, Newfoundland's status as provider of low-value-added natural resources to more developed economies. However, it also reaffirmed the long-term responsibility for the government to attempt to alter this status through the policy process.⁵ Thirdly, it is in effect a tacit challenge to the social shift which saw the emergence of the rural-orientated development model in the late 1960s and early 1970s. If the government declines to intervene structurally in the Newfoundland economy, then the only way out of its fiscal duress would appear to be to encourage supply-side responses. These can take two primary forms: the expansion of industries to absorb the many rural unemployed, or depopulation. Both will raise per capita "productivity" and per capita gross domestic product (GDP – see "Statistical Indicators" section of this chapter) but depopulation is the policy response most easily implemented, if only by default. Depopulation, however, is the antithesis of the local development model. Furthermore, the earlier shift toward rural socio-economic goals necessitated, *inter alia*, the rejection of Newfoundland's "resettlement programmes" under the modernisation paradigm. In Newfoundland's post-modernisation political

⁵ A document prepared for the Economic Council of Canada concludes that the structural elements of Newfoundland's unemployment problem exceed the non-structural elements, and that the gap between the two has worsened markedly since the early 1970s. However, the distinction between the two is not made clear. The document's definition of "economic structure" includes "history" and "culture" along with "industrial mix". For "non-structural" factors, it includes "regional attitudes" along with industrial subsidies, minimum-wage legislation, and regional variations in federal unemployment insurance regulations. Thus, internal deficiencies are posited doubly as an important part of the problem. This thesis accepts the importance of "attitude" in policy matters but rejects the implication that it constitutes a historical explanation of underdevelopment. See Economic Council of Canada (1991: 80-3) and Chapters 2 and 4 in this thesis.

culture, "resettlement" became a symbol and a policy which could not directly be advocated.⁶

This final and seemingly complex contradiction can be expressed as a "disarticulation" in Newfoundland's political culture. By this it is meant that a profound rupture has occurred between policy and the theoretical discourse on development, underdevelopment, and dependency. The vision and goals which attended the emergence of the local development model appear to be receding. This disarticulation is not incidental to the policy-making process. It is an obstacle to that process and is therefore proposed as an internal factor in the reproduction of Newfoundland's underdevelopment. Hence, a crucial assumption of this thesis is that the policy process actually matters.

This is consistent with the view in this thesis that the policy process is not itself sufficient to explain the **origins** of underdevelopment. That explanation, which must be addressed in this work but is not its central focus, requires both Marxian and dependency theory approaches to identifying the historical location of political and economic power – within and beyond Newfoundland. However, the political culture and policy responses to underdevelopment – in Newfoundland – constitute the analytical focus of this thesis.

The term "contrary agendas" of the title therefore refers to more than the linear succession of one set of policies by one ideologically opposed to it and then by yet another. Such a succession of mutually antagonistic policies is inherent in the political process of any political jurisdiction. The term "contrary agendas" refers primarily to internal inconsistencies within economic policies and secondarily to the increasing isolation of policies from the scholarly discourse on underdevelopment in Atlantic Canada.⁷ The concurrent scholarly and "official" agendas have increasingly diverged as the former have become more sophisticated.

⁶ See, for example, the *Sunday Express* (4.6.89: 8) and the *malContent* (July 1992: 10). The economic/ecological crisis in the fisheries (see later in this chapter) may be the single factor which increasingly allows for its advocacy. Thus, a large component of the federal "fisheries response programme" of May 1990 was "mobility assistance" funding. See the *Evening Telegram* (13.5.90: 5). (The date convention used for newspapers is day-month-year.)

⁷ "Atlantic Canada" refers to the four Atlantic provinces of Newfoundland, Nova Scotia, New Brunswick, and Prince Edward Island. See map 2 which precedes this chapter.

Definitions: Political Culture and Democracy

The phrase "political culture" is meant here to be conceptually wider than the formal political system. One discussion of political culture describes it as operating on three different levels.⁸ The surface level is constituted by the electoral process, the formation of governments, and the passage of legislation. The intermediate, institutional level "establish[es] the environment" for the surface level and includes the legal system, constitution, and regulatory mechanisms.⁹ The primary level which underpins the other two has to do with long-term shared values which can be expressed through such determinants as religion, language, identity, and nationalism. This basic level can therefore be understood as the cultural level, of which political culture is one component.

Political culture has also been defined as follows:

It is the sum of the dispositions created by the regular operation of the political system of a particular society. A political culture can encourage participation and involvement by the majority of citizens, as tends to be the case in democratic politics.... Or it can promote attitudes of passivity and acquiescence, as in authoritarian or totalitarian systems.¹⁰

Although Newfoundland's political culture is not totalitarian, neither does it "encourage participation and involvement by the majority of citizens". This, however, is not unique to Newfoundland society. Maximising participation of citizens in the political process constitutes an ideal view of democratic "civil society" – one perhaps threatening to the legislators and executors of power. It is nevertheless an important consideration in this thesis because Newfoundland is a small, relatively cohesive and relatively stable society. Because of the island's singular political and economic history and relative ethnic homogeneity, Newfoundlanders possess a distinct self-identity comparable to that of a small nation;¹¹ this identity is often able to transgress the boundaries presented by the factors of class, region, and economic basis.¹² If

⁸ See Girvin (1993: 380-1).

⁹ See Girvin (1993: 380).

¹⁰ *Fontana Dictionary of Modern Thought* (1988: 659).

¹¹ A useful discussion of this is in H Hiller (1987: 263-7). Hiller cited three surveys which confirmed the strength of Newfoundland self-identity. One of these, Ornstein et al. (1980: 252), found that Newfoundlanders identified more strongly with their own province than did any other provincial group, including Québécois. H Hiller (1987: 270) also cited the 1982 *Dictionary of Newfoundland English* as representing further evidence of "group identity". His cautious conclusion, however, was that "Whether this translates into an ethnic identity or a sense of nationhood may be a debatable point still to be resolved". See H Hiller (1987: 270). House's discussion of this issue emphasised the grievance among Newfoundlanders for "the way they are defined and treated by other Canadians". See House (1986: 164-5).

¹² Labradorians – Native and white – should be excluded from this cohesive self-identity because their own self-identities are similarly strong. See House (1980: 104, 110) and *Maclean's* (23.8.93: 24-5).

there is a caveat to this relative cohesion, it is the "town versus bay" (urban versus rural) division of which many Newfoundlanders may have experience. However, this rift can be interpreted as a historical consequence of the failures of Newfoundland's city-dominated political culture rather than an obstacle to its rehabilitation. In such small societies there exists great potential for the inclusion of ordinary citizens into the political and policy-making process because the risk of mutually antagonistic priorities between various groups should be lower than is usually the case. By contrast, Canada as a whole is an example of a diverse state in which recent attempts to secure constitutional change have proved almost impossible because of the political strength and sheer volume of competing interests.

The literal – but obsolete – definition of democracy is government, or decision making, by the people as a whole, not only in the interests of a particular group or class of the people.¹³ In modern times, the literal definition was adopted as the nineteenth-century anarchist ("utopian socialist" or pre-Marxian socialist) ideal.¹⁴ However, democracy is commonly understood now as indirect or "representative democracy", in which powers of decision making are delegated voluntarily by the people through the electoral process. (This is usually accompanied by an independent judiciary to uphold individual and group rights.) A democratic society is therefore seen as one in which "institutions based on majority rule control the principal sources of economic, social, and political power".¹⁵ An absolute "state of democracy" does not exist; different systems of government employ different voting systems, and different states employ different definitions and standards of human rights. The voting process is only the surface level of political culture and a surface requirement of democracy.

For the purposes of this work, democracy will be treated mainly in procedural terms: as something that can vary in magnitude, as implied by the above definition of political culture. In other words, the level of democracy in a society can be enhanced or diminished. It will be increased in so far as it more closely approximates its literal definition. A working definition of democracy thus becomes "the placing of decision-making power, over any particular issue, in the hands of the people affected by it."¹⁶ This can also be called participatory democracy. The more decision-making power exercised by those on whom the decisions impact, the more democratic the procedure.

13 See *A Dictionary of Political Thought* (1983: 115-16).

14 Represented by, for example, the co-operative or "mutual assistance" ideas of Robert Owen in early nineteenth-century Scotland, Charles Proudhon in France, and Peter Kropotkin in Russia. See *A Dictionary of Political Thought* (1983: 339) and Jellinek (1937: 35).

15 Farber (1990: 3).

16 See Jacobs (1991: 129).

That this is significant is the second crucial assumption of this thesis. Directly stated, it is that the probability of success of the local development model will increase proportionately to the level of democratic participation of those on whom policy decisions most directly impact.

Underdevelopment and Dependency

The difficulty in defining underdevelopment, dependency, and related terms will constitute a detailed discussion in the theory-orientated Chapter 2. Underdevelopment and dependency are structural conditions of an economy. The difficulty in definition arises because different economies give rise to historically and geographically specific (i.e. different) manifestations of underdevelopment and dependency. In Newfoundland's case, they refer to the following "underlying structural weaknesses" identified by sociologist JD House:

1. External ownership and control of natural resources;
2. A weak and underdeveloped manufacturing sector;
3. A construction sector highly dependent on government contracts, which... can no longer... sustain economic growth;
4. An over-developed service sector, particularly public services;
5. A low-technology inshore fishery that generates... seasonal unemployment for fishermen and plant workers;
6. A high degree of dependency on federal economic programmes which are vulnerable to national cut-backs and the political whim of the federal government.¹⁷

To these can be added the factor of a small and relatively isolated domestic market. Indeed, it might be argued that items 2, 3, and 4, above, are symptoms of Newfoundland's domestic market limitations. Another factor is low economic productivity. This, however, is politically contentious, and not only for the reason that depopulation can, by definition, increase productivity. Low productivity can be seen either as a phenomenon with structural causes or as a "natural" attribute which contributes to structural weakness. Furthermore, productivity, in the sense of economic efficiency, is not the same thing as employment creation. It is the latter which Newfoundland needs. The following section will illustrate the importance of the service sector to the Newfoundland economy. It is arguable that policies for increased productivity and efficiency in the marketplace could exacerbate the unemployment problem, because a more "efficient" service sector will certainly mean one in which fewer people are employed. It is also worth noting that the above excerpt by House was written in 1982, when "political whim" could conceivably still be seen as a factor in decisions to cut federal spending. Over the following decade, such a radical shift

occurred in the politics of predominantly English-speaking countries that spending cuts seem to be, for some governments, their main reason for existence.

The symptoms of the above structural weaknesses in Newfoundland were described by House as follows:

1. A chronically high unemployment level;
2. Income levels well below the national average;
3. Costs of living well above the national average;
4. Dependency of many families and communities upon federal largesse to maintain a decent standard of living.¹⁸

Items 2 and 4 would appear to be related to productivity, as Newfoundland's GDP is insufficient to pay for the goods and services consumed in the province.

"Dependency" is a term which is also contentious because it has acquired a separate, non-structural meaning. In the neoconservative political agenda, the last of the above symptoms – "dependency on federal largesse" – has been transformed into a cause of underdevelopment. Thus, dependency is seen by some as a voluntarist individual attribute rather than the outcome of an inequitable political and economic structure. In opposition to this, it has been argued that, excepting multinational corporations, "capitalism within the [Atlantic] region is itself largely dependent on state subsidies and transfers, and on the aggregate demand generated... by state expenditure on goods and services (including the wages of state employees)".¹⁹

The economic historian David Alexander offered a useful distinction between the terms underdevelopment and dependency:

A condition of underdevelopment may be indicated by low per capita income and... relatively few domestic inter-industry transactions. Dependence... can subsist with comparatively high per capita income, and is suggested by such things as a... heavy dependence upon external direct investment, management, and entrepreneurship.... A peasant economy may be underdeveloped... but... enjoy a high degree of self-determination. An industrial economy, such as Canada's, may be highly developed in terms of its factor productivity but extremely dependent.... Newfoundland is an example of an underdeveloped and a dependent economy in that its productivity is relatively low... and its self-determination extremely limited.²⁰

This was written in 1974. Although it is now less fashionable to interpret Canada's place in the global economy as "extremely dependent" (on American capital – see Chapter 2), Alexander's interpretation of Newfoundland's situation remains accurate.

18 House (1982: 22).

19 Fairley et al., eds. (1990: 12).

20 Alexander (1983 [1974]: 6-7). Alexander used the term "dependence", but "dependency" appears to have become the most common usage.

Although the terms are not synonymous, underdevelopment and dependency in Newfoundland are inextricably related.

Statistical Indicators on the Newfoundland Economy

In the Canadian political lexicon, Newfoundland is a "have not" province which suffers from "regional economic disparities".²¹ In fact, regional economic disparities exist within, as well as between, provinces and are differences in the distribution of resources, wealth, and earned income across space. Politicians who refer to such disparities are making a value judgement as to the injustice and/or dysfunctional nature of differences in income, employment, and employment opportunities – usually based on the relative wealth of "central Canada" or southern Ontario. Although vertical disparities – i.e., class-based discrepancies in wealth and power – are more visible than "regional disparities", especially in Canadian cities, the terms of reference of "regional disparities" reflect the spatial manner in which conflict in Canada is usually perceived and transmitted.²²

One method employed by the federal government to measure disparity is that of comparing average earned incomes by province. In 1989, 95 per cent of Newfoundland's population (542,000 out of 571,000) lived in census divisions where average earned incomes were less than 70 per cent of the national average of C\$18,000.²³ This 95 per cent were therefore considered to be living in "deep disparity". In Ontario, 94 per cent of the population had earned incomes at or above the national average. Newfoundland's average earned income has been about 60 per cent of the Canadian average at least since 1976; at the time of union with Canada, it was 49 per cent.²⁴ While these figures provide a useful inter-provincial comparison of wealth over time, they do not provide insight into the internal economic dynamics of each province, nor do they take into account the fact that more personal income is

21 The "have not" provinces are defined as net recipients of federal transfer payments (see Chapter 4 for a detailed discussion). For at least the past two decades, they have been Québec, Manitoba, Saskatchewan, and the four Atlantic provinces. The other three are "have" provinces – net contributors. The phrase "regional economic disparities" seems to have become embedded in Canadian political culture during Pierre Trudeau's successful campaign for the prime ministership in 1968. The discussion of regional disparities in this paragraph is adapted from Lawton (1992: 135n, 137n). Lawton (1992) is included as Appendix 3 of this thesis.

22 In contrast with, for example, the United States, where conflict is understood and transmitted more so in terms of class, gender, and race. The spatial aspect of Canadian conflict will be addressed in Chapter 4.

23 See the *Evening Telegram* (29.8.89: 5). The Canadian average earned income was calculated from figures in the *Corpus Almanac & Canadian Sourcebook* (1992: 14/4). All dollar figures in this work are Canadian unless specified otherwise.

24 See Newfoundland and Labrador (1992b: 6) and the *Globe and Mail* (4.7.92: B1).

required to maintain a reasonable standard of living in the large cities than in rural Atlantic Canada.

Average earned income excludes income derived from unemployment insurance and other "transfer payments", which constituted 28 per cent of the total personal income of Newfoundlanders (\$2,545 million of \$9,088 million) in 1990.²⁵ This proportion has been increasing since at least 1980.²⁶ Furthermore, direct intergovernmental infusions of money from the federal government ("equalisation" and other transfer payments) have comprised roughly half of the provincial government's current revenues for over three decades. This proportion has been decreasing, most recently by action of the federal government.²⁷ The province has a public debt in excess of \$5.5 billion – almost \$10,000 per capita.²⁸ This is two-thirds of annual GDP (\$8 billion in 1991-92), a much higher percentage than Canada's 1991 average of 46 per cent.²⁹

Per capita GDP figures are similar to those of earned incomes.³⁰ Newfoundland has the lowest per capita GDP in Canada, steady at 60 per cent of the overall Canadian figure since 1976, and averaging \$13,760 from 1986 to 1990.³¹ Its apparent rate of increase over those years matches the rate elsewhere in Canada, and as the figures do not appear to be in constant dollars, may be attributed in part to declining dollar values. Nova Scotia's average per capita GDP over the 1986-90 period was \$16,940, Ontario's was \$26,070, and the Canadian average was \$23,010.

25 Calculated from Newfoundland and Labrador (1992b: 7).

26 The transfer component of average income of individuals rose from 26.8 to 30.6 per cent between 1980 and 1991. See the *Globe and Mail* (4.7.92: B1).

27 From 1961 to the early 1970s, federal transfers comprised more than half of Newfoundland revenues. The 1971 figure was \$244 million out of \$417 million total revenues. The proportion has been slightly under half since then. The figure for the fiscal year ending April 1992 was \$1329 million out of \$2974 million total revenues. See Statistics Canada, *Provincial Economic Accounts* (1988: Historical Issue) and Newfoundland and Labrador Budget (1992a: ix).

28 The figure is in excess of \$25,000 per capita when the federal public debt is included. See Newfoundland and Labrador Budget (1991a: 7).

29 See Newfoundland and Labrador Budget (1992a: 5). Among the G7 western industrialised countries, Canada's 46 per cent debt/GDP ratio is second only to Italy's 101 per cent.

30 Gross National Product (GNP) is the annual total value of all goods and services produced within a given jurisdiction, including that from foreign investment. GDP is usually taken to mean GNP minus income from foreign investment.

31 See Newfoundland and Labrador (1992b: 6). Newfoundland's total GDP in 1990 was \$7,969 million, according to the provincial Budget (1992a: vii), and \$8,732 million, according to Statistics Canada, *Provincial Economic Accounts* (1991). The discrepancy may be related to Statistics Canada's definition of GDP, which appears to include the value of production factors non-resident in Newfoundland.

The most politically significant indicator of Newfoundland's underdevelopment is its chronically high unemployment rate. Federal unemployment insurance (UI) payments constitute a larger "industry" in the province than any of the resource industries. In 1991, UI payments in Newfoundland were \$987 million, almost exactly four times the wealth earned by fishing and 12 per cent of the provincial GDP. UI payments exceeded \$1 billion in 1992 – quadruple the 1980 figure.³² Roughly half of the labour force, or over one-fifth of the total population, "draw" (receive) UI at least once annually and have done so since at least the early 1980s.³³ Certainly, the unemployment situation has deteriorated since the 1960s, as can be seen in the table below. One point to note is that, after the recession of 1981-83, Newfoundland alone exhibited no economic recovery, even throughout the "boom" years of the later 1980s.

Table 1. Selected Unemployment Rates – Unadjusted Annual Averages (except "October 1992")

	Canada	Ontario	Nova Scotia	Newfoundland
1966	3.4	2.6	4.7	5.8
1971	6.2	5.4	7.0	8.4
1976	7.1	6.2	9.5	13.3
1981	7.5	6.6	10.1	13.9
1983	11.8	10.3	13.2	18.7
1986	9.5	7.0	13.1	19.2
1990	8.1	6.3	10.5	17.1
1991	10.3	9.6	12.0	18.4
Oct 1992	10.4	10.4	11.2	19.4

Source: Statistics Canada, *Historical Labour Force Statistics*, Cat. 71-201, 1991, pp. 236, 260, 264, 270, and *The Labour Force*, Cat. 71-001, October 1992.

These figures illustrate Newfoundland's position relative to other parts of the country. However, the official unemployment figures do not fully reflect the labour market situation. Official figures underestimate the actual level of joblessness and, at the same time, may suggest an exaggerated sense of hardship. Although joblessness causes distress to everyone whom it affects, it is possible to be both unemployed and productive in outport Newfoundland to a greater extent than in the towns and the capital city of St John's.³⁴ This is because a significant non-market, "household" economy exists in the outports whereby goods and services are traded directly without

³² See the *Evening Telegram* (5.11.92: 23) and Newfoundland and Labrador Budget (1992a: vii).

³³ See Peter Fenwick in the *Evening Telegram* (13.5.90: 5) and Newfoundland and Labrador (1986a: 79).

³⁴ "Outports" are the small towns and villages along the coasts. In the early 1990s, there are about 700.

the use of cash. This, however, is an adaptation to the cyclical dearth of cash and not necessarily what outport Newfoundlanders would perceive as a desirable situation.³⁵

The figures underestimate the level of joblessness because they exclude those persons not in the "labour force". That is, they exclude those persons who are not receiving UI, "discouraged workers" (not looking for work), and not "available" to work. In October 1992, Newfoundland's "participation rate" – the labour force as a percentage of the population over 15 years of age – was the lowest in Canada, at 53 per cent, or 235,000 persons out of 441,000.³⁶ This has the effect of lowering the official unemployment statistics. Perhaps the best indicator of joblessness is therefore the "employment/population" ratio, which indicates employed persons as a percentage of the population over 15 years of age. This ratio is like the participation rate except that it includes only that portion of the labour force actually employed. The following table illustrates this and provides evidence of "regional disparities" internal to Newfoundland.

Table 2. Selected Labour Force, Unemployment Rate, and Employment/Population Ratios in October 1992

	Labour Force	Unemployment Rate	Employment/Population Ratio
Canada	13,800,000	10.4 %	58.3 %
Ontario	5,300,000	10.4 %	59.8 %
Nova Scotia	417,000	11.2 %	53.1 %
Newfoundland	235,000	19.4 %	43.0 %
of which:			
South Coast/ Burin Peninsula	22,000	26.9 %	37.8 %
Central Nfld/ NE Coast	56,000	20.0 %	42.3 %
West/Labrador/ Northern Peninsula	54,000	19.1 %	44.2 %
Avalon Peninsula	111,000	15.7 %	48.2 %
of which:			
St John's	84,000	13.7 %	55.9 %

Source: Statistics Canada, *The Labour Force*, Cat. 71-001, October 1992.

Thus, along Newfoundland's south coast, the official unemployment rate in October 1992 was 26.9 per cent. However, only slightly more than one-third of the population over 15 years of age was in paid work – a much smaller figure than suggested by the

³⁵ For a discussion of this, see Newfoundland and Labrador (1986a: 107-13).

³⁶ See Statistics Canada, *The Labour Force*, October 1992. The total population of the province, which has remained almost constant since 1980, was about 573,000 in 1991.

unemployment figure. The "unofficial" unemployment figures for parts of Newfoundland – for example, 65 per cent in the former mining town of Wabana on Bell Island³⁷ – are no doubt based on an actual employment/population division.³⁸ The aggregate figures provided for the third-last category – part of the island and all of Labrador – are probably meaningless. Labrador has two distinct economies, one inland and industrial (iron ore mines and hydroelectric power), the other coastal, largely Native, and small-scale resource-based. The employment/population ratio of the latter is likely the lowest in the province.

Although the figure for St John's is no indication of economic well-being, the city's participation rate is close to the Canadian average. Its unemployment rate in October 1992 was also exceeded by those of three cities in eastern Québec. The severity of the 1990-93 recession in the manufacturing heartlands of southern Ontario and Québec is indicated by the statistics on the average duration of unemployment. In the early part of the recession, this duration increased marginally in all areas of Canada except Nova Scotia, with the Canadian average rising from 16.7 to 16.9 weeks. In 1991-92, Newfoundland was displaced by Québec, at least temporarily, as the province with the lengthiest duration of unemployment. Newfoundland's average duration rose from 21.2 to 22.3 weeks and Québec's rose from 20.9 to 28.4 weeks.³⁹

Another important aspect of employment in Newfoundland is its traditionally high seasonal variation. Both employment and the participation rate are lowest in January and highest in July. Table 3 on the following page shows that the primary resource and construction sectors are highly sensitive to seasonal fluctuation.

³⁷ This figure was quoted in an interview for this thesis with Mary Jewer, Manager of the Bell Island Community Development Co-operative Society. Interview on Bell Island, 3 July 1990. The Bay d'Espoir Development Association (south coast) reported an unemployment rate of 80 per cent in 1977. See Oxfam Canada (1981: 24).

³⁸ For a discussion of nine different methods of measuring unemployment, see Newfoundland and Labrador (1986a: 69-75).

³⁹ See Statistics Canada, *The Labour Force*, August 1990, January 1991, and October 1992.

Table 3. Employed Labour Force by Industry in Newfoundland

	August 1990	January 1991	October 1992
Primary Resource	22,000	15,000	16,000
Manufacturing	28,000	16,000	14,000
Construction	14,000	8,000	13,000
Transport./Utilities	17,000	19,000	17,000
Trade/Commerce	42,000	34,000	36,000
Finance/Insurance	7,000	5,000	6,000
Services	71,000	70,000	71,000
Public Administration	23,000	18,000	15,000
Total Services	155,000	142,000	143,000
Total Goods-Producing	69,000	43,000	47,000
Total Employed	224,000	185,000	190,000
(Total Labour Force	266,000	227,000	235,000)

Source: Statistics Canada, *The Labour Force*, Cat. 71-001, August 1990, January 1991, October 1992.

The figures for manufacturing refer largely to "primary manufacturing" such as the production of low-value-added newsprint and frozen fish blocks. However, in 1991, Newfoundland manufacturers also produced paints, confectionary and baked goods, juices, soft drinks, beer, dairy products and margarine, footwear, printing and publishing, metal fabrication, stone and masonry products, and craft products such as furniture, knitwear and jewellery.⁴⁰

Newfoundland's economy has always been characterised as very "open", that is, export-orientated and highly sensitive to external economic activity,⁴¹ but it has retained neither its original single-commodity (salted cod, or "saltfish") export status nor its three-commodity export status of the early twentieth century.⁴² Newfoundland no longer fits the "hinterland" characterisation of primary sector orientation. Tables 3 and 4 show that the service, or tertiary, sector of the Newfoundland economy provides far more employment – averaging 73 per cent – than the primary and secondary goods-producing sectors combined. Similarly, in 1990 it accounted for 71 per cent of GDP.⁴³ This sectoral gap has steadily increased since the 1960s. In 1983 and 1984, the service sector employed between 120,000 and 139,000 persons,

⁴⁰ See *Newfoundland and Labrador Business Journal* (Vol. 3, #12, December 1991: 29).

⁴¹ For example, see Newfoundland and Labrador (1992b: 4).

⁴² The three main commodities were saltfish, newsprint, and iron ore. The last of these remains the single largest section of the goods-producing economy in terms of GDP. Iron ore exports totalled \$786 million in 1989 – 82 per cent of total mineral shipments. For comparison, \$261 million was the total value of fish landings in 1989. See Newfoundland and Labrador Budget (1992a).

⁴³ See Newfoundland and Labrador (1992b: 5).

depending on the large seasonal fluctuations. The primary and secondary sectors employed 12,000-22,000 and 21,000-50,000 persons, respectively.⁴⁴ In the table above, 143,000 of the 190,000 persons actually employed in October 1992 were in services and 47,000 in the goods-producing sector (down from 69,000 in August 1990). Of 14,663 businesses in Newfoundland in 1985, 79 per cent were tertiary, 5 per cent primary, and 16 per cent secondary.⁴⁵ The government is also a crucial employer in Newfoundland's service sector. For example, of the 53,000 net increase in the number of jobs in Newfoundland between 1966 and 1984, 38,000 were created through government spending – including 9000 in direct public administration.⁴⁶

Tourism alone contributed \$380 million to the province's economy in 1989 and employed 12-14,000 people.⁴⁷ The former figure exceeded total value of fish landings and the latter exceeds projected employment from the massive Hibernia offshore oil development. However, extraction and export of primary resources have remained the mainstays of the productive sector. Although the fisheries have been small in terms of GDP, they employed 55,000 people in the summer of 1990 and it was estimated that up to one-third of the population (190,000 people) in 400 outports were dependent on the fisheries in some form.⁴⁸

Two separate dynamics produced the overall fall in employment indicated by the above table: the 1990-93 recession and the July 1992 federal ban ("the moratorium") on fishing for northern cod in east coast sectors 2J3KL.⁴⁹ The moratorium added some 19-20,000 Newfoundlanders to the ranks of the unemployed – one-tenth the number of employed persons and comparable, according to the premier of Newfoundland, to the closure of Ontario's entire automobile industry (about 380,000 jobs).⁵⁰ Some 10,000 persons disappeared from Newfoundland's labour force (employed and officially unemployed) immediately following its announcement; between July and August 1992 alone, "food processing" employment (almost entirely fish processing) dropped by 8000 jobs. Whereas the tertiary sector of the economy was comparatively

44 See Newfoundland and Labrador (1986a: 69, 90-1, 201).

45 See Anderson (1991: 424).

46 Newfoundland and Labrador (1986a: 91, 200).

47 See the *Newfoundland and Labrador Business Journal* (Vol. 2, #11, September 1990: 10-11).

48 See the *Evening Telegram* (21.7.90: 6). See also *Maclean's* (23.8.93: 25), in which Newfoundland premier Clyde Wells noted that fishing was the sole economic activity in 400 of Newfoundland's 700 outports.

49 Standard shorthand for three sectors – 2J, 3K, 3L – of the Northwest Atlantic Fisheries Organization (NAFO). For their locations, see map 2 preceding this chapter. The moratorium and federal compensation programme are discussed briefly in the Epilogue of this thesis.

50 See the *Globe and Mail* (4.7.92: A4).

resistant to the recession, manufacturing employment halved from 28,000 jobs in August 1990 to 14,000 jobs in October 1992. The moratorium and the recession combined to eradicate a total of 34,000 jobs between August 1990 and October 1992.

The August 1990 labour force figure of 266,000 consisted of 156,000 men and 111,000 women. The following table provides a further picture of how these workers were distributed.

Table 4. Distribution of Labour Force by Sex and Sector in Newfoundland, August 1990

	Male	Female	Both Sexes
Total Labour Force	156,000	111,000	266,000
In Goods-Production	68,000	16,000	84,000
In Services	86,000	93,000	179,000
Participation Rate (1990 Average)	63 %	48 %	56 %

Sources: Statistics Canada, *The Labour Force*, Cat. 71-001, August 1990, and *Historical Labour Force Statistics*, Cat. 71-201, 1991.

In services, women are a larger workforce than men and greater in number than the total goods-production workforce. In goods-production, the ratio of male to female workers was 4:1; the majority of women in goods-production were fishplant workers, but this may have changed since the moratorium. The participation rate of male workers is higher than that of females. However, whereas male participation has been decreasing in all parts of Canada over the past three decades, the reverse is true of female workers. Furthermore, the latter has outpaced the former, thus producing an overall increase in participation. In Newfoundland's case, female participation rose from 31.2 to 47.9 per cent between 1975 and 1991, and male participation declined from 67.1 to 62.8 per cent.⁵¹

In summary, Newfoundland's economy has a dual aspect. Half of the workforce, for the most part, have permanent jobs in the service sector and live in built-up areas with lifestyles comparable to those elsewhere in Canada. The other half live and do seasonal work, moving from rural to urban areas as necessary. These roughly correspond to the half who draw UI each year. No value judgement is intended by this observation. However, Chapter 6 will return to the themes of UI and dependency, which are increasingly perceived as follows:

⁵¹ See Statistics Canada (1991: 312-3, 322-3). In Ontario, the increasing importance of women in the economy has been even more dramatic, the participation rate having risen from 38 to 61 per cent since the mid-1960s.

UI has become a billion-dollar drug that courses through Newfoundland's economic bloodstream.... If any benefit can now be dredged from the once unthinkable halt to the 400-year northern cod fishery, it is that people are forced to change their attitudes. It also presents government with a chance to make tough decisions that are best for all in the long haul.... Memorial University economist William Schrank... says that it will take a special act of generosity on the part of Newfoundland's Confederation partners to ensure that people aren't hurt too much in the process.⁵²

It is reasonable to assume that a "special act of generosity" diminishes in likelihood with the increasing questioning of the purposes of the welfare state and increasing economic hardship of Newfoundland's Confederation partners. Post-war welfare states were designed with almost full employment projected and expected. If Newfoundland's underdeveloped and dependent economy is to be restructured, such restructuring should be with a view to lessening rather than increasing hardship. Whether this is possible of achievement is a question that will not be answered in this work. The answer will emerge through the process of attempting to do it. This thesis characterises and analyses past and recent attempts at economic development in a manner that should afford a better understanding of how and why Newfoundland arrived at its undesirable economic situation.

A Comment on the Motivations of Politicians and Policy Makers

The explanation of policy failures must generally fall into three categories: an inherent inconsistency or fault in the theory upon which the policy is based, incompetent implementation of a policy which is grounded in sound theory, or deliberate misrepresentation of the reasons or goals for which a policy is introduced. The last of these is the "conspiracy theory" of malicious intent. This is only a "failure" in terms of the policy's stated outcome, and not in terms of its actual outcome.

Those who are generally well-disposed toward conspiracy theories might consider the demonstration of contradictions in the development policy process to be a superficial task. For example, a former advisor to the first British Conservative government of Margaret Thatcher (1979-83) suggested it was possible that the government never actually believed the monetarist doctrine which it implemented, i.e., the primary importance of keeping inflation low through the control of the money supply. Because the initial policy outcome was both higher inflation and a large decrease in economic output and employment, it was possible that the government's real agenda was the

⁵² *Financial Times of Canada* (20.7.92: 11).

latter, so as to diminish the power of organised labour, to create a "surplus pool" of labour, and thus to increase the profits of capitalists.⁵³

It would be naïve to entertain the thought that altruism and honesty are core components of politics. But however plausible the above plot in the British context,⁵⁴ there is no analogous proposition in this thesis. There are historical precedents in Newfoundland for internal malice, two examples being the "corruption, graft... venality, greed, and grasping ambition" of the political leaders in the 1920s, and the criminal activities of Smallwood's economic development advisor in the early 1950s.⁵⁵ But imputing malicious intent to public policy failures in the present-day Newfoundland context is probably impossible to support. A recent and catastrophic consequence of policy failure was the northern cod moratorium. As for the moratorium itself, neither fishermen, plant workers, nor the union leadership were consulted; thus, they received no advance warning. If the Newfoundland government was kept informed of the impending decision by Ottawa, it did not say so. A brave and foolhardy presumption, however, would be that politicians and policy makers from both federal and provincial governments wished for the moratorium to be implemented. Lack of malicious intent, however, is a distinct issue from that of the responsibility of policy makers in the catastrophe.

Conspiracy theories, which do find fertile ground in Newfoundland, might more plausibly attend two other examples. The first involves the circumstances leading to Newfoundland's union with Canada. The refusal of Whitehall, after the usual thirty-year hiatus, to release certain Dominions Office files exacerbates the suspicion of manipulation.⁵⁶ The second example involves federal monetary policy, which is a source of acrimony among Newfoundland's political and economic elite.⁵⁷ In the second half of the 1980s, the economic boom in southern Ontario led to the inflationary pressures of 1988 to 1990. (The phenomenon occurred in Britain at the

53 See "The League of Gentlemen" (1992), on *Pandora's Box*, BBC 2, aired in 1992 and on 12 August 1993. On the connection between monetarist theory and its failure in the first Thatcher government, see King (1987: 113-18). Monetarism and neoconservatism are examined in Chapters 2 and 4.

54 Although the Thatcher government accorded high priority to "breaking union power" (see King (1987: 118-20)), there is no evidence that the failure – as measured against monetarist principles – of its early monetarist policies was deliberate in the manner outlined.

55 On the former, see Elliott (1980: 181). On the latter, see Chapter 3 in this thesis.

56 For a conspiracy theory account of the period, see Walsh (1985). J Hiller (1989: 186-7) noted that the first such account was offered by historian Phillip McCann in a lecture in 1983. For the most comprehensive account, and one which rejects conspiracy, see Neary (1988). Public Record Office files still closed as of mid-1993 were DO 35/1340, 1350, 1352, 1358, 1370. DO 35/3467 was "wanting". DO 35/3467 was "retained". Peter Neary supplied these file numbers and the PRO supplied their status to the author.

57 This example is adapted from Lawton (1992: 139-40).

same time, with southeast England providing the parallel to southern Ontario.) The federal government's response to the subsequent overheating of the Ontario economy was the imposition of successively higher interest rates. This served to depress economic activity but in Newfoundland, where it was arguable that there had been no recovery from the recession of 1981, the policy was inappropriate. Such policies provoke the view that the "national interests" defended by Ottawa are in fact an abstraction for protecting the economic interests of southern Ontario and Québec.⁵⁸ In two interviews conducted for this thesis, it was emphasised that in the economic peripheries, an interest rate difference of two percentage points can be the difference between a marginal business activity and a non-existent one.⁵⁹

However, rather than illuminating the intent of policy makers, this example corroborates the structural inequity of the Canadian federation. The implementation of monetary policy reflects the central location of political power. The same holds for the example of the federal fishery moratorium. It is arguable that if fisheries policy were a provincial competency, the long-standing concerns of fishermen themselves over fish stocks (see Chapter 5) would have carried more political influence.

If it is further assumed that Newfoundland public life is not characterised solely by incompetence, then the ultimate purpose of demonstrating policy contradiction and disarticulation is to suggest that radical restructuring of priorities in development policy is urgent. This thesis therefore attempts to reaffirm the relevance of policy for economic development, even in the face of great odds against success.

Thesis Structure and Methodology

Drawing upon Canadian scholarship in political economy and sociology, Chapter 2 offers a detailed and historical analysis of theoretical approaches to the nature and causes of development, underdevelopment, and dependency. It will describe the era of the modernisation paradigm and the challenge presented to it in the late 1960s by neo-Marxist scholars in many countries, including Canada. In the modernisation

⁵⁸ House (1982: 22) cited a 1981 Newfoundland government paper which based its critique of the federal National Energy Program (1980) precisely on this point. David Alexander also used this particular view to describe the motive and effect of the Canadian National Policy of 1879. He offered a bitter account of the impact of Confederation on the Maritime provinces and later, on Newfoundland. See Alexander (1983 [1976]: 46-9). On the National Policy, see Fowke (1967 [1952]) and Acheson (1985 [1972]).

⁵⁹ Interviews at St John's with Kathy-Jane Elton of the St John's Board of Trade (on 3 July 1990) and Newfoundland Premier Clyde Wells (on 17 July 1990). See also Chapter 6 and the *Sunday Express* newspaper (25.3.90: 21), (27.5.90: 10), and (29.7.90: 10). The last of these articles included an interview with Memorial University of Newfoundland economist Douglas May, who attributed the 13 per cent fall in construction activity in the province, from mid-1989 to mid-1990, to the high interest rates.

formulation, "regional disparities" are held to result from the isolation from the broader processes of capital accumulation. Dependency theorists reversed this position and argued that regional disparities were an inherent product of the capitalist system.

There are two primary but overlapping tensions in the theoretical literature. The first is broadly between modernisation-type explanations of underdevelopment (emphasising internal, "cultural" or geographic factors) and "structural" explanations which emphasise the political economy of the region. This split is based in ideology in the "Left-Right" sense. The entrepreneurial element of the modernisation paradigm was revived in the later 1970s and now constitutes an important element of neoconservative theory and practice.

The second, more subtle, tension exists within those structural approaches that reject cultural, entrepreneurial, and geographic explanations. This is a debate between Marxist and dependency theories. The former emphasise class structure – either internal or external to the region in question – as the explanatory unit of analysis in underdevelopment. The latter are spatially orientated and locate the origin of underdevelopment external to the region. Whereas class analysis has historically been associated with centralist politics, the opposite is the case with dependency analysis. Decentralist, autonomist, and nationalist politics – i.e., the politics of conflict with and/or disengagement from perceived external exploitation – are a logical consequence of dependency theories.

Chapter 2 also incorporates a "political economy of environmentalism", based on an identifiable "environmental ideology". This ideology relates back to the chapter's early discussion of what is meant by development. It challenges assumptions on development and progress that are shared by traditional Left and Right. On a theoretical level, it is also a potential bridge across the "dependency versus class" schism. However, the apparent ambiguity of the environmental ideology presents an obstacle to a coalition between progressive environmentalists and the traditional left. This work adopts the position that the dependency versus class schism is an unfortunate diversion which has prolonged the lack of a useful Left critique of recent development policies in Atlantic Canada.

The ideological disposition of this thesis is also that while internal – cultural, entrepreneurial, and geographical – explanations of underdevelopment are rejected in favour of structural approaches, internal factors are held to be a crucial element in formulating responses – either effective or ineffective – to underdevelopment. There

might appear to be a paradox in the dual assumptions of the importance of both external and internal factors. It would seem to be self-evident that policy responses to a problem, to have any chance of effectiveness, must be based on a considered and cohesive diagnosis of the problem. Therefore, if one accepted the utility of an extreme structuralist position which argues in effect that Newfoundland's economic situation exists because the "rules" of global capitalism deem it to be so, then one must also accept that this diagnosis negates any policy prescription and that an analysis of the latter is at best a derivative task. However, Chapter 2 will reject this argument on the grounds that it is circular in reasoning, unacceptably deterministic, and therefore ideologically akin to the chauvinism of the entrepreneurial thesis. It is also the counsel of despair. Thus, while the "blaming the victims" implication of the entrepreneurial thesis and neoconservatism is rejected, the position is that this neither absolves the "victims" of the responsibility to respond to underdevelopment and dependency nor should it deny the space for manoeuvre that exists through the policy process in a federal system.

Chapters 3 and 4 seek to shift from the scholarly debate on underdevelopment to the "official" policies for development on both the Newfoundland and federal levels. Chapter 3 comprises the former. It presents a historical synopsis of Newfoundland's first "National Policy" in the nineteenth century and places the themes of dependency and the centralisation of power in historical context. The first example of an organised, "grassroots" democratic response to those problems – the Fishermen's Protective Union – is examined. The chapter then analyses two distinct rural development agendas which followed the collapse of self-government in 1934. It then contrasts Newfoundland's experience of the modernisation paradigm (under the political leadership of Joseph Smallwood, premier from 1949 to 1972) with the period in which the first policy contradiction can be identified (under the political leadership of Brian Peckford, premier from 1979 to 1989). In the latter period, the Newfoundland government initiated a policy course that was aggressively autonomist (consistent with dependency theory) in terms of its concept and goals but also incorporated a petroleum-based strategy which may have precluded those goals. The gap in chronology of almost a decade is a deliberate mechanism by which to emphasise, first of all, that Peckford's approach was based explicitly in the rejection of Smallwood's. It also permits the contrast between the internal congruency of Smallwood's agenda (regardless of the position in this thesis that it was misled) and the contradiction of Peckford's agenda.

Chapter 4 provides another historical analysis of development policies but shifts the analytical focus to federal policies for regional development. It does this by analysing a succession of federal government agencies with "regional" policy remits. The purposes of including a detailed analysis of such federal initiatives are, first, to highlight the central role they have played both in funding and circumscribing Newfoundland's developmental efforts; secondly, to provide a clearer understanding of the policy implications of the modernisation paradigm; and thirdly, to demonstrate the origins and substantial political influence of neoconservative thought in Canada.

Chapter 5 is based on a more concise time-frame than the others. Its purpose is to examine the origins of Newfoundland's "contrary agendas" during the 1971-72 period. This specific period warrants an analytical focus because it encompassed a number of important social and political events which, when viewed in their entirety, constituted an identifiable societal shift. Two provincial elections – in October 1971 and March 1972 – were the political focal points for this disjunction. The chapter includes the following components of the shift: the response to the perception of a paternalist political culture, social unrest as a manifestation of this response, the appearance of the concept of underdevelopment in the public discourse, the identification of Smallwood's modernisation development agenda with underdevelopment, the rejection of the resettlement programmes, and the emergence of a new local development agenda.

Drawing to a large extent on contemporary newspaper material and to a lesser extent on interviews conducted for this thesis, Chapter 5 thus attempts to illustrate the end of the modernisation paradigm and the emergence of a new socio-economic agenda, i.e., a set of rural-orientated social goals and economic development policies that were meant to serve those goals. Although the requirements of chronology would situate this chapter within Chapter 3, its actual location is both necessary and deliberate. It is not the intent of this thesis to provide a strictly chronological history of political events and economic developments. A thematic approach must occasionally displace chronology. The fuller understanding of the modernisation era provided in Chapter 4, especially its federal policy offshoots,⁶⁰ must precede the theme of Chapter 5. In addition, Chapter 4 is based mainly on secondary sources (although some interview material is employed) while Chapters 5 and 6 are based mainly on the primary research (analysis of newspapers and interviews) conducted for the thesis. Finally, it was desired that the 1971-72 analysis (Chapter 5) should be succeeded immediately by the 1986-90 analysis (Chapter 6). In this way the emergence of a new political discourse

⁶⁰ Such as the Department of Regional Economic Expansion (DREE).

and the themes of its new socio-economic agenda are juxtaposed with the "fate" of those themes in the discourse of two decades later.

Chapter 6, like Chapters 3 and 4, is policy-orientated. It is in two parts. The first identifies the next "contrary agenda" in Newfoundland, subsequent to that identified in Chapter 3. This is based on an analysis of the important *Report of the Royal Commission on Employment and Unemployment* of 1986. The argument that the Report contains a contradictory policy agenda is built around the theme of participatory democracy. This theme constitutes an important element of the Report's diagnostic findings but not of its recommendations. Part I also introduces the Economic Recovery Commission – a government body formed as a consequence of the Royal Commission – and demonstrates the inadequacy of two scholarly critiques of the Royal Commission.

The second part of Chapter 6 draws upon interviews conducted in Newfoundland in the summer of 1990 (see Appendix 1). The political process and the themes of dependency and the role of government in economic development constituted the focus of the interviews (see Appendix 2). The two parts of the chapter are bound together through the interview material, as most of the interviewees were asked to comment on these themes via reference to the Royal Commission and the Economic Recovery Commission. Based on the perceptions of interviewees, the purpose of this second part of the chapter is to synthesise a coherent picture of Newfoundland's political culture at that time. The final proposition – that Newfoundland's political culture has become "disarticulated" – is based on this synthesis.

Chapter 7 provides a concise summation of the findings of this research. In their most succinct form, they are that: 1) the Newfoundland economy is not an infinitely malleable entity which can be shaped and directed at will by governments and policy makers. It is, rather, structurally underdeveloped; 2) the Newfoundland economy is not completely impervious to policies for development; 3) the unresponsiveness of the economy to policies is partly a consequence of contradictions within those policies; 4) the local development model, toward which the Newfoundland economy might most fruitfully be directed, has been articulated for over two decades, but policies to approximate and maintain it have not actually been implemented.

A short Epilogue follows Chapter 7 in order to provide a summary of post-1990 events and developments in the policy discourse. The fishing moratorium, for example, appears to have impacted on the discourse regarding the outport economy to

the extent that resettlement – under the label of "mobility" – is enjoying rehabilitation as a policy alternative. The moratorium sparked some dramatic news coverage by the Canadian and London press. The federal government's subsequent compensation package – the Northern Cod Adjustment and Recovery Program – is due to expire in May 1994; the form and extent of its successor programme is the subject of political debate. Finally, the Economic Recovery Commission's recent proposals for social welfare reform were considered important enough to warrant approval by the *Economist* of London.

Chapter 2

Theories of Development, Underdevelopment and Dependency

The essence of dependency is somebody else's power.

– JD House, "The Mouse that Roars: New Directions in Canadian Political Economy – The Case of Newfoundland" (1986)

All I know is that I am not a Marxist.

– Karl Marx, late 1870s, quoted by Engels in a letter to Conrad Schmidt, London, 5 August 1890

Introduction and Background

This chapter focuses on the shifting theoretical approaches that have been employed to explain Canada's development trajectory, including the "subsection" of regional underdevelopment, with emphasis on the discourse since the early 1970s. It assumes a starting position consistent with that of historian Eric Sager, who noted that with respect to the Atlantic provinces, "It has proved difficult to establish even a modest consensus about the origins of regional economic weakness."¹ This modest consensus was that

Both Marxist and non-Marxist historians agree on one thing: the origin of Newfoundland's underdevelopment lie in the period from the middle of the 19th century to the early 20th century, and they lie in the marine sector of the economy.²

Although this work is not concerned primarily with the debate on the historical origins of underdevelopment, the brief examination of it below serves to demonstrate the origins of conflicting theoretical approaches to underdevelopment. These two quotations, the first from a political and diplomatic historian and the second from an economic historian, define the poles of divergent historical perspectives:

¹ Sager (1987: 117).

² Sager (1987: 130). See also Overton (1978), Alexander (1980 [1976]) and (1983 [1974]), Antler (1979: 180).

Grinding poverty was part of Newfoundland life until the second half of the twentieth century – a fact of enormous significance in any examination of the political history of the island.³

Until the last decade of the 19th century, the codfishery..., contrary to popular assumption, provided a standard of living in conjunction with other market and non-market sources of income which was not particularly inferior or less stable than that enjoyed among working people elsewhere in the western world.⁴

Alexander attributed Newfoundland's underdevelopment to a series of injudicious political choices in the late nineteenth century, at which time it was apparent that the saltfish (salted cod) export economy had "reached a limit to its extensive growth".⁵ Alexander acknowledged that the fisheries alone could no longer provide employment for a rapidly expanding population, but he argued that the government's consequent attempts at mimicking the economic diversification model of Canada (the National Policy of 1879)⁶ ignored the still considerable potential of the resource.⁷

Much attention has also been paid to the development of a barter and credit system – commonly known as the "truck system" – that was institutionalised by decisions of the Newfoundland Supreme Court between 1817 and 1828.⁸ This was the period during which the already-fading dominance of English West Country merchants over the migratory fisheries on the Grand Banks was supplanted by a resident elite centred at St John's. The outport fishing family was the unit of production in this new and essentially cashless economy. Households were supplied by either city or outport merchants with imported food and necessary gear on credit, in exchange for the (anticipated) summer's product of saltfish.

The truck system had the effect of protecting merchant interests from international price fluctuations. Fish and imported commodities were valued at a level which ensured that many fishing families were in a state of permanent debt to merchants. Merchants were able to capture the economic surplus of a good year and to ensure fishing families bore the losses of a bad year. This shifting of risk effectively made fishermen "little more than serfs with no hope of becoming independent".⁹ Merchants extracted economic surplus at three points of exchange – spring supplies, purchase of catch, and export – rather than the point of production.

3 Neary (1969: 42).

4 Alexander (1976: 32).

5 Alexander (1980a [1976]: 25).

6 On the Canadian National Policy, see Acheson (1985 [1972]) and Fowke (1967 [1952]).

7 See Alexander (1983 [1974]: 8-11).

8 Antler (1979: 192). House (1986: 186) commented that this "transition" was "contrary to Marx's predictions about the unfolding of capitalism".

9 Great Britain (1933: 79).

This system remained operative until the 1940s.¹⁰ Some observers and scholars attributed Newfoundland's gradual loss of its saltfish export markets directly to deteriorating fish quality engendered by the truck system.¹¹ Others identified the blockage of capital formation in the outports as the most significant impact of the truck system in the nineteenth century. Sider, for example, argued that this "prevented local alternatives to merchant domination from emerging".¹² He also claimed that this was a calculated and deliberate effect, i.e., that the truck system was designed not only to minimise merchant risk, but also to keep outports "from developing an alternative and autonomous set of productive relations".¹³ Antler's approach complemented this. He used comparative data to show that Newfoundland ranked higher, during the first third of the nineteenth century, than all other areas of British North America in per capita value of all commodities produced, trade surplus, and capital stock.

[The] contrast of economic conditions in late nineteenth-century Newfoundland to those existing much earlier in the century tend to confirm what these and other data suggest: the first three decades... were ones of growth, prosperity, and diversification for the Newfoundland economy.¹⁴

Antler concluded that "the potential for economic development did in fact exist in nineteenth-century Newfoundland"¹⁵ and that a healthy economic surplus was generated. Newfoundland was a net capital exporter throughout most of the nineteenth century.¹⁶ The island remained underdeveloped, however,

because the surplus that might otherwise have been utilised for industrialisation was exported [to Britain]. It appears that Newfoundland's class structure, rather than her geography, accounted for her poverty.¹⁷

Early nineteenth-century political reformers in Newfoundland – whose campaigning led to the establishment of Representative Government in 1832 – are credited with originating the theory that Newfoundland's political, economic, and social

¹⁰ It was abolished by the Commission Government during World War 2. See Neary (1988: 189).

¹¹ For example, see Great Britain (1933: 105) and McDonald (1987: 7-8).

¹² Sider (1986: 22).

¹³ Sider (1986: 86).

¹⁴ Antler (1979: 180-1).

¹⁵ Antler (1979: 191).

¹⁶ Antler (1979: 195). He added that a merchant's average income in the nineteenth century was greater than 439 per cent of the Canadian average, whereas Newfoundland's average was 42 per cent of the same.

¹⁷ Antler (1979: 197).

development had been "retarded" directly through a malign alliance between West Country merchants and quiescent British governments.¹⁸

[The reformers] created the myth that Newfoundland was impoverished and aggrieved solely because of an imperfect constitution and the indifference, even the hostility, of the Imperial Government. Thus were conceived two elements which have since been more or less continuous in Newfoundland's political life: a conception of the outside world as hostile towards, and retarding, the rightful and natural development of the Island, and a large measure of millenarianism in the expectations and views of the people.¹⁹

These three examples foreshadow certain competing elements of the theoretical discourse. Alexander's body of work was not entirely voluntarist, but it did emphasise the importance of political choice in development paths. Antler and Sider assumed a class-orientated position which appears to offer the most powerful historical model for the obstacles to economic diversification in outport Newfoundland. Finally, the theme of external hostility, exploitation, or indifference is consistent both with dependency theory and with the contradictory policy agenda that emerged in Newfoundland in the 1970s.

The Theoretical Approaches

This theoretical chapter will be followed by two chapters which take a historical view of actual economic policy initiatives in Newfoundland and Canada. The political agendas which follow from, or indeed motivate, theoretical debate in political economy may then be determined more clearly. This does not suggest that an automatic theory-into-practice relationship exists. Some theories – for instance, dependency theory – have had a demonstrable impact on the policy process. Others – for instance, Marxist theories with their "unacceptable" political agenda – have remained unable to cross the boundary from academic to policy sphere.

Theoretical "schools" will be examined in the following order: the modernisation paradigm, staples theory, dependency theories, Marxist responses to dependency theory, and the political economy of regionalism. It should be noted that that this chapter emphasises the academic – as distinct from official – discourse. The "neoconservative" phenomenon associated with English-speaking countries will be subject to a critique in the policy-orientated Chapter 4. Neoconservatism is in fact a highly politicised variation of neoclassical economics and the modernisation paradigm.

18 See K Matthews (1985: 214).

19 K Matthews (1985: 225).

This current chapter also introduces a "political economy of environmentalism". It is posited as the theoretical basis for the post-modernisation local development approach to the regeneration of peripheral economies. Environmentalism as a body of thought neither includes theories of underdevelopment *per se*, nor is it an explicit aspect of the scholarly theoretical discourse as described in this chapter. It does, however, challenge attitudes toward economic development. It has also had demonstrable impacts on the political culture and structure of government in Newfoundland, although it has not been attributed as such.²⁰ Environmentalism can be seen as an ideology – a system of legitimising beliefs – which, like Marxism, advocates an alternate future. However, like Marxism, environmentalism encompasses a great diversity of thought, and therefore, more than one potential political and economic agenda. Environmentalism can also be interpreted as the "historical" successor to Marxist ideas on societal organisation because of its fundamental challenge to models of industrial development which are shared by Marxists and non-Marxists alike. This discussion will be deferred to the end of the chapter.

Dichotomies in Canadian Underdevelopment Theories

Sager's reflections on the historical origins of regional underdevelopment transpose into the following observation by regional development economist, Donald Savoie:

Regional development economists agree on one thing: no single economic theory exists to explain regional disparities. Nor is there consensus on the appropriate theoretical approach to study the question.²¹

A general feature of the theoretical debates on underdevelopment is that of theoretical dichotomies. In the case of Canadian development theory, it may be unrealistic to expect that an all-encompassing theory should be articulated. The force-fitting of theoretical constructs onto a large – and abstract – analytical unit such as Canada will be unable to provide adequate understanding of a "peripheral" unit such as Newfoundland. The dichotomies appear to be constructed according to the needs of competing theoretical paradigms, for example, Marxist and non-Marxist. Robert Heilbroner's view is that economists, for example, disagree precisely because they are "political animals" and "because the practice of economics, like any social analysis, is shot through with the political suppositions and assumptions of its protagonists."²²

²⁰ The 1986 *Report of the Royal Commission on Employment and Unemployment* is the best example of this in Newfoundland. Chapter 6 will analyse this document's theoretical basis in detail.

²¹ Savoie (1986: 9). His words almost exactly reproduce those of the Economic Council of Canada (1977: 23). See also Fairley et al., eds. (1990: 16-17).

²² Heilbroner (1984: 2).

The schism at its most basic is illustrated in the Canadian context by the "dependency versus class" debate. This debate has been a feature of the scholarly discourse in Canadian political economy since the early 1970s. As shall be explored in detail in this chapter, it is a fundamental disagreement between those who incorporate a spatial or regional element in their characterisation of political and economic tensions in Canada (dependency-type analysts) and those who argue that such an approach is negligent of the actual location of political and economic power, which can only be understood in terms of class (Marxist analysts).

This theoretical dichotomy is likely to be troublesome in any context but its significance in the Canadian context is difficult to overstate. The Canadian union has been in political crisis since the late 1970s and will continue to be in danger of fragmentation until a constitutional adjustment is effected. The impasse to reformation stems in part from mutually exclusive agendas of competing polities and interest groups. But its essence is the "two nations versus ten provinces" dilemma: is Canada a union of two founding nations or a contract between the federal state and ten theoretically equal provincial jurisdictions? This dilemma has not been adequately addressed by Canadian sociologists and political economists.

Conflict in Canada is, to a great extent, presented, perceived, and transmitted in "regional" (which often means provincial, but also sub-provincial or multi-provincial) terms.²³ Thus, the proposed constitutional amendments known as the Meech Lake Accord failed in 1990 because "Newfoundland" and "Manitoba" failed to ratify it. The next attempt at amendment in 1992 resulted in a "league table" of "pro" and "anti" provinces. A further example is in the high political profile of the "regional disparities" discourse. Yet another with the intrinsic spatial bias is "have" versus "have not" provinces.

Theories on the ultimate source of Canadian conflict will depend on the suppositions or political agenda inherent in the analysis. The crisis could be politically defined: that is, discontent rooted in an inequitable or unsatisfactory central/provincial division of powers in a federal system. A cultural angle might suggest the problem is the lack of a national myth, a "meta-narrative", or a Canadian *projet de société*. Finally, in the attempt to bring the issue of economic power into the debate, Marxist political economists could focus on the spatially uneven impacts of capitalism across time.

²³ The following three paragraphs are edited excerpts from Lawton (1992: 135, 137).

Each theoretical approach has its own utility and it is therefore probably valid to assert that more than one crisis is in operation in different parts of the country at different times. For Québécois nationalists, who express a clear desire for increased self-determination, its bases are the perceptions that their culture is threatened and that the province has achieved the financial and industrial competency to protect it. For Atlantic Canadians, its basis is the fact that Canada has one of the highest levels of regional economic imbalance amongst developed countries.²⁴ In St John's there exists an additional layer of grievance in the minds of the urban cultural elite, which springs largely from the fact that Newfoundland was once a self-governing jurisdiction; in this sense the discontent echoes Québécois alienation. Discontent in Alberta originates from the perception – especially apparent since the early 1980s – that a remote federal government wishes to appropriate the resource wealth of the province.

Another, related, schism in the theory of development is between specificity and generality. This is less a "dichotomy" than an ideological spectrum. Marxian theory ostensibly inclines toward concrete case studies of development on the grounds that exceptions to a generalised theoretical construct expose its lack of utility. "Classical" (i.e., late 1960s and early 1970s) dependency theory was an exercise in generality, presumably premised on the view that if a theory did not apply to more than one time and place, then it was not a theory at all. There is a tension between a preference or requirement for explaining historically and geographically specific development trajectories and an overall explanatory theory.

A further dichotomy is that between "internalist" and "externalist" explanations of underdevelopment, that is, those seeking explanations within the underdeveloped area itself, and those seeking explanations in a geographically larger context – notably the developed "core" of an economic bloc or the whole global economy. This basic tension was introduced in Chapter 1, which also noted that both sides of the schism contain further ideological sub-divides. For example, "modernisation" theories and orthodox Marxist theories both represent internalist explanations of underdevelopment. The former, however, focus on geography or culture and the latter focus on class relations. Their political agendas are incompatible. Staples theory, classical dependency theories, and some neo-Marxist variants are all externalist.

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See Mason (1991: 135n).

Definitions and Interpretations

Marx has been attributed with originating the application of the word "development" to economics, thus supplying the word with "much of its contemporary meaning".²⁵ This line of reasoning then proposes that Lenin turned economic development into a conscious project. Economic development as a conscious project is the *raison d'être* for governments of every ideological stripe. "Development" is used synonymously with "growth" and governments are not elected for promising a decline in gross domestic product. The critics of this system of beliefs thus speak of the "ideology of development" or the "ideology of growth": the belief, shared by traditional Left and Right alike, that economic growth is intrinsically desirable.

Alexander's useful distinction between underdevelopment and dependency, presented in Chapter 1, argued that

A peasant economy may be underdeveloped relative to its material and human resources, or some external definition of how much these could produce, but none the less enjoy a high degree of self-determination.²⁶

The state in which Europeans found the indigenous cultures of North America provides one example of this. A more recent and unenviable example was that of Albania, where external debt was non-existent in the late 1980s but the people were impoverished. The implications are that the level of "self-determination" need not be directly linked to the level of "development" and that there can be competing models of development. The effect is to demand consideration of "development" in terms other than of quantity. Thus, the dominant "ideology of growth" can be challenged by delinking the concepts of economic development and economic growth.

Definitions of underdevelopment are determined by definitions of development and the latter are ideologically influenced. Within the "ideology of growth" system of beliefs, "underdevelopment" is only a quantitative concept, synonymous with "lack of development". Differing explanations of underdevelopment implicitly presuppose differing definitions of it. A theory which posits that internal cultural values and social institutions (e.g., "conservatism" or lack of entrepreneurial prowess) are causes of underdevelopment will necessarily define underdevelopment on this basis. For example, after World War 2 the Truman administration in the United States embarked on its new world leadership role through an international industrialisation programme.

²⁵ Lummis (1991: 36). The word "underdeveloped" appeared in the 1888 English edition of the *Manifesto of the Communist Party*.

²⁶ Alexander (1983 [1974]: 6).

Its ostensible purpose was to help selected "backward" nations of the "third world" achieve a level of industrialisation more closely resembling that of the United States. Its less altruistic purposes were to secure access to natural resources (including those of Canada), find outlets for American capital investment and to counter the political influence of the former Soviet Union.²⁷ Underdevelopment in this sense is only the absence of development on the western industrial model. The phrase "third world" has now largely been superceded by "developing world" – a blanket description of those countries still lacking the western standard of industrial infrastructure. More explicitly than the earlier phrase, "developing world" imposes a western set of socio-economic objectives on the majority of the world's population.

It has been assumed here that no single theory of underdevelopment adequately explains its causes. This assessment makes the task of defining underdevelopment no easier and may be the reason why the term "underdevelopment" is usually introduced with an anecdotal or statistical mixture of its causes and symptoms rather than its definition *per se*.²⁸ Poverty and chronic unemployment are clearly symptoms of structural economic weakness. However, factors such as low productivity, low per capita income, small manufacturing sector, bloated service sector, fiscal dependency, net out-migration, and even entrepreneurial prowess are all subject to ideological interpretation. Generally, the Left identifies these factors as symptoms of such weakness; the Right, and especially the neoconservative Right, identifies them as causes.

Alexander further argued that one condition of underdevelopment was "relatively few domestic inter-industry transactions".²⁹ By this he meant the lack of "economic linkages". Linkages are measures of inducement to invest and can be upstream (backward) or downstream (forward). Backward linkages are either infrastructural (e.g., railways), capital goods (e.g., boats or machinery), or services. Forward linkages are the manufacturing or processing of a primary resource. Furthest downstream are final demand linkages, either in consumption of manufactured goods, or fiscal (the appropriation by the state of economic rents, e.g., royalties and taxes).³⁰

27 Lummis (1991: 43) writes that President Harry Truman introduced the newly coined term "underdevelopment" into public discourse in his 1949 inaugural address. Brodie (1990: 153) cites the Paley Report of 1952 as the full expression of the "less altruistic" (my phrase) concerns.

28 In Canada, for example, Alexander (1983 [1974]), Brym and Sacouman, eds. (1979), R Matthews (1983), Newfoundland and Labrador (1986a), Sager (1987), Brym with Fox (1989), Fairley et al., eds. (1990).

29 Alexander (1983 [1974]: 6).

30 See Watkins (1967 [1963]: 55) and (1989: 18), and Weaver and Gunton (1986 [1982]: 197).

Newfoundland's economic linkages are poorly developed. This structural aspect of underdevelopment can be seen as a cause of its dependency.

In Alexander's scheme, "underdevelopment" is a condition but it also has another, more active, meaning. Thus, one reads that the Atlantic provinces "were underdeveloped".³¹ For dependency theorists and class theorists, underdeveloped is a verb; underdevelopment and dependency are active historical processes – "created by the workings of capitalism"³² – that are both cause and effect of each other. Dependency is defined in converse to the admittedly vague concept of "self-determination". A country or region is dependent if the economy is subject to external control to the extent that policy options available to the country or region are limited: hence, House's maxim that "the essence of dependency is somebody else's power".³³

The Modernisation Paradigm

The "modernisation paradigm" is a system of beliefs – an ideology – that has had a profound impact globally, let alone on Canadian society and its governments. Its intellectual heritage is ultimately rooted in the Industrial, American, and French Revolutions, all of which were based on the notion of "progress" as an irresistible, unidirectional, evolutionary force. In more recent times it refers to the set of values, introduced earlier, that achieved dominance as a result of the political and economic hegemony of the United States after World War 2. The word "modernisation" in this sense is associated with sociological discourse. The "liberal-pluralist paradigm" of the scholarly discourses on international relations and the global economy is very closely related.³⁴ Many economists of this paradigm are "neoclassicists", which indicates their debt to the classic liberal political economy associated with the eighteenth-century revolutions. Marxism is wholly separate from the modernisation paradigm because of its distinct political agenda. However, Marx's historical materialism (the class struggle) was wholly concordant with the idea of irresistible, linear, and scientific progress.³⁵

Alvin So writes that the post-war era saw the collapse of European empires. Emergent nation-states were in search of development models. Sociologists and economists

31 See Veltmeyer (1979: 31).

32 See Brym and Sacouman, eds. (1979: 10) and Veltmeyer (1979: 18).

33 House (1986: 177).

34 With respect to the views that societies wish to emulate the western capitalist model and that economics is an apolitical and non-ideological force. See Tooze (1992: 239-40).

35 See Clow (1982: 39). Amin (1980: viii-ix, 166, 250), however, asserted that this is merely a "western", vulgar, interpretation of historical materialism. Marx did, apparently, discard his deterministic inclination late in his life. See Feuer, ed. (1984: 29-30).

promoted the idea that they were more likely to develop "democratic" – i.e., not dictatorial and not communist – institutions through American-led economic development.³⁶ In Robert Brym's words,

The Cold War and the affluence of the times gave rise to the view that entire nation states, notably the US and the USSR, had replaced classes and other international groups as the main protagonists of social conflict. Consequently, the end of ideology, or the cessation of seriously disruptive politics within Western societies, was widely proclaimed.... Liberal political systems and pluralist societies were hailed as bulwarks against instability. And the United States was held up as the most successful example of political and economic modernity; other, less developed countries were judged in terms of the US and, ideally, expected to emulate it.³⁷

The assumptions of the modernisation paradigm were that the "third world" is "traditional", the west is modern, modernisation is self-evidently beneficial, and that "tradition" and the local culture are incompatible with or obstacles to modernity and economic progress. These assumptions are closely related to the work of Talcott Parsons,³⁸ whose "functionalist" thesis was that societies were analogous to biological organisms and therefore evolved inexorably toward more specialised institutions. To propose that the "third world" must become developed was to propose that its cultures must become westernised. Modernity was manifested through technology and social transformation was effected through the impact of technology on attitudes. This process of internal transformation would be assisted through the global spread of western "achievement values" – the development of local entrepreneurship. That is the sociological implication of the modernisation paradigm. The economic premise was that underdevelopment at the "backward" periphery reflects its insufficient level of incorporation into the capitalist global economy.

The "entrepreneurial" theme best illustrates the influence of the modernisation paradigm within Canadian sociology. Two of its influential proponents were the Canadian SD Clark and the American Seymour M Lipset.³⁹ The latter is best known for his "cultural/institutional" interpretation of the Canadian nation – the "Tory myth" to its detractors. Canada's poorer economic indicators (e.g., per capita GDP) were proposed to be related to British cultural influence: Tory elitism, paternalism,

³⁶ So (1990: 48-50).

³⁷ Brym with Fox (1989: 25). The "end of ideology" discourse was revived with the collapse of the Soviet Union into political and economic chaos at the end of the 1980s.

³⁸ They were also Marx's views, at least as a young man – on reactionary artisans, peasantry and "the idiocy of rural life". See Marx and Engels (1984 [1888]: 53, 59) and Marx (1984: 378-80).

³⁹ Brym's opinion is that Clark's instalment as chair of the new Department of Sociology at Toronto in 1963 represented the establishment of Canadian sociology as distinct from political economy, the former emphasising cultural and the latter, economic factors in social change. See Brym with Fox (1989: 18, 34-6).

conservatism, and lower propensity for entrepreneurship, as opposed to American market liberalism and the individualist pursuit of "life, liberty, and happiness".⁴⁰

Clark's thesis – perhaps paradoxical in relation to Lipset's – was that British culture could be employed to the opposite effect in accounting for economic discrepancies **within** Canada. Thus, Protestant culture demonstrated a higher level of socio-economic progress than that of the Catholic Québécois, whose progress was retarded by the influence of the Catholic church.⁴¹ This is analogous to Weber's use of the "Protestant work ethic" in describing the uneven rise of European capitalism, and indeed, the intellectual link from Weber through Parsons in the United States to Clark in Canada was argued by theorist Andre G Frank.⁴² Apart from the fact that it has been proved wanting in specific cases,⁴³ the entrepreneurial thesis provides correlations based on cultural stereotypes rather than a means of explaining how some cultures are more innovative and economically successful.

This thesis was also applied to Newfoundland society. Peter Neary placed great emphasis on the role of sectarianism – and especially the Catholic church – in retarding the development of democratic structures in Newfoundland.

Behind the denominational politics of Newfoundland,⁴⁴ there has always been a unique religious culture. Within the Roman Catholic community there has always existed the same deference for established authority and the same rigidly hierarchical view of the world which has made the advance of democracy so difficult elsewhere in the world... [C]onvinced utterly of the imperfectability of the world, Newfoundland Catholics developed an almost instinctive social and economic conservatism.⁴⁵

This position is not supported by the following: the majority of reformers in Newfoundland's nineteenth-century Assemblies were Catholic; voting patterns show Newfoundland Catholics supported Catholic reformers; rioting in St John's and Catholic towns such as Carbonear was not unusual in the nineteenth century; and the

40 Geographical factors such as adverse climate and poor natural resource base were often elements of the paradigm. The use of "deterministic" factors such as climate is not restricted to modernisation theorists, however. Social historian Judith Fingard examined the significance of harsh winters in the development of a seasonal economy and a "working-class culture" in mid-nineteenth-century Canada. See Fingard (1982 [1974]).

41 This thesis is widely refuted. See, for example, McRoberts (1988: 27, 45ff).

42 See Frank (1978: 25-7), who holds that Parsons merely corrupted the subtlety of Weber; and Brym with Fox (1989: 25-8, 36-7). Frank's ideas are discussed more fully later in this chapter.

43 For example, Toronto's Italian community has both high levels of economic success and religiosity. See Brym with Fox (1989: 38).

44 A system of power-sharing based on denomination was instituted following sectarian riots in the 1861 election.

45 Neary (1969: 40). Neary no longer considers this to be a useful type of analysis. Personal communication to the author, 28 March 1993.

exclusively Irish Catholic communities of the Southern Shore polled the highest vote for the resumption of self-governing status in referenda in 1948.⁴⁶

Patricia Marchak noted that "relatively slow Canadian growth was explained by national or regional deficiencies rather than external conditions [and] inequalities were described as stratification rather than as class-based cleavages."⁴⁷ The two puzzling aspects of the entrepreneurial thesis are, first, that Canada's economic indicators were as good or superior to those of the United States for more than a decade after World War 2. As Brym notes, it is therefore unclear that much needs explaining with respect to Canada's performance relative to that of the United States.⁴⁸ Secondly, if the thesis was premised on a comparison with the United States, it is difficult to see how the influence of American capital in Canadian industry – by then an obvious feature of Canadian economic life – could have been discounted. The only plausible explanation for having shifted the analysis from economic to cultural variables is that the shift better accommodated the intent of the analysis: to argue the superiority of American economic liberalism and political conservatism.

The entrepreneurial thesis had an intellectual revival through the ideology of neoconservatism in the latter 1970s. In the 1990s, it is central to the ideological approach of the Newfoundland government. The detailed discussion of neoconservatism, however, will be deferred to Chapter 4, which is policy-orientated. Its impact in Newfoundland will be evaluated in Chapter 6.

Pre-Modernisation Political Economy: Staples Theory

The modernisation paradigm of the 1950s and 1960s was based on the ideas that cultural factors intrinsic to societies or regions were at the root of economic disparities, and that these factors were impediments to economic progress. This is considered by some political economists to have been a "dark age" in the sense that there developed a wholesale divorce of economic theory from political and social theory.⁴⁹ The modernisation paradigm eclipsed what is now considered to have been an indigenous Canadian political economy tradition – "staples theory". Rather than explore staples

⁴⁶ Newfoundland attained a measure of self-governing status in 1832, full Responsible Government in 1855, and relinquished it to an appointed Commission Government in 1934. See the beginning of Chapter 3.

⁴⁷ Marchak (1985: 674).

⁴⁸ Brym with Fox (1989: 37).

⁴⁹ See Clement and Williams, eds. (1989: 3), Phillips (1989: 77), CBC "Ideas" (1986: 21-2), Cannon (1984: 67). There were exceptions: the works of Stanley Ryerson (Marxist) and John Porter (non-Marxist) were not part of the modernisation paradigm. See Marchak (1985: 674).

theory in detail, it is necessary briefly to describe it, as it enjoys some prominence in recent debates within Canadian political economy. It has been labelled "Canada's most distinctive contribution to political economy"⁵⁰ and as having "clearly dominated Canadian economic history".⁵¹

Staples theory was formulated in the 1920s by the economic historians WA Mackintosh and Harold Innis. Its purpose was to provide an economic interpretation of the uneven spatial development of British North America through a heartland–hinterland theory of economic growth. It responded to the diplomatic and/or constitutional approach to Canadian historiography by emphasising international exchange relations between nation-states, and Canada's relative marginality therein. Innis interpreted Canadian economic development history "as a series of colonial responses to successive imperial [France, Britain, and then the United States] demands for staple products such as fish, fur, wood, and minerals – responses that were conditioned by geographical and technological factors as well as the physical characteristics of the staples themselves."⁵² Regions of the "peripheral" country thus developed unevenly (i.e., at different times) and acquired distinctive social formations depending on demand and successive availability of resources through technological developments. Innis was not optimistic about Canada's long-term prospects. He envisaged a process in which economic benefits were realised by the "centre" (imperial) countries because the linkages to other sectors of the economy were either at the centre or, again, controlled by centre capital at the periphery. This is the "staple trap": the loss of capacity to form economic linkages (e.g., to use resource rents to develop import substitution) at the periphery.

Although Antler, Brodie and others have argued that Innis's work was far more subtle than a "vulgarised staples thesis",⁵³ Ommer noted that the idea of Canada's history being the history of its staples is so well-known it is a cliché.⁵⁴ Standard accounts of Canada's development – for example, the opening of the west – appeared to imbue staple resources themselves with the magical ability to direct the course of history. The cod fishery was the basis of Newfoundland's participation in the British mercantile system. The problem is that, in the context of the modernisation paradigm, cod itself came to be seen as a "failed" staple. Most of Alexander's work was devoted to

50 Watkins (1967 [1963]: 49).

51 Savoie (1986: 9-10).

52 Brym and Fox (1989: 18-19).

53 I.e., that development requires only the export of resources. See Antler (1979), Brodie (1990), G Williams (1989).

54 Ommer (1988: 25).

refuting this assumption. Watkins pointed out that the character of codfish could hardly account for Newfoundland's poor economic performance relative to the success of New England's commercial fishery in the early twentieth century.⁵⁵ Similarly, Ommer argued that the "failed" staple idea amounts to the confusion of an industry with the staple upon which it is built. The problem was not fish; the problem was that economic linkages – goods, services, and fish processing – were not developed in conjunction with staple production.

Staples economies are dependent economies, and rarely do they generate the (always anticipated) spin-offs to diversify the base.... [W]e should by now have learned that unless an industrial strategy is actively developed and implemented for purposes of diversifying the economic base, staples economies remain staples economies until the staple is exhausted or rendered obsolete.⁵⁶

Iceland is a country which, unlike Newfoundland, actively pursued a fish-based economic strategy. Ommer concluded by asserting that its economy is "the case that gives the lie to [the] condemnation of the fishery as a 'failed' staple."⁵⁷

Collapse of the Modernisation Paradigm

In the 1960s, a "Canadianisation" process within the social sciences is said to have occurred but the mechanism by which the modernisation paradigm was overturned in academic circles is unclear. Sociological accounts emphasise that it was "justifiably ascribed mainly to the weakening role of the US in international affairs from the mid-1960s on."⁵⁸ Political economists attributed it to the profound extent of American ownership of Canadian industry by the late 1960s. This may not be the contradiction it appears to be: the pinnacle of American hegemony – *pax Americana* –⁵⁹ must by definition be the start of its decline. The publication in 1965 of John Porter's *The Vertical Mosaic* may have played a part in the shift, being termed "something of a revelation at the time".⁶⁰ Porter shared the modernisation assumptions of Clark and Lipset by characterising Canadian post-war society as ethnically stratified and thus less conducive to desirable social mobility than the American "melting pot". He also, however, demonstrated the concentration of economic power in Canada in the hands of a relatively small number of elites and the increasing control of American capital

55 Watkins (1967 [1963]: 67).

56 Marchak (1986: 179-80).

57 Ommer (1988: 26, 35). See also Brox (1972: 6, 51), Alexander (1983 [1974]: 11-19) and (1983 [1980]: 135), Felt (1988: 61-72), and interview for this thesis with Bruce Chapman (Fisheries Association of Newfoundland and Labrador) at St John's on 20 July 1990.

58 Brym with Fox (1989: 43).

59 Alvin So (1990: 209) temporally locates *pax Americana* between 1945 and 1973. Brym and Wallerstein locate the end of American hegemony at around 1967.

60 See Grabb (1990: 72).

over Canadian industry.⁶¹ This became an increasingly important issue in Canadian public life.

Gordon Laxer summarises the "paradigm shift" occurring by the late 1960s. It is in stark contrast to the earlier quotation from Brym:

Those were the days of popular dissatisfaction with American society, ranging from issues of the Vietnam War to the role of multinational corporations. The world had witnessed a decade of anti-colonial struggles against western empires. In Canada, national and regional movements to some extent mirrored these international events as Quebec nationalism, English-Canadian nationalism and western and Newfoundland regionalism reacted against and inflamed each other. Young political economists in English-speaking Canada absorbed currents from Marxism, radical liberalism and dependency approaches.⁶²

Pierre Trudeau's election as Prime Minister in 1968 perhaps symbolised the sea-change. A response to American economic domination – real or perceived – was high on the political agendas of Canadian academics and activists on the one hand, and of the Trudeau government itself, on the other. The post-war economic boom in North America appeared to have been superseded by the era of "stagflation" – i.e., simultaneously increasing unemployment and inflation.⁶³ There was a rejection of the modernisation paradigm within Canadian sociology and a re-establishment of Canadian political economy as a vibrant area of scholarship. This scholarship was explicitly Canadian nationalist. Scholars such as Mel Watkins and Kari Levitt further documented the phenomenon of the penetration by American-based multinational corporations into Canadian manufacturing. Two government-sponsored reports had revealed that over half of Canada's manufacturing and mining assets were foreign-owned.⁶⁴ By 1973 foreign control of manufacturing had risen to 56 per cent, second in this respect only to Nigeria.⁶⁵ This "new mercantilism", with its exploitative power relations, was held to be at the root of Canada's industrial weakness.⁶⁶ It was argued that the extent of American involvement in the Canadian economy put Canada at a

61 See Forcese (1986: 60-1). It has since been argued that the highest rate of American capital penetration into Canadian manufacturing occurred earlier, in the two decades before World War 1 (i.e., during the period of Maritime deindustrialisation). See G Laxer (1985: 332).

62 G Laxer (1989: 180). The "dependency approaches" will be explored next in this chapter. Although Laxer's location in time of a "paradigm shift" was fairly accurate with respect to Newfoundland society (see Chapter 5), there would have been minimal knowledge of it elsewhere in Canada until after 1975, apart, perhaps from the plays of the CODCO theatre group. The shift did not acquire overt political expression until the late 1970s. See Chapter 3.

63 Under the tenets of Keynesian economic theory, this was supposed to have been impossible.

64 The Watkins Report (1968) and the Gray Report (1972). See Marchak (1985: 674). Reaction to the Gray Report in Newfoundland is discussed in Chapter 5.

65 G Laxer (1985: 321).

66 Bradford and Williams (1989: 64).

disadvantage in terms of the country's ability to articulate its own responses to the shifting global economic climate.

Dependency Theory

The decline of *pax Americana*, the level of American control of the Canadian economy, and the rise of national self-identity among Canadian scholars set the stage for the new Canadian political economy.⁶⁷ The embrace of dependency theory was its catalyst and first major intellectual event.⁶⁸ The immediate irony of this was that the new, confident and nationalist scholarship was based in a body of work that was in large part imported from Latin America, for dependency theory was formulated as a model for "third world" development from a "third world" perspective.⁶⁹ It is perhaps inevitable that some Canadian social scientists set themselves the task of demonstrating that Canada possessed the economic indicators of a "third world" nation.

Dependency theory has neo-Marxist⁷⁰ roots and sees capitalist exploitation at least partly in spatial terms. The spatial element perhaps represents the fundamental break from orthodox Marxism.⁷¹ Like the earlier modernisation theories, the unit of analysis for dependency theory was originally the nation-state. It emphasises that development in "peripheral" countries is determined according to the expansionist needs of more developed, "centre" or "core" economies. The exploitation of periphery by centre is necessary for the process of capital accumulation. This process itself underdevelops the periphery – a theoretical inversion of the modernisation paradigm which holds that peripheral underdevelopment results from an insufficient level of inclusion into the capitalist economy. Dependency theory's most significant proposition, therefore, was

67 See Brym with Fox (1989: 43-4).

68 Dependency theory was also embraced by radical scholars in the United States. See So (1990: 92).

69 Canadian dependency theory also, at least in part, involved the "rediscovery" of the inter-war "staples theory" tradition in Canadian political economy.

70 "Neo-Marxism" is taken by some to refer to twentieth century attempts, initiated by Lukács and the Frankfurt critical theorists, to downplay the structuralist/economistic/deterministic side of Marx – much as Marx and Engels themselves did in their later years (see Engels in Feuer, ed.: 438-9) – in favour of socio-cultural phenomena such as class consciousness at different stages of capitalist development. So's argument (1990: 91-5) is that Latin American neo-Marxism originated as a response to the Chinese and Cuban revolutions. These were "peasant" rather than "proletariat" revolutions. This caused a crisis in orthodox Marxism by contradicting the orthodox model which required a transition to bourgeois capitalism as a condition for socialist revolution. This line of reasoning appears to ignore the fact that the Russian revolution was not "orthodox" either; the Bolsheviks were in no position to accept the Marxian view that socialism necessarily required the inheritance of a developed, capitalist economy. While dependency theory is seen by many orthodox, class Marxists as being "quasi-Marxist" or outwith Marxism completely, I prefer to place dependency theory fully within the neo-Marxist perspective.

71 Brodie (1990: 53-4) briefly reviews Marx's "only passing recognition" to the spatial dimension of capitalism.

that development and underdevelopment are aspects of the same historical process. Underdevelopment is thus defined as a historical product of conditions created by the workings of capitalism on the periphery.⁷²

This proposition was developed to a compelling degree by scholars – working in Chile and Brazil in the mid-1960s – in reaction to the failure of the modernisation-inspired industrialisation programme of the United Nations Economic Commission for Latin America.⁷³ Dependency theorists share "the fundamental anti-evolutionist [anti-modernisation] tenet that first and third world capitalist countries follow qualitatively different developmental routes."⁷⁴ Although Innis was not a Marxist, both the spatial element of dependency theory and this divergence of development trajectories invoke his ideas; indeed, he was described as the direct antecedent of the Latin Americanist *dependenistas*.⁷⁵

Beyond the common rejection of the modernisation paradigm, there is a diversity of approaches which can be categorised into three main streams – the "development of underdevelopment" ("classical") stream, the "associated-dependent development" ("new") stream, and the "modes of production" stream. All have been applied to Atlantic Canada specifically. The "classical" stream is associated for the most part with the work of Andre G Frank, who was a visiting professor at Montréal's Sir George Williams (now part of Concordia) University in the late 1960s. This may have played a part in dependency theory's enthusiastic reception in Canada.⁷⁶

Models of Dependency

The Frankian development of underdevelopment model conceptualised the capitalist process as a hierarchical chain of successive centre-periphery relationships. The advanced capitalist centre extracts economic surplus produced by the periphery's primary resource industries. Capitalism at the periphery is based on "super-exploited" labour, capital drain, blockage of inter-sectoral linkages and loss of opportunity for indigenous development.⁷⁷ Chronic unemployment and trade imbalances are the

⁷² Veltmeyer (1979: 18).

⁷³ See So (1990: 91).

⁷⁴ Mouzelis (1988: 24). In other words, all societies do not necessarily pass through the same stages of growth eventually to arrive at a social system on the American model.

⁷⁵ By Levitt in 1970, according to G Laxer (1989: 189n).

⁷⁶ Frank's *Capitalism and Underdevelopment in Latin America* (1967, revised 1969) is considered the seminal work, although he claimed it to be indebted to Paul Baran's *The Political Economy of Growth* (1957). In it, Baran formulated "Underdevelopment Theory", an early Marxist response to the modernisation paradigm. See Baran (1957) and Lummis (1991: 43-7).

⁷⁷ See Veltmeyer (1979: 18), Brodie (1989: 151), Marchak (1985: 677).

outcomes, the periphery "consuming what it does not produce and producing what it does not consume."⁷⁸ A crucial point in Frank's approach was that the development of underdevelopment is a linear *cul de sac*. That is, a country with dependent status is unable to reverse the process and unable to achieve autonomous economic development as long as economic ties to the centre are maintained.

The assumption of irreversibility was challenged by many critics as being insufficiently sensitive to the internal social and political dynamics of a given society. Frank's apparent neglect of the potential for a society actively to shape its economic fate was rejected on the grounds of being too deterministic.⁷⁹ The model has also been described as an abstract mirror image of the modernisation theories to which it responded, in that the underdevelopment mechanism was unclear. Frank's contemptuous view of the modernisation argument was "the poor are poor because they are poor and the rich are rich because they are rich."⁸⁰ Whereas the modernisation paradigm assumed that the "third world" benefited – through a process of "diffusion" – from its inclusion into the capitalist world system, Frank assumed that underdevelopment somehow resulted **automatically** from a periphery's inclusion into the system. In short, the Frankian model was criticised for employing circular arguments:

Frank's main theoretical position asserted: 'contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries.' This generated the hypothesis that 'the satellites experience their greatest economic development and especially their **most classically capitalist industrial development** if and when their ties to their metropolis are weakest.'... [T]he crucial flaw remains the definition of 'development' (and hence 'underdevelopment') that was smuggled into the statement of the hypothesis, with the result that the proposition becomes tautologically true, rendering the historical material illustrative rather than corroborative.⁸¹ [Emphasis in original]

In general terms, external control is seen to be a condition that leads to dependence which in turn causes underdevelopment. The mechanism of the process seems to be "external control".

78 Fairley et al., eds. (1990: 16). It is possible that this observation originated with the nineteenth-century anarchist Peter Kropotkin. See Kropotkin in Peet, ed. (1977: 378).

79 For example, by Cardoso and Faletto (1979) and Sager (1987: 118-19).

80 Frank (1978: 1).

81 Booth (1985: 762), citing Frank's early paper, "The Development of Underdevelopment" (1966). See also Sager (1987: 122) on the circularity problem. Friedmann and Wayne (1977: 407) offered a similar critique of both Frank and modernisation theorists.

The "new" dependency stream is considered by many scholars to be a sophisticated response to the problems of the classical stream.⁸² Its best-known expression is the ponderously named "associated-dependent development" (or "uneven dependent development") perspective of Cardoso and Faletto. Its main tenet is that dependency and development are not mutually exclusive possibilities; i.e., that a dependent region need not necessarily be underdeveloped. The earlier quotation from Alexander suggests his distinction between dependency and underdevelopment was based in Cardoso and Faletto's view, which follows:

[E]mphasis on the structural [i.e., deterministic] aspect can convey the impression that situations of dependency are stable and permanent. This impression, left by faulty analyses, can also suggest that situations of dependency are **continuously and necessarily** generating more underdevelopment and dependency.... We criticize those who expect permanent stagnation in underdeveloped dependent countries because of... the 'narrowness of internal markets', which supposedly function[s] as an insurpassable obstacle to capitalistic advancement. But we also criticize those who expect capitalistic development of peripheral economies to solve problems such as distribution of property, full employment, better income distribution, and better living conditions.... Even in developed countries, these problems remain unsolved.⁸³ [Emphasis added]

Cardoso and Faletto's concerns were to incorporate the role of political actors into the dependency model – in their words, to "stress the socio-political nature of economic relations of production, thus following the nineteenth-century tradition of treating economy as political economy"⁸⁴ – and to delineate historically specific situations of dependency, not a general theory of dependency. The internal social and political dynamics of a peripheral area assumed, in this model, equal importance with external, structural obstacles to autonomous development.

Characterizing dependency is like characterizing 'capitalism', 'slavery', or 'colonialism'. It would make no sense to compare slavery in the southern United States with slavery in the Antilles or Brazil only in order to assess 'degrees of slavery'.... Similarly, there would be little sense in attempting to measure 'degrees of dependency', making formal comparisons of dependent situations.⁸⁵

Unlike Frank's, Cardoso and Faletto's framework accounted for the reversibility of underdevelopment, as witnessed by the spectacular economic growth of the "newly industrialising countries" (NICs) of southeast Asia. The mechanistic link between central domination and peripheral dependent development was an alliance between elites of the centre (e.g., within multinational corporations) and "comprador" elites at

82 G Williams (1989: 121) and personal communication from G Williams; Veltmeyer (1979), R Matthews (1983), Brodie (1990), and So (1990).

83 Cardoso and Faletto (1979 [original Mexican edition 1971]: ix-xi, xxiii-xxiv). See So (1990: 135-43) for a useful discussion of Cardoso and Faletto's ideas.

84 Cardoso and Faletto (1979: ix).

85 Cardoso and Faletto (1979: xii).

the periphery. This was characterised as the "internalisation of external interests".⁸⁶ Cardoso and Faletto, therefore, responded to Frank's determinism by introducing the factor of class as an explanatory variable in the process of dependency.

Canadian "Branch-Plant" Dependency: The Naylor-Clement Thesis

The comprador theme was taken up in Canada. The conceptualisation of Canadian industry as a "branch-plant" of the United States was influentially developed by RT Naylor and Wallace Clement – the "Naylor-Clement thesis".⁸⁷ Following the path laid by Levitt and Porter, it focused on the nature of the Canadian capitalist class, and ultimately the state itself, as the actual source of dependency. The thesis was based on the premise that there are two possible paths to industrialisation: one which "organically" develops from indigenous artisanal roots, and one which follows from the penetration of external, existing capital into the country or region in question. The former is the "strong" path, with internal capital accumulation. The latter is based on the theoretical framework of Cardoso and Faletto: the "weak" path leading to associated-dependent development.

The Naylor-Clement formulation was that Canada began along the strong path but became shunted onto the weak path by the "invitation" of the American multinational corporation through the tariff wall element of the Canadian National Policy (1879). The high import tariffs imposed at that time by the central government are often interpreted as mechanisms for creating an east-west trading economy within Canada. The transcontinental railway was "opening up" the Canadian west; the tariffs would ensure that Ontario and Québec had access to western natural resources and that western settlers would purchase manufactured goods from the east. However, the American response was to "jump" the tariff wall by establishing manufacturing branch-plants in central Canada to serve the domestic market. Naylor and Clement argued that the establishment of branch-plants was in the interests of the Canadian commercial and financial elite. The tariff wall was, therefore, a response by the state to their specific needs.

They further argued that this was calculated to stultify the development of an indigenous Canadian industrial and manufacturing class. The commercial and financial

⁸⁶ Cardoso, cited by So (1990: 136).

⁸⁷ For detailed descriptions of the Naylor-Clement thesis, see Naylor (1973: 42-56), Watkins (1989: 17, 21-33), and Bradford and Williams (1989: 64-8). For less sympathetic treatments, see G Laxer (1985: 317), Panitch (1981: 9-11) and Brym with Fox (1989: 46-50). The attribution of a dependent Canadian industrialisation mainly to the 1879 tariff is an incomplete and unacceptable theory to these scholars.

elite exercised little control over the country's industrial production; they rather formed a willing, but uneven, alliance with the incoming American industrial capital. In dependency terms, they became a comprador elite.⁸⁸ The Canadian political elite – the state itself – was complicit in the arrangement. The result of this was that Canada, in lieu of an indigenous industrial strategy based on global markets, embarked instead on an import substitution strategy for the domestic market which relied on state support and foreign capital. From this, it was but a small step to envisaging the Canadian state as a puppet of American capital.⁸⁹

It is interesting that the Naylor-Clement thesis has been referred to as the one "big idea" in the new Canadian political economy,⁹⁰ for the financial bias of the Canadian elite was, according to Gordon Laxer, one of the assumptions of the old political economy of Innis. Laxer does not, however, accuse Innis of the "crude instrumentalism" – i.e., the attempt to demonstrate that the state is always controlled by capital interests – he sees in the Naylor-Clement thesis.⁹¹

A "Third World" Canada and Canadian "Left-Nationalism"

The project to demonstrate the link between American capital in Canada and Canada's underdevelopment assumed a dubious character, not least when the intent was to categorise Canada as one of the dependent "peripheries" of international capitalism. Maintaining the focus (although not the political agenda) of the modernisation paradigm, Canada was re-examined solely within its bilateral relationship with the United States and placed into the "victim" camp in the global economic hierarchy: one of the resource hinterlands whose niche it was to supply economic surplus for American capital. Canada was "the world's richest underdeveloped country" and "a dependency moving towards colonial status in the American Empire".⁹² As late as 1978, Frankian dependency theorist Daniel Drache argued that Canada was regressing from a "semi-centre" to "semi-periphery position".⁹³ Clement's application of dependency theory resulted in the unusual proposition that "true" development is achieved only when "all those on site who participate in development share equally in

88 R Matthews (1983: 71-4) states that Clement applied the theories of several dependency theorists, including Cardoso, in demonstrating the comprador nature of both the Canadian corporate elite (*vis-à-vis* American capital) and the economic elite of Canada's dependent regions (*vis-à-vis* central Canadian capital).

89 See Albo and Jenson (1989: 190-1).

90 Watkins (1989: 17).

91 G Laxer (1989: 181-4).

92 Levitt (1970: 24) and R Laxer, ed. (1973: 6), respectively.

93 See G Williams (1988: 120).

the surplus produced."⁹⁴ Sager, and then Brodie, noted that this implies that true development is unknown and that the United States is not a developed country.⁹⁵

It was perhaps inevitable that nationalist tendencies and politics were embraced by peoples emerging from colonialism in the post-war period. The "realisation" that Canada was a dependent, "third world" state likewise triggered a Canadian nationalism. Since Canada's "underdevelopment" and truncated sovereignty resulted from the country's penetration by foreign capital, the consistent response was in favour of a politics effectively to de-link Canada from the United States. The project adopted by Canadian dependency theorists resembled that of the federal government in placing Canadian "national" interests logically prior to considerations of either class or region. What was sought was a *mélange* of those two uneasy bedfellows: nationalism and socialism. The 1973 volume entitled *(Canada) Ltd. The Political Economy of Dependency* is a good example of dependency-inspired Canadian left-nationalism.⁹⁶ Some of the authors therein were aligned with the emergence of the "Waffle wing" of the federal New Democratic Party in 1969. The Waffle wing were committed to an "independent socialist Canada" and were expelled from the NDP in 1972. This Canadian stamp on dependency theory was echoed elsewhere during the 1970s, for instance, in the rise of the Scottish National Party.⁹⁷ Peter Neary argued that "[N]ationalism did not become the dominant ideology of the Newfoundland government until the Progressive Conservatives came to power in 1972."⁹⁸ Chapter 5 in this thesis will illustrate the widespread rejection of the modernisation paradigm in Newfoundland in the early 1970s. It is, however, doubtful that the policy platform of the government under the premiership of Frank Moores could be described as having been "nationalist", at least during its first term. In contrast, the political and economic agenda of the Newfoundland government under the leadership of Brian Peckford by the end of the 1970s was certainly a form of nationalism (see Chapter 3). JD House characterised Peckford's view of Newfoundland history as exploitation by outsiders as a "quiescent dependency theory".⁹⁹

94 Clement, cited in Brodie (1989: 153).

95 Sager (1987: 120-1) and Brodie (1989: 153).

96 R Laxer, ed. (1973).

97 Wallerstein (1984) and Nairn (1975) and (1977) address the vexed question of nationalism and socialism in a wider context. Nairn, in his fortnightly *Scotsman* newspaper (Edinburgh) column, remains a staunch proponent of their compatibility, a conviction shared by some of the leading figures in the Scottish National Party.

98 Neary (1988: 349).

99 House (1985: 174) and (1986: 166).

Dependency theory is consistent with politics of a nationalist or autonomist quality. In the case of Canada, the influence of dependency theory predicated a "left-nationalism" among intellectuals. The problems with left-nationalism are straightforward and two-fold. The first lies in demonstrating that a nationalist project is in the interests of all social classes. To an orthodox class theorist, this is self-evidently impossible, as nationalism is seen as a non-progressive, "populist", doctrine which cannot do other than to obscure real class contradictions. The second problem, especially in a geographically immense country, lies in demonstrating the utility of the project for all regions.

The Class Response to Dependency and Staples Theories

By the late 1970s, a challenge to the dependency project was presented by Marxist theorists who regarded the attempt to place Canada in a conceptual box shared with impoverished, low-wage countries as preposterous.¹⁰⁰ The Marxist critique was also characterised as "the project of disentangling Canadian nationalism from the struggle for socialism."¹⁰¹ It shifted from spatial to class and state models and argued that Canada exhibited the class relations of an advanced capitalist society. Dependency theory's "neo-mercantilist" and "branch plant" premises were countered with data showing either the substantial extent of indigenous Canadian capitalist development or the role of government policy decisions in incurring foreign ownership of the economy.¹⁰² By drawing attention to the international tendency for capital to become concentrated, the Naylor-Clement thesis relating to the lack of vigour, or American bias, of Canadian capital was challenged.¹⁰³ Class theorists highlighted many weaknesses of the dependency project, not least that if Canada was "dependent" by selective criteria, it was also one of the world's wealthiest countries. Even so, dependency concepts were not completely displaced – some class analysts accepted that, despite dependency theory's flaws, Canada was a "rich dependency".¹⁰⁴

The class response rejected Frankian hierarchies of nation-states and "degrees of dependency" as not only conceptually ambiguous, but possessing merely descriptive, rather than explanatory, power.¹⁰⁵ These were seen as attributing nation-states with

¹⁰⁰ The publication in 1977 of *The Canadian State: Political Economy and Political Power*, edited by Panitch, is considered seminal; the journals *Studies in Political Economy* and *The Canadian Journal of Political and Social Theory* were among the main vehicles for the class perspective by the end of the decade.

¹⁰¹ Kellogg (1989: 338).

¹⁰² See Panitch (1981) and G Laxer (1985: 317) on the first point; G Laxer (1986) on the latter.

¹⁰³ See McNally (1981) and Carroll (1985).

¹⁰⁴ See Panitch (1981: 8, 13).

¹⁰⁵ As noted earlier, even many dependency theorists rejected Frank on these grounds.

the characteristics of individual firms – "jockeying for position". They fundamentally rejected the notion of one spatially defined unit, whether nation-state or region, exploiting another. This obscured the role of real actors with real interests within a nation. Dependency theory was seen as a quasi-Marxist analysis of exchange relations at best. Overton's view was a classic Marxian rebuttal:

[T]he concept of dependency is too vague and unspecific to be of effective use in an analysis of uneven development: it is unclear exactly what kinds of social relationships are being described by the term.... Second, dependency theory places great emphasis on spatial relations. One region is said to dominate another region. But, what basis is there for accepting the region as a unit of analysis...? What lies behind this space fetishism are social relations of production, which are *class* relations.¹⁰⁶ [Italics in original]

The failure to use the concept of class contradictions as a basis for analysis was the cause of the "intellectual messiness" of the Canadian dependency school.¹⁰⁷ The intellectual debt to staples theory in Canadian dependency theory was emphasised; the more vigorous of these echoed Overton's language, above, in the condemnation of Innis's theory as "commodity fetishism".¹⁰⁸

Intellectual messiness in theoretical scholarship is usually related to the attempt to use history as a means of confirming a favoured theory. While dependency theorists were criticised for their "crude instrumentalism", Marxist critics of dependency theory were attacked on comparable, but slightly different, grounds. Laxer dismissively writes that "[f]or many Marxists, Canada is largely a place in which to demonstrate the workings of general Marxist laws."¹⁰⁹ Note the similarity between that statement and Frank's earlier characterisation of the modernisation paradigm as circular and functionalist. David Alexander shared Frank's view precisely when he wrote:

It is fashionable these days to use neo-classical models that assume perfectly operating factor and products markets to show that history unfolds in the only way it can.¹¹⁰

The law most favoured by class theorists was the general omnipotence of the state; this was attributed to the influence in Canada of the deeply pessimistic work of James O'Connor.¹¹¹ O'Connor's thesis was that the capitalist state has two contradictory

106 Overton (1979: 233).

107 Panitch (1981).

108 McNally (1981: 35). By this he meant that Innis's ideas can be reduced to the position that staples themselves determine the course of history. The phrase "commodity fetishism" may have been borrowed from Jürgen Habermas who used it in a much broader sense in writings on the ideological basis of liberal capitalism.

109 G Laxer (1989: 179).

110 Alexander (1983 [1974]: 6).

111 See O'Connor (1973).

functions: legitimation and accumulation. The former are the mechanisms by which the state protects class and property interests without the use of force; the latter refers to the state's role as a business. The scheme does not allow for a great deal of political agency for the working class. If, for example, the working class secure any concession which increases the general welfare, they are merely fulfilling the state's legitimation role. If the state imposes a diminished level of services, workers lose again. Laxer rejects this as a teleological closed circle which "combined the worst features of instrumentalism [state as puppet of the capitalist class] and structural-functionalism [state as relatively autonomous of capital but with coinciding interests]".¹¹²

With reference to Newfoundland, JD House's critique of scholarship in Canadian political economy was another case in point. House wrote that

Canadian sociology and political economy have slipped into a kind of mental laziness in which analysts use their neo-Marxist concepts and categories to bludgeon their empirical material. Capital requires this; the ruling class imposes that; something else is structurally determined.... Too much theoretical effort is being expended to try to squeeze anomalous data into theoretical boxes where they simply do not fit. This occurs... through the process of pseudo-theorizing.¹¹³

The transition in the early nineteenth century from migratory to resident (household production) fisheries was noted at the beginning in this chapter. House rejected as tautological the Marxist interpretation that the transition – and the concurrent rise of the truck system – was initiated by the merchant class to serve their own financial interests. He countered with the proposition that it may have been instigated by fishing families themselves: better to be poor and independent in terms of production than an overworked servant on a schooner.¹¹⁴ In this particular instance, House's critique is not convincing, as he omitted reference to the institutionalisation of the truck system by the Newfoundland Supreme Court.

The second part of House's critique is more telling. He dismissed Overton's analysis of "neo-nationalism" in Newfoundland¹¹⁵ for having assumed that it reflected a coincidence of interests between the government and business classes. House responded that it was, in fact, a simple matter to demonstrate that "neo-nationalist" sentiment was confined to certain government officials. The local business class were,

112 G Laxer (1989: 185).

113 House (1986: 183). House used different terminology from that employed in this chapter. By "neo-Marxist" he means those to whom I refer as orthodox or class Marxists. He did not mean dependency theorists, whom I see as neo-Marxists.

114 House (1986: 186).

115 Overton (1979).

he wrote, "either ambivalent or downright opposed to it [and] content with the crumbs of an aggressive national/multinational development of Newfoundland's resources".¹¹⁶ Thus, both instrumentalist and structural-functionalist tendencies of this particular class analysis were challenged. Glen Williams summarised the objections more generally:

The study of the political economy of Canada, whether employing "multinationals" or "classes" as the primary units of analysis, has often suffered through the subjugation of its political world through the overdevelopment of economic and socio-economic categories. Where the dependency school has portrayed the Canadian state as an instrument of foreign capital, the neo-Marxist school has too frequently highlighted the instrumental use of our federal and provincial state structures by various fractions of the Canadian capitalist class.¹¹⁷

This theme is not restricted to Canada; it recurs in review literature elsewhere, in which the instrumentalist and functionalist assumptions are attributed to the emphasis of economic criteria over others and insensitivity to the role of political actors and the political process.¹¹⁸

The "Dependency/Class" Schism in Canadian Political Economy

While some Canadian political economists attempted to work out a compromise on the "location" of Canada between the dependency and class positions,¹¹⁹ others argued that dependency and class analyses were fundamentally incompatible:

While the geographical description [of inequalities] logically results in a hierarchy of bilateral relations, it is invalid to transfer this perception of the regional structure of the system to the class relations which underlie it.¹²⁰

For all their mutual proclivity for circular reasoning, a theoretical polarisation between dependency and class-based positions – i.e., between Canada as victim and Canada as capitalist power – occurred during the 1980s.¹²¹ While some political economists see the debate as positive, Laxer, for example, more pessimistically viewed Canadian

116 House (1986: 188).

117 G Williams (1988: 124-5). Williams employed the same terminology as House, above; i.e., by "neo-Marxist" he meant those to whom I refer as orthodox or class Marxists.

118 See Mouzelis (1980) and (1988), Skocpol and Amenta (1986), Ragin and Chirot (1984), and Booth (1985).

119 For example, see G Williams (1988).

120 Friedmann and Wayne (1977: 407).

121 See, for example, G Laxer (1989: 182-3), and Kellogg (1989: 338). A special issue of *Studies in Political Economy* in 1981, including Panitch (1981) and McNally (1981), above, is credited by Marchak (1985: 681) with having made the schism readily apparent. Other Canadian scholars who identify this "dependency versus class" split (although some use different labels) are Clement and Williams, eds. (1989), Phillips (1989), Albo and Jenson (1989), Brym with Fox (1989), and Gidengil (1991). In England, Booth (1985) and Mouzelis (1988) described exactly the same split within the "sociology of development" literature in very similar ways.



political economy as "schizophrenic", "a dialogue of the deaf", and characterised by "epistemological and methodological extremism".¹²² The journal *Canadian Review of Sociology and Anthropology* devoted a complete issue to the schism in 1989.¹²³ Further evidence of the schism's tenacity is provided in a more recent issue of the *Canadian Journal of Political Science*. Gidengil makes an attempt, if not to revive Canadian dependency theory, then to defend its important contribution to the understanding of Canada's continuing weaknesses in the international political economy. She characterises the dismissal of this analytical heritage as exemplifying "misplaced polarities": dependency versus class, left-nationalism versus internationalism, or compradore elite versus finance capital perspectives.¹²⁴ Kellogg's response is that dependency theory's sole useful analytical concept was the hierarchy of national economies, and that the development trajectories of some of the NICs, notably Brazil's, now appear to confirm dependency theory's gloomy insights. But he disavows the "pressure" on Canadian dependency theorists to show that Canadian development is illusory, truncated, or temporary and employs a barrage of statistics on industrial and manufacturing participation rates to show that "Canada is clearly one of the most developed countries in the world." Canada resembles the most highly industrialised countries in the world by per capita GNP and manufacturing productivity, and is farther down the "hierarchy" on the basis of its foreign ownership profile and low ratio of value of manufactured goods to primary resource exports.

Kellogg identifies the bilateral comparative framework as the crux of the error:

[I]n making the *sine qua non* of Canadian dependency theory Canada's "dependence" on the United States, they took Canadian political economy on a long detour. It is hard to overstate the extent of the dependency error.¹²⁵

In response to the early class critique, Daniel Drache, a leading dependency figure, wrote that Canada "falls between two social formations, having the social relations of advanced capitalism and the economic structures of dependency."¹²⁶ In a recent American theoretical review volume, Canada is tidily dispatched as follows:

122 G Laxer (1989: 178-9). Contrast with the sanguine views of Sager (1987: 120) and Phillips (1989: 77).

123 Volume 26 (1), 1989.

124 Gidengil (1991: 122-3).

125 Kellogg (1991: 141). G Laxer (1986: 7-13) and (1989: 186-8) agreed that the bilateral comparison was "theoretically irrelevant".

126 Drache (1983), quoted in Kellogg (1989: 342, 350). Kellogg points out that Marxism is incompatible with the conceptual division of "social relations" and "economic structures".

Countries such as Canada are "dependent" in the sense that their economies have been penetrated by foreign-owned subsidiaries, yet Canada exhibits a standard of living higher than that of most Third World countries.¹²⁷

If this is a reflection of two or more decades of theorising, then the debate on Canada's "location" cannot be said to have had revelatory impact.

Images of Canada?

The "dependency/class" schism resulted in a protracted self-examination on the relative merits of dependency-type and class-type perspectives. Which of the following was Canada: an outpost of empire, a passive and dependent resource-providing victim of world events, an intermediary representing American interests abroad, a junior imperialist, or a full-fledged imperialist power with an independent economic base? This was a bilateral debate in two senses of the word. Dependency theorists tended toward the former images and class theorists toward the latter. The former images, at least, also required the bilateral Canada-United States nation-state comparison. The result is that Canada seems to have found its theoretical niche at the location identified by Harold Innis: on the margin of the affluent portion of the global hierarchy.

From an Atlantic Canadian, "peripheral" perspective, this "images of Canada" debate posed an obvious problem. Aggregate statistics are not revealing of regional differences and the centralist, nation-state emphasis of both *dependenistas* and Marxists reveals little of the political economy of Atlantic Canada itself. In the words of sociologist Ralph Matthews, dependency theory's "preoccupation with international exchange between countries shed little light on the nature of regional disparity within them."¹²⁸ Similarly, Marchak suggested that the Marxist challenge to dependency theory did little to alleviate the discrepancy. She inverted *a priori* assumptions in Marxist political economy by claiming, "Regionalism has long been underrated by social scientists. The focus on class divisions has obscured the fact that populations are geographically situated."¹²⁹

Matthews offered the Canadian nationalist project as an explanation for the "long detour" described by Kellogg:

Perhaps one reason why there has been no sustained attempt to develop a regional sociology in Canada is the virtual obsession among Canadians with... the characteristic and unifying features of Canadian identity. As a result, Canadian sociologists have focused their attention on

127 So (1990: 134).

128 R Matthews (1983: 71).

129 Marchak (1980: 95).

As noted earlier, this particular focus was a crucial element of the political arena. In the early 1970s, the academic community's "Canadian nationalism" dovetailed with the economic sovereigntist aspirations of the federal government under Pierre Trudeau. Trudeau recently wrote that federal governments should create "a sense of national identity which would lead Canadians to believe that... there is some national will which is more than the sum total of the provincial wills".¹³¹ Trudeau was a most influential pursuer of a unifying Canadian identity; he was probably correct in estimating that a strong centralist federal government was a necessary vehicle for it. His ideal "image of Canada" (the "just society") was shaped by three factors: his own liberal values,¹³² the "dependency-esque" perception that American control of Canadian industry posed a potential threat to Canada's economic and cultural autonomy, and the perception that Québec's Quiet Revolution of the 1960s had developed into a socially regressive desire for political and cultural autonomy for Québec. Neither dependency nor class positions – at least in the anglo-Canadian discourse – challenged the image of an ideal Canada which Trudeau fashioned: the contradiction of a bilingual nation with a single, national culture. This contradiction led directly to the "two nations versus ten provinces" dilemma, introduced earlier, in the Canadian constitutional crisis.

There is a further dynamic to the quest for a unifying Canadian identity: its imparting of a selectively narrow conception of the relationship between regionalism and federalism. Matthews defined "regionalism" as "essentially the social-psychological component of regional analysis", which involves subjective identification with and "ideological" commitment to the spatial unit.¹³³ Canadian political economists may see regionalism as a political phenomenon, organising conflict "around the issue of the distribution of resources across geographic space".¹³⁴ These different definitions

130 R Matthews (1983: 78). A version of this paper first appeared in a 1980 "Regionalism" edition of the *Journal of Canadian Studies*. The *Canadian Review of Sociology and Anthropology* also published a special edition on regionalism and underdevelopment in 1980.

131 Johnston, ed. (1990: 45).

132 His liberalism incorporated classical Tory elements as well, notably the acceptance of the collective responsibility of the state to provide for those who did not benefit from the application of liberal principles. Trudeau's economic and cultural nationalism *vis-à-vis* American capital presents an interesting irony alongside his liberal values which were in accord with the more transcendental American ethos of "life, liberty, and pursuit of happiness".

133 R Matthews (1983: 17-24).

134 Brodie (1989: 140).

follow from different concepts of "regions" themselves, which will be addressed in the next section. However, Trudeau's equation of federalism with strong central government caused the term "regionalism" to be associated with conflict. Trudeau's struggle for centralisation appeared to be threatened by the provincial Premiers at the First Ministers conference of September 1980. Of this, he later wrote "it had become obvious that the greed of the provinces was a bottomless pit."¹³⁵

The remainder of this chapter will challenge not only the centralist vision of Trudeau, but also the centralist premises of much of the scholarly debate in Canadian political economy.

Political Economy of Regionalism: Types of Regions

Though we have tried to understand the implications of a system which is truly transnational in its production and financing as well as its markets, we cannot yet theoretically deal with small national governments and their beleaguered parts.¹³⁶

Even while the dependency/class schism was ossifying, a new political economy of regionalism emerged. Its purpose is to supply the shift in perspective – away from the nation-state and towards its constituent parts – with a theoretical basis. It appears set to become a growth industry in the discourse of Canadian political economy. It is therefore puzzling that the inherent spatial element of regions and regionalism continues to pose a problem to theorists. This can be seen as a genuine theoretical crisis because of the centrality of regional conceptions of conflict within Canada. In her articulation of a regionalist discourse, Janine Brodie maintains an earlier proposition that the term "region" had been rendered analytically problematic by the confusion of two different concepts of it – "formal" and "relational".¹³⁷ Formal regions are those delineated by a similarity of features, such as environmental factors. This familiar analytical device is employed by, for example, the Canadian government when it disaggregates national statistics into "Atlantic" and "Prairies" categories. Ethnicity (e.g., "French Canada") is another formal criterion for demarcation. But the explicitly political concept of "relational" regions challenges the idea of regions as fixed, natural, "spatial units". Instead, relational regions are products of shifting political, social, economic, and administrative relationships through space.¹³⁸ These relationships cut across formal regions; for instance, the relational region of Toronto extends to Atlantic Canada and into other countries. Brodie points out that "Innis's

135 Johnston, ed. (1990: 54).

136 Marchak (1985: 696).

137 See Westfall (1980: 6-8). The following four paragraphs are edited excerpts from Lawton (1992: 142-3).

138 Westfall (1980: 8) and Brodie (1989: 141).

staples theory, the metropolitan-hinterland thesis, dependency theory, and some neo-Marxist applications all argue that regions are defined by their relationships with other regions."¹³⁹

The problem is that the concepts of formal and relational regions are held to be mutually exclusive. The "two nations/ten provinces" dilemma is used to illustrate this: formal criterion of ethnicity (nations) versus relational criterion of administrative boundaries (provinces). Whereas it is seen that to use formal criteria like geography as explanations for the social and political characteristics of a region is unacceptably deterministic (i.e., a throwback to the modernisation paradigm), formal regions have in this discourse been discarded as "spatial abstractions".¹⁴⁰ This conclusion is neither logical nor necessary; it has been reached as a result of identifying regions as only political creations: the "products of alliances and conflicts".¹⁴¹ This perception is not incorrect, but it is incomplete.

David Cameron had argued in 1980:

To approach the phenomenon [of regionalism] from the perspective of the problems and tensions which it seems to create is... to treat it primarily as a political force and to catch only a part of that complex political reality to boot.¹⁴²

A counterpoint to the notion of formal regions as spatial abstractions can be provided. Approaching regionalism through the narrow prism of the political conflict between two levels of government misses its cultural dimension. This dimension incorporates a shared set of attachments to institutions and practices, and is expressed through a shared economic production mode, dialect or language, lifestyle, history, customs, myth, identity – all of which undergo a continuous process of reinvention. These may indeed be analytically untidy but they are not "spatial abstractions". Culture has a spatial aspect: cultures are the human manifestations of particular geographic locales. This is the level at which culture in this sense exists, and not at the level of the greater Canadian association. The concept of formal regions is useful here because it conforms to the framework in which people perceive their own cultures. From the point of view of St John's and Québec, at least, "Canadian culture" is an abstraction relative to the concrete reality of regional, provincial, or sub-provincial allegiances. Formal regions, therefore, should not be isolated from the discourse in political

139 Brodie (1990: 22).

140 As is argued by Westfall (1980: 7), and Brodie (1990: 6). This is reminiscent of Overton's dismissal of dependency theory by the phrase "space fetishism" during the "dependency/class" debate. See Overton (1979: 233).

141 Brodie (1990: 17).

142 Cameron, ed. (1980: 127).

economy. Whereas the "images of Canada" debate discounted regional dynamics and regional discontent altogether, the new regionalist discourse does not yet exhibit a conceptual coming to terms with nationalism and regionalism as living phenomena in Canada – with progressive or regressive potentialities, depending on the given historical context. In David Alexander's words, "Canada is a country with provincial myths but no country-wide ones which are seriously believed".¹⁴³ In a complete refutation of the Trudeau-type vision, he also argued that the survival of Canadian federalism is dependent on the encouragement of "untidy" regional identities rather than their denial.¹⁴⁴ Given the fact that the Canadian federation is undergoing a process which may result in its radical restructuring or its demise, the inability of a political economy discourse to come to grips with this is a critical deficiency.

Political Economy of Regionalism: Atlantic Canada

Dependency theory, with its spatial foundation, was instrumental in the shift from nation-state to regional perspective – notwithstanding that its less sound "third world" premises had been found wanting by orthodox Marxist analyses of Canada's economic development trajectory. One Marxist theorist argued that little is left of Canadian dependency theory once the ideas of the "branch-plant" and "staples trap" are abandoned.¹⁴⁵ If one treats Canada as an abstract, single unit of analysis, this would appear to be a valid assertion. But if one considers the concrete diversities and disparities within the abstract whole, dependency theory remains alluring, not least (as was noted by Glen Williams)¹⁴⁶ if it conforms to one's decentralist or autonomist political objectives.

Frank's "development of underdevelopment" model denotes that underdevelopment is not "natural" but an artifact of colonial domination. It was first applied to the Atlantic provinces in 1971.¹⁴⁷ In a later PhD dissertation, Goulding concluded that the *cul de sac* Frankian model was fully appropriate to Newfoundland's colonial experience. He disputed the Cardoso model by arguing that St John's could never expect to compete with Toronto and that Newfoundland lacked the growing comprador middle class postulated by the model.¹⁴⁸ A rapidly expanding urban middle class, however, is precisely what St John's had in the two decades following the union with Canada. A

143 Alexander (1980: 41). This was in the special "Regionalism" edition of *JCS*.

144 This is also the theme in Lawton (1992), though it is argued with less sympathy for the integrity of the federation in its current form.

145 Kellogg (1989: 350).

146 Cited by Brodie (1989: 153).

147 See Archibald (1971).

148 Goulding (1981: 57, 377).

non-Frankian view arose from Matthews, who argued that Cardoso and Faletto's theory seemed "particularly relevant" to the analysis of regional disparities in Canada. But Matthews opposed the characterisation of Atlantic Canada as "underdeveloped":

[It is] most assuredly *dependent developed* in that [its] economic growth is highly constrained and determined by decisions made outside the region in the economic centres of [Canada] and other countries.¹⁴⁹ [Italics in original]

Sager's review of Matthews' work contained a simple and penetrating critique of Cardoso's theory:

First, Cardoso's emphasis on dependent development could easily render the "dependency" concept superfluous. If dependent countries may experience development as well as underdevelopment, what is the use of dependency as an explanatory variable? We should still need to know what were the causes of capitalist development in some regions and of underdevelopment in other regions.¹⁵⁰

Sager's reservations followed from his unease regarding the "deindustrialisation of the Maritimes" historiography, the starting point of which is that the Maritimes were, by 1885, a striking illustration of the industrial success of the Canadian National Policy.¹⁵¹ Then, locally capitalised manufacturing in the region lost its central Canadian markets through a consolidation of Canadian capital between 1890 and 1920. The consolidation aspect is not disputed; Sager, however, argued that it has been assumed – and not proven – that capital consolidation itself caused the decline in Maritime manufacturing and thus Maritime underdevelopment. Thus, the deindustrialisation case repeated the "question-begging tautology" of the dependency discourse.¹⁵² Sager's argument that real and per capita output in the Maritimes grew between 1880 and 1939 might appear to be qualitatively distant from the arguments that the region was a "branch-plant economy" by 1914, that output and employment fell by 40 per cent between 1917 and 1921, and that 300,000 people emigrated between 1900 and 1930.¹⁵³ However, Sager is writing of a 60-year time span and, as was noted in Chapter 1, the statistical impact of depopulation can be the improvement of per capita output figures.

Veltmeyer's position also appeared to be informed by Cardoso. His project was to combine class and spatial analyses for a preliminary explanation of Atlantic Canada's associated-dependent development relative to the metropolitan core. His mechanism

149 R Matthews (1983: 74).

150 Sager (1987: 123).

151 See Acheson (1985 [1972]).

152 Sager (1987: 125-9).

153 See Veltmeyer (1979: 21-3) and Brodie (1990: 124-5).

was a regionalist extrapolation of the Marxian concept of a surplus pool of labour: surplus labour as another export commodity. Thus, the post-National Policy transformation of the Maritime economy by central Canadian capital produced an army of dispossessed primary producers who followed the subsequent flight of capital from the Maritimes to central Canada and the United States. According to Veltmeyer, this process assumed "alarming proportions" in the 1960s. Those who remained entered the export-orientated resource extraction industries – for example, pulp and paper mills, mining and primary steel production. The "structure of underdevelopment", for Veltmeyer, would appear to be the conjunction of externally controlled industries and the mobile, surplus labour produced by the externally influenced contractions within such industries – and required by capitalism at the centre.

[If capitalism on the periphery] generates unemployment and poverty under some conditions (contraction), it absorbs labour power under others (expansion), producing an effect similar to capitalism at the centre.... [T]he expanded reproduction of capital at one pole (the centre) both requires and creates on the other (the periphery) conditions for a mass of "free" labour held in reserve but available for purchase. In effect,... underdevelopment in Atlantic Canada can best be understood in terms of Marx's concept of an "industrial reserve army" – as a lever of capital accumulation.¹⁵⁴

However, it is clear that the surplus of labour cannot all be absorbed at either centre or periphery, even during times of expansion such as the mid-1980s boom in Ontario.

The seminal 1979 volume, *Underdevelopment and Social Movements in Atlantic Canada* – in which Veltmeyer's paper appeared – was premised on the assumption that dependency theory provided a better theoretical model for the Atlantic Provinces than for Canada as a whole.¹⁵⁵ The dependency perspective was employed for the purpose of explaining external capital's impact on class relations in the Atlantic region. Although an elegant synthesis of class and spatial models for regional development has not been articulated, and although it has been noted that some see such as impossible, the regionally sensitive class-based attempts at synthesis have provided the most compelling historical accounts of regional economic stagnation. The debate has since been built around the phenomena that class-biased arrangements between the

154 Veltmeyer (1979: 18-19). Sacouman (1979: 38) also applied the concept of a surplus pool of labour.

155 Not all of the contributors were favourably disposed towards dependency theory, however. James Overton's paper – "Towards a Critical Analysis of Neo-Nationalism in Newfoundland" – described how the language of "dependency" had, by then, been appropriated for conservative political agendas. See Overton (1979) and Chapter 6 on this point.

state and capital produce spatial rather than class politics, and that capitalist restructuring has spatially uneven results.¹⁵⁶

Modes of Production

A third dependency model which shares Cardoso's emphasis of the social structures of dependency is the "modes of production" approach.¹⁵⁷ It is in fact a departure from classical dependency theory's focus on exchange relations and a return to a class-based and empirical analysis. In Canada, it is associated with Atlantic Canadian scholarship. One Canadian political economist called it both a "more suggestive approach to the region's underdevelopment" and, curiously, "limited in scope" to rural underdevelopment.¹⁵⁸ This should not necessarily be seen as a weakness in scope: the people of rural Atlantic Canada are those whose culture was most transformed by the modernisation paradigm and are now the most vulnerable to economic restructuring in the region.

The premise of the modes of production approach is that class structures at peripheries are more complex than those at the developed core. While the inshore fishery is sometimes characterised as a subsistence, pre-capitalist, or feudal production method, it is a specific form of capitalism, with fishermen owning the means of production (boats and gear) but with the appropriation of surplus value occurring at the point of exchange rather than at the point of production. "Self-employed" primary producers have little control over the exchange process, and control over prices only insofar as collective union negotiating is able to influence (raise) them. The offshore trawler fishery and processing sectors are unambiguously capitalist, with labour sold directly.

This is reminiscent of the modernisation paradigm's socio-economic dualism. However, the modes of production approach employs the concept of duality to illustrate the exploitative links and polarisation between the two modes of production.¹⁵⁹ The focus of research is the (adverse) impact of advanced capitalism on the primary resource producers of the region.¹⁶⁰ The approach becomes "unstuck", however, in its political agenda: a "genuine struggle for socialism" among the primary producers.¹⁶¹ Sacouman notes that Marx assumed, rather than developed, a theory of

156 See, for example, Brodie (1990: 53, 75) and Sacouman (1990: 247). Brodie credits Harold Innis as having recognised in 1940 the uneven spatial impacts of federal policy instruments that were supposedly to benefit the whole country.

157 Sager (1987) considered it to be a "post-dependency" model.

158 Brodie (1990: 50).

159 See R Matthews (1983: 73-4) and (1986 [1981]: 79), Brodie (1989: 152),

160 See, for example, Sinclair (1985).

161 See Sacouman (1979), R Williams (1979), and Fairley et al., eds. (1990).

national or regional uneven development.¹⁶² He emphasises, therefore, that the socialist project can no longer rely on the simple dualistic notion of class contained in Marx's linear analysis of industrial society. Class location in this analysis is defined as people's consciousness of their own interests, rather than as an economic category. This reflects Cardoso's emphasis of internal socio-political aspects of dependency.

Class struggle, indeed, never occurs purely. It... is always linked to other movements that are across-class, but not beyond-class, struggles, such as nationalism/regionalism and feminism.... The task is to bring together all those who are bearing the brunt of this attack, *including* the region's wage workers, in an alliance for an alternative project that will conserve and enhance the society and communities to which they belong. This is not utopian but necessary... for the formulation and achievement of a popular democratic form of socialism.¹⁶³ [Italics in original]

What is interesting about this excerpt is the prioritising of community enhancement and the achievement of democratic socialism. The former, although undoubtedly seen as desirable, is conceived of as a prerequisite for the latter. People's consciousness of their own interests, therefore, seems to be constrained at the outset. Hence, it becomes possible that the type of consciousness actually uncovered through empirical research will be non-socialist and therefore "false". "Populist", however, is the descriptive term employed for such false consciousness. Populism is defined as an "alternative to capitalist development based on small-scale enterprise".¹⁶⁴ The task of the class theorist or activist is either the transformation of regional populist movements into genuine socialism, or the determination of whether there can be a populist socialism, via "fusing the goals" of primary producers and working class.¹⁶⁵

Political Economy of Environmentalism

"Ecology" and "environmentalism" have, over the past two decades, made inroads into popular consciousness. It could be argued that "green consumerism" – an oxymoron to "deep ecologists"¹⁶⁶ – is the most visible and popular manifestation of this consciousness in English-speaking countries.¹⁶⁷ The purpose here, however, is

162 Sacouman (1990: 242).

163 Sacouman (1990: 244-5).

164 Overton co-authored a critique of the 1977 People's Commission on Unemployment in which it was chided for its substitution of class analysis by "romanticism" and "populism". See Goulding (1981: 152).

165 Leys (1990: 22, 41). See also other papers in this volume: Fairley et al., eds. (1990), although Fairley, like Leys, appears to have distanced himself from the ideological dismissal of "populism".

166 Deep ecologists are environmental idealists who seek "biospheric egalitarianism" and argue that the bases of environmental problems are Western cultural attitudes. They would see "green consumerism" as even shallower than the "shallow ecology" fight against pollution and resource depletion. See Lawton (1986: 6, 57-9) and Lawton (1986) generally for an analysis of the different streams of environmental thought.

167 In countries with proportional representation voting systems, notably Germany, there was also a direct impact on the political process in the 1980s.

to explore environmentalism as an ideological basis for the local development model. The late 1960s to mid-1970s saw – mainly in the United States and England – a number of expressions of a new system of values which were essentially an incohesive critique of the dominant "ideology of growth".¹⁶⁸ That ideology was perceived both to be destroying the natural world and alienating humanity from the world and from itself. The questioning of "development" and "progress" were examples of shifting values. Population, pollution, resource depletion, the relationship between science, technology, and ethics, and the relationship of humanity to the natural and built environments were themes in the emergent discourse. From these developed prescriptive analyses, the most influential being *A Blueprint for Survival* and those on "intermediate technology", "steady-state economics", "small is beautiful" local development, the ideal nature of work, and "soft energy paths".¹⁶⁹

This was a challenge to the modernisation paradigm in parallel to – but largely in isolation of – that posed by the dependency discourse. In *Small is Beautiful*, for example, Schumacher not only claimed that technology in the industrialised world had become an end in itself, he argued that the export of large-scale technologies to the "third world" further concentrated economic power and exacerbated rural unemployment:

The common criterion of success, namely the growth of GNP, is utterly misleading and, in fact, must of necessity lead to phenomena which can only be described as neocolonialism.... Methods of production, standards of consumption, criteria of success or failure, systems of values, and behaviour patterns establish themselves in poor countries [and] fix the poor countries ever more inescapably in a condition of utter dependence on the rich.¹⁷⁰

ily acc.

This was essentially a dependency theory position. Politics and economics were therefore explicitly incorporated into a body of thought which had until then only expressed a shifting of values. It is the coalescing of the set of values on the one hand, with alternative political and economic agendas on the other, which constitute a broad ideology of environmentalism.

Environmentalism as an Ideology

Robert Paehlke argues that

168 See, for example, Commoner (1966), Ehrlich (1968), and Reich (1970). Rachel Carson's *Silent Spring* (1962) can be considered to have been the forerunner of environmental movements.

169 See, respectively, Goldsmith et al. (1972), Freeman, ed. (1969), Daly, ed. (1973), Schumacher (1973), Gorz (1980, French edition 1975), and Lovins (1977).

170 Schumacher (1973: 180-1). See also Schumacher (1973: 167).

Environmentalists have produced a sociological, political, economic, and philosophical literature of remarkable breadth, depth, and variety that has significantly affected the political and administrative agendas of most nations of the world. Seeing environmentalism as an ideology may also alter our understanding of the concept of ideology itself.¹⁷¹

The environmental ideology is not a theory of underdevelopment. It is, however, a "minimalist" critique of development models; i.e., it rejects those that require a radical restructuring of the target region and advocates instead the search for a model which minimises the disruption of existing social relations and maximises the dispersion of social welfare. The latter is meant to be interpreted both in terms of economic well-being and participatory democracy. The thrust of the environmental ideology is prescriptive rather than analytic. The "diagnostic" basis and the goals of its prescriptions are inverse images, and inherent in the ideology. The essence of the problem is identified as the application of policies that diminish the ability of people to influence the policy process and the application of technologies that diminish the carrying capacity of the biosphere. The modernisation paradigm fits this description. The goals of the environmental ideology are the application of policies and technologies that achieve the opposite: local empowerment and sustainable production methods.

The Institute of Social and Economic Research (ISER) at Memorial University of Newfoundland would appear to have been at the forefront of the new ideology. ISER hosted a colloquium in 1968 which included the participation of Schumacher's London-based Intermediate Technology Development Group. That the colloquium was a conscious response to the modernisation paradigm in Newfoundland is evidenced by the prefatory comments in the published proceedings:

Certainly it is true in Newfoundland that massive industrial investment has failed to alleviate the social and economic predicament of that large majority of the labour force, whose wellbeing has been most threatened by consequences of the various development programmes.... Paine et al. emphasize the need to adapt technological innovations and attendant social complexes to existing societies, rather than attempt to adjust the existing cultural norms and social forms to an exotic technology that evolved elsewhere.¹⁷²

George McRobie, co-founder of the Intermediate Technology Development Group, later wrote that the colloquium

171 Paehlke (1989: 273).

172 Freeman, ed. (1969: iv-v). See also Paine et al. (1969) – a paper in the collection.

was memorable because it was the first-ever meeting on appropriate technology and small-scale development to be held in a rich country, and because it was nearly twenty years ahead of its time.¹⁷³

The goals of the environmental ideology coincide with the goals of the local development model and this congruence can now be made more explicit.

Principles of Environmentalism and the Local Development Model

The term "environmentalism" obscures an impressive spectrum of values and political attachments on the part of those who would associate themselves with the label. However, a system of principles which could perhaps be accepted by most environmentalists can be described. The following are those with specific relevance to economic development:¹⁷⁴

1. Recognition of the natural limits of human economic activity, especially the limits of non-renewable resource extraction.
2. Preference for simpler solutions over those requiring an excessive level of high technology or capital investment.
3. Belief that human societies should be established on more sustainable economic basis, with a maximisation of regional self-reliance.
4. Belief that human welfare cannot be measured solely in the economic terms of wages, GDP, and economic growth.
5. Emphasis on the right of individuals and community associations to determine their own priorities and goals.
6. Preference for political decentralisation and autonomy.
7. Preference for more participatory administrative structures.
8. Priority for a long-term frame of reference over short-term economic or political goals.

In a critical analysis of New Dawn Enterprises Ltd, a community development corporation in Cape Breton Island (Nova Scotia), Colin Mason's description of the "local development approach" includes the following points:

The local development approach is based on the assumption that the fortunes of communities are not completely predetermined by locational, structural or resource characteristics, or by fluctuations in demand and that they can achieve development through the organization of underutilized local resources.... They can include undeveloped natural resources and physical or cultural assets. They certainly include... people whose... abilities have not been fully exploited. In order to exploit these resources it is necessary to create enabling structures – locally controlled economic and political institutions.¹⁷⁵

173 See Antler et al. (1987: 115). The Intermediate Technology Development Group is still active in the early 1990s.

174 These are adapted from Paehlke (1989: 144-5) and Lawton (1986: Chapter 2).

175 Mason (1991: 116). For the location of Cape Breton, see map 2.

Mason's view is that New Dawn is "not ideologically based".¹⁷⁶ However, compare his outline of the organisation's principles with those of the environmental ideology:¹⁷⁷

1. Seeks the holistic development of the community, viewing the social, cultural and economic aspects of a community as inseparable.
2. Uses sound business practices and techniques to achieve its community development goals.
3. All business ventures must be organized so that they will become self-financing.
4. Adopts a long-term approach by not dissipating energy in short-term projects (for example, "make-work" schemes)¹⁷⁸.... Rather, it seeks to translate limited, short-term grants and funds into long-term assets....
5. Ensures that the use of government funds does not endanger its own self-sufficiency and independence... and only takes on projects which will be viable in the long run without government help.
6. Adopts structures to ensure that revenues generated... are retained within the organization to be used for further development projects.
7. Seeks to add to what is already available in the community rather than duplicating services and facilities.
8. Seeks to develop greater community control of assets and facilities.
9. Utilizes volunteer efforts and channels this effort into productive worthwhile activities.

These two sets of principles have inverse emphases which reflect their own intellectual lineages: the environmental ideology attaches the issue of human organisation to the primary issue of avoiding ecological degradation and the local development approach attaches the issue of resource utilisation to the primary issue of human organisation. Apart from the first environmental principle of recognising the limits of resource activity, therefore, the two sets of principles almost exactly correspond.¹⁷⁹ It is not necessary to isolate the local development model as "non-ideological". Neither is the purpose of identifying it as based in the environmental ideology to put a tidy conceptual box around it. It is rather to emphasise its potential as a conscious political project which is radical but distinct from what is understood as the Marxist project. To argue that the local development model is theoretically rooted in environmental ideology is another way of saying that the environmental ideology has returned to its own intellectual roots in anarchism.¹⁸⁰ The environmental tenets of political decentralisation and maximising individual and community self-reliance were adapted from anarchist tenets. The essence of anarchism was the struggle by communities of

176 See Mason (1991: 124).

177 See Mason (1991: 124).

178 Bracketed phrase in original. The issue of "make-work" schemes will be addressed in Chapters 4 and 6.

179 A letter to the *Evening Telegram* (21.6.90: 4) by Michael Winter of the Green Party of Newfoundland and Labrador further demonstrates the congruence between the environmental ideology and the local development model. Winter was interviewed for this thesis.

180 Lawton (1986: 40-53) argued that at least one branch of environmentalism has roots in nineteenth-century European and Russian anarchism, with the writings of Kropotkin offering the most obvious illustration. On this intellectual lineage, see also Peet, ed. (1977), Gorz (1980), Bookchin (1982), and Clow (1982).

primary producers for local autonomy. Anarchism, like the local development model, is primarily about human organisation rather than the natural world.

Environmental Ideology, Modernisation, and the Left

In the context of the Newfoundland political economy, the environmental ideology is the definitive critique of the modernisation paradigm. For at least two decades, a debate has existed over the conflict between two broadly distinct modes of production in the northern cod fishery: the "semi-proletarian" or "small independent producer" inshore fishery and the capitalist nearshore longliner fishery on the one hand, versus the capitalist offshore trawler fishery on the other.¹⁸¹ In Chapter 5, it will be seen that inshore fishermen foresaw in 1971 that the cod stocks, and thus livelihoods and communities, would be destroyed by the efforts of trawler fleets (then mainly European) on the Grand Banks. At the end of the 1970s, "official" fears were rather that a glut of fish would pose problems in marketing the catch.¹⁸² The federal government urged the industry to expand capacity after 1977 (when Canada's 200-mile fishery exclusion zone was implemented) so as to prevent access of foreign fleets to stocks that might otherwise be considered surplus to Canada's needs.¹⁸³ As late as 1987, the Economic Research and Analysis Division of the Newfoundland government highlighted the healthy marketing, price, and revenue conditions for northern cod.¹⁸⁴ In 1992, the cod fishery was closed in those sectors affecting the north and east coasts of Newfoundland and it appears that the fears of inshore fishermen were justified. There is only one explanation for the devastation of the fish stocks: overfishing.¹⁸⁵ In retrospect, the encouragement of overfishing by Canadian boats appears to have been the overriding policy goal of the federal Department of Fisheries and Oceans.

Thus, for the duration of the moratorium, there is work for biologists but little subject matter for a "political economy of fishing" or a struggle for socialism among primary producers and processors. The following argument was made seven years before the moratorium:

181 Class analysts of the fisheries may object to the "lumping together" of the inshore and nearshore, as they clearly have distinct social relations of production – see Fairley (1985) and (1990). However, my distinction is made on much simpler bases: the scale and sustainability of the productive efforts.

182 See Steele et al. (1992: 40).

183 See Steele et al. (1992: 40).

184 See Newfoundland and Labrador (1987: 23-7).

185 This is distinct from stating categorically that factors such as seal predation and cold water temperature are unrelated to fish populations. However, these factors did not cause the disaster: fish have been surviving them for a long time.

This contradiction of **capitalist** development, the fact that "no fish can be caught in waters that contain none" **regardless of the efficiency** of the devices employed, was brought home to the capitalists who had invested in trawlers in the late 1960s and mid-1970s.... The crisis in the fishery in the 1980s was therefore an **entirely new economic situation** which interrupted the continuity of *both* lines of previous capitalist development (the integrated trawler-processors, and the longliners).¹⁸⁶ [Italics in original; bold emphases added]

There are three points to be made respecting this. An ecological crisis which had been developing since the 1960s was termed "an entirely new economic situation". From the environmental perspective, this is true but a serious understatement. Furthermore, there is nothing uniquely "capitalist" about the fact that overfishing is unsustainable. Capitalist, socialist, populist, and fascist overfishing will have the same result. Finally, and most importantly, the word "regardless" in the quotation is inappropriate. The "efficiency" of the production technology not only decimated the cod stocks, but itself served as the rationale for policy which favoured capital-intensive methods over "inefficient" methods, such as the small-boat inshore. That there are insufficient fish for any cod fishery is the elegant basis of the environmental ideology's critique of the modernisation paradigm. That there is no evidence for social scientists having grappled with the prospect of 400 or more fishing communities being unable to fish – an "entirely new" social, political, and economic situation – is the basis of the environmental ideology's critique of the established scholarly discourse, Marxist or otherwise. The fact that some 19,000 inshore and trawler fishermen and processors directly became unemployed *en masse* should by now have provided sufficient evidence to class analysts that although complex social relations may be difficult to define precisely, the interests of these people do coincide.¹⁸⁷ However, the earlier quotation from Sacouman suggests that it is increasingly accepted by Marxist scholars of Atlantic Canada that a strictly orthodox application of Marxian class principles is inadequate as a frame of analysis for understanding the region and for formulating a political philosophy for its future.¹⁸⁸ This further suggests that Marxists are responding to the type of challenge presented as early as 1974:

Marxism, which like sociology itself represents above all a response to the unprecedented social change of rising nineteenth-century industrialism, is being asked in the twentieth century to preside over the de-industrialization of part of the globe and the rural-based ecologically evolutionary... development of the rest. Those who insist that such a process has nothing to do with Marxism merely ensure that what they choose to call Marxism will have nothing to do with what happens in the world.¹⁸⁹

186 Fairley (1990: 180-1) – published work from a conference in 1985.

187 There is, however, a Marxist response to this. Leys (1990: 24) argues that "dangerous idealism" lies in "supposing that it is enough to 'articulate' a promising alliance of interests for it to be capable of being realized". My response to this is that the only "danger" posed would be to those analysts who had argued that an alliance is potentially counterproductive.

188 See Fairley et al., eds. (1990: 19) and Sacouman (1990: 244-7).

189 Foster-Carter (1974: 94).

It remains the case that the policy tools of environmentalism can be used in almost any agenda, progressive or otherwise. This is because environmentalism is the "first ideology to be deeply rooted in the natural sciences (Marxist claims notwithstanding)".¹⁹⁰ Ecology, in its original form as a natural science, is politically neutral. It "does not necessarily imply the rejection of authoritarian, techno-fascist solutions".¹⁹¹ Thus, environmentalism cuts across established political boundaries. Support for the Swedish Green Party in the October 1988 election came from the Right and not from disgruntled left-wing voters.¹⁹² One leftist writer in the *Sunday Times* argued that although there had been a "greater overlap between greenery and the Centre-left" than with the Right,

the assumption on the Left that somehow it offers a natural political home for environmentalism is wrong and complacent. It underestimates the novelty of the green movement and the distinctiveness of its message. The latter has a more critical approach toward modernity and what constitutes progress than the traditional productionist view held by Labour.... [I]t is probably the only genuine grassroots international movement.¹⁹³

Paehlke's similar view is that the ambiguity of the environmental ideology is exacerbated by those of its practitioners who emphasise that Green politics are "neither Left nor Right".¹⁹⁴ This ambiguity was a major reason for the heavy defeat of the German Green Party in the federal election of December 1990.¹⁹⁵

The traditional Left's opposition to the environmental ideology is theoretically consistent with Marx's opposition to anarchism. A progressive "red/green" coalition has therefore been pre-empted by a long-running ideological schism.¹⁹⁶ In modern discourse, the "jobs versus environment" dilemma is the best policy manifestation of the schism.¹⁹⁷ A consequence of the fact that "green" ideas can be appropriated by the Right is that the recognition which is afforded to the environmental ideology can be decidedly pejorative. Schumacher wrote of the "creative freedom" of the entrepreneur – a central figure of neoconservatism.¹⁹⁸ With respect to Newfoundland development

190 Paehlke (1989: 273). The bracketed phrase is original.

191 Gorz (1980: 16-17).

192 See the *Guardian* (14.10.88: 23).

193 Martin Jacques, the *Sunday Times* (2.10.88). "Labour" refers to the British Labour Party.

194 See Paehlke (1989: 275).

195 This was the opinion of Die Grünen themselves. See the *Observer* (28.4.91). See also the *Observer* (9.12.90: 16).

196 The "red versus green" ideological conflict is traceable to the split, within the International Working Men's Association, between Marx and the anarchists in 1868.

197 Paehlke (1989: 104-10) argues, however, that the perceived necessity of a trade-off between jobs and an alternative environmental agenda is misled.

198 See Schumacher (1973: 227). The emphasis of entrepreneurship in neoconservatism will be examined in Chapter 4.

policy, the "small is beautiful" local development model is attacked as a wilful ideological cover for a right-wing, neoconservative agenda.¹⁹⁹ That argument was used in a critique of the *The Report of the Royal Commission on Employment and Unemployment* in 1986 and will be discussed in detail in Chapter 6.²⁰⁰ It is indeed useful to be reminded that the decentralist and "self-reliant" environmental agenda can be a convenient tool for the neoconservative policy goal of dismantling the welfare state. However, it should be emphasised that although the appropriation of that particular discourse by neoconservatives has been documented, that constitutes insufficient ground upon which rationally to reject progressive policy agendas of environmentalism.

Decentralisation is an element of neoconservative rhetoric, but the analysis of neoconservatism in Chapter 4 will argue that neoconservatives, unlike environmentalists, do not link decentralisation to the achievement of more participatory administrative structures. There are other distinctions between the environmentalist and neoconservative agendas: environmentalists would make neither economic efficiency nor rapid growth in GDP high policy priorities, would oppose expansions of military spending, enhance the enforcement of environmental regulations, and favour the maintenance of expenditures on education, the arts, and a revised social welfare system.²⁰¹ The policy priorities and goals of the environmental ideology do not coincide even trivially with the neoconservative agenda of the 1980s. Although the Greenpeace experience was a notable exception,²⁰² the majority of environmentalists will see the culture and lifestyle of rural Atlantic Canadians as intrinsically valuable and under threat.²⁰³ The neoconservative agenda rests upon the logic of the market economy, and sees such a culture as viable only if it can accommodate the penetration of this logic.

Conclusions

The environmental ideology, dependency theory, and the local development model all emerged toward the end of the 1960s. This was not incidental as they were

199 See Overton (1988: 14-18) and (1990: 58-76).

200 By Overton.

201 See Paehlke (1989: 276-7).

202 The successful campaign by Greenpeace and the International Fund for Animal Welfare to end the remnants of the Newfoundland seal hunt in the late 1970s and early 1980s was conducted with a disregard for the potential economic consequences in the rural areas directly affected.

203 This was certainly the case with the Green Party of Newfoundland and Labrador, as explained by member Michael Winter in an interview for this thesis at St John's on 20 July 1990. Winter responded affirmatively to the question of whether the Green Party's task had been made more difficult by the Greenpeace experience.

ideologically related and parallel responses to the modernisation paradigm. All three have complementary policy implications informed by the rejection of the modernisation paradigm. Those policy implications are political decentralisation, local autonomy, minimising exploitative economic linkages, and enhancing internal economic linkages and the distribution of income.

The editors of *The New Canadian Political Economy* note that "the environment" is one of the areas in which the analytical nets of the new scholarship remain in embryonic form.²⁰⁴ The Canadian political economy discourse, as described in this chapter, offers only the barest recognition of the contribution made by the environmental ideology to the development debate. As part of a completely different discourse, and with increasing levels of sophistication, environmentalism has been contributing to that debate for over two decades – the same length of time that the post-modernisation political economy has been constructing an understanding of global and regional economies. Environmentalism clearly challenges the values of "late industrial capitalism". It would therefore appear that the "new Canadian political economy" should advance from the class/dependency dichotomy and incorporate this challenge into the mainstream of its own discourse.

Chapter 3

An Overview and Analysis of Newfoundland Development Policies

Newfoundland's history is largely a story of the ebb and flow of national income, the flow succeeding the ebb independently of attempts at contrivance on the part of the people and their governments.... Every part of the structure is exposed to economic tempests and nothing but the broadening of its base will make it safe.

- Commission Government, despatch to Dominions Office, 13 February 1939
- from Neary, *Newfoundland in the North Atlantic World, 1929-1949* (1988)

In Newfoundland the chains of metropolitan domination too often appeared golden.

- David Alexander, "Development and Dependence in Newfoundland, 1880-1970" (1974)

Introduction

This chapter will attempt to illustrate and analyse the shifts of development policies of Newfoundland governments. After presenting a synopsis of the island's economic history, the analysis will focus on three distinct political eras: the post-Depression Commission Government period (1934-49), the "modernisation" era under Premier Joseph Smallwood (1950s and 1960s), and the "neo-nationalist" era under Premier Brian Peckford (1979-85).¹ The last of these was defined explicitly in opposition to the second. The purpose of the chapter is to argue that the Peckford approach constituted the first development policy contradiction in Newfoundland – one of the "contrary agendas" of the title.

Historical Synopsis, 1855-1908

The search for "economic diversification" is perhaps the central theme in Newfoundland's economic history. Much of the island's political history also reflects this essential point. When Newfoundland achieved Responsible Government in 1855, one-third of the population of 120,000 were engaged in fishing. Until at least the early

¹ Peckford was Premier from 1979 to 1989 but the focus will be on the first half of his term in office.

1870s, the fisheries accounted for over 95 per cent of exports.² The 1860s, however, were a decade during which cod and seal catches fell, prices collapsed, and the numbers of people thrown onto poor relief consumed one third of government revenues.³ These factors and the volatility of foreign markets were such that

The industry was obviously an unstable one upon which to found a country's external earnings and such a large fraction of its national income, and it is hardly surprising that with responsible government politicians launched an effort to widen the country's production base.⁴

Although the 1860s had "bred confederates out of pessimism" so soon after the achievement of Responsible Government,⁵ Newfoundland did not at that time follow the Maritime colonies into the Canadian federation. This has been attributed both to a successful scare-mongering campaign and to a rational rejection of a continentalist economic vision with little relevance for Newfoundland.⁶ The majority of political elites believed that maintenance of Responsible Government was an indispensable vehicle to economic progress.⁷

The depression of the 1860s introduced urgency into the search for economic diversification strategies.⁸ Alexander characterised the government's response as one of "legislative ferocity which took second place to no developing country".⁹ Much of the legislation sought import substitution by encouraging agriculture and tariff-protected manufacturing.¹⁰ Although Newfoundland resisted Canada politically, it "set out to replicate the economic performance of its continental neighbours".¹¹ The trans-island railway, begun in 1881, epitomised this. It was "an irresistibly attractive symbol of modernity".¹² A Joint Select Committee had noted that "there is no Colony of equal importance under the Crown without a Railroad" and that

2 Overton (1978: 108), citing from the work of Parzival Copes. This can be contrasted with the neighbouring Maritime colonies (Nova Scotia, New Brunswick, and Prince Edward Island), which diversified to a greater extent into timber and shipbuilding in the early part of the century. By the 1850s, the Maritime mercantile elite together owned and operated the fourth largest fleet of sailing ships in world, after Britain, France, and the United States.

3 See Great Britain (1933: 13). See also Overton (1978: 108) and J Hiller (1980a: 76).

4 Alexander (1980a [1976]: 19).

5 J Hiller (1980a: 78).

6 For an account that emphasises the propagandist angle, see J Hiller (1980a); for accounts of the latter persuasion see Mayo (1948) and Jones (1990).

7 J Hiller (1980a: 77). Ironically, the anti-Confederate leader, Charles Fox Bennett, was opposed to Responsible Government and favoured a return to colonial status.

8 See J Hiller (1980b: 124-5) and McDonald (1987: 1).

9 Alexander (1980a [1976]: 26).

10 See Newfoundland and Labrador (1986a: 41).

11 Alexander (1980a [1976]: 35).

12 Noel (1971: 105).

The question of the future of our growing population has, for some time, engaged the earnest attention of all thoughtful men in this country.... The fisheries being our main resource, and to a large extent the only dependence of the people, those periodic partial failures which are incident to such pursuits continue to be attended with recurring visitations of pauperism.... It is evident... that we must direct our attention to other sources to meet the growing requirements of the country.... [A] great amount of wealth in copper and other ores is waiting the application of enterprise and capital.... Vast stretches of agricultural land... need only the employment of well-directed labour to convert them into means of independent support for thousands of the population.... Your Committee believe that no agency would be so effective for the promotion of the objects in view as that of a Railway.¹³

Alexander noted that Newfoundland's "first development strategy... hardly made a dent in its domestic import bill".¹⁴ The railway was instrumental in a rapid accumulation of public debt: \$2 million in 1885, \$4.1 million by 1889, \$11.2 million by 1895, and eventually \$98.5 million by 1933. This and the collapse of fish prices led to a major financial crisis in 1894, at which time Newfoundland's two banks stopped payments and outport merchant firms collapsed.

This period also marked a shift away from the import substitution strategy toward a strategy of resource development through foreign direct investment.¹⁵ The Bell Island iron ore mines, opened in 1895 with Canadian capital,¹⁶ and the Grand Falls newsprint mill, opened in 1905 by the Anglo-Newfoundland Development Company (ANDCo) of England, were the two large-scale examples of this.¹⁷ Although new resource developments shifted almost a third of the labour force out of the fisheries by 1911,¹⁸ the fisheries continued to be crucial to the political and economic fortunes of the country at the turn of the century:

After 1900 the island's economy began to enjoy a modest boom with the rapid expansion of new timber and mining industries, while a combination of large [fish] catches and high prices in foreign markets produced a series of prosperous fisheries. With revenue swelled to unprecedented heights, the government was able to operate from year to year with a budget surplus.¹⁹

The sense of the "Newfoundland nation", which had its genesis in the Natives' Society of the Representative Government period,²⁰ was at its peak during the premiership of Sir Robert Bond – from 1900 to 1908. The stirring anthem, *Ode to*

13 Joint Select Committee of 1880, quoted in J Hiller (1980b: 128-9).

14 Alexander (1980a [1976]: 27).

15 See Hiller (1980b: 141) and Summers (1988: 113).

16 By the Nova Scotia Steel and Coal Co. They were joined by the Boston-owned Dominion Iron & Steel Co of Montréal in 1899 and the two merged in the 1930s to form the Canadian-owned Dominion Steel and Coal Corporation Ltd (DOSCO).

17 For others, see Newfoundland and Labrador (1986a: 42).

18 See Alexander (1980a [1976]: 27).

19 Noel (1971: 34).

20 See McCann (1988: 92-5) and Neary and O'Flaherty (1983: 63-8).

Newfoundland, was composed by the governor toward the end of this period. The sense of nationhood, however, was more pronounced among the political and cultural elite of St John's – if not confined entirely to them. One consequence of the bank crash and the collapse of outport merchant houses was the further consolidation of economic power in St John's²¹ – a centralising process which also had much earlier origins.²² McDonald's interpretation of the effect of this city hegemony was that

St John's alone had, by the beginning of the [twentieth] century, evolved a kind of myopic nationalism in which the needs and aspirations of the entire island were considered identical to those of the city's 40,000 inhabitants.²³

Militant Democratic Action: The Fishermen's Protective Union

Apart from the city, incorporated in 1888, no form of local government existed in the country. On this point, Noel wrote, "This weakness at the bottom of the governmental structure had as its (perhaps inevitable) counterpart an extraordinary concentration of power at the top, in the cabinet and the House of Assembly".²⁴ Although Noel attributed the domination of St John's to a "habit" acquired through the "great struggles of the nineteenth century",²⁵ McDonald argued that great bitterness toward "a distant and alien capital" prevailed in the outports:

The distribution of public works moneys, relief, and welfare benefits was assigned by the government to assembly members, local clergymen, magistrates, government heelers, and politically appointed relief officers. [This practice] did much to sharpen the authoritarian and remote image the government projected to the ordinary outporter.²⁶

To these factors can be added the continuing economic domination of merchants – and especially St John's merchants – over the lives of fishing families. The truck system remained intact. The Fishermen's Protective Union (FPU) was founded in 1908 as a direct response to the hegemony of all city interests – public and private – over an inequitable socio-economic system in which the outports were dependent "tributaries to St John's capitalists".²⁷ The founder of the FPU, William Coaker, devised a socio-economic strategy, the implementation of which necessitated a revolution of

21 See McDonald (1987: 6).

22 I.e., in the shift from West Country-dominated migratory fisheries to the emergence of a resident fishing elite before 1830. McDonald (1980 [1974]: 149-50) also argued that the arrival of steamships in the seal and Labrador fisheries after 1850 had a centralising effect because only city merchants possessed sufficient capital to operate them.

23 McDonald (1987: 19).

24 Noel (1971: 18).

25 "[R]ecognition as a colony, for responsible government, and for control of the French Shore had tended, for various reasons, to accentuate the importance and enhance the prestige of the central government." See Noel (1971: 19).

26 McDonald (1980 [1974]: 154).

27 McDonald (1980 [1974]: 156).

Newfoundland's political economy. Its four main pillars were the introduction of comprehensive social welfare legislation (including pensions and free and compulsory education),²⁸ administrative and constitutional reform, the restructuring and regulation of quality controls and marketing in the fishing industry, and the replacement of the truck system by a co-operative wholesale supply system through which fishing families could collectively accumulate capital. The union was intended to operate on cooperative principles in terms of supplying imports and marketing exports, rather than operating as a producer cooperative *per se*.²⁹

For less than a decade, the FPU was a major force in Newfoundland politics. By 1911, it had 116 local councils and the Union Trading Company operated firmly established cash stores.³⁰ A majority of fishermen on the northeast coast – some 20,000 – were organised into 206 councils by 1914.³¹ In the 1913 election, eight of the nine Unionist candidates were elected to the House of Assembly. Although fishermen had sat in the House previously, the norm of having outport constituencies represented by St John's merchants and lawyers had been broken.

Coaker would appear not to have been a socialist, but rather a decentralist who preached the "self-reliance" discourse associated with the local development model and the environmental ideology. The FPU was Newfoundland's first instance of grassroots democratic action and its Unionist Party was the "most democratically organized political party Newfoundland had produced to that time".³² The FPU was also a militant, populist, and class-based movement. It is of little consequence, however, if one chooses to interpret Coaker's crusade through the FPU as a genuine class struggle or a populist challenge by outport fishermen to the hegemony of St John's, for in that context they are the same thing. What the FPU demonstrated – and this is an important

28 See Noel (1971: 99).

29 See McDonald (1987: 32) and Carter (1988: 206).

30 See Noel (1971: 89).

31 See Rowe (1980: 358). The northeast coast and Conception Bay fishermen conducted the Labrador and seal fisheries, the latter of which had diminished in economic importance to fewer than 4000 men by 1914 – see Noel (1971: 92n). The Labrador fishery was one of the three early branches of the saltfish economy, the other two being the shore and bank fisheries. The Amulree Royal Commission Report – see Great Britain (1933: 94-102) – provides an informative account of the production methods of these fisheries. (It referred to the "winter" schooner fishery from the south coast as a fourth distinct branch – see also Ryan (1980: 43).) The shore fishery, conducted around the island, is now called the inshore fishery. It was, by the 1900s, the largest branch in terms of employment and volume landed. The bank fishery, which had previously been the major branch of the West Country migratory fishery, was based on the Burin Peninsula (see map 1) and can be seen as the precursor to the international trawler fishery on the Grand Banks. Both the Newfoundland bank and Labrador saltfisheries disappeared in the 1950s. See Alexander (1980b [1976]: 259).

32 Neary (1969: 42).

theme for Chapter 6 of this thesis – is that the decentralist and self-reliance discourse is not inherently "reactionary". It can be attached to a politically progressive agenda.

The FPU ultimately failed. It has been argued that in response to Coaker's offer of democracy, the FPU's members "demanded dictatorship".³³ It has not been demonstrated, however, that the failure rested with the fishermen themselves – whether through apathy or incompetence. It was rather the case that

a fisherman who cast his lot with the FPU in its early days was taking no small risk: in short, he took the risk of having his credit cut off by the merchant who supplied him, with consequent loss of livelihood.³⁴

For the purposes of this thesis, it is sufficient to note that the failure has been attributed to a combination of factors, including the rigorous opposition of the Catholic archbishop at St John's (which halted the FPU's advancement into the Avalon Peninsula), the chaos in the international fish trade following World War 1, but notably the inexorable submergence and dissipation of the FPU within the party-political process.³⁵

From Nation to Colony

During the 1920s, further resource developments by foreign direct investment included another newsprint mill at Corner Brook, built by the Newfoundland Power and Paper Company,³⁶ and a lead/zinc mine in the interior at Buchans, which was a joint venture between ANDCo and the American Smelting and Refining Co (ASARCO).³⁷ Thus, apart from the fisheries, Newfoundland's whole resource base was owned and operated by British, Canadian, and American capital. While the

33 See Gwyn (1972: 24).

34 Noel (1971: 84).

35 After the November 1919 election, Coaker became Minister of Marine and Fisheries under the "Liberal Reform" label in the cabinet of Sir Richard Squires. He was therefore tainted by the scandals which forced Squires' resignation in 1923. See below.

36 A combination of the Reid Newfoundland Company (owners of the railway) and a Newcastle subsidiary of Armstrong-Whitworth & Co of New York. It was taken over by the International Power and Paper Company of New York and then in 1938 by Bowater Paper Mills, the largest paper manufacturer in Britain. Bowater sold it to Kruger Inc of Montréal in the early 1980s.

37 In 1933, a fluorspar mine was opened at St Lawrence on the Burin Peninsula with American capital. It was taken over by the Aluminum Company of Canada (ALCAN) in 1942. ALCAN removed their operations to Mexico in 1978, after receiving \$170 million in "tax concessions" from Ottawa. See Oxfam Canada (1981: 23). The mine was reopened in the 1980s and closed in 1990 as a result of "Chinese competition". See the *Evening Telegram* (21.3.91: A46) and Newfoundland and Labrador (1991b: 8).

railway has been credited with attracting ANDCo to Newfoundland,³⁸ it has also been argued that none of the industrial developments were directly linked to it.³⁹

The post-war collapse resulted in a current account deficit of over \$4 million by 1921, on total revenues of only \$8.4 million.⁴⁰ It is clear that the government borrowed heavily to provide relief for an increasingly violent atmosphere in St John's and to build branch-lines for the railway. "Graft and corruption of unparalleled magnitude" brought down the government of Sir Richard Squires in 1923;⁴¹ seven more governments were formed in the following nine years. By 1933, railway spending accounted for \$39.5 million, or well over one-third of the total public debt of \$98.5 million. Construction of branch lines was abandoned. The Depression crushed export earnings and 75 per cent of government revenues were by then derived from import tariffs. Most of that revenue went to pay interest on the current account deficit.⁴² Of \$50 million raised in loans since 1921, only \$900,000 had been returned to the fisheries. Newfoundland was bankrupt.

The British Treasury was willing to convert the debt only on the condition that it also claimed direct control of the country's public spending.⁴³ A Royal Commission was despatched to Newfoundland in order to facilitate what had been decided in London: that Newfoundland would not be permitted to be the first part of the British Empire to default on its foreign debt.⁴⁴ The *Newfoundland Royal Commission 1933 Report* (the Amulree Report) makes clear this was without precedent.⁴⁵ A celebrated passage in the Report was blunt and unequivocal:

The public debt of the Island, accumulated over a century, was in 12 years more than doubled; its assets dissipated by improvident administration; the people misled into the acceptance of false standards; and the country sunk in waste and extravagance. The onset of the world depression found the Island with no reserves, its primary industry neglected and its credit exhausted. At the first wind of adversity, its elaborate pretensions collapsed like a house of cards. The glowing visions of a new Utopia were dispelled with cruel suddenness by the cold realities of national insolvency, and to-day a disillusioned and bewildered people, deprived in

38 By Summers (1988: 117).

39 By J Hiller (1980b: 141) and Rowe (1980: 336). Rowe noted that ANDCo built their own railway from the paper mill to the northeast coast.

40 See Noel (1971: 151).

41 See Noel (1971: 152). On the corruption of Newfoundland politics throughout the 1920s, see also Elliott (1980).

42 Great Britain (1933: 58, 68, 261).

43 This was after Canada refused to consider a proposal from the Dominions Office for political union with Newfoundland. See Neary (1988: 17-18, 21-4, 35, 40-1).

44 According to Noel (1971: 207), the Dominions Office was also alarmed at the possible impairment of Canada's credit rating in New York if Newfoundland defaulted.

45 Great Britain (1933: 178).

many parts of the country of all hope of earning a livelihood, are haunted by the grim spectres of pauperism and starvation.⁴⁶

Thus, political incompetence was identified as the primary cause of insolvency.

Politics in Newfoundland have never been such as to inspire wholehearted confidence in the ability of the people to govern themselves wisely, but there is general agreement that a process of deterioration, which has now reached almost unbelievable extremes, may be said to have set in about a quarter of a century ago.⁴⁷

Alexander argued that Newfoundland's failure to diversify, high reliance on foreign trade, and inability to extricate itself from its borrowing trap increased its relative susceptibility to the Depression.⁴⁸ Don Jamieson's sanguine views were that political scandal in Newfoundland was equalled by other jurisdictions and that because the country's operating revenues were so small, "the opportunities for graft were limited".⁴⁹ However, the Commission's findings as to the scale of mismanagement by Newfoundland governments appear not to have been at all inaccurate. From its perspective, the Depression had merely facilitated the inevitable. It recommended the suspension of Dominion status in favour of an appointed commission, such that "the country should be given a rest from politics".⁵⁰ Whether or not the Royal Commission actually believed its own analysis which placed internal political agency prior to external economic events as the explanation for Newfoundland's financial collapse, securing its acceptance was easier than had been anticipated. The Newfoundland legislature suspended itself by almost unanimous vote in 1934. There was certainly no longer any room for policy manoeuvre. Prime Minister Alderdice's reaction was that "the generosity of the terms nearly took my breath away. The proposals... seemed to me almost too good to be true."⁵¹

On the other hand, the Amulree Commission noted:

[Government by Commission] would inevitably detract for the time being from Newfoundland's status as a Dominion. But... the people of Newfoundland are fully content that the Island should be known as "Britain's oldest Colony" and constitutional niceties, which in any case are held to be of small importance compared with the necessity of rescuing the country from its present dangers, make no appeal to them.⁵²

46 Great Britain (1933: 43-4).

47 Great Britain (1933: 81).

48 Alexander (1980 [1976]: 34-5). He attempted to refute the Commission's conclusions by drawing a distinction between "corrupt" and "unfruitful" spending.

49 Jamieson (1989: 26-7).

50 Great Britain (1933: 195).

51 Frederick Alderdice, reproduced in Neary, ed. (1973: 45).

52 Great Britain (1933: 196).

Democracy, for the Amulree Commission, was a "constitutional nicety" which was beyond the scope of "unprogressive" Newfoundlanders characterised by their "child-like simplicity" and "marked absence of any community spirit".⁵³ Unsurprisingly, the FPU received no mention in the Amulree Report. The Commission's outburst of chauvinism may have been more apposite to the St John's elite – political, economic, church, and media – who consistently resisted economic reform and welcomed the prospect of Commission Government once it became apparent that the country was unable to raise further loans.

The Newfoundland Rural Development Agenda: Paternalist and Progressive

At the beginning of the Commission Government period and through the next two decades, Newfoundland's economy was based on the export of saltfish, minerals, and newsprint, markets for all of which were diminished by the Depression and the "Roosevelt Recession"⁵⁴ later in the decade. Fish had been displaced by newsprint as the largest of these in terms of revenue, but remained a significant source (25 per cent) as well as the largest provider of employment.⁵⁵ The number of people on government relief rivalled the size of the labour force.⁵⁶

Just as "dependency" motivated Coaker's radicalism, it animated the fiscally conservative Commission Government. The Commission, over its fifteen-year (1934-49) "benign dictatorship", did not formulate or implement any particular long-term development policy. It did make hesitant – and ultimately discarded – steps toward a non-industrial rural development model which was, again, consistent with the environmental ideology described in Chapter 2. Its strategies have been pejoratively labelled, by Marxists and non-Marxists, as "economic development as moral imperative", i.e., schemes to encourage the rehabilitation, self-reliance, and self-respect of the idle "surplus population".⁵⁷ As Overton has pointed out, these were

53 Great Britain (1933: 77-8). These comments deteriorated further with the patronising conclusion that the people were nevertheless "potentially fine material".

54 See Neary (1988: 347).

55 In 1936 fishery exports were worth \$9.6 million, from a total of \$28.9 million. See Clark (1973 [1951]: 79). Alexander (1980b [1976]: 246) claimed that the fisheries remained the single largest source of export revenue in 1936 (46 per cent) but that newsprint and minerals together exceeded it. Lodge's (1939: 17) figures agreed with Clark's. See also below.

56 In 1935, the former averaged 67,000 and the latter 88,710, out of a total population of 290,000. See Neary (1988: 65) and Alexander (1980a [1976]: 28). The Commission Government had a "dole" in kind, equivalent to an average of \$1.85 per month per family in 1934. See Neary (1988: 54) and personal communication from Robert Lawton (author's father), 26.3.93.

57 See Canning (1986: 29) and Neary (1988: 64).

fashionable concerns of the British and North American middle class at the time.⁵⁸ The agricultural/land resettlement programme initiated in Newfoundland in 1934 had such a crusading, paternalistic aspect. It has been associated almost exclusively with Thomas Lodge, British Commissioner for Public Utilities (1934-37) in the first Commission Government, who became the programme's ardent promoter.⁵⁹ He was at one with the Amulree Commission in his belief that, for Newfoundland, "the ultimate solution can only be found in something approaching a moral revolution".⁶⁰ His counterpoint, however, was that the Depression had proven the non-viability and obsolescence of the fisheries:

"The codfishery has always been, and must continue to be the mainstay of the island." This is a literal quotation from the report of the [Amulree] Royal Commission. It is surprising that so able a trio should have subscribed to so positive a declaration, especially one which is so patently difficult to reconcile with the glaring facts of the inadequacy of this industry as a source of livelihood of the fishing population.⁶¹

His consequent prescription was straightforward – although he noted that the execution of the plan would be a "simple" matter only for a totalitarian state:

If surplus population cannot be absorbed in fishing or mining or industry, if emigration is impracticable, the only alternative is settlement on the land.... If 5,000 families, now on partial or permanent relief, were placed on the land and transformed into self-supporting units, the whole problem of Newfoundland would be solved.... No one who travels in the country could doubt that, even after years of mishandling, the great majority of the population would prefer work to demoralizing idleness.⁶²

Lodge was cognisant of the vulnerability of a small, export economy to external, market forces. His rejection of the fisheries was aided by this reality. His plan, however, was ultimately founded on both ignorance of the socio-economic significance of the fishery and inflated expectations for the economic potential for agriculture as the fishery's replacement.⁶³ His diagnosis of Newfoundland's economic situation, however, was more astute than his questionable agricultural utopia

58 Overton (1993b: 9-12).

59 However, it was initiated on the urging of private citizens and its intellectual climate in Newfoundland predated the Commission Government by a couple of years.

60 Lodge (1939: 236).

61 Lodge (1939: 41).

62 Lodge (1939: 172, 197).

63 See Clark (1973 [1951]: 78-80). The first experimental farming community set up by Lodge – Markland, 70 km west of St John's – initially appeared to be successful. The subsequent acceleration of the programme proved costly and prompted a public backlash. A riot against the Commission erupted in St John's in 1935. By 1936, both the Dominions Office and the remainder of the Commission Government had rejected Lodge's scheme. None of the new communities retained a primarily agricultural aspect. See Neary (1988: 65, 75-6, 80) and Rowe (1980: 410). Carter (1988: 206-7) argues that Markland and similar schemes failed precisely because of their "top-down" approach, i.e., impetus from government circles.

suggested. Some of the figures he supplied are inconsistent with those provided by Alexander,⁶⁴ but his contrast of the mid-nineteenth century with 1936 was compelling. The former period he characterised as prosperous, with a population of 130,000 exporting commodities worth \$6-7 million and importing \$1 million less. For the latter period he cited exports of \$28 million and imports of \$24 million. He added that, for a population of 290,000, this superficially indicated a roughly comparable state of affairs, but that "The comparison is as good an example as can be found of how completely misleading statistics in the crude can be."

Behind the earlier set of figures are a people living a simple life, frugal, saving and relatively prosperous, and a Government with a financial position as sound as, and perhaps sounder than, that of any other colony in British North America. Behind the later is a country, one-third, perhaps one-half, of whose population is living in conditions of squalor and poverty for which it would be difficult to find a parallel in Europe outside the poorest regions of the Balkans, with a Government whose budget can only be balanced by means of a grant-in-aid from the mother country.⁶⁵

Lodge noted that of the \$28 million in exports for 1936, newsprint accounted for \$13.2 million and minerals for \$6.4 million.

All these products belong entirely to capitalists, alien to the island, who have imported the capital necessary to develop the resources of the island. The equity in these concerns is wholly owned outside and the value to the island is merely a wage and taxation value. Deducting these values from the total of exports there is left a figure of about 8 million dollars representing the exportable value of the resources of the island belonging to and exploited by, its own citizens.⁶⁶

Lodge was thus also an early exponent of dependency theory, with its emphasis of structural impediments to economic development, as well as an adherent of the more conventional views regarding individual pauperism, or "dependency on government". He appeared to warn of the danger of capital drain from the island, the scale of which is put into perspective when compared with the government's revenue. The latter was \$11 million (excluding grants) in 1936-37⁶⁷ – less than the combined revenues of the two paper companies. His bias against the fisheries, however, perhaps precluded his adding that money spent on the fisheries impacted on far more people than money spent elsewhere – presumably an important consideration for one so concerned with dependency on government relief.

⁶⁴ Lodge claimed that newsprint and mineral exports together were worth \$19.6 million from a total of \$28 million in 1936. As noted earlier, Alexander claimed that fish accounted for 46 per cent of exports at this time.

⁶⁵ Lodge (1939: 17).

⁶⁶ Lodge (1939: 17).

⁶⁷ See Neary (1988: 363).

Ideologically, Lodge was a multi-faceted enigma. He was no friend of either foreign or local economic elites, as evidenced in the above quotation. His land settlement plan foreshadowed the post-Confederation resettlement programmes of the 1950s and 1960s. The latter, however, were based on a completely different, modernisation/industrialisation vision which aggrandised foreign capital as Newfoundland's economic panacea. Finally, Lodge's rejection of the economic base of the island's majority evokes the neoconservative agenda, in which one lasting solution to "dependency" is seen as large-scale abandonment of outports and emigration.

Lodge's pessimistic views on the fisheries were unrepresentative of the Commission Government and contrary to the view expressed in the Amulree Report. The formation of the Department of Rural Reconstruction in 1936 signalled a change of emphasis for the Commission, toward longer-term planning and infrastructure for the fishing economy. Activists from the Antigonish Movement in Nova Scotia were called to establish the Department's "Co-operative Division".⁶⁸ The Newfoundland Fisheries Board (NFB) was established in 1936. The NFB aimed primarily to lower production costs, guarantee true market prices to fishermen, and to improve collective overseas marketing methods by minimising competition between rival merchant interests (the traditional competitive underbidding between merchant houses had a devaluing effect on fish prices, most notably when recession diminished foreign demand).⁶⁹ These mirrored to some extent the radical reforms fought for by the FPU twenty years earlier.⁷⁰ The NFB, however, succeeded where the FPU had failed.⁷¹ The progress toward co-operative marketing culminated in the formation of the Newfoundland and Associated Fish Exporters Ltd (NAFEL) in 1947. NAFEL was dismantled after Newfoundland's union with Canada. Although it was attacked as an export cartel, Alexander argued that

In NAFEL Newfoundland had constructed the nucleus of the kind of organization needed to enter the international trade in fresh/frozen fish products.... Canada's reluctance to support and build

68 See Newfoundland (1940: 2). The "Antigonish Movement" refers to the establishment, in the 1920s and 1930s, of a large number of marketing and producer co-operatives among farmers, fishermen, and coal miners in eastern Nova Scotia and Cape Breton. It was directed by the Extension Department of St Francis Xavier University in Antigonish. See Sacouman (1985).

69 See Alexander (1980b [1976]: 252) and Neary (1988: 60-1).

70 With the exception, perhaps, that the FPU placed as much importance on standardised fish quality as it did on prices and marketing. See McDonald (1987: 91-2).

71 McDonald (1987: 104) argued that this was because the Commission Government was free of the political opposition previously represented by the merchant exporters. This would appear further to support the "political mismanagement" contentions of the Amulree Commission.

on that experience in the 1950s and 1960s contributed to the ruin of the island's rural economy.⁷²

John Henry Gorvin envisaged the radicalisation of these first steps. A successor to Lodge in the Commission Government (1939-41) but politically an English reincarnation of Coaker, Gorvin's plans directly targeted merchant power. He proposed a co-operative, regional supply and marketing system for the fisheries – all overseen by a Development Corporation and coordinated through a decentralised network of Regional Development Councils. In concurrence with the Antigianish Movement, Gorvin believed that training schemes would, over the course of a few years, overcome the obstacle presented by the lack of co-operative experience. It would, in Neary's phrase, result in "the eventual withering away of the merchant class".⁷³

A report of the Co-operative Division of the Department of Rural Reconstruction in 1940 recorded some successes, especially in impoverished Placentia Bay and at Lourdes on the west coast. The latter was one of Lodge's settlements but seemed to have disproved his thesis respecting the fisheries. By 1940, its Credit Union had evolved into a 1500-member lobster marketing organisation – the largest in the world.⁷⁴ A fishing co-operative at St Anthony on the Northern Peninsula (which, however, pre-dated the Commission Government) produced, for its members in the 1940s, double the income possible through local merchants.⁷⁵

Gorvin's "Papers Relating to a Long-Range Reconstruction Policy in Newfoundland",⁷⁶ were seen by (a sanguine) Dominions Office as revolutionary. The St John's press and merchants, however, reacted to Gorvin as they had to Coaker. His 1940 legislative bill – "An Act to Facilitate the Economic Development of Special Areas of Newfoundland" – was denounced by the Newfoundland Board of Trade as the "most radical and revolutionary piece of legislation ever to be introduced in this country".⁷⁷ By this time, however, Britain (and therefore Newfoundland) was at war with Germany. The 1940 Commission budget, which waived the normal request for

72 Alexander (1980b [1976]: 263).

73 Neary (1988: 97).

74 Newfoundland (1940: 3-4, 15). Revenue for this "Co-operative Marketing Association" was \$225,000 in 1940, which the report calculated as 40 per cent higher than possible under the barter system. Twenty-four new Co-operative Retail Societies were formed around Placentia Bay between 1939 and 1940.

75 See Carter (1988: 207).

76 See Gorvin (1938).

77 See Neary (1988: 123). The Board of Trade, formed in 1909 in response to the perceived threat posed by the FPU, was composed mainly of fish merchants and importers. See McDonald (1987: 27) and Neary (1988: 9).

grants-in-aid so as to support the war effort, terminated Gorvin's plan before it was begun. Gorvin returned to London and an American-led economic boom followed. From the resulting budgetary surpluses of the Commission,⁷⁸ the money that was not appropriated by the British Treasury was invested in the transformation of the fisheries. The traditional export markets suffered as much misfortune as Newfoundland during the 1930s, and, in any case, were turning to Norway and Iceland. The establishment of trawler-fed facilities to produce frozen block fish for the more lucrative American market signalled the beginning of the end, both for the truck system and the inshore/saltfish economy. The demise of the former was long overdue; the demise of the latter, with hindsight, arguably led to the demise of the cod fishery itself.

Newfoundland and the Modernisation Paradigm

The modernisation paradigm was based on the ideas that "traditional" values and isolation from the global economy were at the root of economic disparities and impediments to economic progress. Newfoundland emerged from World War 2 within this dualistic "traditional versus modern" climate. It was not merely an intellectual climate: thousands of American servicemen arrived on the island beginning in 1941. The subsequent construction of military bases injected in excess of \$400 million into the economy,⁷⁹ and employed 19,000 Newfoundlanders – one quarter of the labour force. Although this necessitated the relocation of many Newfoundland families and although Newfoundland labourers were paid less than their American co-workers, such a volume of foreign capital investment was unprecedented.

Like the post-empire emerging nation-states, Newfoundland was a society in search of a model. Whether or not it is argued that the arrival of the modernisation model was in fact an instance of post-war American imperialism closer to home, it remains the case that a significant majority of Newfoundlanders – including city elites and outport people – embraced it. They were "dazzled by American dollars, hygiene and efficiency", in the words of the Commission Governor.⁸⁰ To embrace an "American dream" was to reject that model of society known as Newfoundland's "traditional

78 For example, \$7.25 million in 1942 – almost as much as total revenue in 1934. See Noel (1971: 243). The figure of \$38 million, given by Noel as the amount transferred to London by that year, is so vast that it must be a mistake.

79 See Neary (1988: 179). A substantial Canadian presence at the newly built Gander Aerodrome from 1940 accounted for \$100 million of this total.

80 Governor Walwyn in 1943, quoted by Neary (1988: 174).

culture" – a process facilitated by the fact that many outport Newfoundlanders had, by then, identified that culture with poverty, misery, and national insolvency.⁸¹

Political and economic historians have observed that Newfoundland always prospered in times of war. The two World Wars were no exception, but with respect to the possibility and potentiality of overturning Newfoundland's socio-economic order, they were particularly ill-timed. The first helped to end to the radicalism of Coaker's FPU⁸² and the second the vision of Gorvin. Neary's view is that after Gorvin's departure, the Commission Government reverted to paternalism and that for Newfoundland, Gorvin's programme was "the major policy casualty of the war".⁸³

The war experience [pulled] Newfoundlanders more than ever before away from the sea and towards North American tastes, habits, and values. Once outport Newfoundlanders saw what was available in an American forces exchange, they were poor candidates for a rural arcadia, if indeed they had ever been. For all that, however, social planners and theorists, often disillusioned with urban life elsewhere and ignorant of local history, would long imagine otherwise.⁸⁴

In the debates of the Newfoundland National Convention (1946-48), populist and future Premier Joseph Smallwood did not imagine otherwise:

I will tell you what this late war has done to our country. It has strengthened and solidified our new rich.... It has drawn the reins of monopoly closer, it has fastened the chains of class domination more securely upon the masses of our people [who] are fast falling back to where they were before the war broke out – back into the same shameful old rut of poverty.... We may, if we wish, turn our backs upon the North American continent beside which God placed us, and resign ourselves to the meaner outlook and shabbier standards of Europe, 2000 miles across the ocean. We can do this, or we can face the fact that the very logic of our situation on the surface of the globe impels us to draw close to the progressive and dynamic living standard of this continent.⁸⁵

The National Convention culminated in referenda on Newfoundland's future political status in 1948. Smallwood's campaign for Confederation with Canada succeeded by a narrow margin,⁸⁶ although Neary's conclusion that he was "pushing against an open

81 In his impression of this period, F.L. Jackson argued that Newfoundlanders naturally rejected what was a dubious "survival culture". See Jackson (1984).

82 For two reasons: the record fish prices brought by the wartime boom and the damage caused to Coaker's moral authority by his support for conscription in 1918, which was unpopular in the outports. See McDonald (1987: 69-72, 137).

83 Neary (1988: 181).

84 Neary (1988: 236).

85 Smallwood, National Convention Proceedings, 23 January 1948, in Neary, ed. (1973: 114, 117-18).

86 The first referendum (3 June) results were: Responsible Government – 44.6 per cent; Confederation – 41.1 per cent; Commission Government – 14.3 per cent. In the second referendum seven weeks later, the Commission option was dropped. Confederation was carried by 52.3 per cent to 47.7 per cent. St John's and the mainly Catholic communities on the Avalon Peninsula voted overwhelmingly in favour of Responsible Government.

door" indicates that the role of the Dominions Office in the union was greater than Smallwood ever knew.⁸⁷

Modernisation Policy: Growth Poles

Among the *smörgåsbord* of post-war modernisation approaches to economic development,⁸⁸ growth pole theory (GPT) became a "dominant international paradigm".⁸⁹ It was first formulated by French economists in the early 1950s, subsequently developed at many academic institutions, including Edinburgh, Glasgow, and Chicago Universities, and popularised in Canadian government circles by Jean Marchand in the mid-1960s.⁹⁰ The analytical focus of GPT was spatially uneven economic growth. It held that economic activity concentrates around certain focal points – growth poles – and that a certain "critical mass" of population or infrastructure would make economic activity self-sustaining. GPT was clearly compatible with Keynesian interventionism: governments could create or strengthen such growth poles by facilitating the location of a "master industry" or "propulsive industry" which then induced further forward and backward linkages in the poles' hinterlands through its "zone of influence".⁹¹ GPT is closely related to the concept of "economic dualism", in that it offers a mechanism by which the "backward" element of the dual economy can be transformed into a modern one. GPT was thus more than a theory of development; it was a process of induced urban industrialisation. As part of the modernisation paradigm, it suggested a policy strategy.

"Develop or Perish"

The modernisation paradigm and its growth pole policy provide a precise theoretical box for the industrial vision of Smallwood. He propounded no visions of a "rural arcadia" – perhaps because he identified the efforts of the Commission Government, which he grew to despise, with such a vision. Moreover, he was an outport Newfoundlander who had seen outport poverty and had "seen the future" while working in New York. Douglas May, an economist at Memorial University of Newfoundland, described Smallwood's debt to GPT:

87 See Neary (1988: 314, 344-5).

88 Including the entrepreneurial thesis. See, for example, the analysis of the Economic Council of Canada in the following chapter.

89 See Weaver and Gunton (1986 [1982]: 198).

90 Marchand was then Minister of Manpower in the Liberal government of Lester Pearson. He became Minister for the Department of Regional Economic Expansion (DREE) in the first Liberal government of Pierre Trudeau. DREE will be analysed in detail in Chapter 4.

91 R Matthews (1983: 42-4, 106). See also Savoie (1986: 17-18) and Lithwick (1986 [1982]: 255).

Where he went wrong in development was that Joey really did believe that when you got to these growth centres, something magical... "supply would create its own demand", and that just didn't happen.⁹²

Smallwood first articulated his vision as early as 1930, by which time Coaker (whom Smallwood had admired) was gone and Smallwood's new champion, Sir Richard Squires, was again Prime Minister:

After more than three centuries' existence as a remote and obscure codfishing country Newfoundland in the past decade or so has entered upon a new march that is destined to place her, within the next dozen years, in the front rank of the great small nations of the world. That new march is toward modern, large-scale industrialism.⁹³

Smallwood's prophecy was wrong and, by the latter part of the Commission Government period, he had amended his views *vis-à-vis* small nation-states.

Now our danger, so it seems to me, is that of nursing delusions of grandeur.... We are not a nation! We are merely a medium-sized municipality. There was indeed a time when tiny states lived gloriously. That time is now ancient European history.⁹⁴

He did not, however, relinquish his industrial vision. In the 1950s, there was yet no conception of Newfoundland being "underdeveloped". It was, in the words of Smallwood, "a small undeveloped island", a direct consequence of which was, he understandably felt, the danger of depopulation.⁹⁵ The following quotation from a speech to the Federation of British Industries in London (August 1952) supplies the essence of the motivation for Smallwood's strategy of modernisation-through-industrialisation:

[T]oday we have far more of our Newfoundland people living in Upper Canada and the United States than we have within Newfoundland itself. Our population is only 375,000 souls and it ought to be one-and-a-half millions.... When we became a Province,... [a]ll emigration and Customs barriers, of course, disappeared and altogether there was the very grave danger that we would lose our people.... **At almost any cost** we had to stem that outward flow of our people, and there was really only one way to do it – to find out what natural resources we had, and to bring about their development.⁹⁶ [Emphasis added]

His initial strategy, like that of the 1870s and 1880s, was import substitution. Through the "New Industries Program",⁹⁷ some fifteen manufacturing industries were established from 1952 to 1956 with the \$40 million surplus left by the Commission

92 Interview for this thesis with Douglas May at St John's on 11 July 1990.

93 Smallwood (1931: 1).

94 Smallwood, National Convention Proceedings, 27 October 1946, reproduced in Riche and Palmer's CBC Radio documentary, "A Plane with One Wing" (1989).

95 Smallwood (1953: 2).

96 Smallwood (1953: 2-3).

97 See Jamieson (1989: 174).

Government and by European capital solicited by the Crown agency, Newfoundland and Labrador Corporation (NALCO) – a creation of Smallwood's policy advisor, economist Alfred Valdmanis. Those three which were based on local resource inputs – the cement mill and gypsum wallboard plant in Corner Brook, and the hardwoods plant near St John's – were relatively successful.⁹⁸ The remainder relied on infusions of public money until they closed.⁹⁹

Smallwood's other strategy, again reminiscent of the earlier shift, was export-led growth through foreign direct investment for large-scale resource development. His language respecting the economic potential of Labrador – "opening up" that "greatest remaining storehouse of natural wealth"¹⁰⁰ – echoed that used by the proponents of the Newfoundland railway. His appeal in London, above, led to the formation of the British Newfoundland Corporation (BRINCO) only a few months later.¹⁰¹ BRINCO undertook

to promote the industrial and economic development of Newfoundland and Labrador by utilising more fully than at present their natural resources and by procuring the expansion and development of the mining, timber, water power, petroleum and other industries.¹⁰²

The railway parallel continued, as the Newfoundland government ceded 156,000 km² of land to BRINCO, as well as the rights to all the province's undeveloped water resources and some mineral resources. The hydroelectric power development at Churchill Falls – the largest construction project in Canadian history – did not proceed

⁹⁸ North Star Cement, for example, was built by a German machinery firm and the Newfoundland Department of Economic Development and operated as a Crown Corporation. It was sold to two Newfoundland firms, Lundrigans Ltd and McNamara Corporation, in 1978. Valdmanis, a minister of economic development in the pre-war Latvian government, was jailed for defrauding the Newfoundland government of \$210,000 in 1954 – money originating with the two German firms at Corner Brook. A second fraud charge involving \$270,000 was deferred.

⁹⁹ These industries included leather tanneries and rubber, chocolate, glove, and battery factories. They are listed in the *Report of the Royal Commission on Employment and Unemployment*, Newfoundland and Labrador (1986a: 47).

¹⁰⁰ Smallwood (1953: 7, 10).

¹⁰¹ BRINCO was founded by NM Rothschild & Sons, both British paper companies in Newfoundland (Anglo-Newfoundland Development Company and Bowater Paper Corporation), English Electric Company, Frobisher Ltd, Anglo-American Corporation of South Africa, and Rio Tinto Company. Twenty-two other finance and industrial companies joined the syndicate, including Canadian banks. BRINCO was taken over by Rio Tinto-Zinc (UK) and Bethlehem Steel (US) in 1968 and subsequently by the Reichmann family of Toronto.

¹⁰² The *Sunday Times* Newfoundland supplement (1963: 32). This colour advertising supplement placed by the Newfoundland Department of Economic Development is not dated precisely. It was prefaced by another "invitation" to industrialists from Smallwood and reads like a litany of the foreign interests that profited from Newfoundland's natural resources – including BRINCO, ANDCo, Javelin, Hösch AG, STELCo, Johns-Manville, Amet Corporation, Financière Belge, Bowater, Boylen, IOCC, Hollinger, Bethlehem Steel, Ultramar, Flintkote.

until 1966. BRINCO and Hydro-Québec jointly owned the construction and operating company, Churchill Falls (Labrador) Corporation (CFLCo). In 1969, CFLCo signed a 65-year contract with Hydro-Québec, under which the latter purchases all Upper Churchill power at a price on a decreasing scale and sells it to the United States and Ontario at a massive profit. The loss of revenue to Newfoundland, which could be in excess of \$1 billion annually in the 1990s, was not fully appreciated until after the explosion in energy prices precipitated by the 1973 oil crisis.¹⁰³ This prompted a threat by the (post-Smallwood) government of Frank Moores to expropriate BRINCO; instead, it purchased BRINCO's share of CFLCo and its remaining mineral rights in 1974. However, further planned hydro development downstream from Churchill Falls was postponed shortly thereafter by a dispute with Québec over exporting surplus electricity through that province.¹⁰⁴ Churchill Falls supplied an average of 5000 construction jobs over four years but only 350 are required directly to maintain it.

Developments on the island in the 1960s included the American-owned asbestos and copper/gold/silver mines at Baie Verte, the production of liquid phosphorus at Long Harbour,¹⁰⁵ and the oil refinery at Come By Chance. The latter two primary manufacturing enterprises required inputs from abroad. The refinery, which was exempt from federal and provincial taxes, became the largest bankruptcy in Canadian history – after an interim financing provision of \$5 million by Smallwood's government to its American promoter, John Shaheen, and after the Moores government injected further millions into it.¹⁰⁶

The other major resource development was in western Labrador. The Montréal-based Iron Ore Company of Canada (IOCC), in the ownership of American steel corporations,¹⁰⁷ began operations in Labrador in 1954 and opened the Smallwood Mine in 1962. Power was provided by the Twin Falls hydroelectricity plant, owned by CFLCo and IOCC.¹⁰⁸ Canadian Javelin Ltd, owned by American industrialist-

103 See ECC (1980: 121-2). The loss was \$500 million annually by 1982; Simms (1986: 6) claimed it was over \$1 billion by 1986; W Noel (1992: 2) claimed \$600 million in 1992. The agreement took effect in 1976 and expires in 2041.

104 See ECC (1980: 122).

105 The Baie Verte mines operated from the early 1960s to 1991, by which time they were in joint Canadian and Australian ownership. The phosphorus plant was operated from 1968 to 1989 by the Electric Reduction Company (ERCO), owned by Tenneco Inc of the United States. See Newfoundland and Labrador (1986a: 48) and the *Evening Telegram* (28.5.90: 3).

106 See the *Financial Times* survey of Newfoundland and Labrador (27.2.75: 34-5) for an enthusiastic account of Shaheen and the refinery. The oil refinery was to process crude from the Persian Gulf and north Africa for the eastern American market. It commenced production late in 1973 and went into receivership in 1976.

107 Bethlehem Steel owns 34.5 per cent, MA Hanna 28 per cent, and National Steel 20 per cent. See the *Sunday Express* (2.9.90: 10).

108 See the *Sunday Times* supplement (1963: 23).

promoter John C Doyle, was given 62,400 km² through NALCO, of which Javelin also owned 40 per cent.¹⁰⁹ Doyle brought together ten companies from the United States, Canada, Italy, and Germany to form the Wabush Mines consortium, to which Javelin leased its mineral concessions of some 3 billion tonnes of iron ore. Wabush Mines commenced production in 1965; its annual output of 6 million tonnes is processed into steel in the United States, Canada, Britain, Japan, and elsewhere.¹¹⁰ In 1971, the revenue of the iron ore mines totalled \$400 million. Of this, the Newfoundland government collected \$3.2 million – less than one per cent – in royalties; Doyle's Javelin collected \$7 million.¹¹¹ David Simms wrote that legislation passed in 1975 ameliorated this untenable situation but the 1991 Budget indicates a deterioration.¹¹² In 1990, output for all minerals was valued at \$862 million, of which the Newfoundland government collected \$1.3 million – 0.15 per cent.¹¹³ Summers pointed out that total economic rents from all mining companies during the 1970s were in fact less than those received from betting on the ponies at the Avalon Raceway near St John's.¹¹⁴

Although Smallwood's London speech omitted any reference to the sea, the common view that his governments ignored the fisheries is overstated. In popular mythology he advised outport Newfoundlanders to "pull up your boats, burn your flakes, and forget the fishery – there will be two jobs for every man in Newfoundland".¹¹⁵ Smallwood did not "ignore" the fishery; he attempted to transform it as a component of his vision of creating an industrial "Michigan of the north" on the edge of the continent.

This [the 1950s] was Newfoundland's era of "modernization" in which the province made strenuous efforts to catch up to national standards in transport, community services, health, and education. The inshore fishery, based on salt-fish processing, was in rapid decline. Provincial

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- 109 Doyle's Javelin also owned mining companies in the United States, El Salvador, Honduras, Panama, Chile, Nassau, Bermuda, Monaco, and Addis Ababa. See *Encyclopedia of Newfoundland and Labrador* (1981: 641) and the *Sunday Times* supplement (1963: 25).
- 110 See the *Sunday Times* supplement (1963: 25) and the *Financial Times* survey of Newfoundland and Labrador (27.2.75: 37).
- 111 See the *Evening Telegram* (9.11.71: 6). In Saskatchewan, the comparable royalty figure at that time was 26 per cent. See MacIsaac (1992: 11).
- 112 See Simms (1986: 5).
- 113 Iron ore exports comprised \$696 million of the mineral total. The figures for newsprint and fish were \$397 million and \$241 million, respectively. See Newfoundland and Labrador (1991a: viii) and (1991b: 4, 6-7).
- 114 See Summers (1988: 281).
- 115 Quoted in Wadel (1973 [1969]: 243). Flakes were the raised wooden structures used for open-air drying of saltfish. Anne Hart, Director of the Centre for Newfoundland Studies, Memorial University of Newfoundland Library, writes that Smallwood always denied having made the proposition and that firm evidence of it has never been produced (personal communication). "*Now That We've Burned Our Boats...*" was used as the title of the 1978 *Report of the People's Commission on Unemployment* in Newfoundland.

policies for the fishery concentrated on establishing large-scale processing/freezing plants and an offshore fleet.¹¹⁶

This was an acceleration of the transformation begun by the Newfoundland Fisheries Board during the Commission era. Consistent with the modernisation interpretation of economic dualism, the production methods of the inshore fishery were seen as backward, inefficient, and contrary to prevailing (American-inspired) notions of socio-economic progress. In contrast, the offshore trawler method of catching fish was modern and efficient. The policy response was to facilitate the development of the latter while maintaining a *laissez-faire* attitude toward the former.

Resettlement Programmes: "Social Adjustment" for Modernisation

The shift from the perception that the inshore fishery was obsolete to the view that outports themselves were obsolete was but a minor one. In adherence with growth pole theory, the dispersed population in "uneconomic" fishing communities was seen as a physical obstacle to industrialisation.¹¹⁷ This was the socio-political climate in which two infamous resettlement programmes were implemented; over two decades, they resulted in the displacement of 24-28,000 people and the abandonment of some 247-255 outports, depending on which figures are consulted.¹¹⁸ The programmes had two economic objectives. The first was to lower the per capita cost of the public services and amenities such as roads, electricity, hospitals, and schools. The provision of these had been one of the central themes of Smallwood's Confederation campaign; the other was access to various Canadian social welfare programmes. The second objective of resettlement was to provide a quasi-urban proletariat for wage labour in the new modernised industries, whether trawler fleets, fish plants or chemical plants. The revised demographics would provide an undefined "critical mass" of population necessary for the spin-off linkages which would sustain and be sustained by the major industrial development of the area. Industrialisation on the largest possible scale was seen as the only strategy for providing sufficient employment to keep Newfoundlanders in Newfoundland. The social costs of resettlement were not elements of the modernisation paradigm's balance sheet.

¹¹⁶ Canning (1986: 30). Douglas May, then head of Memorial University's Department of Economics, argued, "if you look at [Smallwood's] expenditures on development, and federal expenditure, most didn't go into the rubber factory and steel mills; they really went into modernisation of fishplants and freezer operations". Interview for this thesis on 11 July 1990.

¹¹⁷ See Lane (1967: 564).

¹¹⁸ Simms (1986: 7) writes that a further 312 communities were partially evacuated, in addition to the 255 wholly evacuated.

The initial resettlement programme was a "population centralisation" programme by the provincial Department of Public Welfare, in effect from 1954 to 1965.¹¹⁹ C Maxwell Lane, Department Minister until 1962, later wrote that its results were "gratifying": roughly 7500 people (1500 families) were resettled and 112 communities abandoned.¹²⁰ The provincial government allocated about \$400 per family, on the condition – widely felt as coercion – that every family in a community agreed to relocate.

The federal government was apparently slower than Smallwood in absorbing the growth-pole currents. It was not until 1965 that administrative control of resettlement was assumed by the federal Department of Fisheries; the province took a subordinate role through the Department of Community and Social Development. The programme was expanded (i.e., it involved greater sums of money than its predecessor)¹²¹ and renamed the Fisheries Household Resettlement Programme. It was formally in effect for ten years, although by 1971 it was under heavy criticism (see Chapter 5). Funding for relocation was on condition that 90 per cent (later 75 per cent) of families in a community indicated their intention to move. A further 135 outports were abandoned under this second programme. While not every family in a given outport had to agree to move, coercion was also built into this scheme by the threat of the withdrawal of public services. In some cases, services were withdrawn before families had decided to leave.¹²²

The significant aspect of the second programme was its more explicit linking of resettlement to the modernisation/industrialisation agenda. The intended requirement was that families relocated to one of the "designated growth centres" – designated as such by a "resettlement committee" drawn mainly from the federal bureaucracy.¹²³ The majority, but not all, of these centres were envisaged as processing and distribution bases for the expansion of the offshore fishery. In contrast to the

119 Thus, Veltmeyer's (1990: 90) contention that the programme was implemented following a recommendation of the 1957 Gordon Royal Commission cannot be accurate. The Commission took a favourable view of Newfoundland's programme and wished to see it extended to the Maritime provinces.

120 These outports are listed in the *Book of Newfoundland*. See Lane (1967: 565-6). R Matthews (1983: 120) quoted 110 communities; Noel (1971: 264) and Copes (1973 [1971]: 227) quoted 115; Rowe (1980: 131 and 520) quoted both.

121 An average of \$2300 per household between 1965 and 1970, compared with the average income from fishing of \$700 annually. The federal government assumed 70 per cent of the cost.

122 At Merasheen and Isle Valen in Placentia Bay, at least. See letter from "Displaced Person" in the *Evening Telegram* (25.10.71: 6).

123 Personal communication from Gordon Adams (8 June 1993), who worked with the Atlantic Development Board, which was subsumed under DREE. Adams indicates that provincial bureaucrats had the responsibility for disbursement of resettlement funds.

provincial government's emphasis of service and infrastructure provision, Ralph Matthews argued that the federal government saw resettlement "as simply an adjunct of fisheries policy".¹²⁴ Lane wrote:

[The] Department of Fisheries, **realizing** that the inshore fishery as we had known it for many years could not provide a reasonable livelihood for a family, and also because in major fishery growth centres where, by using modern methods, incomes of fishermen were increasing and an acute shortage of labour was occurring to man trawlers and process the fish which is so important to our economy, became interested in resettlement.... I believe it is fair to say that at least ninety per cent of those who moved without persuasion now agree that they should have resettled years ago.¹²⁵ [Emphasis added]

The problems of the inshore fishery were demonstrable but the above passage is misleading. It suggests that, by "realising" that the inshore was in decline, then it was self-evident that it needed to be scrapped. That was a policy choice rather than a course necessitated by some fixed "realisation" by the Newfoundland government and the federal Department of Fisheries. Coaker and Gorvin had demonstrated that different policy choices, based on producer-controlled co-operative marketing and higher prices, were at least conceivable earlier in the century. The Smallwood government's rejection of this in the 1960s was at least partly premised on a "free market" view that fish prices were a "given" – beyond the reach of either public policy or the political power of fishermen.¹²⁶

The first resettlement programme was also perceived by the Smallwood government as merely facilitating a "normal" ongoing process of migration exacerbated by the decline of the inshore fishery. It is generally recognised that unassisted, voluntary relocation of outport families was a social phenomenon of twentieth-century Newfoundland. This is not altogether surprising, for the same reason – poverty – that outport society embraced the modernisation ethos. The *Book of Newfoundland* lists 49 communities abandoned voluntarily.¹²⁷ Government involvement was initiated in response to requests for assistance from residents of small island outports in Bonavista Bay,

124 R Matthews (1983: 121).

125 Lane (1967: 564).

126 Brox (1972: 76-9) provided evidence for this. He pointed out that Newfoundland was the exception; in Norway, fishermen's sales organisations fixed prices at three times Newfoundland levels, and in Scotland and Hull, prices were kept at Norwegian levels through public auctions. He further argued that the "remarkably low" landing prices for fresh northern cod in Newfoundland were fundamental in explaining the development problems of the outports. See Brox (1972: 29).

127 See Lane (1967: 566-7). See also Wadel (1973 [1969]: 245) and Copes (1973 [1971]: 226). Copes claimed that 46 isolated communities were abandoned between 1945 and 1953; Rowe claims 40. For a very sanguine view of resettlement, see Rowe (1980: 131, 520-1). His claim that population centralisation began with the railway and the first wave of industrialisation contradicts the claim by the Economic Council of Canada (1980: 13) that these did not fundamentally alter the original settlement pattern.

where the decline of the inshore had been preceded by the decline of the seal and Labrador fisheries.

[Smallwood] saw this natural trend of the markets and of the people towards resettlement. Joey didn't invent resettlement; resettlement had been going on during the 1940s, and he legitimised a programme of communities which had come to him and asked for government help. That just said government was playing a larger role.¹²⁸

In opposition to this view, Matthews argued that "neither the centralization nor the resettlement program can be construed as assisting an ongoing process", on the basis that individual or family migration and community resettlement were completely distinct social phenomena.¹²⁹

In practice, only a quarter of resettled families actually arrived at growth centres, the majority choosing other, nearby outports as destinations.¹³⁰ Brox noted that, at least in some cases, the socio-economic relations of resettled families remained entirely undisturbed – apart from the federal cash.¹³¹ But many of the destinations, including the growth centres, had poorer resource bases than those abandoned. Burgeo was a growth centre which experienced a marked population increase without an increase in ways to provide livelihoods.¹³² In this and other outports, the employment available on trawler crews and in fish plants in the growth centres was much more modest than the number of people resettled.

The economist Parzival Copes concluded:

[T]he fishing industry within itself is not likely to provide a full economic solution to the problem of the non-viable outport... Success of the resettlement program therefore will depend in large measure on the development of new employment opportunities outside the fishery. As the Newfoundland economy has shown few signs of developing such opportunities on an adequate scale, it seems almost certain that **greater reliance will have to be placed on outmigration** from the province to solve both the general problem of unemployment in the province and the problem of underemployment in the Newfoundland outport.¹³³ [Emphasis added]

Smallwood and Copes are both closely identified with the resettlement process but this excerpt demonstrates their divergent agendas. Premised on nothing more than the observation that industrialised countries were densely populated, Smallwood never

128 Interview with Douglas May, 11 July 1990. See also Lane (1967: 564).

129 R Matthews (1983: 122-3).

130 Copes (1973 [1971]: 232).

131 Only the location of the home changed; fishing activity continued in the same area as before. See Brox (1972: 56).

132 It is difficult to understand how Burgeo, on the isolated south coast and lacking road connection until the late 1980s, was supposed to be a growth centre.

133 Copes (1973 [1971]: 232).

relinquished his optimistic conviction that Newfoundland was vastly underpopulated relative to its potential, and that the prosperity he envisaged had as its precondition a large population base. Even after his tenure as Premier he wrote:

It's questionable whether we can be truly viable, a profitable going concern, before we number a million souls in this province.... [Then we] could support dozens, perhaps even hundreds, of commercial and industrial enterprises.¹³⁴

Copes argued quite the opposite. However, the very deep pessimism that prevails in Newfoundland in the early 1990s has rejuvenated his emigration agenda. This will be discussed in conjunction with the "transfer dependency" thesis in Chapter 4.

Reaction to Modernisation

The Fogo Island Shipbuilding Producer's Co-operative Society was formed in 1967 – before Copes wrote the above excerpt on the "non-viable outpost". This producer co-operative off the northeast coast was perhaps the first example of successful grassroots resistance to the resettlement programme. The co-operative built longliners, produced, processed, and marketed fish, and resulted in the elimination of welfare payments on Fogo.¹³⁵ It also signalled the beginning of a network of Rural Development Associations (RDAs) across the province – there were four in 1968, 15 in 1971, 17 in 1974, 48 in 1981, and 57 in 1990.¹³⁶

Throughout the modernisation era of Smallwood, consumer co-operatives did not disappear but became increasingly concentrated in the larger growth centres.¹³⁷ Although five members of Smallwood's first government had been involved in the co-operative movement during the Commission Government period, the rural agenda lay dormant in Newfoundland until a collective reaction to the modernisation policies of Smallwood coalesced in the latter 1960s. With reference to the earlier quotation from Neary, there is no evidence that a "rural arcadian" agenda was articulated by "social planners and theorists" for almost three decades following Gorvin's departure. There is, rather, much evidence of a modernisation agenda opposed to it. The modernisation paradigm itself, in turn, came under challenge. Fifty years after Gorvin, many

¹³⁴ Smallwood, in the *Daily News* (1.3.72: 3). See also Smallwood (1973: 352-3).

¹³⁵ See *Encyclopedia of Newfoundland and Labrador* (1981: 525). See also Carter (1988: 215-20).

¹³⁶ See *Newfoundland and Labrador* (1983: 169) and Anderson and Williams (1990: 6, 9). The Fogo Co-op was not the first instance of RDA-type activity; the Bonavista RDA was formed in 1963 and the Bell Island RDA coalesced immediately after the closure of the iron ore mines in 1966. Fogo, however, was the most renowned. Some 29 National Film Board of Canada short documentaries were devoted to the "Fogo process", in which Memorial University's Extension Service was closely involved.

¹³⁷ See *Encyclopedia of Newfoundland and Labrador* (1981: 521-3).

planners, theorists, bureaucrats, and outpost leaders of RDAs – the last, especially, not "ignorant of local history" – argue, as did he, that the sole window to Newfoundland's potential prosperity is in the creation and sustaining of a rural economy through new social and economic structures of production.

The Ends Change: From Modernisation to "Neo-Nationalism" in Newfoundland

Chapter 5 will examine in detail the shifting socio-political currents of the early 1970s in Newfoundland which discredited the policies of resettlement and "develop or perish", and which inevitably discredited Smallwood himself. As has been said often, "Smallwood the moderniser fell victim to the modernised". The societal shift – often called the "cultural renaissance" or "cultural re-awakening" – that occurred at that time reflected both a weariness of paternalism and a slowly emerging optimism that was founded in part – perhaps especially in St John's – on an emergent interest in Newfoundland's past as an independent nation and the perception that its own distinct culture was endangered. The cultural renaissance in Newfoundland was likened to Québec's Quiet Revolution, with the unseating of Smallwood providing a suitable parallel for that of Duplessis.

Here, the eventual political climax of that societal shift will be analysed. Its figurehead was Brian Peckford, Progressive Conservative Premier of Newfoundland from 1979 to 1989. His political leadership reactivated the Smallwood tradition of populist oratory; one of Peckford's oil-inspired and acclaimed aphorisms was "One day the sun will shine and 'have not' will be no more!". But whereas Smallwood was perceived to have "sacrificed the nation", Peckford and his coterie of advisors from the provincial bureaucracy wished to have it back, if only in the sense of greater political autonomy. They appropriated in a seemingly effortless fashion what was already established among the cultural elite of St John's, who celebrated in an exuberant fashion their alienation from mainstream, "mainland" ways.¹³⁸ The new confidence was, unlike Smallwood's, a visibly indigenous expression and not predicated on the search for, and imitation of, the socio-economic goals of North America. However, Peckford's policies – its political expression – were essentially contradictory.

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The best known of these were the CODCO theatre group, whose first play on this theme was performed in Toronto in 1973. See Peters, ed. (1992: xi-xv, xxi-xxii). The flaunting of Newfoundland identity in Toronto in the 1970s and 1980s was a comprehensive reversal of the "mainland" experience of the previous generation of Newfoundlanders. See Bliss (1982: 20) and personal communication from the author's father.

This "neo-nationalism" was based in a diagnosis of Newfoundland's situation consistent with dependency theory.¹³⁹ That is, the essence of Newfoundland's problem was the externally situated legal competence and political control over its major resource industries – fishing, mining, paper mills, hydroelectricity, and most recently, oil. Lack of ownership and control meant that the province realised only a fraction of the potential resource rents. Regarding the mines and paper mills, the Peckford government was powerless. They were in private, mainland or foreign ownership; nationalisation was not a feasible financial option, just as it was not for Smallwood's government.¹⁴⁰ Peckford therefore targeted oil and fish (under Ottawa's jurisdiction) and Labrador hydroelectricity (revenue from which was and is captured by Québec).

Peckford was elected on a "Newfoundland first" mandate. Smallwood's "Uncle Ottawa" image was inverted by casting the federal government as the external power most responsible for Newfoundland's dependency. The tactic for the political mandate was confrontation with Ottawa so as to effect the shift of political power in favour of Newfoundland. The intermediate political goal was effective control over the type and pace of resource development. The ultimate economic and social goals were the utilisation of resource revenue to revitalise and sustain the outport fishing economy, such that social welfare was broadly enhanced and the "lifestyle" and cultural autonomy of Newfoundland was preserved. This, again, was a conscious reaction to Smallwood's modernisation agenda – resettlement, in post-modernisation Newfoundland, was interpreted as a degenerate and conscious attack on rural culture.

Peckford's agenda mirrored those of Alberta (with respect to resource development) and Québec (with respect to cultural autonomy); the three provinces together presented a formidable challenge to Prime Minister Trudeau's centralist image of Canada. At the time of the Québec referendum on "sovereignty-association" in 1980, Peckford publicly declared allegiance to Premier René Lévesque's radically decentralised Canada. Like Québécois nationalists, Peckford wished for Newfoundlanders to become *maîtres chez eux* but, unlike the Parti Québécois, Peckford neither represented nor intended a threat to the Canadian federation. Peckford's revolution was a "revolution between the ears". Smallwood, of course, rejected it. His lack of

139 See House (1985b: 174) and (1986: 166). Overton's (1979) application of the phrase "neo-nationalism" had a disparaging intent.

140 Smallwood had negotiated with London-based Bowater over the purchase of the Corner Brook paper mill in 1971 when a shut-down and layoffs threatened. See the *Evening Telegram* (4-5.10.71: 1). The Peckford government was, however, able to prevent the closure of the mill by facilitating its sale to Kruger Inc of Montréal – another external owner.

comprehension of the current in Newfoundland society that had, by then, been brewing over a decade – the need to to be extricated from the history of dependency – was amply demonstrated in his impression of Peckford:

"And don't listen to that appalling crap about separation.... When you count up all the people in this province who are getting support directly or indirectly from Ottawa, there are about twenty-eight left. I could make one speech in Newfoundland that would make separation as dead as the great auk."¹⁴¹

Renegotiation of the Churchill Falls power purchasing deal was, for the Peckford government, a symbolic imperative. In 1984, the Economic Council of Canada estimated that annual earnings from the Upper Churchill were \$7 million for Newfoundland and \$800 million for Québec.¹⁴² This was judged "the worst case of profiteering by one group of Canadians at another's expense in the country's history".¹⁴³ Peckford spent \$1.6 million in an escalation of the attempt to have the 1969 agreement annulled. The federal government refused to intervene in the dispute and the Supreme Court of Canada ruled in 1984 and again in 1988 that the deal was non-negotiable and that Newfoundland would not be permitted access to a greater share of the electricity.

But the Means Remain the Same: Hibernia

Almost simultaneous with Peckford's election was the announcement of the commercial viability of the offshore Hibernia oilfield.¹⁴⁴ A transient Progressive Conservative federal administration in 1979 agreed to transfer ownership of offshore resources to Newfoundland. With Trudeau's resumption of power in 1980, however, Newfoundland initiated an acrimonious campaign to secure provincial ownership of Hibernia. This, too, resulted in contrary rulings by the Supreme Courts of both Newfoundland and Canada. Negotiations resumed once the Conservatives secured office in Ottawa, under the leadership of Brian Mulroney. This led to the 1985 Atlantic Accord (which delineated a joint federal-provincial management regime),¹⁴⁵ the 1988

141 Smallwood, quoted by University of Toronto historian Michael Bliss (1982: 18).

142 See the *Globe and Mail* (10.6.88: A2).

143 See Bliss (1982: 24).

144 The Hibernia field is located under the Grand Banks, 315 km southeast of St John's, and was discovered by Chevron Standard in 1979. See map 2. It is estimated to contain between 525 and 650 million barrels of recoverable oil. Anticipated production is 110,000 barrels per day, starting in 1997; this gives a production life-span of 13-16.2 years. There are three other oilfields under the Banks – Terra Nova, Hebron, and Whiterose – with an estimated total of 770 million recoverable barrels. See the *Evening Telegram* (31.3.92: 18A).

145 The Atlantic Accord, signed on 11 February 1985, established the Canada-Newfoundland Offshore Petroleum Board for joint management of offshore oil development. It gave Newfoundland control over the mode of development and the competence to collect rent as if the oil were under provincial jurisdiction, as in the case of Alberta. See Canada and

agreement-in-principle on funding, and the signing of the Hibernia Development Agreement with the consortium of oil companies in 1990.¹⁴⁶ At the signing ceremony for the Atlantic Accord, Peckford presented an encapsulated economic history of Newfoundland in which he noted that the Accord was a "watershed", offering Newfoundlanders a departure from the "reckless" mistakes of the past.¹⁴⁷ All three occasions prompted press announcements of "a new era for Newfoundland".¹⁴⁸

The 1988 agreement, however, saw the "new era" hysteria tempered in print by what are now conventional cautionary warnings that oil will not solve all of Newfoundland's problems.¹⁴⁹ Conscious that the "oil panacea" is so closely associated with his political career, Peckford has since returned to his initial position on the ultimate socio-economic goals of large-scale resource development:

There's nothing I ever wrote or that I ever said – that the offshore oil industry was the answer, the panacea to Newfoundland. I always said it was another string to our bow.... The backbone of this place, if it's to have a future, will always be the fishery.... I'm not talking about going back 100 years and living in isolation, all that kind of stuff. I'm talking about a highly efficient and innovative, technologically advanced inshore fishery. Because I don't see any other answer for Newfoundland with... hopefully, this growing population.¹⁵⁰

The question is whether this was a contradiction. How compatible is large-scale capital-intensive development with the local development agenda? Can the boom-to-bust phenomenon of resource megaprojects be supplanted by a smooth transition to a different economic regime? The environmental ideology suggests that the answer is no. It emphasises the limits of non-renewable resource extraction, employment over high capital requirements, the need for a long-term policy, and the prerequisite of decentralisation for increased participatory, local democracy. Dependency theory suggests that the political competence required to effect a transition is weakened by participation in a megaproject ultimately controlled by oil companies. These points will now be examined in the context of Hibernia.

Newfoundland (1985: clauses 26, 36) and House (1985a: 303-6). The Atlantic Accord was reproduced in the *Evening Telegram* (12.2.85: 14-15).

146 The consortium, which operates the Hibernia Management and Development Company (HMDC), is headed by Mobil Oil Canada, with a \$1.13 billion commitment. The other original partners were Gulf Canada Resources (\$1.004 billion), Petro-Canada Hibernia Partnership (\$1.004 billion), and Chevron Canada Resources (\$879 million). Gulf withdrew in early 1992.

147 Peckford, address at the signing of the Atlantic Accord, St John's, 11 February 1985.

148 See the *Evening Telegram* (12.2.85: 1), (18.7.88: 1), and (15.9.90: 1).

149 The *Evening Telegram* offered a very negative editorial assessment of the 1988 agreement and gave prominence to critiques from the political opposition, including that of current (1993) Premier Wells, who called the agreement a "scam", containing "no significant benefits to Newfoundland". See the *Evening Telegram* (19.7.88: 1).

150 Peckford, in the *Express* (18.3.92: 15).

The 1988 agreement-in-principle on fiscal arrangements established that the federal government would contribute \$1 billion in grants and \$1.66 billion in loan guarantees to the oil consortium's \$5.2 billion construction costs. This, in effect, made the federal government the largest single participant in the project. It was estimated that 10,000 person-years of employment – the equivalent of 1667 six-year jobs – would be directly created during this phase, and this level of activity has been reached.¹⁵¹ This yields an exceptional ratio of capital investment to employment of \$520,000 per job per year. The *Evening Telegram* mimicked Alberta oil analysts in labelling the Hibernia package "Canada's largest make work project" and dismissed it as "utterly uneconomic" on the basis of existing oil prices.¹⁵² The *Sunday Express* and economist Wade Locke suggested that if employment is meant to be the *raison d'être* of regional development, the federal government should simply have handed over \$1 billion to Newfoundland, as it would generate \$120 million annually in interest – sufficient to keep 4973 Newfoundlanders employed in perpetuity at the province's average wages.¹⁵³

Oil development, if successful, would tend further to centralise economic activity – notably oil service industry and property speculation – in St John's. This was argued by sociologist Doug House, who was initially sympathetic to the approach and goals of Peckford's government, and by the political opposition.¹⁵⁴ The benefits to rural Newfoundlanders will assume the form of good wages during the six-year construction phase.¹⁵⁵ Outport benefits subsequent to this are difficult to envisage, as employment was forecast to fall to 800 jobs during the production phase, a quarter of which would be St John's-based administrative and managerial positions.¹⁵⁶

151 As of July 1991 there were 1400 jobs on-site and in St John's. As of September 1992 there were over 2000 jobs – 860 on-site, 428 in the offices of the HMDC and the construction contractors at St John's, 627 at Montréal, 165 at Paris, and 7 at Calgary. Of the \$727 million spent by the consortium by August 1992, 40 per cent was spent in Newfoundland, 39 per cent elsewhere in Canada, and 21 per cent abroad. As of May 1993, there were 1600 workers on-site. See *Evening Telegram* (30.9.92: 27) and (28.5.93: 1).

152 *Evening Telegram* (19.7.88: 6). One such Calgary analyst is Ian Doig. "Make-work" projects, i.e., federally funded employment programmes designed to provide access to UI payments, will be discussed in Chapters 4 and 6.

153 See the *Sunday Express* (19.6.90: 6). Locke made a similar point in an interview for this thesis, 11 July 1990.

154 See House (1982: 21) and in the *Newfoundland Herald* (14.1.89: 10-11). On oil-inspired property speculation in St John's, see the *Globe and Mail* (9.11.88).

155 Construction of the gravity-based structure (GBS), i.e., oil production platform at Bull Arm, Trinity Bay, began in September 1990. The first cement for the GBS was poured amidst fanfare in May 1993.

156 See the *Globe and Mail* (11.9.90: B1).

Apart from the muddled and frequent rhetoric of "technology transfer" for the future,¹⁵⁷ there are no conceptual or qualitative grounds on which to distinguish Hibernia from any previous large-scale resource project. The only meaningful difference is that Hibernia dwarfs even any of Smallwood's schemes. The historical ingredients of dependent development are extant: capital-intensivity, a requirement for Canadian and foreign capital and technological expertise, truncated political control by the host government, a local urban elite – well-known to the leading political figures – who capture construction and service contracts,¹⁵⁸ the capture of semi-skilled employment during the construction phase, the supplying of unprocessed natural resources according to the requirements of more developed economies, absence of downstream linkages,¹⁵⁹ and the assurance of termination when either the external economies no longer require the resource, when extraction becomes unprofitable for private capital, when the resource is commercially exhausted, or when omnipotent global trading conditions depress the market value of the resource.

Newfoundland's exposure and vulnerability to external events was repeatedly demonstrated throughout the Hibernia episode. The activity sparked by the 1979 announcement was halted by the legal jurisdictional disputes. The activity sparked by the Atlantic Accord was halted until 1990 by the 18-month collapse of the world price of crude in early 1986 from US\$35 to \$8.50 per barrel.¹⁶⁰ The failure, in June 1990, of the constitutional reform package known as the Meech Lake Accord caused the postponement of a House of Commons vote on the \$2.7 billion federal commitment to the project. This led to stories in St John's that federal funding was to be withdrawn as punishment for the opposition of Peckford's successor, Liberal Premier Clyde Wells, to the Meech Lake Accord.¹⁶¹ An overseas cash crisis in Gulf Canada's parent

157 The intent of politicians and spokespersons for Hibernia, in their use of this phrase, is unclear. Refer to, for example, a VOXM Radio news special, "Finally Hibernia", aired following the September 1990 signing. The phrase appears to allude to the possibility that Newfoundlanders will be better equipped to supply services for the other three offshore oil fields once Hibernia is commercially exhausted.

158 For example, Fraser Edison moved from his position of President of the St John's Board of Trade – in effect, an influential lobby group (see Chapter 6) – to become President of Newfoundland Offshore Development Contractors (NODECO). NODECO, an international consortium led by Doris of Paris, was awarded the \$1.2 billion contract to design and build the GBS.

159 Hibernia crude oil is to be processed in the United States, while Newfoundland's two refineries process imported crude.

160 The price of Brent crude suffered a further setback to US\$11.45 in late 1988. See the *Guardian* (4, 6.10.88) and *Sunday Times* (9.10.88: 1).

161 See the *Sunday Express* (24.6.90: 1, 11) and the *Evening Telegram* (26.6.90: 1). Peckford's immediate successor was actually Tom Rideout, who replaced him through a Tory leadership contest in March 1989. Rideout lost to the Liberals, under Wells, in a provincial election the following month.

organisation led to the announcement of Gulf's withdrawal of its 25 per cent stake (\$1.004 billion) in the consortium in February 1992.¹⁶²

Mobil Oil has a world-wide turnover of some \$80 billion annually – Newfoundland's budget for a quarter of a century by current standards – and is able to afford such delays. To adapt Peckford's phrase, Hibernia is merely "another string to its bow". The waiting game strengthens the bargaining position of multinationals by diminishing their need to accept regulatory and safety regimes from increasingly insecure governments.¹⁶³ Multinationals are further strengthened with respect to the concessions they can demand, as witnessed by Texaco's holding out for more than the \$200 million offered it by a federal government anxious to secure a replacement for Gulf.¹⁶⁴

House suggested a potential contradiction in the Peckford approach between economic policies and social goals.¹⁶⁵ He also argued that

Newfoundland's case on offshore petroleum jurisdiction... should be viewed as epitomizing a shift in developmental strategy from industrialization to controlled resource management. The Peckford approach is a reaction against a historical background of dependency and underdevelopment.¹⁶⁶

In terms of socio-economic goals, there clearly was a departure from the modernisation paradigm. Peckford's sophistication lay in the fact that he knew why the modernisation and industrialisation vision had failed. His strategies were a rational response to this knowledge, just as Smallwood's vision was a rational response to his diagnosis. This is not to say, however, that Newfoundland had embarked on a new

¹⁶² The property giant Olympia and York (O & Y), owned by the Reichmann family of Toronto, took a 74 per cent controlling share of Gulf Canada Resources in 1985. See *Maclean's* (18.5.92: 41). Gulf's withdrawal from Hibernia was followed within weeks by the news that the financing of O & Y's Canary Wharf (London) property development had collapsed, and that Canary Wharf was headed for receivership. The strong likelihood that Newfoundland's oil hopes were put in doubt by the bankruptcy of a \$7.8 billion overseas property deal – or even that Hibernia was jeopardised in order for O & Y to escape receivership – was not considered by the St John's media in its simultaneous coverage of the two stories. See, for example, the *Evening Telegram* (30.3.92: 2) and (31.12.92: 4). Then federal fisheries minister John Crosbie, however, alluded to the connection. See Crosbie's letter in the *Telegram* (4.1.93: 5) and in the *Globe and Mail* (8.1.93: A14). O & Y also own 82 per cent of Abitibi-Price Inc, operators of the paper mills at Grand Falls and Stephenville. See the *Globe and Mail* (24.4.90: B7) and *Maclean's* (18.5.92: 41).

¹⁶³ Personal communication from Mark Shrimpton, Senior Research Fellow, Institute of Social and Economic Research, Memorial University of Newfoundland, March 1991.

¹⁶⁴ See the *Globe and Mail* (6.8.92: B1). Part of Gulf's share was taken, not by Texaco, but by Murphy Oil Corporation of Arkansas in January 1993. Ottawa was required to assume an additional 8.5 per cent direct stake, i.e., \$290 million on top of its existing commitments. See the *Globe and Mail* (16.1.93: 1).

¹⁶⁵ See House (1982: 21).

¹⁶⁶ House (1982: 12).

policy course. Hibernia exemplifies the inability to match development policy with the discernible desire for social goals based on the decentralisation of political power, the dispersal of economic activity, and rural regeneration. Not only were Peckford's social goals unrealised, but the strategy for them itself represented a march in the opposite direction. If dependency theory illuminates the inevitable perpetuation of dependent development through resource megaprojects, then it would appear that Peckford and his dependency-inspired neo-nationalist advisors advocated a development strategy ultimately inconsistent with their own diagnosis of Newfoundland's structural underdevelopment. The irony lies in the fact that they arrived at the only possible diagnosis.

Newfoundland is no closer to using the benefits from a reactivated economy in order to fulfil its social goals – indeed, it is further away. Between the constitutional squabbles, the jurisdictional battles, and Peckford's humiliating departure (related in part to a failed \$23 million attempt to make Newfoundland self-sufficient in hydroponic cucumbers), the vision which gave meaning to the myriad of struggles into which the government plunged, was lost. Since then, the rural economy has collapsed to the extent that it is difficult to see how it can now sustain a new confident vision.

Summary and Conclusions

Insofar as socio-economic development policy is an accurate reflection of a country's or a region's political culture (a premise of this dissertation), this chapter has illustrated the changing agendas of Newfoundland's political culture. The first significant attempt by a government to determine the island's development trajectory was a mining and manufacturing strategy modelled on the Canadian National Policy. It was initiated in the wake of the collapse of the fisheries in the 1860s and culminated in the start of the railway in 1881. The failure to meet the objectives of import substitution was compounded by the unmanageable external debt which attended the intensification of railway construction. The failure also led to the development of large-scale resource extraction by foreign direct investment. On the Bell Island mine and the Grand Falls mill, the 1986 *Report of the Royal Commission on Employment and Unemployment* observed: "Thus began a pattern of outside ownership of Newfoundland's resource industries which has persisted ever since."¹⁶⁷

The Amulree Commission may have been a subterfuge for protecting Imperial financial interests, but it was correct on two points. First, the political elite were, for the most part, either inept or corrupt. Secondly, Newfoundland's attempt to reproduce North American industrial success on the island was ill-advised if it meant neglecting the fisheries, on which the majority of the population continued to depend. Newfoundland, in short, required a strategy consistent with its economic reality.

Analysis of the Commission Government period demonstrates that the modernisation versus local development tension has no inherent ideological precision. That is, one can conclude neither that the local development agenda is inherently "correct" or "progressive", nor that it is a scheme that serves the interests of capital. The approaches of Coaker, Lodge and Gorvin were local development agendas; all were premised on the fashionable ideas of "self-help" and "self-reliance" and borrowed from the ideas of the co-operative movement. Lodge's land settlements, however, were paternalist experiments intended to impart elite wisdom to the poor and not to empower them. Coaker and Gorvin envisaged radical, structural change to the political economy on a scale that would leave it unrecognisable. As is the case with democratically organised producer co-operatives more generally, Coaker and Gorvin's plans were a genuine "threat from below" to the existing socio-economic order of Newfoundland.

Smallwood was synonymous with the modernisation paradigm. For him, the Commission Government represented a temporary hiatus from Newfoundland's destiny. Smallwood set out to succeed by doing exactly what had failed before. He, like Coaker, identified with Newfoundland's "toiling masses" but he saw their future as wage earners in company towns modelled on Grand Falls and Corner Brook. Many Newfoundlanders, especially outside nationalist and protectionist-minded St John's, agreed with him. He recognised the requirement for inward capital investment as well as the concessions required to attract it. Less well anticipated were the longer-term consequences of export-orientated dependent development: truncated political sovereignty, narrow economic base, capital drain, unemployment, and an increasing reliance on wealth transfers. Government played a central role and resettlement was an explicit exercise in social engineering. Newfoundland's experience with the modernisation paradigm was an uneasy juxtaposition of the modern welfare state with capitalism in an unregulated, nineteenth-century mode. Smallwood wished to mimic the economic success of the United States, but the modernisation paradigm was not circumscribed by capitalist ideology. Smallwood's vision would not have put him out

of favour among the Soviet Union's policy makers of the same era, to whom non-waged peasantry were likewise an obstacle to progress.

In the late 1960s, the backlash against Smallwood assumed a number of forms, including pockets of resistance to resettlement in outport Newfoundland, social unrest in the industrial towns, and the desire for a new set of social and economic goals. Chapter 5 will demonstrate this socio-economic change in detail. It led to the genesis of a nationalist cultural "renaissance" in the city and found its political climax with Peckford's election to the premiership at the end of the 1970s. His government's political and legal confrontations were ultimately rooted in a conscious inversion of Smallwoodism. The symptoms of economic dependency, above, came to be seen as the logical outcome of the strategies for modernisation and industrialisation and not their failure. Economic development policy was reframed in terms of new societal goals based on the inherent value of outport culture and the maintenance of its social and economic relations.

The strategy, however, for realising this relied heavily on public appropriation of a new resource megaproject – offshore oil. Peckford's dependency theory-inspired diagnosis of Newfoundland's situation rests uneasily alongside a solution which requires the participation of the largest multinationals in the world. It is likely, but not possible to declare with certainty, that the strategy was essentially a contradiction between modernisation-type means and rural-orientated ends. That will only be answerable after Newfoundland has a decade or more of oil production experience behind it. Ultimate social goals – the kind of society wanted – will remain a function of the interplay between the ability and willingness of Newfoundlanders to articulate their visions, on the one hand, with the ability and willingness of governments to frame policy accordingly, on the other. The level of coincidence between these two is a measure of democracy.

Peckford and Smallwood both had societal visions. Both were "Newfoundland-first" populists who employed different rhetoric but tried to use the same strategies for mutually exclusive goals. In Smallwood's case, there was a congruency between the industrialisation strategies and the vision. This congruency was missing in Peckford's case. A tenable argument is that Peckford's government was unable to appreciate the potential for contradiction, as its energies and political standing were consumed by its focus on means. The failures experienced by the government does not diminish the significance of political choices. Peckford, at least for his first five years as Premier, demonstrated that a course of political action could be engaged which was based in the

best possible diagnosis of Newfoundland's situation. It was rooted in a vision, irrespective of the eventual verdict as to the efficacy of the economic strategy.

The successor government to Peckford's exhibits concerns that are undoubtedly important – deficits and constitutional amendments – but they are prosaic and visionless in comparison. Premier Wells's constitutional stand – notably articulated through the debate on the Meech Lake Accord – has been premised, not merely on the refutation that Newfoundland either requires or could benefit from a decentralised federation, but on the "Trudeauesque" belief that the provinces already exercise an excess of political power.¹⁶⁸ It might be argued that public policy under Premier Wells should be viewed in the restrictive context of the severe 1990-93 recession. However, neither the Depression years nor the 1981-82 recession precluded the examination of new policy options. The extent to which domestic economic trouble is a function of global conditions is not at issue, especially for an open and vulnerable economy such as Newfoundland's. This is, however, conceptually distinct from policy choice. Chapter 6 of this thesis will contend that the central motivating force behind the Wells government is purely that the ambition of the Peckford years was sadly misled. The idea that the government has the capacity to employ political means for particular social goals has been rejected. The "realistic" stance for Newfoundland is thereby one of default: to accept its derivative status as a passive recipient of global events and shifting political currents on the federal level.

¹⁶⁸ See the *Globe and Mail* (23.8.89: A4) and interview with Premier Wells for this thesis on 17 July 1990.

Chapter 4

An Overview and Analysis of Canadian Regional Development Policy

The price of being a country is the willingness to bear a cross. For Germany it is the cross of beastliness... and Canada is required to find a national identity. The burden which Newfoundland has carried is to justify that it should have any people.

– David Alexander, "Newfoundland's Traditional Economy and Development to 1934" (1976)

Looking at the costs of carrying other parts of the country – Newfoundland for example – I sometimes felt we would be better off if we towed it out to sea and sank it.

– Don Blenkarn MP (Progressive Conservative, Mississauga, Ontario), chair of the House of Commons Finance Committee, 21 June 1990.

Introduction

This chapter will attempt to illustrate and analyse the shifts of regional socio-economic development policies of the federal government. The purpose of this is to demonstrate not only the extent to which the Newfoundland economy is dependent on federal spending, but also to demonstrate the limiting effect this has on policy manoeuvre in Newfoundland. The method employed will be to analyse a number of regional policy tools of the federal government. One of these, of which much has been written, was the federal Department of Regional Economic Expansion (DREE) which was in operation between 1969 and 1982. DREE was a policy offshoot of the modernisation paradigm and was active during an explicitly interventionist era in Canadian politics. This chapter will also describe and analyse the rise of neoconservative thought in Canada, which has effectively challenged interventionist assumptions on economic development. The current Atlantic Canada Opportunities Agency (ACOA) is a federal body with a very ambiguous policy agenda; that is, it is both suggestive of DREE's approach and consistent to some extent with neoconservatism.

Theoretical Framework

Geographer James Cannon introduced a review essay on Atlantic Canadian regional development with the premise that "Explanations of regional development are profoundly influenced by the adoption of particular conceptual frameworks".¹ He presumably meant that explanations of regional development history – why the region is as it is – are determined by the ideological positions and attendant political agendas of the analysts. This was illustrated in Chapter 2. Cannon categorised two broad frameworks – liberal and Marxist – and subdivided the former into staples theory and neoclassical (market-orientated, *laissez-faire*) economics. Janine Brodie's more detailed approach similarly grouped conceptual frameworks into "theories of regional self-balance" (including neoclassicism) and "theories of regional imbalance" (including dependency theory). These broadly coincide with Cannon's liberal and Marxist frameworks, although Brodie included the ideas of non-Marxists such as Innis in the latter category.

There is, however unfortunately, a wide gulf between the world of scholarly theoretical debate on regional development and the ideologically more restricted world of competing policy programmes for regional development. Chapter 2 provided an analysis of the former; this chapter offers an analysis of "official" thinking on the federal level. Referring especially to two oft-cited reports from the Economic Council of Canada (ECC),² Cannon noted that neoclassical economists "have been extremely influential" in Canadian policy circles.³ He noted also that they have been attacked for the following reasons:

While neoclassical analysis possesses analytical rigour, attempts to achieve theoretical elegance and to reduce analysis to quantitative machinations have deflected its focus from an analysis of root causes of regional development. The practice of abstracting economic phenomena from the total social formation and the limited historical analysis detracts from its ability to provide satisfactory explanation and constrains its utility in the formulation of regional policy.⁴

If neoclassical analysis cannot provide satisfactory explanation and if its utility for policy is constrained, then one is entitled to wonder as to the basis of its high level of influence. The simplest explanation is that the political objectives of the ECC coincide with those of the federal government. The problem with this is not only that different governments have different agendas, but also that a simple "neoclassical" label for the

1 Cannon (1984: 65).

2 *Living Together: A Study of Regional Disparities*, ECC (1977); and *Newfoundland: From Dependency to Self-Reliance*, ECC (1980).

3 Cannon (1984: 67).

4 Cannon (1984: 80).

ECC misses the fact that its own perspective appeared to have evolved as well. Still more important is the radical shift in the general political climate in the decade and a half since the two ECC reports were released. The influence of neoconservatism, which is based at least in part on neoclassical market theory, on Canadian social and public policy will be discussed later in this chapter. This new agenda is a departure from that exhibited in the ECC reports.

Examination of the policy programmes will animate some of the theoretical schisms described in Chapter 2. For example, the basic contradiction between modernisation-type policies and rural-orientated policies will be apparent. However, a broad "liberal versus Marxist" framework does not afford a complete understanding of policy, for the reason that such policy has remained impervious to and uninfluenced by the Marxist streams of Canadian political and economic thought. Intersections between theory and policy can be demonstrated, but the Marxist approach demonstrates that not all theories intersect with policy. This thesis, however, neither adopts nor accepts the narrow analytical framework employed by the ECC in its 1977 report.⁵ That document purported to provide an overview of "economic theories of regional disparities" but conspicuously omitted any theories grounded in the concept of spatial or class conflict, i.e., dependency theory and Marxist perspectives. On the other hand, Goulding criticised legitimately the inadequacy of arguing "there is no need to dwell on the sad fate" of non-Marxist explanations of, and responses to, underdevelopment.⁶ A useful radical critique of past and current policy programmes must be based on a reasonable understanding of their ideological bases and goals.

This chapter, then, departs from the "liberal versus Marxist" framework. There are two separate tensions to be constructed. The primary one is between policy programmes based in the modernisation paradigm and those based on the rejection of modernisation tenets. Since the modernisation paradigm is premised on the requirement for the socio-economic relations of the region in question to be "restructured", the "anti-modernisation" stance is that which rather seeks a development agenda which can complement existing socio-economic relations. In the Newfoundland case, specifically, the distinction is between policy programmes for industrialisation and those for local or rural development. The former have been, and are, implemented with little regard for the "viability" of outport Newfoundland; the latter are consistent with the environmental ideology and emphasise the potential for

⁵ *Living Together* examined five "theories": staples, development, neoclassical, Keynesian, and regional science. See ECC (1977: 23-30).

⁶ Goulding (1981: 96), critiquing the stance taken by Veltmeyer (1979: 17).

rural viability. It is worth noting that very little literature exists that juxtaposes these contradictory agendas.⁷ Perhaps this is because an ideological minefield is involved; the Left versus Right polarity is not at all useful in eliciting and evaluating the distinction.

The second, less specific, tension stems from prevailing political climates, i.e., between general acceptance of government intervention in the economy and rejection of interventionism, be that based in orthodox neoclassical theory or radical neoconservatism. Unlike the complex modernisation/local development distinction, the interventionist/neoclassical distinction can be conceptualised in more conventional Left versus Right terms.

A brief illustration of the "ideological minefield" will be provided; it requires simultaneous consideration of the two tensions outlined above. The modernisation paradigm of the 1950s and 1960s can be challenged equally from two distinct ideological perspectives: neoconservatism and the environmental ideology. The modernisation paradigm was influential at a time of consensus that governments should and do have legitimate interventionist roles. This "Keynesian consensus" was that full employment could not be guaranteed by the market system but that it would be more successfully approximated through government manipulation of aggregate demand, i.e., the provision of goods and services in the public sector.⁸ For Smallwood, the role of government was clearly to provide jobs through the enticement of industrial development. DREE industrial programmes were both consistent with the modernisation paradigm and premised on the Keynesian consensus.

Neoconservatism received its impetus in the early 1970s, by which time the post-war economic boom had been superseded by "stagflation": simultaneously rising unemployment and inflation. Stagflation was, under the doctrine of Keynesianism, theoretically impossible. It was the undoing of the Keynesian consensus. By 1976, Milton Friedman received the Nobel Prize for his advocacy of fighting inflation through strict controls on money supply.⁹ By the end of the decade, governments of

⁷ Canning (1986) – a background report to the Royal Commission on Employment and Unemployment – and the Royal Commission report itself are the only ones I have found. The first half of Chapter 6 in this thesis comprises a detailed analysis and critique of the Royal Commission report.

⁸ This is also known as the era of the "social contract" between governments, trade unions, and business.

⁹ I.e., for his monetarist policy, defined as the attempt to control inflation through the lowering of the money supply (e.g., by raising interest rates). Monetarists exhibit the greatest opposition to the Keynesian idea that governments should intervene in the economy by direct public spending ("demand management"). Monetarism is thus an

English-speaking countries made a policy choice as to which of the horns of stagflation they would attempt to blunt: they "abandoned the commitment to full employment and concentrated on attacking inflation".¹⁰ By the 1980s, neoconservatism assumed the status of orthodoxy among these governments.

Because DREE was a policy offshoot of the Keynesian consensus, attacking it on the basis of its modernisation ethos can be interpreted ideologically as a neoconservative attack on the idea that governments have a social responsibility to intervene in the workings of the "free market".¹¹ Very similarly, the proposition that a connection exists between "intervention" and "dependency on government" elicits the charge of neoconservatism from the orthodox Left. It is desired that this thesis should be considered ideologically distant from neoconservative reaction. It is perhaps unfortunate that such a cautious disclaimer must be made, but such is the result of ideological confusion. It has often been said that because of neoconservatism, the 1980s were a period when the ideological "battle lines" were comfortably and transparently drawn. Away from the edges of ideological extremism, however, that is less self-evident.

Canadian Government Interventionism: Compensatory Programmes

Canadian governments have historically played an active role in the economy of the country. Brodie claims that, "For many Canadian policy makers, the most important lesson of the Great Depression of the 1930s was that government intervention in the economy was a necessary evil of the modern age."¹² It may even be said that government intervention – the Canadian National Policy of 1879 – moulded the Canadian state more or less in its current form.

"National" policies of the federal government have had spatial (regional) impacts, whether or not they were intended. An early example of this was the reversal of freight rates favourable to the Maritimes on the Halifax-to-Montréal Intercolonial Railway in

extremist policy off-shoot of neoclassical analysis. See Nell and Azarchs (1984: 39-43) and Nell, ed. (1984: 11).

10 See economist Gerald Holtham in the *Independent on Sunday* Business section (10.1.93: 10). The German Bundesbank was also strictly monetarist in its focus on inflation, but the German model of capitalism avoided neoconservatism by maintaining its commitment to the social safety net and high levels of social provision.

11 The "invisible hand" of the free market is a wonderful myth. In resistance to it, Anthony Davis of St Francis Xavier University elegantly pointed out that "There are no invisible hands; there are only human interests". (Paper presented at "We Must Live in Hopes: A Symposium on Literary and Political Discourse in Atlantic Canada", University of Edinburgh, 8 May 1993.)

12 Brodie (1990: 28).

1912.¹³ The federal government was obliged to introduce compensatory subsidies for rail movements for the Maritimes in 1927. Similarly, it has long been contended in the Prairies that the freight rate structure has hindered that region's diversification out of primary resource activity.¹⁴ A recent example of federal policy which is ostensibly spatially neutral – with "benefits for all Canadians" – but not so in fact was the 1989 Free Trade Agreement (FTA) between Canada and the United States.¹⁵

The primary purpose of government intervention is wealth redistribution and the mechanisms of this redistribution by the federal government can be divided into two main categories: compensating and transforming programmes. Compensating, or demand-stimulating, programmes are a product of the post-war, "welfare state" era. In Canada, the recommendations of the Rowell-Sirois Royal Commission (1940) led directly to the compensatory system of "transfer payments". Minimum wage legislation and transfer payments to individuals (unemployment insurance (UI) and pensions) were introduced in the wake of World War 2. Transfer payments also include the system of interprovincial "equalisation payments" introduced in 1957. Equalisation payments are explicitly spatial in intent: "have not" provinces (i.e., those with an insufficient tax base) acquire the financial competence to provide services approximate to the Canadian average in such areas as health, education, and transportation. Some transfer payments are unconditional (the province determines how the money is spent) and others are conditional (the province must use the money for, e.g., health or UI).

Newfoundland and Compensatory Programmes

Governments spend far more in Newfoundland than they collect in taxes. Since 1949, both federal and provincial levels of government have played very active roles – to the extent that, in St John's, it is often heard that "government is the only game in town". Between 1970 and 1985, net federal expenditure as a percentage of Newfoundland's GDP rose from 21 to 41 per cent.¹⁶ During that period, UI payments as a proportion of

¹³ This obstructed the ability of Maritime exporters to compete with Montréal interests for the central and western Canadian market. See Brym and Sacouman, eds. (1979: 10-11). Kia (1985: 30) argued that the 1879 National Policy was a transforming programme, but that it had "leakages" to other regions. Others, such as Brodie (1990: 102, 108-12), argue that the National Policy itself was "spatially neutral" but had "distinct spatial implications".

¹⁴ See Economic Council of Canada (1977: 193-4).

¹⁵ See Canada (1988: 5). It is not surprising that the manufacturing heartland of southern Ontario exhibited the greatest resistance to the FTA in the 1988 federal election. It may never be possible, however, to determine how many manufacturing jobs were lost as a result of the FTA and how many as a result of the severe 1990-93 recession.

¹⁶ Equalisation payments to Newfoundland in 1970-71 were \$91 million. See *Daily News* (8.1.72: 7).

federal spending increased from 10 to 30 per cent.¹⁷ Forty-four per cent of the Newfoundland government's revenue for the 1990-91 fiscal year comprised equalisation and other transfer programmes of the federal government.¹⁸ The four largest functions in terms of spending – health, education, debt charges, and social welfare (including UI), in that order¹⁹ – depend on this constitutionally established transfer of wealth. The numerous employment creation ("make-work") programmes of the 1970s and 1980s were designed primarily to compensate for the seasonality of rural primary production and to effect access to UI.²⁰ Long-term economic development is not a goal of such programmes. Although compensating programmes involve vast sums of money – far in excess of those for transforming programmes²¹ – and although they have spatial impact, they are not part of the regional development policy process.

Federal Regional Development Policy: Transforming Programmes

Transforming programmes are those which attempt structural changes of the target economy. DREE, ACOA, and other such bodies, for example, were and are designed to redress "regional economic disparities". The earliest transforming programmes for "rural adjustment" were those of the Prairie Farm Rehabilitation Administration (PFRA), introduced by the federal government in the mid-1930s as an emergency response specifically to Depression-era rural poverty and drought, mainly in Saskatchewan and Alberta. PFRA primarily involved irrigation projects. Programmes under the Maritime Marshland Rehabilitation Act (MMRA) commenced in 1949. Their purpose was also specific: the construction of dykes and dams to "save" marshland in the Fundy region from saltwater tidal flooding.²²

Subsequent to these interventionist precedents, the 1957 *Royal Commission on Canada's Economic Prospects* highlighted the extent of rural poverty.²³ It was seen

17 See Feehan (1991: 3-4). The UI programme was restructured in 1971 so as to ease the conditions for qualification in the provinces of greatest disparity. In Newfoundland's case, inshore fishermen especially acquired easier access to UI.

18 \$1329 million, out of total revenues of \$2879 million. The 1991 Newfoundland Budget projected an increase in this proportion. See Newfoundland and Labrador (1991a: 10, xii).

19 Newfoundland and Labrador (1991a: xiii).

20 See Anderson (1991: 419) for a list of federal "make-work" programmes in Newfoundland from 1971 to the late 1980s. They included the Local Initiatives Programme, Local Employment Assistance Programme, Young Canada Works, New Technology Employment Programme, Canada Community Services Projects, and many others.

21 In 1992, more than \$1 billion was distributed through UI in Newfoundland, versus \$80-100 million in regional development programmes and assistance. See the *Evening Telegram* (5.11.92: 23).

22 See Buckley and Tihanyi (1967: 1, 55-6, 84-5).

23 Canada (1957).

that compensating programmes alone were not adequate to close regional gaps in wealth. Regional development strategies on a country-wide scale began during the Progressive Conservative administration of John Diefenbaker in the early 1960s. The federal government remained a source of funding and technical expertise, but there was a shift to provincial control over proposals and implementation, as well as a requirement for provinces to provide funding (usually half).²⁴ These transforming programmes included the Agricultural Rehabilitation and Development Administration (ARDA 1, 1961), which was superseded by the Agricultural and Rural Development Administration (ARDA 2, 1965). Also formed were the Atlantic Development Board (ADB, 1962), Area Development Agency (ADA, 1963), Area Development Incentives Act (ADIA, 1965 – a modification of ADA), Fund for Rural Economic Development (FRED, 1966), and Cape Breton Development Corporation (CBDC, 1967).²⁵ These were all *ad hoc* creations: the CBDC, for example, was set up to "manage" the imminent closure of Cape Breton's coal mines.²⁶ ADA provided tax concessions and grants for industry in areas of high unemployment; ADB was an advisory and funding body which provided infrastructure assistance.

ARDA 1 was essentially a collection of provincial PFRA-type programmes which were intended to alleviate, via "land use conversion" projects, the prevalence of low income in agricultural areas. Its legislation expressed the desire

of facilitating the economic adjustment of rural areas and of increasing the income and employment opportunities and improving the standards of living of people in rural areas.²⁷

The main feature of ARDA 1 was its modest scale relative to federal compensatory transfer programmes: to mid-1966, total federal commitment was \$62 million, of which only half had been spent.²⁸ Of this, only \$1.8 million (\$8 per capita) had been spent on assistance to fishermen, tourism, and research in Newfoundland.²⁹ An

²⁴ See Buckley and Tihanyi (1967: 96).

²⁵ Economic Council of Canada (1977: 147), R Matthews (1983: 104-7), Kia (1985: 48-57), Higgins (1986: 144), Weaver and Gunton (1986 [1982]: 196-7), Atlantic Provinces Economic Council (APEC) (1987: 122-3). Among these sources there is no exact agreement as to actual dates for these bodies, perhaps because some refer to the dates of legislation and others to dates of implementation.

²⁶ An event which never took place. See APEC (1987: 76-7). The CBDC is now named Enterprise Cape Breton Corporation and operates in the early 1990s as a branch of the Atlantic Canada Opportunities Agency (ACOA) – see later in this chapter.

²⁷ Cited in Buckley and Tihanyi (1967: 93).

²⁸ Buckley and Tihanyi (1967: 15). ARDA's successor, DREE (see following section), had an initial annual budget of \$300 million. For comparison, in 1974-75, total federal to provincial transfer payments were \$8 billion, and transfers to individuals totalled \$9 billion. See ECC (1977: 182-3). Federal equalisation payments alone were \$3.5 billion in 1981.

²⁹ See Buckley and Tihanyi (1967: 98, 109, 192, 196). ARDA 1's agricultural focus apparently made it difficult for Newfoundland initially to obtain approval for proposals.

impatience with the ARDA 1 approach is evident in a confusingly assembled study for the Economic Council of Canada in 1967. It was seen as too similar in process to PFRA and MMRA, which were characterised as "overly optimistic" in their projections for land productivity.³⁰ ARDA 1 was thus deemed a failure on the basis of its potential for keeping people on the land. Its tendency to encourage the depopulation of rural areas was interpreted as the programme's sole redeeming feature – a thoroughly aberrant criterion of local development success. Thus, the study's ideological basis was revealed:

[G]overnments have two basic ways of promoting the growth of per capita income in an area. The first alternative is to assist "development projects";... investments in physical capital [for] raising output locally. The second alternative, which we would prefer to label the promotion of "labour force adjustment", covers measures that encourage movement out of the area.³¹

ARDA 2 and FRED were both established ostensibly to deal with social displacement, but they pulled in opposite directions. FRED moneys were for areas with rural poverty and potential for local development. Newfoundland received no funding from the latter programme because it failed to devise a comprehensive plan; this appears to reflect the industrial priorities of the Smallwood's government at the time. ARDA 2's role in Newfoundland remains enigmatic. On the one hand, it was said to reflect the "social and economic needs of the people in rural areas" to a greater extent than did ARDA 1.³² On the other, and rather more concretely, it was identified as the main source of federal funding for the second Fisheries Household Resettlement Programme.³³ As the latter appears to be true, it outweighs whatever pro-rural intent that may have existed in ARDA 2's formation. Thus, by the mid-1960s, Ottawa had "caught up" with Smallwood's anti-rural orientation. This led to a more centrally directed strategy, under the Department of Regional Economic Expansion (DREE). The contradictory approaches represented by ARDA (originally rural-orientated) and ADA/ADIA (direct support for private industry) was apparently resolved in favour of the latter. However, DREE encapsulated the same contradictory agendas.

The Department of Regional Economic Expansion (DREE): Growth Poles

In 1969, the Trudeau government implemented a two-pronged strategy – one cultural, the other economic – for the purpose of enhancing Canadian national unity. Growing desire for political autonomy in Québec and the chronic regional disparity problem

30 See Buckley and Tihanyi (1967: 14).

31 Buckley and Tihanyi (1967: 17).

32 See Anderson and Williams (1990: 7).

33 See Simms (1986: 14).

were seen as the twin threats to the federation. The cultural component of the strategy was the Official Languages Act; the economic component – i.e., the response to regional disparities – was DREE.³⁴ DREE was created on the recommendation of the Economic Council of Canada (ECC). Both it and the Atlantic Provinces Economic Council (APEC) judged the federal *ad hoc* approach to regional development as a failure – lacking both general direction and specific goals.³⁵ The opinion of the ECC was also that the existing approach placed undue emphasis on rural development.³⁶

In a single ministry, DREE assumed control of the transforming programmes: ARDA, ADA, FRED, PFRA, as well as personnel from federal "line" (sectoral) departments such as Manpower and Immigration, Agriculture, and Industry. The resettlement programme came under DREE's control in 1970; it apparently received some funding under Newfoundland's third ARDA agreement (ARDA 3) of 1971-75.³⁷ DREE's spending was coordinated by the Regional Development Incentives Act (RDIA), which superseded ADIA. The annual budget rose from \$300 million in the early 1970s to \$700 million ten years later, which represented a decrease in its share of federal expenditures from about 2 per cent to 1 per cent.³⁸

DREE's sole formal mandate was to effect the dispersal of economic growth so as to raise employment and earning opportunities in "slow-growth" areas to a level close to the national average.³⁹ This was a replication of ARDA's goal, but a shift away from ARDA's rural poverty focus was apparent in DREE's mechanisms: assistance for infrastructure, "social adjustment" to "improve" the use of natural resources (as with ARDA), and the spatial redistribution of large-scale industrial activity through direct assistance to private industry. The first comprised labour-intensive road construction and provision of water services. The last two were really a single strategy: relocating surplus labour to the relocated industries. Twenty-three cities, including the six largest

34 Jean Marchand (Minister for DREE) acknowledged that Québec's large portion of DREE funds was intended to combat alienation and separatism. See the *Daily News* (7.3.72: 4). DREE grants increased to Montréal – designated a "Special Area" – to offset the withdrawal of capital following the October 1970 FLQ crisis. Québec received 35 per cent of DREE's budget between 1969 and 1975. See Phillips (1978: 84). This material is adapted from Lawton (1992: 137-8). The efficacy of the DREE/Official Languages Act strategy in enhancing national unity can be inferred from the election of the Parti Québécois to power in 1976. After that time, the "Québec factor" in DREE's political rationale presumably shifted to assisting the federal government's campaign against the nationalists in the 1980 referendum on "sovereignty-association" – damage limitation rather than the fulfilment of Trudeau's "one nation" ideal.

35 See Economic Council of Canada (1977: 147) and APEC (1987: 123).

36 See Buckley and Tihanyi (1967) and Goulding (1981: 11).

37 See DREE (1977: 11). Other funds for resettlement came from its own programme under DREE.

38 See Lithwick (1986 [1982]: 256-7).

39 See ECC (1977: 147). Recall, however, the "Québec factor".

in eastern Canada, were selected as "special areas" for infrastructure assistance.⁴⁰ This marked a clear transition to the "new theology" of modernisation/growth pole theory – a transition "antithetical to rural development".⁴¹

The infrastructure role would appear to present an internal contradiction, but this funding, including that for construction, was targeted at the urban special areas.⁴² Federal-provincial co-operation for regional development was expedited by the dovetailing of Smallwood's "develop or perish" programme of economic development with the DREE approach to regional disparities. Smallwood, however, had the concept first. In contrast to ARDA 1's modest spending, DREE acquired a high profile in the province, becoming perhaps the paramount manifestation of Smallwood's "Uncle Ottawa". In its first six years, DREE spent \$186 million in Newfoundland – \$352 per capita.⁴³

The Restructuring of DREE

In response to criticism from APEC that DREE was "Ottawa-biased" and from provincial governments that they were excluded from the planning process,⁴⁴ DREE underwent a policy review in 1972-73 which resulted in administrative decentralisation in 1974. A manifestation of shifting developmental priorities in Newfoundland was the creation, with DREE funding, of the Newfoundland and Labrador Development Corporation (NLDC) in 1972.⁴⁵ Province-specific and provincially directed General Development Agreements (GDAs) were introduced under DREE.⁴⁶ The GDA years reflected provincial priorities to an unprecedented extent. It is therefore puzzling that small amounts of DREE money continued to fund the resettlement programme until the end of the 1976-77 fiscal year.⁴⁷ A major policy development occurred in 1978, when DREE began formally funding Rural Development Associations (RDAs) in Newfoundland. Two DREE Reports in 1979 and 1980 claimed that this was continuing an earlier initiative under ARDA 3,⁴⁸ but previous Annual Reports make no mention of

40 See ECC (1977: 148) and Lithwick (1986 [1982]: 255).

41 The former phrase is from Gwyn (1972: 293); the latter from R Matthews (1983: 106).

42 See Simms (1986: 20).

43 ECC (1977: 152).

44 See the *Evening Telegram* (12.10.71: 3) and R Matthews (1983: 108).

45 The NLDC was a Crown Corporation. This signalled the start of a "small business" orientation in Newfoundland development policy.

46 Twenty-three subsidiary agreements signed between 1974 and 1982 under the federal-Newfoundland GDA are listed in Simms (1986: 20).

47 \$413,000 in 1974-75, \$168,000 in 1975-76, and \$171,000 in 1976-77. See DREE (1975: 15), (1977: 11), and (n.d.: 11). These figures appear to contradict claims that the resettlement programme ended in 1972 or 1975.

48 See DREE (1979: 37) and (1980: 13).

this. The local development agenda of the Newfoundland RDA movement was grounded explicitly in rejection of the modernisation paradigm. In any case, it is possible that DREE was simultaneously funding resettlement and RDAs in the mid-1970s, and that this paradox was resolved in favour of the rural development approach toward the end of the decade. However, even then DREE funds for rural development remained a minor component of the total – \$14.6 million over five years, compared with \$101 million for highways, \$68 million for water and a new approach route to St John's, and \$55 million for modernisation of the paper mills.⁴⁹

The GDA approach caused problems in Ottawa; tensions between DREE (with its spatial mandate) and federal "line departments" (with sectoral mandates) were seen as a "persistent dilemma":

[S]ome overlap between agencies is inevitable.... In the case of DREE, such overlap was intrinsic and a struggle for power was inevitable. The well-defined sectoral issues have, over time, developed strong interest groups to reinforce their role. The only effective interests that correspond to spatial concerns in the Canadian federal system are the provinces. Being an advocate for them, however, has been unthinkable for DREE.⁵⁰

DREE was merged with the industry component of the Department of Industry, Trade and Commerce to form the Department of Regional Industrial Expansion (DRIE) in 1982. This followed a low point in federal-provincial relations: Québec was alienated from the major constitutional changes of 1981-82, and Newfoundland and Alberta, especially, had been asserting themselves over resource policy. It was felt in Ottawa that federal efforts for regional development were receiving insufficient visibility and credit – in effect, the opposite of the tensions which led to DREE's decentralisation.⁵¹ The policy shift apparent in this restructuring was that the regional control exemplified in the GDA approach was replaced with a more direct federal role through its sectoral departments.⁵² Formulation of development policy itself was transferred to a federal cabinet committee – a clear reversal of the earlier decentralisation.⁵³ GDAs were superseded by Economic and Regional Development Agreements (ERDAs). A comparison of subsidiary agreements under GDA (i.e., DREE) and ERDA (DRIE) reveals a further deterioration in terms of rural development priority. Eight ERDAs were signed between 1984 and 1985. Of the \$347 million involved, half was for upgrading the Trans-Canada Highway approach to St John's, \$46 million was again

49 See DREE (1980: 13).

50 Lithwick (1986 [1982]: 253).

51 See Canada (1985, vol. 3: 210) and interview for this thesis with Brian Peckford, 29 June 1990. Peckford's views on DREE and development policy generally are contained in Chapter 6.

52 See Lithwick (1986 [1982]: 263-6).

53 See Simms (1986: 21) and DREE (1983: 2).

allocated to the pulp and paper companies for "modernisation", and only \$18 million for a new four-year "Rural Development Agreement".⁵⁴ The analyst from whose work these figures are adapted concluded that this amounted to a "legitimation crisis" in rural development, in that programs were being implemented irrespective of their relation to overall social and economic goals.⁵⁵

Criticisms of DREE

Initial reaction to DREE in Newfoundland will be examined in Chapter 5, as part of the analysis of the emergence of new social goals there in the early 1970s. DREE was criticised on a number of fronts. First, it favoured areas already in possession of industrial infrastructure; i.e., it had no utility as a vehicle for closing the regional disparity gap. Between 1971 and 1978 Newfoundland's unemployment rate remained impervious to the modernisation strategy, doubling from 8.4 to 16.4 per cent.⁵⁶ In addition to the urban "special areas", "designated regions" for special assistance under DREE covered the whole country with the exception of southern Ontario, Alberta, British Columbia, and the Territories, i.e., half of Canada's population.⁵⁷ This again suggests a politically motivated lack of selectivity and dubious utility for closing the disparity gap. Secondly, even the Economic Council of Canada voiced doubts on whether it was demonstrable that DREE industrial grants to private firms resulted in greater "incremental" job creation than would have occurred in the absence of grants. The 1977 report concluded that "It is not impossible that the [job] situation improved quite independently of DREE and that [its] existence made no real difference".⁵⁸ It also conjectured that at least 41 per cent, and possibly 75 per cent, of DREE-supported firms would have initiated their projects in any case and were, in effect, presented with a superfluous financial windfall.⁵⁹

A Newfoundland government discussion paper later noted with alarm that the effect, and probably the intent, of the 1982 reorganisation (DREE to DRIE) was to shift capital investment into Canada's industrial heartland as a response to the 1981-82 recession. It declared the stated federal objective of the reorganisation – increasing "regional development sensitivity" – a failure.⁶⁰ This contention would appear to be justified: while Atlantic Canada's share of DREE funds decreased from 53 to 32 per cent over

54 See Simms (1986: 20-2).

55 See Simms (1986: 22).

56 See Chapter 1 and Statistics Canada (1991: 260). The rate then dropped to 14 per cent but reached almost 19 per cent during the 1981-83 recession.

57 ECC (1977: 148-9).

58 ECC (1977: 158).

59 ECC (1977: 160-2).

60 Newfoundland and Labrador (1986b: 3, 5, 7).

DREE's 12 years, it received only 16.1 per cent of DREE funds in 1984-85. Québec and Ontario received 42.6 and 23 per cent, respectively.⁶¹ This, and the creation of the Macdonald Royal Commission (see below), were Trudeau's final efforts at articulating a "national policy" for development.

More recently still, an internal report by the Newfoundland government took a slightly different angle in support of its scepticism. It emphasised the distinction between compensatory payments and direct subsidies to business, suggesting that the former "may to some extent reinforce the existing economic structure which contributes to economic disparities" and that for Atlantic Canada, the former have displaced the latter, especially since 1981. It showed that Atlantic Canada's share of federal assistance to business declined from 32.2 to 7.1 per cent between 1980 to 1987. During this period the share for the four western provinces increased from 16.1 to 50.6 per cent, and Ontario's share showed a less dramatic increase.⁶²

Objections to DREE from the academic Left were based in application of dependency theory. Matthews, first of all, objected to development policy applied on a strict GDP basis – omitting adverse social impacts as analytical variables. He noted that the provision of employment was likely to be minimal.

[The growth pole] strategy is frequently inappropriate to the problems of most underdeveloped regions.... What they need most are labour-intensive industries providing employment for the surplus labour force. The large master industries envisaged in the growth-pole strategy do the opposite. They are efficient because they are highly mechanized and employ a small number of highly skilled workers.⁶³

Matthews was also sympathetic to the "corporate handouts" criticism. He argued that DREE became a mechanism by which the federal government rewarded capitalists for partisan financial support⁶⁴ and that

[A] strategy for eliminating poverty based on giving money to the rich and... by giving money to powerful industries based in rich areas seems questionable. Furthermore, as the marxists argue, it is possible that business itself may cause regional disparity because it may be in its interest to maintain areas of the country where unemployment is high and resources cheap.⁶⁵

Goulding's classical dependency position was that DREE channelled funding to those economic interests which were themselves directly responsible for the

61 See APEC (1987: 124).

62 See Newfoundland and Labrador (1989a: i, 7). For 1988-89 per capita federal spending in the provinces, see Hartling (1990: 7-9). This material appeared in Lawton (1992: 139).

63 R Matthews (1983: 43-4).

64 See R Matthews (1983: 108).

65 R Matthews (1983: 49).

underdevelopment of the Atlantic region. He provided some evidence of blatant opportunism in the allocation of direct subsidies.⁶⁶ However, this appeared to be amplified into the proposition that the divergence between DREE's goals (good) and its policy outcomes (bad) was deliberate, by virtue of being in the interests of the state. If a correct reading, this is an example of circular structural-functionalism as described in Chapter 2, and is an article of faith impossible to verify in the absence of direct testimony from the politicians and bureaucrats who formulated the policy approach of DREE.⁶⁷

Alexander was neither an adherent of dependency theory nor a free-market radical.⁶⁸ His centrist critique was that the DREE approach typified the dissociation of federal policy from the actual economic potential of Atlantic Canada:

The efforts to generate development which will actually confer benefits to residents comes down to a decision by the Department of Regional Economic Expansion whether Moncton or Corner Brook would provide the best location for a hockey-stick plant. In the course of the comedy the one demonstrably attractive pole for economic growth, the fishery, has been wound up and alienated to distant-water fishing nations.⁶⁹

This assessment is implicitly equally damning of the Newfoundland government, as it was written during the GDA period when DREE's funding structure was at its most decentralised.

The objection from the academic Right, which has an influential voice in economist Thomas Courchene, was that DREE was a mechanism for perpetuating "transfer dependency".⁷⁰ The transfer dependency thesis was the earliest expression of politically influential neoconservative thought in Canada. Courchene's focus is, however, on compensating programmes – unemployment insurance and equalisation payments. They are themselves identified as the primary factors in maintaining regional economic disparities. Wealth transfers, in this neoconservative scheme, perpetuate "transfer dependency" by blocking "market adjustment" mechanisms for

66 Members of DREE's Industrial Advisory Board granted their own companies assistance through DREE. For example, Noranda Mines and its subsidiary received \$7.1 million. Its Vice-president, Kendall Cork, was on the Board. Goulding (1981: 20) provided some further examples.

67 The counter-argument of Gordon Adams (formerly with the Atlantic Development Board) is that the "cock-up theory" of history is more apposite to DREE than are conspiracy theories.

68 For example, see Alexander (1983 [1974]: 6) and (1983 [1980]: 95). For a critique of DREE from an econometric perspective, see Kia (1985).

69 Alexander (1983 [1975]: 48).

70 Courchene argued this at the Senate Standing Committee on National Finance, 1978. See Lithwick (1986 [1982]: 263). I believe that the "transfer dependency" label was coined by Ralph Matthews, who has been a consistent critic of Courchene. Courchene is Director of the School of Policy Studies at Queen's University, Ontario.

surplus labour, the most important of which are falling real wages and emigration. The problem is thus perceived as the failure, through interference, of the market in "have-not" regions themselves. Transfers collectively undermine the "work ethic" of recipients. As a result, the economies of such provinces deteriorate into "government dependencies".⁷¹ DREE, in this scheme, was merely a lesser manifestation of "inappropriate macro policy": sacrificing national GDP in favour of ameliorating regional disparities. The transfer dependency thesis holds that maximising national output is the federal government's economic mandate and that this represents the most rational response to disparities.⁷²

There is a puzzling contradiction respecting criticisms of DREE. Federal line departments complained that, unlike DREE, they were denied access to Treasury funds while the DREE Minister complained that DREE's derisory budget made a mockery of its mandate.⁷³ DREE's budget was 1-2 per cent of federal expenditures. This seems not to support the argument from the Right that it contributed to the "transfer dependency" problem. The proportion of DREE funds spent on subsidising private industry was 31 per cent nationally,⁷⁴ and less than 10 per cent in Newfoundland. The respective figures for infrastructure assistance to the "public nonrural sector" (roads, water and sewer systems) were 35 per cent in Canada and 75 per cent in Newfoundland. Insofar as DREE did prop up capital in the developed core, the arguments from the Left that it did nothing to alleviate regional underdevelopment, and that it was a recipe for the stagnation of the peripheries, is valid. However, the extrapolation of this argument such that DREE and DRIE actually promoted and exacerbated underdevelopment in Newfoundland and other economic peripheries is probably an overstatement.⁷⁵ DREE could not have been simultaneously underfunded to the extent that its impact was marginal at best, and also the epitome of capitalist nepotism. The dilemma from a regional perspective is that it is illogical to criticise the federal government for dismantling DREE while maintaining that it served only further to entrench regional underdevelopment.

It appears that the "transfer dependency" approach had an impact in policy circles. The 1985 Macdonald Royal Commission accepted both that DREE, DRIE and other regional development policies were failures, but that they may have prevented "regional

71 See Courchene (1986 [1978]: 26-8, 37).

72 See Lithwick (1986 [1982]: 263).

73 See Savoie (1986 [1984]: 273-4).

74 \$476 million from a total of \$1.55 billion between 1969 and 1975. See ECC (1977: 151).

75 R Matthews (1983: 113-17) made both these arguments.

imbalances" from worsening.⁷⁶ The Commission clearly recognised the politically "controversial" nature of Courchene's views;⁷⁷ rather than endorsing them explicitly, it adopted the more cautious position of the ECC (1977) on the need to increase "regional productivity and the efficiency of the labour market".⁷⁸ Unlike the ECC, however, it concluded that the federal government "should not involve itself directly in regional job creation" and that

Its responsibilities end with its commitment to overcome regional productivity gaps and labour-market imperfections.... Provincial governments and their electorates typically want more than this from economic policies.... They wish generally that all current and future residents will be able to find suitable employment locally. This emphasis on place prosperity is both understandable and defensible.... It should not, however, unduly concern the federal government.⁷⁹

The implications of this are consistent with Courchene's neoconservatism and as clear as those of Copes and the 1967 ECC study. As productivity is a function of population, "productivity gaps" and "market imperfections" are "correctable" by facilitating population decrease.

Neoconservatism in Canada

As noted early in this chapter, neoconservative ideology assumed the status of political and economic orthodoxy in anglophone-dominated countries in the 1980s. The neoconservative rejection of the tenets of the Keynesian welfare state evidently promises deleterious impacts upon the Atlantic region of Canada which is so reliant on fiscal transfers and government-stimulated demand in the economy. Because neoconservative ideas comprise a significant element of the very recent discourse on Newfoundland's situation and policy options to be examined in Chapter 6, those ideas will be analysed here in some detail.

The core elements of neoconservatism are: a focus on inflation as the single most important economic indicator; a monetary strategy which advocates the control of money supply through manipulation of interest rates; a fiscal strategy which advocates

⁷⁶ *Royal Commission on the Economic Union and Development Prospects for Canada*. Canada (1985, vol. 3: 213). The Macdonald Commission was mandated by the Trudeau government in 1982 and completed under the first Mulroney (Progressive Conservative) government. Simeon (1987: 170) was certain that reassurances were given to the new government "that much of the Report would be sympathetic to the government's [non-interventionist] objectives" but concluded that "there was very little evidence of 'trimming the sails'".

⁷⁷ See Canada (1985, vol. 3: 213-4). Courchene authored one of the background reports for the Commission.

⁷⁸ Canada (1985, vol. 3: 220).

⁷⁹ Canada (1985, vol. 3: 219).

the reduction of taxes, wage levels, government regulation, and public expenditures on social security and health; an "anti-big government" stance which advocates private ownership of infrastructure services and utilities; usage of the rhetoric of decentralisation, "self-reliance" and budget balancing; enthusiasm for renewing the "entrepreneurial spirit".⁸⁰ Neoconservatives also call for the restoration of "traditional values" and support increased military spending – the latter of which contradicts the anti-interventionist core idea.

A key concept in neoconservative ideology which is directly relevant to Newfoundland's status and discourse is that of the "dependency culture". The emergence of the dependency culture concept (and its opposite, "enterprise culture") signalled the redefinition of "dependency" as it is understood in dependency theory, i.e., as a means of explaining the structural relationship between unequal economies. By contrast, the "new" dependency culture is defined in terms of individuals. In Newfoundland, the perception of dependency as a problem of personal morale extends at least as far back as the 1850s.⁸¹ The discourse of dependency culture is purely a resuscitation of that paternalist "pauperism" discourse. (This perhaps illuminates the neoconservative aspiration for "traditional values".) In the neoconservative analysis, the systemic aspect of dependency and underdevelopment is excised; the solution lies in individual initiative and in providing capital with "the right environment".

The transfer dependency thesis and the "fiscal responsibility" tenets of monetarism (described early in this chapter) have combined to produce Canada's contribution to the neoconservative ethos. Transfer dependency is the Canadian (i.e., spatially conceived) version of the "dependency culture". Atlantic Canadian underdevelopment is diagnosed as the destruction of regional economic homœostasis (i.e., "natural" balancing) by government interventionism. Unemployment is perceived as the failure of matching the supply of labour with its demand. Depopulation is seen as one corrective to this. Alternative salvation for the dependency culture lies in increased inward investment by the private sector. This is argued to be contingent on the core elements of the "right environment" outlined above: reduced taxes, wage levels, regulation, and public expenditures. These together constitute an explicitly right-wing political agenda. Underdevelopment, it holds, is a phenomenon caused by the interventionist tinkering of government in the economy; it therefore is a problem which must look to the market, not to government, for solutions.

80 Some of these elements are adapted from Paehlke (1989: 226).

81 See Mayo (1948: 141).

The transfer dependency thesis is a spatial concept but in fact represents a policy choice in which the spatial impacts of capitalism have been removed from Canada's political agenda. Courchene's critique of the compensating programmes further represents a challenge to the very notion that society is founded on the acceptance of collective responsibility toward individuals who do not benefit from the workings of unfettered capitalism. These contradict Canadian regional development objectives and the rights of individuals as reaffirmed in the 1982 Constitution Act.

Neoconservatism versus the ECC Reports of 1977 and 1980

It is worth considering what does **not** constitute neoconservative policy with respect to regional underdevelopment. Smallwood's modernisation ethos was not neoconservative. Smallwood wished the opposite of depopulation and although he often professed his preference for economic development through private capital, he accepted, and acted with enthusiasm for, the "conventional wisdom" of Keynesian interventionism.

The Economic Council reports of 1977 and 1980 were consistent with the modernisation paradigm. Brodie echoes Cannon's comments early in this chapter in noting that the Economic Council of Canada is part of a "powerful coalition of neo-liberal think-tanks".⁸² Courchene has been associated with all of these. Overton and Veltmeyer identify the ECC and the Macdonald Royal Commission with neoconservatism.⁸³ The ECC reports focused on productivity and demand. They were over-optimistic on the ability of the market to solve the problem of productivity through the encouragement of urbanisation and growth poles.⁸⁴ That the 1980 report would advocate what is reminiscent of resettlement after the start of the Peckford era suggests a gross detachment from the cultural shift that had transpired. The reports were not, however, flagrantly neoconservative. On out-migration, the ECC, like the Macdonald Commission, was ambivalent. The former suggested that information on out-migration should be available to Atlantic Canadians but opposed it as a "cure that was worse than the disease" and which had "intolerable social and political costs".⁸⁵ The 1980 report – specifically on Newfoundland – recommended that migration "be

82 Brodie (1990: 208). This includes the CD Howe Institute, Fraser Institute, Ontario Economic Council and the ECC. Courchene, however, was not credited with co-authorship for either ECC (1977) or ECC (1980). I believe the term "neo-liberal" is used by some scholars in preference to neoconservative in order to emphasise the free-market liberal economic agenda of the whole "New Right" movement. Neoconservatism is thus considered by some to be a label which is more appropriate to right-wing social policy.

83 See Overton (1990: 51) and Veltmeyer (1990: 92).

84 See Antler, in Antler et al. (1987: 108) and Cannon (1984: 67-9).

85 ECC (1977: 24, 212).

neither encouraged nor discouraged".⁸⁶ It noted the failure and "unacceptably high cost" of the resettlement programme.⁸⁷ Its perception that emigration from Newfoundland is "not so much a solution to the unemployment and income problems of Newfoundland as it is a solution to the labour market needs of... Ontario and Alberta" evokes the Marxian "surplus pool of labour" more than neoconservatism.⁸⁸ The 1977 report advocated an active fiscal policy for provincial governments – except in Newfoundland, where the external debt was thought to be too severe – in stimulating demand in depressed regions. In Newfoundland's case, it recommended an active federal role.⁸⁹ The 1980 report pursued this theme, although its "recommendations" were both few and inexplicit. Although it employed the "dependency versus self-reliance" discourse in a manner compatible with the neoconservative transfer dependency thesis, its central premise was that government spending constituted "the ultimate source of most of the aggregate demand in the Newfoundland economy" and was therefore essential.⁹⁰

However, the current fiscal climate in the countries influenced by neoconservatism is one of public expenditure cutbacks. The Newfoundland Liberal government fought – and won – an election in May 1993 on the promise to cut annual spending by \$70 million.⁹¹ Wells was endorsed for impressing upon the people the desperation of Newfoundland's situation. Although such is not unknown in Newfoundland election campaigns, this was seen on the Canadian mainland as signalling a "radical shift in popular sentiment".⁹² Even Ontario's (social-democratic) New Democratic Party government sought to cut public spending by \$2 billion in 1993. In comparison with this climate – including the revival of "non-economic outports" discourse – the ECC reports from 1977 and 1980 reflected the belief that governments had some direct role in counteracting distortions caused by the "free market".

The 1977 report also dismissed standard "resource base" explanations for disparities, which form part of the modernisation discourse dedicated to locating the causes of regional underdevelopment within the underdeveloped region. These it saw as being

86 ECC (1980: 161).

87 ECC (1980: 16, 19).

88 ECC (1980: 57). I am not suggesting that this report is Marxist. This can be read, however, as a lone example of the influence of Marxist discourse on "official" policy circles in Canada.

89 ECC (1977: 223-4).

90 ECC (1980: 34).

91 The composition of the House of Assembly changed little. The Liberals won 34 seats on 49 per cent of the popular vote. The Progressive Conservatives won 17 seats (on 42 per cent) and the New Democratic Party 1 seat in St John's (on 8 per cent).

92 See *Macleans*'s (17.5.93: 15).

of "minor significance" in comparison to the influence of capital and technology on productivity and demand.⁹³ In a separate study prepared for the ECC, Copithorne arrived at the same conclusion:

Contrary to the views popularly expressed by influential writers and in spite of the Staple Theory legacy in Canadian economic thought, it does not appear from our analysis that poor natural resource endowments are the dominant cause of the regional economic disparities in eastern Canada. Newfoundland already has more iron ore, hydroelectric potential, trees, and fish per capita than does the rest of Canada, on average.⁹⁴

Although this study avoided the crucial factors of external control and mismanagement of natural resources, it was at least a direct refutation of the agenda of Copes, whose advocacy of out-migration rested on his belief that Newfoundland was overpopulated relative to natural resource base. This agenda has been resurrected in the wake of the federal government's moratorium on the northern cod fishery in July 1992. Toronto's *Globe and Mail*, which normally maintains some distance from Conservative policy,⁹⁵ congratulated the "courage" shown in closing the "overpopulated outdoor relief agency":

As important for saving the fishery is to get as many people as possible out of the fishery.... [T]he population of Newfoundland should be a condition of the economic policies it pursues, not the other way around. If firms choose to locate in Newfoundland on the basis of real economic returns..., fine. But if the only other option for others is migration – as it most surely will be – that, too, must be accepted. The search for opportunity... must no longer be suppressed by programs whose effect... is to keep people poor and unemployed, but at home.... [I]f the culture of dependency were not everywhere so reinforced by poorly designed UI and welfare programs, more Newfoundlanders might find useful work on the Rock.⁹⁶

The discourse appears to have come "full circle" since the resettlement programmes. Changes to UI have been advocated for more than two decades (see Chapter 5) and few now dispute that they are necessary and inevitable (see Chapter 6). Similarly, many sympathetic people believe that there are "too many fishermen chasing too few fish", although this gets the emphasis wrong by implying that the number of fishermen, and not the production mode, was responsible for the crisis in fish stocks. But the tone of the above editorial is one of brusque severity. It illustrates the seduction of neoconservative ideology when central Canadians experience the type of economic recession with which Atlantic Canadians are familiar. The assumptions of

93 ECC (1977: 24).

94 Copithorne (1979: 163). His reference to staples theory was based in its liberal interpretation, and not in its pro-Innisian neo-Marxist revision discussed in Chapter 2.

95 For example, it took a sanguine editorial line after the election of the New Democratic Party to power in Ontario in September 1990. See the *Globe and Mail* (3.10.90: A14).

96 *Globe and Mail* (4.7.92: D6). "The Rock" is sometimes used by Newfoundlanders as a term of endearment for the island.

the post-modernisation and Peckford era – that the outports and its people have inherent cultural value – are again under attack after a reprieve of only two decades.

A Critique of the Neoconservative Political Agenda

Neoconservatism is riddled with contradictions. In three countries influenced by neoconservative fiscal and monetary policy in the 1980s – Canada, Britain, and the United States – public debt and current account deficits are at unprecedented levels. The United States is the largest debtor nation in the world in real terms. Canada's public foreign debt is over \$600 billion⁹⁷ – the largest in the world as a percentage of population and GDP.⁹⁸ Britain, in mid-1993, had a public sector borrowing requirement (PSBR) of £50 billion, or £1 billion per week. Contrary to neoconservative tenet, the overall taxation burden has risen there – largely through increased and broadened VAT (sales tax) and National Insurance contributions – since the first Thatcher (Conservative) government in 1979. Upper income tax bands were abolished, leaving the middle and lower income groups accountable for a greater share. The poll tax of 1988 to 1993 represented a windfall for many property owners and a larger tax burden for the poorer majority.⁹⁹ In Canada, the overall taxation burden has similarly risen concurrent with the cuts in social welfare spending and the increase in public debt. What appears to be resisted among neoconservatives is the fact that public sector deficits are the price of right-wing economics. Allowing unemployment to rise decreases tax revenue and therefore drives up compensatory spending. Thus, neoconservative ideology is arguably constructed around a tautology. Policies are implemented that necessitate an untenable level of government spending, which is then applied as a rationale for denying the role of government as a viable engine of economic development and as a vehicle for enhancing social welfare.

A transparent contradiction of 1980s Britain was the comprehensive centralisation of political power by neoconservatives at the expense of local government. In the neoconservative agenda, "decentralisation" and the closely related "self-reliance" are simply rhetorical devices to facilitate the withdrawal of public money from the

97 According to the *Globe and Mail* (19.3.93: A1, A5), the federal debt at the time of the April 1993 budget was \$457 billion; the provinces had a combined debt of \$155 billion. Newfoundland's share of this is approaching \$6 billion, or about \$10,000 per capita. In an Edinburgh University lecture on 18.2.93, Earl Fry put the combined federal and provincial public debts at \$665 billion. See also Fry (1993). For a detailed overview of the growth and composition of Newfoundland's public debt, see ECC (1980: 41-4).

98 The public debt is 95 per cent of GDP. See Radio Canada International, "Spectrum", 3.5.93.

99 The poll tax, or "community charge", was a regressive flat-rate levy, independent of capital or income, which superseded the "rates" system of property tax.

compensatory social "safety net".¹⁰⁰ As noted in Chapter 2, decentralisation and collective self-reliance are also tenets of the co-operative movement, anarchist political philosophy, and in the more recent, anti-modernisation environmental ideology. In order to accomplish the appropriation of this discourse, neoconservatives invoked the "dependency culture" and "enterprise culture" concepts.

Neoconservatism versus the Environmental Ideology

It is important to understand that the coincidence of the "dependency versus self-reliance" discourse between neoconservatism, on the one hand, and co-operatives and environmentalism, on the other, is ideologically meaningless. The policy end-points – the social goals – of the discourses are thoroughly incompatible. Decentralist rhetoric notwithstanding, the neoconservative agenda suggests that rural peripheries can only approximate economic "viability" through a closer balance of labour supply and demand. Manipulation of demand requires planned intervention; neoconservatives reject this in favour of "adjusting" the supply. In other words, a sufficient number of people must abandon such peripheries. Not only do the co-operative and local development agendas seek the converse of this; the belief that rural viability cannot be reduced to such "economistic" considerations is their *raison d'être*. Decentralisation is both an agreeable abstraction and a mechanism for the dispersal of political power. In the environmental ideology, decentralisation is a precondition for democratic participation; in neoconservative ideology it is a means of lessening the cost of government. Ignoring or denying this ideological distinction places the social relevance of the Left in peril.

There is no evidence that neoconservatives are concerned with the democratic principle of "people power", upon which the environmental ideology and the local development model are based. Platitudes on "democracy" emanate from governments of every political inclination. Democracy, for neoconservatives, means the equal opportunity for individuals to participate as capitalists in an unfettered capitalist system. Of lesser importance are the facts that its success for the few is a function of the inequality of opportunity for participation, and that the appropriation of labour's surplus value cannot itself be considered "democratic". The neoconservative approach to democracy, even in the narrow sense of the electoral system, was demonstrated in Britain by the

¹⁰⁰ Overton (1990: 56-61, 70-4) provides a detailed illustration of this, with reference to both provincial and federal policy levels in Canada.

poll tax. A combination of widespread inability and unwillingness to pay it appears to have prompted the withdrawal of two million people from the electoral register.¹⁰¹

Many neoconservatives, while conservative in social policy matters, are individualist libertarians in the economic sphere: freedom means freedom from government regulation and from the "social contract" of wealth redistribution. But advocates of the free market do not hesitate to call for government intervention, either to diminish the collective potential of labour to interfere with the market, or to save collapsed automobile manufacturers, property developers, and financial institutions. There is an apparent unwillingness to countenance that capital is a participant in the "dependency culture". This point was raised in interviews for this thesis¹⁰² – specifically in connection with the Atlantic Canada Opportunities Agency.

Atlantic Canada Opportunities Agency (ACOA)

The Atlantic Canada Opportunities Agency (ACOA), formed in 1987, has an ambiguous ideological basis – reflecting both neoconservatism and the local development agenda. It is a federal agency with departmental status like that of DREE and DRIE.¹⁰³ ACOA's objective is to:

support and promote opportunity for economic development of Atlantic Canada, with particular emphasis on small and medium-sized enterprises, through policy, program and project development and implementation and through advocacy of the interests of Atlantic Canada in national economic policy, program and project development and implementation.¹⁰⁴

For financial assistance, five "eligible classes of projects" were outlined: 1) primary, including fishing (especially aquaculture), agriculture, mining, logging and forestry; 2) manufacturing, including processing and packaging; 3) tourism, including accommodation, hunting/fishing camps, and theme parks; 4) services to business, including repair, maintenance and research and development; 5) "strategic initiatives... which in the opinion of the Minister represent a strategic investment for the economic development of the Atlantic region".¹⁰⁵

101 This is the estimate provided by the British print media and the BBC following the 1992 general election. Conclusive evidence will presumably ensue from analysis of the 1991 Census results.

102 See Part II of Chapter 6 of this thesis.

103 Interview for this thesis with Gordon Slade, ACOA's Vice-President for the Newfoundland region, at St John's on 4 July 1990.

104 Canada (1987: subsection 12).

105 ACOA "Schedule 'A'", included with ACOA information and funding application package.

In an interview for this thesis, ACOA's Vice-President for the Newfoundland region, Gordon Slade, emphasised that earlier approaches to regional development were "managed at the centre" and could not, therefore, implement nation-wide policies appropriate both to the needs of provinces as distant and divergent as Saskatchewan and Newfoundland.

So it was the view of the [Mulroney] government that that system didn't work very well. These national policies tended to favour central Canada and provinces like Newfoundland were really not in a position to take advantage of many of these programmes – for a variety of reasons, not the least of which was the very narrow industrial base that we have here. These programmes were generally manufacturing-oriented.¹⁰⁶

Conceptually, ACOA was therefore a clear break from the previous approaches. Its *raison d'être* was to "tailor regional development to the region itself". Organisationally, it has branches in each of the four Atlantic provinces as well as a head office at Moncton, New Brunswick. Whereas ACOA did refer to the federal Department of Industry, Science and Technology for specific market advice, the other major departure signified in its creation was the extent of "decentralised decision-making".

Before, under the Department of Regional Industrial Expansion, the person in Newfoundland would have authority for perhaps up to \$100,000... but he still had to get approval from the sector-branch people in Ottawa. With ACOA, there's no such second-guessing outside the province. I have authority, for example, for up to \$1 million and I make recommendations on everything up to \$20 million.

In response to his own question as to why the federal government was "in the regional development business – really a provincial responsibility", Slade stated that "we're there to help the province to do things that the province doesn't have the fiscal capacity to do itself". He noted that ACOA's operating budget was about \$405 million for each of its first five years, divided equally between its "Action Program" for small business and federal-provincial "cooperation agreements" – the latter of which replaced ERDA. The purpose of the cooperation agreements, in Slade's words, was to "provide the climate and the level of infrastructure [such] that Newfoundland would be on a level playing field with the rest of the country". Slade wished to see the imbalance between compensatory payments and transforming programmes changed.

The departure from the DREE/modernisation approach was also reflected in Slade's personal views, which were clearly sympathetic to outport Newfoundland. Although he saw the existing social security system's "impact on underdevelopment of

106 Interview with Gordon Slade.

economic enterprise" as a "fundamental problem", he saw people's behaviour toward the UI system as "logical".

We have to find a way [such] that people can have an income supplement.¹⁰⁷ If someone lives on Fogo Island and is in the fishery, [then] through no fault of their own – through environmental conditions – there's no work for three or four months of the year. The rest of this society, if we want to maintain people out there, if we want people to live in the periphery, then we have to do something. There's a price to be paid. We [need] to devise a scheme that allows people to live there in dignity and to do what they want to do.... I'm not one that would say "let's move them all someplace else".

Slade felt that it was a "bit of a pipe dream" to think that Newfoundland should or could have the same earned income and standard of living as the national average.

It's unrealistic, in my view, to think that you can turn Newfoundland into a province that would be able to do what you can do in Ontario – in terms of manufacturing.... It sounds wonderful but is it realistic? We have a quality of life in Newfoundland that we [cannot] put a price-tag on.... But the rhetoric these days, of course, is that we all have to be perfectly equal; we all have to have the same level of services and earned income. Well, there's nothing perfect in this world.

As for outport Newfoundlanders wanting equality in earned income and services, he said "That's not what they tell me". They rather wanted "fish in the ocean for them to catch" and a reasonable level of services. Speaking two years before the moratorium, Slade did not accept that fish stocks were decimated to the point of no recovery. He concurred with the view that improved management of the fisheries meant a shift in emphasis away from offshore draggers toward inshore and nearshore methods.

If your policy is one of trying to keep the settlement pattern we have now – the kind of rural structure we have – then your fisheries policy has to be oriented in that direction. It makes no sense to say [that's what we want but to] shape it in another direction.... It has to be oriented towards what is in the best interests of the most people who depend on that resource.... I don't want to see a province where the inshore fishery is relegated to some sort of second-class status... through policies, deliberate or otherwise, [which] allow that deterioration of coastal communities. I just would not associate myself with that line of thinking.

In response to a question as to whether policy makers have a view of economic development radically different to that of the post-Confederation "big-fix megaproject", Slade argued:

I think we have left that thinking behind. Some people still want to promote that kind of development, but anybody who is really seriously looking at policy for the next century is not thinking about that. If one looks just at where jobs are being created in the economies of the western world, they aren't being created in the big smokestack industries, megaprojects; [they] are in small and medium-sized business.... Hibernia, if it's only one project, is not going to do very much for Newfoundland after [it] is over.... If nothing follows which leaves some

¹⁰⁷ Slade noted that it was not in ACOA's mandate to devise a new income support scheme, although they would "play whatever role we can".

industries that can be internationally competitive, we'll probably be worse off than we were before Hibernia.

When prompted for clarification of the last point, he replied:

I'm thinking in terms of the "boom and bust" cycle: build up expectations, and then what happens after the platform is moved offshore? I'd be concerned about that. So I'm not a great fan of megaprojects.

In some respects, ACOA's mandate reflects these sympathetic views. It reflects the rural or local development agenda in so far as it provides assistance to small enterprises located away from the urban centres. Slade said, "When you get right down to it, the real economic development and the real stimulation comes at the community level – when you get people excited and enthused". ACOA's mandate also, however, reflects the neoconservative agenda in its emphasis on the potential for "entrepreneurship" to extricate the Atlantic region from economic dependency. This particular theme is by far the most prominent in the advertising and promotional material generated by ACOA.¹⁰⁸ Both the *Evening Telegram* and the *Newfoundland and Labrador Business Journal* carried an identical "news" item by ACOA's President which portrayed the "entrepreneurial spirit":

There is no type of business person quite as fascinating as that of the entrepreneur – and, none more essential to the economic future of Atlantic Canada.... They are not necessarily smarter than the average person... but they tend to be more "alive" to possibilities.... And perhaps the greatest distinguishing quality of the entrepreneur is his or her willingness to take risks in the development, promotion and pursuit of an ideal.... Spirit is easy to dismiss as being "unreal" – yet, all Atlantic Canadians need to appreciate entrepreneurship.... It is in our own best interests to foster an environment supportive of entrepreneurship and to develop an understanding within our institutions and governments which reflect this reality.¹⁰⁹

In this and other ACOA publicity, the unemployment problem is conceptualised as the direct consequence of the lack of entrepreneurship. This reflects the displacement of dependency conceived in structural terms by the dependency culture perspective. The diagnosis of a region's economic misfortune is reduced to the lack of an "entrepreneurial environment". The government's role is to "foster" that environment.

"When the Prime Minister [Mulroney] announced the formation of ACOA, the message was loud and clear. The people of Atlantic Canada would be given the opportunity to decide the policies and programs they wanted to stimulate the economy. Atlantic Canadians have

108 See, for example, an advertisement entitled "Explore the New World of Entrepreneurship" in the *Newfoundland and Labrador Business Journal (NLBJ)* (Vol. 3, #12, December 1991: 20).

109 Peter B Lesaux, in the *Evening Telegram* (23.6.90: A1) and *NLBJ* (Vol. 2, #11, August 1990: 7). The *Telegram* is no longer an investigative newspaper. Its direct reproduction of promotional material obviously supplied by ACOA provides a vivid (and poignant) contrast to the *Telegram* of two decades earlier – see the following chapter.



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spent on a fisheries research and development facility, an entrepreneurial institute, an aircraft for aerial surveying, and a golf course, all at St John's. The remaining 77 recipients shared the remaining \$9.5 million. Of that, only \$1.07 million went to the 20 that were new, outport businesses. These figures do not indicate a small-scale and rural orientation. Neither do they support Gordon Slade's contention, at the time, that "a high percentage of ACOA's assistance has been provided to establish new businesses".¹¹⁵ The figures would rather appear to support Overton's contention that

As many studies of the promotion of enterprise have shown, those who benefit are those who already have capital.... Most of the funds flow to already established businesses or to firms expanding into new areas.¹¹⁶

Although ACOA, unlike DREE and DRIE, appears to be diverting capital from "have" to "have not" provinces, it resembles its predecessors in so far as the bulk of its assistance provides direct subsidies to private capital.

Summary and Conclusions

In its examination of regional development policies, this chapter constructed two analytical tensions, one specific and one general. The specific tension was between policies consistent with the modernisation paradigm and those consistent with the environmental ideology. These are manifested, respectively, in policies which envisage the "adjustment" of rural society to accommodate large-scale industrialisation and those which envisage local development to accommodate rural society. The general tension, reflecting political context or "climate", was between interventionism and neoconservatism.

The complexity of federal policies on and programmes for regional development can be appreciated by the 1977 ECC report's note that a mere list of programmes and regulations required 300 pages.¹¹⁷ Federal bodies have been characterised by political visibility and controversy far in excess of what their spending powers would seem to warrant, at least until the creation of the high-budget ACOA. They have also been characterised by ideological ambiguity and, therefore, policy contradictions. The replacement of ARDA 1 by ARDA 2, nevertheless, reflected a clear shift from policies to assist economic diversification in rural areas to assisting the abandonment of rural areas. Under ARDA 2, federal funds assisted the second resettlement programme. FRED operated concurrently with ARDA 2 but maintained the earlier rural emphasis.

115 See *NLBJ* (Vol. 1, #8, January 1989: 22).

116 Overton (1993a: 26).

117 See ECC (1977: 169).

DREE was intended to be an influential non-sectoral federal department that redressed the *ad hoc* nature of its predecessors. In fact, it extended the practice of federal policy contradictions (and its covert political mandate in Québec was a failure). DREE managed simultaneously to symbolise the federal government's commitment to the anti-rural modernisation paradigm while injecting sufficient infrastructure funds into rural areas such that its centralising, modernisation thrust was counteracted. Further countering DREE's growth pole approach were the extension of federal compensating funds such as UI. Such transfers remain the primary constraint against rural emigration, but they do nothing to diversify or transform the rural economy. The GDA approach in the mid-1970s did reflect the growing political power of the provinces. However, federal funds were channelled concurrently into resettlement and into Newfoundland's emergent Rural Development Associations. This marked the height of DREE's contradictory developmental mandate.

The succession of DREE by DRIE in 1982 reflected Ottawa's reclamation of political power away from provincial capitals as well as its reaffirmation of a modernisation development agenda favouring direct subsidies to private capital. Although there is no reason to believe that such subsidies would have benefited small-scale local development initiatives, the Atlantic region's share of transforming funds nevertheless declined steadily from 1981 to 1987. The political pendulum was again reversed when the Conservatives assumed power in Ottawa in 1984. This also, however, resulted in development policy more influenced by the tenets of neoconservatism.

The passage of ACOA's legislation in 1987 ostensibly reflected the same decentralist ethos as that which produced the Meech Lake Accord. ACOA operates with a greater degree of autonomy from Ottawa than did any of its predecessors – a logical prerequisite for enhanced "regional sensitivity" in designing and delivering development policy. Ideologically, ACOA reflects the negation of the general tension between interventionism and neoconservatism. It is based in the rhetoric of entrepreneurship and small business, which has become part of the neoconservative discourse. It also has the mandate to disburse large sums of public money. Even if one accepted the ACOA proposition that Atlantic Canada's ultimate economic salvation lay firmly and solely in the hands of budding entrepreneurs – and it is not accepted here – ACOA appears to have acted in a manner contrary to the proposition. It has maintained the DREE-DRIE approach of subsidy to existing, and even foreign, capital – concentrated in urban areas.

Chapter 5

The Emergence of a New Economic Agenda and New Social Goals in Newfoundland, 1971-1972

300 years of colonial rule, followed by 50 years of semi-autonomous government, followed by 20 years of the most bizarre political corruption, followed by 15 years of dictatorship, followed by 22 years of Smallwood.

– Ray Guy, describing the "sum total of Newfoundland's experience of democracy", the *Evening Telegram*, 5 October 1971

Introduction

Two elections in October 1971 and March 1972 resulted in Newfoundland's first change in provincial government since the union with Canada. On a transparent level, this was a reaction to the perception of Smallwood's authoritarian and paternalist style of government. This chapter will illustrate that it also accurately reflected, first, opposition to the modernisation paradigm which was based in the concept of underdevelopment; secondly, the coalescing of a new development agenda with a rural-orientated focus and social goals; and thirdly, the re-emergence of democratic stresses in Newfoundland society. These together constituted a fundamental socio-political transformation in Newfoundland. This disjunction and the elections constitute the justification for the focus of this chapter on the 1971-72 period.

Because of the political drama of the first half of the Peckford years (1979-85), the Progressive Conservative government of Frank Moores (1972-79), which succeeded that of Smallwood, has been likened to a transition phase.¹ In a purely political sense that assessment is equitable. Moores was not an effective populist leader in the Smallwood/Peckford mould and generated neither the adulation nor opprobrium normally attending that style. However, it does not follow that "the real change in Newfoundland [occurred] with the passing of power from Moores to Peckford".²

¹ By House (1982: 13-14). Similarly, writer Edward Riche opined that the tenure of Moores as Premier "seems in retrospect simply an interlude". See Riche (1993).

² House (1982: 14).

That position plays down the earlier societal shift which provided the rationale for the strategies of the Peckford government. It was also the precondition for the confidence initially accruing to those strategies. Furthermore, the contradictions of the Peckford strategies also originated in this earlier period in the sense that they would have been impossible without "normal" democratic tensions. Prior to these tensions (during the hegemony of the modernisation paradigm in Newfoundland), the political discourse on economic development cannot have been "contradictory". There was no internal problem with Newfoundland's political discourse because it was impoverished to the extent that a discourse did not exist; it was internally consistent until the shift – the subject of this chapter – occurred.

The methodology employed to demonstrate the emergence of a new economic agenda was the analysis of contemporary material from the (then) two daily newspapers of St John's, the *Evening Telegram*³ and the *Daily News*.⁴ Microfilmed copies of the papers were analysed, especially those from October and November 1971 and March 1972.⁵ This was supplemented by more recent newspaper material and the interviews conducted for this thesis in Newfoundland in 1990. The 1971 and 1972 provincial elections provide a focal point for the themes covered by the papers and examined here.

Those themes are:

- the response to the perception that Newfoundland's political culture was characterised by paternalism rather than democracy;
- social unrest as a manifestation of this response, including student protest and the struggle of fishermen and waged labour against paternalism;
- the rejection of subservience by youth and labour;
- the appearance of the concept of underdevelopment in the public discourse;
- the identification of Smallwood's modernisation development agenda with underdevelopment;

³ The broadsheet *Telegram* has published continuously since 3 April 1879 under the managerial control of the Herder family of St John's. It was absorbed into the Toronto-based Thomson Corporation newspaper empire in June 1970. Thomson owned 28 of the 108 Canadian dailies in 1970, 38 in 1981 and 1991, including the Toronto *Globe and Mail*. It also owns and publishes six dailies in the UK, including Edinburgh's daily *Scotsman*. Its world-wide holdings comprise some 345 newspapers and 125 magazines.

⁴ The *Daily News* published continuously from 1894 until it closed in 1984. In 1971, it was under the control of St John's entrepreneur Andrew Crosbie (see below). Robinson-Blackmore publishers owned it before and after Crosbie. It was sold to William Callahan's Tower Communications in 1981. See Canada (1981: 43-9). Since 1984, the *Telegram* and its sister publication, the Corner Brook *Western Star*, have been Newfoundland's only dailies.

⁵ Material from December 1971 and January 1972 also appears.

- the rejection of resettlement as a vehicle for facilitating economic progress;
- the succession of a new local development agenda which was consistent with dependency theory and the environmental ideology.

Note on Methodology

It will be necessary briefly to address the rationale behind this choice of methodology. The main assumption is that the two newspapers provide a legitimate reflection of the wider societal currents – not only of the St John's elite but also of public opinion in the outports at the time. A further proposition is that the papers, at the time, provided more than a reflection: they also influenced the election debate on what Newfoundland's collective social goals should be.

The main pitfall of using sources such as newspapers and interviews for social research has been characterised by sociologist John Scott as the requirement to establish the "quality" of the evidence. The four criteria of quality are authenticity, credibility, representativeness, and meaning.⁶ For the purpose of this work, authenticity is not a problem, as the newspapers and interviewees were "genuine". Constructing a theory on the "meaning" – the interpretation and significance – of the newspaper sources is the purpose of this chapter. The validity of the conclusions arrived at would therefore appear to be a function of the validity of the methodological assumptions.

The methodological criteria are credibility and representativeness. The credibility – a function of error and distortion – of the *Evening Telegram* and *Daily News* would pose a great problem if the purpose were solely to present a "factual" account of the events of 1971-72. The present purpose, however, is more to analyse the contemporary perception of Newfoundland's socio-economic situation than to describe what that situation was. Chapter 3 attempted, *inter alia*, to establish the "facts" and ideology of the Smallwood era. The responses, in 1971-72, to that era are the analytical objects of this chapter. Scott's work does not address directly this specific application of newspaper material. He does note that "all accounts of social events are of course 'distorted'" and that

[I]naccurate sources have their uses in research, so long as they are recognised as being inaccurate. While the researcher may regard a document as being technically inaccurate with respect to the events in question, it *may* nevertheless be regarded as a credible (because sincere) account of the author's perceptions and experiences; and such a document may provide essential

⁶ See Scott (1990: 6).

evidence of the attitudes and experiences of the author and those who share his or her situation.⁷ [Italics in original]

He argues that the task of the researcher is to distinguish between inaccuracy caused by insincerity and inaccuracy which was sincerely believed. However, this distinction is not methodologically problematic for the reason already given. The purpose of this chapter is to demonstrate the shift of a socio-economic agenda and there is every reason to suppose that both the proponents and opponents of a new agenda either emphasised or suppressed (deliberately distorted) events in accordance with their own objectives. On the other hand (and although Scott advocates a position of "methodical distrust"), there is every reason to believe the sincerity of the opposition to Smallwood and his socio-economic agenda that was evident in the pages of the *Evening Telegram*. The multitude of potential reasons for it, including those of a personal nature, are unknowable in their totality. The opposition itself, however, is demonstrable to the extent that to distrust it completely would itself not be credible.

The final criterion, representativeness, is perhaps the most important for this thesis and it has been offered above as an operating assumption. The following two sections attempt to demonstrate its validity. It is mainly premised on the facts that the news and comment in the two newspapers exhibited a province-wide scope rather than an emphasis on St John's, and that the papers faithfully reflected and propagated two distinct political and economic agendas, each of which corresponded to one of the two political parties that had province-wide support.

It is possible, however, to identify a specific deficit of "representativeness" in the two papers. The socialist alternative in the 1971 and 1972 elections, as represented by the provincial New Democratic Party (NDP), appeared very infrequently in the papers in the period under study. However, this deficit is not accepted as a methodological problem for two reasons. The first is that the NDP's electoral support was less than two per cent in October 1971 and less than one per cent in March 1972. Although the first poor showing was attributed by the NDP to the ubiquitous desire to get rid of Smallwood,⁸ the second, even poorer, showing demonstrates that Newfoundlanders were not then prepared for even a "soft Left" alternative. The second reason relates to the analysis of social documents based on what they omit as well as on what they contain. Taking the example of socialism, such a method of research is legitimate but feasible only if there exists at least one socialist document as a basis for comparison.

7 Scott (1990: 24).

8 ET (29.10.71: 24).

No such document existed in Newfoundland at the time; therefore, to base this chapter on what might or should have been included in the newspapers would obscure the analysis of what actually was included.

Circulation and Features of the *Evening Telegram* and *Daily News*

The average paid circulation of the *Daily News* for the year ending 30 September 1971 was only 6682, down from a peak of over 10,000 in early 1970. Seventy-nine per cent of copies were sold in the city area, 19 per cent in central and western Labrador, only one per cent elsewhere on the island (67 copies daily), and one per cent outside the province.⁹ A letter to the *Telegram* complained that the "Liberal-oriented" *Daily News* was "never seen in Gander" and that, unlike the *Telegram*, its news coverage was biased toward St John's.¹⁰ However, William Callahan's recollection was that early-morning air service from St John's brought the *News* into Grand Falls and Gander on the island as well as to the mining centre of western Labrador.¹¹ The significant Labrador readership of the *Daily News* was probably a result of the paper's availability there on the day of publication – unlike the *Telegram*.

The *Evening Telegram* had a much greater circulation. Average daily sales of the weekday edition for the year ending 30 September 1971 were 26,240. This increased to over 48,000 for the weekend edition.¹² Although Callahan indicates that its circulation was "not necessarily 'wider'" than the *Daily News*,¹³ it was more dispersed. The proportion of papers sold in St John's for the weekday *Telegram* was 58 per cent, less than seven per cent in central and western Labrador (one day late), 34 per cent elsewhere in the province, and one per cent beyond Newfoundland. The weekend figures were 38.5 per cent for St John's, about 17 per cent for Labrador, 42 per cent for the rest of the island, and two per cent beyond. Beyond St John's, therefore, a significant number of people took only the weekend edition. The *Telegram* had – as it continues to have – same-day surface delivery on the Trans Canada

⁹ See Audit Bureau of Circulations (1971). The population of Newfoundland in 1971 was 522,000. Depending on which definition is used, between 287,000 and 322,000 of this total was "rural" population. The normal benchmark for "rural" is a community of less than 5000 people. See Newfoundland and Labrador (1983: 3, 16-17).

¹⁰ See ET (17.3.72: 24).

¹¹ Personal correspondence from William Callahan, 25 April 1991. Callahan was Minister of Mines, Agriculture and Resources under Smallwood, became publisher of the *Daily News* following electoral defeat in October 1971, and became Managing Editor of the *Evening Telegram* in 1987. I believe Callahan left this last position in 1992.

¹² See Audit Bureau of Circulations (1971). For that particular period, the "weekend" edition was on Friday, as the *Telegram* suspended Saturday publication between 1958 and 23 October 1971.

¹³ Personal correspondence from William Callahan, 25 April 1991.

Highway as far west as Springdale in Notre Dame Bay.¹⁴ Contractors delivered it along the secondary highways to Conception Bay, the Southern Shore, Burin Peninsula, and Trinity and Bonavista Bays. The *Telegram's* larger circulation would appear to have been related to its superior road distribution network; the *Daily News* was brought by road only to the Burin Peninsula and points *en route*.

Eleven newspapers, including the three dailies, were published in Newfoundland in 1971.¹⁵ Areas in which newspapers were then unavailable were coastal Labrador, Northern Peninsula, south coast (except Burin Peninsula), and parts of Trepassy and St Mary's Bays on the Avalon Peninsula.¹⁶ The west side of Conception Bay was the only area of the province serviced by three papers, including the St John's dailies. In 1969, two-thirds (68 per cent) of rural households purchased newspapers at some point and one-third did so on a daily basis. Radio and television covered all areas of the province except northern coastal Labrador. Remote areas received only one television channel, CBC.

The *Telegram* of 1971-72 was an engaging and well-written product, with a greater quantity of local reporting than is evident two decades later. The three daily editorials were authored by Michael Harrington and appeared as the left third of page 6.¹⁷ The political columns of Ray Guy and Harold Horwood appeared on page 3. News from the towns and outports normally filled page 4. In contrast to the front page, which accommodated a variety of stories on international conflict, Canadian government policy, local labour unrest, and provincial party politicking, editorial comment focused on provincial politics, and on developments in Ottawa when they were seen to impact on Newfoundland (for example, with the fisheries and Trudeau's economic protectionism). Letters to the editor appeared mostly on page 6, but sometimes elsewhere, depending on the volume. They were numerous and almost exclusively devoted to social issues and provincial politics, and especially personality clashes in politics. The weekend *Telegram* could run to 88 pages (much of which was advertising) and was the platform for the "feature" articles of up to a full page in length. Of particular interest is the "*Telegram* Forum" page which usually contained

14 Personal correspondence from William Callahan, 25 April 1991. Corner Brook, on the west coast, did not receive regular delivery of the *Telegram*, as that city was served by the province's third daily, the *Western Star*.

15 Information in this paragraph is from Newfoundland and Labrador (1983: 154).

16 I estimate the unserved population to have been between 10-15,000, or around 2-3 per cent.

17 Harrington was editor of the *Evening Telegram* from 1959 to 1982. He was a pro-Responsible Government delegate to the Newfoundland National Convention (1946-48).

three locally written articles on political and/or economic issues. The more slender weekday editions lacked these lengthy features.

Apart from its proclivity for spelling errors and its periodic placement of up to fifteen stories on the front page, the *Daily News* was not of significantly inferior quality. It published on weekdays only.¹⁸ It was more slender than its evening competitor: Monday issues contained as few as twelve pages. Its front page exhibited a more local orientation than the *Telegram*, as international stories were often relegated to page 3. Occasionally, a front page contained nothing related to the politics or economy of Newfoundland.¹⁹ It reproduced Canadian Press wire stories on social problems abroad rather than investigating those in Newfoundland.²⁰ The prioritising of stories was sometimes "tabloid" in nature: on one occasion, stories on Dracula and a rape in New York were given front-page prominence over a piece on an educational report revealing that 5000 adults in Newfoundland had never been to school.²¹

Editorials in the *Daily News* were written by Albert B Perlin and appeared as a broad centre column of page 4.²² There were typically three per issue and matched the *Telegram* in terms of quality of writing and moderation. The right side of the page was allocated to the local "Wayfarer" column, which was also authored by Perlin.²³ The Wayfarer was an impressive source of Newfoundland political, diplomatic and economic history, relating especially to the latter days of Responsible Government and the Commission Government period.

Letters to the editor were not as prominent a feature of the *Daily News* as in the *Telegram*, although the same letter occasionally appeared in both papers. The sporadic appearance of semi-literate letters gave the impression that the *News* did not edit them.²⁴ Of the 21 issues of the *Daily News* in November 1971, six had no letters at all. The two or three printed on an average day were – in contrast to the editorials – often intemperate (for example, in denouncing Memorial University as a bastion of

18 But it had a Saturday morning edition from 1 October 1970 to 15 May 1971.

19 See *Daily News* (hereafter DN) (7.3.72: 1), for example.

20 See, for example, a story on single parents and poverty, DN (14.3.72: 5).

21 See DN (22.11.71: 1).

22 Perlin wrote the editorials for the *Daily News* from 1934 until just before his death in 1978.

23 Perlin's "Wayfarer" column first appeared in the 1920s. See DN (13.3.72: 3). He wrote from first-hand experience on such events as the famous riots of 1932 at the House of Assembly in St John's.

24 For example, DN (21.3.72: 5).

drug-taking and communism)²⁵ and usually signed with a *nom-de-plume* unless written in an institutional capacity.

Once a week, the back page was allocated to "The World of Peter Simple".²⁶ This feature shared with many letters the refuge in pseudonym as well as a reactionary tone. Its purpose appeared to be that of personalised attacks on anyone or anything which represented or championed the changing nature of Newfoundland society. Frequent targets were labour unions, university lecturers "with CFA [come-from-away] degrees", "women's libbers", the *Telegram's* columnists, and Progressive Conservative politicians.²⁷

Recent Reflections on the Newspapers in 1971-72

Radio personality and former Newfoundland cabinet minister, Bill Rowe, was interviewed for this thesis.²⁸ In response to the suggestion that the media not only reflect important issues, but are active players in political debates, he agreed that this was so, not only in the "slant" taken on the news, but also in the "kinds of stories they choose to cover":

We were always amazed when we were in the [Newfoundland] House of Assembly that... all the media had the same lead story – on television and radio particularly. And it seemed that up in press gallery, almost a consensus would develop.... I remember... younger reporters saying to me that Bren Walsh plays a big role... in deciding what the story is from the House. So that has to be an active player – perhaps a more active and influential player than any... single politician.²⁹

On the *Evening Telegram* in particular, Rowe claimed that, just before the March 1972 election, it provided an effective platform for a pro-Moores letter-writing campaign – "no doubt engineered by the Tory Party":

25 The first of these charges was not wholly unwarranted. Cannabis, LSD and other drugs were openly available at the university's Thomson Student Centre, due in part to a "hands-off" policy which the St John's Constabulary maintained with the university until around 1977. Personal recollection by the author.

26 "Peter Simple" was Newfoundlander Rupert Jackson MBE who at that time was also Information Officer at the College of Fisheries, St John's. See ET (8.10.71: 19). He spent the years 1953-66 as a journalist in London, working for Viscount Rothermere's *Daily Mail* and freelancing for other London dailies and the *Economist*. He then worked for the Smallwood government. Jackson died in 1974.

27 For a particularly paranoid contribution, see DN (10.11.71: 16).

28 Interview at St John's on 25 July 1990. Rowe was a Liberal member of the House of Assembly (MHA) from 1966 to 1974, and 1977 to 1979. He is a lawyer and at the time of the interview was a veteran host of the popular VOXM Radio "Open Line" show. At the time of the October 1971 election, he was acting minister of the Department of Community and Social Development in Smallwood's government, which co-administered the second resettlement programme with DREE.

29 Bren Walsh was a CBC television reporter who published the "conspiracy theory" account of Newfoundland's union with Canada (noted in Chapter 1). See Walsh (1985).

When I was in the government with Joey, from '67 to '71-'72, it was always assumed by us – and this may have been our prejudice – that the *Telegram* was a Tory rag; no matter what you did or said the editorials were going to be against Joey's government. That was just assumed. Anyone who disputed that was thought to be charmingly naïve about what was going on here.

In another interview conducted for this thesis, former editor of the *Evening Telegram*, Michael Harrington, did not disagree with the suggestion that the *Telegram* was "not impartial politically".³⁰ Asked whether he saw the *Telegram* as "reflecting public debate or as a player in it", he responded:

Gosh [laughing]. I never really thought of it 'til you put it that way. I think personally we were trying to be part of it, not just a reflection of what was happening. I was never backward about coming forward with what I thought about things; whether I was right or wrong or off in left field, I said it and that's it.... And we had letters to the editor, of course, that were very free and frank.

On the *Daily News*, Harrington's opinion was that its closing had removed a voice from the province as well as from St John's. He noted that it had supported the Responsible Government League during the National Convention;³¹ however, the opposition to Smallwood implied by this stance existed neither before nor after Confederation.³² Rowe reported that the *Daily News* was owned by Andrew Crosbie during the time under study – information not obtainable by studying the paper itself. Ray Guy's column in the *Telegram*, however, mentioned that the *Daily News* had been "snatched from the jaws of disaster by an infusion of money" from Crosbie in 1969.³³ It is noteworthy information because Crosbie was the Liberal campaign manager for the 1971 and 1972 elections. He was also Smallwood's preferred

³⁰ Interview at St John's on 31 July 1990. Smallwood (1973: 246) described Harrington as a "Newfoundland idealist-nationalist"; Harrington told me that he and Smallwood "got on pretty well for years, until we had that dust-up in the Convention. After that there was a great gulf between [us]". The "dust-up" occurred when Harrington supposedly accused Smallwood of attempting to bribe him with a Senatorship. Harrington later wrote that it was a "misinterpretation of words and events" and that he did not make the accusation because it was not true. See *Evening Telegram* (hereafter ET) (29.3.74: 46A).

³¹ Neary (1988: 322) describes the *Daily News* during the Convention as "virulently anti-Confederation". Perlin was a founding member of the Responsible Government League and edited its campaign sheet, the *Independent*. See DN (2.12.71: 4).

³² As indicated above, Perlin wrote the editorials for the *Daily News* for over four decades. Both he and Smallwood (and the *Daily News* and the *Telegram*) had been in favour of Commission Government. They both became outspoken critics of the Commission, Smallwood through the *Express* newspaper – see Neary (1988: 283-4). Neary (1988: 122) notes that "some of the harshest criticism" of Gorvin's Special Areas Bill came from the *Daily News* and the *Observer's Weekly*, the latter of which Perlin also edited. Thus, at different points in his career, Perlin supported Commission Government, Responsible Government, and Smallwood's government – all three of the referendum options of 1948.

³³ See Ray Guy in ET (8.10.71: 3). Guy is a Newfoundland journalist, best known for political satire and humorous writing on outport culture. See the end of this chapter. Guy wrote for the *Telegram* from 1963 to 1974.

successor as Liberal leader.³⁴ The *Daily News*-Liberal connection was further demonstrated after the 1971 election. Within weeks of personal defeat at the polls, cabinet minister William Callahan became publisher of the *Daily News*, with a weekly, signed column on the editorial page. Shortly thereafter – following his resignation as Premier in January 1972 – Smallwood was allotted one-quarter of page 3 for a rambling column of miscellany, predictions and reminiscences.³⁵

As to the substance of the *Daily News*, Rowe said:

The *Daily News* was never taken too seriously as a strict newspaper at the time, I recall, but it was important in that the two "Open Line" [radio phone-in] shows... used it as a jumping-off point for their topics [because it was a] morning paper.... So it loomed more important than its circulation might have [suggested]; these stations had 50-70,000 listeners.

Rowe's view was that the *Daily News* provided a "counterbalance" to the *Telegram* by being "either more balanced or more pro-Liberal". He recalled that comment in the *Daily News* that was adverse to the government prompted complaints from ministers to Andrew Crosbie:

I'm just trying to reconstruct my feelings at the time; it might have been a feeling of betrayal that this Liberal newspaper should be taking an anti-Liberal stand.

Smallwood had no such recourse with the *Evening Telegram*. His frustration with the paper's constant scrutiny was demonstrated in the following passage, which the *Telegram* proudly displayed on the front page. It conveyed Smallwood's reason for his refusal to permit a *Telegram* reporter to accompany him on the election campaign:

The *Evening Telegram* was criticized Thursday by Premier Smallwood... as "the most unscrupulous, biased, bigoted, prejudiced, cut-throat journal in the whole of Canada.... Do you think there is anyone in Newfoundland that reads the *Telegram* that doesn't see the bitter and vindictive hatred for me in it?... I owe the *Evening Telegram* nothing but contempt..." said Mr Smallwood.³⁶

Gwyn also wrote that Smallwood offered \$60,000 worth of government advertising to the *Telegram* in return for the sacking of columnist Harold Horwood.³⁷ John Scott

34 According to Gwyn (1972: 328).

35 Smallwood filled his column with the names of famous cathedrals he had visited, or of powerful people he had met in exotic locations. His tone was typically one which juxtaposed pride in and incredulity at his good fortune. It was in this column (1.3.72: 3) that Smallwood repeated his earlier belief that Newfoundland's problems were related to underpopulation – see Chapter 3.

36 ET (13.10.71: 1).

37 But he did not say when. See Gwyn (1972: 237). Horwood was one of Smallwood's key anti-Confederate allies during the 1948 referenda campaigns and later became one of his most persistent critics.

argues that "bribery and corruption are clearly conditions conducive to the production of insincere documents".³⁸ The fact that the offer was refused appears to support the assumption of sincerity in at least that paper, and one can also conclude that the *Telegram's* influence was taken seriously in government circles.

Rowe's comments on the "Tory" bias of the *Telegram* and the "pro-Liberal" bias of the *Daily News* are not in dispute here. What is doubtful is his suggestion that the *Daily News* was less biased than the *Telegram*. Not only did the *Telegram* provide a quantity of analysis through feature writing far in excess of the other paper, there was no evidence of the investigative prowess ascribed to the pre-Crosbie *Daily News* by journalist Richard Gwyn.³⁹ The analysis undertaken for this work suggests that the papers were situated in mutually hostile camps. The *Daily News* was a mouthpiece for the Liberal Party – indeed, it was effectively owned by the Liberals – at least to the extent that the *Telegram* represented the voice of opposition.

Background to the 1971-72 Period

By the late 1960s, the North American economy had entered a cycle of decline. In Newfoundland, the Bell Island mine and the American air base at Stephenville closed in 1966. Jobs were lost through the increasing capital-intensity of the economy in the forestry and fishing sectors. Unemployment, which was as low as 3.5 per cent in June 1966, was perceived to be reaching unmanageable levels by the end of the decade.⁴⁰ Perlin, in the "Wayfarer" column, wrote that

By 1966, the thing... most dreaded in 1949 – the outflow of workers – had begun. If we had not lost between 30,000 and 40,000 people in the [subsequent] six years, the unemployment situation would have become unbearable.⁴¹

In 1969 – the first year of its production – the \$44 million ERCO phosphorus plant was closed for two months after poisoning Placentia Bay and causing the suspension of fishing. In addition to emigration, the social dislocation of resettlement was at its peak. Newfoundland had entered Confederation as the least indebted province per capita; in the 1960s, the public debt increased from \$100 million to \$660 million. The recession

38 See Scott (1990: 23).

39 Gwyn (1972: 327) wrote that the *Daily News*, in 1968-69, "produced some of the best investigative reporting of any paper east of Toronto". If that was the case, then perhaps the paper's take-over by Andrew Crosbie was related to its loss of investigative prowess.

40 However, the 15 per cent figure quoted by Neary (1980b: 230) and Gwyn (1972: 293) probably referred to the winter maximum in the annual fluctuation. The official and unadjusted average rate for unemployment in Newfoundland in 1969 was 7.4 per cent – an enviably low target figure for a Newfoundland government in the 1990s. See Statistics Canada (1991: 260).

41 DN (1.11.71: 4).

has not yet existed that can be blamed solely on the politicians in power, but Smallwood's revolution was seen to have faltered.

The first fifteen years of Confederation had been the only period in Newfoundland history in which the expectations of the people were actually exceeded by the socio-economic revolution that occurred.⁴² Neary's observation was that Smallwood's standing "was such that one might well look to the Third World rather than the other Canadian provinces for a suitable standard of comparison".⁴³ In 1966, Smallwood appeared still to be at the height of his hegemony. In that year's provincial election, the Liberals took 39 of the 42 seats in the House of Assembly.

Gwyn, Noel, Neary, and Ray Guy all argued that the federal "Trudeaumania" election of 1968 signalled a turning point in Newfoundland politics:⁴⁴ it was a landslide for the Liberals nationally but they lost six of Newfoundland's seven seats.⁴⁵ Smallwood attempted to attribute this to the "distaste" for Newfoundlanders of Trudeau's "flamboyant personality" and to the fact that the federal party had not permitted him personally to run the Newfoundland campaign (his role in previous federal elections). He added that Newfoundlanders "finally had the guts to vote against me".⁴⁶ Just prior to the election, two cabinet ministers, John Crosbie and Clyde Wells, had left the government in protest over the public financing of the Come By Chance oil refinery and initiated a more effective opposition to Smallwood than the Conservatives – indeed the first opposition with which Smallwood had to contend.⁴⁷ The first leadership convention since Confederation for the Newfoundland Liberal party followed in 1969. However, in spite of the feeling, especially among younger delegates, that Smallwood ran the party in an autocratic fashion, he was re-elected with a comfortable majority over his main rival, Crosbie.⁴⁸

42 See Neary and Noel (1973: 218).

43 Neary (1980b: 209).

44 See Gwyn (1972: ?-288), Noel (1971: 284-5), Neary (1969: 45) and (1980b: 228-31), and Ray Guy in ET (4.10.71: 3).

45 The federal Liberals had won all seven seats in the 1965 general election. The phenomenon of Newfoundlanders voting in opposition to prevailing trends elsewhere in Canada has been replayed many times, most recently in the November 1988 general election and in the October 1992 constitution referendum.

46 See Ray Guy in ET (12.10.71: 3).

47 Crosbie (brother of Andrew) and Wells were opposed to the interim financing of \$5 million guaranteed to promoter John Shaheen by Smallwood for the proposed refinery. Crosbie joined the Conservatives in June 1971 and numerous other defections followed. Crosbie shifted to federal politics in 1976, held six cabinet positions, and resigned from politics in 1993.

48 See Neary (1980b: 232-4).

That, however, was not representative of Newfoundland but rather of the Newfoundland Liberal Party experimenting with democratic procedure for the first time. The shift in the political climate following that final victory for Smallwood was precipitate. The mood was, in contrast to the 1950s, one of pessimism and even fear. Harrington claimed that

You have to remember that people lived under a great cloud of fear, no question about that – I know for a fact. People were afraid to write letters to the paper; to sign their name; no way. They didn't even want to give their name to the editor because somehow it might get leaked out.... I was the only one who... knew who wrote.... People were very scared of the Smallwood regime; you know, 23 years in office is a long time.⁴⁹

Smallwood's grip on power had been "built on economic achievement and the optimism which it had engendered."⁵⁰ Gwyn added: "Once credited for every gift to Newfoundland, including those of God and Ottawa, Smallwood was blamed now for every failure and setback no matter what its origin." He also noted that the columns of the *Telegram* had become a "daily diatribe" against Smallwood.⁵¹

Social Unrest and the Rejection of Paternalism in 1971

Smallwood considered the expansion and establishment of Memorial University at St John's as a full degree-granting institution to be his greatest achievement. Along with the media, the university was Newfoundland's "window on the world" and in the late 1960s, the whole western world appeared to be in a process of rapid social change. Civil rights movements were at the vanguard of this change. By the beginning of the 1970s, a number of discrete but related "anti-establishment" movements, many focused on universities, were at their peak. Chapter 2 noted the emergence and development of the environmental movement. Concurrent to this were feminism, pop art, pacifist drug cultures and their music, and the emergence of urban terrorism. Usually non-violent conflict and flamboyant open revolt against the established *mores* of society became part of popular culture.

A letter to the *Daily News* regretted this "era of revolt against all traditional and orthodox concepts of religion and morality".⁵² On a more optimistic note, *Telegram* columnist and author Harold Horwood proclaimed that the "forces of Krishna Consciousness are marching in".⁵³ At the university, student activists were equally concerned with the foreign policies of the Nixon administration – notably Alaskan

49 Harrington interview, 31 July 1990.

50 Neary (1980b: 231).

51 Gwyn (1972: 294).

52 DN (4.11.71: 4).

53 ET (15.3.72: 12).

atomic bomb tests and the Vietnam war – as with events at home. The *Telegram* reprinted a questionnaire from the student newspaper that included such items as "What do you think is the most despicable thing the Smallwood government has done since Confederation?"⁵⁴ The St John's Constabulary used their new riot gear for the first time in November – confronting students dumping rubbish at the American Consulate while chanting "Ho, Ho, Ho Chi Minh".⁵⁵ This novel event for St John's was judged sufficiently exciting to be shown on American national television. It generated consistent response in both daily papers, majority opinion being that this was the work of "CFA" (come-from-away) agitators without whom Newfoundland could well manage. Editorial response was more restrained: the *Daily News* commented that the violent nature of the protest provided an inaccurate reflection of the people of St John's; the *Telegram* deplored the anti-Americanism and both papers opposed the nuclear tests.⁵⁶ The *Telegram* also noted that while Newfoundlanders had been "subservient and obedient to authority", better education and communications had contributed to a "kind of social revolution" in which questioning authority was acceptable.⁵⁷ It warned politicians that they "should be aware that there is a new mood abroad in this province".⁵⁸ It thus repeatedly alluded to the positive emergence of a more democratic political culture in Newfoundland.

Although student activities elicited vigorous comment in the papers, the university was not the central focus of social unrest in Newfoundland in 1971. It was endemic in those towns and industries created by Newfoundland's drives for modernisation. Between January and November of that year, 172,050 person-days were lost in labour disputes in the province, compared with 2300 for the same period in 1970.⁵⁹ In late 1971, major strikes were underway at the Aluminum Company of Canada (ALCAN) fluorspar mine at St Lawrence, Bowater paper mill at Corner Brook, Bowater Power hydroelectric plant at Deer Lake, American Smelting and Refining Company (ASARCO) mines at Buchans,⁶⁰ and the construction site for the Come By Chance oil

54 ET (13.10.71: 4), reprinted from *The Muse* (8.10.71).

55 See DN (8.11.71: 1), ET (8.11.71: 1-2) and (5, 6.11.71: 1). The action was organised by the Student Committee for Greenpeace. It was probably the first – and last – student protest conducted under the auspices of Greenpeace in Newfoundland. By the late 1970s, the success of the Greenpeace anti-seal hunt campaign ensured that Newfoundland opinion (from all quarters – fishing families, students, intellectuals, artists, politicians, businesspeople) was solidly anti-Greenpeace. By 1990, this was no longer the case – see Chapter 6.

56 See DN (9.11.71: 4) and ET (9.11.71: 6).

57 ET (8.10.71: 6).

58 ET (15.10.71: 6).

59 See Neary (1980b: 245n). In the 1970s, Canada lost more time through strikes per capita than any other country in the world. See Brym with Fox (1989: 89).

60 The Buchans strike lasted from June to November 1971. There was another, more violent, strike in 1973.

refinery. There were wildcat walkouts at the Javelin Forest Products harvesting mill at Goose Bay and at fishplants at Marystown and Harbour Breton. Another strike threatened at the Rambler mines at Baie Verte. The *Telegram* was hit by a two-day walkout of fifty of its employees over a move to Saturday publication.⁶¹ The Buchans strike was the largest of these, involving the full workforce of 540.

A now-celebrated dispute at the south coast outport of Burgeo coincided with the Buchans strike and paralleled its political aspect. It centred on the community's fishplant, the owner of which, Spencer Lake, had a predominance equal to that of ASARCO over Buchans.⁶² The Burgeo strike ended that; the fishplant was purchased by the (post-Smallwood Conservative) government and formal recognition was consolidated for the newly formed Newfoundland Fishermen, Food and Allied Workers Union (NFFAWU).⁶³ In an interview for this thesis, union leader Richard Cashin explained the importance of recognition and of subsequent union actions:

One of the things we were fighting then... was the kind of patronising attitude of society generally to fishermen.... One of the major characteristics [of Newfoundland society] was the concentration of power – social, economic, political – in the hands of the few; [i.e.,] the lack of democracy.... In a broad sense we were challenging that. And people really felt that fishermen wouldn't do that because there was a kind of myth created around fishermen as rugged individualists [or] to regard them as kinds of pets.⁶⁴

Lake's position provided a good example of what the NFFAWU challenged:

Unions are not practical in isolated outports in Newfoundland. You haven't the local leadership to run them intelligently, with all due respect to the people – I'm very fond of them.⁶⁵

The response of the *Daily News* to labour unrest could also tend to paternalism. One editorial commented that "good" trade unionism was a "stabilizing factor in the economy" and attributed the proliferation of wildcat strikes to labour's lack of understanding as to its social "obligations".

61 Legal action by the owners against the printers union and production staff forced them back to work. Saturday publication proceeded.

62 Lake's fishing empire had its headquarters at Gloucester, Massachusetts. In Burgeo, he also owned the three trawlers which supplied the plant, oil storage tanks, a pasteurising plant, beauty parlour and barber shop, laundrette and drycleaners, supermarket with cold storage, new office and bank building, and six houses. See DN (27.3.72: 2). According to Gwyn (1972: 307), Lake was also Burgeo's mayor.

63 The NFFAWU (now FFAW), a branch of the Chicago-based United Food and Commercial Workers Union (UFCW), was formed in mid-1971 by the incorporation of fishplant workers into the Northern Fishermen's Union. That in turn had been organised on the Northern Peninsula in 1970 by Des McGrath, a priest, and St John's lawyer and ex-Liberal MP Richard Cashin. See also Gwyn (1972: 303-8). By 1979, the NFFAWU was the largest union in Newfoundland, with 25,000 members. Cashin headed the union until June 1993.

64 Interview with Cashin at St John's on 13 July 1990.

65 Lake, quoted in ET (6.11.71: 9).

[J]ust as the early efforts to build up producer co-operatives failed for want of prior indoctrination into the basic principles of the co-operative movement, so may unionism suffer if a process of education in its principles is not provided for newcomers to the system, particularly if most of their lives have been spent in self-employment and the individualism that is one of its characteristics.⁶⁶

The connection between education and successful collective action is undoubtedly legitimate, but this view did not appear to consider that better knowledge of its principles can produce militant as easily as "good" unionism. Indeed, the looting at Burgeo appeared to have been sparked by the NFFAWU's visit there.

Other editorials were more negative. On the Come By Chance strike and yet another strike at Wabush Mines, the *News* claimed that "irresponsible" workers threatened the government's economic development efforts by "taking the law into their own hands".⁶⁷ Jackson's "Peter Simple" column mourned the previously "happy" town of Burgeo which had "died" as a result of the union drive of the "butchers" Cashin and McGrath.⁶⁸ He also ridiculed the "incredible naïveté" of a proposal to run the Burgeo plant as a producer co-operative – citing some failures but not the success of Fogo.⁶⁹ Neither of the newspapers opposed the plant's purchase by the government and neither took a position on the co-op plan. Unfortunately, the papers did not appear to investigate the level of support for the co-op in Burgeo itself, but the plan was never implemented.

The *Telegram's* editorial stance on labour was comparatively neutral. It warned that Newfoundland was "seething with political and social unrest".⁷⁰ In a sympathetic full-page story on the striking miners, it reported their desire not just for decent wages but to extricate their lives from the "paternalism" of ASARCO.⁷¹ This was followed by two editorials, one of which condemned ASARCO for its ignorance and determined neglect of social improvement – keeping Buchans a "part of the nineteenth century".⁷² The other argued that Cashin should share the blame with Lake for the closure of the

66 DN (29.11.71: 4).

67 DN (12.11.71: 4) and (28.3.72: 4).

68 DN (3.11.71: 12) and (17.11.71: 12). The term "butcher" parroted Lake's reference to the "Butchers Union of Chicago". See ET (30.10.71: 14). Apparently, the UFCW union represented meat processors.

69 DN (17.11.71: 12). The proposal, which Cashin favoured, was forwarded by Warren Benedict of Newfoundland Co-operative Services (NCS), who said that it was "time to debunk the myth that people can't run their own affairs". See DN (3.11.71: 1) and (9.11.71: 3). Sales through NCS were \$20 million in 1971. See DN (3.11.71: 1).

70 ET (7.10.71: 6).

71 ET (1.10.71: 24).

72 ET (5.10.71: 6).

Burgeo fishplant.⁷³ *Telegram* feature articles portrayed Burgeo events in a manner similar to that of Cashin. One highlighted the "ideological" nature of the strike.⁷⁴ Another – a polemical "Forum" feature by staff reporter Ron Crocker – described Burgeo symbolically as "the microcosmic setting for [the] polarization of the struggle between the old and new social forces".⁷⁵ Spencer Lake was portrayed as a symbol of power and paternalism equal to that of Smallwood. This power had fed on the "historic servility of Newfoundlanders" and their "pathetic faith" in leaders. The system of patronage had been sustained by "fear and ignorance", Crocker continued, and paternalistic relationships in politics and business were "as much a part of the Newfoundland mystique as mummering".⁷⁶

Burgeo had been pregnant with change long before this summer and the NFFAW served as a more than willing midwife.... Newfoundland is – relatively speaking – in the throes of revolution.⁷⁷

Discontent also emanated from Labrador West, with its company towns again being likened to a "relic from the nineteenth century".⁷⁸ Another letter in the *Telegram* noted that although unemployment in the mining towns was "nil", the ownership and political control of Wabush Mines and IOCC had produced a local "malaise".⁷⁹ Ray Guy was severely critical of Labrador's treatment but identified the problem as the unwillingness of "St John's" to put the mining companies in order. He highlighted the irony of the Newfoundland government's ignorance of "regional economic disparities" within the province in its "grovelling" demands for federal assistance:

More money, more attention, more development.... Equalization payments. Development grants. Special federal programs.... But where does St John's get the face to expect as a right greater and greater lumps of dough from Ottawa when St John's has done such a splendid job of ignoring our own underdeveloped and have-not parts?... There are a couple of huge commercial enterprises in Labrador scrabbling out minerals, slashing down forests, draining off water power. What do they put back?⁸⁰

The perception in Labrador that their problems had been "lost and ignored among all the rest of the province's problems" prompted the formation, in 1969, of the New

73 ET (4.11.71: 6).

74 ET (20.11.71: 13).

75 ET (6.11.71: 9).

76 ET (6.11.71: 9). Mummering (or jannying) is an elaborate ritual at Christmas, adapted from customs in Ireland and England, in which disguised actors (mummers) arrive at homes unannounced to perform short plays. It is no longer widespread.

77 ET (6.11.71: 9).

78 ET (25.3.72: 19).

79 ET (16.3.72: 14).

80 ET (18.3.72: 3). See also column by Wick Collins, ET (1.10.71: 7).

Labrador Party (NLP) by former Liberals.⁸¹ This spatially conceived grievance translated into electoral victory in Labrador West in October 1971. Again, the theme of "self-help" was in evidence: one member (who was involved in the rural development movement and was also communications co-ordinator for the NFFAWU) was quoted in the *Telegram* as saying "It isn't really fair to expect someone else to look out for us. And as long as we do, we are going to be in trouble. It's long past the time when we must start looking out for ourselves".⁸² The NLP, however, was a short-lived political movement.

Conflict Within the Fisheries: An Environmental Issue

In September 1971, an organisation called the Save Our Fisheries Association (SOFA) was formed. Its members included Cashin, other union leaders, and executives of large fish processing companies such as National Sea Products of Nova Scotia and Fishery Products of Newfoundland. As its name suggests, SOFA's concern was the depletion of northwest Atlantic fish stocks, of which haddock and herring were already casualties. Total landings of all species peaked in 1968.⁸³ At the time, European and Russian fleets took approximately 85 per cent of the total,⁸⁴ as Canadian jurisdiction extended only three miles from shore. SOFA's representations to the federal Minister of Environment and Fisheries dealt with the establishment of quotas, the banning of offshore trawling activities during spawning season, and the implementation of a modest 50-mile Canadian economic exclusion zone on the model of Iceland's.⁸⁵

The importance of the fisheries was the single issue on which outright agreement existed between the *Daily News* and the *Telegram*. Both supported SOFA; the former emphasised the threat of foreign fleets and the latter emphasised, with increasing urgency, the obligation of Ottawa to address that threat.⁸⁶ During the March 1972 election campaign, especially, the fisheries received extensive coverage in the two newspapers, presumably in response to their having constituted an important element

81 ET (15.10.71: 11).

82 ET (15.10.71: 11).

83 To 1.75 million tonnes, from 560,000 tonnes in 1953. See Sinclair (1988: 160). In 1968, the total for northern cod in NAFO divisions 2J3KL also peaked, at 810,000 tonnes, of which Canadian boats took 123,300 tonnes. See Department of Fisheries and Oceans (DFO) (1992: Table 1) and map 2.

84 See DFO (1992: Table 1).

85 ET (12.10.71: 4). The federal government implemented a now-standard 200-mile limit in 1977, which does not extend to the "nose" and "tail" of the Grand Banks or to the Flemish Cap. See map 2. Prior to the discovery of commercial oil and gas reserves off Nova Scotia in 1971, the federal government made no moves to extend the exclusion zone.

86 DN (5.11.71: 4), (12.11.71: 4), (2.3.72: 2), (10.3.72: 3-4), (30.3.72: 4) and ET (12.10.71: 4, 6), (3.12.71: 6), (20.3.72: 6), (29.3.72: 6).

of the Throne Speech at the beginning of the month.⁸⁷ The *Telegram* published thirteen news items or feature articles, six editorials, and nine substantial letters on the fisheries during March.

The *Daily News* highlighted the "obvious importance" of conservation and the establishment of quotas because "the survival of the fishery means more to Newfoundland than any other real or potential resource industry". It added that "What success in this endeavour means to this province is little realized".⁸⁸ Similarly, the *Telegram* claimed that the "implications of fish stock destruction are far more serious than most people think".⁸⁹ This was perhaps true in St John's but not among inshore fishermen, as letters to the papers attested. These letters also indicated conflicts within the branches of the fishery. One noted that the old bankers had never depleted stocks and called for the banning of trawlers on ecological grounds.⁹⁰ Further indication of inshore-offshore conflict emerged from the Torbay branch of the NFFAWU. They dissociated themselves from SOFA, which they saw as representing offshore interests. Trawlers were the "greatest enemies of the inshore fishery... destroying young fish stocks and dragging up everything off the bottom".⁹¹

Another letter from an inshore fisherman on the Southern Shore argued:

I know some people are going to disagree with this, but if the fishery, which is the basis of our economy, is going to survive, the fishermen and the processors are going to have to make a decent living. This is not a privilege; this is a God-given right.... Anyone who knows anything about our fishery knows that it is on the brink of extinction, not alone by the depletion of our fish stocks, but by [the] extinction of our fishermen.⁹²

This correspondent interpreted the fisheries problem as simultaneously ecological, economic, and political. By 1971-72, inshore fishermen recognised the depletion of the northwest Atlantic fish stocks as an economic and ecological problem. The imposition of the 200-mile limit in 1977 did indeed result in the curtailment of the foreign fishing effort but not in the total effort. It merely transferred the effort to Canadian boats,⁹³ many of which were owned and operated by National Sea and Fishery Products. This suggests that SOFA's environmental concern was not as deeply

87 See later in this chapter for an analysis of the Throne Speech.

88 DN (30.3.72: 4).

89 ET (20.3.72: 6).

90 ET (25.3.72: 6).

91 ET (25.3.72: 8).

92 ET (9.3.72: 6).

93 For example, foreign boats took only 7.7 per cent of the cod landed in 2J3KL by 1983. See DFO (1992: Table 1) and map 2.

held as it was with inshore fishermen and that the suspicion of the latter that SOFA did not represent their interests was well-founded.

Resettlement and Dependency

The presentation of the resettlement issue in the *Daily News* and the *Evening Telegram* reflected their positions on the Smallwood legacy generally. That is, the *News* was sanguine and the *Telegram* opposed. In October-November 1971 and March 1972, the *Daily News* published no editorials or feature news items on resettlement. The issue appeared twice in the "Wayfarer" column: an aside that the islands of Placentia Bay had been "regrettably evacuated" and a suggestion that the provincial Department of Community and Social Development's laudable plan for "rural development" had "suffered" under DREE.⁹⁴ "Peter Simple" commented that there had been an initial lack of planning and foresight but that

Everyone who isn't blocked to the hatches with self interest will agree with Peter Simple that the resettlement scheme is basically a good idea.⁹⁵

The *Telegram* maintained a higher profile for the issue. In the interview for this thesis, then editor Michael Harrington said

I remember writing to the effect that we needed some centralisation; I'd been around the coast and seen how people were living.... But I didn't see, for example, taking villages "holus bolus" and putting them down in an industrial centre where they were totally green and not trained for it, and that's what happened.... I remember writing in the *Telegram* pretty hard against that. Eventually, it was changed when the Moores administration came in.... [With] the pressure tactics, it was really a nasty period for awhile there.⁹⁶

The resettlement question was pursued primarily through the column of associate editor Wick Collins – like Ray Guy, an avid opponent of Smallwood. Collins authored two full-page "Forum" features in October and November 1971, each of which profiled very isolated communities on the Northern Peninsula. One was a "questionable monument to [the] resettlement program";⁹⁷ the other was "hanging on against the spectre of resettlement".⁹⁸ The former, Bide Arm, was characterised by its people's "childlike... total dependence" on the pastor and entrepreneur who had used his influence in government – and \$150,000 from DREE for a fishplant – to relocate them.

94 DN (17.3.72: 4) and (1.11.71: 4), respectively.

95 DN (10.3.72: 14).

96 Harrington interview, 31 July 1990.

97 ET (6.11.71: 7).

98 ET (15.10.71: 7).

If he was not supported, the whole ghastly blunder which made a community out of Bide Arm would come to light and the public image of the resettlement program would be damaged.... [A]nd in resettlement there can be no mistakes, only successes.⁹⁹

Thus, it was "a Vietnam in White Bay" because, once committed, the government "was left with no choice but to continue pouring money into it to keep it alive".

On the other community, Collins wrote that "[b]y all the standards set up by the department of community and social development", its isolation should have already resulted in its resettlement. Harbour Deep, however, was "vital and self-reliant".¹⁰⁰

The government has made no open effort to sell resettlement to Harbour Deep. Perhaps the politicians know that in the present mood of the people any such salesman would end up in the harbor.... In some ways Harbour Deep is a symbol of the failure of the Smallwood government to take an intelligent approach to the development of rural Newfoundland. [It] has survived in spite of government policies, not because of them.¹⁰¹

Collins did not attempt to explain Harbour Deep's apparent idiosyncrasy in that able-bodied relief was "almost unknown" and that its people "would sooner wear themselves to the bone trying to scratch for a living than turn to the government for charity". In an earlier "Forum" on poverty and dependency on the Northern Peninsula, he had argued that welfare payments were an essential social benefit but that they had become a "major industry, probably the biggest employer in rural Newfoundland".

The guts and spirit of the Northern Peninsula are being drained away with welfare cheques. Where once there were tough, hardy, independent people there are now timid, cringing beggars who have been taught by politicians that it is easy to fool the welfare officer.¹⁰²

This excerpt illustrates the re-emergence of the discourse that associated "dependency" with the actions of government. It was not a "neoconservative" position of the type examined in Chapter 4, however. Collins argued that the priorities of the government were the cause of dependency, not "government" itself. He condemned the "fevered mind" of Smallwood, whose \$5 million gift to the promoter of the Come By Chance oil refinery would have provided far greater benefits to the Northern Peninsula. He advocated using the power of government in support of economic development options complementary to outport culture, and not for compensating outports that were isolated from the push for industrialisation.

99 ET (6.11.71: 7).

100 ET (15.10.71: 7).

101 ET (15.10.71: 7).

102 ET (1.10.71: 7).

Ray Guy did not use his column for an anti-resettlement campaign but disparaged ministerial advice regarding the supposed benefits of subsistence agriculture to resettled people. On that occasion he reprinted a long letter he had received which compared resettlement to being thrown in jail. Once "happy and contented" people had been "drove, forced and coaxed to leave their homes".¹⁰³ The *Telegram* published a letter from a "Displaced Person" who described the coercion of the programme.¹⁰⁴ As with Collins, an editorial conceptually linked resettlement with dependency: the creation of "permanent welfare derelicts" in communities worse than those abandoned. It greeted with some relief that the "government is beginning to understand that [resettlement] is not the solution to the problem of developing rural Newfoundland".¹⁰⁵

There are indications that the new emphasis on rural development will be on finding ways of improving employment opportunities and public services **where people are living**. The cruel game of human checkers seems to have slowed down.¹⁰⁶ [Emphasis added]

This desire for an economic development policy based on Newfoundland's existing, rural, socio-economic relations required the rejection of the modernisation paradigm that characterised Smallwood's policies.

Grassroots Action for Local Development

Further evidence that the inheritance of Confederation was in doubt, and of the maturing of a post-modernisation local development agenda, emerged in 1971. The town of Harbour Grace had seen its fishplant and major employer closed in 1968.¹⁰⁷ In November 1971, the Harbour Grace Action Committee initiated a three-day development conference which received organisational support from Memorial University's Extension Service.¹⁰⁸ Its purposes were to examine the "demoralising" impact of the town's "severe economic and social hardships during the past two decades", and to articulate possible means of redress. The fundamental problem was analysed as being twofold: the loss of local initiative and the lack of government policy on fish stock conservation and potential local economic alternatives, such as aquaculture and specialty seafood products.

103 ET (1.10.71: 3).

104 ET (25.10.71: 6). This letter was mentioned in Chapter 3.

105 ET (1.10.71: 6).

106 ET (1.10.71: 6).

107 The Bird's Eye fishplant had been owned by Unilever of the Netherlands. According to Goulding (1981: 320), Unilever had received substantial financial support from Smallwood's government.

108 ET (23.11.71: 4). The conference was held during 22-24 November. The Extension Service was closed down completely in the Newfoundland budget of 7 March 1991.

The proceedings of this event went unreported in the *Daily News*. It produced an editorial that called the conference a "useful exercise" but thought that the town's "individualistic" approach should be replaced by a broader "regional plan".¹⁰⁹ The *Telegram* provided comprehensive and prominent daily coverage, including front-page notification and a fully supportive editorial.¹¹⁰ The failure of the Department of Community and Social Development to respond to invitations to the conference was highlighted – a lack of "respect for the intelligence and thinking of rural people", in the words of the director of the Newfoundland and Labrador Rural Development Council, Bernard Brown.¹¹¹

The conference did not formulate a job-creation plan, but the *Telegram* reported the closing comments of the Committee's chairperson:

"There is a change... don't ask me how I know, I can feel it".... This view was also expressed by the vast majority of the approximately 90 citizens who attended. They felt the conference had brought this Conception Bay town of 2700 to "a crossroads" where it has an opportunity to revive its sagging economic and social life.... It was unanimously agreed [to] hold a public meeting to elect representatives to a Harbour Grace Development Association.¹¹²

This was a modest but significant step. Gwyn wrote that by the early 1970s, the Extension Service had become a "major force in the province":

Apart from its achievements on Fogo, it had nurtured into life 33 local development associations and community improvement committees, the first fledgling democracies in outport Newfoundland.¹¹³

In a follow-up editorial, the *Telegram* contrasted the "people-oriented" developmental approach of the Extension Service with the "it knows best" approach of the Department of Community and Social Development.¹¹⁴ Ironically, the theme of "people participation" and democracy was addressed at the conference by a DREE representative from Ontario. The conference delegates appeared to be unimpressed by this and the *Telegram's* curt response was to censure the Smallwood government for continuing to promote the idea that DREE was the salvation of Newfoundland – "the horn of plenty which holds an inexhaustible source of gifts from Uncle Ottawa."¹¹⁵

109 DN (26.11.71: 4).

110 ET (23.11.71: 1) and (26.11.71: 6). See also ET (24, 25.11.71).

111 ET (23.11.71: 1).

112 ET (25.11.71: 3).

113 Gwyn (1972: 312).

114 ET (29.11.71: 6).

115 ET (26.11.71: 6). However, the *Telegram's* wry observation that DREE funding announcements were invariably made by politicians, amidst fanfare, was followed the next

Again, this articulated the belief that it was inadequate and damaging for the Newfoundland government merely to be a broker for the distribution of federal largesse.

Dependency Theory versus the Modernisation Paradigm

In mid-November 1971, two reports emerged from Ottawa. One was the (Senator) Croll Report on poverty and tax reform, which advocated a guaranteed annual income (GAI) scheme as a modification of unemployment insurance. The other was the Gray Report on the extent of foreign investment in Canada.¹¹⁶ This was the blueprint for the Foreign Investment Review Agency (FIRA), established in 1974.¹¹⁷ Chapter 2 noted that Trudeau was elected Prime Minister on a growing tide of awareness that Canada's economy was closely tied to American capital. Canadian academics played a central role in documenting this, and Trudeau took seriously the implied threat to Canada's sovereignty. There was a reaction to the modernisation paradigm in Canadian sociology, and left-nationalist dependency theorists advocated economic policies to de-link Canada from the United States. In 1971, Canada had a large trade surplus with the United States; President Nixon's response was to impose a ten per cent surcharge on all Canadian imports in August. That was regarded by journalist Peter C Newman as being "the best thing that has happened to Canadian nationalism in years". He also noted an apparent role-reversal in Ottawa: the federal Liberals had abandoned their historical role as continentalists (advocates of free trade) and assumed the economic nationalist position previously associated with the Tories.¹¹⁸

These events are relevant to the themes of this chapter because comments in the St John's press again show that the concept of "underdevelopment" – central to the dependency discourse – had at least encroached into Newfoundland's development debate. The *Telegram's* response to the Gray investment restrictions, however, was unclear:

That may be agreeable to the wealthier provinces which can accumulate enough local capital to float major developments. But underdeveloped areas like the Atlantic provinces... have already... indicated they are not too happy about this kind of restriction. They don't care too much where the money comes from as long as they can get it to expand their economy. This, as past experience has shown, is not always the best way.¹¹⁹

morning by the front page headline: "Fortune fish plant gets \$550,960 DREE grant" alongside a photograph of Don Jamieson, Newfoundland's representative in the federal cabinet.

116 After Herb Gray, federal Minister of National Revenue.

117 The Progressive Conservatives renamed FIRA as Investment Canada in 1985 and reversed its mandate from regulating to soliciting inward investment.

118 ET (25.11.71: 13).

119 ET (16.11.71: 6).

This, in an oblique way, encapsulated Newfoundland's enduring development dilemma. Smallwood's invitation to foreign capital had not worked but Newfoundland's economy appeared to be unequipped either to capitalise or support a protectionist alternative. The *Telegram*, however, was more certain in its characterisation of the United States as a "dangerous bedfellow" and of the "remarkable ignorance" of Ottawa toward Newfoundland's economic interests evidenced by its failure to push for a 200-mile exclusive fishing zone.¹²⁰

The *Daily News* remained a mouthpiece for the certainties of the past; its opposition to restrictions on foreign capital was at least consistent with its support for the provincial Liberals. One editorial pointed out that without foreign capital, there would be "no Grand Falls, no Corner Brook, no mining development in Labrador, no Churchill Falls".¹²¹ Another simply mourned worsening relations between the two countries as being contrary to Newfoundland's historically "warm friendship" with the American people.¹²²

Smallwood himself used the term "underdevelopment",¹²³ but not in the dependency-theory sense which linked peripheral underdevelopment as part of the process of capital accumulation at the core. For Smallwood, underdevelopment was a new synonym for undevelopment. Whereas the *Telegram* voiced a post-modernisation concern on the origins of development capital for Newfoundland, Smallwood's remarks in his 1973 autobiography indicate he had either not grasped the meaning or causes of underdevelopment or that he rejected this challenge to his worldview.

I didn't care, and no Newfoundland Premier (or Nova Scotia, New Brunswick, or PEI Premier) should care two straws where the capital comes from to develop this province.... [T]he Provincial Government's slogan should be "Whosoever will, may come".¹²⁴

Smallwood was clear as to which side of the dilemma he was on. Although there were no explicit references to "dependency theory" in the St John's newspapers at the time, the attention given and reaction to the foreign investment review process in the *Evening Telegram* further illustrate that Smallwood's opponents challenged his

120 ET (22.11.71: 6) and (27.11.71: 6).

121 DN (17.11.71: 4).

122 DN (26.11.71: 4).

123 ET (16.11.71: 1).

124 Smallwood (1973: 482). In a campaign speech, during what appears to be the late 1960s or early 1970s, Smallwood exclaimed, "If I could get the devil himself, if I could get Uncle Lucifer... to come and start and employ a thousand men at good wages – come on in!". See *CBC News in Review* videotape, February 1992.

conviction that Newfoundland's dependency on external capital was in fact the province's sole development option. Although it would be left to scholars explicitly to link the modernisation and industrialisation drive with Newfoundland's "dependent development",¹²⁵ this link is in evidence both in the *Telegram's* challenge and in the policy platform of the Conservatives, which will be examined next.

The Newfoundland Elections of October 1971 and March 1972

The election of 28 October 1971 resulted in a virtual tie and political deadlock; the election of 24 March 1972, following Smallwood's resignation, resulted in a large Progressive Conservative majority. As would be expected, the *Evening Telegram* and *Daily News* of October-November 1971 and March 1972 devoted a significant proportion of their front pages and comment sections to these events. Much of the comment and analysis in the editorials, features, and letters was exceptionally partial, emotive and focused on political personalities. Much space was allocated to the politicking and unusual constitutional situation that followed the first election result. Even considering the elements of political drama and farce, however, this coverage amounted to a protracted and public debate on the effect of the Smallwood years and the future of the province.

To say that the central issue of the October 1971 election was Smallwood himself is to say it was a questioning of the legacy of the modernisation paradigm. This questioning afforded the Newfoundland Progressive Conservative opposition their first political opportunity since their inception. Upon the election's announcement, Conservative leader Frank Moores orchestrated daily "policy statements" on his party's new platform for economic development. He began on the themes of small business and the "decentralisation" of the Department of Economic Development. Moores said that "economic development policy in the past has all been geared toward giant industry and some secondary industries... which have done little but to lay waste to our economy".¹²⁶

Smallwood made no policy statements but the Liberals did fill the pages of the newspapers with advertisements which simply said, "Of Course I'm Voting Liberal".¹²⁷ Smallwood also announced new outlays of public money, notably a \$2 million loan to reactivate west coast sawmills and a \$3 million grant to install a

125 For example, see R Matthews (1978-79).

126 ET (11.10.71: 1).

127 Guy wrote that this clarified Smallwood's view of Newfoundlanders as "fools and sheep". He also dismissed his own paper's campaign coverage as "non-stop drivell". See ET (8.10.71: 3).

water/sewerage system for Bay Roberts.¹²⁸ Throughout October, he stated only that the issue was "who can best manage the public affairs" and economy of Newfoundland.¹²⁹ This suggests that he had grasped neither the insecure status of his own reputation nor the implications of the province's unrest. On the eve of the election, Smallwood reviewed the "blessings" of Confederation and predicted that Newfoundland's 265,900 eligible voters would again endorse his "develop or perish" platform.¹³⁰

In the event, 88 per cent of the electorate voted – the largest turnout since the National Convention referenda. Of the 42 seats in the House of Assembly, the Conservatives took 21 (on 51 per cent of the popular vote), the Liberals 20 (on 45 per cent), and the New Labrador Party one (on two per cent).¹³¹ Seven Liberal cabinet ministers were defeated. Smallwood retained his seat and refused to resign pending recounts in marginal ridings. Fifty per cent of the Conservative vote was gathered in ten urban ridings, including those of St John's and the industrial "showcases" of Corner Brook and Grand Falls. Seventy-five per cent of the Liberal vote came from 31 rural ridings.¹³²

Newspaper coverage in November closely followed the lone NLP member and the manoeuvrings of the other parties to win his support.¹³³ The tawdry impression provided by this in the newspapers was one well removed from the discourse of a "social revolution" which preceded the vote. The *Telegram* supported the Conservatives' claim of a clear victory. It attempted to claim the high moral ground when Smallwood took his defeated finance minister, FW Rowe, to a federal-provincial First Ministers conference:

Our acting, defeated, ex, or caretaker premier is off to Ottawa this week to add a little more color to the idiocy that seems to be the hallmark of Newfoundland politics.... Mr Smallwood can have his last hurrah and the mainlanders can have their last laugh at him.... Mr Smallwood may be able to convince the other premiers that he really wasn't defeated; he just didn't get enough seats.¹³⁴

128 ET (11.10.71: 3). The latter was undoubtedly DREE funding, i.e., independent of whichever party was in power.

129 ET (7.10.71: 1) and (28.10.71: 1).

130 ET (28.10.71: 1).

131 The victory of the (short-lived) NLP was evidence of regional grievances within the province.

132 DN (4.11.71: 4).

133 For example, see front pages of DN (1, 2, 5, 16, 26.11.71).

134 ET (15.11.71: 6).

More seriously, the *Telegram* detailed alleged abuses of public funds by other Liberal cabinet ministers.¹³⁵ Wick Collins wrote a "Forum" article which condemned the Liberal campaign as the last gasp of the old brand of Newfoundland politics – "wholesale bribery, corruption and vote-buying":

Government funds were passed over to Liberal candidates to distribute in their districts. Personal cheques were delivered.... Engineers must be blushing with shame at the way asphalt was put down on unprepared roads.... [T]here were reports of welfare recipients being threatened they would lose their welfare payments if they voted against the Liberal member. Some were told the ballot is not secret and the member would know how they voted.¹³⁶

In response to Smallwood's postponement of his resignation, the director of the Rural Development Council was moved to write a polemic on the lack of democracy in Newfoundland's political culture. This was the same person, Bernard Brown, who had earlier attacked the Department of Community and Social Development during the Harbour Grace conference for not respecting the "intelligence of rural people". This time, however, he blamed the churches, teachers, university staff, rural development associations, and especially "the people":

And where are the people...? Where indeed but where they always were. Buried under centuries of neglected ignorance and fear, wrapped up in little community packages tied securely with miserly ribbons of asphalt – "Do not open until after the next election".¹³⁷

The fluctuating attribution of "blame" for the malfunctioning of Newfoundland's political economy from the elite to the people and from external to internal sources will be examined at the end of this chapter.

In contrast to the *Telegram's* unforgiving stance, the *Daily News* carried a political eulogy for Smallwood and followed it for the next two days with front page stories that linked Moores, the Conservative leader, to a financial scandal.¹³⁸

The existing constitutional uncertainty was followed by a genuine crisis that contained elements of farce. One of the recounts proved impossible – the result of a celebrated incident in which ballots were burned by a deputy returning officer after the initial

135 ET (13.10.71: 1) and (23.10.71: 1). The *Telegram* also identified some of the big business sources of Conservative funds, including New Brunswick oil magnate KC Irving, who "handed personally" to Moores a cheque "approaching six figures". ET (6.11.71: 9).

136 ET (30.10.71: 7). See also ET (27.3.72: 3). A letter to the *Daily News* contained a story of an "old man who sat down and cried on last Thursday night because Joey was gone and he would never see another old age pension cheque". See DN (4.11.71: 4).

137 ET (8.1.72: 9).

138 DN (15.11.71: 4) and (16-17.11.71: 1).

count.¹³⁹ The official election result was therefore delayed until January 1972, at which time the marginal Conservative victory in that riding was upheld by the Supreme Court. Smallwood resigned within days (but only after he had established that his attempt to woo the NLP member – his last chance – had failed).¹⁴⁰ Moores formed a government, but the constitutional abeyance and a further series of resignations, defections and counter-defections by MHAs continued to shade the substantive public debate on Newfoundland's future. The *Daily News* blamed both parties but took the opportunity to condemn the Conservatives for what it saw as a series of events unequalled "in the the long and turbulent history of self-government in Newfoundland".

Nothing that has happened since the last election has done anything to diminish the scepticism or the cynicism which many voters have come to apply to their political thinking.¹⁴¹

The effect of the machinations was such that when the 35th General Assembly of Newfoundland opened on 1 March 1972, the governing Conservatives had one fewer sitting member than the opposition!¹⁴² The Throne Speech was delivered and the Legislature immediately dissolved.¹⁴³ The Speech was, in effect, a Conservative election manifesto, described by Moores as the basis of the province's development for the 1970s.¹⁴⁴ The election of 24 March produced a clear mandate for the Conservatives: 33 seats (on 61 per cent of the popular vote), versus 9 seats for the Liberals (on 37 per cent).¹⁴⁵ The following section will analyse the Throne Speech and the debate on Newfoundland's social and economic development which occurred in March 1972.

139 See DN and ET (23-24.11.71: 1). The incident was at Sally Cove in the district of St Barbe South on the Northern Peninsula. A letter to the *Telegram* (26.11.71: 6) proposed that the returning officer had misheard Smallwood's advice to "burn your boats".

140 See Gwyn (1972: 345-9). Smallwood also sought to persuade Cashin to run in the expected by-election for St Barbe South. His successor as Liberal leader was Ed Roberts. In 1974, Smallwood came out of retirement in an unsuccessful attempt to regain the leadership. He then ran as leader of the "Liberal Reform Party" (a label used successfully by his political mentor, Sir Richard Squires, in the 1919 election) in the election of 1975, and resigned once again in 1977. Smallwood died in December 1991.

141 DN (3.3.72: 4). Gwyn (1972: 333-55) wrote a wonderful account of these events.

142 ET (2.3.72: 1). Had all MHAs been present, they would have had two fewer members.

143 It did not go unnoticed that each MHA received the full sessional pay of \$10,000 for three hours' work. See DN (3.3.72: 3-4), ET (9.3.72: 6) and Ray Guy in ET (8.3.72: 3).

144 ET (2.3.72: 4) and DN (2.3.72: 1).

145 The New Democrats' share of the popular vote dropped to less than 1 per cent. The New Labrador Party lost their seat, regained another one in a by-election, and then disappeared from Newfoundland politics. Brian Peckford entered the House of Assembly at this election.

Throne Speech/Conservative Manifesto

The Throne Speech provided further detail to those themes introduced by the Conservatives for the October election. Its contents were summarised on the *Telegram's* front page and included:

- making minimum wage the same for men and women over the age of 18 and raising it to \$1.40 an hour by the end of June this year.
- lowering the voting age to 18 from 19.
- rewriting the Trade Unions Act after receiving advice from all interested groups and individuals.
- establishment of advisory councils in all areas of government to bring the public into the policy-making process.
- initiation of regional development plans for several areas of the province.
- requirement for mining and other companies to give adequate notice of closedowns of operations.
- establishment of regional colleges of Memorial University.
- a program of hospital expansion and new hospital construction.
- a new roads policy including completion of the Trans-Labrador highway and connection to the Quebec road system.
- introduction of conflict of interest legislation.¹⁴⁶

The Throne Speech itself opened with mention of the "rising expectation of a new era" and the growing concern with unemployment. It contrasted the megaprojects at Stephenville and Come By Chance with the government's determination "to ensure that every right of the people and the Government of Newfoundland is observed and... to ensure that every benefit possible accrues to the Province". The intent to afford greater participation of people in the policy process, through "Advisory Councils" represented a significant break with the past.

It is also the intention of my Ministers to decentralize the Government of this Province. Government services will be taken to the people, so that no matter where they live they will have the opportunity to utilize these services to the fullest extent.... The Department of Community and Social Development will give high priority to... assisting the self-development of our people and their involvement in the management of the resources available to them. My Government intends to promote further the [Rural] Development Associations.¹⁴⁷

The *Telegram* welcomed the appearance of the fishery in the Throne Speech for the "first time in many a year" and highlighted the commitment to "a dynamic program of rural development" – a new emphasis on small-scale primary resource development, small business, and tourism.¹⁴⁸ Moores introduced the phrase "Scandinavian-type" to describe the kind of economy he desired. It was "directly opposed to the Liberal

146 ET (2.3.72: 1)

147 *Newfoundland Gazette* (14.3.72: 2, 4).

148 ET (2.3.72: 2).

government's policy of resettlement and heavy industry."¹⁴⁹ He added that all the new programmes could be implemented for "the cost of one [oil] refinery".¹⁵⁰

Reaction to the Manifesto

The minimum wage increase had immediate political impact and was followed closely by both the *Telegram* and the *Daily News*. The *Daily News* also highlighted the intended shift from "big industry" to a diversified rural economy.¹⁵¹ Its editorial line, however, was firmly rooted in the old order. William Callahan, defeated Liberal minister and new publisher of the *Daily News*, argued that the Conservatives spoke of small industry "almost as if they expected the people to believe it":

But who believes that resource development, to really mean anything, must not be on a large scale?... Are, then, the pulp and paper mills at Corner Brook and Grand Falls "luxuries"? And the mines in Labrador West and elsewhere? And the hydro power developments at Churchill Falls and Bay d'Espoir?... And the fisheries? They surely are big industry; if they were not, they should not be worth worrying about.... Erase [big industries] from the economic map of Newfoundland, and there would be precious little left.¹⁵²

With either unintentional irony or deliberate obfuscation, Callahan dismissed the "unrealistic" quest for "an easy, gold-plated final solution to Newfoundland's socio-economic problem". He acknowledged the "social value" of small industries but noted that an "awful lot" of them would be required to match the employment and the return to the public treasury provided by paper mills and oil refineries. Newfoundland's "survival" depended on "a tough, hard, risky fight for economic development that must be on a large scale".¹⁵³

Callahan clearly was not ideally positioned to write on what "people really believe". His prediction that the Conservatives were "about to learn a very important lesson" bore no relation to the election result.¹⁵⁴ However, his defence of the megaproject was welcomed, understandably, by those it employed. A letter in the *Daily News* from Labrador agreed that Callahan was "right on target":

Premier Moores [has] announced, as he put it, the end of the billion dollar project. Well, we have two of them in Labrador, and one very nearly a half billion, and without them... most present day Labradorians would be back on the island in the unemployed ranks, or in Toronto

149 ET (23.10.71: 1).

150 DN (25.3.72: 1). In the event, Moores' government poured millions of dollars more into the Come By Chance refinery before it went into receivership in 1976.

151 DN (2.3.72: 1).

152 DN (17.3.72: 4).

153 DN (17.3.72: 4).

154 DN (3.3.72: 4).

on welfare. When Mr Moores and Mr Crosbie hit at big business they hit at Labrador West... and at the hope of thousands of Newfoundlanders.¹⁵⁵

This letter reflected the same geo-political divide in the province that had been manifested in the New Labrador Party. To many of those Newfoundlanders who had left the outports to take jobs in the industrial projects, there was no need for the alternative of "small-scale rural development" – at least in the construction phase.

Smallwood's contribution to the campaign echoed Callahan's. He was quoted in the *Telegram* as having reiterated his "develop or perish philosophy" in "more forceful terms than ever":

The creation of jobs must take precedence over everything else, he said. "The government of this province must be willing to take chances... willing to gamble. The need is desperate and the remedy must be desperate."... Mr Smallwood said he was also "afraid" that the provincial government's attitude towards present industry is going to scare other promoters away.¹⁵⁶

The *Telegram* further highlighted Smallwood's inability to grasp the societal shift underway, as evidenced by his inappropriate use of the word "industrialise":

Mr Smallwood said the PCs' [Progressive Conservatives'] pledge to industrialize rural Newfoundland was "the meanest thing I have ever heard of from any political party. They are holding out hopes for people that can never in this world be realized. It's criminal and sinful."¹⁵⁷

As with Callahan's, this comment gives the impression of a deliberate attempt to misrepresent exactly who stood for what. Ironically, it was a letter from a Liberal supporter which contradicted Smallwood. It criticised the new emphasis on rural development and primary industry precisely on the grounds that they were no longer in keeping with what Newfoundlanders expected.

Premier [Moores] alluded to the fact that the people of this island could never expect parity of income with residents of Central Canada. Does he really believe that in this province of rising costs and rising expectations that this type of economics will prevail? To whom does he refer? Certainly not the doctors, lawyers, university professors.... Nor is he speaking to the skilled labor already employed in large scale industry.... Our cost of living is determined by the wage scales set for workers in Ontario and Quebec. No politician can argue for lower wage standards.¹⁵⁸

The correspondent argued that primary industries, "essential as they are, provide the lowest return to the worker". Paper mill wages provided a "continental and North

155 DN (22.3.72: 4).

156 ET (23.3.72: 1). Smallwood was not actually a candidate in the election.

157 ET (23.3.72: 1).

158 ET (18.3.72: 7).

American" standard of living; fishplant wages an "insular and Newfoundland" standard.¹⁵⁹ This point of view and Callahan's argument on the inability of small-scale development ever to provide sufficient employment are as significant for the debate on Newfoundland's economic policies in the 1990s as they were in 1972. Chapter 6 will examine this debate in detail and will try to demonstrate that the expectations and desires of Newfoundlanders, while important in the electoral sense, continue to play an inconsequential part of the policy debate.

Ray Guy: A Sophisticated View of Dependency

In August 1971, *Time* magazine described Ray Guy as the "best known citizen of the newest province, excluding, of course, his arch-enemy Joseph R Smallwood".¹⁶⁰ The entry for Guy in the *Encyclopedia of Newfoundland and Labrador* noted that many Newfoundlanders saw his *Telegram* column as partly responsible for Smallwood's defeat in 1971-72.¹⁶¹ What can be said with even greater certainty is that Guy symbolised the shifting currents in Newfoundland at that time. Michael Cook, playwright and lecturer in English at Memorial University, wrote in the *Telegram* that Guy created the first

written testament that reflected accurately the idiom and life style of Newfoundland people.... His was, I think, the major literary achievement of the emerging Newfoundland consciousness.¹⁶²

In the interview for this thesis, Bill Rowe characterised Newfoundland society in 1990 as being politically more sophisticated and more inclined to question deeply rooted beliefs – "more willing to take on sacred cows" – than it was during the Smallwood era. That is undoubtedly an observation with applicability far beyond Newfoundland. Rowe identified Guy, however, as having been instrumental in this shift: having "started this love-hate feeling about Newfoundland. He was a tremendous force in analysing ourselves."

Guy's columns in October-November 1971 and March 1972 are noteworthy for the complexity of the social commentary they contain. Although he derided his own paper for "presenting both points of view" even if both were "on the verge of hysteria",¹⁶³ he wrote with bitterness about Newfoundlanders almost as often as he mocked

159 ET (18.3.72: 7).

160 *Time* magazine (23.8.71), quoted in *Encyclopedia of Newfoundland and Labrador* (1981: 768).

161 See *Encyclopedia of Newfoundland and Labrador* (1981: 768).

162 ET (6.11.71: 14).

163 ET (21.3.72: 3).

Smallwood and other political figures. On the one hand, Guy satirised the modernisation paradigm's entrepreneurial thesis, which sought internal, cultural explanations for poor economic performance:

Ah, yes. Terribly, terribly backward.... No efficiency. Rather like some of the backward blackamoor states we have in Africa.... Lack the blood-lust of true capitalistic competition. Deviates. Must be... [d]ragged kicking and screaming into the 20th century.... Must learn to stop living and learn to make a living. Nasty streak there that must be broken.¹⁶⁴

Three years later, however, he wrote:

How come pies in the sky are the steady diet of Newfoundlanders?... Ready to skip along blind as long as "the government" does everything for them.... They'd just as soon set the PCs up in business with some lunatic size of a majority for the next 23 years and relax again until they all march straight off the top of the next cliff.... Why can't someone come up with a better answer so that finally you are not driven in despair to concluding that Newfoundlanders are the stupidest fools on the face of the earth?¹⁶⁵

The point is that although these views appear to betray an ideological contradiction, they do not necessarily constitute a contradictory social commentary. The latter quotation was the antithesis of the paternalism that was rejected in the early 1970s. Guy reflected a willingness among Newfoundlanders to accept responsibility for the economic fate of the province even when there was emerging awareness that that fate was externally determined and was likely to remain so. The juxtaposed awareness of external constraints and willingness to countenance internal factors was also in evidence in the Harbour Grace rural development conference, in the polemical *Telegram* feature on the Burgeo strike, in Collins's investigations on the Northern Peninsula, in the polemic on democracy by Bernard Brown, in the policy statements of the incoming Conservative government, and in the editorials of the *Evening Telegram*. It was not as explicitly in evidence in Cashin's reflections on the NFFAWU, but he shared the belief in the empowerment of people and in their potential to change their own circumstances.

Conclusions

It is difficult to affirm or deny with certainty that Smallwood's formal departure from politics was the main reason for the difference in the two election results. The argument that his resignation provided the Liberals with a renewed chance of victory¹⁶⁶ (analogous to Thatcher's departure from the British government in 1990)

164 ET (27.3.69: 35), quoted in Overton (1993a: 2).

165 ET (11.3.72: 3).

166 ET (11.3.72: 9).

was certainly wrong. It is possible that his absence left Liberal voters with the feeling that there was nothing left to vote for. The *Telegram*, however, argued that

The voting outcome also gave the lie to the claim that the PC upsurge in October was purely an anti-Smallwood vote. Clearly the people wanted a complete break and change from Liberalism and what it had come to represent in the fabric of the province.... At long last, the province may be said to have entered fully into the mainstream of Canadian political life.¹⁶⁷

In light of the events described in this chapter, the first part of the paper's analysis would seem appropriate. The rejection of the past ran deeper than personalities; the change in government reflected a social change in Newfoundland comparable to that engendered by political union with Canada. Unlike the Smallwood revolution, it is arguable that the shift of 1971-72 was the first genuine societal movement "from below" in Newfoundland. Confederation was, in the words of former government advisor Cabot Martin, like "winning the Lotto ticket and going on a big binge".¹⁶⁸ In the 1971-72 period, Newfoundlanders paused to examine where the binge was taking them.

The *Telegram* may also have been correct in its estimation that Newfoundland had entered the Canadian **political** mainstream. A certain element of political maturity – democracy – entered Newfoundland's political process in this period. When paternalism was rejected, Newfoundlanders also relinquished the easy answers that had characterised the previous two decades. The 1971-72 period, therefore, was the point of initiation of a genuine debate as to what kind of society Newfoundland was and should be.

However, with the benefit of hindsight, it can be argued that the period studied in this chapter was in fact the signalling of a different dynamic – opposed to the North American cultural mainstream. The first manifestations of the "cultural renaissance" emerged around 1973, and as was argued in Chapter 3, achieved political expression through Peckford and his advisors by the end of the decade. The dependency theory-inspired economic nationalism exhibited by the early Trudeau government took almost a full decade to impact on Newfoundland's political culture. However, the shifting of economic policy and socio-economic goals away from industrialism and toward a greater sensitivity for Newfoundland's rural society were the essential preconditions for the optimism of the Peckford era. This chapter attempted to illustrate this transformation.

167 ET (25.3.72: 6).

168 Interview for this thesis at St John's on 27 July 1990. See Chapter 6 for a detailed discussion of Martin's views.

Chapter 6

Dependency, Democracy, and the Role of Government: An Analysis of Newfoundland's Political Discourse, 1986-1990

Critics of development as it has been advocate development as it might be. Many seem to think that it can be saved by finding just the right adjective for it, "true", "genuine", "alternative", "appropriate", "pro-people", "sustainable", or the like.... Many development ideologies have advocated democratic development as an abstract ideal, but few have ever suggested that such a thing should be attempted in practice.

– C Douglas Lummis, "Development Against Democracy" (1991)

Introduction

This chapter is based on the specific time-frame of 1986-1990. Its temporal focus is thus broader than that examined in Chapter 5. The rationales for selecting the two periods are, however, similar. In Chapter 5, the period of 1971-72 warranted specific analysis because the abrupt socio-political transformation that characterised it was brought into relief by two provincial elections. Although there was a change of provincial government in 1989, no such readily discernible disjunction attended it. The period of 1986-90 rather constitutes the focus of the chapter because a more subtle shift occurred. In 1986, the *Report of the Royal Commission on Employment and Unemployment* was published by the Newfoundland government. It can be seen as the fullest expression, from within Newfoundland's political culture, of the local development agenda which emerged in reaction to Smallwood's industrial agenda in the early 1970s. However, this chapter will attempt to demonstrate that although the Royal Commission Report enjoyed some favourable reactions, these either did not extend to its actual development agenda or were based in a selective reading of it. The change of government in 1989 did bring about the formation of the Economic Recovery Commission – a *de facto* executive arm of the provincial government. Although its formation was linked to recommendations of the Royal Commission, its agenda appears to show a greater emphasis on business than on rural development. Thus, the 1986-90 period also saw a shift in the development agenda which amounted to a rejection of the one that took hold in 1971-72.

This thematic linkage is thus the reason for the leap forward in time from 1972 to 1986 represented by the succession of Chapter 5 by Chapter 6. The temporal gap is not meant to imply, of course, that little of interest transpired during the intervening years. It has not been the intent of this thesis to provide a chronological history of political events and economic developments. The method has been rather to approach the history in a manner consistent with the thematic intent of the thesis. Even so, the important events of the Peckford years, from 1979 to the signing of the Atlantic Accord in 1985, were examined in the latter part of Chapter 3. Chapter 4 attempted to provide a comprehensive account and analysis of the significant developments in federal policy for regional development – from the Department of Regional Economic Expansion in 1969 to the current Atlantic Canada Opportunities Agency.

Structurally, this chapter is in two parts. The first will analyse in detail sections of the 1986 *Report of the Royal Commission on Employment and Unemployment*. The Report, which possesses a strong normative thrust, is an important social and political document for Newfoundland. It lacks, however, an explicit theoretical basis for its diagnosis and recommendations on Newfoundland's political economy. It has, in fact, more than one such basis and this chapter offers an interpretation of them. It also attempts to show that the Report reflects a further "contrary agenda" in Newfoundland's political culture. The Report presents a historically accurate dependency theory-type diagnosis that identifies the lack of democratic involvement of Newfoundlanders in the development process as a basic problem. It then, however, offers prescriptions which, although partly based in the decentralist environmental ideology, do not directly address the issue of democratic input into the policies for economic development.

The second part of this chapter will offer an analysis of the political discourse in Newfoundland that is based largely on interviews conducted there in 1990. (Some interview material is also used to support arguments in the first part of the chapter, as it did to varying degrees in all previous chapters.¹) Contemporary newspaper material will constitute supporting information in the analysis. Themes common to all interviews were conceptions of "dependency" and the role of government in economic development. These themes were generally discussed with reference to the *Report of the Royal Commission on Employment and Unemployment* and to the Economic Recovery Commission. It will be argued that (with some notable exceptions) the

¹ Interviewees cited in Chapters 1 to 5 were Cashin, Chapman, Elton, Harrington, Jewer, Locke, Martin, May, Peckford, Rowe, Slade, Wells, and Winter.

evident suspicion of direct government involvement in the economy was a consequence of a narrow and individualist view of dependency. It will be proposed that the material gathered in the interviews constitutes evidence of a disarticulation within Newfoundland's political culture. By this it is meant that the discourse on policy goals has become de-linked from the understanding of underdevelopment and dependency that originated during the period analysed in Chapter 5.

Part I - Democracy and Development

The quotation at the head of this chapter² contains two separate but related theses: first, that the utilisation of "green" jargon in the development discourse is an inadequate substitute for the actual application in policy of the principles represented by the jargon; secondly, that whereas most people are in favour of "democracy", there are, in practice, limits to its interpretation by policy makers. This section shall attempt to show that the *Report of the Royal Commission on Employment and Unemployment* is a specific case of both general contentions. The working definition of democracy introduced in Chapter 1 was participatory democracy, i.e., "the placing of decision-making power, over any particular issue, in the hands of the people affected by it."³ This definition of democracy is theoretically consistent with socialist ideology, but it is an absolute requirement of environmental ideology as described in Chapter 2. The implication is that political decentralisation is a democratic process which extends the formal connection between the preferences of people and actual policy decisions. A working proposition here is that decentralisation enhances the potential for participatory democracy but does not guarantee it.

Newfoundland Royal Commission on Employment and Unemployment (1985-86)

In January 1985, the former Peckford government picked a team of five professionals – chaired by sociologist JD (Doug) House – to form a Royal Commission on Employment and Unemployment. About ten weeks later there was a provincial election, a coincidence which prompted former NDP member of the House of Assembly (MHA) Gene Long to describe the Commission as "a sop to the voters, a miserable substitute for his [Peckford's] failure to deliver the 40,000 [oil] jobs he'd promised eight years earlier."⁴ However, the election was also held in the wake of the

2 See Lummis (1991: 34-5).

3 See Jacobs (1991: 129).

4 Interview for this thesis with Gene Long at St John's on 18 July 1990. Long took a previously safe Conservative riding – St John's East – in a December 1986 by-election. The seat returned to the Conservatives in the April 1989 provincial election.

signing of the Atlantic Accord, which represented a compromise of the disputes between Ottawa and Newfoundland over the Hibernia oilfield development.⁵

The Royal Commission's final Report (hereafter called the Report or the 1986 Report) characterised Newfoundland as having "an occupational superstructure that resembles that of a developed country but lacks the requisite economic base".⁶ It noted that the union with Canada in 1949 had provided Newfoundlanders with an increasing level of access to all of the services expected in a modern welfare state. "Confederation was to prove a boon to the immediate cash needs of outport households, but not to rural development, either in the fisheries or in alternative small-scale enterprise."⁷ It further noted that the expectations of Newfoundlanders had continuously been raised through various large-scale development schemes – offshore oil being only the most recent – and that the province's "political leaders have felt obliged to reinforce those expectations in order to stay in office". Although the Commission's broad terms of reference included a note of the "imminent prospects for employment and income growth as a result of oil and gas development",⁸ it also cautioned against the "rather naïve approach" of seeking "salvation" through "large-scale industrial projects".⁹ The Commission thus welcomed "any industry that comes, big or small" but with the caveat that "we cannot rely upon big industry and big resource projects to solve our unemployment problem".¹⁰

Assumptions and Theoretical Bases of the 1986 Report

The focus of the Commission's terms of reference was the documentation of the causes and dimensions of unemployment, the debilitating aspect of long-term unemployment, the assessment of various job creation programmes, and the adequacy of education and training programmes and the existing income support system.¹¹ The Commission's underlying assumptions conveyed a rejection of Smallwood's "develop or perish" principles:

5 See Chapter 3. The Atlantic Accord was signed on 11 February 1985. The election was on 2 April; Peckford's Conservatives won it with a large, but reduced, majority. Wade Locke (1991) presents a comparative economic analysis of the Accord in which he concludes that it is inferior to the Canada-Nova Scotia Offshore Petroleum Accord of 1986. Locke explained these views in an interview for this thesis at St John's on 11 July 1990.

6 Newfoundland and Labrador (1986a: 52).

7 Newfoundland and Labrador (1986a: 45).

8 Newfoundland and Labrador (1986a: 461).

9 Newfoundland and Labrador (1986a: 26).

10 Newfoundland and Labrador (1986a: 27).

11 The Commission's submissions included a separate report on education and training and 29 specialised background reports. Those used in this thesis are Canning (1986), House et al. (1986), and Simms (1986).

The single-minded quest for a highly industrialized Newfoundland must be abandoned. Newfoundland has too small a local market, is too distant from major metropolitan markets, and is too dependent upon outside ownership to finance and run its major resource industries for it to aspire realistically to becoming a major centre of heavy industry and manufacturing.¹²

This is an explicitly post-modernisation, dependency theory-type set of diagnostic assertions, in that they identify structural (external) impediments to development. In place of "a highly industrialised Newfoundland", the 1986 Report's introductory chapter – "A New Vision for Newfoundland" – also envisaged "tailor-made solutions", "small-scale developments", "greater regional autonomy", "stimulating entrepreneurship", and maximising linkages within and between economic sectors. In this vein, the Report outlined what were "realistic aspirations for any sparsely populated region":

Any strategy... must reflect a **long-term vision** of the nature of Newfoundland society itself.... From fishing outports we have to create, not welfare ghettos, but modern communities which use up-to-date communications and **intermediate technology**, so as to achieve a new kind of **self-reliance appropriate** to the **post-industrial** age.... Advanced thinking in [sparsely populated] regions, especially in Scandinavia, seeks to 'leap-frog' the industrial age... to a post-industrial society.¹³ [Emphases added]

From a diagnosis compatible with dependency theory, it thus applied the prescriptions of the local development model – compatible with and derived from those arising from the environmental ideology described in Chapter 2. The highlighted phrases are part of both discourses. Indeed, one of the members of the Royal Commission described its content as a critique of the "urban-industrial economic model".¹⁴ The 1986 Report therefore fits the first general contention in this chapter's opening quotation:

Critics of development as it has been advocate development as it might be. Many seem to think that it can be saved by finding just the right adjective for it, "true", "genuine", "alternative", "appropriate", "pro-people", "sustainable", or the like.¹⁵

References to "entrepreneurship" and "self-reliance", however, are also compatible with neoconservatism. Even so, the Report cannot be conceptually proscribed by neoconservatism. Chapters 9 and 13 were entitled, respectively, "Promoting Provincial Development" and "Government for Development". The former was essentially a plea for less fraught government-labour relations. The latter was ideologically distant from neoconservatism to the extent that it advocated an increased borrowing level by the provincial government specifically for funding local

12 Newfoundland and Labrador (1986a: 19).

13 Newfoundland and Labrador (1986a: 18-20).

14 See letter to the *Sunday Telegram* by Stephen Delaney (4.11.90: 5).

15 Lummis (1991: 35).

development projects such as aquaculture.¹⁶ Chapter 13 further emphasised the importance of federal expenditures but argued that while Newfoundland was a massive recipient of compensatory funds, it was notably underfunded relative to the Maritimes and other provinces in the transforming, developmental sphere.¹⁷ The Commission thus assumed a position strongly in favour of pro-active "government for development" on both provincial and federal levels.

The Commission's preference for "long-term" policies was contrasted with *ad hoc* government-funded "make-work" projects that have as their objective the annual or emergency provision of unemployment benefits. In line with the post-modernisation political discourse, the Commission categorised "make-work" projects as "tinkering" with the problem of unemployment and dependency.¹⁸ Their identification of dependency on government and lack of initiative as significant problems concurred with the views of many interviewees later in this chapter.

[T]here is something fundamentally wrong in Newfoundland today. Too many people are poor [and] unemployed; there is too much dependency upon government; too few people and communities are taking the kind of initiative that would create employment...; too many people are poorly educated [and] demoralized and pessimistic about their economic prospects. Together these are the symptoms of an underdeveloped society.¹⁹

However, dependency was identified as a symptom of underdevelopment, rather than "government" *per se* being named as the **cause** of dependency. The Commission rejected both the notion of "blaming the victim" and the argument that Newfoundlanders were innately unproductive. The Report rather emphasised that "the problem is that the **conditions** conducive to productive enterprise have been poorly fostered."²⁰ Dependency was also related to having a "small, remote, open" export economy which was reactive to historically volatile, and softening, international resource markets.²¹ The emergence of diversified large-scale secondary manufacturing was considered unlikely; primary processing of fish and newsprint would remain the two mainstays of this sector. Declining output – and therefore declining demand for

16 See Newfoundland and Labrador (1986a: 425).

17 See Newfoundland and Labrador (1986a: 426-7). Recall the discussion of this issue in Chapter 4 of this thesis: see Newfoundland and Labrador (1989a: i, 7) and Hartling (1990: 7-9).

18 In a paper which documents the congruence between the 1986 Report's assumptions and the "small is beautiful" approach to development, Overton offers the cautious understatement that "There appears to be a consensus that make-work projects are bad". He appears to imply that he is not part of this consensus. See Overton (1990: 70-3).

19 Newfoundland and Labrador (1986a: 20).

20 Newfoundland and Labrador (1986a: 21). Emphasis original.

21 Newfoundland and Labrador (1986a: 22-3, 91-6). Declining market demand since 1979 was interpreted as resulting from a combination of factors, for example, declining income in the importing countries, currency exchange rates, and competition.

labour – was explained in terms of declining demand and constraints on inputs, for example, increasing scarcity of resources. The Report noted that the urban, service-based economy was less susceptible to market volatility. In the rural parts of the province where susceptibility was greatest, the route away from this trade-dependent economy was seen to be small-scale employment creation based on existing industry and local resources.

The Commission employed dependency theory in their diagnosis and a combination of the environmental ideology, neoconservative entrepreneurial thesis, and Keynesian deficit-financing in their prescriptions. Unsurprisingly, the 1986 Report contained no explicit theoretical basis:

The important issue is not political philosophy but rather the immediate need to stimulate enterprise and create jobs.... Hence, the Commission adopts a **pragmatic** approach to economic development and employment creation. Enterprises that seem workable should be supported, regardless of the forms that they take or the philosophical leanings of their initiators.... In one sense this is a radical report, radical not in a political sense, but in a social sense.... The main aim of this Report will be to outline an integrated strategy of economic and social change designed to enhance employment. This strategy is compatible with the political philosophies of both the present government [of Peckford] and the two opposition parties and with both the labour movement and employers' associations.²² [Emphasis original]

Although the need for jobs is something upon which all can agree, the mechanisms by which they are created are more politically contentious than this excerpt allows. Even the rejection of the "make-work" approach is evidence of this. At the time the 1986 Report was written, there may have been little ideological space between the Conservatives and Liberals, but the second part of this chapter will attempt to illustrate the existence of fundamental political disharmonies in Newfoundland. Thus, the Commission's assertion that "the important issue is not political philosophy" may have been rather fanciful.

The Report attempted to make a distinction between political and social radicalism. It should therefore be useful to determine both what it means to be radical "in the social sense" and whether the Report is such a document. The social diagnosis it contained ran as follows:

Too many Newfoundlanders today are sceptical, negative, cynical or pessimistic about the future.... Such negative attitudes have a dangerous tendency to become self-fulfilling.... A major cause of this negativism is psychological dependency, which in turn is a product of the real economic and political **dependency of so many Newfoundlanders upon outside institutions over which they have little control**. In particular, people have become

too dependent upon government.... They blame the government for their personal troubles.²³
[Emphasis added]

Newfoundlanders lack control of institutions which directly impact on their daily lives. In other words, and as the Report also noted, Newfoundlanders are alienated from these institutions,²⁴ and such alienation is a symptom of the distance between Newfoundland's political culture and the democratic ideal. The 1986 Report, then, implicitly identified the lack of democracy – of formal democratic involvement in government agencies and private capital interests – as constituting and reproducing dependency.

Lack of Participatory Democracy: Symptom, not Cause

Although the Report nowhere contained the assertion "The problem with Newfoundland is the lack of democracy", it did expand on this theme by implication. Its historical analysis touched briefly upon the lack of any form of local government in the outports, the residents of which "were uneducated in the workings of a democratic state". The city of St John's dominated the island's economy and the "system of government by patronage", by which rural constituencies were represented by professionals from the city who acted as "brokers" of political favours by the government. The "forfeiture of democracy" represented by the Commission Government period had the effect of further consolidating the centralisation of decision making and power in St John's.²⁵ In Chapter 3 of this thesis, it was noted that outport grievances toward the hegemony of St John's is an ancient theme of Newfoundland's political history. The tenacious relevance of this theme was evinced by the Royal Commission's observation: "Many people in other parts of the province now resent the extent to which their lives seem to be controlled by politicians, bureaucrats, educators and health care specialists in St John's."²⁶ Furthermore, while the formation of municipal governments and rural development associations (RDAs) had accelerated since the early 1970s,²⁷ the "need for greater regional autonomy" was one of the 1986

²³ Newfoundland and Labrador (1986a: 33).

²⁴ Newfoundland and Labrador (1986a: 28). Alienation is not being used here as it is normally understood in an urban context, that is, the sense of personal isolation and disconnectedness. Personal dislocation does not seem to be one of rural Newfoundland's greater problems. Alienation means lack of power or influence over the institutions which impact upon rural life – lack of democracy.

²⁵ Newfoundland and Labrador (1986a: 27-8).

²⁶ Newfoundland and Labrador (1986a: 359).

²⁷ There were 4 RDAs in 1968, 17 in 1974, 54 at the time of the 1986 Report, and 57 in 1990. See Anderson and Williams (1990: 9-10) and Newfoundland and Labrador (1986a: 366-7). St John's was incorporated in 1888; the next Council was formed in Windsor in 1938, according to the *Corpus Almanac & Canadian Sourcebook* (1992: 19/16) and Neary and O'Flaherty (1983: 187); Anderson and Williams (1990: 6) put the date at 1942.

Report's "guiding assumptions and principles". It contained the following **bold-print** reflection on the Commission's public hearings – one which makes the implicit identification of the lack of democracy more explicit:

If there is one message that this Commission feels bound to convey to government on behalf of the people who spoke to us it is this: in every region of this province, there are people who are potentially just as capable of running their own affairs as are people in the provincial bureaucracy, federal agencies, Memorial University or any other of the major institutions of our society centred in St John's.²⁸

The Report added that "mechanisms need to be instituted to make this possible". There can be no question that such mechanisms would indeed be "radical" – in both the "political" and "social senses". Recommendations for these were to be found in Part III of the Report which detailed its comprehensive "integrated strategy for employment". This prescriptive section sought ways to adjust Newfoundland's social institutions so as to "bring our developmental strategies into line with the kind of [largely rural] society we are."²⁹ The components of the approach were summarised as follows:

- a revamping of our education system
- a strategy for provincial development
- a strategy and organizational structure for regional and community development
- greater emphasis upon, and wider support for, small-scale enterprise
- a new income security system
- new emphasis upon the developmental role for government³⁰

It is well to note that the proposed changes to the income security system (in Chapter 12 of the Report) attracted the most attention and controversy, especially, but not only, from the Left.³¹ Again, the sixth of the components, proposing a more pro-active role for government in economic development, highlights both the ideological ambiguity of the Report as well as its ideological distance from neoconservatism. However, the focus here will be on the third of the above strategic components, which corresponded with Chapter 10 of the Report – "Community and Regional Development". Chapter 10 included those recommendations ostensibly aimed at realising the Commission's view that rural Newfoundlanders are "capable of running their own affairs".

²⁸ Newfoundland and Labrador (1986a: 28). See also House et al. (1986: 82), one of the background reports to the Royal Commission.

²⁹ Newfoundland and Labrador (1986a: 307).

³⁰ Newfoundland and Labrador (1986a: 308).

³¹ See Richard Cashin's views later in this chapter. See also Overton (1990). On the other hand, Kathy-Jane Elton of the Board of Trade stated in interview that some elements of the business community saw the Commission's proposed changes in the UI system as being "unrealistic" and "very socialist". Interview at St John's on 3 July 1990.

Recommendations of the Royal Commission

The following were identified in the 1986 Report as the core requirements for assisting community and regional development:

- (1) The provincial government should establish Regional Development Boards with strong mandates to identify and encourage opportunities for economic development and employment creation throughout every region of Newfoundland.
- (2) The government should encourage the further strengthening of Regional Development Associations as co-ordinators of development initiatives at the local level. This encouragement should include a sizeable increase in their operating grants.
- (3) The provincial government, in co-operation with the federal government, should provide block grants of Regional Development Funds to be administered by the Regional Development Boards in support of long-term development projects initiated from within the regions themselves.³²

The Report had noted that the "Commission is wary of recommending the creation of new agencies, which too often entail unwieldy new bureaucracies, [but it] may be necessary."³³ A new system of Regional Development Boards (RDBs) was considered necessary. RDBs would establish a "much stronger institutional framework" for development and provide the requisite regional autonomy and decentralised decision-making from St John's. As shall be noted below, however, this was perceived by some to be in conflict with the "further strengthening" of the RDAs advocated in the second of the above recommendations.

Among the six supplementary recommendations in Chapter 10 were the following:

- (4) The Newfoundland and Labrador Rural Development Council should strengthen its mandate... to conduct research and advise government on public policy issues.
- (5) The government should encourage the growth of community-based economic structures, such as co-operatives and community development corporations.³⁴

Policy input and the co-operative movement are perhaps the two most important vehicles for maximising the long-term involvement of people in a democratic development process. They are especially crucial to any economic periphery that cannot maintain or attract inward investment. The Commission was obviously in favour of co-operatives – and perceived as such³⁵ – but its Report presented them as

³² Recommendations 197, 199, 203. Newfoundland and Labrador (1986a: 372, 374-5).

³³ Newfoundland and Labrador (1986a: 371).

³⁴ Recommendations 198, 200. Newfoundland and Labrador (1986a: 373-4).

³⁵ Following a local development conference at Bell Island on 11-12 June 1990, Mary Jewer considered Doug House, chairperson of the Royal Commission and the Economic Recovery Commission (see later in this chapter), to be strongly supportive of the co-operative bakery

being of subsidiary importance to institutional restructuring, and did not indicate how the restructuring could assist in the process of building local democracy. Co-operatives were accorded respectful but limited space (three-quarters of a page out of 515 pages) in the Report's subsequent chapter on "small enterprise". They were said to be "one of the best kept secrets in Newfoundland".³⁶ The link between co-operatives and the long-term viability of small communities, however, was not emphasised in the Report.

Obstacles to Local Development

Chapter 10 of the Report explored briefly the "contradictory" nature of rural Newfoundland: i.e., that although numerous indicators of social well-being and organisational strength were in evidence, the rural economy remained highly dependent on the "UI make-work" system. The rapid spread of the "democratically based" RDAs from the early 1970s was considered to be "an almost revolutionary breakthrough" in the outports. The RDA movement had, however, sunk into a malaise – becoming "conduits for a series of government make-work programmes."³⁷ The Report cited this as one **explanation** for the limited impact of the RDAs on economic development and long-term job creation, the other being the "strict limits" of the provincial government's support. But the failure of the RDAs to mature into the "autonomous centres of initiative that they aspire to be" itself requires an explanation.

In an interview for this thesis, Brian Peckford commented that the original role of the RDAs was one of leadership – "to try to encourage people in rural Newfoundland to take a stake in the rural economy". Surprisingly, however, he claimed that an emergent problem with the RDAs was that

In some cases, those development associations became, not only catalysts, but wanted then to be the owners of whatever the new enterprise [was] that they helped... to get going.³⁸

He provided the specific example of a salmon hatchery at Bay d'Espoir that was built through funding from both levels of government. The local RDA "felt like they owned it", purportedly causing a proposed salmon farming deal between National Sea Products and his government to collapse in 1988, and also causing "political trouble"

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initiative. Interview with Mary Jewer on 3 July 1990. On the development conference, see the *Evening Telegram* (ET) (12.6.90: 6).
Newfoundland and Labrador (1986a: 389).
Newfoundland and Labrador (1986a: 366-70).
Interview with Brian Peckford at St John's on 29 June 1990.

for his government.³⁹ The analysis of Peckford's political philosophy presented in Chapter 3 perhaps conveyed the impression that he was well-disposed to the idea of participatory democracy in local or rural development. However, according to a background report for the Royal Commission, there was "a provincial policy forbidding community ownership of [fish] processing establishments". This policy was correctly censured as a "major obstacle to achieving meaningful rural development".⁴⁰

Fred Rex of the Trinity-based Bonaventure-English Harbour Development Association was interviewed for this thesis. To a question on the main obstacles to the RDA movement, he responded:

The lack of funds and the red tape, bureaucracy. Those are main headaches. Things can be done but there's a limited amount of money which has to be allocated around the province geographically or politically, whichever way it's distributed. You got to get in there and fight for your little piece of it.⁴¹

The other explanation was found in a quotation, in the Report, from the President of the Newfoundland and Labrador Rural Development Council (NLRDC):

When it comes to designing job creation programmes **we have seldom, if ever, been consulted....** [M]ost current government development programming is more the result of political expediency than any real desire to reduce unemployment in the long run.⁴² [Emphasis added]

The circumvention of democratic involvement was substantiated by Rex. When asked whether the provincial government or its agencies ever invited policy input from RDAs, he replied "Lord no! You know they don't." The procedure, he explained, was for the RDA to make a proposal (to the then Regional Development Division of the Department of Development) and then to persuade them to fund it.

A background report for the Royal Commission by David Simms labelled the democratic gap a "legitimation crisis":

[The RDA] movement, which has grown out of the determined efforts of rural people to effect social and economic change, is on the one hand an issue in public policy,... yet on the other hand, government policies and programs are implemented by centralized professional decision-

39 According to the *Sunday Express* (26.5.91: 11), the Baie D'Espoir (sic) Development Association were the legal owners of the hatchery.

40 Simms (1986: 52).

41 Interview for this thesis with Fred Rex at Trinity, Trinity Bay, on 6 July 1990.

42 Newfoundland and Labrador (1986a: 371). The Rural Development Council is the umbrella organisation for the RDAs, ostensibly for the purpose of dealing with the government on policy matters.

makers with almost total disregard for local knowledge and the involvement of RDAs.... The rural development program of the provincial government... is simply limited to providing RDAs and other groups with various support services.... There is no effective mechanism at present which allows the Department of RAND and the RDAs to have any meaningful input into the policy decision-making process of government.⁴³

Compare the views of Rex, the NLRDC, and Simms with a representation made to the Canadian Council on Rural Development in 1969, when the RDA movement was still nascent:

[I]t is important to realize that government administration in Newfoundland retains a colonial tradition. The onus on the individual or community to petition, and the right and obligation of government to listen and dispense favours, remains. There is reason to believe that concepts such as community involvement and participation... do not convey the same meaning and impact in Newfoundland that they do in provinces such as New Brunswick and Manitoba.⁴⁴

It would therefore seem that in the 1990s the RDA movement faces the same problem that it was originally meant to reverse – the lack of community participation in the development policy process. On one level, this can be seen as a consequence of the type of grassroots problem identified by another interviewee for this thesis. Mary Jewer of the Bell Island Community Development Co-operative Society (Bell Island Co-op) explained:

No, we're not satisfied [with the level of local input into community efforts]. There are a lot more people who could be more involved and are not. They're sitting back waiting, to see if this is another thing that's going to flop on its face. [Then it is a case of] "I told you so".... They need something concrete to see. An idea is not much good to some uneducated people. I mean the education level of Bell Island – miners started out when they were 12 and 14 years old. They never had time for education.⁴⁵

Jewer, however, did not imply that there was anything "intrinsic" about this apparent apathy and cynicism within her community. The obstacles that had to be surmounted for the realisation of a modest bakery project by the Bell Island Co-op provides some evidence that the deficit of democratic involvement was an acquired response to those very obstacles. When asked if "learning how to deal with government bureaucracy or to make it work for you" was an initial problem for the founders of the co-operative project, Jewer responded:

Yes.... I guess that would have been a major hold-back.... We had a piece of land in mind [for which] we had to find the absentee owner.... You go from department to department to department and they send you around in this vicious circle and you still got nowhere unless

⁴³ Simms (1986: 51-2). RAND was the Department of Rural, Agricultural and Northern Development. In the Wells government, the agriculture component was moved to the forestry portfolio.

⁴⁴ James McCrorie, quoted in Simms (1986: 15-16).

⁴⁵ Interview for this thesis with Mary Jewer at Bell Island on 3 July 1990.

you knew someone in there.... It took us two and a half years.... [The land] belonged to DOSCO....⁴⁶ We had absolutely no money so we went to the Department of Rural, Agricultural and Northern Development and they gave us a \$60,000 grant. Then, ACOA was just coming onstream, but ACOA couldn't understand a co-operative, a non-profit organisation.... We didn't fit into their guidelines of "small business" entrepreneurship.

This fundamental problem of bureaucracy was the same as that identified by Rex. In Jewer's view, the success of the co-operative against financial and bureaucratic odds was the concrete and crucial precondition for dispelling apathy in her community. Throughout more than two decades of the post-modernisation rural development era, provincial governments have made negligible movement toward the relinquishing of political and economic power from the St John's bureaucracy. In this light, the type of apathy described by Jewer is best conceived of as a symptom of bureaucratic inertia and not an "attribute" of outport Newfoundlanders.

Education

Another of the Commission's basic assumptions that "became more and more apparent" was the importance of education. Jewer, above, alluded to a connection between education and involvement in community development. The Report claimed that Newfoundland suffered from a 30 per cent functional illiteracy rate in 1985.⁴⁷ The figures show a clear correlation between education level and success in finding employment. The 1986 Report stated that "It is generally recognized today that there is a strong correlation between economic development and the level of education of a population", but added that it was not possible to demonstrate this conclusively.⁴⁸ Educated Newfoundlanders, the Report argued, would be more self-reliant, better entrepreneurs, more proficient in the skills of attracting industry, and more sought after for their expertise. What appeared not to be considered, however, was that education and unemployment levels were increasing simultaneously, and that capital flow is determined not so much by education levels as it is by factors such as wage levels and environmental regulations.⁴⁹

46 Nova Scotia-based Dominion Steel and Coal Corporation Ltd, owner and operator of the Bell Island iron ore mines until their closure in 1966.

47 Down from 38 per cent in 1975 and compared to a 1985 Canadian average of 19 per cent. "Functional illiteracy" was defined as less than Grade 9 education (the normal age for which is about 14). See Newfoundland and Labrador (1986a: 210). In 1992 and 1993, Newfoundland's illiteracy rate was widely reported as an astonishing 44 per cent. See, for example, Father Des McGrath of the FFAW union in the ET (17.12.92: 8) and *Maclean's* (23.8.93: 20).

48 Newfoundland and Labrador (1986a: 209).

49 The former point was made in a critique of the Report by Dr Hubert Kitchen, then teacher, now (early 1990s) cabinet minister in the Wells government. See Antler et al. (1987: 110).



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A revealing contribution to the education debate came from Jewer of the Bell Island Co-op. Her discussion, above, of the problems of dealing with bureaucracy, concluded that the co-op did not conform to ACOA's small business parameters. She went on to say that "we had to start over and try to re-educate these people" and that

This process of educating government agencies – that this is what we want and this is what we can do – and, why not give us a break and let us prove ourselves?

This was an inversion of the education debate as presented in the Report. Although Jewer felt that the lack of education on Bell Island was a limiting factor in terms of the community's options, there was a clear conceptual gap between the Report's emphasis on educating Newfoundlanders and Jewer's view that it was the government that required educating. Rex's views were very similar to this. He explicitly tied the local development model to the "green movement", saying that the latter was

never mentioned directly in government circles. I look at that as a social phenomenon that is way ahead of government responses. The government is going to be scrambling to catch up to it and it is never going to catch up for years to come, because at this stage people are ahead of government in their thoughts and ideas.

The 1986 Report only partly satisfied its claim to be "radical in the social sense". Its diagnosis was accurate and also radical in its recognition of the centrality of the need for democratically dispersed decision making. Its recommendations show that the idea of decentralisation they contain refers in the first instance to administrative restructuring and not to the mechanisms for creating and sustaining radical democratisation.

Academic Critiques of the 1986 Report

To reiterate, the first part of the quotation at the head of this chapter was:

Critics of development as it has been advocate development as it might be. Many seem to think that it can be saved by finding just the right adjective for it, "true", "genuine", "alternative", "appropriate", "pro-people", "sustainable", or the like.⁵¹

When concepts such as these are divorced from the concept of participatory democracy, they lose their potentially radical implications and become green slogans. "Development as it has been" has not been successful in Newfoundland. The 1986 Report utilised this language of the environmental ideology and local development model as a means of articulating its vision of "development as it might be". Again, however, its recommendations diverged from its intent.

Two analysts in Newfoundland based their critiques of the 1986 Report wholly on its usage of the language in the quotation, and not on its failure to articulate explicit measures for replacing dependency with democratic local control over development. Antler's view was that the Report was a mystical fantasy and therefore of little value to real-world problems:

Building on Our Strengths is an extremely well-written, enjoyable report that avoids most of the uncomfortable questions pertaining to unemployment in Newfoundland.... It ignores markets, market judgments and market signals [and] virtually invents its own economic world. Urban industrialization it declares a failure, contending that "current thinking on post-industrial societies envisions a future of decentralized populations, appropriate technologies and sophisticated small communities".... This is a pleasant vision, but it is wrong. It is certainly not a majority opinion among economists that the world is headed for a post-industrial future of "sophisticated small communities".⁵²

Antler proposed an experiment to prove his point. People on the street should be asked to comment on the phrases "decentralised populations, appropriate technologies and sophisticated small communities" on the one hand, versus "he moved to town and got a job" on the other. Their instant recognition of the latter and not of the former would prove that the 1986 Report had confused real events with fantasy. It was "uncomfortable with the cold, sad reality that a job means making or doing something for which someone, somewhere, is willing to pay."⁵³ The Report, in this view, had jumped in reasoning from "is" to "ought" – a conceptual leap that good social science, apparently, is not permitted to make.

Antler's foreclosure of the development debate in the name of "economic realism" was perplexing, but illuminated somewhat by his favourable comments on the Economic Council of Canada report, *Newfoundland: From Dependency to Self-Reliance* (analysed in Chapter 4). That document was perhaps the last to advocate the growth-pole and urbanisation approach which led to the population centralisation programmes. In short, Antler's objections were based on a rejection, not of the 1986 Report's recommendations, but of its value-laden premises: that people should live in rural Newfoundland and that their culture is inherently worthwhile. These are the premises which emerged in the period analysed in Chapter 5 and which achieved explicit political expression during the early Peckford years.

⁵² Antler, in Antler et al. (1987: 105, 107).

⁵³ Antler, in Antler et al. (1987: 108).

Chapter 2 noted that Antler also used an orthodox class approach to Newfoundland's economic history.⁵⁴ He offered a powerful analysis of capitalist development in nineteenth-century Newfoundland, but the ability to deploy both Marxist and neoclassical analyses, depending on immediate requirements, is illuminating. With respect to models of economic development, the approaches coincide and both are contrary to the environmental ideology and the local development model (e.g., the "red versus green" schism). Antler's critique of the 1986 Report was couched in the language of economics but it reflects a more fundamental collision of values. It failed to address the substance of the Report on either its own, or Marxian, terms.

Overton's orthodox Marxist critique of the 1986 Report was more engaging, as it was based in an explicit rejection of the environmental ideology – what he rightly labelled the "small is beautiful" response to rural underdevelopment.⁵⁵ To Overton, such a response did not signify Antler's "pleasant" but misguided utopia; it was rather a deliberate and careful plan to impoverish the proletariat of Newfoundland. Overton indeed showed how the "populist", "small is beautiful" ideology has been appropriated by the federal government to justify its withdrawal from social welfare responsibilities, just as he earlier provided evidence for the appropriation of the dependency discourse by conservatives for the same purpose.⁵⁶ However, he attempted to extrapolate from this empirical evidence to the argument that the 1986 Report was an unambiguous expression of the neoconservative agenda. Inside the "post-industrial society" package of the Report were

instructions on how to stand on your own two feet while pulling yourself up by your bootstraps.... What is disturbing is that so few see the package for what it is, and that those who considered themselves to be critics of capitalism... represent the package as an *alternative* to industrial capitalism, rather than as a painful and humiliating surrender to its global logic.⁵⁷
[Italics in original]

Chapters 2 and 4 of this thesis, however, provided a wealth of distinctions between the environmental ideology and neoconservatism, notably the former's participatory-democratic foundation and coherence with the local development model. Neoconservatives exhibit regard for neither of these.

Contrary to Antler's assertion that the 1986 Report "avoids most of the uncomfortable questions", the two critiques above avoid the most difficult question of all: if the industrial model has not reversed the underdevelopment process and dependency in

54 See Antler (1979).

55 See Overton (1988: 14-18) and (1990: 58-76).

56 See Overton (1979).

57 Overton (1990: 76).

Newfoundland and if unfettered market forces cannot do so, then by what means can there be an active developmental role for government in a new model of economic viability? This question is first of all premised on the acceptance that the complex phenomenon of dependency is a real problem. The 1986 Report is motivated by this acceptance and the critiques by Antler and Overton appear not to be.

The Economic Recovery Commission

The Economic Recovery Commission (ERC) was formed by the newly elected Liberal regime in June 1989.⁵⁸ It is a policy-making body but also a *de facto* executive arm of the provincial government. It controls its own financing and budget, can enter into agreements with federal government agencies, and can enact its own by-laws.⁵⁹ Its chairperson, the first of whom was Doug House, reports directly to the Premier. The ERC was established to:

identify and implement programs and other measures that will contribute to the continuing and stable reduction in the chronically high unemployment rate in the province; and

identify, develop and promote employment opportunities for the people of the province by stimulating and fostering enterprise and economic development in all regions of the province.⁶⁰

These two purposes are quite distinct. The first designates an active, developmental role for this arm of the government; the second echoes precisely the entrepreneurial emphasis of the Atlantic Canada Opportunities Agency (ACOA). The tension between the two reflects the ambiguity of the 1986 Report. One of the duties to those ends was that of "reviewing and, where appropriate, initiating the implementation of the recommendations" of the 1986 Report. Another was "achieving decentralization of government services".⁶¹ The establishment of five RDBs was its first such implementation. By 1990, these had become the regional offices of the ERC's operating arm – Enterprise Newfoundland and Labrador (ENL).⁶² ENL was formed by amalgamating the Newfoundland and Labrador Development Corporation (NLDC) and the Regional Development section of the Department of Development. In this way, financial expertise would combine with regional development expertise – "one-stop

58 See ET (6.6.89: 7) for a report on the ERC's formation. The ERC, like the Royal Commission before it, was promised during an election campaign – in the latter case, the Wells campaign in April 1989. See ET (22.8.89: 1).

59 *The Economic Recovery Commission Act*, Newfoundland and Labrador (1989b: sections 9, 11, 16, 19).

60 Newfoundland and Labrador (1989b: section 7).

61 Newfoundland and Labrador (1989b: sections 8c, 8k).

62 ENLC also has 17 branch offices across the island and in Labrador.

shopping".⁶³ Evidently, the wariness expressed by the Royal Commission in creating new agencies did not carry over to the ERC. But was this restructuring consistent with the decentralist ethos of the Royal Commission, and was its purpose to facilitate the growth of participatory democracy in rural Newfoundland?

In an interview for this thesis, Kathy-Jane Elton of the St John's Board of Trade pointed out that the ERC's decentralising of government operations from St John's – to Clarenville or Corner Brook, for example – would appear to be centralisation from the vantage point of a small outpost.⁶⁴ Peckford (whose government formed the Royal Commission but not the ERC) insisted that the 1986 Report "wasn't anything new" and that the Department of Rural Development of the 1970s was already "highly decentralised":

The Economic Recovery Commission, with its added bureaucracy – I think it's totally unnecessary. There were enough vehicles [for rural development] in place; there needed to be coordination and there was a lot of work done on that before I left office.... But the way they're going about it now, with a big bureaucracy in Gander, Corner Brook, and so on – we already had the Development Corporation.... The Department of Rural Development was more decentralised than the ERC is ever gonna be!... It almost smacks of centralisation by another name when you look at it.⁶⁵

According to Peckford, the system "was working" and the ERC, by "superimposing" onto a small province a bureaucratic model more appropriate to Ontario, would only present a further obstacle to local development. This view was shared by the coordinator of community development at the Western Community College in Stephenville. The *Sunday Express* newspaper reported that a number of organisations on the west coast saw the 1986 Report as a useful "blueprint" for rural development but denounced the \$3 million operating budget of the ERC as "totally stupid" because the money was needed urgently in their own area.⁶⁶ Similarly, Rex's impression of the 1986 Report was favourable, but he wondered aloud whether the government would permit some of the favourable ideas in the 1986 Report to proceed. On the ERC he commented:

[With respect to the ERC's] direct relations to development associations: I have a feeling they're going to try to set up their own systems in the bureaucracy – new funding centres, diversified funding centres – and do away with the development associations. That's a personal opinion. Some of the associations have become self-sufficient; we're a new one and we haven't. I'd be sorry to see it go.

63 ENLC's "one-stop shopping" principle was modelled on the Highlands and Islands Development Board in Scotland. See Newfoundland and Labrador (1986a: 377-8).

64 Elton interview, 3 July 1990.

65 Peckford interview, 29 June 1990.

66 See the *Sunday Express* (11.6.89: 8).

Rex did not articulate a direct lament for democracy, but expressed the potential for the restructuring to undermine, rather than enhance, the autonomy of RDAs. Local decision-making is not institutionally supported if the Bonaventure-English Harbour DA has merely to redirect its funding applications from St John's to a new regional development board in Clarenville, the nearest "regional headquarters". The incongruous views of Rex and Peckford, both decentralists, suggest that decentralisation is compatible, but not synonymous, with increased democracy.

Summary

This chapter is not attempting to establish that the Royal Commission was even implicitly hostile to democratic ideals being implemented in rural Newfoundland. Such a claim would be inaccurate, though Overton's critique attempted to support it.⁶⁷ It is rather that a discontinuity occurred between the 1986 Report and the ERC. The 1986 Report, while based in an accurate understanding of underdevelopment and dependency in Newfoundland, failed to support explicitly the requirement for enhanced participatory democracy in local development.⁶⁸ Cynicism, alienation, and the institutionalised obstruction of local capability were explicitly identified as problems, but no explicit recommendations were forwarded to tackle them. This is a contradiction between accurate diagnoses of underdevelopment and policy responses for underdevelopment. The Report is therefore a specific case of the second general contention in this chapter's opening quotation:

Many development ideologies have advocated democratic development as an abstract ideal, but few have ever suggested that such a thing should be attempted in practice.⁶⁹

The Report's contradiction designates it as one of the "contrary agendas" of this thesis.

The Strategic Economic Plan

The ERC can perhaps be seen as embodying the Report's contradiction. Its initial thrust was administrative restructuring. This does not in itself provide enhanced mechanisms for participatory democracy, even if the restructuring is labelled "decentralisation". The ERC's priorities appear to correspond closely with the entrepreneurial and self-reliance priorities of ACOA. The discontinuity between the 1986 and the ERC is perhaps best illustrated by a government document in which the

67 Gene Long's interview comments also implied that this hostility existed.

68 Long agreed that, with respect to its historical diagnosis of past attempts at development, the 1986 Report was accurate.

69 Lummis (1991: 34).

ERC and ENL were significantly involved – *A Strategic Economic Plan for Newfoundland and Labrador*, published in 1992. It noted:

While the greater decentralization of decision making was a recurrent theme in the public hearings of the Royal Commission... six years ago, the issue did not generate as much interest in the public consultations for this strategic economic plan. This may reflect satisfaction with the decentralization of decision making now in effect in five ENL regions.⁷⁰

Confusingly, this somewhat self-congratulatory view was followed by the statement:

[T]he public did indicate a desire for... more decision making at the local level, a greater sensitivity by regulatory departments and agencies to economic development issues, and an improved attitude and commitment from the existing political and bureaucratic system. There was also general agreement that Government should not be the operators of businesses but instead should establish a positive economic climate for the private sector.⁷¹

The priorities here have to be inferred. Consultation leading to the Strategic Plan was conducted by the Advisory Council of the Economy (ACE), composed of "representatives from business, labour, and other groups".⁷² Apart from 15 public meetings, the government also consulted industry groups directly.⁷³ The Strategic Plan's 134 "action items" made no reference to local decision making. The inference taken in this thesis is that the apparent diminished interest in local policy participation reflects the limited public involvement in the consultation process as compared with the process leading to the 1986 Report. Furthermore, the priority of the Strategic Plan is that of "establishing a positive economic climate for the private sector", and not the participation of people in the policy process. While the 1986 Report, because of its theoretical ambiguity and broad policy scope, cannot be characterised as a neoconservative policy document, the ERC and the Strategic Plan exhibit a narrowing of scope in that direction. In effect, the priorities of the ERC resemble, at a provincial level, the entrepreneurial priorities of ACOA at the federal level. On this point, a correspondent to the *malContent* newspaper argued:

[The Strategic Plan] represents the Board of Trade's agenda for this province. How private is private business when it receives massive transfusions of public funding?... In both ACOA and ENL, a reliance on business masquerading as the expert [sic] will result in less consultation with people, but the rituals of participation are operating in high gear.⁷⁴

70 Newfoundland and Labrador (1992b: 33-4).

71 Newfoundland and Labrador (1992b: 34).

72 Newfoundland and Labrador (1992b: 1).

73 The identities of participants were not supplied in the document.

74 Pat Hann, in the *malContent* (July 1992: 10). This was the first edition of this small paper. It was published by the Extension Community Development Co-operative Society Ltd, apparently in response to the fishing moratorium of July 1992. I am not aware of its more recent status.

Similarly, Overton's view was:

That the ERC is little more than a mouthpiece for business interests is revealed by even the simplest sociological analysis. The personnel of the ERC, ACE, etc are interchangeable with those involved in a host of business organizations and government agencies from the St John's Board of Trade to ACOA.⁷⁵

It appears that the ERC has resolved the ambiguity of the 1986 Report – in favour of capital rather than the people of rural communities. Although he did not supply direct evidence, Overton's comments would therefore appear to be more grounded in actuality than those he offered previously on the 1986 Report.

Part II – The Political Discourse in Newfoundland in 1990

Introduction

This part of the chapter entails a shift in emphasis from the Royal Commission Report and the Economic Recovery Commission (ERC) *per se*, toward a broader analysis of the political discourse in Newfoundland in the summer of 1990. As noted in Part I, the ERC had, at this time, initiated its administrative restructuring of the provincial government. The analysis is based on interviews conducted at that time in preparation for this thesis and is supported by newspaper material. The following common themes were addressed in the interviews: historical perspectives on attempts at economic development, comparisons and contrasts between political regimes, views on the influence of the media, dependency and the role of government in economic development, and conjectures as to the direction Newfoundland society and the economy should take, as well as the direction it probably will take. These themes were generally discussed with reference to the 1986 Report and the ERC. This part of the chapter will attempt to provide evidence that the shift toward the priorities of the ERC is a phenomenon of the wider political culture and will propose that this constitutes a "disarticulation" of Newfoundland's political culture. Chapter 1 postulated that this concept had three main elements, but its crux is that a rupture has occurred between the formation of policy goals and the understanding of structural underdevelopment accumulated since the period examined in Chapter 5.

Note on Interview Methodology

Nineteen face-to-face and informally structured interviews were conducted in Newfoundland between 29 June and 31 July 1990 and all but three of these were in St John's. A twentieth interview was conducted by correspondence. This was with

⁷⁵ Overton (1993a: 20).

media proprietor Geoff Stirling, who responded to a set of written questions by cassette tape posted from his residence in Arizona in August 1990.

The persons interviewed were as follows:⁷⁶

Politics Group

1. Gene Long – New Democratic Party member of House of Assembly (MHA), 1986-89.
2. Brian Peckford – Premier of Newfoundland and Labrador (Progressive Conservative), 1979-89.
3. Clyde Wells – Premier (Liberal), April 1989-.

Civil Service Group

4. Lois Saunders – Regional Development specialist, (former) Newfoundland Department of Development.
5. Gordon Slade – Vice-President (Newfoundland), Atlantic Canada Opportunities Agency (ACOA).
6. Barbara Wakeham – Assistant Deputy Minister (Trade and Investment), (former) Newfoundland Department of Development.

Business Group

7. Bruce Chapman – President, Fisheries Association of Newfoundland and Labrador.
8. Clarence Dwyer – then President, Newfoundland Ocean Industries Association.
9. Kathy-Jane Elton – Manager, Government Affairs, St John's Board of Trade.
10. Gary Wilansky – President, Maritime International (importers).

Labour

11. Richard Cashin – then President, Fishermen, Food and Allied Workers' Union.

Rural Development Organisations and Green Party

12. Mary Jewer – Manager, Bell Island Community Development Co-operative Society.
13. Fred Rex – Co-ordinator, Bonaventure-English Harbour Development Association.
14. Michael Winter – Member, Green Party of Newfoundland and Labrador.

⁷⁶

A further list which includes dates, locations, and brief biographies, is provided as Appendix 1.

Academic Group

15. Wade Locke – Department of Economics, Memorial University of Newfoundland.
16. Douglas May – then Head, Department of Economics, MUN.

Media Group

17. Bill Rowe – Radio host; Liberal MHA 1966-79.
18. Michael Harrington – Editor, *Evening Telegram*, 1959-82.
19. Geoff Stirling – Owner, Newfoundland Broadcasting Company (NTV).

Other⁷⁷

20. Cabot Martin – President, Newfoundland Inshore Fisheries Association (NIFA); senior policy advisor to Newfoundland government 1979-85.

This sample represents not a general cross-section of Newfoundland society, but rather a cross-section of people whose career or main interests are directly related to the political economy of Newfoundland. With the exception of three interviewees, they can be described as "elites" in Newfoundland society, with varying degrees of political and/or economic power, and many with a high public profile. The "non-elites" were the two representatives of rural development organisations and the Green Party member.

The sample obtained also reflects the fact that some persons were more easily contacted than others. Other persons or organisations with whom contact was attempted in Newfoundland were as follows:

- Tom Best, Petty Harbour Fishermen's Co-operative
- Ches Blackwood, ConPak Seafoods Ltd
- Michael Harris, Newfoundland Broadcasting Company Ltd
- James Hiller, Department of History, Memorial University of Newfoundland
- Newfoundland and Labrador Rural Development Council
- James Overton, Department of Sociology, Memorial University
- David Simms, Great Northern Peninsula Development Corporation
- Ronald Schwarz, Department of Sociology, Memorial University

In some of the above cases, the attempt to make contact was unsuccessful. In other cases, return telephone calls were expected but did not occur, and in one case, an

⁷⁷ Cabot Martin is categorised separately because of the diverse nature of his activities.

appointment for interview was agreed and secured but the person to be interviewed did not honour the commitment.

Interviews varied in duration from approximately 30 to 70 minutes. All but one of the face-to-face interviews were recorded on tapes with a small cassette recorder.⁷⁸ The exception was Newfoundland government employee Barbara Wakeham, who preferred that the tape recorder was not used. An introductory letter was sent a few weeks in advance to most of the persons interviewed.⁷⁹ This letter indicated that the proposed interview was in preparation for a doctoral thesis and that the interviewer's main interest was in the respondent's "broad analysis and opinions on Newfoundland's recent political-economic situation and current prospects".

Interviewees were not all asked exactly the same set of questions; however, a set which is representative of the interviews is provided as Appendix 2 of this thesis. The initial line of questioning was tailored in each case to correspond as closely as possible with the person's position. Each was asked to provide a brief description of the mandate of the organisation to which the person belonged.

The Causes of Dependency: Government

Dependency as "dependency on government" was explicitly or implicitly identified as a problem in Newfoundland by all but four of the respondents (Cashin, Rex, Harrington, and Rowe). Of this majority, Peckford, Wells, Slade, Saunders, Wakeham, Elton, Wilansky, Dwyer, Chapman, Jewer, and Stirling all believed federal unemployment insurance (UI) and/or welfare payments to be a **cause** of dependency, dependent attitudes, or the "stamp mentality".⁸⁰ UI was said to "hurt the entrepreneurial spirit", "destroy self-esteem and the work ethic", and "create a society

78 All of the taped records remain in good condition, with the exception of the last fifteen minutes of the recording of the interview with Clyde Wells. This is because the batteries used were weak. The Centre for Newfoundland Studies at Memorial University of Newfoundland will be asked if they wish to make copies of the tapes to be retained with this thesis.

79 See Appendix 1 for a complete list of persons to whom advance letters of introduction were sent from Edinburgh.

80 The "stamp mentality" implies that people do not really wish to work and that they will do only the minimum required to qualify for UI – hence, "working for stamps". The qualification period is often 20 weeks in the first instance and either 10 or 14 weeks for subsequent qualification. With "self-employed" inshore fishermen it is different. They are paid on the basis of their catch and therefore must sometimes work for longer than 10 weeks to receive the equivalent of 10 weeks of stamps. Their stamps are also based on 75 per cent of earnings whereas stamps are based on all of a wage-worker's earnings. Finally, inshore fishermen receive only 24 weeks UI for 10 weeks worth of stamps; wage earners receive 42 weeks. Hence the "10-42 syndrome". See CBC Radio (1990).

of dependency".⁸¹ Two of the above – Wakeham and Elton – were clear advocates of the neoconservative economic agenda as described in Chapter 4. Wakeham, a provincial government Assistant Deputy Minister who was more forceful on this than any of the private sector respondents, stressed that independence was being "bred out" of Newfoundlanders, many of whom were "third generation UI" by choice.⁸² Elton, of the Board of Trade, echoed this in her contention that if people chose to live in isolated outports, they must not depend on the public purse and rather learn to assume responsibility for that choice.⁸³ She and Wilansky noted that governments have the responsibility for breaking the "make-work UI cycle", indicating approval of changes in the UI distribution process which increase the difficulty in qualifying for it.

Chapman, President of the Fisheries Association of Newfoundland and Labrador (FANL),⁸⁴ explained his position on the problems of the fishery:

Licensing policies and UI have created a regime where fishermen can virtually fish for one week, spread their earnings out over ten, and become eligible for UI.... That's pretty much the case with plant workers as well. There's a lot of time-sharing⁸⁵ – maybe that's a modern, social evolutionary thing – that borders on being illegal and really is destroying the work ethic. Since I've been back to Newfoundland for six years, it's become more and more a stamp factory attitude out there.

He then explained more generally:

I can't overstate it: I'm amazed but mainly distressed over the level of dependency, in attitude as well as in real terms, that exists here. I don't mean to say it as a redneck capitalist, because I'm not, but we just don't seem to have the same initiative here that exists elsewhere in Canada; lots of exceptions but it's a general statement. The attitudes in this province are really less than progressive. [Lawton: Origins of this?] It's the post office legacy: stamp factory, post office, get your government cheque – that's for the worker; for businesses it's the ACOAs, the handouts.

Few respondents, however, were eager to "blame the victims" for the dependency situation. Wilansky, a businessman familiar with outport life, stressed historical

81 These phrases were used by Peckford, Wells, Saunders, Chapman, and Stirling.

82 Interview with Barbara Wakeham at St John's on 12 July 1990.

83 Interview with Kathy-Jane Elton at St John's on 3 July 1990.

84 Interview with Bruce Chapman at St John's on 20 July 1990. FANL is a trade association representing about 40 fishing and fish processing companies, the majority of which are medium-sized inshore companies, but which include the two "giants": Fishery Products International and National Sea Products. FANL lobbies the federal Department of Fisheries and Oceans on policy decisions relating to quotas and negotiates fish prices with the FFAW Union.

85 Time-sharing in fish processing plants is a co-operative adaptation to the UI system in outport Newfoundland, whereby workers rotate their jobs so that the number of people qualifying for benefits is maximised. This accounts for the increase in the numbers so employed during the 1980s while output levelled off. See Newfoundland and Labrador (1986a: 283).

reasons. He claimed that Newfoundlanders "hurt themselves as much as Ottawa does" and that the lack of entrepreneurial skills and loss of the work ethic that he saw as a major problem had its origin in "one hundred years of history".⁸⁶ Dwyer deplored the "dependency culture" of the province but his comments concurred closely with those of Gordon Slade in Chapter 4:

the mentality that exists happens to be part of the fabric of Newfoundland life – working for stamps and drawing UI. Newfoundlanders aren't ashamed of that; they feel they're entitled to it. It's necessary: you can't fish in winter, as simple as that.⁸⁷

The last point was strongly denied by Wakeham, who argued that Newfoundland does not have a seasonal economy; it was rather that Newfoundlanders possess a "seasonal attitude". Winter of the Green Party regarded dependency in Newfoundland society as a recent and visibly worsening phenomenon, without offering possible explanations for this.⁸⁸ Jewer of the Bell Island Co-op pinpointed the origin of local dependency to the closure of the iron ore mines on Bell Island in 1966, noting both that the co-operative bakery she managed was responsible for the only five permanent jobs created there in the intervening 24 years, and that unemployment on the island was still (unofficially) at around the 65 per cent mark.⁸⁹ Both of these respondents felt that government "handouts" made life too simple for people; as Winter put it, "Dependency is like a drug: you don't have to think."

The Causes of Dependency: Structural

Perhaps the most sophisticated discussion on the theme of dependency came from Long. His first fundamental point was that dependency in Newfoundlanders was not "innate"; dependency rather originated in the "history of institutional oppression" in Newfoundland.

At no point should we see the problem as belonging to the people; it is exogenous as it were. In so far as dependency is a real problem involving people and their attitudes, especially in rural areas, it has historically come from outside; it has to do with their interactions with institutions that have been visited upon them, and the failure of those institutions. Systemic problems do not originate in the unwillingness of people to get hold of their own lives. That said, we are perhaps approaching a cumulative effect, in the course of dependence, in which the loop becomes hard to break. People are lacking – for good reasons – faith that there's any way out.

86 Interview with Gary Wilansky at St John's on 11 July 1990.

87 Interview with Clarence Dwyer at St John's on 13 July 1990.

88 Interview with Michael Winter at St John's on 20 July 1990.

89 See the discussion of unemployment in Chapter 1. See also the *Sunday Express* (5.3.89: 31).

The experience of the Bell Island Co-op, as related earlier in this chapter, appears to reinforce this view. Long shifted his emphasis by adding that "an alternative vision or agenda for community-based economic development for this place presupposes a capacity for self-mobilisation" which could be "the weakest link in this".

If there was institutional support for well-intentioned radical socialist solutions, to allow people to do their own things, would people take it and run with it? I don't know and I'm not sure that they would.

When asked what the possible reasons for this might be, Long responded:

Regrettably, there exists a very deep malaise amongst the population, in which basic measures of efficacy suggest that people have problems assuming responsibility for things like economic development. It is historically based: they've never had responsibility and aren't ready to take it.... There are real problems with people's relationships to political and economic institutions; to suggest that these institutions should be given over to the people – I'm not sure if they'd know what to do with them.

Although categorised by Long as a "small 'l' liberal", then fisheries union leader Richard Cashin expressed views on dependency that bore the most similarity to those of the orthodox Left. He was the sole respondent to deny that entrenched reliance on unemployment insurance in Newfoundland had a negative impact on "rural Newfoundland".⁹⁰

Particularly since the mid-'70s, we've had the attempt to employ people in the fishery and get them on social programmes.... I mean we don't know what we're doing here! On the one hand we've had conservative governments, all these people on the safety net, and people moralising that we shouldn't be on unemployment insurance.... I don't go at it from a moral point: I get pissed off.... Jim Overton wrote a good critique of [Maura Hanrahan's] PhD but he's a Marxist – I like that. She had moralistic tones about UI undermining the moral fibre and family structure of Newfoundland.⁹¹ I think that's shit, crap, bullshit. You go back to the 1930s –

90 Cashin emphasised the quotation marks around the phrase "rural Newfoundland", saying, "Whatever Newfoundland is, it ain't rural." I believe this was a way of distancing himself from so-called "Newfcult nationalists" (artists, intellectuals, and some politicians) in St John's who maintain a romanticised view of Newfoundland's past and outport life in general. Cashin believed this view to be inaccurate and patronising, in that fishermen were regarded "as kinds of pets". Cashin might also have been signalling bemusement that the colloquial (and sometimes derogatory) term "baymen" was superseded in academic and governmental spheres by the phrase "rural Newfoundlanders". Similarly, "fishers" or "fisherpersons" are rapidly replacing the term "fishermen" in scholarly works. Cashin used "fishermen" – as do "rural Newfoundlanders".

91 This was a dissertation from the London School of Economics on the restructuring of the fishing industry in the 1980s. In it, I could find no such comment on UI. However, Doug House was quoted at the time of the interviews as saying that Bell Island's economy was "morally undesirable". See the ET (12.6.90: 6). In concurrence with the 1986 Royal Commission Report, Hanrahan argued that the UI system was "barely adequate" and inflexibly inappropriate to the inshore fishery. She anticipated that governments would continue to be major players in the fishery but recommended a change in the quality of that role: "This involvement need not mean blatant neglect and even undermining of the inshore fishery, as it has done in the past. To... prop it up in perpetuity by no means enhances the quality of life for rural Newfoundlanders; outport people deserve more than meaningless jobs or jobs with limited... benefit." See Hanrahan (1989: 217-8). As Cashin's views were

people really were in dire straits. In that sense UI has provided not only a safety net but a guaranteed income.

Cashin's comments suggested an acute knowledge of and sensitivity to the problems faced by outport Newfoundlanders. They also provide an illustration of the above point. When it was suggested to him that increased levels of government intervention can have the effect of inhibiting the breaking of the "10-week syndrome"⁹², he first responded "What are you talking about?", which may have reflected a lack of elegance in the question. After a rephrasing, Cashin said

I think those are self-serving ideas.... I don't know what it means! In other words we just cut out unemployment insurance, and leave people on their own; that is of course very consistent – the question you just asked is chapter and verse out of the right-wing question book.

I persisted in asking "Is there a possible third way between the two extremes of the right-wing agenda and...?"

I don't know what it is! We have to be not dogmatic but to recognise, to be more generous about it, that we do have this hell of a problem in Newfoundland; we do have all these people.... If we could first of all accept that we're going to have a guaranteed [annual] income, then you have a safety net that allows people some semblance of dignity. In fact, why these right-wingers don't like some social programmes is that they were designed in a mean-spirited way to begin with!... Philosophically, what they're really saying in the right-wing... they want to reduce the tax burden on the well-to-do, and there'd be the trickle down theory. I genuinely don't accept that. In Newfoundland it would mean a much lower standard of living and greater outward migration, to which they might say that's the proper thing. But we're more apt to have that in the next decade than the opposite. We're not apt to see more enlightened social policy.

The above quotation contains Cashin's second allusion to an alternative for the UI system – a form of guaranteed annual income (GAI). He recognised that although UI was intended as a system of income maintenance – and that it can fulfil this function in urban areas – it functions as an institutionalised supplement to low seasonal incomes in rural Newfoundland and other peripheral Canadian regions.⁹³ He saw the GAI option as a potential means of restoring dignity to those who are engaged in a continual "scramble for stamps". His ideological position was thus not fully consistent with that of Overton on the orthodox Left, who characterised GAI-type substitutes for UI as vehicles for

explored, it became apparent that (apart from his categorical distrust of government) they are compatible with Hanrahan's.

92 I.e., the "UI make-work" syndrome.

93 This was the view of the Royal Commission on Employment and Unemployment. See Newfoundland and Labrador (1986a: 25, 405).

guaranteed poverty... which by supplementing low wages and encouraging people to take any job under any conditions would drive down real wages, undermine organized labour and provide a willing and subsidized workforce for Newfoundland's small capitalists.⁹⁴

In other words, UI reforms or substitutes are part of the "transfer dependency" discourse of the neoconservative agenda.⁹⁵ Cashin, however, did not see alternatives to the UI system as intrinsically worse; he was cognisant of the potential, in practice, for that to be the case:

I can't advocate this... but in theory I would prefer a guaranteed income programme that allowed fishermen to go ahead and develop and not have to worry about the impediment we've got: how many will qualify for UIC and all that; managing the economy to suit that – much cleaner to have the guaranteed income. Unfortunately I can't advocate it because the people who would latch onto it – to dismantle UIC – would leave us with less than we have now.... What I mean is that I don't trust the government. I think it's a right-wing government. We have to cope with the right-wing agenda without just being a reflex, opposite action.⁹⁶

In other words, Cashin recognised that GAI schemes could be used in the service of a neoconservative political agenda which he rejected. The "reflex, opposite action" to which he referred would appear to be an accurate description of Overton's position.

Appropriation of the Dependency Discourse

A coincidence existed between the "dependency cycle" language of the Right (Wakeham, Elton) and Long's acknowledgement that the "loop" had become hard to break. The orthodox Left has been careful to avoid this coincidence, apparently on the basis of desiring to maintain a large space between their own discourse and the "dependency culture" discourse which "blames the victim".⁹⁷ In this context, Long's second fundamental point was that "any time you talk about dependency there are problems with the discourse; because immediately there are ways of ascribing certain attributes to the people which I don't think are fair". He thus pointed to the fate of the neo-Marxist dependency discourse: i.e., its successful appropriation by influential neoconservatives through the "transfer dependency" or "dependency culture" discourses, which in turn relied on the selective appropriation of the language of the environmental movement. From this discourse, the concept of regional or local "self-reliance" was isolated and applied out of context for a neoconservative political end:

94 Overton (1990: 76).

95 As was discussed in Chapter 4. See also R Matthews (1983: 68).

96 The Economic Recovery Commission unveiled plans for a "basic income supplement" in late 1993. See Epilogue of this thesis. "UIC", an acronym for what I believe was once known as the Unemployment Insurance Commission, is a commonly used term in Newfoundland.

97 See, for example, Fairley et al., eds. (1990), reviewed by Lawton (1990) in which this point is discussed.

the withdrawal of the state from social welfare responsibilities.⁹⁸ Long attributed the success of this to the fact that "there is no Left critique in this". He showed, however, that it is possible to address the dependency discourse without compromising basic socialist tenets on the redistribution of wealth, empowerment, and the failures of capitalism in Newfoundland:

I don't think anybody can deny that there are certain attitudinal problems, no matter how its origins are understood ideologically, that are now part of the cycle of dependence. We have to think about how to change those attitudes and some of the ways that that might be approached can be really dangerous; they can be driven by a kind of "survival of the fittest", and variations on that. We need another approach. Part of the problem is that there is no Left critique in this. Discourse in Newfoundland is sadly limited because of our illiteracy rate and lack of skills in public debate – we're good at rhetoric but not at thoughtful hard debate; a consensus is being forged within a Centre-Right construct.

Whether dependency of individuals or dependency of business, it was clear that dependency was conceptualised by most of the interviewees as an internal and attitudinal problem – the "right" of access to cash from the government. Cashin, Long, Jewer, Rex, and (less clearly) Winter were exceptions, seeing dependency as having structural aspects, i.e., as having origins not solely "innate" to Newfoundland and the attitudes of its people. The policy implications of the "dependency on government" view will be explored in the following section.

Unemployment insurance is the most obvious link in Newfoundland between dependency and the state. While only a few were prepared to advocate restrictions on UI, all of the respondents who addressed it – except Cashin – either implied or stated explicitly a connection between it and dependency. This suggests that government intervention *per se* had at least some problematic aspects for the majority of respondents. Where government itself is seen as being related to dependency, the actual and desired role of governments in the economy should be examined. The argument of the following section is that the identification of "government" as the problem led to the view that the solution must be unconnected with government action. This ostensibly logical view appears to be premised on the narrow, neoconservative-influenced conceptualisation of "dependency" uncovered in this section.

⁹⁸ As noted earlier, Overton (1990: 51-4) provides a discussion of this which is lucid but nevertheless puzzling in its unwillingness to separate ideologically the neoconservative from the environmental "small-is-beautiful" agenda.

The "Legitimate Role" of Government

Most of the interviewees were posed the question, "Does the government have a legitimate role in rejuvenating the economy?"⁹⁹ What emerged from this was the clear impression that the prevailing concern over the "dependency cycle", and its relationship to government, had been translated into the normative position that the government had no direct role. Only Cashin and Long were clear exceptions to this. Among the others, some responses led with "yes"; others "no". But this masked a concurrence of beliefs which became more apparent as they were discussed more fully.

Chapman, Elton and Cabot Martin pointed out that dependency was not limited to individuals requiring UI for survival. As intimated by his previous comments, Chapman saw the dependency of capital as equally endemic and problematic.¹⁰⁰

Government's role in the economy in Newfoundland has over-reached itself to the point where businesses in my association, in making a decision, say "Let's go to Government". The business economy, economic climate, has become very dependent upon Government. Even the attitudes of businesses are "What will Government think?" or "Are we going to develop something? Let's go to Government for money." [Lawton: Do you think the present government recognises this as a problem?] No. [Do you think the previous one did?] No.

Elton echoed this in a discussion on the problems of dealing with bureaucracies. She criticised prospective entrepreneurs who sought public resources as a first resort but then implied that this was a legitimate role for the government or public agencies to play.

In Newfoundland there's an attitude that Government should give you money for this and that, starting up a business, hiring people or equipment: you go and get money from Government. That has to stop. Government is not accountable for all that stuff. There has to be a change in attitude – in rural and urban areas – that you got to make it on your own. Government involvement in the marketplace is necessary but also has to be very carefully managed. Any type of funding from Government to the private sector should be viewed as seed funding: to get the initiative going and to stabilise it, so that over a quick period it can sustain itself.

In an interview for this thesis, Premier Wells himself expressed two basic premises that his government held regarding the Newfoundland economy. They show that, in Newfoundland, even the government lacks confidence in "Government".

⁹⁹ I believe that, in the context of the discussions, respondents interpreted the question as referring to the provincial government and the regional economy. Slade's comments, however, referred to the role of the federal government in the regional economy. Some, like Wells, took up this theme without being prompted, and only May's interview concluded without it having been addressed directly.

¹⁰⁰ On the dependency of capitalism itself in Atlantic Canada, see Chapter 1 in Fairley et al., eds. (1990).

Two things were obvious: one, the narrowness of the economy was a fundamental weakness; secondly, the governments of Smallwood, Moores, and Peckford all failed to broaden [it].... Governments have been notably unsuccessful in resolving it. I had no reason to believe that a government led by me would be any more successful. It didn't seem to me that governments could achieve this.

Two months earlier, Wells was quoted as saying that "Neither the government nor the ERC can create jobs. You've got to have a viable private economy."¹⁰¹ In our interview, he interpreted the 1986 Report as representing the first official recognition of "some of the realities of life in Newfoundland":

[The Royal Commission] recognised that governments don't create jobs; governments create a climate and if the climate is right, entrepreneurs or co-operatives or whatever will be motivated to take action to invest money, with a little help and guidance from Government. If you create two jobs here, thirteen there, fifty-two.... it all adds up and more than that – it broadens the base of the economy and lessens the susceptibility of the economy to a catastrophic event in one area or another.

This interpretation of the 1986 Report is understandable and not entirely inaccurate. It reflects the contradiction of the Report but is limited to those aspects of the Report informed by neoconservatism. Wells's interpretation ignores that the Report's conceptualisation of dependency was not proscribed by the neoconservative agenda. It contained a more sophisticated discourse on structural dependency which logically leads one to the conclusion that the problems of dependency and unemployment in Newfoundland are more complex than the sum of dependent individuals on government spending. More importantly, and consistent with a sophisticated analysis of dependency, the 1986 Report repeatedly advocated "government for development", i.e., a pro-active employment role beyond that of "creating a climate" for entrepreneurial activity.

"Taking Politics Out" of Economic Development

Wells's remarks reflect more the greater entrepreneurial emphasis of the ERC. He went on to draw a revealing parallel between the ERC and the Commission Government of 1934 to 1949. His conclusion that "governments – acting directly – have been notably unsuccessful" was based on a reading of that period:

Perhaps you could say that the greatest degree of success was achieved during the Commission administration. [Lawton: when we "took a break from politics"...] We took a break from politics, and the greatest level of broadening of our economy occurred during that period, and left us with a surplus. Now, maybe that's not the answer alone; you have to bear in mind that the war changed the economy, but at the very least there was a greater level of independent

entrepreneurial development activity than at any time prior to or subsequently – at least that's my reading of it.

The ERC represented a new departure, he said, because:

We're taking politics out of it. I don't know whether politics have been the cause of failure in the past or not; all I know is that I look at former governments and they have not achieved any significant degree of success.

This partly misrepresents the ERC. It is, after all, an integral part of the provincial government. Its legislation, furthermore, clearly designated an active, implementation role in terms of job creation.

Cashin sat on the ERC's advisory board and yet was unambiguously dismissive of the ERC. Wells had made comments about "small and medium sized business" at the end of a board meeting in May 1990, which Cashin thought was a narrow conception of "economic recovery" and which helped to consolidate his view of the Wells government as "right-wing".¹⁰² After establishing that his remarks would not be reproduced in the following day's newspaper, Cashin added that there was "a lot of confusion as to what the [ERC's] mandate is.... I don't think it's clearly defined in the government's mind what it is Doug House and these people are doing."

Cashin's expression of frustration placed the question of the government's role in ideological perspective.

I'm goddamned... I'm more puzzled today about the future of Newfoundland than I ever have been. I think that's because I'm bearing scars of the '80s, the right-wing agenda. In the '60s and '70s, people thought, in the natural evolution of things, that things would get better. There was a belief in society having a role in salvation – all that has been challenged effectively by Thatcher, Reagan. What is the impact of those changed assumptions of governments on a society like Newfoundland, which is dependent not just upon government largesse but also upon the notion that society has a collective responsibility for its individual members?

When one's fundamental assumptions are seen to be comprehensively and successfully challenged by a rival ideology, one has good reason to be puzzled. Cashin repeated many times that the Wells government was "right-wing", albeit with the caveat that Canadian neoconservatism was not as "vicious" as Britain's.¹⁰³

102 In the aftermath of the 1992 fisheries moratorium, Cashin blamed Wells for pressing the federal government to insert clauses in the compensation package that were unfavourable to fishing families. Cashin was quoted as saying "This is the most righteous and moralistic government, you just can't imagine. This is a state of mind to the right of southern Alberta." See the *Globe and Mail* (21.7.92: A4).

103 He also perceived irony in that the neoconservative agenda should find fertile ground in Newfoundland at precisely the time its hegemony appeared to be weakening in Britain and

"Taking politics out" of development activity can be interpreted in different ways. The core argument of the *Newfoundland Royal Commission 1933* was that "a rest from politics" constituted the essential precondition to Newfoundland's economic recovery.¹⁰⁴ Taking politics out meant removing "the demoralising influences of party politics".¹⁰⁵ "Politics", however, does not magically cease to exist under an arrangement such as the Commission Government. Wells's analogy depends upon seeing the Commission period as one in which government was not "acting directly". Whitehall was, however, acting directly; policy decisions were made and implemented, if not always with a long-term, developmental perspective. A "rest from politics" during the Commission period entailed, not the removal of "politics", but the removal of any pretence of the mechanisms for representative democracy.

Some five months after the ERC's formation, the *Evening Telegram* took up the analogy between the ERC and the Commission era in a lengthy editorial – "Government by Commission?". It led by remarking upon House's increasing visibility, "almost invariably appearing whenever an announcement pertaining to financial or economic matters is made by the government." Echoing Peckford, the paper disapproved of the ERC's consolidation of power through the "takeover" of the "highly successful" NLDC. It continued:

Why should an agency with its sweeping powers over the economy report only to the premier?... Why shouldn't the appropriate cabinet minister... be able to "direct" the manner in which the commissioners "carry out their mandate"? Dr House and his commission have been elected by nobody to run the economy of Newfoundland.... The last thing we need in Newfoundland is a new era of government by commission.¹⁰⁶

The *Telegram*, while calling itself "The People's Paper", exercised a narrow definition of democracy. The paper's view of the problem was not that the ERC was unaccountable to the people, but rather that it had usurped executive power from the cabinet.

Mr Wells and his government have been elected. It is a denial of democratic principles to pass over so much power to a group of unelected persons and to attempt to remove them from the continuous influence and scrutiny of Her Majesty's government.... [I]n a democratic society, those who are elected to office are the ones who must direct public affairs of every kind.¹⁰⁷

the United States. Cashin's sources of such information were the *Guardian Weekly* and the *Economist*.

104 Great Britain (1933: 195).

105 Great Britain (1933: 196).

106 ET (9.11.89: 4).

107 ET (9.11.89: 4). The *Telegram* repeated this criticism the following spring. See ET (28.4.90: 4), in which House was censured for writing to the federal fisheries minister on behalf of Newfoundlanders. The paper wondered whether provincial fisheries minister Walter

Perhaps the leader writer of the *Telegram* missed the irony in the last sentence of that excerpt. The paper apparently envisaged a more comprehensive role for the government than did the government for itself. Perhaps government ministers never made it clear to the paper that the ERC was a deliberate mechanism of delegating responsibility for the economy.

Wakeham and Elton echoed precisely Wells's language of "creating a climate" or "an environment". Wakeham's view was that "government are facilitators and catalysts, not job-creators". Elton noted that the St John's Board of Trade was obviously a voice for business:¹⁰⁸

[We] ensure that the infrastructure is in place that business needs; that all other environmental factors are conducive to a good business climate: interest rates, budgets, taxes, things of that nature.... [Our main goal] is to help foster an ideal environment that will achieve long-term economic stability for the region. Also to ensure that all the economic indicators or policies of government are adequate and reflect the needs and interests of business. It's sort of an ongoing process; there's no long-term goal that you can look to because market forces continually change.

The assumption was that what is good for business (e.g., lower interest rates and taxes) is good for the province – "of course you know a healthy St John's means a healthy Newfoundland and vice versa".¹⁰⁹ Elton thus spoke of government's responsibility to work in a partnership with business to address the "structural weaknesses" of Newfoundland's economy (seen as internal factors: the lack of infrastructure and the low level of education). While she indicated the need for government to restructure the school system and to allocate more tax revenue into education, she was sceptical about the use of monetarist tools as they were too interventionist:

We talked about that [differential interest rates across provinces] before and made recommendations to the feds that they have a look at it; but... we'll never get that to wash, right? Québec and Ontario are more powerful; if anybody is going to benefit from reduced interest rates, they are. Other powerful people feel that those types of policies should not be used as tools for regional development; you're walking a fine line with government involvement in the marketplace. You really have to question the merits of it.

Carter was able to write and whether the cabinet was merely an advisory committee to House and Wells.

108 She said the Board of Trade had about 1100 business members. It was founded in 1909, as the mercantile community's response to chaos in the fish marketing business. See McDonald (1987: 27).

109 This is reminiscent of the "myopic nationalism" of St John's described by McDonald (1987: 19). See Chapter 3.

Wakeham passed the enigmatic comment, "Capital is the least important of all aspects of economic development in Newfoundland." This was reminiscent of Alexander's view that

The economic characteristics of a traditional economy can be stated simply enough. Labour and natural resources, or "land", are the most important factors of production, and capital plays a very minor role.¹¹⁰

The media proprietor, Geoff Stirling, had a different view.¹¹¹

Our biggest problem is capital: we should go after the capital of the one thousand biggest families in Hong Kong, who have to get out by 1997, and five hundred families in South Africa – families with huge amounts of capital, like \$100 billion.

The other two private sector businessmen, Wilansky and Dwyer, shared Stirling's innate optimism and distaste for bureaucracy.¹¹² They advocated strictly private sector solutions to Newfoundland's situation, their respective opinions being, "I think it's important now for politics not to interfere with what is necessary" and

What makes this place work is the fact that there are some businesses here, who generate some activity, employ people, pay wages; they in turn buy cars and houses. It flows down through the system. That's what makes the world go round. Government doesn't. At the end of the day, business activity is the cornerstone of our economy.

The view that businesses generate beneficial economic activity is unassailable; more problematic is the issue of who the beneficiaries are. In Dwyer's case, as with Elton's, business interests were identified with everybody's interests. Spatially, the interests of the city were seen to coincide with those of the rest of Newfoundland. These perceptions are consistent with the "trickle-down" theory of neoconservatism which was explicitly rejected by Cashin.

A "Partnership" Between Public and Private

Opinions were expressed on the role of government that were intermediate between the neoconservative "creating the climate for investment" and the pervasive, interventionist

¹¹⁰ Alexander (1980a [1976]: 17).

¹¹¹ Stirling was formerly a high-profile "personality" in the Newfoundland public arena. He campaigned for the "Economic Union with the United States" faction during the Newfoundland National Convention (1946-48). He is still influential by virtue of the media empire he controls, which includes NTV, the Newfoundland company of the Canadian Television Network, and the highest circulation magazine in the province, the *Newfoundland Herald*. Its weekly sales are in excess of 50,000 copies, and were around 30,000 at the time of the Convention – when it was more news-orientated. The *Herald* is now purchased mainly for its television listings.

¹¹² Although Stirling was by far the most damning of "Ottawa bureaucrats", whom he saw as dishonest and "pathetically lacking in creative imagination".

role envisaged by Long, Cashin, and Rex. Former Premier Brian Peckford stressed that because of Newfoundland's "fragile entrepreneurial group",¹¹³ the revitalisation of the economy lay in a "marriage" between the private and public spheres.¹¹⁴

Circumstance changes your philosophy of government or philosophy of development. I'm not a purist in the sense that because you believe in capitalism, there cannot be forms of that which link with the public sector. Nothing is pure and nothing is right, especially in an economy like this.... If you make the basic decision that the place is worth staying in – worth having the *homo sapiens* here – then it's almost by definition that it has to be public and private involvement, at least for some time to come. How long is a good question.

Peckford described how, since the FRED programmes of the 1950s,¹¹⁵ it was a "big problem" that *ad hoc* federal/provincial government schemes had been tried for short periods of time and quickly replaced with others. DREE – the Department of Regional Economic Expansion, discussed in Chapter 4 – was one of these. Its approach to regional development was based fully in the modernisation paradigm. Its growth-pole policies, incorporating the population Resettlement Program, were contrary to the "basic decision" Peckford made and maintains: that the place is "worth staying in". Peckford's retrospective view on DREE was therefore paradoxical.

We [Peckford's administration] always took the position that there was a need, foundationally, for some infrastructure which related to transportation and some seed money into fishing or forestry enterprises.... All the good studies that have been done show that DREE really worked.¹¹⁶ It did provide transportation and other infrastructures that were needed.... Notwithstanding it wasn't targeted well geographically,... DREE was highly successful but went on bad times primarily because of political visibility – in the Trudeau days, the feds said the provinces were getting all the credit and the federal government wasn't getting enough.¹¹⁷

113 Smallwood's trips abroad in search of foreign direct investment were premised on the weakness of local entrepreneurship, though he would have used the adjective "useless" rather than "fragile".

114 Elton also used "partnership" language, but her position was closer to free-market neoconservatism than Peckford's.

115 The Fund for Rural Economic Development – actually established in 1966. Newfoundland received no funding under FRED (see Chapter 4).

116 I do not know to which studies he was referring. Recall from Chapter 4 that even the Economic Council of Canada, which had recommended DREE's creation, was lukewarm about its effectiveness and concluded that it may have made "no real difference" in job creation. See ECC (1977: 158). Kia (1985) was more certain that DREE failed to create jobs. The Macdonald Royal Commission – influenced by, if less radical than, Thomas Courchene's neoconservative economic stance – offered a *post-mortem* on DREE and other programmes that was far from positive. The Commission's Report cited a number of very critical papers. See Canada (1985, vol 3: 209-15). The stance of the Commissioners was, however, confusing. On p. 209, the Report noted DREE's "reputation of dispensing large sums of money" and then "its limited funding".

117 The Macdonald Commission Report noted that "[P]rograms... were federally funded, sometimes to the level of 90 per cent. Provinces, however, were in a better position... to represent themselves as the source of the largesse, and often took advantage of this opportunity." Canada (1985, vol 3: 210).

It is generally accepted that DREE "went on bad times" for more substantial reasons than inter-governmental tensions (see Chapter 4). Peckford's position was ideologically inconsistent but as readily understandable as it was in 1979, when he first formed a government. From his point of view, whether or not DREE was based in a discredited paradigm is irrelevant. Of importance to Peckford was that Newfoundland acquired the financial and jurisdictional competence to protect a "way of life" in outport Newfoundland.¹¹⁸ To this extent, DREE meant roads and local businesses. Peckford, however, did express reservations about some of DREE's targets.

DREE got into things that they shouldn't have, like for example they built a number of schools in the province, which I don't agree with. That was going a bit too far with it, even though you can go philosophically back to "square one" and say nothing happens in any society until they're educated. But... given that we already had schools and that we weren't barbarians, you have to make a break from that, and put the money into both community leadership, rural development associations – which was done under a DREE agreement, an Economic and Regional Development Agreement [ERDA]¹¹⁹ – as well as roads and modernisation of pulp and paper and modernisation of fishplants and so on.

The last part of the quotation shows that, in addition to being not a "purist" on the public/private question, neither was Peckford a "purist" in terms of his development agenda; i.e., that he saw no conflict between the local development agenda and the industrial/modernisation agenda.¹²⁰ In other words, and as was argued in Chapter 3, Peckford's position did not represent a complete break with the Smallwood era. But for Smallwood, DREE industrial projects were both an end in themselves and also a means of "providing the infrastructure" for an entirely different vision – one that required the rejection of "traditional" rural Newfoundland culture and the dismantling of outports themselves. This accounts for Peckford's reference to Smallwood's Department of Community and Social Services¹²¹ as an attempt to "centralise".

The positions of Rowe and Chapman were not far removed from that of Peckford. Rowe, a former cabinet minister under Smallwood,¹²² said that the mistake of past governments in Newfoundland lay in attempting to initiate development projects, whether large or small, that "were not based on what we had to offer here".

118 Hence, Peckford's admiration for René Lévesque's nationalist struggle in Québec.

119 As noted in Chapter 4, ERDAs were the specific planning documents for each province, signed by the federal government and the respective province. ERDAs, under DRIE, replaced DREE's General Development Agreements (GDAs).

120 House (1982: 17-18) saw Peckford's approach as a curious blend of the progressive and unabashedly conservative – "regulated capitalism".

121 Interviewee Bill Rowe was Minister of this Department in the last Smallwood government.

122 Rowe indicated that he was "no great admirer of Joey's".

Governments should have concentrated on [these] things since Confederation: Forget about trying to start any industries whatsoever, except maybe in partnership with private enterprise. I'm saying this as a social democrat; I'm not a rabid capitalist or free enterprise-type person. The government should have spent its money on three things: 1. Hospitals, health, nutritional education, directed towards families and individuals; 2. Education at the highest level, to make sure that each individual Newfoundlander was equipped to look after himself and herself – in getting a job, [etc.] – no matter where he or she was; 3. Turning Newfoundland into a world capital with respect to our major resource: the sea. Turn this into a place where people come from Russia, Japan, or Germany, to find out the latest in cold water research and development. It's happening now but it should've been from the start.

The last two of these items figured prominently in the 1986 Report.

Views from the Left: Cashin and Long

Cashin and Long perceived the dominant political and economic orthodoxy to be the "right-wing agenda" or the "centre-right consensus".¹²³ To the question on the legitimacy of government's role in the economy, they answered affirmatively. Cashin's stance, rather than being dogmatic, echoed the "partnership" theme:

I think of course it is, but of course part would be private. One of the myths perpetuated by the Right is that it is the Left who are for intervention in the economy, forgetting that the two most successful interventionists in the American economy this century were Herbert Hoover and Ronald Reagan.... One way or the other, the economy will be tampered with. **The question is for whom do you intervene?** Intervention for the disadvantaged or those on lower income gets attacked on moral grounds. [Emphasis added]

Long's views on the role of government were quite detailed and constituted the pivotal theme of the one-hour interview. Government involvement as a principle he saw as neither problematic nor in dispute. His repeated concern was rather that the new consensus, or the "Centre-Right construct", had attacked this principle rather than – as he would – dubious applications of the principle. The result was that people were coming to accept an idea that he vehemently rejected: that all the solutions to Newfoundland's problems were located in the private sector. This would appear to contradict his contention that there was no dispute over whether government had a role, until his views are examined fully. His point – based in a structuralist theory of the state¹²⁴ and similar to Cashin's – was that government had always acted, but in the interests of capital rather than in those of people.

Long described the "three principles around which you [should] use government to move forward":

¹²³ Curiously (and I believe incorrectly), Long perceived the Peckford administration as more right-wing than that of Wells, possibly because of Peckford's "Newfoundland-first nationalism" and populist style. However, Peckford clearly was and is more sympathetic to the notion of interventionist government.

¹²⁴ See Chapter 2.

1. The direct hands-on application of government resources, the potential of which is not seen clearly. Oppositional groups try to hold on in the face of great cutbacks – to minimal protections, rights, and services for people. We shouldn't just try to hold on to what we got. Cutbacks in healthcare and education are the two most obvious, then social services.... We see economic impacts; it's not just a question of providing hospital beds.... We're talking about employing people. Direct government activity in Newfoundland is critical to our economy. Therefore, the maintenance and extension of government programmes is, I think, central to economic development.... There is all kinds of creative potential for... programmes that not only take care of people but also have an economic impact.... Health and welfare of the population is ultimately the goal of economic development.

2. Indirect government sponsorship of people-oriented enterprises. The 1986 Report was quite good at pointing to [this], but it didn't articulate an agenda for [such] community development. I don't think it was ready to go far enough, because of political exigencies: you're talking about a change in how the would-be democratic exercise functions. If you start giving people responsibility for controlling their economy at community level, [it is] a whole different kind of political practice. I think governments and government-sponsored Royal Commissions are really nervous about that stuff.

Long explained that "people-based community development" meant activities such as co-operatives, which did not necessarily have to follow traditional models. A potential existed for the creative mixing of private capital and public agencies under local control. Newfoundland was "starving for more institutional support" for these; the problem was not lack of financial resources, but rather lack of political will. "A whole different kind of political practice" meant the reorganisation of local economies on democratic principles, i.e., maximising the contribution of local people into the process of making decisions that impact on local people.

I think we have never really tried, although this forms part of the new consensus which might give the appearance of crossing ideological and partisan lines but I don't know if it's amounting to a whole lot. I'm not sure that the commitment is really there... to trust the people to take control of their own communities and economies. There's a lot of lip-service given to it.

Long's third principle on the role of government introduced the problematic dependency discourse.

3. This is the hard one: a deliberate attempt, within all of that, to break cycles of dependence. While we're maximising public resources to generate economic activity (i.e., giving a clear definition of government's role), we're doing that in a manner which does not reinforce dependence! [laughing]. [Lawton: Gene, tell me how! Quick!] I don't think there is a clear view. If there is a view that sees these things, it is inhibited and self-centred by other demands, in part ideological, in part a function of political systems in which government agencies operate. This is a tricky one also, because there are different ways of seeing the problem of dependency.

The cross-ideological "new consensus" and the "inhibited" view were references to the Royal Commission's Report and the ERC. When Long was asked whether he was in some agreement with those who stress the connection between government and dependency, his response was a succinct summary of his position.

The quality of government intervention has been nefarious; it has effectively taken away people's belief that there is a way out of their problems. Government has been given a bad name! Public support for community development has gotten a bad name – unfairly – in part as a result of the confusion of government's role alongside the private sector. There has never been a clear vision for government's role. As a result, government – both federal and provincial – has been directed by two things: following the private sector (designing programmes to create this "climate for investment") or, where direct involvement is not possible, answering bureaucratic dictates, and not the needs of the people. The first law of government intervention in rural Newfoundland has been the logic of bureaucracy, not the logic of development.

The underlying rationale for this stance was equally clear.

We're losing an essential principle of development: the use of public resources in productive ways.... All our culture, everything we know, has been driven toward private sector solutions, and they have not worked in Newfoundland.... Capitalism and all it means has not fitted this place very well.

Long's particular analysis and prescription were based in the same observable phenomena described by the interviewees and elsewhere. In contrast with those who decried the lack of initiative and vision of many Newfoundlanders, Long did not identify "dependency" of individuals as the root of the problem. The three principles he offered – and especially the second – as a context for the role of government were consistent only with the democratisation of Newfoundland society. Whereas Cashin noted that both the FFAW union, and the Fishermen's Protective Union decades before it, were formed in response to the lack of democracy, and whereas Winter was in favour of "people-oriented" development, Long was the only interviewee to recognise explicitly the formal institutionalisation of democratic development in Newfoundland as the condition for the long-term solution to dependency. The Royal Commission appeared also to recognise this but avoided making it an element of its recommendations, perhaps because "governments and government-sponsored Royal Commissions are really nervous about that stuff".

Cabot Martin

Cabot Martin was Peckford's senior policy advisor from 1979 and before that was involved in the development of Newfoundland's case for provincial control of offshore oil development.¹²⁵ In 1990 he was a negotiator with the Hibernia oil consortium for the Wells government as well as President of the Newfoundland Inshore Fisheries Association (NIFA – a group formed on the Southern Shore in 1986 which was engaged in a campaign to increase awareness of the fisheries as an ecological crisis resulting from federal mismanagement). His response to the issue of

¹²⁵ Before 1979, Martin was legal advisor in the Department of Mines and Energy, Peckford's portfolio at the time.

the government's role in the economy illustrated a clear shift in ideological assumptions away from the pro-active ideals of the Peckford government and toward a more "anti-government" point of view.

We assume that it is [the government's legitimate role to rejuvenate the economy]. I was an advisor in a situation working on that assumption. Looking back now, and I don't want to be Thatcherite or anything, but since Confederation [1949], that is probably the single biggest mistake that we've made – that government can act as an engine of development. We've nurtured and accepted that because government had the money.

When I interjected that Cashin still believed government had the responsibility to act as an engine of development, Martin replied that that was a perfectly legitimate point of view with an identifiable ideological base,

... but what doesn't have legitimacy is this strange, non-ideological... I mean people who have right-wing views on everything else still look at government as a source of grants to start an industry. That's a big problem in Newfoundland.... Richard [Cashin] says [he] believes in an economy where the government is the prime motivator. I would disagree but I think the other position is far more dangerous.

Martin's reasons for criticising those who chase public money for development projects was very clearly practical rather than ideological. He "fell victim to it" himself through easily available government grants for his fish farm,¹²⁶ which he perhaps saw as a microcosm of the whole Newfoundland economy. Over-expansion almost bankrupted the project. He repeated an idea Elton had offered: "If you can't explain logically why you should borrow from a bank to develop a business, then most of time... your idea doesn't represent a sound proposition." I therefore asked whether Martin's position concurred with those of the Board of Trade and Wells – i.e., that the government's "legitimate" role was not so much to rejuvenate the economy, but to "set up some kind of proper, what's the word they both used...?"

Environment. The unfortunate part about it is that **they are totally irrelevant in the process of wealth creation.** If anything, they are squandering tax money; they are incapable of creating a positive environment. **The only thing they can do is not to do anything....** The policies and names of the [bureaucracies] change, but the activities remain the same. But what's got to change is the attitude that government is the place where you go.... I see so many people with good ideas who spend their most valuable asset – their time – chasing after a totally unimaginative, negative-minded, begrudging bureaucrat to give them a few dollars which basically are of no consequence because you demoralise yourself in the process – filling out forms, meetings, on and on. It's a totally negative process. [Emphases added]

126

I believe Martin's fish farm was the first on the Southern Shore.

Pointed criticism of "bureaucracy" was a recurrent theme. But Martin, in the capacity of legal advisor to the provincial Department of Mines and Energy, had himself been closely linked with it for almost a decade before Peckford became Premier.

At Memorial [University], they don't teach, I don't think, a course on the economy of Newfoundland, dissecting it into its various sectors. The statistics group can't tell you what portion of the gross domestic product is really government. **Government's role in the economy is not quantified or seen as a major problem.** The fact of the matter is that the thing has gotten so big it becomes almost inconceivable that it would change. People can't believe that in our economy somehow federal transfers and provincial borrowing won't [continue to] be the major source of who comes in here to buy the beer, right?¹²⁷ [Emphasis added]

If the post-Confederation certainty was "government largesse", Martin expressed in our discussion that this situation was anomalous, had run its course, and would inevitably expire. Newfoundlanders would be better off if they were able to meet the shifting certainties of the world, rather than continuing as passive recipients of these greater changes.

The infrastructure, government-role solution since 1949 has worked to the point that people are better off in some respects, but it's obviously reached the end of its useful life as a concept, right? The amounts of money [required] to sustain this society now are intolerable to anybody. The future evolution of Canada is such that those moneys probably will not continue to be there in any event.¹²⁸ So that's when the distinct solutions will start coming forward: under pressure and big change from the outside. Thinking about the history of Newfoundland, many would see 1949 as winning the Lotto ticket and then going on a big binge to spend all this money. Well, **that's over now; while it was going on, you couldn't expect people to be terribly creative.** [Emphasis added]

The impact on Newfoundland of external events – the international business of Hibernia, the possible break-up of Canada, and the "globalisation of the world economy" – was, in Martin's view, already transforming Newfoundland from a "closed, uptight, conservative, bigoted" society.

In the Hibernia development, the thing that's going to be destroyed right away is that Government is the prime [economic motivator]. Politicians will be lined up [for] ribbon-cutting ceremonies, trying to bask in the reflected glory of something they had very little to do with. Granted, the pump was primed by a giant grant from government, but the process takes on its own life.... For the first time the Confederation Building¹²⁹ will not be the most important address in town.... The great myth is that government is capable, and will create economic development. That's socialism, paternalism, dependency, right?

127 Martin was referring to the pub in which the interview was conducted.

128 All of the interviews were conducted shortly after the Meech Lake Accord ratification deadline (23 June 1990). Canada's constitutional future was therefore the public debate with the highest media profile. Martin was signalling – benignly rather than apprehensively – the possibility that further political decentralisation might put at risk the system of equalisation payments that transfers wealth from "have" to "have not" provinces.

129 Location of many government departments and the Newfoundland Legislature – the House of Assembly.

The identification of "socialism" or interventionism with "dependency" is a foundation of the neoconservative agenda. Further, Martin optimistically interpreted the diminishment of federal transfer payments as presenting an opportunity for Newfoundlanders to devise more "creative" and "distinct solutions" to economic problems. This is also consistent with the neoconservative "transfer dependency" and "dependency culture" analysis. In light of NIFA's activities in support of the fisheries, this would appear to be an unusual position. Because the inshore fishery was, at the time, experiencing another failure, the immediate dependency on unemployment insurance of families engaged in that business could only increase while the prospect of receiving it was lessened by both the inability to get stamps and by federal cutbacks. However, Martin's views were more complex than the transfer dependency thesis. This is because they were also consistent with the environmental ideology. As argued earlier, the underlying values of the two positions are utterly divergent. Neoconservatives were and are willing to see the depopulation of Newfoundland outports on the grounds that they fail to satisfy purely economic criteria such as sufficient "productivity" or earned income.

Martin, however, identified deeply with outport Newfoundland. As head of the Newfoundland Inshore Fisheries Association, he obviously concurred with those who saw the inshore as a viable, "sustainable" fishery, as opposed to the destructive offshore trawler fishery. He wrote a weekly newspaper column on the inshore fisheries which often resonated with the themes of his interview comments, above. Three weeks prior to the interview, he wrote a bitter commentary prompted by the apparent failure of the inshore trap fishery again in 1990.

[W]e all live in a total welfare society where the creation of wealth is not the basis of our day-to-day economy, where our relatively conspicuous consumption is paid for by the labors of others. For if the fisheries crisis does nothing more, it shows the enormously corrosive effect of our current dependency... – turning Newfoundland into a moral, economic and political cripple.... No government since Confederation has had as one of its public goals the year-by-year decrease in our dependency on Ottawa or on the government sector generally.¹³⁰

Martin's interview discussion and columns consistently located the blame for the fisheries crisis with the federal Department of Fisheries and Oceans.¹³¹ But he also

¹³⁰ *Sunday Express* (8.7.90: 8).

¹³¹ At the time of the interview, NIFA was engaged in a legal action against the federal Department of Fisheries and Oceans, with a view to pressuring them to ban the trawler fishery during spawning season. Martin indicated that NIFA would not win the case, but the federal government closed the trawler fishery in February 1992. I am not aware as to what extent NIFA influenced this decision. The decision by Ottawa on 2 July 1992 to ban also the *inshore* fishery off Newfoundland and Labrador's east coasts was obviously not one of NIFA's original goals.

aimed his criticism at urban Newfoundlanders, all of who "chased the Federal Dollar" and furthermore were oblivious to the fishery crisis in their midst. In contrast to them, he saw the inshore fishermen as "still undefeated people" and the only Newfoundlanders who could at least say that "to the bitter end, they tried".¹³²

Martin categorically dismissed the ERC as "a continuation of previous policies... hardly radical". When he was asked for his impression of the emphasis in the 1986 Report on "sustainable development, rural regeneration", he responded "Yeah, those are buzz-words, you know? Everybody in the world, the president of CIL¹³³ can use 'appropriate development', 'sustainable development'." He therefore offered a bemused response to the question as to whether the 1986 Report was in any way related to "green" ideas on longer-term development. However, his newspaper column on the inshore fisheries was fully consistent with the environmental ideology. He also saw the interests of inshore fishermen as compatible with those of environmentalists.

It is too often... assumed by inshore fishermen that environmentalists are necessarily on the other side of the question... and the other way around too.... Hopefully, the learning curve of international environmental groups will be short and these would-be rescuers of the seas will join the day-to-day, grassroots fight for sensible fisheries management.... Greenpeace (properly maligned in these parts) has evidently learned a hard lesson in north Norway. Over there, overfishing and the collapse of the caplin stocks have led to serious problems for cod and seals alike.... So environmentalists and inshore fishermen have thus been placed on the same side of a fisheries management issue.¹³⁴

A full year earlier, he wrote:

[A]lthough some would wince when I say it, we [NIFA] have become "practical ecologists", fighting to save the environment to create more jobs.... So come on, you "traditional" urban-type environmentalists, you who simply want our outports to prosper, you who "live off" the inshore fishery in any way – join NIFA.¹³⁵

These excerpts illustrate a point of view which is in direct conflict with the neoconservative agenda, which, as has been described, advocates "market readjustment" solutions to regional underdevelopment. Under the modernisation paradigm of the 1950s and 1960s, this led to the outport resettlement programmes – a phenomenon frequently indicted by Martin in his columns. He also had retained, from the early days of the Peckford administration, the dependency-inspired position that Ottawa caused Newfoundland more harm than good and that Newfoundland required more comprehensive managerial control over the fisheries. These indicate not only an

132 *Sunday Express* (22.7.90: 8) and (8.7.90: 8).

133 Canadian Industries Limited, a large manufacturer of paints and pharmaceuticals. On the ubiquity of the phrase "sustainable development", see the *Guardian* (2.7.93: 14).

134 *Sunday Express* (29.7.90: 8).

135 *Sunday Express* (18.6.89: 9).

incomplete conversion to neoconservatism, but in fact suggest that his position on alternatives for rural Newfoundland were actually compatible with the socialist vision of Long – "people-based community development". Whereas the distinction between the environmental ideology and neoconservatism is based in incompatible value systems, Martin's uncomfortable environmental-neoconservative *mélange* is distinguished from Long's socialism by reference to the role of government. Both felt strongly about the intrinsic value of outport culture. Long believed that the government had the responsibility actively to assist the process of building viable rural communities; Martin had come to the conclusion that government could be nothing more than an obstacle, almost by definition, to the construction of anything viable.

The views articulated by Martin are, in a sense, more ambiguous and contradictory than those of the 1986 Report. That the most appropriate role for the government is to "do nothing" is untenable as well as unrealistic. The views are important, however, because they are symbolic of the need for a different kind of political discourse which can accommodate both the reality of dependency and a progressive political agenda. They strongly suggest that a deep frustration with dependency can no longer automatically be dismissed by the Left as a neoconservative reaction which either implicitly or explicitly places the blame for the crisis on the backwardness and apathy of individuals. Long's view that the limitations of the political discourse are related to the lack of a meaningful "Left critique" is a legitimate point. Failure to understand this contributes to the situation in which Newfoundland's political culture has become disarticulated from its own recent intellectual history and reduced to proposing policy solutions which must be prefigured by the rediscovery of the values of entrepreneurship.

Conclusions

This chapter first analysed the *Report of the Royal Commission on Employment and Unemployment*. The Report is an example of a public document containing a diagnosis of Newfoundland underdevelopment based implicitly on dependency theory, and prescriptions implicitly reflecting the environmental and neoconservative agendas. The Report did not follow its identification of the lack of, and significant potential for, participatory democracy with explicit recommendations to support it. This is, therefore, offered as an example of a contradiction of the political culture. Academic critiques of the Report were then examined and found to be unrelated to and unconcerned with the issue of participatory democracy – an issue which should be the primary concern of the Left, especially where there are ill-defined class boundaries and especially since the widespread collapse of State socialism.

Furthermore, neither the ERC's legislation nor the government's "Strategic Plan" of 1992 made any reference to the enhancement of local democracy. The substitute for this was "entrepreneurship". As argued in Chapter 4, this suggests that the structural factors in underdevelopment, articulated over a period of two decades and included in the 1986 Report, are being "wished away" in favour of an analysis which locates the cause of unemployment in the attributes of individual Newfoundlanders.

This chapter attempted to demonstrate that the discourse on "dependency" in Newfoundland is, to a significant extent, built upon a selective interpretation of the term. In contrast with the original, neo-Marxist, thrust of dependency theory, dependency is now seen as the dependency of individuals or individual businesses on "state largesse". All but four of the interviewees held this position to varying degrees. For individuals, this largesse is most visible in the form of unemployment insurance payments; for businesses, it is in the form of grants or loan guarantees through agencies such as ACOA.

This selective interpretation of dependency is not, in itself, misleading or inaccurate. This type of dependency is real. The interpretation is, however, problematic. It testifies to the success with which the neoconservative agenda has appropriated the original dependency theory discourse. This agenda has also had an impact on policy makers in Newfoundland. This chapter has attempted to demonstrate that the view of dependency as "dependency on government" has led to the conclusion that if government is part of the problem, then government cannot be part of the solution. That is, the pathway to Newfoundland's extrication from dependency must lie with private enterprise and entrepreneurial "self-reliance". Of the interviewees, Elton, Martin, Stirling, Wakeham, and Wells spoke strongly on this theme – all formerly or currently involved in the political process. This view does not address the fundamental nature of underdevelopment which, as was argued in Chapter 2, cannot be characterised solely by reference to the underdeveloped area – a feature of the neoconservative agenda and the modernisation paradigm before it. The importance of political and economic power that is external to Newfoundland cannot be lightly dismissed by anyone who has examined accounts of Newfoundland's political and developmental history, or who observed, for example, the political and legal conflicts between the Newfoundland and federal governments from 1979 to 1984.

The selective interpretation of dependency would appear to have been caught up in a selective interpretation of Newfoundland's political and economic history. Premier

Wells concluded that Newfoundland's history has provided at least one certainty: that governments have failed to broaden the province's economic base. "Taking politics out" of economic development, for Wells, could perhaps be construed to mean the divorcing of party political considerations from development policy. But Cashin's views as to the prevalence of "confusion" seem to have the most resonance. That the leader of the government saw no potential efficacy in the activities of government can only be interpreted as neoconservative rhetoric.

This suggests that the current government is acting on the basis of an analysis that contradicts the understanding of underdevelopment now available. There is available, through two decades of dependency theory and post-dependency analysis, a diagnosis of underdevelopment which recognises its (at least mainly) external nature, but the Newfoundland government proposes solutions which are premised on the hope for an internal revolution in attitudes towards an entrepreneurial culture. That is to say, policies have been, and will be, formulated **as if entrepreneurial success were a matter of choosing it and as if the external constraints to economic development did not exist**. This would appear to suggest that the political discourse of Newfoundland is not merely contradictory – as it was during Peckford's ascendancy. It is no longer the case that a schism exists between diagnosis and prescription or between means and ends. The political culture itself has become disarticulated to the extent that there is no longer a diagnosis beyond that of the ineffectuality of governments and the irrelevance of politics. There appears to be no awareness that this "diagnosis", such as it is, constitutes a political choice and one which is informed by the ideological tenets of neoconservatism. Most remarkable of all is that the premier's views on this were juxtaposed, in a single newspaper article, with his view that "the three components that affect Newfoundland's economic climate are the Economic Recovery Commission, labor relations and the federal government".¹³⁶ These would appear to be explicitly political components. This disarticulation of the political culture poses a profound internal obstacle to the implementation of economic policies for the purpose of addressing long-term regional underdevelopment.

136 ET (2.5.90: 3).

Chapter 7

Conclusion

Man Caught Selling Cod

– Headline in the *Evening Telegram*, 1 September 1992

Luckily, the federal government hasn't figured out a way to make seabird- or whale-watching illegal. If you are interested in doing any of those things, act now; plans to scuttle the operations are surely in the works on Parliament Hill.

– Rick Mercer, *Maclean's*, 23 August 1993

Introduction

A Canadian PhD thesis from 1981 was entitled, "The Last Outport: Newfoundland in Crisis".¹ However apropos the word "crisis" appeared to be more than a decade ago, its appropriateness is now indisputable. It is an understatement to assert that in comparison to the early 1990s in Newfoundland, the late 1970s and early 1980s were a period of economic stability and heady political optimism.

As demonstrated in Chapter 1, Newfoundland's crisis can be portrayed in terms of statistics on any number of indicators. Chronic unemployment is perhaps the most powerful of these but it can be seen as symptomatic of the failure to diversify the province's economic base. This failure, in turn, can be seen as symptomatic of structural underdevelopment. This was described in Chapters 1 and 2, the latter of which focused on the analysis of various theoretical approaches to underdevelopment. These were exacerbated by attempts at industrialisation which either relied on inputs from abroad or on external ownership and control of natural resources. Capital drain has been facilitated both by the factor of external control and the export of raw or semi-processed resources for value-adding elsewhere. It was also argued in the past, and is increasingly argued now, that the chronic unemployment problem reflects nothing more than an inability or unwillingness on the part of Newfoundlanders to

¹ Goulding (1981).

engage in entrepreneurial activity. This argument reflects a neoconservative political agenda which is based on the refutation of the structural factors in underdevelopment. This political agenda was examined in its Canadian context in Chapter 4 and in its Newfoundland context in Chapter 6. An ecological crisis which has been unfolding for more than two decades and which is no longer deniable is that of the collapse of the fish stocks.

Newfoundland, as a political and economic jurisdiction, was not pre-ordained to be a dependency in perpetuity. This thesis has avoided such determinism, which is alluring and independent of political ideology. This thesis has therefore argued that Newfoundland's crisis is also – if not essentially – political, notwithstanding that there are real fiscal constraints to policy manœuvre faced by the Newfoundland government. The political crisis has been characterised as a succession of policy contradictions which have culminated in the disarticulation of the political culture described in the previous chapter. These contradictions emerged only when the political culture of the jurisdiction attained a certain level of maturity in the 1970s. This is not to say that Newfoundland's political history "began" at that time. It is rather to argue that until that time, the political culture was dominated by personalities and lacked the stresses and tensions which are normally elicited by competing ideologies, or even by competing policy platforms. It also lacked an understanding of the possible reasons for the failure of development stratagems and an understanding of alternative development models. In the 1950s and 1960s, Newfoundland's attempts at development aimed toward a vision of large-scale industrialisation that was rooted in the modernisation paradigm.

Newfoundland and Federal Development Approaches Juxtaposed

Although political choices may now, in the 1990s, be more truncated than at any time in Newfoundland's history, they have always existed. The choices actually taken always contained within them an element of rationality. Smallwood's policies for radical industrialisation were, within Newfoundland's limited political culture, a logically consistent extension of his perception that economic development of any kind, by definition, created wealth. Newfoundland was undeveloped and needed developing. The actual origin of the natural resources and capital required for industrialisation were irrelevant considerations in his vision. Newfoundland, however, had been down that road before – even within Smallwood's lifetime.

Newfoundland's "National Policy" – the 1870s and 1880s legislation for agriculture, land settlement, mining, manufacturing, and the railway – mirrored the Canadian

National Policy. At the turn of the century there was a shift from these attempts to stimulate local economic diversification to the search for foreign direct investment for resource industry and export-led growth. Furthermore, St John's was by this time indisputably the core of political and economic power in the island. This, and the failure to effect structural reform in the fisheries, led to the first democratically organised grassroots movement for the restructuring of the island's political economy – the FPU. Its failure and the abandonment of self-government in 1934 say more about the St John's elite than they do about the majority of Newfoundlanders, for whom democracy was a "constitutional nicety" in the view of the Amulree Commission. Newfoundland and Canadian approaches to development continued to coincide following the Depression, when there was a shared emphasis of responses to rural poverty. The potential for radical politics based on co-operative principles at that time was, however, realised in the Canadian prairies and not by Newfoundland's Commission Government.²

There can be no doubt that Smallwood's desire to have Newfoundland participate in the extraordinary economic success of post-war Canada and the United States touched a popular nerve among Newfoundlanders. Smallwood was surely correct in his view that the "logic" of Newfoundland's situation demanded close ties with the continent. Confederation in 1949 sealed that in formal political terms and it can never be known whether the alternative of self-rule would ultimately have been better or worse in economic terms.³ More certain is that even in Smallwood's heyday, the provincial government had been replaced by the federal government as the most important source of funding for both compensatory and transforming programmes.

Growth pole theory (GPT) was considered by some Canadian sociologists and economists to have characterised Canada's post-war economic policy,⁴ but such was not the case in Ottawa until the latter 1960s. Newfoundland's development policy, on the other hand, appears to have reflected the influence of GPT at an earlier stage. In the mid-1960s, by which time federal policy "caught up", thinking on development in Newfoundland was already beginning to shift again – back to the rural agenda. DREE was established by the federal government at precisely the moment the modernisation

² For example, the Co-operative Commonwealth Federation, predecessor to the NDP, was founded during the Depression and formed the government of Saskatchewan in 1944.

³ In 1989, then federal minister for International Trade, John Crosbie, mused: "With the offshore oil and gas and the 200-mile economic limit in the fishery, perhaps Newfoundland today could have been half-successful as an independent entity". See Riche and Palmer's CBC Radio documentary, "A Plane with One Wing" – Canadian Broadcasting Corporation (1989).

⁴ For example, see R Matthews (1983: 43-4, 106-8), Kia (1985: 15-17, 58, 71-80), Savoie (1986: 17).

agenda it represented was under attack by social scientists, Smallwood's political opponents, and the nascent rural development movement in Newfoundland. This was illustrated in Chapter 5. Toward the end of the Smallwood years, the divergence of interests between Newfoundland and the rest of Canada became clear to Newfoundlanders – just as the experience of the 1920s presumably led Maritimers to conclude, in hindsight, that the warnings of the anti-Confederate campaigners of the 1860s had been correct.

Pierre Trudeau's cultural and economic nationalism dovetailed with the confident anti-Americanism of Canadian dependency theorists. It clashed, however, with Québécois nationalism and the growing confidence of provincial political and cultural elites, including those of Newfoundland. Dependency theory premises lend themselves not only to the bilateral relations between nation-states such as Canada and the United States, but also to the sub-national level: the phenomena of nationalism and regionalism within Canada. However, a full decade was required before the influence of dependency theory-type ideas were manifested in Newfoundland politics through Peckford. This was a period of significant conflict between Ottawa and the provinces – a conflict in which Newfoundland played an important role.

The First Contradiction

The essential motivating force behind the government of Peckford was the doctrine that political choices can reverse the trajectory of history – in Newfoundland's case, the trajectory of underdevelopment. Smallwood, by contrast, wished only to speed the "inevitable" course of history. Post-modernisation politics in Newfoundland was engendered by a marked and self-conscious cultural shift, the origins of which were illustrated in this thesis. Newfoundland no longer needed to pursue an economic development policy trajectory which attempted to make an essentially rural society conform to an industrial model. Hence, the modernisation paradigm was superseded by a local development model that was not only consistent with dependency theory, but which also precisely reflected the decentralist tenets of the environmental ideology. Thus, the political project of appropriating power away from Ottawa for the purpose of exerting policy control over natural resources was essentially indistinguishable from the idea of development which was more "appropriate" to the realities of rural Newfoundland society. Both dependency theory and the linked environmental ideology/local development model impacted on Newfoundland's political culture. This thesis, however, has attempted to demonstrate that although the policy path taken was grounded in the absolute rejection of Smallwood's modernisation vision, it in fact bore those characteristics. The turbulent history of the Hibernia offshore oil project was

used to demonstrate this. Although it was noted that the actual impact of offshore oil development in Newfoundland cannot yet be known, the early Peckford years were the first period in Newfoundland's history in which the policy path was discontinuous with the new socio-economic goals for which it aspired. Hence, the late 1970s and early 1980s were the period of the first "contrary agenda" or contradiction within the economic development policy.

The Second Contradiction

The second demonstrable policy contradiction was apparent in the form of the 1986 *Report of the Royal Commission on Employment and Unemployment*. The Report contained a sophisticated analysis of Newfoundland's socio-economic problems that was fully based in post-modernisation tenets. However, its actual theoretical basis was ambiguous. The contradiction in the Report may be characterised as a dichotomy between its useful diagnosis of regional underdevelopment and policy recommendations that constituted an inconsistent and inadequate treatment of this diagnosis. Specifically, the Report presented a historically accurate dependency theory-type analysis that identified the lack of democratic involvement of Newfoundlanders in the development process as a fundamental and problematic aspect of Newfoundland's political culture. It then, however, offered prescriptions which, although partly based in the decentralist environmental ideology, did not directly address the issue of democratic input into the policies for economic development.

The Economic Recovery Commission was founded in legislation which incorporates both the concept of pro-active government intervention and the more acquiescent notion of "providing the correct climate" for entrepreneurship in Newfoundland. In fact, however, it reflects more the latter agenda. The imprecision of the 1986 Report regarding the relative merits of pro-active government and the theme of "self-reliance" left open more than one policy agenda. The ERC would appear to illustrate that a choice has been made. It represents a retreat from the 1986 Report's emphases on the need for a new model of government-for-development which reverses the legacy of alienation of people from the decision-making process of policy formulation.

In 1987, Hubert Kitchen, then Professor of Education at Memorial University of Newfoundland, contributed to the same review article in which Antler's assessment of the Report appeared (see Chapter 6). Kitchen argued:

Of all the major reports that have been written about the economic development of this province, this is the first that respects outport Newfoundland and Labrador. It recognizes and sometimes appreciates the intricate, ingenious, tripartite outport economy, consisting of seasonal jobs, transfer payments and household production.... I strongly support the need to

reinstitute at Memorial University a strong program in rural development and to prescribe a more vigorous role for field workers in the Extension Service. The University must become more heavily involved with people throughout this province and their present-day economic problems.⁵

How strong was this conviction? The Newfoundland budget for 1990 predicted a \$10 million surplus on the current account for the coming year. The actual figure was a \$117 million deficit.⁶ On 7 March 1991, Hubert Kitchen, Minister of Finance, brought down a severe provincial budget which the university determined left it \$13 million short of required operating and capital funds.⁷ On 14 March 1991, MUN Extension Service, which played a vital role in the genesis of the rural development movement in Newfoundland, was axed by the university.

The Third Contradiction: Disarticulation

The third contradiction in Newfoundland's political culture was apparent in 1990 and reflects clearly the influence of the neoconservative ideology. By this time, the approach of some elites, including those in governmental circles, was informed by the consideration that the narrow economic base and consequent high levels of unemployment had been caused and exacerbated by the direct actions of previous Newfoundland governments. It followed from this approach that responsibility for job creation rested with private sector entrepreneurs acting in conjunction with market forces.

Premier Wells's lesson from history – that governments have always failed to broaden the economic base – would not appear to necessitate the conclusion that governments should therefore cease to play an active, interventionist role. All states intervene, whether consistent with or despite ideology. Newfoundland would appear to provide an unlikely exception to this fact. The failure of governments is rather consistent with the conclusion that they made injudicious choices which suited the requirements of business interests rather than the majority of Newfoundlanders. As was argued in Chapter 4, neoconservative economic policy is contradictory, even on its own terms. It is no more reasonable to assume that the state has no role in influencing the market than it is to assume that it is omnipotent. "Free markets" do not exist in Newfoundland. Recent developments examined in this chapter suggest, however, that neoconservatism is to form the basis of economic policy in Newfoundland, where

⁵ See Antler et al. (1987: 112-3).

⁶ See the *Evening Telegram* (8.3.91: 4).

⁷ The total grant to the university was \$115.5 million, up \$600,000 from 1990-91. See Newfoundland and Labrador (1991a: 23) and the *Evening Telegram* (8.3.91: 10) and (15.3.91: 1-2).

there is neither free access to materials and finance nor a diversified industrial structure.

Thus, the government published a "vision for the province's economy" which was not a vision but a call for entrepreneurship and attention to "productivity and quality". This internalisation of the problem requires the denial of the structural impediments to economic viability. The government's explicit abdication of responsibility means that structural reform, beyond that of the "decentralising" of the administrative apparatus, is unlikely to be implemented. The entrepreneurial emphasis assumes that Newfoundland society is lacking this, but there is no inherent lack of entrepreneurship in Newfoundland. As noted in Chapter 6, people acquire passive and cynical postures because efforts are so often seen to fail. The level of entrepreneurial activity in a society can be seen as structural, rather than a voluntarist attribute. The internalisation of Newfoundland's structural problems does not mean that the "internal impediment" to development has become the failings of dependent Newfoundlanders. It means rather that the political culture itself has become the impediment. This is what is meant by its disarticulation.

This "disarticulation" can be characterised theoretically as follows. The dependency theory and local development/environmental discourses, both of which emerged in the late 1960s and early 1970s, have been appropriated and selectively narrowed by the ascendancy of neoconservative thought. They have been de-radicalised. Dependency theory lost its power as a diagnostic discourse when it was transformed from the external theory of structural underdevelopment analysed in Chapter 2 to the internal one of "dependency culture" analysed in Chapter 4. The radicalism of the environmental ideology was lost when it became the justification for the view that governments have no direct role in the solutions to dependency. Although the appropriation of dependency theory has been described elsewhere, this thesis proposes that the appropriation of the environmental ideology was the mechanism by which the dependency discourse became the "dependency culture" discourse. "Decentralism" and "self-reliance", for example, were lifted from the environmental ideology and turned into neoconservative slogans by those who rejected the notion that the state should assume responsibility for those who do not profit from an "unfettered free enterprise system". Dependency became individual dependency on UI, on the state; relief became possible only through "pulling up one's own bootstraps".

The dependency and environmental discourses can be conceptually isolated but they are intertwined and they met the same fate. They share two further characteristics.

First, they are both grounded in a democratic ideal which has been abrogated from the political discourse. Both are responses, on different levels, to a perceived failure of democracy, and the responses have prescriptive political agendas. Dependency theory was originally articulated by scholars as a response to systemic exploitation of poor "peripheral" nations by rich "core" nations. The "left-nationalist" agenda which this diagnosis precipitated was designed to reclaim political and economic power from the core toward the periphery – clearly a challenge to existing arrangements of power. Such reclamation would not by definition constitute increased democracy in the peripheral nation, but it would constitute one of its requirements. The environmental ideology is even more easily recognised as potentially democratic – and subversive – as it is predicated on the dispersal of decision-making power to the greatest practicable degree. Unfortunately, this aspect of "environmentalism" has lain outside the boundaries of most academic social science, and the "new Canadian political economy" has been no exception, at least prior to 1990.⁸

Secondly, both the dependency and environmental discourses have been rejected by Marxist analysts, not because of the democratic ideal itself, but because of the abrogation of that ideal in the service of a Rightist political agenda. The Marxist approach is problematic because, in the course of describing how the discourses have been moulded for the purpose of an objectionable political agenda, their elementary democratic potentials – and therefore their challenge to existing power arrangements – have been overlooked. A decentralist political agenda is not "neoconservative" by definition. The identification of the local development agenda with the attempt to impoverish the rural populace is patronising because it is not premised on knowledge gained directly from those people. It cannot be assumed but its converse has not even been considered: that maybe some people are willing to trade lower levels of cash for long-term benefits to the local economy.⁹ The appearance that a decentralist political agenda is allied to neoconservatism is itself evidence of the success of the neoconservative agenda and the failure of the Left. The victors may often use the language of decentralisation but are unconcerned with the diffusion of political power, the redistribution of wealth, and the empowerment of people. A vacuum in Newfoundland's political culture has been created, largely because the Left has allowed the parameters set by the neoconservative agenda to define and impoverish its own response. This is especially unfortunate because the democratic empowerment of people was, and remains, a socialist ideal.

⁸ This may be changing. See Williams (1992).

⁹ The latter point was made by Davis (1993).

This is not to say that Newfoundland needs a "socialist alternative" in public policy. It is to say that a "Left critique" is lacking and the political discourse has remained immune to it. The old distinctions between classes are now poor analytical devices; in Newfoundland, grassroots democracy will have to be more broadly based than the waged "working class". The Left will have to abandon its traditional support for the strengthening of centralised political institutions. Political centralisation may indeed be more "efficient" in distributing wealth, but not in the determination of the uses to which such wealth is put. It diminishes the potential for people to become democratically involved in the decision-making processes which impact upon them.

Conclusion

The period of optimism at the end of the 1970s may have been contradictory in policy terms, but there was a societal vision which had emerged from the failures of the modernisation-through-industrialisation era. In the 1990s, there is less scope for a contradiction between means and ends because it would seem that there are no ends. Wells's political agenda amounts to a rejection of the Peckford agenda as comprehensive as Peckford's was of Smallwoodism. Newfoundland's political culture has again shifted: from neo-nationalism to no discernible vision. Resettlement during the Smallwood years at least was attached to a socio-economic goal, even if it was misled. If the abandonment of outports is now to proceed, it is for nothing more than the reduction of current account deficits and the public debt.

This thesis has resisted attempting to portray in detail what a society under the local development model would look like. It has rather illustrated the shifts of development policy under different political and cultural assumptions. One participant in the 1968 colloquium at Memorial University of Newfoundland (MUN; see Chapter 2) did offer a brief portrayal of the new assumptions for local development and the new socio-economic goals emerging at the time:

[Another] strategy... is the adoption of Intermediate Technology, and this I take to mean a technique that is not so wasteful of capital as that being used in the new industries being established in St John's, nor as wasteful of labour as that being used elsewhere. The advantages of this technology, to me, seem to be obvious, whether in terms of the greater output being generated, in terms of the greater employment being generated or in terms of the more equal distribution of income which is generated.... [T]he adoption of Intermediate Technology requires institutional reforms. In Newfoundland... the most important of these reforms would be an improvement in the marketing system, the provision of expanded credit facilities, and the development of many more industries which process and transform existing raw materials on the Island. These institutional changes, of course, would have to be supported and strengthened by appropriate educational and training facilities.... I think the important point is that Newfoundland needs to evolve a development strategy which gives its citizens greater choice

about the style of life they would pursue, the type of employment they would follow, and the level of consumption they would have.¹⁰

In a supportive critique of the *Report of the Royal Commission on Employment and Unemployment*, George McRobie, another participant at the colloquium, commented that "Newfoundland had to suffer more industrial failures and increasingly severe unemployment before it became evident that a change of direction was overdue."¹¹ The 1986 Report did appear to have been such an expression of this recognition. It would be nothing short of tragic if another twenty years have to pass before the recognition is acted upon.

¹⁰ Griffin (1969: 93-5).

¹¹ See Antler et al. (1987: 115).

Epilogue

As the profundity of the great cod failure sinks in, the brighter side to the disaster might be a serious tackling at last of the great Newfoundland mystery: why can't a population of 580,000 survive in a province that's 22,000 square kilometres larger than Japan?

– Ray Guy, "Trading 'Da Poge' for 'Da Package'", the *Montréal Gazette*, 17 July 1993.

Q. How do you make God laugh?

A. Tell him your future plans.

– Woody Allen

The Moratorium

The economic fragility and vulnerability of Newfoundland has been a prominent theme throughout its history. The closure by the federal government of the northern cod fishery off the east coast of Newfoundland and Labrador in July 1992 was, however, an event of singular importance. This is not only because it increased the official unemployment figures by about 20,000 persons. It is rather because the cultural and historical *raison d'être* of outport Newfoundland – fishing for cod as a livelihood – was made illegal. In June 1993, then federal Fisheries Minister John Crosbie announced that the cod moratorium will be in effect at least until the late 1990s.¹ In summer 1993, the moratorium was extended to the south coast of Newfoundland and in November 1993, virtually all Canada's east coast cod fisheries were shut down.² The number of people thereby displaced in Newfoundland is now around 30,000.

The moratorium appears to challenge a fundamental assumption of this thesis: that the aspirations for a viable local economy that have been articulated for over two decades are legitimate and even desirable. It is my view that the realisation of such aspirations

¹ See the *Globe and Mail* (19.6.93: A1-2).

² I am grateful to Jeff Hutchings for this information. In February 1994, Canadian lobbying in Brussels secured a one-year international moratorium, by the Northwest Atlantic Fisheries Organization (NAFO), on fishing for southern cod on the "tail" of the Grand Banks. The European Union abstained from the vote. See the *Evening Telegram* (18.2.94: 2). The "tail" lies in NAFO sectors 3NO. See map 2.

remains possible. This view is tenable, however, only if there can be a local, natural resource base to support an outpost culture. The cod fishery as it was once known is gone but cod and a host of other commercial species do still exist.

The original July 1992 media briefing on the moratorium by Crosbie, in a St John's hotel, was greeted with rage and scuffling by fishermen who were excluded from the announcement. Overt hostility, however, was muted by Ottawa's increase of payments, through the Northern Cod Adjustment and Recovery Program ("the package"), from its initial offer of \$225 per person per week to a maximum of \$406 per week. By the end of 1992, fishermen on Newfoundland's west coast demanded that the cod fishery on the southwest coast and Gulf of St Lawrence also be closed.³

The moratorium may persist even beyond the turn of the century but it must eventually be lifted. In the meantime, a difficult question remains: What do Newfoundlanders, especially outpost Newfoundlanders, want? This has never been satisfactorily answered. While it is unrealistic to expect hundreds of thousands of people to speak with a single voice, the following perception is common among the St John's cultural and intellectual elite:

There was one organised attempt at nationalism back in the '70s – I suppose the early '70s – some sort of movement at the university. But it didn't really catch on because Newfoundlanders didn't – there was no great rush to become sort of half-assed Norwegians. What Newfoundlanders wanted to be and still want to be are half-assed Californians.⁴

What outpost Newfoundlanders – as opposed to city elites – in fact desire for themselves and their communities would perhaps constitute the theme of very important empirical research in the near future.

The Impact

Maclean's magazine published a Special Report on Newfoundland in its edition of 23 August 1993. The cover bore the title, "Can the Youngest Province Be Saved?" This title begs another question: by whom can Newfoundland be saved? The view taken in this thesis is that if there is any "saving" to be done, it will have to originate with the people of Newfoundland.

The Special Report demonstrated the moratorium's impact on the discourse regarding the economic viability of outports. It noted that although the rate of emigration has

³ See the *Evening Telegram* (15.12.92: 7).

⁴ Unidentified interviewee in Riche and Palmer's CBC Radio documentary, "A Plane with One Wing". See Canadian Broadcasting Corporation (1989).

decreased significantly since the early and mid-1980s, "the fact remains that there are more departures than returns."⁵

The province is just a statistical step away from voluntarily fulfilling a highly controversial economic solution proposed in studies more than 20 years ago – an organized program of out-migration. Economist Parzival Copes... argued in those studies that Newfoundland simply lacked the resources to sustain its population. And similar arguments now, if less bluntly stated, centre on whether Canada can afford to continue encouraging Newfoundlanders to stay at home, or return home, with such programs as unemployment insurance and the current \$800-million-a-year fishery compensation package.⁶

In this era of staggering external debts and current deficits, the answer is most probably that Canada cannot afford it. In a half-page feature article appearing shortly after the *Maclean's* report, the *Guardian* quoted a Memorial University economist as saying:

"Newfoundland is already extremely dependent on the federal government for financial support.... [T]here is a tendency in Ottawa to see Newfoundland as an unwelcome, costly burden. What that means in the longer term is that the traditional way of life may not be able to survive."⁷

It might appear that Copes has been proved correct respecting the capacity of the cod fisheries to sustain the population. However, as was argued in Chapter 2, there was nothing "natural" about the ecological collapse. It does not prove, therefore, that Newfoundland is overpopulated. The collapse was a result of the combined forces of human arrogance, ignorance, and recklessness. It was political and economic. The *Guardian* also favoured this interpretation, quoting a number of persons, including a fisherwoman and community activist who compared the collapse to the devastation of South American rainforests.⁸

The Package

In an article for the *Gazette* of Montréal, "Trading 'Da Pogey' for 'Da Package'" (subtitled "Newfoundland's Air of Prosperity and Upbeat Mood Baffles Outsiders"), Ray Guy wrote:⁹

Even before reports of the fisheries catastrophe reached their crescendo, Newfoundland's capsule image has been as the economic basketcase of Canada. Ranked as a nation, the province is poorer than many Third World countries.... A tourist expecting beggars in the roads might be surprised to meet a rural Newfoundland that looks busier and spiffier than ever. Houses freshly painted, the ring of saw and hammer, coves full of bobbing boats at anchor, leisurely natives,

5 *Maclean's* (23.8.93: 19).

6 *Maclean's* (23.8.93: 19).

7 James Feehan, quoted in the *Guardian* (2.10.93: 12).

8 See the *Guardian* (2.10.93: 12).

9 "Pogey" is a euphemism both for welfare payments and unemployment insurance.

new cars, faddishly dressed kids. Trouble is, it's largely "da package".... That was last summer. The novelty paled. As one idled longliner skipper in Twillingate put it, "There are only so many porches you can build on a house".¹⁰

The original package is widely perceived in St John's as having been very generous and this was exacerbated by the plethora of stories regarding outport families with multiple – as many as three or four – compensation recipients.

Social cracks have appeared. Out-of-work carpenters, teachers, chartered accountants grouse that fishermen get favored treatment, that there's no package for them, just the plain old pogy. On the other hand, the fishermen's union complains bitterly that recreational fishermen, claiming to stock their own deepfreezes, are selling black-market cod door-to-door.¹¹

The moratorium was initially announced as a two-year ban and the package expires on 15 May 1994. Its total cost is estimated to have been in excess of \$1 billion. The existing level of assistance will not be maintained for this period. The 1994 budget of the new federal Liberal government announced a "\$1.7 billion program over five years under the Atlantic Groundfish Industry Renewal and Adjustment Strategy, to help Atlantic fishermen adjust to the loss of their livelihood in the decimated Atlantic groundfish industry".¹² The grumblings in St John's that "they've never had it so good since the fish went" are not likely to persist for much longer.

The *Evening Telegram's* response to the new "package" was ambiguous. Although its editorial concluded that "fishermen and plant workers in rural Newfoundland cannot be left to fend for themselves without any assistance from Ottawa", it also noted that

One of the more interesting features of the program is that money will be given to people and their families who have jobs somewhere else. This concept of mobility is essential to earning a living in the new economy and it bears little resemblance to the old resettlement program.¹³

Notwithstanding the final caveat, this appears to imply an acceptance of rural depopulation. In an interview for the *Maclean's* Special Report, Premier Wells said that the moratorium

has had a major economic impact, but also a tremendous psychological, social and cultural impact. Coping with that is going to cause us to rethink the whole economic outlook and future of the province.... What do we do with the people involved in the meantime? The only acceptable answer is that we have to try and find economic opportunity for them.¹⁴

10 Ray Guy, in the *Gazette* (17.7.93). No page reference is available for this citation, as it was forwarded through the Internet via electronic mail.

11 Ray Guy, in the *Gazette* (17.7.93). On the social tensions, see also *Maclean's* (23.8.93: 23).

12 Canada (1994). No page reference is available for this citation, as it was accessed through the Internet on the "gopher" server of Statistics Canada.

13 *Evening Telegram* (11.3.94: 4).

14 Wells, quoted in *Maclean's* (23.8.93: 25).

The startling thing about these comments is that they appear to signify a retreat from the entrepreneurial theme in favour of active government involvement in the economy. They appear, therefore, to be moving in the opposite direction from that of the *Telegram*. These observations suggest a high level of fluidity in the political discourse.

The Plan

The following factual anecdote concerns the relationship between dependency and government, as addressed in Chapter 6. It is an edited version of the story as it was related to me:

For the past five years, two brothers have been operating charter tours [of a specified type] in summer. Each owns his own boat, both of which are used for this purpose. Rather than both brothers working solely as "self-employed", each has been employer of and employee of the other. Employee status enables both brothers to receive UI stamps and thus to qualify for UI benefits. At the end of summer, each makes the other redundant and both draw UI until the following summer.¹⁵

Does this epitomise the so-called "dependency culture" in Newfoundland? Is it a highly rational response to the existing system of income support? Is it both?

In late 1993, the Economic Recovery Commission (ERC) released a plan for the radical restructuring of income support in Newfoundland. Its implementation would signify – after more than two decades of advocacy and debate – the realisation of a system of "guaranteed annual income". The plan proposes a "basic income supplement" of \$3000 annually, plus \$1500 per child. This supplement would be independent of unemployment insurance and, hence, maintained if an unemployed person found work. Working people would also receive a "work supplement" of 20 cents for every dollar of the first \$10,500 earned. Basic and work supplements would then gradually decrease such that a single person would receive none if earned income reached \$27,500 (\$42,500 for a family of four with one wage-earner).

The plan proposes to pay for this through the cancellation of child tax benefits and the tightening of the unemployment insurance system. The qualifying period of work would be increased to 20 weeks; the length of the benefit period restricted to the number of weeks actually worked – and capped at 35 weeks.

The *Economist* enthused that "European governments could usefully turn their eyes on this little Canadian province[']s... bold reform for social welfare". It noted not only

¹⁵ The source for this story must remain anonymous.

the aim of transferring assistance from those "who may triple their incomes" through UI toward the very poor, but also the aim of "changing behaviour", i.e., encouraging people to look for work. Presumably, the plan would end the system whereby workers who receive maximum stamps for the minimum UI qualification period rationally reject other work on the grounds that it lowers their benefits level.

Peter Fenwick, the former leader of Newfoundland's New Democratic Party – on the Left of the political mainstream – was cognisant that the income supplement plan meant that "anyone who only worked for 10 weeks and earned maximum stamps would be stripped of thousands of dollars in annual income".¹⁶ He estimated that 13 per cent of the population, including fishermen, plant workers, and construction workers, would fall into this category. Fenwick argued, however, that rural Newfoundlanders were in fact the biggest victims of the existing system. He welcomed the plan because it would

allow people to work whenever they want without punishment.... The energy that this will release is likely to create more jobs than all the governments in the world. The income support systems we have in place continue a system of dependency that is stultifying. The people supported by the programs, ostensibly its beneficiaries, are in reality its victims. What [these] proposals are designed to do is to encourage the victims... [i]n effect to cease being victims.¹⁷

Whether or not the plan, as described, will actually be implemented is not yet known. What is more certain is that some variant of it will be and that many of those who thereby suffer a loss to their incomes will oppose it. It would be interesting to know the extent to which their views were considered in the plan's design.

¹⁶ *Evening Telegram* (20.2.94: 5).

¹⁷ *Evening Telegram* (20.2.94: 5).

Appendix 1

Interviews and Other Information Sources

List of persons interviewed in Newfoundland, June-July 1990

Nineteen informally structured interviews were conducted in Newfoundland between 29 June and 31 July 1990. A twentieth was completed in August 1990 by correspondence with Geoff Stirling, media proprietor, residing in Arizona. The interviewees were as follows:

Politics Group

1. Gene Long – 18 July – New Democratic Party member of the House of Assembly (MHA), 1986-89; St John's.
2. Brian Peckford – 29 June – Premier of Newfoundland and Labrador (Progressive Conservative), 1979-89; MHA 1972-89; a consultant at time of interview; St John's.
3. Clyde Wells – 17 July – Premier (Liberal), April 1989- ; MHA 1966-71; lawyer; St John's.

Civil Service Group

4. Lois Saunders – 6 July – Regional Development specialist, (former) Newfoundland Department of Development; Clarenville.
5. Gordon Slade – 4 July – Vice-President, Atlantic Canada Opportunities Agency (ACOA); St John's.
6. Barbara Wakeham – 12 July – Assistant Deputy Minister (Trade and Investment), (former) Newfoundland Department of Development; St John's.

Business Group

7. Bruce Chapman – 20 July – President, Fisheries Association of Newfoundland and Labrador; St John's.
8. Clarence Dwyer – 13 July – then President, Newfoundland Ocean Industries Association; St John's.
9. Kathy-Jane Elton – 3 July – Manager, Government Affairs, St John's Board of Trade; St John's.
10. Gary Wilansky – 11 July – President, Maritime International (importers); St John's.

Labour

11. Richard Cashin – 13 July – then President, Fishermen, Food and Allied Workers' Union (FFAWU); St John's.

Rural Development Organisations and Green Party

12. Mary Jewer – 3 July – Manager, Bell Island Community Development Co-operative Society; Bell Island.
13. Fred Rex – 6 July – Co-ordinator, Bonaventure-English Harbour Development Association; Trinity, Trinity Bay.
14. Michael Winter – 20 July – Member, Green Party of Newfoundland and Labrador (no representation in Legislature); writer; St John's.

Academic Group

15. Wade Locke – 11 July – Department of Economics, Memorial University of Newfoundland (MUN); St John's.
16. Douglas May – 11 July – then Head, Department of Economics, MUN; St John's.

Media Group

17. Bill Rowe – 25 July – Radio host; Liberal MHA 1966-79; lawyer; author; St John's.
18. Michael Harrington – 31 July – Editor, *Evening Telegram*, 1959-82; member of Newfoundland National Convention, 1946-48; St John's.
19. Geoff Stirling – cassette posted in response to written questions of 13 August – Owner of Newfoundland Broadcasting Company (NTV), other radio and television stations, and newspapers; aligned with the "Economic Union with the United States" movement during the Newfoundland National Convention; Arizona.

Other

20. Cabot Martin - 27 July - President, Newfoundland Inshore Fisheries Association (NIFA); policy advisor to Newfoundland government 1979-85; negotiating for Newfoundland government with Hibernia oil consortium at time of interview; lawyer; St John's.

List of persons to whom letters of introduction were sent from Edinburgh on 11 June 1990 (bold type indicates interview took place)

1. Ches Blackwood – President, ConPak Seafoods Ltd
2. **Richard Cashin**
3. **Bruce Chapman**
4. David French – President, St John's Board of Trade.
5. **Michael Harrington**
6. Michael Harris – Newfoundland Broadcasting Company Ltd
7. Doug House – Chair, Economic Recovery Commission
8. **Mary Jewer**
9. **Gene Long**
10. **Cabot Martin**
11. **Brian Peckford**
12. **Bill Rowe**
13. **Lois Saunders**
14. David Simms – Great Northern Peninsula Development Corp
15. Peter Sinclair – Department of Sociology, Memorial University
16. **Gordon Slade**
17. **Geoff Stirling – Owner, Newfoundland Broadcasting Company**
18. **Barbara Wakeham**
19. **Clyde Wells**

Other sources of Information (conversation, letters, electronic mail)

Gordon Adams, Edinburgh
 William Callahan, St John's
 James Grace, St John's
 Michael Harrington, St John's
 Anne Hart, Memorial University of Newfoundland Library
 Jeff Hutchings, St John's
 Robert Lawton, St John's
 Peter Neary, University of Western Ontario
 Mark Shrimpton, Memorial University of Newfoundland
 Peter Sinclair, Memorial University of Newfoundland
 Glen Williams, Carleton University
 Public Record Office, London
 Unattributable source for anecdote in Epilogue

Appendix 2

Sample Sets of Interview Questions

The first set of questions is not specific to any one interview but provides an indication of general interview themes. The second set is a version, edited for clarity, of the questions that were actually posed to interviewee Cabot Martin. This particular interview is reproduced because it was quite detailed and therefore covered most of the themes addressed in all the interviews.

Set 1 (General)

1. What is Newfoundland's best chance of breaking free of its legacy of underdevelopment and the dependent economy this has created? Are we stuck in a primary industry, resource-export economy for good? Do you see alternatives developing?
2. Why have attempts at economic diversification been sporadic and limited?
3. The *Report of the Royal Commission on Employment and Unemployment* and the Economic Recovery Commission: do these signal a fundamental, new approach to Newfoundland's socio-economic difficulties?
4. Views on the current Liberal government in Newfoundland, compared to the government of Brian Peckford, with respect to their economic analyses, priorities, and goals.
5. Is it the government's legitimate role to rejuvenate the economy?
6. Attempts to "characterise" the root causes of Newfoundland's socio-economic difficulties.
7. Opinions on the "big-fix" (megaproject) mentality of Newfoundland's attempts at economic development.
8. How would you characterise the ways in which (if at all) Newfoundlanders' perceptions of the political process and economic problems have changed since about 1970 (i.e., toward the end of the Smallwood era)? Have the issues and our concerns over the issues changed?
9. Conjectures as to the attitude of "most Newfoundlanders" on the big-fix mentality.
10. If there exists an attitude problem, is education at the root of it, or different factors?
11. Why does there seem to be a contradiction or discontinuity between Newfoundlanders' self-image as a "distinct society", and attitudes toward long-term economic development, i.e., why haven't "distinct" Newfoundlanders in a distinct place attempted more "distinct" solutions to our problems?
12. Is it the legitimate role of the media not only to reflect issues and the mood of the day, but also to be "players" (i.e., proponents of ideas) in actively shaping a

political-economic agenda? Or should the media be watchdogs and providers of platforms and solicitors for ideas?

Set 2 (Cabot Martin)

1. Could you tell me something about the Newfoundland Inshore Fisheries Association (NIFA): its mandate, goals, priorities?
2. Could you characterise the relationship between NIFA and the Fishermen, Food, and Allied Workers Union? Do they have complementary or contradictory goals?
3. Is there a conflict of interest between trawlermen and inshore fishermen? If so, is it because of ecological realities, politically based...?
4. In Newfoundland, are we headed for fewer jobs in the fishery?
5. Would you say the long-term viability of the fisheries is a higher concern with the present government than with the Peckford government? In which aspects...?
6. Is the present government less willing than the early Peckford government to pursue [the interests of the inshore] because they are closer to the federal government politically or ideologically?
7. You would probably agree that the long-term viability of fishery is crucial to the economic vitality of this province?
8. Do you think most Newfoundlanders still think fish is as important to economic vitality as, say, ten years ago?
9. Is the role of the media not only to challenge an existing agenda or conventional wisdom, but also to supply alternative ideas as to direction a society should be taking?
10. Do the media in Newfoundland fulfil this role of supplying alternatives? What else could they be doing – in TV, radio or print? Are there any bright spots?
11. Tell me about your newspaper column of a couple of weeks ago – it had a very strong tone....
12. Would you say that Newfoundlanders' perceptions of the political process and economic problems in Newfoundland are any different now than in 1979-80 – the beginning of the Peckford years?
13. Would you say this is the first time Newfoundlanders have exhibited a lot of pessimism since Confederation? Newfoundland not unique in that?
14. Are Newfoundlanders today more sceptical about megaproject salvation than they were until the early 1980s?
15. Once Hibernia starts, will Newfoundlanders forget about all the problems supposedly attached to this kind of project?
16. In Hibernia, you see linkages and spinoffs and longer-term benefits...
17. Hibernia will not be another in a succession of boom and bust scenarios? What about Wade Locke's piece in the *Sunday Express*?

18. Is it the government's legitimate role to rejuvenate the economy?
19. You see [looking at government as a source of grants] as a problem in Newfoundland?
20. Would you therefore concur with the line from the government and the Board of Trade: that government's role is only to provide the right [environment]?
21. How would you compare or contrast the present government's view of its own role versus that of Peckford's?
22. Could you comment on the Economic Recovery Commission: does it represent a shift in policy, new analysis, strategy...?
23. Do you agree with others who said it's just "window dressing" and adding layers of bureaucracy?
24. How about the recommendations of the 1986 Royal Commission: are they in any way radical, informed by longer-term considerations, addressing dependency, underdevelopment... I mean this whole emphasis on sustainable development, rural regeneration...?
25. It sounds like you think that the policies of the present government are misguided...
26. Wells's argument would be that gathering political control toward St John's is useless if you don't have your fingers on the Treasury. He says what can little Newfoundland do?
27. Newfoundlanders see themselves as a distinct society and people. Is there a paradox between that and wanting always to import ideas? Why does there seem to be a lack of distinct solutions to distinct problems?
28. Is the kind of society that Newfoundland is related to the seductiveness of "big-idea" solutions?
29. Perhaps I've overestimated this "megaproject" idea?
30. Has NIFA had contacts with Greenpeace? Because of its legacy in Newfoundland, will that make NIFA's job harder? The Green Party?

Appendix 3

Copy of Previously Published Article – Lawton (1992)

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FORUM

The Crisis of the Nation-State: A Post-Modernist Canada?

THERE IS A COMMON TENDENCY to see one's own problems as essentially unique and therefore uniquely difficult to resolve. While Canada's contemporary situation has its own dynamics, the crisis is not unique; the internal discord is part of greater political realignments. The "nation-state", for example, is showing even more symptoms of stress elsewhere, and notably in Europe. The ideal conception of the nation-state is a political unit whose boundaries are coterminous with those of an ethnic group; the theory of and desire for such a political unit is the essence of modern ethnic nationalism. By this ideal definition there can be very few nation-states and Canada certainly does not qualify. Just as the idea and the institutionalization of the nation-state arose in Europe, it is in Europe that the usefulness of the idea is now being questioned.¹ Even the less ideal, standard conceptualization of the nation-state — that of a central sovereign jurisdiction which possesses some sort of identity and requires the allegiance of its citizens for legitimacy — is undergoing transformation.

Demands for increased political autonomy from "sub-national" groupings of people are being met with the establishment of regional assemblies with some degree of legislative power.² The complement to these demands is the emerging belief on the European continent that economic concentration is undesirable and that strong regional governments can act to counter this tendency.³ At the same time, there exists a desire to counterbalance the economic power of the North American and Pacific trading blocs. The process of relinquishing certain sovereign powers — in favour of an all-European commission of regulatory institutions — will result in a European Community that is not the "federal Europe" of Thatcherite nightmares, but a *confederation* of associated sovereign states with strong constituent regional voices.⁴ Power is thus shifting away from national capitals in *both* directions: above and below. While this does not mean the end of the nation-state, it does signal a "post-nation-state" ideal which, with the exception of the U.K. government, does not cause undue alarm in the national capitals.

1 More than 130 nation-states were created in this century — half of them in the last 35 years — and only 15 of the present number existed in recognizable form in 1810. See J. Denis and Ian Derbyshire, *Political Systems of the World* (Edinburgh, 1989), p. 6.

2 Britain is the exception to this trend but even centralized France has set up such a system; regional elections were held on 22 March 1992.

3 The European Community Commissioner for regional policy describes this as the "regionalization" of the economy.

4 Some see the EC as being "federal" already, on the grounds that member states no longer have absolute sovereignty. However, the point is that not even the "Euro-enthusiast" Germans will contemplate a complete relinquishing of powers either to the commission in Brussels or the European Parliament in Strasbourg.

William Lawton, "The Crisis of the Nation-State: A Post-Modernist Canada?", *Acadiensis*, XXII, 1 (Autumn, 1992), pp. 134-145.

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It might be expected that a country with a federal structure should be better placed to respond to the crisis of the nation-state than others with more centralized political systems. It seems that the very purpose of a federal system is to minimize the potential of conflict across space (especially large spaces) and to facilitate its resolution as it arises. Some consider Canada's having survived this long as proof enough of the success of the "Canadian experiment": others assert that Canada's junior membership in G7 — the group of the largest industrial economies — is evidence of remarkable success. On the other hand, it might be argued that a federal system exacerbates political antagonisms.

Attempts to identify the ultimate source of the Canadian crisis will produce a number of theories, depending on the perspective and/or political agenda inherent in the analysis. The crisis could be politically defined: that is, discontent rooted in an inequitable or unsatisfactory division of powers in a federal system. A cultural angle might suggest the problem is the lack of a national myth, a "meta-narrative", a Canadian *projet de société*. On the other hand, Marxist political economy could focus on the spatially uneven impacts of capitalism across time, in the attempt to bring the issues of economic power into the debate on "have vs. have-not" provinces. All three approaches — political, cultural and economic — are useful. In other words, there is more than one crisis, and one or more are in operation in different parts of the country at different times. For Québécois nationalists, it is a clear desire for self-determination based upon the perceptions that the culture is threatened and that the province now has the financial and industrial competence to protect it. For Atlantic Canadians, the economic and spatial imbalances as reflected in the ever-worsening statistics are the root cause. In the rural outports, relative poverty, unemployment and lack of opportunity are real facts of life. In St. John's there exists an additional layer of grievance in the minds of the urban cultural elite, which springs largely from the fact the Newfoundland was once a self-governing jurisdiction; in this sense the discontent echoes Québécois alienation. In Alberta, from a vantage point of greater economic security, causes of discontent have been the perception that a remote federal government is interested in appropriating the resource wealth of the province⁵ and, more recently, the reaction to events in Quebec.

The common aspect of these conflicts is that they are all spatial in expression: St. John's vs. Ontario, Alberta vs. Ottawa, everyone vs. Quebec. Of course, the language problem within Quebec or Manitoba, for example, is culturally based rather than spatial. Equally apparent are the class divisions — i.e., vertical disparities of political and economic power — within Canadian cities. But the crises across Canada, whether dealing with constitutional status or economic development, are presented, perceived and transmitted in regional (which often means provincial) terms.⁶

What, then, is regionalism? A Canadian sociologist has called it "essentially the social-psychological component of regional analysis", which involves subjective

5 This was especially apparent during the Trudeau government's National Energy Programme.

6 In contrast with, for example, the United States, where conflict is understood and transmitted more so in terms of class, gender and race.

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identification with and "ideological" commitment to the spatial unit.⁷ Canadian political economists may see regionalism as a political phenomenon, organizing conflict "around the issue of the distribution of resources across geographic space".⁸ These different definitions follow from different concepts of "regions" themselves, but this will be addressed later in the paper. Before it can be seen that new notions of regionalism should replace old, it is necessary to examine briefly some of the events that not only capture the essence of the conflicts across Canada, but that have also bequeathed to Canadians a selectively narrow conception of the relationship between federalism and regionalism.

On the level of politics and culture, the tension in Canada springs from the lack of congruity between the standard conception of the nation-state and the disparate identities across the country.⁹ Perhaps it is true that in any federation the pendulum will swing between periods of consolidation of central power and periods of decentralization. In Canada this is certainly the case. The 1920s saw a strong move toward provincial autonomy that culminated in the "compact theory" of Confederation proclaimed by Ontario and Quebec. This proposal to have federal powers delegated by the provinces failed.¹⁰ At the moment the direction of the pendulum is unclear, but the past 15 years are often similarly characterized as a period of power shifting towards the provincial capitals. From the vantage point of Edmonton this may have seemed the case, but on the East Coast it has been more of a sporadic political objective than a reality.¹¹

Pierre Trudeau recently wrote that federal governments have tried, during the 60 years since the compact theory, to create "a sense of national identity which would lead Canadians to believe that...there is some national will which is more than the sum total of the provincial wills".¹² The first ten years of his administration were a period of central consolidation. Trudeau's idea of what Canada was supposed to be (the "just society") was shaped by three factors: his own liberal values, the perception that American control of Canadian industry posed a potential threat to Canada's economic and cultural autonomy, and his dismay that the Quiet Revolution of the 1960s had developed into a bolder desire for political and cultural autonomy for Quebec.

Trudeau's own brand of liberalism¹³ had its roots in the classical liberal value of

7 Ralph Matthews, *The Creation of Regional Dependency* (Toronto, 1983), pp. 17-24.

8 Janine Brodie, "The Political Economy of Regionalism", in Wallace Clement and Glen Williams, eds., *The New Canadian Political Economy* (Kingston and Montreal, 1989), p. 140.

9 Again, this is not to suggest that the economic basis of conflict does not exist; it does exist in relationship with the bases of politics and culture.

10 Donald Johnston, ed., *Pierre Trudeau Speaks Out on Meech Lake* (Toronto, 1990), p. 43.

11 Former Newfoundland (Conservative) premier Brian Peckford's attempts — politically and then legally — to gain control of the off-shore resources of fish and oil from Ottawa between 1979 and 1984 were notoriously unsuccessful. Current (Liberal) premier Clyde Wells believes that Newfoundland would gain nothing from this control — more in line with Trudeau's position.

12 Johnston, ed., *Pierre Trudeau*, p. 45.

13 His liberalism incorporated classical Tory elements as well, notably the acceptance of the collective responsibility of the state to provide for those who did not benefit from the application of liberal principles. Trudeau's economic and cultural nationalism vis-à-vis American capital presents an

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the supremacy of individual rights, freedoms and potential, a philosophy relegating other notions of rights to subordinate status. At its most basic, the conflict is one of individual liberty versus group rights: that is the principle of *equal* treatment under the law irrespective of differences, however defined, versus the demand for *different* treatment because of those differences.¹⁴ Québécois nationalism is based on differential collective rights; Trudeau evaluated it as a type of social regression that presented a real threat not only to liberal values, but also to the Canadian union.

In response to the growing unrest in Quebec, Trudeau's compelling vision for the ideal Canada was that of "multiculturalism within a bilingual framework". But what can this phrase mean? The Official Languages Act of 1969 made the bilingual element the concrete reality under the rule of law; the multicultural element — also based on the concept of group rights — was an abstraction. This seems to reduce multiculturalism to a synonym for libertarianism: minimizing the obstructions for individuals to "do their own thing". But beyond Ottawa and the rule of law, cultural diversity and regional identity were a reality, and bilingualism (which Trudeau saw as a "quality of individuals and institutions")¹⁵ was a piece of legislation not made real simply by virtue of its passing. Trudeau's national ideal is better characterized as a nation composed of bilingual individuals whose allegiances were to be with a single, national culture. It is a square peg in a round hole vision; means and ends at the same time.

Political and economic considerations provide a parallel illustration of the conflict. Trudeau's election campaign of 1968 embedded the phrase "regional economic disparities" into the Canadian political lexicon.¹⁶ His government's response to disparities was the Department of Regional Economic Expansion (DREE), formed in 1969. DREE's ostensible mandate was to redistribute spatially large-scale industrial activity through the establishment of selected urban growth centres in appropriate regions. But Jean Marchand (Minister for DREE) acknowledged that Quebec's big slice of DREE funds was intended to combat alienation and separatism.¹⁷ DREE's dual role within Quebec has led to the speculative conclusion that it would not have been established at all in the absence of the problems in that province.¹⁸ The Official Languages Act and DREE were thus

interesting irony alongside his liberal values, which were in accord with the "life, liberty, and pursuit of happiness" of American transcendentalism.

- 14 The 1982 Charter of Rights and Freedoms is based on individual rather than group rights. Brodie claims that the whole constitutional exercise after the 1980 election was an attempt by Trudeau to institutionalize a shift of the balance of power towards the centre. See Janine Brodie, *The Political Economy of Canadian Regionalism* (Toronto, 1990), pp. 208-9.
- 15 Johnston, ed., *Pierre Trudeau*, p. 46.
- 16 Regional economic disparities exist in every province, and are due to differences in the distribution of resources, wealth and earned income across space. Politicians who refer to such disparities are making a value judgement as to the injustice and/or dysfunctional nature in differences of income, employment and employment opportunities — usually based on the relative wealth of "Central Canada" or southern Ontario.
- 17 See the *Daily News* (St. John's), 7 March 1972, p. 4. DREE grants increased to Montreal to offset the withdrawal of capital after the October 1970 FLQ crisis. Quebec received 35 per cent of DREE's budget between 1969 and 1975. See Paul Phillips, *Regional Disparities* (Toronto, 1978), p. 84.
- 18 David Alexander, "Economic Growth in the Atlantic Region, 18800-1940", *Acadiensis*, VIII, 1 (Autumn 1978), p. 49ff.

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the complementary tools of a two-pronged strategy — one cultural, the other economic — for the purpose of ensuring Canadian national unity. In the event, however, DREE not only had no impact on Quebec alienation, it also failed to meet even its ostensible goal of lessening regional disparities in the underdeveloped peripheries.¹⁹

While Trudeau and Marchand were correct in their estimation of nationalism and regionalism as potential threats to Canadian unity, the estimation became a self-fulfilling prophecy. The language policy outraged Quebec nationalists and attempted to undermine regional alliances by unilaterally imposing a demand for pan-Canadian patriotism based on an imaginary binational state. The DREE industrial policy, moreover, was based on modernization theory with its geographical determinist basis. That is, it identified the peripheral regions as intrinsically flawed areas in need of some kind of market readjustment or restructuring. It is hard to imagine a more unlikely approach to national unity and regional economic success.²⁰ To the proponents of the image of federalism as strong central government, the term “regionalism” itself has acquired an automatic association with conflict. The hostility of the atmosphere that can result was apparent at the First Minister’s Conference of September 1980, of which Trudeau writes, “it had become obvious that the greed of the provinces was a bottomless pit”.²¹

It is usually assumed that Atlantic Canada receives a greater per capita share of federal expenditures than other parts of the country. However, when unemployment insurance and equalization payments are deducted — i.e., those expenditures *directly* related to economic disadvantage — the figures show that Newfoundland receives

19 For example, between 1971 and 1978 Newfoundland’s unemployment rate rose from 8.4 to 16.4 per cent. DREE programmes favoured areas already in possession of industrial infrastructure (that is, mainly Central Canada) and operated with little regard for their social impact. Even the Macdonald Royal Commission — influenced by, if less radical than, Thomas Courchene’s neo-conservative economic stance — offered a post-mortem on DREE and other programmes that was far from positive. The report cited a number of very critical papers. See Government of Canada, *Report of the Royal Commission on the Economic Union and Development Prospects for Canada* (Ottawa, 1985), vol. 3, pp. 209-15. See also Atlantic Development Council, *The Atlantic Region of Canada: Economic Development Strategy for the Eighties* (Ottawa, 1978); Matthews, *Regional Dependency*, pp. 107-11; James W. Goulding, “The Last Outport: Newfoundland in Crisis”, Ph.D. thesis, York University, 1981; Amin Kia, “Evaluating Regional Policies in Canada: The Case of Newfoundland”, Ph.D. thesis, Carleton University, 1985.

20 Although it is now less fashionable (because politically contentious), some scholars with connections to the levers of power (in the Economic Council of Canada, Fraser Institute and C.D. Howe Institute; see Brodie, *Canadian Regionalism*, p. 208) still advocate solutions to regional underdevelopment that are strictly market-oriented. Cutting unemployment insurance and encouraging emigration are advocated, as is the related idea of allowing wages to fall to their “natural” level on the assumption that inward and indigenous investment will increase after a sufficiently low wage level is reached. The free market, however, has not been notably successful in broadening the economic base of Atlantic Canada. One characteristic of capital is its mobility; far cheaper wages can be found, for example, in Mexico. The Free Trade Agreement should facilitate such mobility, though this will have a far greater impact on the manufacturing heartland of Central Canada.

21 Johnston, ed., *Pierre Trudeau*, p. 54. It was at this conference that then Newfoundland premier Brian Peckford publicly declared allegiance to René Lévesque’s vision of Canada.

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less per capita than any province except Ontario, Quebec and British Columbia, and significantly below the Canadian average.²² These are expenditures relating to the Departments of Fisheries, Environment, Industry, Science and Technology, Education, the National Research Council and so on. An internal report by the Newfoundland government emphasizes the distinction between compensatory payments and assistance to business, suggesting that the former "may to some extent reinforce the existing economic structure which contributes to economic disparities", and that for Atlantic Canada, the former have displaced the latter, especially since 1981. It shows that Atlantic Canada's share of federal assistance to business declined from 32.2 to 7.1 per cent between 1980 and 1987. During this period the share for the four Western Provinces increased from 16.1 to 50.6 per cent, and Ontario's share showed a less dramatic increase. While the federal government provides Atlantic Canada with equalization payments to compensate for its structural disadvantage, the report notes that "The establishment of the Western Development Fund in 1980 had marked a turning point beyond which one of the most prosperous regions in the country was to become the major recipient of regional development expenditures".²³

There are two curious things about this. First, it does not seem to be a reasonable strategy for reversing regional economic disparities; second, whereas government programmes for Ontario industry are viewed as investments, regional development programmes directed at the Atlantic Provinces have the attendant negative welfare connotations; they are often viewed as charity. That it would be more gracious for Atlantic Canada to acknowledge its subsidized dependency as the best of possible situations is not only implied, it is explicitly stated on occasion.²⁴

One is forced to consider seriously the utility of a federal structure whose policies are implemented to manage the national economy in a way that gives priority to the economic engines of Central Canada. Exactly as happened in southeast England, the present Canadian government was unable to maintain the economic boom in southern Ontario without the inflationary pressures of 1988 to 1990. In response to the subsequent overheating of its economy, the federal government resorted to the imposition of higher interest rates. Shortly before this, legislation was introduced to form the latest successor to DREE — the Atlantic Canada Opportunities Agency (ACOA). It is difficult to see how ACOA was to implement its mandate of encouraging entrepreneurial activity in an area that never recovered from the recession of 1981 while the federal government was applying monetary policies to put the brakes on economic activity in Central Canada. In interviews in St. John's during the summer of 1990, it was emphasized to me that in the economic

22 For the 1988-9 fiscal year, the federal government spent \$2,281 per capita in Newfoundland, \$2,401 in Alberta, and an average of \$2,676 per capita across the country. See Phil Hartling, *Federal Expenditures as a Tool for Regional Development* (Halifax, 1990), pp. 7-9. One interesting statistic included is that 18 per cent of the Department of Fisheries budget is spent in Ottawa!

23 Government of Newfoundland and Labrador, Economic Research and Analysis Division, Cabinet Secretariat, *A Background Report on Regional Economic Disparities in Canada and Federal Assistance to Business and Compensatory Payments, 1961-1987* (St. John's, 1989), pp. i, 7.

24 As it was recently by a former diplomat to Ottawa. Such references to Atlantic Canadian grievances are used to effect an amused response from audiences in a manner that would be politically unthinkable were the reference to Quebec.

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peripheries it is particularly relevant that an interest rate difference of two percentage points can be the difference between a marginal business activity and a non-existent one.²⁵

It is therefore not surprising that in the Atlantic Provinces it is commonly held that the “national interests” defended by Ottawa are in fact an abstraction for protecting the economic interests of southern Ontario and Quebec.²⁶ (And in Quebec, business people criticize the federal government for its “made in Ontario” interest rate policy.)²⁷ One simple reason for apparently incongruous policies is that the federal government must ultimately exercise legislative power in a manner that meets with the approval of the majority of the House of Commons. Ontario and Quebec MPs form the majority. The premier of Newfoundland, for example, believes that the federal system in effect acts like a unitary system: it fulfils the essential equality between individuals through the Commons, but not the equality of the provinces through an institution such as the Senate. But an elected Senate that provided this equality would not deliver the country from the “two founding nations vs. ten provinces” dilemma. Québécois nationalists will not accept a federal structure which ensures merely that the provinces have equal status and rights.

Most Canadians are by now familiar with this dilemma. Is Canada a union of two nations or a contract between the federal state and ten theoretically equal provincial jurisdictions? In the immediate aftermath of the Meech Lake failure, the phone-in radio shows in St. John’s provided the clear impression that people had grasped the mutually exclusive nature of these two conceptual devices.²⁸ The “two nations/ten provinces” impasse, which has been central to Canadian political culture since the Trudeau/Lévesque battle, should be shrugged off. The impossibility of resolving it should be construed as a warning signal of the need for a new notion of federalism.

Anglo-Canadians will be familiar with the cliché that, when asked how they define themselves as a whole, they respond by defining who they are not. Canadians are not Americans, Canada rejected revolution, and Canada is not “the melting pot”. The question that asks in what way are Canadians not Americans may — at least before Meech Lake — have prompted a reference to Quebec: the French fact that proves the resistance to the melting pot ideal.²⁹ For anglo-Canadians to use Quebec in this way is no doubt a source of combined amusement and consternation to the Québécois.

Although it is undeniable that many individual Canadians choose the national self-identity over a regional or provincial one (but they are few on the ground in

25 Interviews with Premier Wells and a representative of the St. John’s Board of Trade.

26 Of course, this view is not dependent on a single and recent example. It is often used to describe the motive and effect of the National Policy of 1879. David Alexander offered a bitterly brilliant account of the impact of Confederation on the Maritime Provinces and, later, on Newfoundland. See Alexander, “Canadian Regionalism: A Central Problem” [1976], in Eric Sager et al., eds., *Atlantic Canada and Confederation: Essays in Canadian Political Economy* (Toronto, 1983), pp. 46-9.

27 Pierre Fournier, “Canada’s Quest for a New Constitution”, in Canada House Lecture Series, No. 50 (London, 1991), p. 4.

28 It was concurrently apparent that the unambiguous solidarity with René Lévesque which had existed among the St. John’s political and cultural elite a decade earlier had evaporated without a trace.

29 Friends from Ontario have told me that this line of reasoning was employed by their school teachers.

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Newfoundland), and although my literary colleagues are adamant that there is a Canadian literary culture, Trudeau's efforts produced no viable national vision to match Quebec's projet de société. In David Alexander's words, "Canada is a country with regional myths but no country-wide ones which are seriously believed".³⁰ It is yet common for reference to be made to "the Canadian experiment" with no sense of irony; Confederation is a century and a quarter old, and we are still unsure whether a uniquely *Canadian* culture has yet emerged. At a conference in Belfast in April of this year, Mordecai Richler referred to Canada's "emerging national identity". Perhaps it is acceptable to some that the neurotic phenomenon of asking "Do we have a culture?" itself constitutes a uniquely Canadian culture. Some Canadians will contrast this favourably with aggressive jingoism (and rightfully so), but that again is the American yardstick, and it remains qualitatively distant from the assertion of a national culture or Trudeau's national will. Why this should be problematic is not self-evident. Perhaps the post-nation-state question for Canadians should not be "Do we have a culture?", but rather "Do we need just *one*?"

Throughout the 1970s, the theoretical debates in political economy used the undivided nation-state as the unit of analysis, and argued the relative merits of competing "images of Canada". Was Canada an outpost of empire, a passive and dependent resource-providing victim of world events, an intermediary representing American interests abroad, a junior imperialist, or a full-fledged imperialist power with an independent economic base? This was largely a bilateral debate, with dependency theorists tending toward the former images and class theorists toward the latter. For the examination of the political economy of Canada from an Atlantic Provinces perspective, this presented a great difficulty.³¹ By 1980, one sociologist was writing:

Perhaps one reason why there has been no sustained attempt to develop a regional sociology in Canada is the virtual obsession among Canadians with...the characteristic and unifying features of Canadian identity. As a result, Canadian sociologists have focused their attention on Canada as a whole and...have dismissed regional differences as unimportant in understanding Canadian social structure.³²

A new Canadian political economy of regionalism has since attempted to supply the shift in perspective — away from the nation-state and towards its constituent

30 David Alexander, "New Notions of Happiness: Nationalism, Regionalism and Atlantic Canada", *Journal of Canadian Studies* [JCS], 15, 2 (1980), p. 41. This was a special "Regionalism" edition of JCS.

31 An exception to this situation was the seminal Robert J. Brym and R. James Sacouman, eds., *Underdevelopment and Social Movements in Atlantic Canada* (Toronto, 1979). This employed a dependency perspective in the service of explaining the penetration of external capital into the Atlantic Region and its impact on regional class relations.

32 Matthews, *Regional Dependency*, p. 78. This is a revised excerpt from a paper which first appeared in the 1980 "Regionalism" edition of JCS. The *Canadian Review of Sociology and Anthropology* also published a special edition on regionalism and underdevelopment in 1980.

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parts — with a theoretical basis. Dependency theory was instrumental to this shift.³³ This was not simply due to its spatial foundation, but also to its providing a better theoretical model for the Atlantic Provinces than for Canada as a whole.³⁴ It now seems to be agreed that the “dependency vs. class” dichotomy requires a compromise and that “no single economic theory exists to explain regional disparities”.³⁵ Valuable contributions to the debate have been built around the observable phenomena — articulated by Brodie, Sacouman and others — that class-biased arrangements between the state and capital produce spatial rather than class politics, and that capitalist restructuring has spatially uneven results.³⁶

Brodie’s position has also maintained an earlier proposition that the term “region” has been rendered analytically problematic by the confusion of two different concepts of it — “formal” and “relational”.³⁷ Formal regions are those delineated by a similarity of features, such as environmental factors. This familiar analytic device is employed by, for example, the Canadian government when it disaggregates national statistics into “Atlantic” and “Prairies” categories. Ethnicity (e.g., “French Canada”) is another formal criterion for demarcation. But the explicitly political concept of “relational” regions challenges the idea of regions as fixed, natural “spatial units”. Instead, relational regions are products of shifting political, social, economic and administrative relationships through space.³⁸ These relationships cut across formal regions; for instance, the relational region of Toronto extends to Atlantic Canada and into other countries. Brodie points out that “Innis’s staples theory, the metropolitan-hinterland thesis, dependency theory, and some neo-Marxist applications all argue that regions are defined by their relationships with other regions”.³⁹

33 Notwithstanding that its more unsound premises — among them the portrayal of Canada as a “Third World” adjunct to American capital interests — had been successfully challenged by orthodox Marxist analyses of economic development. On the other hand, Patricia Marchak wrote in the “Regionalism” edition of *JCS* that “Regionalism has long been underrated by social scientists. The focus on class divisions has obscured the fact that populations are geographically situated”. Marchak, “The Two Dimensions of Canadian Regionalism”, *JCS*, 15, 2 (1980), p. 95. This suggests that the recognition of the need for a regional perspective involved a reaction to the Marxist challenge, and to the difficulties that the phenomena of regionalism and nationalism pose to class analysts.

34 This would seem to have been a premise of *Underdevelopment and Social Movements*. Not all of the contributors were favourably disposed towards dependency theory, however. James Overton’s paper “Towards a Critical Analysis of Neo-Nationalism in Newfoundland” describes how the language of “dependency” had, by then, been expropriated for conservative political agendas.

35 Donald Savoie, ed., *The Canadian Economy: A Regional Perspective* (Toronto, 1986), p. 9. See also Bryant Fairley, Colin Leys and R. James Sacouman, eds., *Restructuring and Resistance: Perspectives from Atlantic Canada* (Toronto, 1990), pp. 16-17.

36 Brodie, *Canadian Regionalism*, pp. 53, 75; R. James Sacouman in *Restructuring and Resistance*, p. 247. Brodie credits Harold Innis with having recognized in 1940 the uneven spatial impacts of federal policy instruments that were supposedly to benefit the whole country.

37 William Westfall, “On the Concept of Region in Canadian History and Literature”, *JCS*, 15, 2 (1980), pp. 6-8.

38 Westfall, “Concept of Region”, p. 8, and Brodie, “Political Economy of Regionalism”, p. 141.

39 Brodie, *Canadian Regionalism*, p. 22.

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The problem is that the concepts of formal and relational regions are held to be mutually exclusive. The "two nations/ten provinces" dilemma is used to illustrate this (formal criterion of ethnicity vs. relational criterion of administrative boundaries). Whereas it is seen that to use formal criteria such as geography as *explanations* for the social and political characteristics of a region is unacceptably deterministic,⁴⁰ it seems that formal regions have been discarded as "spatial abstractions".⁴¹ But this conclusion is neither logical nor necessary; it has been reached as a result of identifying regions as *only* political creations — the "products of alliances and conflicts".⁴² This perception is not incorrect but it is incomplete.

As David Cameron had pointed out in 1980, "To approach the phenomenon from the perspective of the problems and tensions which it seems to create is...to treat it primarily as a political force and to capture only a part of that complex political reality".⁴³ Approaching regionalism through the narrow prism of the political conflict between two levels of government misses its cultural dimension. As such, the theoretical developments do not yet exhibit the conceptual leap forward from standard, reactive notions of regionalism. This has precluded a coming to terms with nationalism and regionalism as living phenomena in Canada — with progressive or regressive tendencies, depending on the given historical situation.

It is, of course, necessary to provide a counterpoint to the notion of formal regions as spatial abstractions. Successful federalism is only in part a political arrangement of power-sharing among governments. It is also the association of nations or sub-national groupings of people who share, within their own regions, a set of attachments to institutions and practices, and which can be expressed through a shared economic basis, dialect or language, lifestyles, history, customs, myths, identity, all of which can be constantly reinvented. In other words, it is also a voluntary association of cultures. This is the level at which culture in this sense exists, and not at the level of the greater association. The concept of formal regions is useful here; these are not "spatial abstractions". Culture may be analytically untidy, but that does not warrant its isolation from political economy.

The theoretical debate has inverted reality. The entity that is *politically* defined is the greater association called Canada.⁴⁴ In addition to the caveat that Canada possesses a distinct literary culture, one might add that there is a Canadian political

40 Geographic and cultural determinism are the grounds on which the whole postwar modernization paradigm in developmental sociology and economics was challenged by dependency theory and other neo-Marxist approaches to political economy. Recall that DREE was based on the modernization paradigm.

41 As argued by Westfall, "Concept of Region", p. 7, and Brodie, *Canadian Regionalism*, p. 6. This is reminiscent of the dismissal of dependency theory by the phrase "space fetishism" during the "dependency/class" debate. See Overton, "Neo-Nationalism in Newfoundland", p. 233.

42 Brodie, *Canadian Regionalism*, p. 17.

43 David Cameron, ed., "The Imperatives of Change: Regionalism in Canadian Life", *JCS*, 15, 2 (1980), p. 127.

44 In this respect it has the dubious company of such former "nation-states" as the German Democratic Republic, but perhaps comparisons with the former Soviet Union, Czechoslovakia or Yugoslavia better convey the fact that multinational political ties without cultural cement can eventually be weakened.

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culture. But this is only saying that there is a Canadian polity. And since culture is used here in the sense of a social glue, then political culture in Canada has been operating in the opposite manner — as an alienating and unintentionally centrifugal force. A successful federalism does not require a single, defining national culture. Indeed, federalism cannot even be described or comprehended in these terms. The vision of federalism as bequeathed by Trudeau is appropriate to the ideal of a homogeneous nation-state, but Canadians realize that no single or dual nation-state exists. Perhaps it is time to discard this vision.

Regionalism lays the basis for the post-nation-state ideal, in which the whole is not assumed to be greater than the sum of its parts. The new notion of federalism, based on the regions, does not require inventing: it already exists in the name of *confederalism*. In explicit contrast to federalism, confederalism is defined as a voluntary association of sovereign states that delegate limited authority to the centre.⁴⁵ Under this system, primary ties to constituent governments are not disturbed, and the centre is unable to legislate for all constituent governments simultaneously. The 1920s compact theory was an expression of confederalism. A “national myth” is nothing more than an abstract conceptual impediment to this new arrangement. In this context it becomes impossible to dismiss René Lévesque’s goal of sovereignty-association as a cynical halfway house unworthy of the respect accorded to an elegantly simple demand for independence.⁴⁶ In the post-nation-state context, Lévesque was the confederalist and Trudeau the centralist.

The break-up of Canada will not have been caused by “regionalism”, but rather by regional pressures — not unique to Canada — to which an obsession with national unity has precluded effective responses. The act of secession by Quebec may be the necessary vehicle by which a new confederation is achieved. Recent federal initiatives have proposed even deeper constitutional change than the Meech Lake Accord; it is reasonable to suppose that they will suffer the accord’s fate unless the confederal arrangement they imply is made specific. This may be the only way of burying the “two nations/ten provinces” dilemma.

The idea and institution of the nation-state is unravelling in Europe. The regions can already conduct their economic affairs without recourse to the national capitals. If the example of Europe has any meaning, it suggests that an independent Quebec will be far more likely to participate in a confederation than to shun it. However, the politics of the Continent appear to be swinging to the Right — in both “have” and “have-not” regions — which indicates a loss of sympathy for the ideal of a confederal European Community, in which there is promised to be a levelling of economic disparities.⁴⁷ A looser confederalism in Canada is thus hardly a guarantee

45 See, for example, Allan Bullock et al., eds., *The Fontana Dictionary of Modern Thought* (London, 1988) and Roger Scruton, *A Dictionary of Political Thought* (London, 1983).

46 As did David Alexander in “Old and New Money”, *JCS*, 15, 3 (1980), p. 109.

47 The Danish people’s rejection of the 1991 “Maastricht Treaty” (for closer economic union of the EC member states) in a referendum this past summer can be attributed in part to the resurgence of the European far Right. Confusing alliances have, however, formed across ideological lines. Opposition to Brussels-controlled “Euro-federalism” also arises from those on the farthest Left of the British Labour Party. One source of the confusion, in Britain at least, can be attributed to differing interpretations of “federalism”, with “Euro-sceptics” of either extreme seeing it as synonymous with

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that the economic goals of various regions can become and remain complementary. Neither of the two regionally based "federal" parties in Canada could be described as progressive, and it is not unthinkable that supporters of the Reform Party might be unwilling to countenance confederal arrangements with an independent Quebec.

A special report on "post-modernist" Canada in the *Economist* concluded with sobering thoughts: "Many Canadians will hang on to their traditions. But the two founding nations will count for less and less: Quebecers will diminish in number, and descendants of the British will be an ever-smaller share of the rest. Sooner or later Canadians are going to become Americans. Too bad".⁴⁸ Canada, of course, has always had to consider the immediate presence of the United States and the North American context. The Free Trade Agreement itself poses many questions. As its opponents argued, will it serve to aggravate regional disparities and hence political fragmentation? Or will it allow each region to develop its "natural" economic linkages with neighbouring American regions? Would this be the first step in a confederated Canada's absorption into the United States, piece by piece? And is this possibility the single reason why Canada has shunned true federalism in favour of a strong central government? But the prediction that Canadians will inevitably become Americans is as plausible as the prospect of Basques becoming Bavarians. Newfoundlanders will still be Newfoundlanders, Québécois will remain Québécois, and the rest will still be whatever they choose to call themselves now. Confederalism is not a threat to cultural integrity — but it is true that the economic implications are beyond prediction.

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"centralism". That the post-Thatcherites, for instance, object in this way is remarkable, given that Thatcher's government implemented a comprehensive centralization of the British state throughout the 1980s — at the expense of local government.

48 *Economist*, 29 June 1991, p. 18.

Appendix 4

List of Acronyms and Abbreviations Used in this Thesis

ACE	– Advisory Council of the Economy
ACOA	– Atlantic Canada Opportunities Agency
ADA	– Area Development Agency
ADB	– Atlantic Development Board
ADIA	– Area Development Incentives Act
ALCAN	– Aluminum Company of Canada
APEC	– Atlantic Provinces Economic Council
ARDA 1	– Agricultural Rehabilitation and Development Administration
ARDA 2	– Agricultural and Rural Development Administration
ASARCO	– American Smelting and Refining Company
BBC	– British Broadcasting Corporation
BRINCO	– British Newfoundland Corporation
CBC	– Canadian Broadcasting Corporation
CBDC	– Cape Breton Development Corporation
CFLCo	– Churchill Falls (Labrador) Corporation
DFO	– Department of Fisheries and Oceans
DN	– Daily News
DO	– Dominions Office
DOSCO	– Dominion Steel and Coal Corporation
DREE	– Department of Regional Economic Expansion
DRIE	– Department of Regional Industrial Expansion
ECC	– Economic Council of Canada
ENL	– Enterprise Newfoundland and Labrador
ERC	– Economic Recovery Commission
ERCO	– Electric Reduction Company
ERDA	– Economic and Regional Development Agreement
ET	– Evening Telegram
FFAW	– Fishermen, Food and Allied Workers (Union). Previously NFFAWU
FIRA	– Foreign Investment Review Agency
FPU	– Fishermen's Protective Union
FRED	– Fund for Rural Economic Development
FTA	– Free Trade Agreement
GAI	– Guaranteed Annual Income
GBS	– Gravity-Based Structure
GDA	– General Development Agreement
GDP	– Gross Domestic Product
GNP	– Gross National Product
GPT	– Growth Pole Theory
HMDC	– Hibernia Management and Development Company
IOCC	– Iron Ore Company of Canada
ISER	– Institute of Social and Economic Research
MHA	– Member of House of Assembly
MMRA	– Maritime Marshland Rehabilitation Act
MP	– Member of Parliament
MUN	– Memorial University of Newfoundland
NAFEL	– Newfoundland and Associated Fish Exporters Ltd
NAFO	– North Atlantic Fisheries Organization
NALCO	– Newfoundland and Labrador Corporation

NDP	– New Democratic Party
NFB	– Newfoundland Fisheries Board
NFFAWU	– Newfoundland Fishermen, Food and Allied Workers Union
Nfld	– Newfoundland
NIC	– Newly Industrialising Country
NIFA	– Newfoundland Inshore Fisheries Association
NLDC	– Newfoundland and Labrador Development Corporation
NLP	– New Labrador Party
NODECO	– Newfoundland Offshore Development Contractors
PEI	– Prince Edward Island
PFRA	– Prairie Farmland Rehabilitation Administration
PRO	– Public Record Office
RAND	– (Department of) Rural, Agricultural and Northern Development
RDA	– Rural Development Association
RDB	– Regional Development Board
RDIA	– Regional Development Incentives Act
SOFA	– Save Our Fisheries Association
UI	– Unemployment Insurance
US	– United States
USSR	– Soviet Union

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