

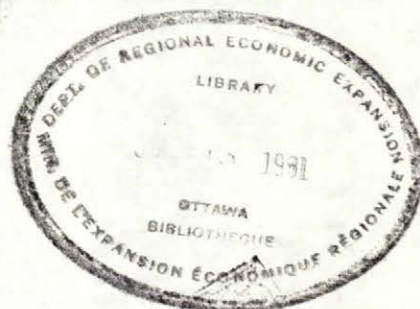
THE STRATEGIC REGIONAL  
DEVELOPMENT OVERVIEWS: CRITICAL  
EXAMINATION AND SUGGESTIONS

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/ THE STRATEGIC REGIONAL DEVELOPMENT OVERVIEWS:

A CRITICAL EXAMINATION AND SUGGESTIONS /



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1- INTRODUCTION

The Strategic Regional Development Overviews (SRDOs) were first tabled by the Honourable Pierre De Bané in the spring of 1980. At the time they constituted a new way of reporting to Parliament on the Department's policies, analyses and forecasts, both by region and for the whole of the country.

The purpose of this document is to examine these overviews and suggest improvements, in terms of both the information role they can play for MPs and their contribution to the planning of federal policies in the area of regional development.

The first section is devoted to specifying the SRDO assessment criteria: the functions of DREE, changes which have come about in the regional development field since the Department's founding and projected new responsibilities in the context of the current review. The next section consists of comments and suggestions arising from the principles outlined. A discussion of the options, difficulties and implementation conditions with respect to the recommendations constitutes the final section.

When reading this document, the following points should be kept in mind:

- a) the author is not a party to the current discussions on a major reform of DREE's mandate and modus operandi.

Consequently, the comments and suggestions in this document do not reflect one particular option or represent the projected results of the reform.

b) The scope and frequency of the SRDOs have not yet been established; the underlying hypotheses are:

i) that they will be published regularly, presumably annually;

ii) that the current format is not fixed; the suggestions we make for the SRDOs may well be applicable to any organizational and informational activities for planning and monitoring purposes.

c) The DREE reports (Blue Papers) on economic development perspectives - for each province and region - have already been subjected to critical examination from the point of view of both content and format. The author supports Professor Schwartz's conclusions.

Given the connections between the two types of publication, it follows that the suggestions here are usually applicable to both; however, some of the comments - particularly those concerning

SRDO weaknesses in terms of quantification -  
often apply only to the format selected for  
the SRDOs.

## 2- THE ROLES OF DREE AND THE PURPOSES OF THE SRDOs

The purposes of the SRDOs are not clearly defined in the introductions to the various documents. Only one - that dealing with Canada as a whole - mentions their contribution to the review of regional economic development policy now under way. The documents on the regions carefully refrain from proposing a specific plan of action or a review of current regional policies. All, however, seek to provide a general framework for use when the government makes its decisions (SRDO Quebec, para 1) and to supply information to senior officials to help them plan more effectively the regional activities for the decade to come.

Finally, the very fact of tabling these documents in the House is evidence of the government's intention to take stock and provide information on its forecasts, activities and intentions in the area of regional development.

### 2.1 Information for the public and for Parliament

Our position is therefore that these documents (including the Blue Papers) have an information function, as far as regional development is concerned, analagous to that of the Department of Finance's budgetary papers or the Department of Energy, Mines and Resources' outlines of its policies and options. In these cases, a federal agency summarizes situations and policies, essentially in



terms of recognized objectives concerning employment, growth or energy resources. In the same way, the reduction of regional disparities and the spatial harmonization of Canadian economic development have long been among the Canadian government's stated objectives. In practice, SRDOs should therefore provide information on progress achieved, problems and solutions in the area of regional balance, and should do so within the framework of the federal government's basic responsibilities, that is to say from the perspective of the country's overall economic development. In addition to the constitutional reasons just mentioned, this perspective is appropriate in a DREE document for one very practical reason: DREE is the only agency whose mandate and expertise can justify an analysis which takes into account both the actual situations and the aspirations of regional groups and Canadians as a whole.

At the outset this principle may seem self-evident. As will be shown further on, however, (section 3 - discussion on the concepts of "compatibility" and "development opportunities"), it is necessary to reconsider this in depth, given the difficulties inherent in formulating regional development policies in a national framework and the necessary arbitration relations between the interests of different regions and in terms of the country as a whole.

## 2.2 Parliamentary control

The concept and means of parliamentary control over public expenditure are changing rapidly. A consensus does exist, however, to the effect that the traditional discussion mechanisms for estimates are no longer adequate. It is as an additional tool, then, to provide Parliament with accounts of how public funds are used, that we are examining the SRDOs. This second role we are attributing to them focusses mainly on DREE's responsibilities as a manager of specific spending programs.

## 2.3 Leadership in regional matters

DREE's co-ordination, leadership and "regional conscience" role in relation to federal policies as a whole leads us to the third assessment criteria for the SRDOs: their potential for contributing to the federal government's planning and selection process. Clearly, this is the main objective in the documents published in the spring of 1980. In the same way, we give this top priority because the SRDOs can, from this standpoint, play a role for which there is no substitute and because this aspect of the DREE mandate seems destined to take on a particular significance over the next decade.

Without the results of the review of DREE's mandate, such an approach to assessing the SRDOs could cause confusion. To be more specific, then, we are putting forward

the three elements which, in our opinion, contain the essential reasons for which DREE's role in the 1980s cannot be the same as the one it has played in the past decade. Brief though it is, this analysis identifies the approaches and criteria behind the comments and suggestions which follow.

### 2.3.1 Expansion of provincial administrations

Expansion of provincial administrations has accelerated over the last decade, both in absolute terms and in relation to the federal government. This has taken place in all areas: relative fiscal power, expertise, activity in the area of economic development (direct expenditures, Crown corporations, fiscal expenditures), representation and expression of the rights and privileges of the electorate, additional responsibilities assumed for the people (in terms of unemployment and growth), use of regulations and legislation to discriminate against residents of other provinces and so on.

The assessment of the economic importance of the various components of this trend can vary: the trend itself cannot be questioned. The same is true of the dangers of Balkanization which now threaten the Canadian market. The nature and bitterness of the constitutional talks - whether concerning what constitutes a natural resource or, more particularly, concerning individual rights having an economic impact - have demonstrated this clearly. Whatever the final outcome of the constitutional question,

it is already clear that the increase in the provinces' relative weight in the public sector and in the Canadian economy is not a temporary aberration. No plausible scenario - in a context of growth based on the exploitation of natural resources - could lead to a dramatic turnaround in the recent trend and, for example, to a return to a situation in which federal spending would account for sixty per cent of public expenditure in the country.

This context is essentially different from the one which existed when DREE was set up in 1969 and when it underwent changes in its modus operandi in 1973. Concerns at that time were mainly to ensure that the regional impact of national - and dominant - economic policies were taken into account and that the nature of economic problems and potential in the regions be better understood and appreciated not only by the federal government but also by local authorities and citizens. Another element which was significantly different at that time was the fiscal position of the federal government which, following fiscal reform, was benefiting from a sudden increase in revenue and was unprepared for the explosion of deficits with which the decade was to close.

After the two post-war decades characterized by virtually uncontested federal supremacy, there was an obvious need to give substance to regional concerns. In 1981, while the goals of reduction in

disparities and equal opportunities for all remain valid, the fact remains that the problems of growth and, particularly, of national economic integration capture the forefront and that the advocates of regional interests can be heard with at least as much force as those of the interests of the citizens of the country as a whole. Consequently, DREE's role as a "regional conscience" must change, with the Department emphasizing regional balance and national integration rather than its role as spokesman for the regions.

### 2.3.2 The regions and federal policies

Over the last decade, the federal government has done much to build up the provinces. It has also taken regional impacts into account more than ever before. Finally, it has stressed the transfer of resources to the residents of disadvantaged regions.

On the one hand, a massive transfer of operational responsibility and of funds has taken place (for example, fiscal agreements on the financing of programs already under way); on the other, virtually no major new policy has been adopted or amended without the question of regional balance playing a determining role. For example, some of the most expensive policies were those concerning subsidies for imported oil and the establishment of a single oil price well below the world price; these policies were adopted for the explicit purpose

of softening the impact of international events on Central and Eastern Canada.

Other policies have had the effect of lending powerful support to the basic objectives of regional economic policy (for example, a choice of options other than emigration for individuals in disadvantaged regions). This was true for the new unemployment insurance program (after the establishment of DREE), the expansion of manpower training programs (favouring the transfer of funds to the regions most severely affected by unemployment), attempts to regionalize purchasing policies, policies in the area of defence and some sectoral policies (shipyards, decentralization of the federal administration, location of the activities of Crown corporations and so on).

In terms particularly of its scope and speed, this evolution is not likely to continue in the same way during the 1980s. Since the integration of regional concerns into federal policies has - in principle - been achieved, the main task for the years to come will be to systematize and refine this situation so as to clarify interregional arbitration which, politically and economically, will continue to predominate among the domestic conditions of Canada's growth.

2.3.3 The economic climate of the 1980s and regional disparities

The predicted adjustments in Canada's economic structure over the next decade will substantially alter the traditional view of policies designed to combat regional disparities. As the SRDO on Ontario explains, the traditional view is one which postulates growth and stability in Canada's demographic and industrial core and difficulties in terms of adaptation, employment and income in peripheral regions with much sparser populations.

In such a context, the costs of sub-optimal industrial location for the Canadian market are not immediately obvious. The situation will be quite different in the 1980s, during which all forecasts predict that growth in Canada will be based mainly on the development of natural resources located in the West, the North and on the East coast, while the central regions will suffer intensified international competition and have to adapt to sudden changes in the price of energy resources.

DREE's role in seeking a regional balance in Canada's economic development will be adapted to this new context. The very way we look at regional balance will have to change; for example, the location

of the multiplier effects of a boom in border regions will become more important than simple compensation for regional disadvantages in terms of industrial location. The same is true for difficult structural adjustments affecting broad population groups. In short, while the means and tools of intervention for a Canadian regional policy adapted to the 1980s have not yet been clearly specified, there is no doubt that they will be different from those of the past and that the formulation of regional development policies will be much more a part of economic policies traditionally defined as national in character.



### 3 - CRITICISMS AND SUGGESTIONS

In ascribing to the SRDOs the three roles described earlier (a source of information, a means of reporting to Parliament and a contribution to regional policy planning in the 1980s), and using them as the basis for our assessment, we are well aware that we run the risk of being unjust. It is not clear whether the SRDOs published in 1980 specified these goals and it is for this reason that we attribute such great importance to the recommendations which follow since, in our opinion, they indicate how these functions should be carried out. Shortcomings already noted in existing documents serve as concrete benchmarks.

#### 3.1 Regional disparities and objectives

As stated in the SRDO on Canada, there are many different ways to measure and define regional disparities. None of them is ideal. However, to refuse to choose one measure or a group of coherent measures is the worst solution of all, for the following reasons:

- 1) Even in areas where methodology is an extremely delicate issue, such as the selection of the criteria governing need in order to determine the levels and conditions of eligibility for social benefits, it has become perfectly acceptable to use uniform standards. People realize that without such standards, the distribution of government funds might be an extremely arbitrary process

and that it would be impossible to assess the impact of programs and the correspondence between actions and intentions - if indeed it is possible to translate objectives and results in the social domain, and a fortiori in the area of regional economic development, into figures.

- 2) Since the discipline inherent in the clear definition of objectives is lacking, the criteria adopted are necessarily sometimes contradictory, sometimes inappropriate and virtually always impossible to assemble into a coherent group for Canada as a whole.

The SRDOs provide some very eloquent examples of this point: in the SRDO on Quebec, for example, maintaining Quebec's participation in the Canadian economy, both in general and in certain specific sectors (shipyards), is an implicit objective (paras 42 and 50); the text on Western Canada fails even to mention the levels and growth rates of incomes in that region in comparison with the other regions (moreover, information on income is conspicuously absent from all the documents); a comparison between the documents on Ontario and Western Canada on the one hand, and those on Quebec and the Atlantic region on the other, gives the impression that regional economic policy means equalizing local growth within the regions in the first case and transferring activities to the regions concerned in the second.

These examples show that, in terms of the past, the SRDOs do not permit adequate measurement of progress made and, in terms of the future, do not provide the benchmarks needed to justify policy choices, investment levels and so on. Thus, there must be a tightening up of the methods used to measure disparities and objectives in relation to the three criteria mentioned.

The imprecision of objectives will never disappear completely. We must therefore ensure, at the very least, that the methods used to measure disparities and changes in those disparities are based on a minimum of well-established conventions. These conventions could be aptly incorporated into a systematization of the presentations on background and the economic situation. In the latter case, comparable data have already been provided on employment, production and investments.

#### RECOMMENDATION 1

That regional disparities be described in a consistent manner from one document to the next, using recognized indicators such as per capita and per family income, income and employment growth rates and unemployment and labour force participation rates. Changes in these indicators should be presented as the basic data serving to determine to what extent the objective of reducing disparities is being achieved.

In order to deal with problems which are specific to one or more regions, the economic performance of the regions should be presented in terms of a comparison between potential growth and actual or predicted growth. This approach would also provide a better context for DREE action in cases where the motivation for such action was, basically, a desire to curb any widening of regional disparities.

The adoption of such a course of action in formulating objectives and assessing results seems functional in view of:

- the need to formalize the concepts of "advantage" and "development opportunities"
- the autarkic trends which inevitably develop in the regions or provinces as a result of solely macroeconomic or sectoral approach (see "Compatibility")
- The assessment of government policies which have an impact on personal income and employment that is recognized by all involved as a common denominator.

### 3.2 Economic diagnosis

Clearly, it is impossible to reproduce in the SRDOs the detailed descriptions contained in the Blue Papers. This is all the more reason why the limited number of indicators should be capable of providing as accurate an image of reality as possible.

In this respect the most obvious weaknesses of the SRDOs are:

- a) At the retrospective and diagnostic levels, there is a lack of consistency with regard to the usual macroeconomic indicators, or at least to their presentation, and a lack of data on certain key sectors such as public finance.
- b) At the prospective level, the forecasting period and the macroeconomic indicators used are not always the same, making any assessment of the overall situation extremely difficult.
- c) Except for a few brief comparisons on past and present situations, there are no outlooks for or descriptions of the performance of the Canadian economy.

These shortcomings must be rectified since:

- the realism of economic forecasts and related policies can not be assessed without the Canadian background;
- the regional impact of national or provincial policies cannot be compared if the macroeconomic information provided is inconsistent.

#### RECOMMENDATION 2

That each SRDO include in its retrospective and prospective analyses the macroeconomic indicators

normally used by the Economic Council of Canada. They should be presented in a consistent manner for each of the regions and for Canada as a whole.

### RECOMMENDATION 3

That regional forecasts be consistent with predictions for the performance of the national economy, which in turn conform to the budget forecasts and use the same assumptions.

This type of format will not prevent the noting and critical evaluation of the regional forecasts. However, in cases where they prove incompatible with forecasts for the Canadian economy or the other regions, the SRDO should provide the reader with precise indications on the scenarios for growth implied by such regional forecasts, both for the whole country and for the other regions.

### 3.3 Development opportunities\* \*\*

This is the most important concept in

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\* The interregional or interprovincial compatibility aspects of an operational definition of this concept will be dealt with in the following section.

\*\* The term "advantage", used in the text on the Atlantic region, for example, means the same thing as "development opportunity", except when it is used as a general descriptive category, in which case the above comments obviously do not apply.

the planning and assessment of regional development policies. A direct offshoot of the concept of comparative advantage - indeed, the two are often synonymous - it is used in the formulation of regional forecasts or suggestions for possible concentration of DREE funds or government funds in general. The SRDOs centre on the description and analysis of development opportunities, and justifiably so. Since it is so important, the concept of "development opportunities" should enable the reader - in Cabinet or Parliament, for example - to assess and compare the realism of the opportunities cited, their scope, time frames, implications for the public purse, impact on employment and income, and so on.

The main problem in using this concept in the SRDOs is that the term "development opportunities" applies to so many different realities that it becomes impossible to rank them or compare them within regions, still less between regions. Indeed, in some cases, "development opportunities" seems to apply to just about anything under the sun.

A few examples will illustrate this point. Relatively speaking, a great deal of space was devoted to marine industries in the SRDO on the Atlantic region. These industries are presented as the most promising and, in terms of quantity, (it seems) the most important economic development opportunity. However,

the discussion of those industries is so general that it is impossible to obtain even an approximate idea concerning:

- the respective roles of the public and private sectors (the only concrete indications are suggestions for the disbursement of government funds or the establishment of more effective non-tariff barriers);
- the extent and time frames of the investments which are expected - or which the authors hope to see generated;
- the jobs that would be created (number and quality);
- the probability of major developments in this sector (competition, comparative advantages, financial constraints affecting entrepreneurs or the government, location, time limits, risks and so on).

Similarly, the SRDO on Quebec repeats assertions which have become political clichés concerning "a valuable comparable advantage in the area of hydro-electricity" (Quebec, para 27). Here again, the authors limit themselves to providing a brief list of the industries which might be attracted by this cheap source of energy. As to the extent of this advantage, concrete ways in which it might be used, when the population might expect to see tangible results - none of these aspects



is dealt with. We note the same shortcoming with respect to the ways of using this comparative advantage and the problems involved (increased self-sufficiency vs job creation), how to curb domestic consumption for heating purposes, export possibilities, conflicts with Newfoundland and so on).

Although the development opportunities indentified in Ontario and the West are, in general, better presented, they still lack precision (concerning, for example, international competitiveness in electronics or automobile manufacturing, and the effectiveness of efforts to promote Ontario manufactured products abroad).

Finally, among the development opportunities which, at first glance, seem to be somewhat fantastic are the role of Nova Scotia in providing a port of entry for North America, Montreal as the hub of North American transportation, Winnipeg as having a comparative advantage in the manufacturing sector and so on.

#### RECOMMENDATION 4

That regional development opportunities be presented in their order of importance according to foreseeable impact on employment and income. Effects should be estimated, however roughly, in terms of quantity and time frame: amount of investment involved, number of jobs created and so on. Given the uncertainty which inevitably mars these kinds of forecasts,

any identification of a development opportunity should include an analysis of the probability and conditions of realization, and the risks involved. Recommendation 5 deals with a particular aspect of this last point.

In many cases, development opportunities involve a number of interdependent projects. Although detailed analysis of each project would make the presentation too long and involved, the components, links between them, possible order of implementation, joint probability of realization, and so on should be identified.

Our suggestion that development opportunities be presented in their order of importance depends a great deal on the time frame which will be assigned to the presentation of DREE policies. If, for example, short-term actions are to be emphasized, a presentation focussed solely on the projects which seem highly likely to be implemented might be preferable.

#### RECOMMENDATION 5

That the roles of the public and private sectors be clearly identified. If a development opportunity represents, above all, a means of absorbing aid from the rest of Canada rather than a viable market opportunity, it should be identified and justified as such. It might, for example, be the cheapest way of creating jobs or income. This clear distinction between private and public involvement should include not only government investment (direct or for infrastructure), but also the use of other means such as preferential contracts, non-tariff barriers, regulations, preferential prices for inputs and so on.

These recommendations are extremely stringent. Since the identification of development opportunities is the keystone of the formulation of regional policies, they cannot be otherwise, especially with regard to the credibility of the analysis and the resulting suggestions in relation to federal policies in general.

### 3.4 Interregional compatibility

The problems of bargaining relations between regional and national growth policies are common to all ages and all lands. It would thus be unfair to reproach the writers of the SRDOs with failing to square the circle. In fact, they produced some admirable pages on the West in their attempt to determine the extent to which the natural resource boom of the region will carry (or so it is hoped) Central Canada along with it: how, for example, the answer to the shortage of manpower in the West could lie in offering employment to the unemployed of other regions.

This having been said, it is no less true that practically the entire SRDO series is written as if in reference to an assortment of separate countries, - and highly protectionist countries at that. In our opinion, this traditional DREE approach, based exclusively on its role as a spokesman for the regions, is no longer appropriate.

Beyond such questions of principle, however, there are strong and very practical grounds for demanding that such planning papers take into full consideration the interdependency of regions within Canada.

This requirement should apply to the proposed solutions and the identification of development opportunities as well as to economic assessments and their interpretation.

Virtually every page of the SRDOs bears witness either to interregional conflicts or to a complete absence of national perspective. Most of the time, these conflicts are not even mentioned. The compilation effected by Professor Schwartz is telling and thorough in this respect. We shall therefore limit ourselves to illustrating our remarks with a few examples that could literally be taken at random from the text: the objective of regional energy self-sufficiency is accepted without flinching, yet the federal policy is geared to national energy self-sufficiency and is incurring enormous costs in the name of Canadian solidarity; agricultural import substitutes relate essentially to imports from other regions, if not from other provinces in the same region; the possible rivalry between Montreal and Halifax for the title of port of entry to the North American continent is not even touched upon; the same can be said for marine fisheries; the expansion of the Quebec petrochemical industry would take place as a result of subsidies (deriving from the price of gas) partly from the Alberta government ... and at the expense of the Alberta petrochemical industry; the industrial diversification of the West is a sacrosanct objective that will in no way conflict with the existence of manufacturing industries in Central Canada;

the industrial growth of eastern Ontario is taking place in those sectors that enjoy protection in Quebec, with both Quebec and Ontario vying for leadership in the electronics field, and high-technology industries being claimed as the prerogative of both regions; and so the list continues.

Such inconsistencies, an inevitable result of the total predominance given to DREE's role as regional spokesman, prevent it from combining regional and national policies; this in turn detracts from its influence on national policies and, in the context of the 1980s, works at cross purposes with the new responsibilities it will have to assume.

Against this background, therefore, and as an essential complement to recommendations 4 and 5, may we present recommendations 6 and 7.

#### RECOMMENDATION 6

That each development opportunity identified for a region be presented and assessed, in conformity with recommendations 4 and 5, in net Canadian terms - that is, by drawing a distinction between that portion of regional growth that contributes to Canada as a whole, and that which constitutes a simple transfer of resources. When it is not possible to reconcile estimates of interregional repercussions as assessed for the various regions, then the different sets of results and hypotheses will all be submitted.

The treatment of the steel industry in the Blue Paper on Quebec is an excellent example of the approach we are suggesting with regard to compatibility. It presents the development opportunities in this sector in terms of substitutes for foreign imports and means of complementing Ontario industries in precisely defined markets.

RECOMMENDATION 7

That as a corollary to recommendation 6, development opportunities and problems originating in other regions form the object of quantified presentations, as was the case - at least in part - in the analysis of the need for manpower in the West as the source of a possible solution to unemployment in Central and Eastern Canada.

3.5 The public sector

Government intervention in economic matters - and the public's expectation thereof - has become so well-established that the writers of some regional texts feel compelled to specify that regional development is not the sole prerogative of DREE or of any government. Nevertheless, there is little information provided on government activities in the various provinces, and that which does appear is either very general or else narrowly specific. A few examples are the budgetary constraints of the provincial governments (despite equalization payments, broad statements of objectives and Quebec's recriminations); a particular aspect of the Ontario industrial strategy (worldwide specialization by product); and the long-standing goals and complaints of the West.

On the subject of federal policies there is a general silence, unbroken save by the odd cryptic allusion (transport, R and D). It might be noted, for instance, that the federal energy policy on pricing, supply and exports, which has an impact of billions of dollars in terms of regional transfers, is nowhere mentioned.

There are four basic reasons why a planning and information document should be more substantial in its discussion of government intervention.

- a) The economic and financial policies of most provincial governments are relatively unknown in Canada as a whole, and there is no convenient and up-to-date source to provide quick and adequate information in this field.
- b) Given the absence of any reference material other than financial accounts, the regional impact of a number of federal policies is not well known, leaving the door open to some rather strange assertions (such as the baseless statements of the Quebec referendum campaign, the emotional discussion surrounding the "Crows Nest rates", and the Newfoundland railway debate).
- c) Even within the present framework of the General Development Agreements (GDAs), and despite the high degree of co-operation that exists between DREE and the provincial authorities, it is absolutely necessary that federal regional policy not be confused with provincial initiatives. DREE and federal government policies on regional matters must rest on a clear understanding of how provincial powers are being used.

d) The danger of Balkanization of the Canadian market has arisen almost exclusively as a result of provincial government initiatives. It would therefore be absurd to demand rigorous interregional compatibility of DREE, as proposed above, while at this very time ignoring the same problem when it involves provincial administrations or other federal departments.

In sum, the non-DREE governmental sector plays so great a role in the provincial economies that an agency like DREE - whose co-ordination responsibilities in the field of regional development far exceed its own program resources - must undertake a rigorous analysis of overall government activities.

RECOMMENDATION 8

That the public sector be included in presentations of the regions' situations and economic perspectives, by reference to the usual indicators, such as size of budget, deficit or surplus and comparative tax burden.

RECOMMENDATION 9

That a selection of the principal policies and initiatives of the



provincial government be presented and analysed with reference to the following criteria: relative importance; integration or conflict with respect to DREE evaluation and initiatives; and compatibility with regard to the problem and policies of other regions.

#### RECOMMENDATION 10

That, as data become available, the principal federal interventions and policies be examined in the same manner as those of the provinces.

It should be noted that the aim of these recommendations is not to make DREE a sort of censorship board for the economic policies of the various levels of government in Canada. First of all, since SRDOs are limited in length, only the policies which will have a significant impact on regional development can be discussed. Moreover, since these analyses will inevitably be interpreted as criticisms of provincial governments or other federal departments, their presentation and wording are crucial. First of all, they must be closely related to the achievement of DREE objectives. Secondly, in cases where a policy has already been determined anti-inflation measures, for example, it must be made clear that DREE is paying as much attention to it as to any other factor in the economic context. In short, since, in our opinion, these analyses are essential to the understanding of DREE actions and the diagnoses on which those actions are based, their presentation must not be allowed to give the impression that they are arbitrary judgements or simply incidental remarks (see sub-sections 4.3.1 and 4.3.3 for further discussion of this matter).

To see where recommendations 9 and 10 could in practice, one has only to imagine their application to the 1980 SRDOs. For instance, it would have been necessary to pinpoint the changes in development policy that could result from the defeat of two Atlantic provincial governments, the true extent of these changes and

whether or not they mesh with DREE objectives; three examples of important provincial policy areas that immediately come to mind are hydro-electric developments, restrictions on hiring non-residents, and labour relations. As the federal level, energy and the recent GATT agreements are perhaps the most important areas as far as regional development is concerned.

As for Quebec, such an analysis would, at the very least, have brought out the fact that "Bâtir le Québec" is above all a document which leaves no room for choice, that we will have to await quantified objectives to see if the Quebec diagnoses of growth prospects coincide with those of DREE, that the proposed agricultural policy relies mainly on non-tariff barriers against the other provinces, that the bulk of employment in the textile industry owes its existence to the quotas protecting it from outside competitors, that direct and indirect transfer payments in the energy sphere are necessary to achieve objectives, and so on.

Mutatis mutandis, similar changes would have been made to the text on the West and, in a much lesser degree, to the Ontario text.

### 3.6 Regional effects of national policies and problems

#### RECOMMENDATION 11

That each time the SRDOs appear, they include a common theme considered in light of the regional impact of national policies or events. Dealt with in terms of the familiar categories of regional development problems, perspectives and opportunities, this common theme would add depth and analytical credibility to documents which - given the complexity of the field under study - the reader is often obliged to take on faith.

The purpose of the thematic section would be as follows:

- a) to present in concrete and positive terms the need for all regions to adhere strictly to a mutually compatible approach, until now viewed largely as a constraint or as a logical requirement in planning or presentations;

- b) to reinforce the credibility of DREE's "new" approach, which it will be expected to carry out during the coming decade, by making the most of its comparative advantages and, specifically, using its regional expertise and sensitivity, within a Canadian perspective;
- c) to concentrate one part of the discussion of regional development options and problems on the key factors, thus reinforcing the integration of national and regional strategies, as well as ensuring a common and practical frame of reference for the analysis of regional questions arising from common events.

Possible examples include energy (pricing, secure supply, Canadian policy); the shortage of skilled labour; the pressures of international competition and the resulting need for wide-scale industrial reconversion; and the development of obstacles to the freedom of movement between regions. In each of these instances a crucial dimension of regional perspectives is affected, often in different ways.

Even more important, this approach appears to us to hold the germ of a really systematic approach to assessing the way in which national policies affect the regions and vice versa.

No other group is carrying out this type of analysis, starting from an overall Canadian viewpoint and based on recognized expertise. This initiative, the results of which would be made public, could therefore contribute to discussions which today are stunted by the adversary system approach to federal-provincial relations, from which (as noted in the SRDOs) regional, or multi-provincial, considerations are absent and in which the public, with justified scepticism, sees the analyses proposed by both sides as self-serving.

Lastly, at the most practical level, the fact of all regions having to work together on a common problem would greatly facilitate progress toward interregional compatibility.

### 3.7 DREE action

One problem that crops up when reading Blue Papers or Green Papers is the confusion - at least for outside observers - between DREE's role as the "regional conscience" of the federal government on one hand and its own action programs on the other. This problem is glimpsed during the reading of each regional text, and becomes very obvious when the four SRDOs are considered as a group. The very nature of DREE programs and objectives makes it inevitable that from one region to the next there will be a wide variation in the relative importance accorded to its two functions.

To make all these strategy documents intelligible and meet the requirements of accountability to Parliament, it is essential that DREE's actions be very clearly situated.

The remainder of this section is concerned mainly with DREE's co-ordination and leadership role in matters of regional policy; the following recommendations focus on the management of DREE programs.

RECOMMENDATION 12

That DREE activities be dealt with in two separate and clearly identified sections, depending on whether they relate to its co-ordination or program management function.

RECOMMENDATION 13

That, with respect to programs, DREE's activities and intentions be presented:

1. in numerical and uniform fashion;
2. in relation to previously discussed development opportunities (indicating whether, how and why DREE's intervention is appropriate);
3. in relation to previously described government initiatives

(if DREE funds are concentrated in sectors X and Y, is the differential effect of this program cancelled by the fact that the provinces subsidize sectors excluded by DREE?).

#### 4 - IMPLEMENTATION OF RECOMMENDATIONS:

##### DIFFICULTIES AND OPTIONS

Implementation of the recommendations raises a number of practical difficulties which cannot be ignored. In this section we will discuss the difficulties involved, with the objective of putting them in perspective and distinguishing those which may be really troublesome from the ones based essentially on resistance to organizational change in general.

#### 4.1 Resources required

The goal of all the recommendations is an increase in the quantity and especially the quality of data conveyed in the SRDOs. With one exception, however, the amount of additional resources required is very small, as the following table shows.

Additional information  
Uniform macroeconomic data, including Canadian backdrop.

Rigorous definition of "development opportunities" - time frame, extent, conditions and so on.

Compatibility: inter-regional impact of proposed or adopted policies, perspectives and so on.

Uniformity of terminology; editing.

Common theme - obstacles to free circulation, energy, manpower shortages, and so on.

Impact analysis of federal and provincial policies.

Additional resources and remarks

1. Already exist. No additional resources. Isolated problems of reconciliation.
2. Essentially project studies, which will be conducted in any case if DREE is involved.
3. Each region would have to examine the presentations of the other three carefully; conflicts would have to be identified, discussed and resolved. No insurmountable technical problems. Time for synthesis and reconciliation: perhaps the equivalent of a few person/weeks a year.
4. Minor.
5. May involve a great deal of research if DREE has to do everything. In fact, all subjects of national importance have been studied by public or private concerns (IRPP, ECC, CED and departments),

The aim of the recommendation is not to push back the frontiers of science but to prompt DREE to present national problems in a regional context. It is the most costly recommendation, but the sum involved is a drop in the bucket in terms of DREE's total budget.

6. May be difficult and quite costly to implement (as in case of rail transportation policies or impact of social programs on migration). Studies still required will probably have to be done gradually and a qualitative approach will have to suffice for a few years.



#### 4.2 Frequency and presentation

SRDOs modified on the basis of the recommendations would be longer and more complex than those published in 1980. Many of the recommendations, such as those concerning economic forecasting, development opportunities, public finances and government policies, deal with phenomena that are unlikely to undergo any significant change within the space of twelve months. Accordingly, the information could be made available by producing short annual updates on many subjects, as long as the basic requirements of accuracy and adequate coverage had been met. For example, a new analysis of provincial industrial development policies would not be needed unless there had been significant changes, and these do not happen very often.

Furthermore, it would be quite feasible for the presentation of the basic framework covered in the recommendations to be published in two or three stages. In short, there do not seem to be any major difficulties in this area.

#### 4.3 Political and administrative problems

At first glance, SRDOs that contained a frank assessment of the impact of federal and provincial policies on DREE objectives, identified development opportunities that were mutually exclusive between regions or gave precise, quantified forecasts and objectives,

would appear to reflect an unacceptably high level of political naivete; honesty and precision may be admirable qualities, but texts that are too frank and specific may serve to limit DREE's room for manoeuvre and jeopardize essential cooperation activities with the provinces and other departments.

However, in view of the alternatives, we feel that the political costs of a very open approach, such as the one involved in the recommendations, are slight and that this approach offers certain advantages with regard to the quality of information and discussion and the clarification of DREE's role and image.

The three mini-scenarios given below show that this approach is not as paradoxical as it at first appears.

#### 4.3.1 Development opportunities and impact of provincial policies

Let us imagine the worst possible situation in this context: an official DREE document concludes that the major development opportunity proposed by the governing party in a particular province has very little chance of realization and that DREE will therefore not be investing any money in it and will recommend that the other federal government departments also refrain from doing so.

To present an even more drastic scenario, let us suppose that the province concerned is Quebec and that DREE, instead of accepting the idea that electricity can work an economic miracle, demonstrates the following: that the potential industrial development to be derived from cheap electricity will generate only a marginal increase in employment, because the industries for which this form of energy constitutes a locational advantage are capital-intensive; that the whole strategy is based on the acquisition of natural gas at ridiculously low prices and that, even then, the entire structure of electricity rates would have to be revised for effective penetration of the residential, industrial and commercial markets; and that frontier dam costs are so high that the electricity generated is twice as expensive as nuclear power, and so on.

Would DREE be in a more difficult position than it now is after giving at least implicit support to most of the "analyses" and "recommendations" in the "Bâtir le Québec" policy statement? Would the Quebec government be any less "reticent to work with DREE in planning joint activities" (SRDO Quebec, para 6)? Would the provincial government have more often publicly presented proposals "as being contingent upon financial aid from the federal budget" (Ibid, para 6)? To be more blunt, would the provincial government publicly announce a greater number of projects that were marginal or clearly unacceptable to the federal government in an effort to discredit DREE or the federal government?

We chose an extreme case deliberately in order to show that, even then, it is by no means clear that in an economic situation which is difficult for all governments, the gloved approach currently being pursued necessarily involves fewer problems than the openness proposed above - and we have not even emphasized the public's basic right to hear both sides of an issue, or the need - dictated by elementary realism - to tell people what they ought to hear, not what they want to hear.

In short, intensive and public analysis of the economic impact of government actions and attitudes is:

1. inevitable in rational decision making, given the role played by governments in the economy;
2. more sound in a climate of negotiation and latent or 'open conflict which no amount of co-operation or "discretion" on the operational side can dispel;
3. necessary if the public's right to information is to be respected;
4. particularly suitable for DREE because of the very nature of its role - to assist the regions from a central position.

#### 4.3.2 Identification of the winners and the losers

Our proposed rules for compatibility among the regions could easily result in a situation where, in order to achieve a minimum of cost-effectiveness, it was proposed that shipbuilding - as a component of marine industries - be concentrated in Nova Scotia, for example, at the expense of British Columbia and Quebec. Many similar scenarios could be considered - for steel, ethylene, aeronautics, containers, methane port and so on. In each case, regions may feel they have been robbed and may demand compensation.

In fact, choices of this kind have been made openly for the last fifty years: equalization, the Borden line, the Crows Nest rate, the location of military bases, the price of hydrocarbons (see NEB hearings on the extension of the natural gas pipeline east of Montreal), the Alaska pipeline route, distribution of fish catches, and so on.

In short, this phenomenon is part and parcel of political life in Canada. It would not be a break with tradition or a major event if DREE identified opportunities that were mutually exclusive between regions and evaluated situations or planned its expenditures accordingly. Because it is involved in so many sectors, it is probably in an excellent position to do so, compared with the NEB, for example.

It works on many projects and the compensation it can offer is always available. All in all, it is probably easier for the inevitable arbitration and negotiations that have to be carried out between regions to be done on the basis of uniform, reliable data than on vague estimates concerning a lost Eldorado (for example, the automobile industry and Quebec).

#### 4.3.3 Departmental solidarity

As we point out in our recommendations, there are bound to be occasions when DREE shows that policies of the Department of Transport, the Department of Supply and Services or the Department of Finance are likely to increase rather than reduce regional disparities. Before this is interpreted as a major obstacle, it should be borne in mind that well-accepted precedents exist. All the following examples refer to conflicts of objectives that no longer raise anyone's ire. Marketing bureaus and clothing import quotas hurt consumers; a staunchly anti-inflationist monetary policy would increase unemployment, as would a sharp reduction in the federal deficit; low domestic prices for fuels make the objective of energy self-sufficiency harder to attain; and the financial assistance given Chrysler and Massey-Ferguson serves only to aggravate, at great risk, an already untenable financial situation.

In none of these cases is there question of a break in departmental

solidarity, and with good reason - government has now taken on so much economic and social responsibility that conflicts of objectives are inevitable. Furthermore, the "marginal" solution, involving limited action in pursuit of a number of contradictory objectives, is the only realistic approach in a democracy, especially in a context where power is shared as widely as it is in the Canadian federation. Against this backdrop, SRDOs in which DREE's analysis is not a means of concealing problems with the policies of other departments would in no way threaten the workings of the federal executive.

Moreover, the precise and limited thrust of our recommendations must be kept in mind in this context. They do not call for a formal evaluation of or an attack on the policies of other departments. We are, quite simply, suggesting that policies affecting regional disparities be presented clearly and specifically as essential components of the economic context in which DREE operates - that they be regarded as "data", just like the world price for oil, for example.

For instance, if a strict self-financing policy were pursued in the area of air transportation, Toronto might be favoured to the detriment of Montreal. Similarly, a policy which gave priority to anti-inflation measures might have a greater effect on slow-growth regions. However, the identification of these realities would not necessarily mean that the merits of the policy were being questioned.

In short, by remaining within the scope of its mandate, DREE does not sit in judgement of anyone or anything, but simply presents realities which would be pointed out by the province concerned in any event. Conversely, in cases where other departments make a significant contribution to the achievement of DREE objectives - in the areas of energy and administrative decentralization, for example - it is their responsibility to make these advantages known in an integrated manner.

5 - CONCLUSION

The basic thrust of our report is easy to summarize. If SRDOs are to be useful for parliamentary control of expenditures, for the executive's planning activities, or for helping DREE adjust to new circumstances in the 1980s, the following ideas must be accepted:

- nothing can be allowed to replace quality and rigour in analysis;
- clarity and frankness are useful qualities for operations in a field as highly charged with conflict and emotion as regional development, specifically in light of the painful adjustments that will have to be made in people's expectations during the 1980s;
- public dissemination of comprehensible and relevant economic data is one of the best ways of making the difficult transition from the hopes and misconceptions of yesterday to the hard realities of today;
- collusion between governments in the analytical process is not the same as co-operation - it leads as a rule to complacency and immobility; however, the rigour of DREE's approach could result in an equivalent raising of standards on the part of the provinces and the other departments working with it;



- DREE is in a unique position in Canada because of its role and its status as a federal government department; it would be regrettable if its image and activities did not become more clearly identifiable than they are now.

