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Regional Development and Regional Policy

Some Issues and Recent Canadian Experience

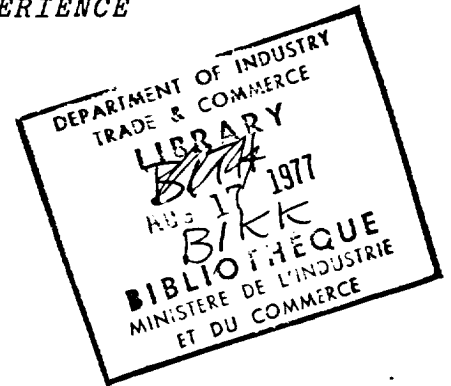


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REGIONAL DEVELOPMENT AND REGIONAL POLICY -
SOME ISSUES AND RECENT CANADIAN EXPERIENCE



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FOREWORD

This is a revised version of a paper prepared in February 1972. With some editorial changes, it will also appear in a book of readings entitled *REGIONS, POVERTY AND CHANGE - POLICY ISSUES OF REGIONAL AND RURAL ECONOMIC ADJUSTMENT* which will be available from Information Canada later in 1973.

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Part I

Regional Development: Some Issues and Conceptual Problems

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 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 inter-relationships 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

1 G. McCrone. *Regional Policy in Britain*. London: Allen & Unwin, 1969. (p. 26).

general agreement and supporting evidence with respect to such important questions as the *process* of regional development and the rôle 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 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 nature of policy-making which continues to be an important characteristic of the field of regional development in Canada as well as elsewhere.

Since the 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 - an attempt is made in this paper to review the major issues involved and the conceptual problems generally encountered in the formulation of regional policy. The following section reviews the socio-economic issues and the case for public action in regional development, and the concluding section

examines the conceptual bases of regional development and their contribution to the process of policy-making.

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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 interregional socio-economic differences do 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 most '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

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relatively peace-time 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. But one of the chief characteristics of this progress has been its spatial unevenness within each country.

Problems of interregional economic differences 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 is the complex of 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 to 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 nations. In some, it exists in the form of 'pockets' of chronic unemployment and economic depression across the country; in others, it may be found in the form of a historical 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 nation. Nevertheless, some analogies can be found from recent experience: in one form or another, the first type can be seen in almost all industrialized countries - whether the problem relates to urban congestion or rural poverty, or whether the concern is with particular occupational categories or with minority and ethnic groups; the Atlantic region of Canada and Appalachia in the United States generally illustrate the second type; the closest illustration of the third type would be the southern region of Italy.

Although their relative degree of seriousness varies, the manifestations of the regional problem are strikingly similar in all industrialized countries. To cite some of the major ones: chronic unemployment at a rate 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 one another, 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 for new activity. 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 effective remedies for them 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 development measures, or the public reception of an existing policy, is usually reflected in the election results. 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 diseconomies and environmental disutilities over the initially apparent advantages in a small number of major population centres, and economic and social deprivation and

2 The problem is discussed, for example, in:
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 régional et la réadaptation des travailleurs dans le Marché Commun," *Cahiers Européens*, No. 24 (juillet 1966), 57-73.

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 higher level of overall economic performance.

The socio-economic case for regional development can, therefore, be seen in terms of three broad considerations:³

(a) from a public costs and benefits standpoint, free market forces cannot be relied on to operate satisfactorily in industrial location decisions; (b) economic growth requires a policy to ensure that the country's scarce resources are

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: N. Kaldor, "The Case for Regional Policies," *Scottish Journal of Political Economy*, XVII, No. 3 (November 1970), 337-348; 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 Banks 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 Workers?," *Lloyd Banks Review*, No. 71 (January 1964), 35-48; A.P. Thirlwall, "Migration and Regional Unemployment: Some Lessons for Regional Planning," *Westminster Bank Review*, (November 1966), 31-44; E.G. West, "Regional Planning: Fact and Fallacy," *Lloyds Bank Review*, No. 80 (April 1966), 33-49.

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 also 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 For a recent discussion of this and related points, see 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 special policies to complement the general policies, what their nature should be is a more complex question - for example, in view of the range of trade-offs between 'taking jobs to workers and generally influencing the distribution of economic activity' and 'taking workers to jobs' that need to be considered so as to ensure compatibility of regional development and national economic growth objectives. The *cost* of programs of these kinds is largely an economic question, but their effect on the preferences and welfare of the people is not.⁵

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. The 'regional balance' debate continues. See, for example: A. Breton, "The Political Economy of Regional Balance," *Recherches Economiques de Louvain*, XXXV, No. 3 (August 1969), 175-200; D.D. Husband, "National versus Regional Growth: Some Issues," *Canadian Public Administration*, XIV, No. 4 (Winter 1971), 538-555.

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 constitutes still another.⁶ Therefore, if the ultimate goal of socio-economic policies 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 in the country. 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 general 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 Grebler)*. 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 at work in them - it is evident that the case for regional development rests on a combination of economic, social and political considerations. As McCrone has argued:

"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 in regional development suggest the need for special action, they are also very complex ones.

8 G. McCrone, *op. cit.*, p. 25.

Some of them, where economic factors are dominant, could be compared and ranked on the basis of such considerations as expected costs and benefits of alternative remedial action. 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 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 collectively 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 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.

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 generally accepted 'theory of regional development' was available, 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 specific aspects 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 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

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- 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, France, 1968). Paris: O.E.C.D., Development Centre, 1969. (p. 21).
- 10 The purpose of this section is not to present an exhaustive discussion 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; A. Kerr 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 & Nicolson, 1969; H. Siebert. *Regional Economic Growth: Theory and Policy*. Scranton, Pa.: International Textbook Company, 1969. For a recent bibliographic survey of

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 ignored both the factors which determine how economic activity comes to spread over space, as well as those which account for regional growth and decline over time.

Although the theory has gone through major modifications and refinements since its first formulation by von Thunen,¹¹ its main focus is still largely on micro-economic considerations. Von Thunen, for example, assumed the sites of towns as given, and postulated that the choice of

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., 1973 - 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: Pargamon, 1966). 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).

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 analyzing 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 theory¹² is more one of *industrial* location. But the emphasis on the firm's locational choice based on the lowest combination of production and transportation costs, the assumption of proportionality of transportation costs to distance, and the neglect of the role of demand in industrial location decisions, makes Weber's theory as well inadequate in explaining the factors that influence the spatial pattern of activity distribution. This weakness of the theory remains even after Losch's modification of it¹³

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).

13 A. Losch. *Die Räumliche 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).

in terms of 'profit maximization' as the criterion for locational choice, and his recognition of the importance of agglomeration economies.

More recent refinements of industrial location theory by Hoover,¹⁴ Isard¹⁵ 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 transportation 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.

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,

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.

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).

and he postulates that central places (i.e. 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 transportation 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 structures 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 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

17 H.W. Richardson, *op. cit.*, p. 420.

has been elusive. In contrast with the conditions which make international trade profitable for the 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 to inability to realize economies of scale, or both, will be at a general disadvantage, and this process could result in the cumulative decline of the region.¹⁸ The final outcome of this process would

18 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).

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 from 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.

Perhaps what has attracted a great deal of interest in recent years as an attempt to explain 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

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.

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, the "growth pole" idea has, in the course of its evolution, also come to have a wide variety of

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- 21 F. Perroux (selected works): "Les espaces économiques," *Economie Appliquée*, III, No. 1 (janvier/mars 1950), 225-224; "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," *Cahiers de l'I.S.E.A.*, Serie L, No. 9 (octobre 1961); "Les industries motrices et la croissance d'une économie nationale," *Actualité Economique*, XXXIX, Nos. 3-4 (octobre 1963/mars 1964), 377-441; *L'Economie du XXe Siècle*. 3e ed. Paris: Presses Universitaires de France, 1969. (Part II, pp. 159-328). See also: P. Aydalot, "Note sur les économies externes et quelques notions connexes," *Revue Economique*, XVI, No. 6 (novembre 1965); J.P. Baillargeon, "Le rôle de pôles dans le développement," *Développement et Civilisations*, No. 5 (janvier/mars 1961), 31-37; J.R. Boudeville, (ed.). *L'Espace et les pôles de croissance*. Paris: Presses Universitaires de France, 1968; J.R. Boudeville. *Problems of Regional Economic Planning*. Edinburgh: Edinburgh University Press, 1966; L.E. Davin. *Economie régionale et croissance*. Paris: Genin, 1964; J. Paelinck, "La théorie du développement régional polarisé," *Cahiers de l'I.S.E.A.*, Serie L, No. 15 (mars 1965); H.W. Richardson, *op. cit.*, pp. 415-428; T. Hermansen, "Development Poles and Related Theories: A Synoptic Review," in N.M. Hansen (ed.). *Growth Centers in Regional Economic Development*. New York: Free Press, 1972. (pp. 160-203).

definitions and interpretations. The lexicon on the concept at present includes such terms as 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 - for example: development area, special area, nuclei of industrialization, etc. Some of these terms 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

Each of these centres is 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

22 F. Perroux. *L'Economie du XXe Siècle*, p. 179.

generally have a high income elasticity of demand both within and outside the region, their rate of expansion will be faster than that of total industrial production and of the gross national product.²³

In Perroux' analysis, a "development pole" is:

"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

As for the process by which this is achieved, Perroux argues that:

"la croissance et le développement d'une ensemble de territoires et de populations 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

23 *ibid.*, p. 180; J.R. Boudeville. *Problems of Regional Economic Planning*, p. 112.

24 F. Perroux, *op. cit.*, p. 204.

25 *ibid.*, p. 191.

activité en la croissance d'une nation en voie de se faire et les développements anarchiques en un développement ordonné". 26

In Perroux' terminology, the "development pole" concept appears to be broader than the "growth pole". The fact that it has generally been the latter expression which has found its way into recent regional development literature suggests that its main 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'. Regardless of this apparent distinction, an important element in the concept of the "pole" is that it incorporates both the "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

26 *ibid.*, p. 205.

27 These effects are essentially similar to Hirschman's "polarization" and "trickling down" effects. However, in contrast with Hirschman's primary emphasis on the "polarization" effect, Perroux' "growth pole" concept emphasizes both effects. On this point, see J.R. Boudeville, *op. cit.*, p. 112n.

28 *ibid.*, p. 11.

This definition seems to combine the concepts of "growth point" and "growth area" into one as, for 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 polarization²⁹ 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 to the process of concentration and polarization within regions".³¹

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.

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,

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 a major element of development strategy. We may, therefore, attempt to abstract some 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 a certain degree of conceptual clarity could, therefore, be achieved if we consider the process of economic growth as taking place in terms of a series of "growth poles" where the total economy serves as the polarization zone for each one and, at the regional level, a

1968). Edinburgh: Oliver & Boyd, 1968. (p. 64).
See also: J. Friedmann. *Regional Development Policy - A Case Study of Venezuela*. Cambridge, Mass.: M.I.T. Press, 1966.

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 industries³³ 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 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

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 the 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. See, in this context: 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; 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.

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 Therefore, to be an effective aid in regional policy-making, the "growth pole" concept should be able to indicate both correctional measures for the established growth points to redefine their polarization zones as well as the need for creating new growth points so as to be consistent with the

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.*

entire system of growth points, growth areas and growth poles constituting the process of and strategy for national economic growth and social change.³⁶

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 socio-economic factors in the growth process itself still remains largely obscure in spite of the availability of sophisticated analytical techniques³⁷ and recent efforts to apply them in the study of sub-national economic phenomena.³⁸ 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'.

36 Some of the issues involved in establishing goals and strategy for regional development policy are discussed, for example, in: J. Friedmann, "A General Theory of Polarized Development," in N.M. Hansen, (ed.), *op. cit.*, pp. 82-107; H.W. Richardson, *op. cit.*, Chs. 14-15; H. Siebert, *op. cit.*, Part IV.

37 For a review of these techniques, see W. Isard, et. al. *Methods of Regional Analysis - An Introduction to Regional Science*. Cambridge, Mass.: M.I.T. Press, 1960.

38 A sample: W. Isard, E.W. Schooler and T. Vietorisz, *op. cit.*; H.S. Perloff, et. al. *Regions, Resources and Economic Growth*. Baltimore, Md.: Johns Hopkins Press, 1960.

Even the few attempts so far made in this regard³⁹ either appear too restrictive or remain to be tested against the facts. 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,⁴⁰ spatial diffusion of innovation 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.⁴¹

39 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.

40 Although certain polarization characteristics are implicit in both the '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.

41 For a discussion of some aspects of this question as well as of such issues as "natural" versus "planned" growth poles, and the problems and considerations involved in the application of the growth pole concept to regional development planning, see: 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*. Philadelphia, Pa.: Regional Science Research Institute, 1969; N.M. Hansen, "Growth

Thus, faced with imperfect concepts and theories on the one hand and the reality of the problems of regional disparity 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 presents striking similarities as between countries - from redevelopment efforts in small areas, to special measures in broad regions, to regional development programs administered within the framework of national economic growth objectives, where the emphasis has come to be on some degree of concentration of public action in certain centres, depending on their

Center Policy in the United States," in N.M. Hansen, (ed.), *op. cit.*, pp. 266-281; A. Kuklinski, (ed.). *Growth Poles and Growth Centres in Regional Planning*. The Hague: Mouton, 1972; A. Kuklinski and R. Petrella, (eds.). *Growth Poles and Regional Policies*. The Hague: Mouton, 1972.

needs and capabilities, and the socio-economic constraints of the time.⁴² The means generally used include stimulation of new employment opportunities through aids to industrial location and expansion, assistance to create the necessary infrastructure, resource development programs and measures to facilitate social development and manpower adjustment. In this regard, the experience in Canada has been substantially similar to that in most other countries.

42 Cf: O.E.C.D. *The Regional Factor in Economic Development: Policies of Fifteen Industrialized O.E.C.D. Countries.* Paris: 1970.

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Part II

*REGIONAL ECONOMIC DISPARITIES AND
FEDERAL REGIONAL DEVELOPMENT POLICIES IN CANADA*

INTRODUCTION

The problem of regional economic disparities has become a matter of serious public concern in recent years in most industrialized countries. From this concern emerged a variety of special programs to deal with it. In some of these countries, such measures have come to be taken through regionalized national development plans. In others, the programs are provided as complements to the general economic and social policies where, rather than establishing a formal national planning framework, the mechanism for program-coordination has been strengthened. The evolution of the federal policy for regional development in Canada followed the latter approach.

The 'regional problem' in Canada exists in the context of three broad economic-geographic phenomena:

- (a) an economy which has experienced a generally high rate of growth in the post-war years, with the exception of brief intervals of relative slackness;
- (b) a country with a level of per capita income which is among the highest in the world; and

(c) a geographically vast area (nearly four million square miles), and a relatively small population distributed unevenly across the country - of a national population of 21.8 million people in 1972, 9.5 per cent lived in Eastern Canada (consisting of the provinces of Newfoundland, Prince Edward Island, Nova Scotia and New Brunswick), 63.7 per cent in Central Canada (comprising the provinces of Quebec and Ontario), and 26.6 per cent in Western Canada (embracing the provinces of Manitoba, Saskatchewan, Alberta and British Columbia). The Yukon and Northwest Territories contain about 39 per cent of the area of the country, but accounted for only a little over 0.2 per cent of the national population.

As in most other industrialized countries, specific programs for regional development are relatively recent in Canada, and they have undergone modifications over the years in response to the needs of the time. An attempt is made in this paper to briefly outline the federal government's approach to regional development. The following section reviews the broad dimensions of the problem of regional economic disparities in Canada and the antecedents of the present federal policy. The third section outlines the objectives and programs of the Department of Regional Economic Expansion. The fourth section provides a summary view of the

activities under the Department's programs in the context of the economic trends in the country and in the regions in recent years. The concluding section refers to some of the still unresolved conceptual and statistical questions and their relevance for the practical problems of regional policy making in Canada.

2

RECENT ECONOMIC TRENDS AND THE REGIONAL PROBLEM

In the period 1950-72, there has been a more than five-fold increase in Canada's Gross National Product, to \$102.9 billion, with a compounded annual growth rate of 8.1 per cent. Over these years, population rose by nearly 60 per cent, to 21.8 million, and G.N.P. per capita more than tripled, to \$4.715.¹

In the same time interval, total private and public investment (capital and repair expenditures) also registered a five-fold increase, to \$28.2 billion, of which the 'manufacturing' sector' accounted for 16 per cent. The level of investment activity in this sector in 1972 was over five times that in 1950, and its value-added increased nearly three-and-one-half times between 1950 and 1970.²

1 See also Table 1, Statistical Appendix.

2 1970 is the latest year for which detailed industrial value-added data are now available.

Participation in the labour force has shown a gradual upward trend over the years - from 53.7 per cent in 1950 to 56.5 per cent in 1972.

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 following expansion years to 3.6 per cent in 1966. There has been an increase in this rate since the closing years of the 1960's. The average for 1972 was 6.3 per cent.

The process of urbanization also has been gathering momentum in the period. Nearly two-thirds of the Canadian population lived in urban areas in 1951; this proportion rose to over three-fourths in 1971.³

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.

3 Cfs: Dominion Bureau of Statistics. *Urban Development in Canada*. (by L.O. Stone). Ottawa: Queen's Printer, 1968; and Statistics Canada. *1971 Census of Canada: Urban and Rural Population*. (Advance Bulletin). Ottawa: Information Canada, 1972. ("Urban" is defined as "all incorporated and unincorporated cities, towns and villages with a population of 1,000 and over").

In fact, the conditions of relative prosperity helped emphasize the existence of marked interregional differences in income and employment opportunities as well as their persistent nature.

For example, the level of personal income per capita in the Atlantic region and in Quebec has generally been well below the national average. 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 capita thus still exist between the regions.⁴

There has been some geographic redistribution of the national population over these years, whereby the losses have been in the Atlantic, Quebec and Prairie regions, and the gains in Ontario and British Columbia.⁵

4 Table 2, Statistical Appendix. ("Earned Income" is defined as Personal Income *minus* Government Transfer Payments *minus* Interest, Dividends and Miscellaneous Investment Income"). See also: Dominion Bureau of Statistics. *Incomes of Canadians*. (by J.R. Podoluk). Ottawa: Queen's Printer, 1968; Economic Council of Canada. *Interregional Disparities in Income*. (by S. Chernick). Ottawa: Queen's Printer, 1966.

5 Table 3, Statistical Appendix. For a discussion of some of the dimensions of these shifts, see: Dominion Bureau of Statistics. *Internal Migration in Canada: Demographic Analyses*. (by M.V. George). Ottawa: Queen's Printer,

Regional distribution of the volume of national unemployment and labour force also has changed over the years. Here again, the Atlantic region found itself in a relatively more disadvantaged position.⁶ This region's share of national unemployment has been declining more or less steadily in the period. However, this trend has been accompanied by a corresponding decline in its share of the national labour force. In this region, although there has been a slight 'absolute' increase in the labour force participation rates - from 47.3 per cent in the 1950's to 47.8 per cent in the 1960's and to 48.1 per cent in the period 1970-72, there has been a decline over the years in the 'relative' rate. A more or less similar trend prevailed in Quebec as well.⁷

Unemployment rates in all regions generally followed the national pattern. However, the Atlantic region and Quebec have usually had rates about $1\frac{1}{2}$ - $1\frac{1}{2}$ times the national average during the 1950-72 period. Thus, wide absolute differences in unemployment rates between the regions continue

1970; Economic Council of Canada. *Internal Migration in Canada, 1921-1961*. (by I.B. Anderson). Ottawa: Queen's Printer, 1966.

6 Tables 4 and 5, Statistical Appendix.

7 Table 6, Statistical Appendix.

to exist, and these constitute a major component of the problem of regional disparities in Canada, especially when they persist at very high levels. The existence of under-employment in the relatively more disadvantaged regions adds another dimension to the problem.⁸

The geographic distribution of new investment activity and of value-added in industry suggest another aspect of interregional differences in Canada. Although there has been some increase in the Atlantic region's share of total (private and public) investment (from 6.7 per cent in the decade of the 1950's to 8.5 per cent in the period 1970-72,⁹ its contribution to the value-added in goods-producing industries¹⁰ showed a more modest upward trend - from 5.5

8 *ibid.* See also: Dominion Bureau of Statistics. *Unemployment in Canada.* (by S. Ostry). Ottawa: Queen's Printer, 1968; Economic Council of Canada. *An Analysis of Inter-regional Differences in Manpower Utilization and Earnings.* (by F.T. Denton). Ottawa: Queen's Printer, 1966; Economic Council of Canada. *An Analysis of Post-War Unemployment.* (by F.T. Denton and S. Ostry). Ottawa: Queen's Printer, 1964; Senate Special Committee on Manpower and Employment. *Proceedings.* (No. 7, February 2, 1961). Ottawa: Queen's Printer, 1961.

9 Table 7, Statistical Appendix.

10 "Goods-producing industries" include the 'primary' sectors of agriculture, forestry, fisheries, trapping, mining and electric power, and the 'secondary' sectors of manufacturing and construction.

per cent of the national total in the 1950's to 5.9 per cent in 1970. Quebec's share registered a decline in both respects during 1950-70.¹¹

The relative importance of 'primary' sectors in the total value-added in goods-producing industries represents another element in the economic differences between Canada's regions. The following data illustrate:

<u>Region</u>	<u>1961-65 Average (%)</u>		<u>1966-70 Average (%)</u>	
	<u>Primary</u>	<u>Secondary</u>	<u>Primary</u>	<u>Secondary</u>
Atlantic	37	63	36	64
Quebec	19	81	18	82
Ontario	17	83	15	85
Prairies	60	40	57	43
B.C.	32	68	31	69
CANADA	28	72	26	74

There are also marked interregional differences with respect to the degree of urbanization. In 1951, for example, only five of the ten provinces were at least fifty per cent

11 Table 3, Statistical Appendix. In the 'manufacturing' sector, for example, there has been a decline in the 'value-added' share of both the Atlantic region and Quebec - from 3.8 per cent in the 1950's to 3.6 per cent in 1970, and from 30.2 per cent to 28.9 per cent, respectively. Cf: Table 9, Statistical Appendix.

urbanized. Seven provinces were in this category in 1961, eight in 1966, and nine in 1971 - the exception being Prince Edward Island. In spite of this steady progress in the urbanization process, the contrast between the regions continues to be significant. The Atlantic region still has the highest percentage of rural non-farm population. Furthermore, as the following data show, 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 also been a widening of this trend in recent years.¹²

Number of Major Urban Areas,
by Population Size - Canada and Regions, 1971

<u>Region</u>	<u>Population Size</u>			<u>Total</u>	<u>MUAs' Share of Regional Population (%)</u>
	<u>0.1 - 0.5 Million</u>	<u>0.5 - 1.0 Million</u>	<u>1 Million and over</u>		
Atlantic	3	-	-	3	22.4
Quebec	3	-	1	4	58.2
Ontario	8	-	1	9	63.9
Prairies	4	1	-	5	48.2
B.C.	1	-	1	2	58.5
CANADA	19	1	3	23	55.1

¹² See references cited in footnote 3.

Regional economic disparities in Canada are not, however, of recent origin. In fact, they have their roots in the particular pattern of development of the national economy and the nature of the structural changes in the regions since the early years of Confederation.¹³

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 result in all regions sharing as fully as possible in its growth and prosperity. This assumption lingered on until the depression of the 1930's which vividly exposed the results of spatially uneven growth and the consequent fiscal weaknesses of the poorer provinces.

After the Second World War, therefore, on the proposition that the Canadian fiscal system should make it possible for every province to provide services comparable to average Canadian standards for its people without the necessity of imposing heavier than average tax burdens, a system of 'fiscal equalization' was adopted. The purpose of this program was

13 For a general discussion of these trends, see: Royal Commission on Canada's Economic Prospects. *Some Regional Aspects of Canada's Economic Development*. (by R.D. Howland). Ottawa: Queen's Printer, 1957.

equilization of provincial public services, and it worked through the federal government augmenting the revenues of low-income provinces with equalization payments. This step marked the first important phase of federal regional policy in Canada.

Although the purpose of the 'fiscal equalization' program was not 'regional development' as the term is understood today, and it has not had the result of reducing inter-regional disparities in the 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 marked interregional economic 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 led to the second phase of federal regional policy in Canada.

The ingredients of the policy in this period were 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 of an attempt to evolve a general regional development strategy and program. Thus, one of these programs (Agricultural and Rural Development Program, 1961) was concerned with the low income and land utilization

problems of rural areas in Canada; another (Atlantic Development Board Program, 1962) was intended to assist in the improvement of social and industrial infrastructure in a broad relatively less industrialized region; still another (Area Development Program, 1963) was concerned with the provision of incentives for industrial development in relatively small areas of chronic unemployment and low levels of non-farm family income.¹⁴

In retrospect, the approach to the problems of regional economic disparity in the 1960's amounted to an attempt to deal with them on a rather 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, each one with rather different objectives, and each one administered by a separate federal government agency. The result was that effective coordination on an overall basis was difficult to achieve, and a certain degree of overlap, duplication and wasteful effort was inevitable.

The achievements were not particularly encouraging. In spite of these special programs and the years of relative prosperity in the 1960's, there was no significant narrowing

14 A brief review of these earlier programs is given in: Department of Regional Economic Expansion. *Salient Features of Federal Regional Development Policy in Canada*. (Prepared for the O.E.C.D.). Ottawa: 1969. (Rev. ed., 1973 - forthcoming).

of the gap in income and employment levels between the provinces and regions of Canada. In fact, as the Economic Council of Canada observed in its 1968 Annual Review:

"... federal policies have, on balance, probably prevented interregional disparities in per capita income from widening ... On the other hand, there is little indication that these have contributed to a stronger basis for self-sustaining growth in the lagging regions of the country."¹⁵

It is evident that although the forms of public action in this second phase of the evolution of federal regional policy were different from those in the first, the result was not particularly different. Accordingly, there was a growing need to reconsider not only the nature of the "regional disparity problem", but also the program-elements which a more integrated policy approach should contain.

The problem of regional economic disparities in Canada can be seen as comprising three broad elements:

- (a) long-term persistence of low income and high unemployment conditions in one large geographic region - consisting of eastern Quebec and the four Atlantic provinces;

15 Economic Council of Canada. *The Challenge of Growth and Change*. ("Fifth Annual Review). Ottawa: Queen's Printer, 1968. (p. 177).

- (b) smaller areas of rural economic depression and social deprivation in most provinces;
- (c) communities which have populations of native ancestry and which lack a diversified economic base.

Although all these elements are equally important 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 such primary activities 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 initial natural advantages of this region, and thus worsened 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 the regional or the national market, there has been little secondary industry in the region 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 others which, by mutual interaction, hold the regional 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 tended to be the younger, the more adaptable and more enterprising, and the better educated.¹⁶ This has combined with the other forces restraining the quality of management and holding the regional economy to traditional patterns.

16 See footnote 5.

In the choice of special public action 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. The experience with such regional development programs in Canada and in other industrialized countries has shown that problems of these kinds cannot be dealt with in isolation. On the contrary, they must be recognized as interdependent aspects of the broad problem of growth and structural change of the economy generally. Furthermore, if regional disparities persist, they represent not only serious economic and social difficulties for the people in the disadvantaged regions and communities, but they also constitute a drag on the future growth prospects of the economy as a whole. Given this, a more effective approach to regional development would seem to call for a coordinated set of special programs which operated as complements to the national economic and social policies. It was to serve as a framework for mounting such a development effort that the federal Department of Regional Economic Expansion was established on April 1, 1969.¹⁷

17 "Government Organization Act, 1969". *Statutes of Canada*, (1968-69). Ottawa: Queen's Printer, 1969. (Ch. 28). ("Department of Regional Economic Expansion Act". *Revised Statutes of Canada*, Vol. VI, (1970). Ottawa: Queen's Printer: 1970. (Ch. R-4).)

FEDERAL REGIONAL DEVELOPMENT POLICY AND THE PROGRAMS
OF THE DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

The establishment of the Department of Regional Economic Expansion marked the beginning of the present phase of federal regional policy in Canada. The Department provides a means for coordinating and rationalizing the planning and implementation of the relevant federal programs relating to economic and social development in the slow-growth regions, in cooperation with the provinces. Its 'raison d'être', therefore, 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 the regions of the country which have been left behind in the process of general economic progress.

The policy is national in scope, but it is flexible enough so that the composition of special development efforts vary from one region to another, depending on the needs and potentialities of each one. The policy thus provides for mounting new federal-provincial initiatives to build on the natural strengths of the regions to facilitate sustained economic progress and well-being. The aspirations and socio-cultural values of the inhabitants of the regions are

important determinants in the choice of the development strategy for each region.

The objective of the present federal regional policy is to assist in the stimulation and dispersion of economic growth - and the development of 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.¹⁸ This implies a broadening of the range of options available to the people through the creation of jobs in each slow-growth region on a scale which will reduce the need for them to secure employment only by migrating to the faster-growing parts of the country.

More specifically, this objective can be expressed as follows:

- (a) reduction of unemployment in regions having consistently higher rates of unemployment than the national average;

18 See also: House of Commons Standing Committee on Regional Development. *Minutes of Proceedings and Evidence*. (No. 3, November 22, 1968). Ottawa: Queen's Printer, 1968. (pp. 27-31).

- (b) reduction of the relatively high underemployment and low productivity employment in the slow-growth regions to a level closer to that in the rest of the country;
- (c) increase in the labour force participation rates in the slow-growth regions so that they are closer to the national average.

The present policy recognizes that major structural changes in the economy and society of low-income areas and regions will be required if they are to realize their development capabilities and aspirations, and thus to contribute toward the elimination of extreme interregional disparities in income and employment. Rather than through short-term interventions, these changes can be brought about only by sustained efforts over a sufficiently long period of time - perhaps ten to fifteen years or more.

To achieve the above objective, the strategy of the Department of Regional Economic Expansion is composed of three major and closely interrelated elements: (i) creation of new permanent jobs - the primary means for this is a program of incentives to private industry so as to make investment more attractive in the slow-growth regions of the country; (ii) improvement of the conditions to sustain and

further stimulate economic growth - this is approached through additional public investment in essential services (e.g. roads, schools, housing, industrial parks, water and sewer systems) in communities requiring such special measures to realize the full range of their development potential; and (iii) special assistance to people in the slow-growth regions to gain access to the new job opportunities created, and to improve their living conditions and quality of life generally - the means for this include a variety of programs such as training, counselling and related activities to help people not only to improve their skills and acquire new ones, but also, through special agriculture, fishery, mining and tourism development programs, to improve their income through more efficient utilization of rural resources.

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

The development of industrial 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 limited local markets, long distance to markets outside the region, and other 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 main instrument adopted by the Department to promote industrial development in these regions is a system of grants to private industry to locate, expand or modernize operations in them. Under the Regional Development Incentives Act of 1969, as amended in 1970,¹⁹ and in consultation with the provincial governments, certain broad regions in all provinces were designated for the purpose of this program.

A "designated region" may consist of an entire province 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 to industry will make a significant contribution to economic expansion and social adjustment within the region.²⁰

19 "Regional Development Incentives Act (1969)." *Statutes of Canada*, 1968-69, Ch. 56; Amended (1970). *Statutes of Canada*, Vol. I, 1970-71, Ch. 10. Ottawa: Queen's Printer, 1969; 1971.

20 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.

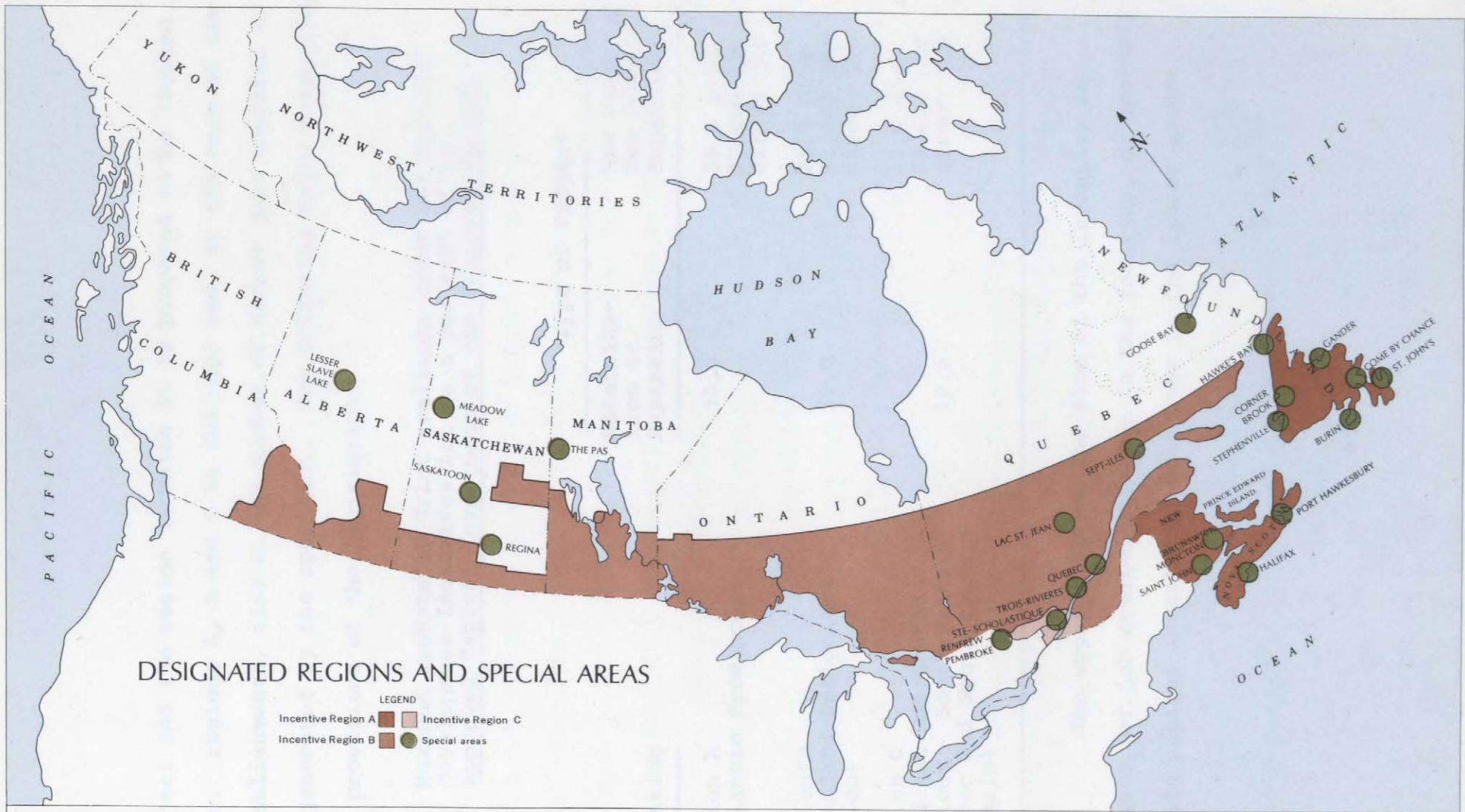
Thus, although certain criteria, such as the level of and trends in income, unemployment, labour force participation rates and degree of industrialization, have been considered in determining the eligibility of regions for designation, they are not applied in a rigid manner.

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.²¹ The rate of unemployment in them is generally 1½ times the national average, and personal income per capita about 20-30 per cent below the national figure. These regions are now designated to the end of 1973. The impact of the job-creation program in them and the need for any revision of their boundaries will be reviewed prior to that date.

The incentive grants apply to secondary manufacturing and most kinds of processing activities.²² The level of the incentive awarded varies depending on the nature of the capital

21 When the incentives legislation was amended in 1970, certain additional regions were designated ("Incentive Region C" in map). With this, the regions now designated contain about one-half of the national population.

22 Cf: "Regional Development Incentives Regulations". (P.C. 1969-1571, as amended by P.C. 1971-145). Ottawa: Information Canada, 1971.



DESIGNATED REGIONS AND SPECIAL AREAS

- LEGEND
- Incentive Region A
 - Incentive Region B
 - Incentive Region C
 - Special areas

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project and the region in which it is proposed to be located (i.e. regions A, B and C in the map) and, in the case of new establishments, also on the number of direct jobs expected to be generated by the operation. The following table summarizes the provisions of the legislation.

Maximum amounts of Grant available under the Regional Development Incentives Act as a per cent of the Approved Capital Investment of the Proposed Project

<u>Location</u>	<u>Type of Project</u>	
	<u>Moderniza- tion or Expansion</u>	<u>New Plant or New Product Expansion</u>
Region A (Atlantic Provinces)	30.0	35.0 plus \$7,000 per direct job
Region B (Standard Designated Region)	20.0	25.0 plus \$5,000 per direct job
Region C (Special Designated Regions - South-western Quebec and South-eastern Ontario)	10.0	10.0 plus \$2,000 per direct job

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

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

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 his operation 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 incentive program also provides for a loan guarantee scheme to help entrepreneurs who have difficulty in gaining access to funds. The guarantee is available to a maximum of 90 per cent of the total advances made by a lender (plus the interest thereon), provided that the amount of the loan is less than 80 per cent of the entrepreneur's capital investment, after deducting the development incentive and all other federal, provincial and municipal grants or other financial assistance he has received. The scheme applies to all the regions currently designated under the Regional Development Incentives Act. As well as to the establishment, expansion and modernization of manufacturing and processing activities, loan guarantees are also available for establishing such commercial facilities as business offices, shopping centres, hotels and recreation centres.

(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 the pressures of inflation and congestion in some parts of the country, and of unemployment, underemployment, general economic decline, or underdevelopment in the 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", do not inhibit the freedom of 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, and 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.

That is, if incentives to private industry are to be really effective for the spatial dispersion of economic activity, and to assist in the efforts toward a more 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 have the necessary utilities, land for industry and housing, educational and training facilities, transportation services, etc. Under the Department of Regional Economic Expansion Act of 1970, the "Special Area" program was developed to serve as the framework for creating new or improving existing facilities of these kinds in a coordinated way in communities where a potential for further growth is already evident, or where there are special problems of economic and social development.

A "Special Area" is thus essentially 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 potential to develop into) the major activity centre.

Twenty-three Special Areas were designated in 1970-71 under this program (see map).²³ They were selected in consultation with the provincial governments concerned, and the special developmental action taken in them is provided within the framework of joint medium-term (up to five years) plans with the provinces. Federal assistance to projects included in these plans is provided through a combination of grants and loans, generally in a 2:1 ratio.

These areas represent different combinations of economic growth and social development problems and opportunities. Accordingly, although the developmental efforts in most of them include programs to assist in the creation and improvement of essential infrastructure as well as social

23 For a description of these areas, see: "Certain Areas Designated 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). Ottawa: Queen's Printer, 1970.

adjustment and resource development measures, their relative weights within the strategy vary from one Special Area to another. Besides such projects, incentives to industry are also available in these areas under the Regional Development Incentives Act.

Some of the Special Areas are outside the boundary of the regions now designated under the industrial incentives legislation, either because they are, although relatively developed major population centres, experiencing problems of structural adjustment of a more or less temporary kind, or are characterized by special socio-economic adjustment problems of a local nature. In such areas, assistance for stimulating industrial employment is provided under the Department of Regional Economic Expansion Act. Similarly, there are also the Special Areas, whether located within or outside an industrial incentive region, where the problem is not one of inadequate infrastructure, but rather one of inadequate industrial employment opportunities. Only the industrial incentive program applies to them.

Of the 23 Special Areas across Canada, 20 have been designated for both infrastructure and industrial incentives assistance. The other three (Renfrew-Pembroke, Regina and Saskatoon) were designated for industrial incentives assistance only. From the standpoint of their development needs

and capabilities, the present Special Areas may be classified into the following seven categories.

- (a) St. John's, Halifax-Dartmouth, Moncton, Saint John, Quebec City, and Trois-Rivières: These are the major urban centres in eastern Canada that show good growth prospects and can serve as focal points for the improvement of employment and incomes in the region as a whole. The development efforts for these areas relate largely to infrastructure, including such items as serviced industrial and residential land, industrial parks, tourist facilities and other major projects designed to strengthen the economic base of the centres themselves and, through them, of the region.
- (b) Corner Brook, Happy Valley, Strait of Canso and Sept-Iles - Port Cartier: The growth prospects of these smaller population centres of eastern Canada depend mainly on natural resources. The assistance programs for these areas include both major infrastructure and financial help to commercial facilities.
- (c) Burin, Come by Chance, Grand Falls - Botwood - Gander, Stephenville, and Hawkes Bay - Port au Choix: These are communities in Newfoundland to which some of the

people from the outports are moving. Special developmental action in these areas is to stimulate new employment opportunities and to provide improved public services so as to facilitate their resettlement.

- (d) The Pas, Meadow Lake and Lesser Slave Lake: Good potential exists in these areas in the mid-northern Prairies for the development of resource-based industries, and where job opportunities and other assistance can be extended to the severely disadvantaged people, particularly those of native ancestry. Developmental efforts in these areas include community infrastructure, social adjustment measures, and the stimulation of new employment, particularly in wood-based industries.

- (e) 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 due to problems in grain and potash marketing. The objective of special action in these centres is to develop alternative employment opportunities through incentives to a wide range of industrial activity.

(f) Lac St-Jean and Renfrew - Pembroke: These areas have potential for the development of industry in general, and initial processing operations in particular. The developmental efforts are thus to encourage these activities.

(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.

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.²⁴

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, 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 the 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 Part I of this paper. It may be recalled that because of a certain degree of conceptual vagueness of the idea, it has never become the sole basis of regional policy in any modern industrialized

24 Compare Boudeville's definition of "regional growth-pole". Cf: J.R. Boudeville. *Problems of Regional Economic Planning (op. cit.)*, p. 11.

country. In addition, two further problems may be identified:

- (a) it would probably be quite difficult to resolve the needs of all the disadvantaged parts of a country by stimulating industrial complexes; in fact, some of them may have no potential to accommodate such complexes;
- (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 kinds of resource-based activities, importance of socio-cultural differences, or the need for decongesting the major cities through the creation of new population

centres. To some extent, the practical application of the 'growth point' concept can be seen here as well in so far as policy now recognizes the need for a clustering of activities and public action appropriate 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's regional policy suggests a certain concentration of public action in selected areas; it is simply a further stage in the evolution of policy where, while 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.

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 and as complements to the general economic and social policies, where the objective is

to assist the so-called "little economies"²⁵ to participate effectively in the mainstream of the general process of economic growth and social change in Canada.

(iii) Social and Rural Development
Programs in Regional Policy

Since the early post-war years, investment 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.

It has come to be recognized over the years 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

25 An elaboration of this point is in: D.R. Gilmore. *Developing the "Little" Economies: A Survey of Area Redevelopment in the United States*. 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.

human capital generally. These are very complex questions,²⁶ 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 every country reflects, as with the economic issues, the most urgent needs and priorities 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 the 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 training

26 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 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.

to the rural population, but also to improve productivity and incomes in agricultural and other rural and resource-based activities.²⁷

As with the 'economic' development problem, the magnitude and composition of 'social' development 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 are to be found in 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 slow-growth regions of Canada. We have also indicated the objectives of the "Special Area" program and its relationship with the industrial incentives program. Although these two programs together serve as the major means of special action in the relatively disadvantaged regions, the results of the programs may not be

27 See also: O.E.C.D. *Regional Rural Development Programs with Special Emphasis on Depressed Agricultural Areas including Mountain Regions*. Paris: 1964; O.E.C.D. *Rural Manpower and Industrial Development: Adaptation and Training*. (by H. Krier). Paris: 1961.

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, therefore, an essential component of the federal 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 initial 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.²⁸ There is thus

28 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.

a need for some degree of concentrated action to tackle the special problems of manpower utilization in a regional development 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 would 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 regional development policy, they are still in the process of evolving towards becoming a more closely integrated component of regional policy itself. Canada's experience in this respect has not been substantially different from that of other industrialized countries.

The 'social and rural development' component of Canada's regional development policy consists of several elements because of the different problems of human resource development and adaptation which exists 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, can be classified into three broad groups.

(a) Social Development 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 largely through stimulating new industrial activity and improving infrastructure facilities. In others, the problems need to be approached primarily through measures to assist in social development and in the rationalization of resource-based activities.

To illustrate: the six Special Areas in category (a) and the four in category (b) 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. The provision of industrial incentives in the two Special Areas in category (e) suggests the same rationale. In contrast, the developmental efforts in the Special Areas in categories (c) and (d) relate largely to problems of social development and adaptation, and those in category (f) Special Areas to resource development and rationalization.

(b) Improvement of Employment Opportunity and Productivity in Rural Areas

Two programs were developed in the 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 Act (ARDA)

The purpose of this program, introduced in 1961,²⁹ is to make public assistance available to help meet the economic and social adjustment needs of low-income rural areas. It provides for the establishment of federal-provincial schemes (on a 50:50 shared-cost basis) of alternative land use, soil and water conservation, and rural development. The program operates through five-year agreements with the provinces. The present agreements, to 1975, puts more emphasis than in the past on human resource development programs. They are also designed to make it possible for the activities under them to fit more closely with the other programs of the Department and to be part of an agreed development strategy for the province concerned. At present, such agreements are in operation in all provinces except Prince Edward Island (see below).

29 "Agricultural Rehabilitation and Development Act (1961)". *Statutes of Canada*, 1961, Vol. 1, Ch. 3; amended (1966) - "Agricultural and Rural Development Act". *Statutes of Canada*, 1966, Ch. 11. Ottawa: Queen's Printer, 1961; 1966.

(ii) Fund for Rural Economic Development (FRED) Act

The main purpose of this program, introduced in 1966,³⁰ and the fund which it established, is to tackle the problems of concentrated and severe rural poverty which cannot be effectively dealt with under the more general ARDA approach. The program operates under medium to more long-term (5 to 15 years) federal-provincial agreements. There are five FRED plans now in operation, and they relate to the following five broad areas of which one covers an entire province: the province of Prince Edward Island, Northeast New Brunswick, the Mactaquac region of New Brunswick, the Lower St. Lawrence region of Quebec, and the Interlake region of Manitoba. These five areas collectively account for a population of some 650,000 people.

The FRED plans are comprehensive development efforts affecting each regional economy as a whole, and their cost is shared, in the aggregate, in a 2:1 ratio between the federal

30 "Fund for Rural Economic Development Act (1966)." *Statutes of Canada*, 1966, Ch. 41; amended (1967). *Statutes of Canada*, 1967, Ch. 80. Ottawa: Queen's Printer, 1966; 1967. (With the establishment of the Department of Regional Economic Expansion in 1969, the FRED legislation was repealed. The activities initiated under it were since broadened and integrated with the other elements of federal regional development policy. The fund established by the Act was terminated, and continuing activities under the FRED plans are now funded from the Department's regular budget.)

and the provincial government concerned. Like the Special Area program, each FRED plan is tailored to the development problems and prospects of the particular region it is designed to help. In general, the activities and projects which constitute these plans include infrastructure such as roads and sewers, land management and consolidation, basic counselling services, and the development of educational and recreational facilities and rural industry.

(c) Identification of Special Problems of Social Development and Adaptation

An experimental program was introduced in 1966 to identify and test ways of motivating and counselling disadvantaged adults so that they can more effectively respond to regular training programs and employment opportunities as they develop. The program operates through a series of pilot projects in selected areas.³¹ The results and experience

31 This program, known as the "Canada NewStart Program", originated in the federal Department of Manpower and Immigration. In view of the natural potential of the program (as experienced in its initial years) for becoming an integral part of the developmental action in the slow-growth regions, it was transferred to the Department of Regional Economic Expansion in 1969. To provide for the greatest freedom for experimentation, the program was implemented through independent corporations established under provincial law, but fully funded by the federal government. The six projects which were in operation under the program by 1970 were at Montague (Prince Edward Island), Yarmouth (Nova Scotia), Richibucto (New Brunswick), The Pas (Manitoba), Prince Albert (Saskatchewan), and Lac La Biche (Alberta).

gained from these projects constitute an important element within the evolving 'social development' component of federal regional policy.

In the further development of these 'social development and adaptation' programs towards 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 growth and change has little likelihood of success so long as the capacity of the people to actively participate in it is limited by reasons of inadequate education and training, lack of enterprise, or socio-economic circumstances generally.

Industrial development, infrastructure assistance, and social and rural development - these are thus the major programs of the Department of Regional Economic Expansion to pursue its objectives. Clearly, these programs, although they provide the main thrust to the effort to reduce regional economic disparities in Canada, are not in themselves sufficient to achieve those objectives, unless adequate resources are devoted to them. Given the complex multi-dimensional nature of the problem, the programs must also be complemented by many other federal and provincial programs in whose design and implementation they would need to be coordinated to the fullest extent possible.

FEDERAL REGIONAL DEVELOPMENT PROGRAMS
AND RECENT ECONOMIC TRENDS IN THE REGIONS

The kinds of problems which have contributed to the experimental quality of policy-making in 'regional development' have also contributed to the complexity of 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 efforts from that of other domestic programs (federal and provincial, special and general) and external influences. Thus, although various analytical techniques have been developed and applied in most countries to evaluate results at the individual 'project' level, those for assessing the impact of broad programs - and of particular policies such as for regional development - are still far from precise.³² In Canada, the relatively short history of regional development policy adds another dimension to the problem of effectiveness-evaluation. Under these circumstances, the experience in most countries has been to review the results of

32 Some of these issues are examined in: O.E.C.D. *Cost-Effectiveness Analysis and Regional Development*. Paris: 1971.

such special programs and policies more or less in terms of the broad trends in the major socio-economic indicators (e.g. employment and unemployment levels, labour force participation rates, income level, etc.) in the disadvantaged regions as compared to those in the rest of the country.³³

The Department of Regional Economic Expansion is now four years old. The industrial incentives program has been in operation for nearly four years, and the "Special Area" program for a little over three years. The Department's social development efforts are, in a sense, still evolving towards becoming a more integrated element of the present federal regional policy.

The results of some of these programs (e.g. the impact of industrial incentives on regional employment) can be seen in the relatively short period. Thus, the 1,957 projects approved under the incentives program from its inception (July 1969) to the end of December 1972 represent a total investment of about \$1.6 billion, at a cost to the Department

33 See also: European Free Trade Association. *Regional Policy in EFTA: Industrial Mobility*. Geneva: 1971; O.E.C.D. *The Regional Factor in Economic Development: Policies of Fifteen Industrialized O.E.C.D. Countries*. Paris: 1970.

of nearly \$325 million. When in full commercial production, these projects will have created some 82,000 direct new jobs.³⁴

A regional distribution of these magnitudes is given below.

<u>Region</u>	<u>Number of Approved Projects</u>	<u>Expected Total New Investment (\$ Million)</u>	<u>Expected Direct New Jobs</u>	<u>Estimated Amount of Incentive Grants (\$ Million)</u>
Atlantic	353	285.3	14,087	81.4
Quebec	1,192	843.9	49,151	149.7
Ontario	113	234.1	6,775	39.6
Prairies	268	236.6	10,561	50.0
B.C.	31	16.4	1,178	3.7
CANADA	1,957	1,616.3	81,752	324.4

Of these, projects from the food manufacturing, primary metal, textile, transportation equipment and wood industry groups represent about 45 per cent of the new jobs and some 50 per cent of the incentive grants.

34 Department of Regional Economic Expansion. *Assessment of the Regional Development Incentives Program*. Ottawa: 1973. (Part 2).

In contrast with the industrial incentives program, the results of those for infrastructure and human resource development will be fully realized only over a longer period of time.³⁵

To ensure their effectiveness, as the federal regional development programs evolved over the past decade, they have become more closely integrated among themselves in both conception and operation; their scope has also been widened, with corresponding increases in the amount of resources devoted to them. Thus, direct expenditures on the Department's programs rose from \$219.5 million in 1969-70 to an estimated \$511.0 million in 1973-74.³⁶

Although it is too early to assess the specific impact of all these programs on the magnitude of regional disparities in Canada, there is some evidence emerging to suggest that the state of economic health of the relatively

35 Compare, in this context, the trends in investment activity in the regions in recent years. Cf: Table 7, Statistical Appendix.

36 A distribution-by-program of the Departmental expenditures for this period is given in Table 10, Statistical Appendix. See also: Department of Regional Economic Expansion. *Annual Report, 1971-72*. Ottawa: Information Canada, 1972; House of Commons Standing Committee on Regional Development. *Minutes of Proceedings and Evidence*. (Issue No. 1, March 28, 1972). Ottawa: Information Canada, 1972.

disadvantaged parts of the country has been improving over the years. In the Atlantic region, the improvements in the relative economic strength which began in the late 1960's are continuing and broadening. There has been a general upward trend in earned income per capita in this region in relation to the national average - from 63.1 per cent in the decade of the 1950's to 65.7 per cent in the decade of the 1960's. The 1970-71 average stood at 68.9 per cent.³⁷

There have also been gains in the employment situation in the Atlantic region. This region accounted for 16.1 per cent of the national unemployment in the 1950's. This figure declined to 14.1 per cent in the 1960's; the average for 1970-72 was 10.6 per cent. Furthermore, the region's unemployment rate declined from an average of 176 per cent of the national figure in the decade of the 1950's, to 167 per cent in the 1960's, and to 135 per cent in the 1970-72 period.³⁸

These developments suggest some favourable trends. However, to assess their precise implications for the national and regional economies, they must be disaggregated in terms of the key causal factors. They must also be seen in the context

37 Table 2, Statistical Appendix.

38 Tables 5 and 6, Statistical Appendix.

of the geographic shifts in population and labour force that have taken place over the years. On the other hand, attempts at such disaggregation continue to encounter complex conceptual and statistical problems. Nevertheless, while the economic trends must be attributed to the whole range of domestic factors and external influences, one point appears to be significant, i.e. in relative terms the progress in the disadvantaged regions in recent years has been more marked than in the others. The regional development programs have made at least one of the important inputs towards this result.

There are thus some 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 on generally assisting the process of economic growth and social change in the disadvantaged regions of the country.

CONCLUSION: SOME ASPECTS OF CURRENT ANALYTICAL WORK
AND REGIONAL PLANNING ISSUES IN CANADA

The continuing evolution of regional policy in Canada and elsewhere suggests that much work still remains to be done toward establishing more clearly the quantitative dimensions of the factors which constitute the 'regional development problem' and their interrelationships. A better understanding of these is a prerequisite not only for the formulation of coherent and effective programs but also for the evaluation of their effectiveness. Toward this, we need to have a conceptual framework within which the special programs are designed; we need more detailed data which can help in the elaboration of the development strategy; in the conduct of both, we also need a set of analytical tools which can stand the test of empirical verification.

The broad analytical framework which is now being developed in Canada consists of medium-term national and regional econometric models. This work, which is known as CANDIDE I (Canadian Disaggregated Inter-Departmental Econometric Model), has been under way for some time under the aegis of the Economic Council of Canada, and it is at present

in its final stages.³⁹ An important feature of this model is its input-output core which translates final demand into intermediate output and primary resource utilization.

The main purposes of CANDIDE I are to provide medium-term (5-15 years) forecasts and to carry out policy simulations. Though highly disaggregated according to type of activity, it is at present a model of the Canadian economy as a whole. While undoubtedly its use as such would provide many insights into the workings of the economies of certain regions, its usefulness will be considerably enhanced through some regionalization. In addition, the model is particularly relevant for purposes of regional development policy as the medium-term time-horizon appears to be the one for which programs to reduce regional disparities can best be formulated.

Some of the most useful, and achievable, regionalizations include output, wages and employment by major industries, as well as estimates of regional gross domestic product. The principal purpose of this regionalized and modified version of the model would be to provide consistent characterizations of regional economies which are tied to national aggregates, to provide forecasts and simulations,

39 For a discussion of this model, see: Economic Council of Canada. *The Years to 1980*. (Ninth Annual Review). Ottawa: Information Canada, 1972.

and to furnish one means for examining the possible impact of proposed programs and evaluating those in progress or completed.

The regionalized model will also be of great assistance in the detailed studies of various aspects of the problem-areas and sectors that still remain to be done. The development of new concepts and detailed data required for these will take some time to accomplish. Thus, while potentially very important, the fact remains that it will be some time yet before this tool can become fully operational at the regional level.

The need, therefore, remains for more specific analyses in the interim period. These are now going forward concurrently on three broad fronts.

(i) An examination of the performance of the regional and provincial economies over the relatively recent past in order to form a judgement about the causes and dimensions of economic disparity, and to identify in a preliminary way the potential for more rapid growth. This kind of analysis has been under way for some time as a joint federal-provincial project. For each of the provinces where disparities have historically been very great, it reviews the causes and extent of changes over the past two to three

decades in production, employment and productivity in each major industry, assesses the sectoral and spatial adjustments which have taken place, and indicates for the period covered the consequences of the growth performance on employment, unemployment, migration and the labour force. An important complement of this work is the preparation of a "shift/share" matrix which is used to assess industry performance, on the basis of employment trends, in a province or region in the context of the performance of that industry in the country as a whole.

(ii) A more detailed assessment of potential in the industries which, on the basis of the overall review, would seem to have unrealized capabilities which might be made to contribute significantly to the future development of the province or region. A large number of such industry studies are at present under way. In each case, the purpose is to review the resources, market prospects, comparative locational advantages and disadvantages, inter-industry linkages both within and outside the region, productivity, and other relevant factors.

These kinds of specific analyses provide a basis for establishing a series of first judgements about where, both industrially and spatially, additional growth may be generated, and about the kinds of public programs or activities which may

be necessary to achieve it. They also provide a framework for carrying out feasibility assessments (with respect to a particular location or locations) of various activities on a cost/benefit basis. In addition, the process of identifying the industries which may grow most rapidly, and the areas in which they may concentrate, provides an early view about the main centres of employment in the slow-growth regions and their economic roles and functions. These views, in turn, constitute a set of assumptions which form the basis for formulating appropriate development plans for such areas.

(iii) The third broad aspect of the analytical work is a comprehensive review of the current programs for regional development. This work, carried out in cooperation with the provinces, is now nearing completion. It is concerned with an assessment of the activities under both the Departmental programs since 1969 and the programs introduced prior to that year for specific purposes which were subsequently brought within the framework of the present federal regional development policy. The results of this review⁴⁰ provide an important

40 For a progress report on the subject, see the statement by The Hon. D.C. Jamieson, Minister of Regional Economic Expansion, in: House of Commons Standing Committee on Regional Development. *Minutes of Proceedings and Evidence*. (Issue No. 2, April 10, 1973). Ottawa: Information Canada, 1973. (pp. 2:4 - 2:24).

input to the process of regional policy formulation and to the adaptation of the programs to the needs of changing socio-economic conditions and priorities. Federal-provincial discussions are currently underway on the policy options and new developmental opportunities emerging from the review.

Government policies to deal with marked disparities in income and employment opportunities within a country are in effect concerned with a problem in welfare maximization. Three different policy approaches can be considered to correct the welfare loss occasioned by the persistence of such disparities: (a) stimulate new employment within the labour-surplus regions; (b) promote migration from such regions; or (c) increase transfer payments to assist the unemployed and underemployed in these regions. Given the reality of the problems and the socio-economic-political constraints within which they exist, the chosen policy approach will, in most cases, consist of some mixture of all three.

A number of considerations will influence the composition of this mix. Migration from a labour-surplus region, for example, will help to standardize unemployment rates throughout the country, but the exodus of the unemployed

may itself generate new unemployment in the labour-surplus regions - as well as in the prosperous regions. In the former, there could be a negative multiplier effect associated with out-migration. Estimates of regional employment and income multipliers are important, therefore, not only from the standpoint of measuring the effectiveness of various ways of spatially re-distributing jobs but also for measuring the effects of increased labour mobility on the people who remain behind.

The negative multiplier effect associated with out-migration may be felt in other ways than simply in terms of job loss. Emigration can also lead to detrimental changes in the age-structure of the population as well as in other demographic variables, thereby causing the average productivity of the remaining labour force to fall. In addition, some under-utilization of social infrastructure will very likely occur in the regions from which people are migrating, while that part of the cost of the infrastructure which is financed locally must be carried by a smaller tax-paying population.

Migration from labour-surplus regions may also intensify the congestion problem facing the major economic centres of the country. Besides this, the extent to which such migrants can be absorbed into productive occupations would depend on the pace of new employment creation in these

latter centres, the skills the migrants possess and their capacity to adapt to the new socio-economic environment. In short, a number of factors associated with migration may weigh in favour of programs to influence the site location of jobs rather than that of workers.

But other considerations may weigh in favour of relocating the unemployed. Most fundamental of these is the greater output and productivity potential of those regions that prosper without the benefit of special stimulants. Obviously, national output will be reduced if labour and capital are used where the value of their marginal products is lower than would be the case in some other location. While this may not necessarily be a sufficient condition to warrant a specific policy for relocating the labour force, the cost of foregone output is nevertheless a necessary consideration in the choice of the policy mix.

The difficulty of quantifying the net social benefits flowing from different development strategies is a central theme in any debate over policies to achieve a greater regional balance in economic opportunities. Psychic income associated with family ties and hereditary domiciles, for example, is very subjective but still quite important.

The precise amount of budgetary resources required to effect the degree of migration or the volume of industrial investment necessary in the slow-growth regions to reach the goal of 'regional balance' and to institute a process of self-sustaining growth in these regions is still unknown. There is thus room for differences of opinion as to what might be the most efficient and effective strategy for achieving a better regional balance in income and employment opportunities. Nevertheless, even after developing new and more productive industries, improving employment opportunities, and raising incomes, there will undoubtedly always remain some differences in the relative levels of economic activity in the regions. The problem then is to ascertain the point at which development efforts have gone far enough, given the alternative uses which can always be made of available resources and the goals of society.

The developments in the economy in the years ahead would inevitably involve some spatial re-distribution of population and employment, and a higher level of urbanization than in the past. Thus, different and sometimes new processes of economic as well as social adjustment are set in motion. If these are not effectively grafted on to the fabric of socio-economic change, they can inhibit if not thwart the tempo of industrialization and urbanization. However, the objective

to be sought in designing new policies and programs is not the development of a very small number of vast metropolitan complexes each one of which is composed of several million people trying to survive in the haze of a variety of environmental diseconomies and disutilities; rather, it is to speed up the movement of people away from small villages, isolated fishing outports and straggling rural settlements, to medium-sized towns and cities where adequate schools, housing, hospitals and new industry can be provided, and which can serve as new centres of economic growth and an effective equilibrating force between rural villages on the one hand and congested large urban centres on the other.

Regional development policies constitute another field of public action in which public and private decision-making become mutually interdependent. This is clearly the case because an important part of these policies is designed to influence the decisions of private investors. It becomes important, therefore, that the instruments of public policy used for this purpose effectively complement rather than replace the private decision-making process.

The coordination of regional development policies with others administered by the different levels of government within a country is also of critical importance. This

in turn is a very complex issue since different public policies have somewhat different objectives. Even when these are defined with some precision, it still remains a formidable task to assess their effects on each other. The complexity of this problem of course varies as between different types of governmental structure.

The formulation of regional development policies continues to be hampered by serious statistical gaps. Problems of this nature are particularly important in the social field. Although some work is now under way in Canada and elsewhere towards developing better "social indicators", both at the national and regional levels, as with more detailed regional 'economic' data, it will be some time yet before this work can lead to operationally useful results.

It would seem fair to conclude from the foregoing that many different and complex questions still remain to be resolved - both in the analysis of regional development problems and in the formulation of effective policies and strategies. At present, the existence of a significant gap between the statistical needs of policy and the capability of

analytical tools and data banks means that for some time yet public policy in the field of regional development must have an important experimental character.⁴¹

41 For a recent discussion of some of these questions, See: O.E.C.D. *The Regional Factor in Economic Development*. (op. cit.); O.E.C.D. *The Growth of Output, 1960-1980 - Retrospect, Prospect and Problems of Policy*. Paris: 1970. (especially pp. 133-138).

STATISTICAL APPENDIX

(Tables 1-3 and 7-9 include data
for the Yukon and Northwest
Territories; others exclude them)

TABLE 1

GROSS NATIONAL PRODUCT, PERSONAL INCOME
AND EARNED INCOME, CANADA,
SELECTED YEARS, 1950-72*

Year	G.N.P. (\$Billion)	Personal Income (\$Billion)	Earned Income (\$Billion)	Population (Million)	G.N.P. Per Capita (\$)	Personal Income Per Capita (\$)	Earned Income Per Capita (\$)
1950	18.49	14.26	12.26	13.71	1,349	1,040	894
1955	28.53	21.27	18.27	15.70	1,817	1,355	1,164
1960	38.36	29.60	24.48	17.87	2,147	1,656	1,370
1965	55.36	41.07	34.42	19.64	2,818	2,091	1,752
1970	85.45	66.53	54.24	21.30	4,012	3,124	2,547
1971	93.09	73.45	59.49	21.57	4,316	3,405	2,758
1972	102.94	82.00	65.81	21.83	4,715	3,756	3,015

* Calculated from: Statistics Canada: *National Income and Expenditure Accounts - Historical Revision, 1926-71*; and *Systems of National Accounts National Income and Expenditure Accounts - Fourth Quarter and Preliminary Annual 1972*.

TABLE 3

REGIONAL DISTRIBUTION OF POPULATION
(PER CENT), SELECTED YEARS, 1950-72*

Year	Atlantic	Quebec	Ontario	Prairies	B.C.	Yukon & N.W.T.	Canada
1950	11.65	28.95	32.61	18.33	8.29	0.17	100.00
1955	11.06	28.77	33.55	17.89	8.55	0.18	100.00
1960	10.45	28.77	34.20	17.42	8.96	0.20	100.00
1965	10.02	28.94	34.55	17.13	9.15	0.21	100.00
1970	9.56	28.23	35.46	16.52	9.99	0.24	100.00
1971	9.54	27.95	35.71	16.42	10.13	0.25	100.00
1972	9.53	27.76	35.86	16.31	10.31	0.23	100.00
1972 Actual Population (Million)	2.08	6.06	7.83	3.56	2.25	0.05	21.83

* Calculated from: Statistics Canada. *Population*. (Annual).

TABLE 4

REGIONAL DISTRIBUTION OF LABOUR FORCE
(PER CENT), SELECTED YEARS, 1950-72*

Year	Atlantic	Quebec	Ontario	Prairies	B.C.	Canada
1950	10.15	27.76	35.36	18.42	8.31	100.00
1955	9.11	28.36	36.70	17.27	8.56	100.00
1960	8.58	28.13	37.08	17.39	8.82	100.00
1965	8.56	28.31	36.60	17.20	9.33	100.00
1970	7.86	27.80	37.38	16.48	10.48	100.00
1971	7.83	27.74	37.64	16.23	10.56	100.00
1972	7.87	27.33	38.02	16.09	10.69	100.00
1972 Actual Labour Force (Million)	0.70	2.43	3.38	1.43	0.95	8.89

* Calculated from: Statistics Canada. *The Labour Force*. (Monthly).

TABLE 5

REGIONAL DISTRIBUTION OF UNEMPLOYMENT
(PER CENT), SELECTED YEARS, 1950-72

Year	Atlantic	Quebec	Ontario	Prairies	B.C.	Canada
1950	21.9	33.7	23.5	10.7	10.2	100.00
1955	13.5	40.0	26.9	12.3	7.3	100.00
1960	13.2	36.8	28.7	10.5	10.8	100.00
1965	16.1	39.1	23.7	11.1	10.0	100.00
1970	10.1	37.0	27.1	12.3	13.5	100.00
1971	10.5	35.7	30.8	11.4	11.6	100.00
1972	11.2	35.8	28.8	11.4	12.8	100.00
1972 Actual Unemployment ('000)	63	201	162	64	72	562

Source: Same as in Table 4.

TABLE 6

Regions	Labour Force Participation Rate (Each Region Compared to Canada)			Unemployment Rate (Each Region Compared to Canada)		
	1950-59 Average (%)	1960-69 Average (%)	1970-72 Average (%)	1950-59 Average (%)	1960-69 Average (%)	1970-72 Average (%)
Atlantic	88.4	87.5	85.6	175.5	167.1	135.4
Quebec	100.4	98.0	97.3	130.5	134.0	131.2
Ontario	104.8	104.5	104.1	73.8	71.3	76.8
Prairies	98.6	101.9	101.9	61.4	62.7	72.1
B.C.	95.8	98.7	102.2	115.9	116.9	119.6
Canada	100.0	100.0	100.0	100.0	100.0	100.0
Canada (Actual Rate)	53.5	54.6	56.1	4.2	5.1	6.2

Source: Same as in Table 4.

TABLE 7

TOTAL PRIVATE AND PUBLIC INVESTMENT
IN CANADA (CAPITAL AND REPAIR EXPENDITURES)*

Regions	Geographic Distribution				Per Capita Comparison (Each Region as % of Canada)			
	1950-59 Average (%)	1960-69 Average (%)	1970 (%)	1970-72 Average (%)	1950-59 Average (%)	1960-69 Average (%)	1970 (%)	1970-72 Average (%)
Atlantic	6.7	7.7	8.9	8.5	61.2	77.2	92.8	89.1
Quebec	23.9	23.2	20.1	20.8	82.9	80.8	71.1	74.4
Ontario	36.6	35.6	38.7	37.9	109.1	102.8	109.1	106.2
Prairies	21.3	21.1	19.1	18.6	119.6	123.8	115.7	113.5
B.C.	11.5	12.4	13.2	14.2	130.1	129.5	129.5	136.6
Canada	100.0	100.0	100.0	100.0	100.0 (\$557)	100.0 (\$817)	100.0 (\$1102)	100.0 (\$1203)

* Calculated from: Statistics Canada and Department of Industry, Trade and Commerce. *Private and Public Investment in Canada: Outlook and Regional Estimates.* (Annual).

TABLE 8

VALUE ADDED IN GOODS-PRODUCING INDUSTRIES*

<u>Regions</u>	<u>Geographic Distribution</u>			<u>Per Capita Comparison (Each Region as % of Canada)</u>		
	<u>1950-59 Average (%)</u>	<u>1960-69 Average (%)</u>	<u>1970** (%)</u>	<u>1950-59 Average (%)</u>	<u>1960-69 Average (%)</u>	<u>1970** (%)</u>
Atlantic	5.5	5.2	5.9	49.4	51.7	61.8
Quebec	25.9	24.8	24.2	90.1	86.1	85.8
Ontario	41.0	42.1	42.6	122.4	121.4	120.1
Prairies	17.5	17.9	17.4	98.3	105.4	105.0
B.C.	10.1	10.0	9.9	114.5	105.3	97.2
Canada	100.0	100.0	100.0	100.0 (\$990)	100.0 (\$1,292)	100.0 (\$1,668)

* Calculated from: Statistics Canada. *Survey of Production*. (Annual).

** Most recent value-added data now available.

TABLE 9

VALUE ADDED IN MANUFACTURING INDUSTRIES

<u>Regions</u>	<u>Geographic Distribution</u>			<u>Per Capita Comparison (Each Region as % of Canada)</u>		
	<u>1950-59 Average (%)</u>	<u>1960-69 Average (%)</u>	<u>1970* (%)</u>	<u>1950-59 Average (%)</u>	<u>1960-69 Average (%)</u>	<u>1970* (%)</u>
Atlantic	3.8	3.5	3.6	34.9	35.1	37.7
Quebec	30.2	29.1	28.9	104.9	101.0	102.4
Ontario	51.0	52.2	52.5	152.3	150.7	148.1
Prairies	6.8	6.8	6.9	38.2	39.9	41.7
B.C.	8.2	8.4	8.1	92.7	88.8	79.0
Canada	100.0	100.0	100.0	100.0 (\$540)	100.0 (\$737)	100.0 (\$941)

* Most recent value-added data now available.

Source: Same as in Table 8.

TABLE 10 *See revised
table*

EXPENDITURES OF THE DEPARTMENT OF REGIONAL ECONOMIC EXPANSION
1969-70 to 1973-74

Year	<u>Development Planning and Administration</u>		<u>Industrial Incentives</u>		<u>Infrastructure Assistance</u>		<u>Social & Rural Development Programs</u>		<u>Total</u>	
	\$Million	Per Cent	\$Million	Per Cent	\$Million	Per Cent	\$Million	Per Cent	\$Million	Per Cent
1969-70 (Actual)	12.1	5.5	56.2	25.6	79.6	36.3	71.6	32.6	219.5	100.0
1970-71 (Actual)	15.4	4.7	61.9	18.7	175.8	53.1	77.7	23.5	330.8	100.0
1971-72 (Actual)	18.8	5.5	105.5	30.6	129.4	37.5	91.2	26.4	344.9	100.0
1972-73 (Fore- cast)	24.2	5.4	145.8	32.4	146.9	32.6	133.1	29.6	450.0	100.0
1973-74 (Estimate)	33.2	6.5	169.7	33.2	178.5	34.9	129.6	25.4	511.0	100.0

Source: Department of Regional Economic Expansion. *Main Estimates*. (1971-72, 1972-73 and 1973-74).

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