

Regional Development and Regional Policy

Some Issues and Recent Canadian Experience



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Introduction

There is now a growing literature on 'regional development'. Not unexpectedly, with this greater attention to the subject has come increasing controversy. Three broad and related reasons can be identified for this: (a) the vagueness of the subject's conceptual foundations; (b) the confusion surrounding its objectives, and hence the choice of strategy to achieve them; and (c) the ambiguity of the issues involved, especially the economic and social ones, and the lack of comprehensive data which prevents them and their interrelationships from being expressed in quantitative terms. In fact, "the lack of data which makes it hard to prove the case for regional policy on economic grounds also makes it hard to disprove it".^{1/}

In recent years, there has been much academic discussion on the need for regional development and alternative approaches to it. Ironically, although we now have some sharper analytical tools, there is still very little general agreement and supporting evidence with respect to such important questions

^{1/} G. McCrone. Regional Policy in Britain. London: Allen & Unwin, 1969. (p.26).

as the process of regional development and the role of a 'regional policy' in the broader context of economic growth and social change. The transition from theory to policy has, therefore, generally been far from smooth and continuous.

However, in this period, there has also been a growing need for concerted public action of a selective kind to resolve serious problems of economic and social deprivation in particular parts of a country which is, by general standards, prosperous.

This background, in large part, explains the inevitably experimental quality of policy-making which continues to be an important characteristic of the field of regional development.

Since problems of regional development are likely to continue to present a challenge in the 1970's - for the policy-maker, the analyst, and for the individual citizen - it would perhaps be useful to review the key issues involved and the directions which developments in the field seem to suggest should be taken. An attempt is made in this paper to examine these questions along three broad lines: (i) the following section reviews the socio-economic issues involved and the

case for public action in regional development; (ii) the second section examines the conceptual bases of regional development and their contribution to the process of policy-making; and (iii) the final section discusses the federal government's policy toward the problems of regional development in Canada.

1. The Case for Regional Development

Problems of economic development have attracted a great deal of attention in the post-war period in most countries as a popular subject for debate, research and public action. In the early years of this period, however, the focus of this interest has been, by and large, on the 'Less Developed Countries' (LDCs). The problems of these countries relate to the generally low levels of economic growth and living standards, employment opportunities, and industrial and institutional structures or the lack of them. While significant inter-regional socio-economic differences still exist in the LDCs and many government development efforts recognize them, the chief concern in these countries continues to be with the overall problems of economic underdevelopment.

In contrast, the problem in the 'industrialized' countries

is of a somewhat different kind. In the immediate post-war years, the concern in these countries has largely been with a combination of the problems of rehabilitation and reconstruction, and of transition from war-time to relatively peacetime conditions. With the exception of short intervals of slackness, the years since the early 1950's have witnessed a high level of economic performance in all these countries. One of the chief characteristics of this progress has been its spatial unevenness.

Problems of interregional economic disparities existed in these countries even before the war. However, with the rapid post-war improvements in technology, living standards and the general state of affluence, disparities between regions have come into a sharper focus than ever before. Thus, when one speaks of 'regional' problems and development efforts these days, what is generally implied are the income, employment and social facility gaps between different regions, within the framework of an industrialized country. The concern in these countries is with finding effective solutions for these problems while maintaining the national rate of economic growth at a high level.

The regional problem presents itself in different forms and magnitudes in different industrialized countries. In some

countries, it exists in the form of 'pockets' of unemployment and economic depression across the country; in some others, it may be found in the form of a concentration of socio-economic deprivation in one broad geographic area; in still others, the problem appears in the form of a distinct economic structural dualism, where a large part of the country appears to have always remained at the periphery of the mainstream of economic growth and social change.

Precise examples are difficult to find for each of these types of regional problems simply because different combinations of all three generally exist simultaneously in almost every modern industrialized country. Nevertheless, some analogies can be found from recent experience. For example, the closest illustration of the third type would be the southern region of Italy. The Atlantic region of Canada and Appalachia in the United States generally illustrate the second type. In one form or another, the first type can be seen in almost all industrialized countries - whether the problem is identified in terms of urban congestion or rural poverty, or whether the concern is with particular occupational categories or with minority and ethnic groups.

Although their relative degree of seriousness varies, the

manifestations of the regional problem are strikingly similar in all industrialized countries - to cite some major ones: chronic unemployment far above the national average; absence of a diversified economic base and decline of traditional activities; low educational achievement, productivity and income of those who are employed; low rates of participation in the labour force; outmigration of the relatively younger and better educated people seeking opportunities elsewhere; and decaying social capital facilities. These factors tend to reinforce each other, thereby keeping certain communities and broad regions permanently locked in a state of socio-economic depression, often generating cumulative forces leading to their further decline. Entrepreneurs pursuing a 'follow the herd' philosophy seldom find such places choice locations. The shrinking local tax base presents neither the means nor the incentive for undertaking a massive redevelopment program from within.

The results of a long period of poor economic performance are similar everywhere. It is the identification of their real causes and possible cures which presents a great challenge in modern society. It is also here that we enter the realm of 'more questions than answers' in regional development.

For example, if, for many years, people and industry have been choosing to go to certain places and not to others, should

governments now attempt to alter this course of events, i.e., interfere with 'free market forces'? This is a very complex question; in fact, it is several questions in one, involving a wide variety of economic and social - and political - trade-offs for which the answers available at present are at best contentious. Some broad considerations can, however, be discerned.

In general political terms, the issues are substantially similar in all countries. Concern over the absence of special regional measures, or the public reception of an existing policy, is usually reflected in the election results. What is perhaps even more important are the erosive effects of regional economic and social disparities on national cohesion.^{2/} In themselves, such forces thus provide a case for regional development.

If the present trends in urbanization and relatively unhindered operation of free market forces continue, the result could well be a surplus of inflationary pressures, locational

^{2/} See, for example: S. Lajugie, "Les conditions d'une politique de développement régional pour les pays du Marché Commun," Revue d'Economie Politique, LXIX, No. 3 (mai/juin 1959), 263-334; R. Petre, "Les aspects sociaux de la reconversion régionale et la réadaptation des travailleurs dans le Marché Commun," Cahiers Européens, No. 24 (juillet 1966), 57-73.

diseconomies and environmental disutilities over the initially apparent economies in a small number of major population centres, and economic and social deprivation and unemployment in the rest of the country. While it would be futile to attempt to turn the clock back in the sense of trying to artificially maintain traditional spatial patterns of population, employment and activity distribution, a strong case can be made in favour of reinforcing the free market forces so that society may benefit from the less obvious and underexplored opportunities, thereby improving the chances for a high level of overall economic performance.

The socio-economic case for regional development can, therefore, be seen in terms of three broad points: ^{3/} (a) free market forces cannot be relied on to operate satisfactorily from a public costs and benefits point of view in location decisions; (b) economic growth requires a policy

^{3/} G. McCrone, op. cit., pp. 30-31. Several writers have examined various aspects of the socio-economic issues in regional development in recent years. For example: A. Kuklinski, "Regional Development, Regional Policies and Regional Planning - Problems and Issues," Regional Studies, IV (1970), 269-278; L. Needleman, "What are we to do about the Regional Problem?," Lloyds Bank Review, No. 75 (January 1965), 45-58; E. Nevin, "The Case for Regional Policy," Three Banks Review, No. 72 (December 1966), 30-46; H. W. Richardson and E.G. West, "Must we always take Work to the Workers?," Lloyds Bank Review, No. 71 (January 1964), 35-48; E.G. West, "Regional Planning: Fact and Fallacy," Lloyds Bank Review, No. 80 (April 1966), 33-49.

to ensure that the country's scarce resources are utilized as fully and effectively as possible; and (c) attempts to achieve steady growth will not be compatible with those to combat inflation so long as wide differences in regional unemployment persist.

A major question involved in (a) above relates to 'private' costs and benefits versus 'social' costs and benefits. For example, when an entrepreneur makes a decision about where to locate a new plant, the costs which are relevant to him are entirely 'private'. Although his objectives would probably be adequately met if he were to locate in A rather than in B or C, incremental social costs resulting from his decision are most likely to present a different cost-benefit picture to the society.^{4/} Some of the implications of this could be: (i) by locating in A rather than elsewhere, the entrepreneur may well generate external diseconomies and disutilities for which he does not generally have to pay except in so far as he contributes to the general tax revenues; and (ii) the possibility for realizing socially desirable external economies may have had to be foregone as a result of the particular location decision.

^{4/} One of the recent discussions of this and related points is in: M.L. Lawrence and P.T. Nelson, "Human Progress: A New Dimension in Location Decisions," MSU Business Topics, XIX, No. 3 (Summer 1971), 66-71.

As for (b), in spite of such devices as progressive income tax and fiscal equalization, the existence of regional imbalances has shown that national monetary and fiscal policies cannot, by themselves, achieve the goals of maximum economic growth and full employment. While this suggests the need for regional and other policies, what their nature should be is a more complex question - for example, the trade-offs between 'taking jobs to workers and generally influencing the distribution of economic activity' as opposed to 'taking workers to jobs', or combinations of the two. The cost of programs of these kinds is largely an economic question, whereas the effect of the policy on the preferences and welfare of the people is not.^{5/}

In certain countries, linguistic and cultural considerations add another dimension to the regional problem. The social need to preserve the quality of the human environment adds still

^{5/} The Italian experience with the problems of 'economic structural dualism' is particularly noteworthy in this context. The issues are reviewed, for example, in: V. Lutz, "Some Structural Aspects of the Southern Problem: The Complementarity of 'Emigration' and Industrialization," Banca Nazionale del Lavoro Quarterly Review, XIV, No. 59 (December 1961), 367-402; L. Spaventa, "Dualism in Economic Growth," Banca Nazionale del Lavoro Quarterly Review, XII, No. 51 (December 1959), 386-434; F. Vochting, "Considerations on the Industrialization of the Mezzogiorno," Banca Nazionale del Lavoro Quarterly Review, XI, No. 46 (September 1958), 325-376.

another.^{6/} Therefore, if the ultimate goal of the socio-economic policies in the industrialized societies is the prosperity of the people rather than simply prosperity of certain places,^{7/} then the case for regional development is indeed a strong one.

The question involved in (c) is an equally important and complex one. If, for example, unemployment in some regions is far higher than in others, attempts to tackle it by stimulating demand through general monetary and fiscal policies will likely generate inflationary pressures elsewhere. On the other hand, attempts to contain inflation by curtailing demand will raise unemployment in the disadvantaged regions to unacceptable levels. There is thus a case for considering regional policy measures as also attempts to manage the level of aggregate demand on a more selective basis than would be possible with overall monetary and fiscal policies alone.

^{6/} The implications of environmental quality for the prospects of economic growth are most cogently argued in: E.J. Mishan. The Costs of Economic Growth. London: Staples, 1967. (especially Chs. 5-6).

^{7/} L. Winnick, "Place Prosperity v. People Prosperity: Welfare Considerations in the Geographic Distribution of Economic Activity," in Essays in Urban Land Economics (In Honour of Leo Gerbler). Los Angeles, Calif.: University of California, Real Estate Research Program, 1966.

Thus, although the precise quantitative dimensions of the issues involved in regional development are still somewhat elusive - as are those of the interrelationships between the key variables - it is evident that the case for regional development rests partly on economic, partly on social and partly on political considerations. As McCrone has suggested: "In most countries, regional development policies have come about in response to a mixture of political, social and economic pressures, and it is not always possible to say which has played the dominant role. The existence of regional unemployment on a serious scale seems to be the factor which exerts the greatest influence in inducing governments to take action. But this action is probably prompted as much by the political consequences of unemployment and the social need to give everyone an opportunity for work as by considerations of making the best use of the nation's economic resources. It is incomplete, therefore, to consider the case for a regional development policy as if it were purely an economic question. Indeed, in many cases, governments would adopt regional policies even if the economic case was shown to be unconvincing. In such cases, the economists' role would still be important, because whatever the factors which give rise to a policy being adopted, it is the economic development of the country which is being

influenced to achieve the desired result. The way in which this can best be done is, therefore, an economic question."^{8/}

It would seem fair to conclude from the foregoing that while the issues involved suggest the need for selective regional development action, they are also very complex ones. Some of them, where economic factors are dominant, could be 'ordered' on the basis of such considerations as 'cost-benefit analysis'. On the other hand, there are, for example, the social issues which, although no less important, are far more difficult to evaluate. More easily observable and quantifiable phenomena may suggest a particular line of action and pattern of resource allocation in favour of promoting economic efficiency for its own sake. However, if the ultimate objective of public action is the promotion of economic growth as well as greater welfare of the people, then the entire complex of issues should serve as the final arbiter of the course of action.

Any evaluation of existing regional development programs should, therefore, be made against this background as well as that of the current state of knowledge in the field of 'regional development' and the extent to which it has been able to

^{8/} Op. cit., p. 25.

contribute to the analysis of the problems and to the choice of the measures adopted to tackle them. We shall turn to these questions in the next section.

2. Regional Economics and Regional Development Strategy

Because of the comparative neglect of the subject - unlike some other branches of economics - the factors which govern the spatial dispersion of economic activity, and the causes of regional growth and decline, are still not clearly understood. If the dimensions of the regional socio-economic development problems and their interrelationships were clearly distinguishable and quantifiable, and if a 'theory of regional development' was generally accepted, then the task of designing a comprehensive development strategy would be a relatively easy one. This, however, is not the case.

In fact, the conceptual foundations of current regional development efforts can be identified simply as elements within a mixed bag of tools where each one was developed to analyze a particular aspect of the complex structure of the economy or of particular types of economic activity. Although the phenomena which these tools were developed to analyze are seldom mutually exclusive, and the tools themselves borrow frequently from each other in their continuous process of refinement, collectively they still do not serve as a coherent

basis for the task of practical policy-making in regional development. As one writer has recently argued "... it should be admitted that no such thing (regional development theory) exists. So far, economists, geographers, physical planners and sociologists have recognized the specific character of regional development as well as the need to explain the phenomenon, but neither (sic) of these scientists has been successful in presenting a doctrine. Nevertheless, the necessity for such a doctrine is being experienced more and more now that many governments in the developed and underdeveloped parts of the world have decided to embark upon or to continue with regional planning efforts".^{9/}

What are some of the major theoretical tools now available and what has been their contribution toward resolving the practical problems of policy-making in regional development?^{10/}

^{9/} J. Hilhorst, "Regional Development Theory: An Attempt to Synthesize," in Multidisciplinary Aspects of Regional Development. (Proceedings of the Annual Meeting of Directors of Development Training and Research Institutes, Montpellier, September 7-12, 1968). Paris, O.E.C.D. Development Centre, 1969. (p.21).

^{10/} The purpose of this section is not to present an exhaustive survey of all the concepts and theories which have come to have a direct or indirect bearing on one aspect or another of regional economic development. (Recent surveys of the field include: J.R. Meyer, "Regional Economics: A Survey," American Economic Review, LIII, No. 1, Part 1 (March 1963), 19-54; A.J. Brown, "Surveys of Applied Economics: Regional Economics, with Special Reference to the United Kingdom," Economic Journal, LXXIX, No. 316 (December 1969), 759-796; and A. Kerr

Industrial location theory is the oldest and one of the more important elements in the tool-kit. The main concern of much of the theoretical work in this area has been with the location criteria of the firm. Work of this nature thus assumed a given spatial pattern of economic activity, and it ignored both factors which determine how economic activity comes to spread over space, as well as those which account for regional growth and decline.

Although the theory has gone through major modifications and refinements since its first formulation by von Thunen,^{11/}

10/continued

and R.B. Williamson, "Regional Economics in the U.S. - A Review Essay," Growth and Change, I, No. 1 (January 1970), 5-19. The mounting interest in the subject as a special field has also led to several textbooks in recent years. For example: H.W. Richardson. Regional Economics: Location Theory, Urban Structure and Regional Change. London: Weidenfeld and Nicolson, 1969. H. Siebert. Regional Economic Growth: Theory and Policy. Scanton, Pa.: International Textbook Company, 1969. For a listing of some of the recent works in theoretical and applied regional economics, see: Canada. Department of Regional Economic Expansion. Planning Division. Regional Development and Economic Growth: Problems, Analyses, and Policies - Select Bibliography. Ottawa: 1969. Rev. ed., 1972 - forthcoming). Rather, the purpose here is to briefly review some of them which have contributed relatively more toward the analysis of regional development problems and the formulation of regional policy.

11/ J.H. von Thunen. Der Isolierte Staat in Beziehung auf Landwirtschaft und Nationalökonomie. Hamburg: 1826. (Transl. and ed. by C.M. Wartenberg and P. Hall as von Thunen's Isolated State. Oxford: Pergamon, 1966).

its main focus is still substantially on microeconomic considerations. Von Thunen, for example, assumed the sites of towns as given and postulated that the choice of agricultural activity location would depend on the cost of transporting the product to the market. This theory has been helpful in explaining the phenomenon of economic rent and, by the nature of its assumptions, it may also have applications in analysing the effect of a new town on the surrounding agricultural area. However, it is weak in that it is not concerned with the broader questions of spatial dispersion of economic activity, or with the dynamics of economic growth and change.

Alfred Weber's theory^{12/} is more one of industrial location. But the emphasis on the firm's locational choice based on the lowest combination of production and transport costs, the assumption of proportionality of transport costs to distance, and the neglect of the rôle of demand in industrial location decisions, makes Weber's theory also inadequate in explaining

11/continued

See also: C. Ponsard. Economie et espace: Essai d'intégration du facteur spatial dans l'analyse économique. (Collection "Observations Economiques"). Paris: S.E.D.E.I.S., 1955. (Transl. as History of Economic Location Theory. "Monograph" Series, No. 1. Philadelphia, Pa.: Regional Science Research Institute, 1969).

12/ A. Weber. Über den Standort der Industrien. Tübingen: 1909. (Transl. by C.J. Friedrich as Alfred Weber's Theory of the Location of Industries. Chicago: University of Chicago Press, 1929).

the factors that influence the spatial pattern of activity distribution. This weakness of the theory remains even after Losch's modification of it^{13/} in terms of 'profit maximization' as the criterion of locational choice, and his recognition of the importance of agglomeration economies.

More recent refinements of industrial location theory by Hoover,^{14/} Isard^{15/} and others suggest that the extent to which a firm can benefit from external economies in a particular location might be a more important consideration than transport costs in locational choice. However, even after account is taken of all the relevant economies and diseconomies, the emphasis in the theory is primarily on the location of the firm and it does not provide an adequate explanation of such phenomena as the changing patterns of spatial distribution of economic activity and the differences in the economic structure and performance of regions.

^{13/} A. Losch. Die Raumliche Ordnung der Wirtschaft. 2d ed. Jena: Fischer, 1944. (Transl. by W.H. Woglom and W.F. Stolper as The Economics of Location. New Haven, Conn.: Yale University Press, 1954).

^{14/} E.M. Hoover. The Location of Economic Activity. New York: McGraw-Hill, 1948.

^{15/} W. Isard. Location and the Space-Economy. Cambridge, Mass.: M.I.T. Press, 1956.

Central place theory attempts to tackle the question of spatial activity distribution. In Christaller's pioneering work,^{16/} the concern is with the tertiary sector of the economy, and he postulates that central places (towns, villages) which provide an equivalent range of goods and services will be located equidistant from each other since this assures that the population will be served with the minimum of transport costs. Since different goods and services have different market ranges, the relative importance of the centres will vary; however, they will be located in such a way that the total central place system will take the form of a hexagonal hierarchy.

While this could be true of the service activities, it does not hold for centres with a concentration of manufacturing activity, since, in such cases, centres of the same size could have vastly different economic structure and market areas. Losch's extension of the theory to manufacturing activity location also is restrictive since he assumes an even spatial distribution of agricultural population and natural resources. Furthermore, although the theory suggests that the growth of

^{16/} W. Christaller. Die Zentralen Orte in Suddeutschland. Jena: Fischer, 1933. (Transl. by C.W. Baskin as Central Places in Southern Germany. Englewood Cliffs, N.J.: Prentice-Hall, 1966).

a central place will be sustained by its hinterland,^{17/} it is not concerned with the dynamics of regional growth and change.

There have been efforts to apply the theory of international trade to explain interregional economic dependence and change. Here again, a complete answer to the question has been elusive. In contrast with the conditions which make international trade profitable for participating nations, the regions of a country have neither the advantage of factor immobility (which enables nations to trade on the basis of comparative advantage) nor of complete factor mobility (which tends to make persistent unemployment impossible). This seems to question the validity of the principle of comparative advantage as the sole basis of interregional trade. Furthermore, if the prevailing costs and prices in the regions do not reflect the real differences in productivity, the prospects of interregional balance of payments equilibrium are even more remote. Under such conditions, a region which is less efficient than others in all sectors of economic activity, due either to inferior resources or inability to realize economies of scale, or both, will be at a general disadvantage, and this process could result in the cumulative decline of

^{17/} See footnote 39, p. 31.

the region.^{18/} The final outcome of this process would depend on the relative strength of what Myrdal calls the "backwash effects" (of the growth process itself) and the "spread effects" arising either out of deliberate public action to stimulate regional economic activity, or of the pressure on resources in the prosperous regions.^{19/}

It has also been argued that regional development and interregional payments equilibrium could be promoted through the stimulation of export-led growth.^{20/} However, this is simply one element in the complex process of regional growth and decline, and not a complete explanation of it.

^{18/} Cf: G. McCrone, op. cit., pp. 77-80. For a discussion of the application of international trade theory in a regional context, see, for example: B. Ohlin, Interregional and International Trade. Cambridge, Mass.: Harvard University Press, 1933; W. Isard and M.J. Peck, "Location Theory and International and Interregional Trade Theory," Quarterly Journal of Economics, LXVIII, No. 1, (February 1954), 97-114; E.A.G. Robinson, "Location Theory, Regional Economics and Backward Areas," in E.A.G. Robinson, (ed.). Backward Areas in Advanced Countries. Proceedings of a Conference of the International Economic Association, Varenna, Italy, 1967. London: Macmillan, 1969. (pp.3-20).

^{19/} G. Myrdal. Economic Theory and Underdeveloped Regions. London: Duckworth, 1957, (Ch. 3); A.O. Hirschman. The Strategy of Economic Development. New Haven, Conn.: Yale University Press, 1958, (Ch. 4).

^{20/} D.C. North, "Location Theory and Regional Economic Growth," Journal of Political Economy, LXIII, No. 3, (June 1955). 243-258; C.M. Tiebout, "Exports and Regional Economic Growth," Journal of Political Economy, LXIV, No. 2, (April 1956), 160-164.

Perhaps what has created a great deal of interest in recent years as an explanation of the spatial dispersion of economic activity and the process of growth and change is the concept of the "growth pole". In one form or another, this idea has appeared in earlier industrial location literature. However, its recent development as a theory of the economic growth process originated with François Perroux.^{21/}

Although it appears to be a rather simple concept implying an economic concentration based on the interdependence of industrial activities, it has, in the course of its evolution, also come to have a wide variety of interpretations and

^{21/} F. Perroux (selected works): "Les espaces économiques," Economie Appliquée, III, No. 1 (janvier/mars 1950), 225-244; "Note sur la notion de 'pôle de croissance'," Economie Appliquée, VIII, Nos. 1-2 (janvier/juin 1955), 306-320; "La firme motrice dans une région et la région motrice," Actes du Colloque international de l'Institut de Science économique de l'Université de Liège, Bruxelles, 1961; "Les industries motrices et la croissance d'une économie nationale," Actualité Economique, XXXIX, Nos. 3-4 (octobre 1963/mars 1964), 377-441 (with "Discussion"); L'Economie du XXe Siècle. 3e ed. Paris: Presses Universitaires de France, 1969, (Part II, pp. 159-328). See also: L.E. Davin. Economie régionale et croissance. Paris: Genin, 1964; J.R. Boudeville. Problems of Regional Economic Planning. Edinburgh: University Press, 1966; J.R. Boudeville, (ed.). L'Espace et les pôles de croissance. Paris: Presses Universitaires de France, 1968; J. Paelinck, "La théorie du développement régional polarisé," Cahiers de l'I.S.E.A., mars 1965; J.P. Baillargeon; "Le rôle de pôles dans le développement," Developpement et Civilisations, No. 5 (janvier/mars 1961), 31-37; P. Aydalot, "Note sur les économies externes et quelques notions connexes," Revue Economique, XVI, No. 6 (novembre 1965); H.W. Richardson, op. cit., pp. 415-428.

definitions. The lexicon on the concept at present includes terms such as growth pole, development pole, growth area, core region, growth centre and growth point. Drawing on what is believed to be implied in the concept, other terms have also started to surface - development area, special area, nuclei of industrialization, etc. Some of these mean the same thing while the others do not. Often they are also used interchangeably, thereby adding to the confusion already surrounding the definition of the concept.

In elaborating his "growth pole" concept, Perroux argues that "la croissance n'apparaît pas partout à la fois; elle se manifeste en des points ou pôles de croissance, avec des intensités variables; elle se répand par divers canaux et avec des effets terminaux variables pour l'ensemble de l'économie."^{22/} These centres are characterized by an oligopolistic concentration of "key" (propulsive) industries which have a direct or indirect dominating influence over all other activities. These industries sell to national markets, and they have marked multiplier and polarizing effects on the region in which they are located. Since their products generally have a high income elasticity of demand both within and outside the region, their rate of expansion will be faster

^{22/} L'Economie du XX^e Siècle, p. 179.

than that of total industrial production and of Gross National Product.^{23/}

A "development pole" is defined as "une unité économique motrice ou un ensemble formé par de telles unités. Une unité simple ou complexe, une entreprise, une industrie, une combinaison d'industries - est motrice quand elle exerce sur d'autres unités avec qui elle est en relations, des effets d'entraînements"^{24/} where "development" is defined as "la combinaison des changements mentaux et sociaux d'une population qui la rendent apte à faire croître, cumulativement et durablement, son produit réel global."^{25/}

Perroux goes on to suggest that "la croissance et le développement d'une 'ensemble' de territoires et de population ne seront, donc, obtenus que par 'l'aménagement conscient du milieu de propagation' des effets du pôle de développement. Ce sont des organes d'intérêt général qui transforment la croissance 'd'une industrie' ou 'd'une activité' en la croissance d'une

^{23/} ibid., p. 180; J.R. Boudeville. Problems of Regional Economic Planning, p. 112.

^{24/} F. Perroux. L'Economie du XX^e Siècle, p. 204.

^{25/} ibid., p. 191.

nation en voie de se faire et les développements anarchiques en un développement ordonné."^{26/}

Given the imprecision in the definition of the terms, the "development pole" concept appears broader than the "growth pole". The fact that it has generally been the latter which has attracted more interest in recent regional development literature suggests that its primary focus is on the spatial aspects of economic growth in an industrialized society, whereas that of the former is on the broader socio-economic aspects of economic 'development'. However, the "growth pole" concept, in itself, is a broad one in another sense, i.e., it incorporates both 'backwash' and 'spread' effects.^{27/}

Boudeville has suggested that "a regional growth-pole is a set of expanding industries located in an urban area and inducing further development of economic activity throughout its zone of influence."^{28/} This definition seems to combine the concepts of "growth point" and "growth area" into one as, for

^{26/} ibid., p. 205.

^{27/} These effects are essentially similar to Hirschman's 'polarization' and 'trickling down' effects. However, in contrast with Hirschman's emphasis on the 'polarization' effect, Perroux' growth pole concept emphasizes both 'backwash' and 'spread' effects. Cf: J.R. Boudeville. Problems of Regional Economic Planning, p. 112n.

^{28/} ibid., p. 11.

example, is implied in the following: "A basic notion behind the growth point concept is that economic activity tends to agglomerate around certain focal points. The polarization^{29/} flows (commodities, factors, services, traffic, communication, etc.) will gravitate within a sub-region towards the control centre (or dominant pole), but because of the costs of moving through space their density will be reduced by distance. If around a focal point we strike a boundary as a focus of points where flows fall off to a minimum critical level, it may be meaningful to describe the area within this boundary as a growth area and the focal point as the growth point."^{30/}

We are not any closer to clearing up the definitional fuzziness of the concept when we consider that "it is useful to distinguish between the terms 'growth pole' and 'growth centre'. The former, which is more or less synonymous with 'growth area' and 'core region', refers to national polarization, reflecting the location and expansion of national growth poles. The term 'growth centre', often used alongside the term 'growth point', usually refers

^{29/} "A polarized space could be defined as the set of spatial units conveying with one of them (called the dominant pole), larger flows than with other poles of the same order". Cf: ibid., p. 29.

^{30/} H. W. Richardson, op. cit., p. 416.

to the process of concentration and polarization within regions."^{31/}

In spite of the continuing definitional and semantic problems implicit in the recent literature on the subject, the "growth pole" concept has crept into the regional policy-making process in most industrialized countries, either as a crutch or as the major development strategy tool. We may, therefore, attempt to abstract certain general conclusions from the above discussion.

The concept attempts to explain the process of economic growth and change by employing an 'unbalanced growth' model. The idea of structural interdependence of an economy and the tendency of activities to cluster with a view to deriving the maximum benefit from agglomeration economies are implicit in the model, as is the notion of zones of influence. Perhaps

^{31/} K. Allen and T. Hermansen, "Economic Growth - Regional Problems and Growth Centres," in Regional Policy in EFTA - An Examination of the Growth Centre Idea. (Report of an EFTA Economic Development Committee Working Party. Geneva: 1968). "University of Glasgow, Social and Economic Studies, Occasional Papers", No. 10. Edinburgh: Oliver and Boyd, 1968. (p. 64). See also: J. Friedmann. Regional Development Policy - A Case Study of Venezuela. Cambridge, Mass.: M.I.T. Press, 1966.

a certain degree of conceptual clarity could, therefore, be achieved if we consider the economic growth process as taking place in terms of a series of "growth poles" whose polarization zones constitute the economy itself and, at the regional level, a series of "growth points" whose polarization zones may then be simply referred to as "growth areas".^{32/}

Several problems may be encountered in the practical application of the concept. For example, while it is possible for a complex of industries^{33/} in a growth point to develop its own momentum even after the key firms' initial location criterion has ceased to be the most important one, it is also possible, due to changing technological conditions, shifts in

^{32/} Defined in this manner, the "growth point" concept implies some notion, though difficult to quantify, of "an optimum size of production and population centre at which maximum advantage is gained from scale and external economies without incurring serious diseconomies of agglomeration". Cf. H. W. Richardson, op. cit., p. 423.

^{33/} Unlike in the development pole theory, an 'industrial complex' need not necessarily have a propulsive industry; it does, however, place equal emphasis on economies of agglomeration. (Cfs. W. Isard and T. Vietorisz, "Industrial Complex Analysis and Regional Development, with Special Reference to Puerto Rico," Regional Science Association, Papers, I (1955), U1-U17; W. Isard and E. W. Schooler, "Industrial Complex Analysis, Agglomeration Economies, and Regional Development," Journal of Regional Science, I, No. 2 (Spring 1959), 19-33; W. Isard, E. W. Schooler and T. Vietorisz. Industrial Complex Analysis and Regional Development. Cambridge, Mass.: M.I.T. Press, 1959.

demand, etc., that the total complex could decline, thereby bringing economic depression to the area. The pattern of growth of the point could also be such that it could result in generating a self-sustaining process of development of the point itself with no polarization effects. In view of this possibility, Lasuen, for example, has argued that "an efficient way to alter geographical polarization is to act upon the organizational structure of the business firms"^{34/} since the corporation seeks more to adapt to numerous innovations than to achieve a breakthrough on the basis of a single innovation that can be imitated by its competitors.

In addition, in promoting polarization, a highly developed infrastructure, the supply of services at the growth point for the hinterland and the demand for factors of production from the zone of influence (growth area) may be as important as the concentration of key industries itself.^{35/} A regional development policy based on the concept could, therefore, suggest

^{34/} J. R. Lasuen, "On Growth Poles," Urban Studies, VI, No. 2 (June 1969), p. 152. See also: N.M. Hansen, "Development Pole Theory in a Regional Context," Kyklos, XX, No. 3 (1967), 709-727; B.G.S. James, "The Incompatibility of Industrial and Trading Cultures: A Critical Appraisal of the Growth-Point Concept," Journal of Industrial Economics, XIII, No. 1 (November 1964), 90-94.

^{35/} Besides agglomeration economies, the tertiary sector (social amenities, business services, etc.) is more important in modern industrial location decisions than in the past. (Cf: P. Aydalot, op. cit.).

correctional measures for the established growth points to redefine their polarization zones as well as the creation of new growth points, following what might be called "infant area subsidy policy"^{36/} and consistent with the entire system of growth points, growth areas and growth poles constituting the process of and strategy for national economic growth and social change.

In sum, the tool-kit now available to 'regional development' provides nothing more than a set of hypotheses to explain the spatial dispersion of economic activity. The relative importance of the different factors in the growth process itself still remains obscure in spite of the availability of such techniques as linear programming and inter-industry analysis and recent efforts to apply them in the study of sub-national economic phenomena.^{37/} Most of the theoretical elements themselves remain more or less crude due to the inadequacy of facts to verify them, and they still do not add up to an integrated 'theory of regional development'. Even the few attempts so far made in this regard appear either too restrictive or remain to be

^{36/} H. W. Richardson, op. cit., p. 416.

^{37/} For a review of these and other techniques, see: W. Isard, et al. Methods of Regional Analysis: An Introduction to Regional Science. Cambridge, Mass.: M.I.T. Press, 1960.

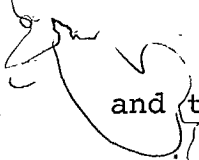
tested against the facts.^{38/} To the extent that the "growth pole" theory abstracts from earlier work in such areas as industrial location theory and industrial complex analysis, central place theory,^{39/} spatial diffusion of innovations and 'growth-mindedness', etc., it would seem to constitute a more integrated framework for designing a regional development strategy. However, although it shows how economic activity tends to form in clusters, the growth pole theory does not adequately explain the causes for the spatial patterns of activity distribution and the factors that influence regional growth and decline.^{40/}

Thus, faced with imperfect theories and concepts on the one hand and the reality of the problems of regional disparity

^{38/} See, for example: H.C. Bos. Spatial Dispersion of Economic Activity. Rotterdam: Rotterdam University Press, 1965; W. Isard, et al. General Theory - Social, Political, Economic, and Regional. Cambridge, Mass.: M.I.T. Press, 1969.

^{39/} Although certain polarization characteristics are implicit in both 'central place' and 'growth point' concepts, "the growth of a central place will be sustained by its hinterland; the growth of the zone of influence will be sustained by the growth point". (Cf: H.W. Richardson, op. cit., p. 420).

^{40/} Recent discussions of some aspects of this question as well as such issues as "natural" versus "planned" growth poles, and the problems associated with the growth pole concept in its application to regional development planning may be found in: E.M. Hoover, "Some Old and New Issues in Regional Development", in E.A.G. Robinson, (ed.), op. cit., (pp. 343-357); V. Nichols. Growth Poles: An Investigation of Their Potential as a Tool for Regional Economic Development. ("Discussion Paper" Series, No. 30). Philadelphia, Pa.: Regional Science Research Institute, 1969.



and the need for a more cohesive national economy on the other, regional policy-making in modern industrialized societies has taken on an experimental character. The problem of reconciliation between the objectives of the various economic and social policies, particularly in countries with a federal structure of government, has also contributed to this.

The approach to the problem of regional development in modern industrialized societies thus generally reflects a blend of the practical capability of the analytical tools and the institutional constraints within which developmental action has to be designed. The resulting trial-and-error process in the different countries presents striking similarities - from redevelopment efforts in small areas, to incentives in broad regions, to regional development efforts within the framework of national economic growth, where the emphasis has come to be on some degree of concentration of public action in certain centres, depending on their needs and capabilities - and socio-economic constraints. The means generally used include stimulation of new employment creation through assistance to industrial location and expansion, assistance to create the necessary infrastructure, and measures to facilitate human resource development and utilization. In this regard, the Canadian experience has been no exception.

3. Federal Policy for Regional Development in Canada

As in most other industrialized countries, the 'regional' problem exists in Canada within the context of an economy which has experienced a generally high rate of economic expansion in the post-war years, with the exception of brief intervals of relative slackness. In some of these countries, special regional action has come to be taken through regionalized national development plans. In others, such programs are provided as complements to general economic and social policies, but without a formal national economic plan framework. The evolution of the federal policy for regional development in Canada followed the latter approach.

3.1 Recent Economic Trends and the Regional Problem

In the period 1950-70, Canada's Gross National Product increased over $4\frac{1}{2}$ times to \$84.5 billion with a compounded annual growth rate of 7.6 per cent. During these years, population rose by nearly 56 per cent, and G.N.P. per capita over three times, to \$3,951.

In the same time interval, total public and private investment (capital and repair expenditures) increased more than four-fold, to \$23 billion in 1970, of which the

"manufacturing" sector accounted for nearly one-fifth. The level of investment activity in this sector was over five times that in 1950, and its value-added tripled in this period.

Participation in the labour force has shown a gradual upward trend over these years. The unemployment rate, after rising from a low of 2.4 per cent in 1951 to a high of 7.1 per cent in 1961, declined during the recent expansion years to 3.6 per cent in 1966. There was an increase in this rate in the closing years of the 1960's. The average for 1970 was 5.9 per cent.

The process of urbanization has also been gathering momentum in the period. Nearly two-thirds of the Canadian population lived in urban^{41/} areas in 1950; this figure rose to over three-fourths in 1970.

These highlights suggest that there have been some major advances in the performance of the Canadian economy in the post-war years. However, all the provinces and regions of the country did not benefit equally from these developments. In fact, the conditions of relative prosperity helped emphasize

^{41/} "Urban" is defined as "all incorporated and unincorporated cities, towns and villages with a population of 1,000 and over".

the existence of marked interregional differences in income levels and employment opportunities as well as their persistent nature.

For example, the level of personal-income-per-person has always been significantly below the national average in the Atlantic region and in Quebec. Although there has been some narrowing of the extreme income differences between these and the other regions of the country over the years, there has also been a steady upward trend in the 'government transfer payments' component of personal income, particularly in the more disadvantaged regions. Substantial differences in earned-income-per-person thus still exist between the regions.^{42/}

The regional distribution of total public and private investment and value-added in goods-producing industries suggest another aspect of regional differences in Canada. Although there has been some increase in the Atlantic region's share of total investment, its contribution to total goods production has not reflected the same trend. In 1950, for example, this region accounted for 5.9 per cent of the

^{42/} Some recent data on this and other selected economic indicators are given in the Statistical Appendix.

national total of value-added by goods-producing industries. This figure declined to 5.2 per cent in 1968. Quebec's share declined from 25.9 per cent to 24.2 per cent in the same period.^{43/} The relative importance of 'primary' activities in the goods-producing sector represents another element in the economic differences between Canada's regions.

There has been some geographic redistribution of the national population as well over these years, whereby the losses have been in the Atlantic, Quebec and Prairie regions, and the gains in Ontario and British Columbia.

Regional distribution of the volume of national unemployment and labour force has also varied over the years. Here again, the Atlantic region found itself in a relatively more disadvantaged position. This region's share of national unemployment has been more or less steadily declining. However, this trend has been accompanied by a corresponding decline in its share of the national labour force. In this region, there

^{43/} In the 'manufacturing' sector alone, the corresponding declines in these two regions were from 4.1 per cent to 3.3 per cent, and from 30.3 per cent to 28.4 per cent, respectively.

has also been a relative decline in recent years in the rate of participation in the labour force.

Unemployment rates in all regions generally followed the national pattern. However, the Atlantic and Quebec regions have generally had rates about $1\frac{1}{2}$ times the national average during the period. Thus, wide absolute differences in unemployment rates between the regions continue to exist and hence constitute a major component of the problem of regional disparities in Canada, especially when they persist at very high levels. The existence of underemployment in the relatively more disadvantaged regions adds another dimension to the problem.

There have been marked interregional differences in recent years with respect to the degree of urbanization. In 1951, for example, only five of the ten provinces were at least 50 per cent urbanized. Seven provinces were in this category in 1961, and eight in 1966. In spite of this steady progress in the urbanization process, the differences between the regions continue to be significant. As compared to the others, the Atlantic region still has the highest percentage of rural non-farm population. Furthermore, major population centres in this region account for the lowest percentage of the regional population as compared to any other region of

Canada. There has been a widening of this trend in recent years.

It is thus evident that in spite of the recent steady expansion of the Canadian economy, interregional differences in income levels and employment opportunities persist. There has also been no significant narrowing of the gaps between the regions in these respects.

These problems are not, however, recent in origin. They have their roots in the particular patterns of development of the Canadian economy and the nature of the structural changes in the regions since the early years of Confederation.

In the decades following the establishment of the Canadian Confederation in 1867, the emphasis of federal policy was on national economic development. The assumption underlying this policy was that the development of a national economy, held together by regional specialization and east-west trade, would almost automatically result in all regions sharing as fully as possible in its growth and prosperity. The depression of the 1930's showed that this assumption was no longer sound and exposed the fiscal weaknesses of the poorer provinces. Therefore, after the Second World War, on the proposition that the Canadian fiscal system should make it possible for every

province to provide services of average Canadian standards for its people without the necessity of imposing heavier than average tax burdens, a system of 'fiscal equalization' arrangements was adopted. The purpose of this program was the equalization of provincial public services, or revenues, and it worked through the federal government augmenting the revenues of low-income provinces with equalization payments. In a sense, this step marked the first phase of federal regional policy in Canada. Although the purpose of this program was not 'regional development' as we understand the term today, and it has not had the result of reducing interregional disparities in levels of income and employment, it has played an essential role in preventing these gaps from widening.

The recession of the 1957-61 period and the accompanying unemployment not only emphasized once more the existence of interregional differences, but also helped generate an increasing awareness of the long-term persistence of regional imbalances and their serious economic, social and political implications. This recession led to the second phase of federal regional policy in Canada.

The ingredients of federal regional policy in this phase have been many and varied. The programs introduced were rather a reflection of the kinds of problems and special needs of particular parts of the country than an overall economic

development strategy. Thus, one of these programs was concerned with the low income and land utilization problems in the rural areas of the country; another was to assist in the development of social and industrial infrastructure as part of the developmental efforts in a broad disadvantaged region; still another was concerned with the provision of incentives for industrial development in areas of high and persistent unemployment and low levels of non-farm family income across the country.^{44/}

In retrospect, the approach to the problems of regional disparity in the 1960's has been to deal with them on an ad hoc basis, in response to the strongest needs and pressures of the time. This led to the establishment of a variety of programs, each one dealing with a specific problem or set of problems, and with a different objective, and hence administered by different federal government agencies. The result was that effective program-coordination on an overall basis was difficult to achieve; and a certain degree of overlap, duplication and wasteful effort was inevitable. Furthermore, in

^{44/} A brief review of these earlier programs is given in: Canada. Department of Regional Economic Expansion. Salient Features of Federal Regional Development Policy in Canada. (Prepared for the Organization for Economic Co-operation and Development). Ottawa: 1969.

spite of these special programs and the years of relative prosperity in the 1960's, there has been no significant narrowing of the gap in income and employment levels between the provinces and regions of Canada. In fact, "... federal policies have, on balance, probably prevented interregional disparities from widening ... (however), there is little indication that these have contributed to a stronger basis for self-sustaining growth in the lagging regions of the country".^{45/}

It is evident that although the tools of public action in this second phase of federal regional policy have been different from those in the first, the result was not particularly different. Thus there was a strong need to re-examine not only the nature of the 'regional problem', but also the essential components of a single integrated 'regional policy' as opposed to a number of special but uncoordinated regional development programs.

The problem of regional disparities in Canada can, in effect, be seen as comprising at least three important elements:

^{45/} Canada. Economic Council of Canada. The Challenge of Growth and Change. (Fifth Annual Review, 1968). Ottawa: Queen's Printer, 1968. (p.177).

(a) long-term persistence of low income and high unemployment conditions in one broad geographic area - consisting of eastern Quebec and the Atlantic region; (b) areas of rural economic depression and social deprivation elsewhere in the country; and (c) areas which have populations predominantly of native ancestry and which lack a diversified economic base.

Although all these elements deserve equal attention from a socio-economic policy standpoint, the first one is broader and more persistent in its manifestations than the others. In this eastern part of the country, a relatively large proportion of the labour force is engaged in primary activities such as farming, inshore fishery and coal mining, and productivity in these is generally low. Over the past decades, technological change has tended to lessen the natural advantages of this region, and thus worsen its relative economic position. In the primary sectors, it has called for adjustments which the generally small-scale operators were unable to make. In the secondary sectors, the thinly dispersed population has provided a poor base for industries serving the local market. With increasing economies of scale in many industries, this handicap has become more pronounced. In addition, low capital-intensity in the private sector, and a relatively low level of public services contributed to making the region less attractive than others to new industry.

The regional economy could not generate high growth rates in locally-oriented industries without substantial expansion of industries able to sell outside the region. The historic national policy of building an economy thinly spread from coast to coast has necessarily meant that eastern industry faced an extra transportation burden in reaching the main markets of Canada. Furthermore, with an inadequate base in either a regional or a national market, there has been little secondary industry in the region strong enough to take advantage of its maritime location for trans-Atlantic trade, or for trade with the United States eastern sea-board.

These factors have set in motion further forces which, by mutual interaction, hold the economy in a pattern of slow growth. Because productivity is low and the stimulus to innovation weak, there has been much less pressure than elsewhere to raise educational standards, as well as less financial capacity to respond to such pressure. There has also been substantial outmigration over the years of people who tend to be the younger, the more adaptable and more enterprising, and the better educated. This has combined with the other factors restraining the quality of management and holding the regional economy to traditional patterns.

In the past, each of the above three elements of the regional

problem - and variations thereon - was viewed in terms of its main characteristics and manifestations, and more or less in isolation. As in other industrialized countries, experience with the earlier area and regional development programs in Canada has shown that this is generally not a very effective approach; in fact, more appropriately, these problems must be seen not only in the broader context of growth and structural adaptation of the overall economy, but also as different aspects of a serious and complex national problem. Given this premise, a more effective regional development policy would seem to call for a coordinated set of special programs (operating as complements to the national economic and social policies). It was to serve as a framework for mounting such a development effort and to provide the required special programs that the federal Department of Regional Economic Expansion was established on April 1, 1969.^{46/}

3.2 Regional Policy and Development Programs

The establishment of the Department of Regional Economic Expansion marked the beginning of the present phase of federal regional policy in Canada. The Department's 'raison d'être'

^{46/} Canada. "Government Organization Act, 1969". Statutes of Canada. 17-18 Elizabeth II, (1968-69), Ch. 28. ("Department of Regional Economic Expansion Act". Revised Statutes of Canada, Vol. VI, (1970), Ch. R-4).

lies in the provision of appropriate programs to stimulate new productive employment opportunities and in the facilitation of access to these opportunities for people in regions of the country which have been left behind by economic progress.

The experience of the two earlier phases of regional policy has shown that this objective cannot be fully achieved through short-term expedients. Major structural changes in the economy and society of low-income areas and regions are required if they are to realize their developmental capabilities and aspirations, and thus to contribute towards the elimination of extreme interregional disparities in income and employment levels. These changes can be brought about only by special efforts over a sufficiently long period of time - perhaps 10 to 15 years.

Therefore, the goal of the present federal regional policy is to assist in the dispersion and stimulation of economic growth - and the conditions to sustain it - across Canada so as to bring employment and earnings opportunities in the slow-growth regions as close as possible to those in the rest of the country, without generating an unacceptable reduction in the rate of national economic growth. The policy is national in scope, but it is flexible enough for the composition of development efforts

to vary from one region to another, depending on the magnitude and dimensions of the economic growth and social adjustment problem in each.

To this end, the Department's own development effort is composed of three major and interrelated programs: industrial incentives, infrastructure assistance, and social adjustment. The objective of the first is to help create new productive employment by making investment in viable industry more attractive in the relatively slow-growth regions of the country. The second assists in providing the additional social capital, such as water systems, roads, housing, which is necessary to facilitate economic expansion and social adjustment in areas which require special measures to realize their development capabilities. The third is to facilitate the access of people to productive employment opportunities through social adjustment as well as to improve their incomes from more efficient utilization of rural resources.

(i) Stimulation of Industrial Employment in Slow-Growth Regions

The development of employment opportunities in the slow-growth regions has not kept pace with that in the more industrialized parts of Canada, primarily because such regions have

not been successful in diversifying their economic base. Largely due to cost disadvantages, these regions have been relatively unattractive to outside investors as either locations for new activities or for further investment in existing ones.

The Regional Development Incentives Act of 1969 (amended 1970)^{47/} provides the framework for taking special action to stimulate new investment in slow-growth regions. Under the provisions of this legislation, a system of grants and loan guarantees are available to assist in the location, expansion and modernization of manufacturing and processing activities - as well as certain commercial undertakings - with a view to creating new productive employment. These provisions are applicable only in certain regions of the country which are "designated" for purposes of this legislation in consultation with the provincial governments concerned.

A "designated region" may consist of an entire province

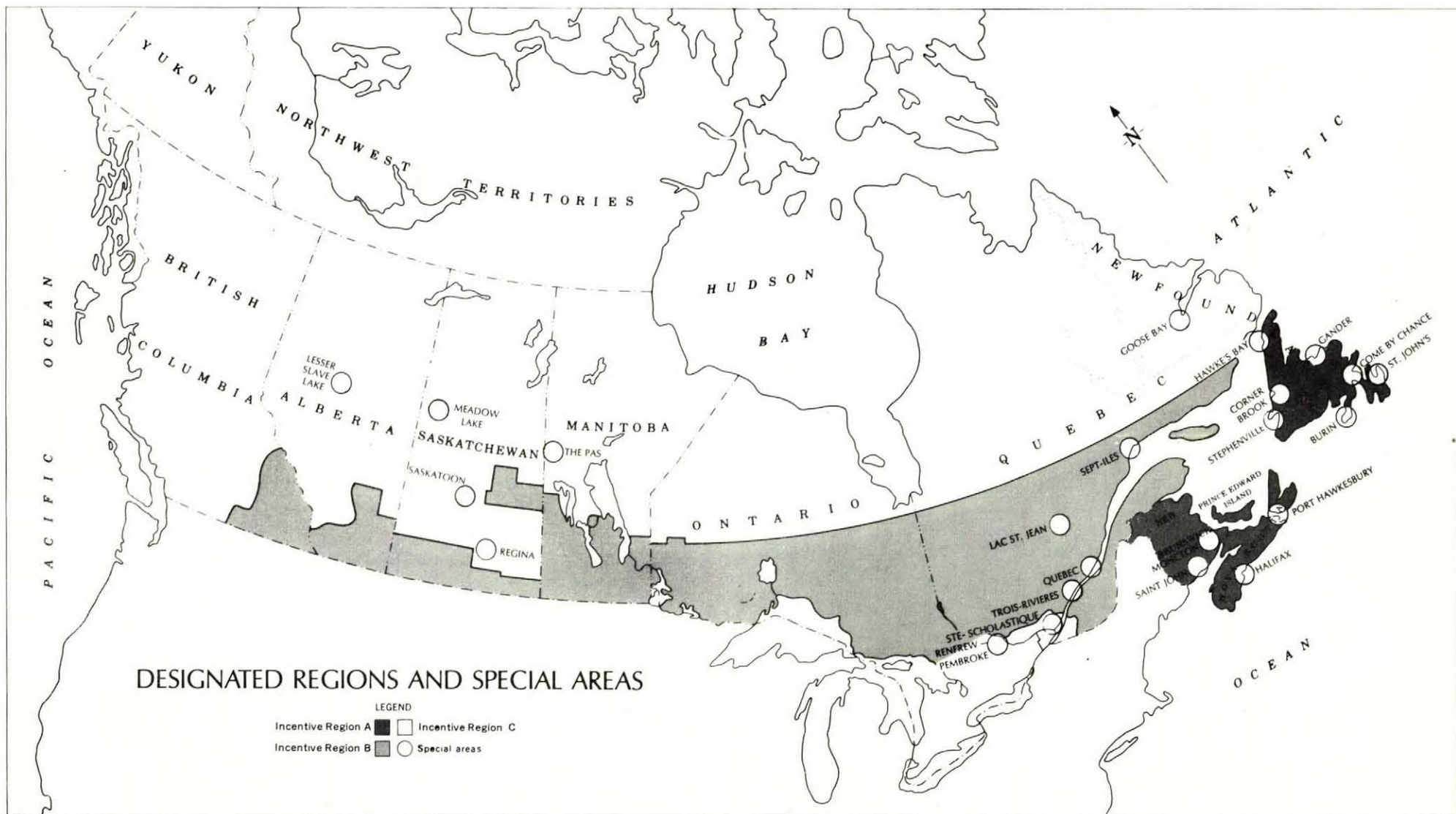
^{47/} Canada. "Regional Development Incentives Act, 1969". Statutes of Canada. 17-18 Elizabeth II (1968-69), Ch. 56. Amended (1970) by 19-20 Elizabeth II (1970-71), Ch. 10. Ottawa: Queen's Printer, 1969; Information Canada, 1971. This legislation, incorporating the amendments, is available in a single volume entitled Office Consolidation of the Regional Development Incentives Act (1968-69, c. 56, amended by 1970-71, c. 10) and the Regional Development Incentives Regulations (P.C. 1969-1571, as amended by P.C. 1971-145). Ottawa: Information Canada, 1971.

or a portion of it (but not less than 5,000 square miles in area). Two general guidelines are used to select these regions: (a) the existing opportunities for productive employment in the region are exceptionally inadequate; and (b) the provision of development incentives for the establishment of new facilities or the expansion or modernization of existing facilities in the region will make a significant contribution to economic expansion and social adjustment within the region.^{48/} Thus, although certain criteria, such as the level and trends in income, unemployment, labour force participation rates, degree of industrialization, have been considered in determining the eligibility of regions for designation, they are not applied in a rigid manner.

Application of these criteria and federal-provincial discussions resulted, in 1969, in the designation of certain regions in all ten provinces (see map on the following page). These regions contain about one-third of the national population and labour force.^{49/} Their unemployment rate is generally $1\frac{1}{2}$

^{48/} These regions are thus broad spatial units, and they do not suggest a final answer to the controversies and ambiguities that still surround the concept of a "region". Some further elaboration of the notion of the "designated region" in Canada's federal regional development policy may be found in the following subsection.

^{49/} When the incentives legislation was amended in 1970,



times the national average, and personal-income-per-person in these regions is 20-30 per cent below the national average. These regions are now designated for a period of about three years, up to June 1972. The impact of the job-creation program in them and the need for adjusting their boundaries will be reviewed prior to this date.

The Regional Development Incentives Act provides for three types of incentives for the establishment of a new facility or the expansion or modernization of an existing one: (a) a Primary Development Incentive - up to 20 per cent of the capital costs, or \$6, million, whichever is the lesser amount, for the expansion or modernization of a manufacturing or processing facility; (b) a Secondary Development Incentive - up to 5 per cent of the capital costs plus \$5,000 for each job created directly in the operation, for a new manufacturing or processing facility, or the expansion of an existing facility for the manufacturing or processing of a new product; and (c) a Special Development Incentive - up to 10 per cent of the capital costs for the expansion or modernization of a manufacturing or processing facility, or up to 10 per cent of the capital costs plus \$2,000 for each job created directly in the facility, for

49/Continued

certain additional regions were designated ("Incentive Region C" in map). With this, the regions now designated contain nearly one-half of the national population.

a new manufacturing or processing facility, or the expansion of an existing facility for the manufacturing or processing of a new product.

A "Combined Development Incentive" (i.e., primary plus secondary plus special) applies only in Incentive Region A (map), comprising the four Atlantic provinces which represent the major component of the problem of regional disparities in Canada. The maximum grant thus available in this region is 35 per cent of the capital costs plus \$7,000 for each job created directly in the facility. In Incentive Region B, only primary and secondary development incentives are available. The maximum is thus 25 per cent of the capital costs plus \$5,000 for each job created directly in the facility. Incentive Region C includes generally developed and urbanized areas. Only the special development incentive is available in this region.

In addition to these grants, loan guarantees are available in all the regions currently designated under the Regional Development Incentives Act. Under the provisions of the legislation, the federal Government may guarantee repayment of a loan (and interest) up to 90 per cent of the advances, provided the total amount of the loan is less than 80 per cent of the capital costs of establishing, expanding or modern-

izing a manufacturing or processing facility, or of establishing a commercial facility (such as business offices, shopping centres, hotels, etc.), after deducting all grants and other financial assistance the applicant has received or to which he is entitled in connection with that facility.

The upper limit on the size of the development incentive is \$30,000 per job created directly in the facility, or one-half of the capital to be employed in the operation, whichever is the lesser amount.

The program does not provide any continuing subsidy; it is a once-and-for-all incentive to firms to start new production in a region where the additional employment is most needed. The entrepreneur must, therefore, decide for himself whether the assistance lowers his capital costs enough to offset the disadvantages of locating or expanding in a slow-growth region. The grant is large enough to overcome the initially high investment costs for a fairly wide range of industries. Furthermore, as will be evident from the discussion in the following subsection, the program is structured in such a way as to encourage the development of centres of economic activity, thereby further ensuring the new firms' long-term viability through economies of scale and interdependence.

Given the employment-related component of the program, its primary attraction is generally for moderately labour-intensive (rather than for highly capital-intensive) industries which are most likely, once established, to have operating costs that are favourable to the slow-growth regions. Considerations such as the firms' market prospects, economic conditions of the industry nationally, and other related factors are also taken into account in the choice of facilities which will be assisted under the program.

The incentives are exempt from income tax, and they are paid over a maximum period of 42 months after the approved facility has commenced commercial production.

(ii) The Concept of the "Special Area" in the Federal Regional Development Policy

In the context of a regional development policy, special incentives of any kind to stimulate new employment opportunities have an element of selectivity in so far as they apply only to certain geographic regions and economic sectors but not to others. To this extent, they can be considered an interference with the 'market forces'. But, regional development incentives must be viewed as selective public intervention whose objective is to influence the operation of these 'market forces' in such a way that the process of development may have a more balanced

spatial impact thus reducing inflationary pressures and congestion in some parts of the country, and unemployment, underemployment, general economic decline, or underdevelopment in others.

As suggested elsewhere in this paper, the Regional Development Incentives Act applies to a fairly large geographic segment of Canada. This might be interpreted to mean a wide scattering of limited resources. This is not the intent of the program. In fact, there are two aspects to the role of incentives in the present federal regional development policy: (a) the incentives, although available to industry only in the "designated regions", provide freedom to the entrepreneur to locate or expand operations in any place within these regions where, from the standpoint of his own benefit-cost calculus, the results are likely to be the most profitable. This could lead to his choice of a location which either already contains some significant amount of industrial activity, or where other factors of attraction exist from which he may expect to derive important cost advantages; (b) there are also certain areas of the country (where the need for additional jobs is relatively more urgent) towards which industrial location decisions could be influenced, but only after substantial improvements have been made to the infrastructure and social services currently available in them, i.e., if incentives to private

industry are to be really effective for the spatial dispersion of economic activity and for the efficient utilization of the nation's human and other resources, key centres in the slow-growth regions must be capable of attracting and retaining new industrial activity. They must be able to provide the utilities and services that industry requires; they must also have adequate social capital facilities to meet the needs of the growing population. The Department's "Special Area" program^{50/} was developed to serve as the framework for creating new or improving existing facilities of these types in a co-ordinated way in certain areas where a potential for further growth is evident, or where there are special problems of economic and social adjustment.

A "Special Area" may, therefore, be defined as one where special action is needed to promote economic expansion and social adjustment because employment opportunities are exceptionally inadequate within the area itself, or in the larger region of which the area constitutes (or has the capacity to develop into) the major activity centre.

^{50/} cf: "Department of Regional Economic Expansion Act",
op. cit.

Twenty-three special areas are now designated under the federal regional development legislation (see map). They were selected in consultation with the provincial governments concerned, and the special development action taken in them is provided within the framework of joint plans with the provinces.

These areas represent different combinations of economic growth and social adjustment problems and capabilities. Accordingly, although the development efforts in them include programs to assist in the creation and improvement of essential infrastructure, such as roads and bridges, water and sewer systems, industrial parks, port facilities, residential land assembly, housing, schools, health facilities, as well as social adjustment and resource development measures, the relative weighting of each one of these within the development plan varies from one special area to another. Besides such projects, incentives to industry to create new employment opportunities in these areas are provided under the Regional Development Incentives Act. Some of the special areas are outside the boundary of the regions now designated under this legislation, either because they are, although already relatively developed major population centres, experiencing temporary problems of structural adjustment, or are characterized by special socio-economic adjustment problems of a local nature.

In these areas, similar assistance for stimulating industrial employment is provided under the Department of Regional Economic Expansion Act.

The present special areas may thus be classified into seven categories:^{51/}

(a) St. John's, Halifax-Dartmouth, Moncton, Saint John, Quebec City, and Trois-Rivières: These are relatively large population centres in eastern Canada, and their faster growth can have major repercussions throughout the region. They have shown some natural potential for growth, and they are big enough to offer a fairly wide range of educational, business, financial and personal services. However, without substantial public assistance and additional private investment, these centres will be unable to realize their growth potential. The provision of special infrastructure programs in these areas is, therefore, to assist their general development process and to enhance their attractiveness as locations for new industrial activity.

^{51/} "Certain Areas Designated as Special Areas for Economic Expansion and Social Adjustment Purposes". (P.C. 1970-613, April 8, 1970). Canada Gazette, Part II, Vol. 104, No. 9 (April 22, 1970), pp. 418 - 427. Ottawa: Queen's Printer, 1970.

(b) Corner Brook, Happy Valley, Strait of Canso, and Sept-Iles - Port Cartier: In these smaller population centres of eastern Canada, some significant industrial developments are already in progress or the potential for growth is clearly established. Industry at these locations is based on such factors as natural resources and transportation facilities or potential. Infrastructure and industrial stimulation measures are provided in these areas to assist their economic expansion through the development and utilization of these advantages.

(c) Regina and Saskatoon: These two major population centres of Saskatchewan have enjoyed rapid growth in the past. In recent years, employment and income levels in them have been seriously adversely affected by problems in grain and potash marketing. The objective of special action in these areas is to develop alternative employment opportunities.

(d) Burin, Come by Chance, Grand Falls - Botwood - Gander, Stephenville, and Hawkes Bay - Port au Choix: These are the "resettlement areas" in Newfoundland where the objective is largely to facilitate the resettlement of people from the outports into larger communities. Special development action in these areas is, therefore, to stimulate new employment opportunities and to provide improved social facilities.

(e) Lac St-Jean and Renfrew - Pembroke: In these areas, the improvement of employment and incomes depends particularly on the development of wood-based industries. The special programs for these areas are thus to help develop these and other related industries.

(f) The Pas, Meadow Lake, and Lesser Slave Lake: The development of these three areas in the Prairies depends not only on the stimulation of resource-based activities and improvement of community infrastructure facilities, but also on the provision of special counselling and work preparation to enable the seriously disadvantaged people (particularly those of native ancestry) to gain access to new employment opportunities.

(g) Ste-Scholastique: This area contains the site of the new Montreal International Airport. The objective of special developmental action here is to provide the necessary measures to facilitate economic expansion and social adjustment in view of the general socio-economic dislocation resulting from the airport location in a province where economic growth has been relatively slow and per capita incomes are below the national average.

Since regional policy in most modern industrialized countries has derived at least some inspiration from the "growth

pole" concept, it would perhaps be useful to review briefly the extent to which this concept is used in Canada's present regional policy.

As noted earlier, Perroux' "growth poles" consist of complexes of interrelated propulsive industries. Although the national economy serves as the zone of influence for every pole, the major distinguishing feature between them is that the complexes which define each growth pole and the relative intensity of their polarization effects vary from one pole to another. Therefore, the relevance of the concept for regional development is that growth waves emanating from some of the poles may be strong and significant within a smaller geographic area and relatively weak in the rest of the country, as compared to the other poles.^{52/}

Viewed in this manner, the concept of the 'growth point' is identical with the 'growth pole' except for one important point of distinction, i.e., by definition, the former is regional and the latter national in scope and, as a result,

^{52/} Compare Boudeville's definition of "regional growth-pole".
cf: Problems of Regional Economic Planning, p.11.

the objectives of the two need not always coincide, particularly when social considerations are taken into account in the process of policy-making. This distinction is not as crucial in a small country as in one of the size of Canada, with its relatively small population and a small number of major population centres.

Some of the problems associated with the application of the 'growth pole' concept for purposes of regional policy-making have been briefly outlined in Section 2 above. It may be recalled that because of a lack of conceptual clarity of the idea, it has never become the sole basis of regional policy in any modern industrialized country. In addition, two further problems may be identified: (a) the needs of all disadvantaged parts of a country may not be resolved by stimulating industrial complexes; in fact, some of them may have no potential to accommodate such complexes; and (b) the concept of a 'region' arising out of Perroux' growth pole idea is a rather simple one in that the pole's zone of influence is the total economy; on the other hand, at the sub-national level, the problem of delineating the zone of influence of a growth point is, in practice, a more complex one, and it is more difficult to quantify.

As a result, perhaps the most important contribution of

the growth point concept to regional policy-making has been its emphasis on the need for a concentration of effort in areas where a potential for growth based on a complex of major industries is clearly indicated. There are, however, other areas which are characterized by such problems as remoteness from the major population centres of the country, feasibility of only certain resource-based activities, importance of socio-cultural interregional differences, or the need for decongesting the major cities through the creation of new population centres. Here again, one may abstract from the concept, and policy now recognizes the need for a clustering of activities and public action suitable to the particular problems and capabilities of each area.

As in the experience of other industrialized countries with spatial decentralization of economic activity, the "special area" concept in Canada suggests a certain concentration of public action in selected areas, and it is simply a further stage in the continuous evolution of regional development policy where, simultaneously with preserving maximum scope for the operation of the market forces, an attempt is made to influence such forces towards the optimum utilization of society's resources. Thus, the six special areas in category (a), the four in category (b) and the two in category (c) have some identified potential to approximate the growth point

concept. Accordingly, the assistance programs for these areas relate to the stimulation of industrial development and supporting investment. As for the other 11 special areas, the emphasis in some of them is on resolving problems of a social adjustment nature, combined with job-creation efforts, while in the others, it is on resource development and rationalization.

Therefore, the "special area" concept, although it draws in part on the 'growth point' idea, does not imply that the areas themselves are all growth points in the conventional sense with clearly delineated 'growth areas' (zones of influence), nor does it imply that the general strategy of the present federal regional development policy rests entirely on the growth point concept. It is, on the contrary, an effort to reinforce market forces through a set of coordinated special programs, applied selectively, where the objective is to assist the so-called "little economies"^{53/} to participate effectively in the mainstream of the general process of economic growth and social change in Canada.

^{53/} An elaboration of this point is in: D. R. Gilmore. Developing the "Little" Economies: A Survey of Area Redevelopment in the United States. ("Supplementary Paper" No. 10). New York: Committee for Economic Development, 1960. See also: J. G. Williamson, "Regional Inequality and the Process of National Development", Economic Development and Cultural Change, XIII, No. 4 (July 1965 - Part II), 1-84.

(iii) Social Adjustment and Regional Development

Since the early post-war years, investments in new industrial activities and infrastructure, generally in that order, have occupied a central place in concerted public action for economic development. What is perhaps equally important - although more difficult to quantify - is the role of social factors in generating and sustaining a process of economic growth and change.

Over the years, however, it has come to be recognized that these factors include far more than simply additional facilities for education and training. In fact, they consist of a wide range of phenomena such as people's attitudes and social institutions, community participation in the process of socio-economic change, and the objectives of investment in human capital generally. These are complex questions,^{54/} and there is still very little general agreement on what might be the most desirable and practical approach to them, as an integral part of the overall development effort. As a result, the process of policy-making in each country reflects,

^{54/} Several recent studies have attempted to investigate the dimensions of these problems. Although the focus in them has generally been on the 'developing' countries, these studies have relevance to some of the social problems in the 'developed' countries as well. A sample

as with the economic issues, the most urgent needs in the social field.

Industrialization in modern economies is closely associated with increasing urbanization. Urban concentrations lead to one set of social problems; depopulation of countryside and the decline of rural economies create others. The need in this latter case is not only to create alternative employment opportunities and to provide new skills and knowledge for rural people, but also to improve productivity and incomes in agriculture and other rural and primary activities.^{55/}

54/continued

of the literature: E. E. Hagen. On the Theory of Social Change: How Economic Growth Begins. Homewood, Ill.: Dorsey, 1962; D. C. McClelland and D. G. Winter. Motivating Economic Achievement: Accelerating Economic Development through Psychological Training. New York: Free Press, 1969; D. E. Novak and R. Lekachman. (eds.). Development and Society: The Dynamics of Economic Change. New York: St. Martin's, 1964.

55/ These questions are explored in such recent studies as, for example: O.E.C.D. Rural Manpower and Industrial Development - Adaptation and Training. (by H. Krier). "Labour Mobility" Series, No.1. Paris: 1961; O.E.C.D. Regional Rural Development Programmes with Special Emphasis on Depressed Agricultural Areas including Mountain Regions. "Documentation in Agriculture and Food" Series, No. 66. Paris: 1964.

As with the economic development problem, the magnitude and composition of 'social adjustment' needs also differ as between the 'developing' and 'developed' countries. In the former, they relate, among others, to the broad questions of attitudinal and institutional change; in the latter, they are partly the result of special socio-cultural factors which characterize most modern industrialized countries, and partly a consequence of the spatial unevenness of rapid economic growth itself.

Earlier in this section, we have discussed the role of the industrial incentives program in stimulating new employment opportunities in the relatively disadvantaged regions of the country. We have also indicated the objectives of the "special area" program and its relationship with the incentives program. Although these two programs together serve as the major basis for special action in the disadvantaged regions, the results of the programs may not be easily accessible to all segments of the populations of these regions in so far as problems of a 'social adjustment' nature may continue to persist. Special programs to tackle these problems are thus an essential component of Canada's regional development policy.

The experimental nature of regional policy-making is even more pronounced with respect to 'social adjustment' in that

the bulk of the emphasis in regional policy in its early years has been on programs for the creation of new industrial employment opportunities and infrastructure facilities in disadvantaged regions. Special action of a 'social' kind was largely limited to assistance for the geographic and occupational mobility of manpower.

As with industrial development, the experience in most industrialized countries in recent years has been that the resolution of all manpower utilization problems cannot be left to the operation of free market forces. Even the nationally applicable geographic and occupational mobility programs can provide only a partial answer.^{56/} There is thus a need for some degree of concentrated action to tackle the special problems of manpower utilization in a regional context. In most countries, this question has been approached partly through making provision for the special regional needs in the nationally applicable programs, or through experimentation to develop new programs which might be more appropriate to the problems that characterize different parts of the country. Although this experimentation has resulted in particular programs which operate within the framework of

^{56/} In fact, qualitatively, the nature of these programs' 'interference' with the market forces is not altogether different from that of the incentives program with respect to industrial development.

regional development action, they are still in the process of evolving towards becoming a more closely integrated component of regional development policy itself. Canada's experience in this respect has not been substantially different from that of other industrialized countries.

The 'social adjustment' component of Canada's regional development policy consists of several elements because of the different problems of human resource development and adaptation which exist in the different disadvantaged regions of the country. These special programs, which operate in conjunction with the nationally applicable programs to assist the geographic and occupational mobility of manpower,^{57/} can be classified into three broad groups.

(a) Social Adjustment and the Special Area Program

As discussed earlier in this section, the "Special Areas" in Canada's regional development policy represent a certain concentration of public action. In some, there is a potential for resolving their socio-economic problems primarily

^{57/} A summary of the provisions of these programs may be found in: Salient Features of Federal Regional Development Policy in Canada, (op. cit.), Appendix.

through stimulating new industrial activity and improving infrastructure facilities. In the others, the problems need to be approached primarily through measures to assist in social adjustment and in resource development and rationalization. These latter areas can thus be seen in two categories:

- (i) The five "resettlement areas" in Newfoundland: The objective of special action in these areas is to provide essential infrastructure facilities and to develop new employment opportunities in relatively more diversified activities so as to enable the areas to serve as centres to accommodate, economically and socially, the people from the isolated and sparsely populated outports;
- (ii) The three special areas in the northern Prairies: These centres have a potential for new resource-based activities, and a high proportion of their population is of native ancestry. Therefore, besides creation of new jobs, the programs also provide for such social adjustment facilities as counselling and work preparation so as to improve the access of the people to new employment opportunities.

(b) Programs for Improving Employment Opportunities and Productivity in Rural Areas

These programs are of two types, and they were developed in the early 1960's to help improve productivity and resolve the special manpower adjustment problems in the rural areas of Canada. Since 1969, the scope of these programs has been widened, and they now operate as integral components of the federal regional development policy.

(i) Agricultural and Rural Development (ARDA)

The purpose of this program, first introduced in 1961,^{58/} is to undertake research and investigation and, jointly with the provinces, implement programs and projects for the rationalization of land use, conservation and development of soil and water resources in rural areas, development of new opportunities for increased incomes and employment, and for generally improving the productivity in

^{58/} Canada. "Agricultural Rehabilitation and Development Act (1961)". 9-10 Elizabeth II, Vol. 1, Ch. 3. Amended (1966 - "Agricultural and Rural Development Act"), by 14-15 Elizabeth II, Ch. 11. Ottawa: Queen's Printer, 1961; 1966.

rural areas and the standards of living of rural populations. The program operates on the basis of federal-provincial five-year agreements, and the cost of projects included in it is shared equally between the two levels of government. At present, such agreements are in operation in all provinces except Prince Edward Island (see below).

(ii) Rural Economic and Social Development Plans (FRED)

This program was adopted in 1966^{59/} to meet, in a comprehensive way, the problems encountered in areas of concentrated and severe rural poverty which could not be effectively tackled under the more limited approach of the ARDA-type program. Under this program (FRED), the federal government is empowered to enter into an agreement with a province for the joint undertaking of an overall

^{59/} Canada. "Fund for Rural Economic Development (FRED) Act (1966)". 14-15 Elizabeth II, Ch. 41. Amended (1967), by 14-15-16 Elizabeth II, Ch. 80. Ottawa: Queen's Printer, 1966; 1967. When the Department of Regional Economic Expansion was established in 1969, the FRED legislation was repealed, and activities initiated under it were since broadened and integrated with the other elements of the federal regional development policy. The Fund which the 1966 Act (as amended) had set up for the purpose was terminated, and continuing activities under the FRED plans are now funded through the Department's annual budgetary appropriations.

development plan designed to increase incomes and employment opportunities in a rural area of special need. Five such plans (with time-horizons ranging from five to fifteen years) are now in operation, covering the Northeast and Mactaquac regions of New Brunswick, the Lower St. Lawrence - Gaspé - Iles-de-la-Madeleine region of Quebec, the Interlake region of Manitoba and the entire province of Prince Edward Island. These five regions collectively account for a population of some 640,000 people. The plans affect almost all sectors of the regions' socio-economic life, and their cost is shared, in the aggregate, in a 2:1 ratio between the federal and provincial governments. The major sectors of federal assistance in these development plans include agriculture, fisheries, housing, manufacturing and processing industries, health and welfare, and vocational training.

(c) Identification of Special Social Adjustment Needs

In 1966, an experimental program was introduced to assist in devising new and improved methods to facilitate the adjustment of unemployed and underemployed people in especially disadvantaged areas so that they may gain access to more

productive employment opportunities.^{60/} At present, there are six pilot projects under the program in operation. The results from the experience to date under these projects constitute an important element within the evolving 'social adjustment' component of federal regional development policy.

In the further development of these programs toward becoming a more closely integrated part of the overall federal regional development effort, the chief guiding principle is that in the absence of such measures, an induced process of economic expansion has little likelihood of success so long as the capacity of the people to participate actively in the process of economic growth and social change is limited by reasons of inadequate education and training, lack of enterprise, and socio-economic circumstances generally.

^{60/} This program, known as the "Canada NewStart Program", originated in the federal Department of Manpower and Immigration. Based on its natural potential (as experienced in the early years of the program) for becoming an integral part of the developmental activities in the slow-growth regions, the NewStart Program was transferred to the Department of Regional Economic Expansion when it was established. The program, which operates through autonomous NewStart Corporations, incorporated under provincial law, are fully funded by the Department. The six corporations now in operation are at: Lac La Biche (Alberta), Prince Albert (Saskatchewan), Yarmouth (Nova Scotia), Montague (Prince Edward Island), The Pas (Manitoba), and Richibucto (New Brunswick).

3.3 Conclusion

At least in part, the kinds of problems which have contributed to the experimental quality of policy-making in 'regional development' have also contributed to the task of evaluating the precise impact of regional development programs. This situation is also compounded by the problem of disaggregating the impact of such programs from that of other (specific and general) domestic programs and endogenous factors as well as that of exogenous influences. Thus, although various analytical techniques have been developed and applied in most industrialized countries to evaluate results at the individual 'project' level, those for assessing the impact of broad programs - and of regional development policy itself - are still far from precise.^{61/} The relatively recent origin of special regional development programs adds another dimension to the problem of effectiveness evaluation in Canada. Under these circumstances, the experience in most countries has been to review the results of the special programs in terms of the trends in the broad socio-economic indicators (e.g., employment and unemployment, participation rate, income level) in the disadvantaged regions as compared

^{61/} Some of these issues are examined in: O.E.C.D. Cost-Effectiveness Analysis and Regional Development. Paris, 1971.

to those in the rest of the country.^{62/}

The Department of Regional Economic Expansion and its programs are now nearly three years old. The industrial incentives program has been in operation for some two-and-a-half years, and the "special area" program for less than two years. The "social adjustment" measures are, in a sense, still evolving toward becoming a more integrated element of the Department's overall development effort.

The results of some of these programs - for example, the impact of incentives on industrial employment - can be seen more clearly and in the relatively short period,^{63/} whereas those of the infrastructure and human resource development activities will be fully realized only over a longer time. In view of this, the Department's development efforts must

^{62/} cf: O.E.C.D. The Regional Factor in Economic Development - Policies in Fifteen Industrialized O.E.C.D. Countries. Paris: 1970.

^{63/} Thus, under the present industrial incentives program, projects approved during 1969-71 represented federal grants of \$135.4 million, with an estimated new employment potential of 23,807. Under the predecessor incentives program, a combination of direct grants and tax concessions resulted in stimulating new investment in fixed assets of some \$2 billion, with an estimated new employment of 58,872. The federal cost of the 'grant' component of this program for the 1963-71 period has been \$144.0 million.

be seen within the 'intermediate' time-horizon. Furthermore, as the programs developed over the past decade, they have come to be not only more closely integrated among themselves in both conception and operation, but also their scope has been widened, with corresponding increases in the amount of resources devoted to them. Thus, direct expenditures on specific programs for regional development (infrastructure, industrial incentives, and social adjustment and rural development) rose from \$57.0 million to \$271.0 million between 1966-67 and 1970-71.^{64/}

Although it is too early to assess the specific impact of all these programs on the regional problems, there is some clear evidence that the economic health of the relatively disadvantaged parts of the country has been improving over the years, and at an even greater pace in the more recent years. Thus, the improvements in the relative economic strength of the Atlantic region, which began in the late 1960's, are continuing and broadening. There has been a generally steady upward trend in earned-income-per-person in the region as a per cent of the national average - from 63.6 per cent in the 1950's to 66.0 per cent in the 1960's. It was 69.4 per cent in 1970. The corresponding figures for Quebec were 85.6, 89.6 and 90.7 per cent.

^{64/} A distribution of the expenditures, by program, for this period is given in Table 6, Statistical Appendix.

The volume of investment activity also has steadily increased over the years in all provinces; here again, regions such as the Atlantic have performed relatively better than the others. The Atlantic region's share of total investment in the manufacturing sector was more significant - it advanced from 5.2 per cent to 9.3 per cent of the corresponding national total between 1950 and 1970. This trend was particularly pronounced in the years 1968-70.

There have also been distinct gains in the employment situation in the relatively disadvantaged regions of the country. The Atlantic region, for example, accounted for 15.9 per cent of the national unemployment in the 1950's. This figure declined to 14.0 per cent in the 1960's; it averaged 11.6 per cent over the last three years. Furthermore, the region's unemployment rate averaged 174 per cent of the national figure in the 1950's, whereas in the 1960's the average was 167 per cent. Over the last three years, this figure further declined to 145 per cent. In 1970, the rate was just under 129 per cent of the national figure.^{65/}

^{65/} These developments should be viewed, however, also in the context of the geographic shifts in population and labour force over these years. (cf: Statistical Appendix).

There are thus clear indications of a reduction in the magnitude of interregional economic differences in Canada, and this trend has been gathering momentum in the more recent years. The long-term aim of the Department's development programs is to help sustain and broaden these early favourable trends. In particular, the major emphasis in the coming years will be on the further stimulation of industrial employment opportunities and in assisting the process of socio-economic transformation and growth in the disadvantaged regions of the country.

STATISTICAL APPENDIX

TABLE 1REGIONAL DISTRIBUTION OF POPULATION(PER CENT)

Years	Atlantic	Quebec	Ontario	Prairies	B.C.	Canada
1950	11.7	29.0	32.6	18.3	8.4	100
1955	11.1	28.8	33.6	17.9	8.6	100
1960	10.5	28.8	34.2	17.4	9.1	100
1965	10.0	28.9	34.6	17.1	9.4	100
1970	9.4	28.1	35.8	16.5	10.2	100
1970 Population (Million)	2.02	6.01	7.64	3.52	2.19	21.38

TABLE 2REGIONAL DISTRIBUTION OF LABOUR FORCE(PER CENT)

Years	Atlantic	Quebec	Ontario	Prairies	B.C.	Canada
1950	10.2	27.8	35.4	18.4	8.2	100
1955	9.1	28.4	36.7	17.3	8.5	100
1960	8.6	28.1	37.1	17.4	8.8	100
1965	8.6	28.3	36.6	17.2	9.3	100
1970	7.9	27.8	37.4	16.5	10.4	100
1970 Labour Force (Million)	0.66	2.33	3.13	1.38	0.88	8.38

TABLE 3

<u>Regions</u>	Labour Force Participation Rate (Each Region Compared to Canada)			Unemployment Rate (Each Region Compared to Canada)		
	<u>1950's</u> (%)	<u>1960's</u> (%)	<u>1970</u> (%)	<u>1950's</u> (%)	<u>1960's</u> (%)	<u>1970</u> (%)
Atlantic	88.4	87.5	85.1	173.8	166.7	128.8
Quebec	100.4	98.0	97.3	131.0	135.3	133.9
Ontario	104.7	104.6	103.9	73.8	72.5	72.9
Prairies	98.9	102.0	102.3	59.9	62.7	74.6
B.C.	95.9	98.9	102.7	114.3	117.6	128.8
Canada	100.0	100.0	100.0	100.0	100.0	100.0
(Actual Rate	53.5	54.6	55.8	4.2	5.1	5.9)

TABLE 4

EARNED INCOME PER CAPITA* -
EACH REGION COMPARED TO CANADA

<u>Regions</u>	<u>1950's</u> <u>(%)</u>	<u>1960's</u> <u>(%)</u>	<u>1970</u> <u>(%)</u>
Atlantic	63.6	66.0	69.4
Quebec	85.6	89.6	90.7
Ontario	119.6	117.7	117.3
Prairies	99.3	95.2	91.5
B.C.	117.3	109.2	105.6
Canada	100.0	100.0	100.0
	(\$1127)	(\$1743)	(\$2521)

*Earned Income = Personal Income minus Government Transfer Payments (excluding interest) minus Interest, Dividends and Miscellaneous Investment Income of Persons.

TABLE 5

Regions	Per Capita (Total) Investment in Manufac- turing - Each Region Compared to Canada			Per Capita Value Added in Manufacturing - Each Region Compared to Canada		
	<u>1950's</u> (%)	<u>1960's</u> (%)	<u>1970</u> (%)	<u>1950's</u> (%)	<u>1960-67</u> (%)	<u>1968**</u> (%)
Atlantic	43.9	66.4	98.1	34.8	35.0	34.3
Quebec	38.8	87.7	73.9	105.4	101.6	99.5
Ontario	141.8	142.5	143.1	152.5	150.7	150.5
Prairies	51.0	41.8	67.1	38.0	39.8	39.8
B.C.	137.8	128.8	111.8	94.6	91.5	88.8
Canada	100.0	100.0	100.0	100.0	100.0	100.0
	(\$98)	(\$146)	(\$211)	(\$537)	(\$691)	(\$884)

**Most recent figures now available.

TABLE 6

FEDERAL ASSISTANCE FOR REGIONAL DEVELOPMENT

1966-67 to 1970-71*

Year	Infrastructure Development		Incentives to Industry		Social Adjust-ment and Rural Development		Total	
	\$M	%	\$M	%	\$M	%	\$M	%
1966-67	38.1	66.9	1.2	2.0	17.7	31.1	57.0	100.0
1967-68	37.9	43.8	15.4	17.8	33.2	38.4	86.5	100.0
1968-69	37.8	40.3	14.6	15.6	41.3	44.1	93.7	100.0
1969-70	30.5	22.0	54.5	39.3	53.6	38.7	138.6	100.0
1970-71	104.1	38.4	107.7	39.7	59.2	21.9	271.0	100.0

*The first federal programs specifically designed to tackle the socio-economic problem of the disadvantaged regions of Canada were introduced in the 1961-63 period. Major expenditures under them did not commence until 1966-67. The figures in this table represent direct expenditures (exclusive of loans) only. From 1969-70 onward, the figures represent expenditures on new programs as well as continuing expenditures on earlier programs absorbed into the Department of Regional Economic Expansion.

