Social Science and Regional Development

Notes for a presentation by J.D. Love,
Deputy Minister of Regional Economic Expansion,
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Introduction

When first invited to participate in this Conference, I had very mixed feelings. On the one hand, my instincts told me that the demands of the "in-basket" would struggle mightily against the commitment to produce the required paper -- and I can now say that those instincts were right. On the other hand, I was attracted by the purpose of the Conference which, however hard to articulate, seemed in some uncertain way to be sound. And the uncertainty was finally swept away by a quite irrational feeling that any conference sponsored by an outfit headed by John Meisel, an old and respected friend, was bound to produce something of real value.

I am really very pleased to be here.

The Conference is based on a tripartite format. This is an idea with which I am familiar because, some years ago, when serving as Deputy Minister of Labour, I had an association with the International Labour Organization, which has its headquarters in Geneva. All of the national delegations to the ILO, and all of its governing institutions, are representative of governments, employers and workers. The division is at least clear-cut, for it has a firm institutional foundation.

The tripartite classification with which we are working here is less precise and, for me at least, less satisfying because it has no such foundation. Indeed, I am inclined to say that, in order to make sense of our subject, we will have to distinguish between the social scientist as bureaucrat and the social scientist as academic. It is an important distinction because there are obvious and substantial differences in the institutional characteristics of a government and a university.

I am no expert on these differences and I have no intention of pursuing the subject here at any length. But the existence of the differences deserves to be recognized, partly because their preservation is of great importance to our society, partly because careful analysis (by someone more qualified than I) would probably show them to be highly relevant to some of the concerns underlying the theme of the Conference.

Like most members of my generation, I have been frequently struck, for example, by the great pressures placed on all the institutions in our society by the period of very rapid, even traumatic, change through which we have been passing. The capacity of each type of institution to cope with and respond to those pressures has presumably

varied. In this respect, I have a hunch that government, in spite of all its shortcomings, may have been relatively fortunate because its purpose, structure and method of operation have offered little protection from any of the pressures and the absence of protection has guaranteed a continuous response. I suggest, not that the response has always been appropriate, but only that it has been inescapable. I will not attempt the obvious comparison but I would invite those in the audience who are thoroughly familiar with the university as an institution to do so, and to speculate on its potential significance for social scientists working in the two environments.

Having made the distinction between the bureaucratic and academic social scientist, we should understand that it was not always so easy to make that distinction. It is difficult to draw historical dividing lines with the precision that entertaining history requires. It nonetheless seems reasonable to suggest that, in the case of the federal government at least, recognition of the relevance to policy formulation of modern social science, having dawned somewhat earlier in the upper reaches of the Departments of Finance and External Affairs, arrived fully, on a wide front, almost like a revelation, with the exigencies of the Second World War. The same exigencies blurred the institutional divisions

to which I have already referred, as professors moved back and forth to Ottawa, blending with and to some extent melting into the senior levels of the wartime bureaucracy. For quite a while in the immediate postwar period, that easy and comfortable relationship continued. The potential of the social sciences was still strongly sensed, perhaps even exaggerated, and the advice of the academic social scientist was regularly sought on an increasingly wide range of policy questions.

Meanwhile, the government had begun to employ social scientists in increasing numbers, sometimes (I now think) without any clear idea about how they might be effectively used or organizationally situated. It was an era well illustrated, with some exaggeration, by the contemporary story about the bank president who, being asked what the newly-hired economist down the hall was supposed to do, said "Damned if I know! It just makes us comfortable to know that he's there".

Be that as it may, the bureaucratic social scientist of the time tended to be hived off in something generally referred to as a "research branch" -- a unit that was usually rather far removed from the line organization in which officials had to muddy their hands with the application of

policy and to which Ministers and Deputy Ministers tended, quite understandably, to turn for the real advice on policy formulation. The ghetto-like quality of some of those early research units (in which, incidentally, some very good work was done) has largely disappeared. There is now a better than even chance that the social scientist as bureaucrat is organizationally less isolated, closer to the mainstream of program activity and therefore more effectively integrated in the policy formulation process. In my Department, which is now rather thoroughly decentralized, there are groups of qualified social scientists engaged in analytical, planning and evaluation work in every one of our major offices across the country. And all of my Assistant Deputy Ministers have responsibilities that require, among other things, a good understanding of principles and techniques rooted in the social sciences.

It is my guess that, because of the requirement to respond quickly to rapidly changing circumstances, and because of the gradual evolution in the role of the bureaucratic social scientist, government is finding it less attractive and less necessary to use the academic social scientist in open-ended policy formulation assignments of the kind that were relatively common fifteen or twenty

years ago. There is still a recognized need to employ the university expert to undertake specific analytical assignments or to provide an independent perspective. But the pattern of demand and utilization has changed and will continue, I think, to change in the direction I have suggested.

In my opinion, it would be wrong to interpret this trend as a loss of government interest in work done at the universities on matters affecting government policy. As a matter of fact, I personally feel that the trend offers hope of a much healthier relationship between government and the universities than the one that existed in the days when academic personnel, particularly in the social sciences, were spending so much time on government contract work that there was a developing concern about their basic commitment to the underlying function of a university.

None of what I have so far said should be construed in any way as a criticism of either the university or the people who work within its orbit. You are free, if you wish, to construe some of it as an indication that the speaker has a deep and perhaps old-fashioned respect for the traditional concept of the university as an educational institution with

a commitment to independence and the advancement of broadly-based learning.

Until now, I have been indulging in general observations -- to the point, I am afraid, where some of those present may have begun to wonder whether they managed to get into the right room. The time has clearly come to say something about the relationship between the social sciences and policy relating to regional disparity and development.

I will be attempting to deal with the subject under three broad headings: underlying considerations; objectives and directions; and present policy instruments. In doing so, I will have to be selective. I will also try hard to be brief -- but perhaps not brief enough.

Underlying Considerations

The first of the underlying considerations has to do with history. Canadian regional development policy did not have its genesis in 1969, when the federal Department of Regional Economic Expansion was created. In a sense, it has been a preoccupation of Canadian governments, federal and provincial, since the days of

confederation. Colonial patterns of settlement, the building of ships and railroads, the flow of immigration, the search for stability in agricultural production and marketing, the management of the tariff, the regulation of freight rates, the growth of secondary manufacturing, the provision of hydro-electric power; one could go on for hours dipping into the history books for concerns that have had an obvious bearing on regional development. I mention the fact here only to emphasize the potential breadth of the subject under discussion and to indicate that historical perceptions and irritants cannot be ignored in the development of modern regional development policy. Anyone who seriously doubts this has not focussed much on the Canadian past, has not travelled east or west of the "Golden Triangle" and certainly has not read an accurate account of any recent federal-provincial conference.

It is my impression that we have been extraordinarily well served by our historians, who have managed over many years to tell us a great deal about why we are what we are. It is my hope that the tradition of historical scholarship is continuing to flourish in our

universities because, for me at least -- and this may surprise you -- it has been and should continue to be one of the basic well-springs of policy formulation in most fields of activity, including regional development.

Another underlying consideration has to do with the nature of the economy and varying assumptions about both its market characteristics and their tendency to maximize efficiency. There is no doubt in my mind that the concept of the economy as a national entity is valid; that policy considerations based on that concept are vitally important to all Canadians, particularly as they relate to our position in the international environment; and that, if the general welfare is to be protected, various elements of macro economic and social policy have to apply in a uniform manner in all parts of the country. I do think, however, that economists, whether they be academics or bureaucrats, have tended to give a disproportionate share of their attention to questions of policy affecting the national economy and have been encouraged to do so, at least until recently, by a serious lack of statistical data relating to regional and sub-regional components of that economy. Indeed, it is fair to say that study of the regional economies in Canada is still in its infancy.

I have mentioned varying assumptions about the market characteristics of the economy and about the extent to which they serve to maximize efficiency in national terms. I have done so, not to invite debate on what can be a controversial matter, but only to record the fact that assumptions on the subject do vary and, to some extent, do so according to geographical location. The basic variations are hardly surprising. In the focal points of high growth, belief in the efficiency of market forces has tended to be quite strong. In other parts of the country, particularly in those characterized by slow growth, that belief has been accepted with some skepticism, if at all; and there has even been a tendency to suggest that market forces in Canada operate rather imperfectly and are subject to many constraints, some of which are the result of public policy, past and present.

You may have noticed that, in describing this dichotomy, I have used the past tense. I have done so quite consciously because, in recent years, attitudes in the centres of high growth have been changing, influenced by concerns about pollution and congestion and the other social costs of a rapid and continuing concentration of economic activity and population. In this sense, we may well be witnessing a convergence of regional views on

a rather important question. In a country like Canada, a comvergence of this kind would, almost by definition, be quite significant -- sufficiently so, I would think, to attract the serious attention of the social science community in all of our major universities.

A third underlying consideration has to do with the process of economic development. This is an exceedingly complex subject that reaches out to such widely differing questions as those associated with the determinants of private investment and entrepreneurial behaviour, the relationship between activity in the primary, secondary and tertiary sectors, the quality of the labour force and the effects of manpower mobility, the impact of changing technology, the role of public infrastructure and services and even the ingredients of community spirit. Most if not all of these matters have been the subject of study in the social sciences and I am satisfied that the central body of relevant academic thought has had an influence on the current framework of regional development policy. I have to say, however, that this body of thought has not produced an accepted general theory; it generally lacks integration; and, in specific Canadian terms, it appears to be highly fragmented. It has therefore offered to the policy maker guidance somewhat lacking in both precision and authority.

In regional development, as in a number of other present-day areas of policy concern, governments, in Canada and elsewhere, have had to move in an empirical manner, doing what seems to make sense and learning along the way. There are times when government policy grows out of academic theory -- but there may well be other times when the reverse is true.

The last of the underlying considerations relates to the simple fact that Canada is a federal state. In matters of policy affecting economic development, that simple fact is incredibly important. It guarantees a large measure of decentralization in the use of political power. It makes unavoidable the expression of regional concerns and aspirations and a degree of competition in the resulting response by government. It seems to me that it makes inevitable some form of regional development policy.

At the macro level, one element of that inevitable policy is to be found in the fiscal arrangements between the two senior levels of government which, among other things, provide for equalization payments designed to make more equitable the availability of funds for provincial public services. Another element is to be found in various grants made to provincial governments to help finance

particular programs, notably in the field of social security, in a manner that recognizes specified minimum standards. These are fascinating, complicated and endlessly controversial subjects to which, for obvious reasons, social scientists in different disciplines have given a good deal of attention.

At the micro level, where government policy begins to engage the multitude of factors affecting the process of economic development, the fact of federalism takes on a different kind of significance -- for there is no discernible relationship between that process and the constitutional division of powers, however they may or might be defined or interpreted. If you look in a hard, analytical way at a specific opportunity for economic development in a specific part of Canada, you are almost bound to follow a course that touches numerous elements of public policy at two or more levels of government. To illustrate, let me quote from a statement made by my former Minister in 1973 while appearing before the Standing Committee on Regional Development of the House of Commons. Mr. Jamieson had this to say.

> In parts of some slow-growth regions, the forests provide an important potential foundation for increased employment and production. At the present time, my Department can help to build on that foundation by assisting in studies of the resource base and the market possibilities and by providing incentives for private investment in wood-using processing and manufacturing facilities. But optimum results may depend on a wide variety of factors. Improved access to markets, involving trade and transportation policy, may be involved. Land tenure laws or practices may affect the situation. Special efforts in both the public and the private sector may be needed to avoid environmental damage. Existing storage and distribution facilities may represent an impediment. Community development may require support for both the planning and capital investment required to accommodate industrial facilities and provide a reasonable quality of life for workers in both woods and plant activities. Manpower training or mobility programs may be desirable or necessary. These are only some of the factors that could be involved in realizing a potential opportunity. In such circumstances, optimum results may call for concerted action by a number of organizations in the private sector and in the federal, provincial and municipal segments of the public sector.

Many other examples could be given, each making a persuasive case for intergovernmental coordination, to which I will return later in describing the present policy framework of the Department of Regional Economic

Expansion. Here let me just say that, in my view, the linkages at the micro level between federalism and the process of economic development represent a large and fertile field in which the federal and provincial governments are now actively at work but to which academic social scientists have so far, to my knowledge, directed little of their energy and interest. This is not so much a criticism as it is an expression of surprise -- and, I suppose, an invitation.

Objectives and Directions

So much for the underlying considerations. Let me now say a word or two about factors affecting the objectives and directions of regional development policy, all of which are clearly related to the assigned subject of this session.

We must begin with regional disparities, for it is clear that one of the policy objectives, perhaps the most important, is to reduce these over time. In public discussion, disparities are normally described in terms of relative measures of income or, more frequently, relative rates of unemployment. By themselves, these measures of disparity can be troublesome. For example,

if the objective of regional development policy for the Atlantic provinces is defined simply in terms of relative rates of unemployment and, if over a period of years, the data show little change in these rates, it will be concluded that little or no progress has been made. But what will be the conclusion if you dig below the unemployment rates and find that, during the same period, there has been a steady improvement in the labour force participation rate and a steady reduction in the rate of out-migration? Is it possible in the short run to have significant progress in economic development without affecting the relative rates of unemployment? I make the point simply to illustrate the difficulty of defining the objectives of regional development policy in simplistic terms. I make it in the form of questions because there may be answers other than those to which I am inclined.

In reality, of course, the effort to define policy objectives and directions must go beyond the traditional concept of regional disparities. Demographic considerations, sub-regional differences and structural problems, not to mention the differing fiscal capacities of provincial governments, must be taken into account.

Regional development policy must obviously have regard for the rather alarming implications, social, economic and political, of current projections suggesting that, unless there is some modification in the prevailing patterns of external and internal migration, most Canadians will be living within a relatively short period of time in a very small number of huge urban concentrations. The policy must, just as obviously, have regard for similar concerns relating to particular parts of the country. The declining rate of population growth in Quebec; the slow or negative rate of population growth in Manitoba and Saskatchewan; the very rapid rate of population growth among native people in northern communities already suffering severely from social deprivation: these are just a few of the current demographic concerns.

There are important sub-regional differences that call for consideration, like the differences in Ontario between north and south, or the differences in Quebec between the area dominated by Montreal and the rest of the province, or the differences between the urban-centred and other areas of the Atlantic provinces. There are times when I feel that both policy makers and

social scientists are misled by political boundaries which, by providing the convenient framework for analysis, tend to mask some of the realities of regional problems in Canada.

Finally, there are a host of structural problems. In many parts of the country, these are based on a heavy if not excessive dependence on the primary sector, or on a secondary sector lacking diversification and lumped at the low value-added end of the spectrum, or on the relative lack of a tertiary sector from which the benefits of the economic multiplier must largely come. There is the phenomenon of the single-industry community, to which we have recently been giving a good deal of attention. There are the problems and possibilities related to transportation. And there is the question of energy, now hovering in the air in a manner to which we are not yet accustomed.

All of this may sound like heavy, rather disheartening, stuff. The list of problems is impressive. But, fortunately, there is another catalogue. During a major policy review, undertaken in 1972 and completed the following year, we spent a lot of time looking rather

carefully at opportunities for economic development in the various regions of the country. I think we convinced ourselves that these are many and varied -- which brings me to a final observation on the determination of policy objectives and directions. It seems clear that, in their efforts to reduce regional disparities and more generally to improve the geographic distribution of economic activity, governments have a responsibility, wherever possible, to apply the principle of comparative advantage. It also seems clear that, in this country, the chances of doing so are not inconsiderable.

In this section of the paper, my purpose has been fairly straightforward: to make it clear that, in determining regional policy objectives and directions, a variety of factors is involved and that, in a complex world, it is necessary to resist the very human and persistent longing for simplicity. I hope I have not left the impression that the whole business is so complicated that the basic objective cannot be stated. It can and has been officially stated in these words:

> To encourage each region of Canada to realize its potential for contributions to the economic and social development of the nation by expanding production and employment opportunities in regions of disparity and by encouraging mobility and other aspects of social adjustment both within and between regions.

Present Policy Instruments

I would like now to focus for a few minutes on the principal instruments of regional development policy now in use at the federal level of government (ignoring, if I may, the equalization and other transfer payments, already mentioned, which are highly relevant, but which really fit in a category of their own).

It may warm the hearts of members of the social science community to know that, in the Department of Regional Economic Expansion, analysis and evaluation are regarded as a principal instrument of policy. It seems to me entirely appropriate that this should be so. In the course of the major policy review to which I have already referred, the Government concluded that we should be fairly heavily engaged in the continuing analysis of regional economic circumstances and opportunities. Work of this kind is periodically summarized and made available to Ministers and senior officials in other federal government departments. To a considerable extent, it determines the subject-matter of ongoing consultations with the provincial governments. And it serves to identify and priorize opportunities for development and constraints on development in the slow-growth regions -- opportunities and constraints on which program initiatives can then be focussed under a unique set of federal-provincial agreements to which I will shortly be referring.

Analysis is closely related to evaluation, which is the process of determining the merits and shortcomings of particular program or project proposals. There are various degrees of sophistication in the evaluation work, depending on the size and complexity of the chosen subject or, to put it another way, on the number of chips that are or could be on the table. At the upper end of the spectrum, the work owes much to cost-benefit analysis, social accounting and the systems approach to problem-solving which, taken together, may well represent the most important of the recent contributions made to government by the social sciences.

The second principal instrument is a process of liaison with other federal government departments responsible for policies and programs that have a bearing on economic development. This is a continuous process designed to ensure that, as far as possible, the regional development objectives of the government are taken into account by all of the relevant agencies of the government, and not just by DREE.

Liaison, which is taken very seriously, both at the Ottawa headquarters and in the field, frequently leads to cooperative endeavour on major issues. In the past

year, we have done a good deal of serious work with the Ministry of Transport (on matters relating to the transportation policy review), with the Department of Energy, Mines and Resources (on matters relating to the energy requirements of the Atlantic provinces) and with the Fisheries Service of the Department of the Environment (on matters relating to the condition of the Atlantic Fisheries), to mention just a few examples. We have also been relating closely to the Department of Supply and Services (on the regional implications of federal government contract administration) and with the Treasury Board (on its review of the prospects for greater decentralization in the operations of the federal government). The potential significance of this kind of activity can hardly be overemphasized.

By far the most important of the DREE policy instruments is what is coming to be known in the bureaucratic trade as "the GDA system". It was introduced as a result of the 1973 policy review and yet already, in the current fiscal year, it is expected to account for roughly 38 per cent of Departmental program expenditures.

In the past year and a half, the Department has negotiated and signed General Development Agreements with

all of the provinces except Prince Edward Island, which is covered by a long-term federal-provincial development plan. Each of these agreements has a 10-year duration; each sets forth an agreed strategy of development for the province in question; and each makes provision for subsidiary agreements designed to exploit defined opportunities for development or to tackle defined developmental constraints in a coordinated manner. Over 35 subsidiary agreements are already in place and a number of others are in advanced stages of planning and negotiation. The signed agreements cover a wide range of subjects, including socio-economic development in the "northlands" of the three prairie provinces, improvements in urban infrastructure in key centres like Thunder Bay, Moncton and St. John's, efforts to increase the steel-producing capacity of Saskatchewan and Quebec, improved utilization of the forest resource in New Brunswick, the development of the Halifax waterfront and the promotion in Newfoundland of industry based on ocean science and technology. Some of the agreements, like that providing for the preservation and development of the Qu'Appelle Valley in Saskatchewan, include specific commitments by several provincial and federal departments and agencies. In each agreement, there is provision for joint managerial machinery.

The GDA system seems to be well-geared to the process of economic development in a federal state. It is a flexible instrument, providing a focus for inter-governmental and interdepartmental program coordination. It is perhaps too new to assess but, in my opinion, it has great potential. I have to add that it has provoked very little interest in the academic community. As a matter of fact, I have been somewhat embarrassed to find members of that community showing less interest in the GDA system than in the decentralization of the Department. The latter represents a significant administrative breakthrough but it largely depends for its rationale on the former, which in my view has much broader policy implications.

The last of the policy instruments might be described as "generalized program support". There are a number of important pieces that fall within this category, including the Prairie Farm Rehabilitation Administration, well known to any westerner as PFRA, which is concerned with a variety of specific activities designed primarily to protect and enhance the quality of agricultural land.

Perhaps the most important piece of generalized program support, certainly the one best known, is the

regional development incentives program, which is designed to encourage private investment in the manufacturing and processing industries within designated regions of the country. This program seems to have attracted more specific interest from the academic community than all of the other DREE activities put together -- in spite of the fact that it currently accounts for less than 20 per cent of our program expenditures. The explanation may lie in the fact that, for some people at least, incentives to industry are inherently dangerous or just plain bad. Or it may lie in the fact that the Minister is required by statute to make known to Parliament certain details about each action taken under the program, which means that a good deal of information is publicly available. To some extent, the information lends itself to quantitative examination. And, if economists have one basic failing, it is a tendency to focus on things that can be described by numbers.

More seriously, I should mention that, in 1973, again as a result of our policy review, my Minister put before Parliament, and in that way made public, the results of an internal assessment of the incentives program. The assessment, which in my view was carefully

done, acknowledged that the job creation estimates associated with the program, which are made at the time when individual applications are evaluated, are subject to certain shortcomings and have in some measure to be discounted. It also acknowledged certain technical shortcomings which, by a change in the governing regulations, have since been corrected, at least to a substantial degree. It concluded, however, that the program was basically sound and was serving a useful purpose in the slow-growth areas of the country. I must say that, in the several academic pieces written on the subject, I have not seen convincing evidence to the contrary. Nor have I seen much evidence that the Departmental assessment report to which I have referred has been read.

Conclusion

I have already used up more than my allotted time, and for that I apologize. You will be glad to hear that I do not intend to sum up. I do intend to make a concluding comment. As the Deputy Minister of DREE, I cannot claim to be a man without bias on the subject we have under discussion. I will nonetheless

state my conviction that, for Canadians, particularly for Canadians, regional development policy should be a matter of great interest and concern. I would personally welcome a greater show of serious interest and concern on the part of social scientists in Canadian universities. I am hopeful that this Conference will help to produce this kind of result. If it does, DREE will be offering no incentives but some encouragement.