

Policies and Programmes for Rural Development

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For an overview and explanation of the classification system, see A Taxonomy of Rural Development in A Preliminary History of Rural Development Policy and Programmes in Canada Since 1945. Rural development is understood to include government functions and activities which have the intention or effect of increasing the levels of wealth or standards of living in rural areas (broad definition).

This survey is incomplete and is intended to serve only as an initial compilation of information and a signpost to further work. Analysis of provincial and subprovincial programmes, of financial resources committed, and of impact is sketchy at best. A proper history of the subjects referenced here would be a history of the state (all its levels) in rural Canada (all its regions). Such a study appears impractical and is likely never to be done, certainly not by any one researcher or team.

Policies and Programmes:

Land, Water, and Environment

Land and water are basic attributes of rural areas. Programmes to enhance or develop rural land or water resources, to protect them from degradation, or to rehabilitate them, differentially affect rural areas and constitute important (if often overlooked) forms of rural development. This is clearly the case for well-known programmes like the Prairie Farm Rehabilitation Administration (PFRA), but is no less true for environmental and conservation policies, and for Canada's national, provincial, and regional parks systems. Such programmes and policies affect primarily environments that are rural; they preserve land and water quality, and make resources accessible and useful, for example for tourists who contribute to rural economies. Preservation of natural resources also protects a central part of rural culture, and hence contributes in nonfinancial ways as well to rural standards of living.

PFRA

The Prairie Farm Rehabilitation Act (PFRA) was passed by the Dominion Parliament in April 1935, for the purpose of assisting farmers on the drier areas of the three Prairie Provinces to combat the then prevalent conditions of drought and soil drifting. Under the terms of this Act, with subsequent amendments, the Dominion Minister of Agriculture was authorized to introduce measures for the improvement of farming practices, the conservation of water supplies, and the better utilization of soil resources in the affected region.¹ In 1946, in its eleventh year of operation, PFRA was well established in the fields in water conservation and land use. Most of PFRA's activities were "structural" projects in water development and community pastures.²

In 1946, the Cultural Branch of the PFRA was discontinued as an official part of PFRA programs. The cultural studies that PFRA had formerly done were transferred to the Experimental Farms Service. The programme had always been an extension of the investigational and demonstrational work of the Dominion Experimental Farms to cope with farm problems arising from drought and soil drifting on the prairies. In particular, it has enabled the Experimental Farms to engage more actively than formerly in assisting farmers to make desirable adjustments in their farm practices, and in promoting community action to this end.³

In 1969, PFRA fell under the auspices of DREE, with other regional development programmes, and in 1981

¹ Canada. Department of Agriculture. *Eleventh Annual Report on the Activities under the Prairie Farm Rehabilitation Act for the Fiscal Year Ended March 31, 1946*. Ottawa, ON. 1946. p. 1

² Ibid. p. 2

³ *Eleventh Annual Report on the Activities under the Prairie Farm Rehabilitation Act for the Fiscal Year Ended March 31, 1946*. pp. 2-3

responsibility for PFRA returned to Agriculture Canada.⁴ Over its first sixty years of operation, however, PFRA changed its activities little. In 1962-63, the administration was operating a Water Development Service, Land Use Service and Engineering Services Branch. The Water Development Service constructed dams, reservoirs and irrigation projects with water development at the individual farmer and neighbour levels [accounting] for most of the projects built under this program.⁵ Since its inception, PFRA constructed more than one-quarter million water development projects which have helped to stabilize rural populations and provide security in case of drought. These include 830 large dams, over 12,000 stock-watering dams, over 120,000 dugouts and 80,000 wells.⁶ The Land Use Service constructed, operated and maintained community pastures. It also ran grasshopper control services, fire protection services, breeding services and livestock insurance. The Engineering Services Branch was in charge of designing dams and spillways, as well as geological and hydrological surveys.⁷ PFRA also ran a Permanent Cover Programme which encouraged livestock production and the conversion of erosion-prone marginal land from annual crop production to permanent cover and grazing. With the exception of six pilot soil studies (3 in Saskatchewan, 2 in Manitoba, 1 in Alberta) in 1981, PFRA continued to offer much the same services as it had at its inception.⁸

PFRA initiated two rural development projects in 1992: the Canada/Manitoba Partnership Agreement on Municipal Water Infrastructure (PAMWI) and the Canada/Saskatchewan Partnership Agreement on Rural Development. PAMWI provides for over \$90 million in funding (\$30 million each - federal, provincial and local governments) over seven years for water and wastewater system upgrades in selected rural communities where industrial and residential development has been limited by the size and condition of existing systems.⁹ The programme in Saskatchewan is a \$15 million cost-shared programme between the federal and provincial governments intended to provide economic stability and development in order to revitalize rural Saskatchewan. ... Typical activities include development of business plans, marketing studies or human resource development for a broad range of diversification and value-added enterprises including ecotourism, food processing, and specialty and alternative products.¹⁰ All of PFRA's activities have focused on maintaining rural communities through soil and water improvement and later through broader rural development initiatives.

Also in 1992, PFRA began to develop a wider orientation toward supporting community development in rural communities. The new philosophy was expressed in a background paper on rural sustainability which positioned the agency among other provincial and federal agencies involved in rural development.¹¹ Since that time, PFRA staff have been actively involved in the community-development field.

As of 1994, PFRA was characterized as having between 700 and 800 people involved in community development and environmental sustainability.¹²

Outcomes. PFRA is widely regarded as a success story in the agricultural literature for having promoted

⁴ Canada. Department of Regional Economic Expansion. *Annual Report on the Prairie Farm Rehabilitation Administration, 1970 - 1971*. 1971.; Canada. Agriculture Canada. PFRA. *PFRA: Annual Report 1981 - 1982*. Minister of Supply and Services. Ottawa, ON. 1982.

⁵ Canada. Prairie Farm Rehabilitation Administration. *Annual Report Prairie Farm Rehabilitation and Related Activities, 1962 - 1963*. p. 4

⁶ Canada. Prairie Farm Rehabilitation Administration. *Rural Prairie Sustainability: A Background Paper*. Draft for Review. March 6, 1992. pp. 46-7.

⁷ Ibid.

⁸ Canada. Agriculture and Agri-Food Canada. Prairie Farm Rehabilitation Administration Annual Report 1992 - 93. Minister of Supply and Services. 1995

⁹ *Prairie Farm Rehabilitation Administration Annual Report 1992 - 93*. p. 7

¹⁰ Ibid.

¹¹ PFRA, *Rural Prairie Sustainability: A Background Paper*. Draft for Review. March 6, 1992.

¹² Dennis Stephens. The Rural Renewal Secretariat in Agriculture and Agri-Food Canada. In John M. Bryden (ed.). *Towards Sustainable Rural Communities: The Guelph Seminar Series*. University School of Rural Planning and Development. Guelph. 1994. p. 169

effective land management and farming practices. In the 1990s, its staff have become leaders in rural community development as well. On the other hand, Brodie dismisses PFRA (and MMRA, see below) as two relatively inconsequential initiatives.¹³ One might infer that some commentators are only impressed by large-scale economic development, easily overlook the critical importance of land to rural and especially to farming communities, and do not appreciate the importance of small-scale and education-based change strategies.

Maritime Marshland Rehabilitation Act (MMRA), 1948

The MMRA was created as a regional land-conservation and rehabilitation agency parallel in many respects to PFRA.

Agricultural Rehabilitation and Development Act (ARDA), 1961

See also under Regional Development

Weaver and Gunton (1982) see the main purpose of the 1961 ARDA as being land improvement. According to them, the Senate special committee on land use

perceived the regional problem as being primarily a problem of agricultural poverty caused by poor soil and water management and small farm size. On the basis of this analysis, in 1961 the federal government passed the Agricultural Rehabilitation and Development Act (ARDA) which provided joint federal-provincial funding for soil and water conservation projects and land consolidation schemes designed to increase the productivity of farms.

14

Although amendments were made to broaden the act from farm problems to rural poverty, these programs were, in large part, simply a continuation of the PFRA programs developed during the depression.

Weaver's and Gunton's interpretation seems a little one-sided in light of the broad range of projects later funded under ARDA and its successor programmes and agreements; for this reason, ARDA is treated below under the heading, Policies and Programmes for Rural Development. Nevertheless, agricultural land rehabilitation was clearly a major factor in the initial conception of the federal programme.

Environmental Protection

Environment departments. Most provinces and the federal government have, since the 1970s at the latest, had departments responsible for environmental protection and conservation. By definition, much of the land and water that is protected and conserved is rural. Sometimes rural residents have perceived environmental policies as being opposed to their own interests as farmers, fishers, loggers, miners, hunters, and so on -- rural resource industries are in fact one of the largest human interactions with, and disruptions of, the natural environment. One way or another, environmental policy (or also the lack of same) makes a difference to rural quality of life. The preservation of landscapes, forests, soils, air, water, and wildlife is at the same time the preservation of the capital off which rural Canada lives -- not to mention Canada as a whole.

Except for pointing the way to the need for further research, this study is not able to cover the environmental policies of different levels of governments, to estimate their costs and benefits, or to draw conclusions about their effects on rural development.

In the mid-1980s, Environment Canada became a more important player in federal regional development policy and programs. A 1986 Memorandum to cabinet from the Department of Regional Industrial Expansion (DRIE) entitled *Making the Environment-Economy Partnership Work* began the increased influence of Environment Canada. Much of regional development policy was aimed at job creation in areas where the economy is based on resource extraction. ACOA, especially, incorporated environmental considerations into its regional development initiatives. By the early 1990s, Environment Canada was a much more high-profile

¹³ Brodie, Janine. *The Political Economy of Canadian Regionalism*. Harcourt Brace Jovanovich, Canada. Toronto, ON. 1990. p. 170

¹⁴ Clyde Weaver and Thomas I. Gunton, From Drought Assistance to Megaprojects: Fifty Years of Regional Theory and Policy in Canada. *The Canadian Journal of Regional Science/La Revue Canadienne des Sciences R_gionales* V,1 (1982), p. 11

player in Ottawa's regional economic development effort.¹⁵ With the incorporation of a harmonization pact between the federal and provincial governments, the influence of Environment Canada in the provinces, especially with regard to regional and rural development policies, may take on a new face.

Environmental impact O provincial legislation. Environmental impact assessment became more prevalent in Canada in the mid-1970s. From the beginning, there have been wide variations in the practices of different provinces and of different governments. Two provinces presented their environmental impact assessment [EIA] legislation to the 4th Annual Interprovincial Conference of Ministers with Responsibility for Northern Development in September 1981. The Acts in Saskatchewan and Ontario reveal the differences in government policies toward the environment. Environmental impact assessment in Saskatchewan was designed to ensure that no new development proceeds before its impact on the biophysical, social and economic environment is thoroughly examined. The Act gives Saskatchewan Environment the authority to require a proponent of a development in either the private or public sector to carry out an EIA and prepare an environmental impact statement (EIS) which is submitted to the department for a thorough review. Approval to proceed can be given only if the proponent agrees to meet environmental conditions set by the department.¹⁶

The legislation was introduced in Saskatchewan in 1975. Between 1975 and 1980 the Secretariat that reviewed development proposals reviewed a total of 227 proposals, of which 65% did not require an EIA.¹⁷ The legislation covered both public and private sectors and proposals were reviewed before the decision was made with regards to the necessity of an EIA. The legislation in Ontario could be placed at the opposite end of a spectrum.

The Environmental Assessment Act of Ontario was also enacted in 1975. It had a more limited scope than the Saskatchewan Act in that it requires the proponent (any provincial ministry and agency, and municipality) of an undertaking to consider environmental impacts before project momentum is overwhelming and before options are closed.¹⁸ Private sector undertakings were not subject to environmental assessment procedures due to their relatively small scale, unless designated by Cabinet.¹⁹ Even for government initiatives some exemptions had been made due to the progress of the project before environmental assessment procedures were considered.²⁰

Differing levels of vigilance to environmental considerations by provinces will certainly change with the recent commitment to decentralization of environmental regulation.

Parks and Conservation

Conservation programmes, wildlife preserves, and parks bring direct economic benefits to rural communities through direct employment in these fields; through tourism, spinoffs from tourism, and service industries; and not least of all through preservation of environmental capital for future generations. The beauty and character of natural landscapes is also part of rural culture and values, and hence of rural standards of living. Broadly speaking, every conservation policy and every national, provincial, or regional park should be considered a rural-development measure. Nevertheless, they are almost never mentioned in literature that surveys and

¹⁵ Brown, M. Paul. *Organizational Design as Policy Instrument: Environment Canada in the Canadian Bureaucracy. Canadian Environmental Policy: Ecosystems, Politics, and Process.* Robert Boardman, ed. Oxford University Press. Toronto, ON. 1992. pp. 34 - 36

¹⁶ Canada. Interprovincial Conference of Ministers with Responsibility for Northern Development. *Environmental Impact Assessment Policy and Procedures in Saskatchewan. 4th Annual Interprovincial Conference of Ministers with Responsibility for Northern Development, Happy Valley - Goose Bay, Labrador, September 15 - 17, 1981.* 1981. p. 1

¹⁷ *Ibid.* p. 5

¹⁸ Province of Ontario: Northern Development and the Environment. *4th Annual Interprovincial Conference of Ministers with Responsibility for Northern Development.* p. 1

¹⁹ *Ibid.*

²⁰ *Ibid.* p. 2

analyzes rural development -- even though tourism, which often depends on the existence of parks and wildlife, is frequently mentioned. Because of this deficiency in the literature surveyed so far, this report is unable to say more about federal, provincial, and municipal policies, except to note that additional research is needed if a comprehensive picture is to be obtained.

Dams and Hydro-electric Power

Large-scale public projects for the commercialization of water resources have had large impacts on some rural areas. Labrador, northern Qu_bec, and northern Manitoba spring to mind, but lesser-scale developments have also occurred in other regions. Sometimes these projects have been designed to have side-benefits for agricultural irrigation, or for recreation and tourism; sometimes they have displaced rural communities and flooded productive rural land.

Policies and Programmes:

Transportation and National Markets

Besides land, the other universal attribute of rural places is space. Since Confederation, transportation policies designed to overcome space and create economic ties between different parts of Canada have been essential features of federal policy. Transportation is highly significant for rural areas, both because rural people have large distances to surmount in their normal lives, and also specifically because the bulk commodities traditionally produced in rural areas are difficult to transport to markets. Historical transportation policies and subsidies contributed to the development of rural industries, especially resource industries; increased employment and income in rural areas; reduced costs for farmers, fishers, and rural residents in general; and improved standards of living. In all these ways, transportation policy is a central component of rural development.

Because of the large volume of grain exports from the Prairies, farmers and rural people in that region have been particularly concerned about transportation policy -- rail transportation, and associated ports and shipping. Commodities that are not exported to so great a degree, and other parts of Canada, are not so extremely sensitive to transportation policy.

Except for the well-known transportation and subsidization programmes related to Prairie grain, transportation policies and their impact on rural areas do not seem to have been extensively researched. What follows is a sketch to indicate some of the significant topics that could be investigated.

Rail Transport

Canada's original megaproject was the Canadian Pacific Railroad (CPR) of the 1870s-80s, a private monopoly heavily subsidized by land grants and other means. The CPR and associated elements of Sir John A. Macdonald's National Policy (the protective industrial tariffs of 1879, the homestead act, treaties with the western Indians, and so on) was designed to build a state and a continent-wide economy. The government remained heavily involved in railroads until the 1990s. In the mean time, commercial considerations led rail companies to disinvest in the rail network, to raise rates where possible, and to abandon and consolidate lines and facilities. This created controversy and tremendous pressure on federal regulatory agencies and subsidy programmes.

Crow's Nest Pass Freight Rates. The Crow's Nest Pass Agreement and Rates, better known as the Crow Rate, was established in 1897 as a nation-building measure. The rate was introduced to ensure that the minerals discovered in the Kootney region of British Columbia were not transported through the United States, but through Canada. The federal government subsidized the Canadian Pacific Railway's construction of the railway into the Kootneys and in return the CPR agreed to reduce freight rates for grain and flour moving east from the Prairies and on settlers' effects moving west. This agreement was intended to build the economies of both Central and Western Canada by increasing eastern demand for western raw materials and western demand for eastern manufactured goods. The fixed freight rate for the transportation of grains and oilseeds from the West, known as 'the statutory rate', was later deemed inadequate by the railways and the federal government began purchasing railcars and assumed the cost of branch-line maintenance. Livestock producers and grain processing companies in the West argued that the Crow Rate penalized their operations by raising the price of grain which increased the costs of their operations. These demands, along with the increasing costs incurred by the federal government for branch-line maintenance, led to the introduction of

the Western Grain Transportation Act in 1983.²¹

Western Grain Transportation Act. The Western Grain Transportation Act replaced the Crow benefit in November 1983. Under the Act, the federal government provides the railways with an annual payment of up to \$658.6 million (plus an inflationary index) to cover the transportation of eligible grain from Prairie shipping points to Thunder Bay, Churchill, Vancouver, and Prince Rupert.²² The WGTA was paid to the railways, as it represented an estimate of the shortfall in revenue experienced by the railways in moving grain at the statutory rates at the time the legislation was passed.²³

Fulton, Rosaasen and Schmitz conclude that the WGTA had no significant impact on land values and the fluctuations of land values. The WGTA did, however, contribute to the increased production of grains and oilseeds which, in turn, created economic spin-offs for fertilizer and chemical companies, machinery dealers, as well as handling and transportation companies.²⁴ In terms of farm income, the 1987 research suggests that the WGTA increased farm incomes but that it may not have represented a significant increase for all farmers.²⁵

Early in 1995 the federal government announced that the WGTA would cease to exist as of the first of August that same year. Landowners were compensated for the increase in shipping rates with a package of \$1.6 billion, a capital payments with a real benefit being estimated at \$2.2 billion.²⁶ A WGTA Adjustment Fund of \$ 300 million was also established to aid in the transition.

The elimination of the WGTA represented deregulation of freight rates and the termination of the St Lawrence Seaway pooling system, which was established to share the costs of the more expensive seaway transportation among all producers dealing with the Wheat Board.²⁷ The prediction made by Transportation Concepts in 1995 was that as the cost of shipping Western Canadian grain increased, production of grain would decrease creating, in turn, a further increase in shipping rates due to the lack of traffic to pay for the cost. The conclusion made by the organization was that under this spiral important pieces of Canadian infrastructure could collapse financially.²⁸ On the other hand, proponents of deregulation argued that it would lead to increased livestock production in the West, and expansion of other activities that add value to grain. It is not yet clear how the costs and benefits of these changes will work out, and what the effect on the rural West and on particular groups within the rural West will be. What is clear is that changes in transportation policies have far-reaching social and economic impacts on rural areas like the Prairies.

The Feed Freight Assistance Programme. Feed Freight Assistance is a companion to the Crow Rate/WGTA, effectively to subsidize feed-transportation costs for Eastern Canadian livestock producers. The purpose of the assistance programme is to even out transportation costs for producers in different provinces, to enable high-cost areas to compete with low-cost ones. Like the Crow Rate and WGTA, this is part of a set of policies designed to create a unified national market under terms accepted by the participants as equitable.

The Canadian National Railroad (CNR). The CNR was created through the nationalization of various smaller rail lines. The CNR, as a crown corporation subsidized by the federal government, not only moved commodities and people, but also maintained rail infrastructure and jobs in rural Canada, and paid taxes to rural local governments. The privatization of the CNR meant a loss of rural facilities, services, jobs, and subsidies. The debt written off at the time of privatization can be interpreted as a further subsidy to rural areas.

The Canadian Transport Commission (CTC). The Canadian Transport Commission was established by the National Transportation Act of 1967 to serve as a regulatory agency.²⁹ The CTC, along with special commissions on rail-line abandonment, made key decisions governing rail and transportation policy.

²¹ Fulton, Murray, Ken Rosaasen, and Andrew Schmitz. *Canadian Agricultural Policy and Prairie Agriculture*. Economic Council of Canada. Ottawa, ON. 1989. pp. 36 - 37

²² Fulton, Rosaasen, and Schmitz. p. 37

²³ Ibid.

²⁴ Ibid. p. 53

²⁵ Ibid. p. 51

²⁶ Transport Concepts. *WGTA Reform: Overview and Impact*. 1995. p. 2

²⁷ Transport Concepts. p. 3

²⁸ Ibid. p. 11

²⁹ De Brou, Dave, and Bill Waiser, eds. *Documenting Canada: A History of Canada in Documents*. Fifth House Publishers. Saskatoon, SK. 1992., pp. 496ff.

Ocean Transport

The St Lawrence Seaway. The St Lawrence Seaway was constructed after the Second World War by the Government of Canada, in agreement with the USA, to facilitate travel by deepwater vessels between the Great Lakes and the Atlantic Ocean. The seaway was one of Canada's most important construction projects of all time. It served as a publicly financed mechanism for the movement of bulk goods, including important commodities produced in rural Canada such as grain, minerals, and timber.

The St Lawrence Seaway has been one of the most important shipping routes, if not *the* most important shipping, in Canada. The benefits of the seaway were far-reaching, affecting Prairie farmers and Qu_bec miners. Costs of construction and maintenance were shared by Canadian taxpayers, but against these costs can be balanced the ultimate gain to all consumers resulting from the downward influence on prices of lower shipping rates on grain, iron ore and other goods that use the M-LO [Montreal-Lake Ontario] section, as well as the positive influence of increased grain exports on the balance of payments.³⁰ The Canadian economy and Prairie farmers gained from greater grain sales, and the seaway also had a positive impact on the development of the Qu_bec-Labrador iron-ore industry in that there was investment in the region, increased production and employment, and higher provincial revenues.³¹ Canada further benefited from the passage of U.S. goods through ports along the St Lawrence route.³²

Ports. Ports are basically urban, yet in many cases the products they move are rural products, notably grain, timber, and minerals. The federal government was involved in financing ports such as those at Thunder Bay and Vancouver for the purpose of moving Prairie grain, one of that region's largest products as well as one of Canada's largest exports. Federal and provincial governments and farm organizations financed the construction of grain terminals. Federal investment in port facilities needs to be assessed as part of overall strategies for resource development, national economic integration, and exports, policies with significant impact on rural areas.

Road Transport

Unlike rail transport, highway transport has been unquestioningly subsidized by all levels of government out of taxation revenues. Roads are constructed and maintained largely without tolls, and are not expected to pay for themselves directly. In conjunction with the automobile boom in post-Second-World-War Canada, this long-term policy of cheap roads (for consumers and businesses) has had interesting and far-reaching effects on rural areas.

Highway construction created jobs, and brought tourists more easily into rural Canada. It increased the mobility of Canadians; and in the process, perhaps speeded the depopulation of some rural centres while turning others into bedroom communities for nearby cities. It made possible the existence of certain kinds of rural businesses, while eliminating the need for others as rural residents increasingly drove to nearby urban centres to shop. Rural life was transformed in a myriad of ways.

Most road and highway construction is conducted by provincial and municipal governments. Cost-sharing is the norm, however, and the federal government has frequently been involved, sometimes as part of general infrastructure and job creation, sometimes as part of a particular strategy. In a few cases, the federal government has taken the lead.

The Trans-Canada Highway. Like other aspects of federal transportation policy, the Trans-Canada Highway constructed in the 1950s was a state-building measure as well as a tool for economic unification and integration.

Roads to Resources. The Roads to Resources programme was one of the first rural/northern development programmes of the Diefenbaker government in the late 1950s. It was intended to serve as a stimulus to the development of mines and resources in northern Canada. The programme contributed to 4,000 miles of roads being constructed in nine provinces, as well as 2,200 miles north of the sixtieth parallel.³³ Roads to Resources

³⁰ Sussman, Gennifer. *Qu_bec and the St. Lawrence Seaway*. C.D. Howe Research Institute. Montreal, PQ. 1979. p. 44

³¹ Ibid.

³² Sussman, p. 69

³³ David J.A. Douglas, Contexts and Conditions of Community Economic Development in Canada: Government and Institutional Responses, in David J.A. Douglas (ed.), *Community Economic Development in Canada*, 2 vols. McGraw-Hill Ryerson.

was incorporated into ARDA (see *Regional Development*).

Policies and Programmes: Services and Utilities

Many public services in Canada, including main-line departmental services, hospitals and schools, as well as crown corporations, historically followed policies that unobtrusively cross-subsidized rural areas. In the post-Second World War era, through to the 1970s, this was taken for granted as an aspect of unifying Canadian society and the Canadian economy. Rural citizens, as much as possible, were to have similar service to urban citizens, and pay no more for it, even where rural services may have cost much more to deliver. The equality of citizens meant hidden subsidies to rural areas. This was not universal or uniform -- remote farms or remote communities still often had to come up with their own money to pay for water or natural-gas pipelines, for example -- but a great many public services to rural communities were delivered at rates that did not cover the costs. There are many parallels to transportation policy before the 1980s, which also attempted to equalize distances and eliminate geography, support rural and remote places. The CNR and highway construction, already mentioned in relation to transportation policy, could be included here.

The assumptions on which these practices were based appear to have come to an end in the 1980s. Since that time, it is no longer taken for granted that rural residents should pay the same amount for the same services urban residents receive. Increasingly, services are deregulated so that prices are free to follow market forces.

Canada Post Corporation

Canada Post was a government department (the Post Office Department) until October 16, 1981 when it officially became a Crown corporation.³⁴ Part of the postal service's mandate was universality of service which includes delivery of mail to remote areas of the country. Before the establishment of the service as a Crown corporation, this mandate stimulated the construction and improvement of roads because the post office would only service areas with adequate roads. Free delivery to rural areas continued after the transformation of the Post Office Department to Canada Post Corporation. Many feel that this rural service is important in keeping the country together. Many small and, according to the Corporation, ineffective post offices remained open to meet the requirement of universality of service. Numerous protests were made in the 1980s and 1990s when the corporation attempted to close or convert these. According to Adie, however, the telephone, telegraph, and other electronic communications have undermined the importance of postal services, if not threatened the post office's very existence.³⁵ Adie suggests that Canada Post's delivery service is inefficient and that if we choose to subsidize rural mail delivery, perhaps municipal or county governments can do this more effectively than the federal government.³⁶

Crown Corporations

Crown corporations are important elements of the Canadian economy and have, historically, been integral parts of regional economic development as well as the unification of the country. Indeed, regional economic development has been a prominent reason for the establishment of crown corporations. Both Kirsch and Fairbairn use rural electrification as a prime example of crowns' involvement in regional development. Kirsch claims that the hydro-electric provincial utilities were, generally, brought into the public sector both to encourage development of other industries in the province and to ensure, as a matter of policy, that all residents of the province received low-cost (cross-subsidized) reliable service, no matter how remote their

Toronto. 1994. 2, p. 87; also Lithwick, Harvey N. *Regional Development Policies: Context and Consequences*. In William J. Coffey and Mario Polèse, eds. *Still Living Together: Recent Trends and Future Directions in Canadian Regional Development*. Institute for Research on Public Policy / Institut de recherches politiques. 1987., p. 127.

³⁴ Adie, Douglas K. *The Mail Monopoly: Analysing Canadian Postal Service*. The Fraser Institute. Vancouver, BC. 1990. pp. 1 - 2

³⁵ Adie. p. 50

³⁶ Ibid. pp. 50 - 51

homes.³⁷ In his discussion of crown corporations in Saskatchewan, Fairbairn suggests that the history of the crowns shows that public support has been based, first of all, on great common projects that touched the average citizen. The greatest of these was surely the electrification of rural Saskatchewan, which was a defining project for a generation of provincial leaders.³⁸

Crown corporations' ability to cross-subsidize rural services has been a fundamental policy instrument, likely very important in regional development and in maintaining rural populations. Not only power but also telephone, natural-gas and other crown corporations have behaved in this way. In the 1980s and 1990s, privatization and deregulation have fundamentally changed the practices in this regard.

The establishment of the Cape Breton Development Corporation, in 1966, is an example of government ownership with the intention of developing a particular region. When the Dominion Steel Company (DOSCO) announced the closure of its mines in Cape Breton the federal government took over the industry and created the Cape Breton Development Corporation as a means of maintaining the livelihood of the dependent labour force and protecting the community from the collapse of the local economy which would occur if the mines closed.³⁹ The intention was to use federal funds to maintain the local economy as well as diversifying the economy. The Cape Breton Development Corporation's mandate was not only to operate the mines but also to revitalize the local economy, therefore, the government was able to focus and co-ordinate the wide range of programs which were necessary to arrange the economic transition.⁴⁰

Often the main reason for establishing a crown corporation has been sovereignty: nation-building or province-building. These reasons, also, often have the effect of developing or maintaining rural regions of the country. In the mid 1970s the Alberta government purchased Pacific Western Airlines with the intent of gaining a voice in the Transportation Commission's decisions, but also with the intent of using the airline for the purposes of economic development in northern Alberta.⁴¹ Similar thinking was behind the establishment of Telesat Canada. In the late 1960s the federal government feared loss of sovereignty in the communications industry--to the United States in terms of English-speaking Canada and to France in relation to Quebec. A Canadian satellite communications system (Telesat Canada) was established to alleviate these fears, it would also be used to strengthen the national identity of Canada, as it would allow the extension of live television in both languages throughout Canada.⁴² Another important use for the satellite communications system was to aid the development of the Canadian north, providing links between northern communities, decreasing the isolation of remote areas and removing the disparities in life-style between those living in and outside the main centres.⁴³

Crown corporations, both federal and provincial, have been instrumental in the development of regional resources and economies. One reason for this is that their mandate is not strictly economic: public enterprise [does not] maintain a position in the Canadian economy wholly independent of social, political or economic objectives.⁴⁴ Trebilcock and Prichard noted, with regard to the Cape Breton Development Corporation, [t]here was no question that the intervention was dictated by social, political and humanitarian concern about the welfare of the Cape Breton community.⁴⁵ Social, political and humanitarian concerns are more often at the heart of the decision to create a crown corporation than are economic concerns.

For a relatively brief period from the mid-1970s to the mid-1980s, governments also used resource-industry crown corporations as key policy tools. Writing in 1982, Weaver and Gunton observed a growing consensus

³⁷ Kirsch, Elaine. *Crown Corporations as Instruments of Public Policy: A Legal and Institutional Perspective*. Economic Council of Canada. Ottawa, ON. 1985. p. 124

³⁸ Fairbairn, Brett. *Balancing Act: Crown Corporations in a Successful Economy*. Centre for the Study of Co-operatives. University of Saskatchewan. Saskatoon, SK. 1997. p. 5

³⁹ Trebilcock, M.J. and J.R.S. Prichard. *Crown Corporations: The Calculus of Instrument Choice*. *Crown Corporations in Canada: The Calculus of Instrument Choice*. J. Robert S. Prichard, ed. Butterworths. Toronto, ON. 1983. p. 60

⁴⁰ *Ibid.* p. 62

⁴¹ *Ibid.* p. 57

⁴² *Ibid.*

⁴³ *Ibid.*

⁴⁴ Kirsch. p. 153

⁴⁵ Trebilcock and Prichard. p. 60

that the collection of rents requires some degree of public ownership in staple industries as a means of acquiring the data necessary for setting appropriate royalties and providing the regions with sufficient bargaining power. Governments have learned they must be active, aggressive entrepreneurs in leading sectors of the regional economy: examples included the National Energy Programme (NEP), BC Resources Investment Corporation, Alberta Energy Corporation, Potash Corporation of Saskatchewan, and many others.⁴⁶ These, even more than the utility crowns, have been the objects of privatization initiatives and deregulation in the last decade.

Siting of Public Facilities

Schools, hospitals, etc. Rural communities generally understand the location of schools, hospitals, government service centres, police detachments, post offices, railyards, care and rehabilitation facilities, and other services, even prisons, to be an important contribution to their local economies. The relatively well-paid and steady jobs associated with public services are welcome additions to what are often precarious resource-based economies. Public-sector services also have spinoff benefits: schools enhance community cohesion, post offices bring people into town daily to do their shopping, recreation facilities host tournaments that bring tourists. More than one enterprising rural community has angled to obtain a provincial or federal facility as part of a development plan.

From the point of view of rural people, there is an equity issue: public-sector employment is paid for out of general taxation revenue, yet certain kinds of standard public-sector jobs, at least, are concentrated heavily in cities. This can be regarded as a wealth transfer from rural communities to urban ones, a perception that only makes rural people more defensive of those public-sector institutions they do have in their communities. This becomes clear, however, only when governments attempt to close such facilities. The controversies across rural Canada over post-office and, in some provinces, hospital closures in the 1980s-90s are an example. While rationally minded government planners make decisions based on costs of services, rural people have in mind both the services and the jobs and spinoff benefits to their communities.

There appears to be little general research on the rural-development (or rural-underdevelopment) effects of public-sector locational decisions.

Administrative offices. Siting of government facilities in rural areas is often an important issue at the local level, but has rarely been articulated as a large-scale regional, provincial, or national theme. An exception was the 1991 provincial election in Saskatchewan, in which the outgoing administration of Conservative premier Grant Devine -- an agricultural economist by occupation -- announced shortly before the election a systematic decentralization of major departmental offices into rural communities, a proposal that went under the name Fair Share Saskatchewan. The proposal was not implemented as the government was defeated in the elections. Similar ideas, though rarely as systematic, have been raised in other jurisdictions, and in some cases government units have indeed been relocated. Alberta has systematically attempted to decentralize government offices to a certain degree. For example, as of the early 1990s, the Department of Economic Development and Trade operated offices in ten larger centres.

Military bases. Canadian Forces Bases are a special case, because the large majority of bases are located in rural areas. Those areas in which a base is located are strongly affected. The controversy in Prince Edward Island over the closure of the Summerside base in the early 1990s illustrates the importance local residents attach to such a facility. Industrial Adjustment Committees (IACs) have been formed in cases of base closures, and have received funding from the federal department of human resource development to do planning, studies, and local economic development.

Policies and Programmes: Increased Productivity

Though rarely considered in relation to rural development, the overall legal, fiscal, policy, and regulatory framework for the economy, plus certain specific provisions for agriculture and other resource industries, and policies for research, labour markets, and training, have a combined long-term effect of creating subsidies and incentives for certain kinds of economic development. In particular, many of these policies consistently encourage increased productivity, especially in the form of substitution of capital for labour. This can be viewed as an aspect of Keynesian economic management, in which governments create a policy framework that encourages modernization and efficiency of business. Of course, this is one particular kind of

⁴⁶ Weaver and Gunton, p. 27.

modernization. Its impact on rural areas is largely unexamined and taken for granted: increasing size of fishing boats or farms is treated as an economic law or a consequence only of the market, when in fact markets and state policy have reinforced each other.

In some cases, taxation and other policies have also been used to create general rural or northern subsidies, not connected to any particular industrial policy.

The *Historical Overview of Canadian Agriculture* issued by Statistics Canada in 1997 compiled agricultural statistics from censuses dating from 1921. Table 1, Selected Agricultural Data, Canada, and Provinces, 1921 - 1996, shows the trend: declining numbers of farms with growing land bases. Between 1951 and 1996 the number of farms in Canada declined from 623,087 to 276,584, by a rate of nearly 100,000 farms every five years. The average area of these farms increased from 279 acres in 1951 to 608 acres in 1996. Depending on the province, though, the average can be much less or much more than the national average. The average area of Newfoundland farms in 1996 was 146 acres, while the average area of Saskatchewan farms was 1,156 acres. Rural people are inclined to see these trends as a cause for concern: a loss of people, of social networks, of human resources, of consumers and certain kinds of economic activity. Of course, whether in farming or fishing or other resource industries, these statistics can also be read as a success story of massively increased productivity per person. Large amounts of public resources have been invested in making this productivity increase happen.

Taxation and investment policy

The effects on rural areas of taxation and investment policies appear to constitute an underexamined field of government intervention. A simple, and small, example is tax credits for residents of northern areas. The most important policies, however, are not explicitly identified as rural.

Lithwick observes that in 1977 tax policy was changed to provide higher investment tax credits in poorer regions. Such regions were of course not all rural, but many were. He estimated that in 1978, the value of these credits was roughly \$261 million, or almost twice the level of RDIA grants in that year.⁴⁷ (Similarly he estimates that regionalization of other programmes like the employment tax credit and unemployment insurance created over \$1 billion in transfers to regions in 1978, about twice DREE's entire budget. Unemployment Insurance, UI, is discussed below under *Income Support and Wealth Transfer*.) These rough estimates drive home the critical importance for rural areas of policies that do not have rural in their titles.

However, taxation and other policies are not only about transfers. They also create particular incentives. One of the most important biases built into the general taxation systems is a tendency to reward the substitution of capital for labour. This occurs because of the ways in which farmers, fishers, logging or mining companies can receive tax credits for capital investments, and perhaps also through provisions for the depreciation of their assets.

Special provincial programmes that subsidize farm mortgage interest, fuel for farm vehicles, and so on, can be regarded as subsidies for the capitalization, expansion, and mechanization of farms.

Many other programmes have offered specific tax incentives or subsidies for businesses to locate in rural areas. These components of provincial programmes and of federal ones such as ADA and DREE (*See Regional Development*) were part of strategies for what has been called the industrialization of rural areas: the encouragement of, especially, manufacturing industries that were seen as modern and growing.

While (pending further study) it can be assumed that the overall tendency of federal and provincial policies has been to strengthen and reinforce the observed historical trends toward larger farms, larger fishing boats, and more mechanized resource industries, it is also true that particular programmes have had a contradictory effect. Regional employment tax credits presumably encourage hiring. The net effect of UI and training programmes is unclear; UI functions in some regions as an income subsidy for seasonal workers. Some farm programmes have placed caps on payments or quota allotments per farm, effectively rewarding smaller farms more. This simultaneous pursuit of contradictory policies is a recurrent feature of the state's role in respect to rural areas in the last half-century, and can perhaps be explained as a tug-of-war between the modernization theories held by planners, and the political pressures on politicians.

Role of Government Departments

The role of particular government economic departments, federal and provincial, such as those for agriculture, fisheries, forestry, mining, and natural resources, ought to be researched in terms of the effect of their policies,

⁴⁷ Lithwick, pp. 135-36, and the same for the following.

programmes, and personnel upon rural areas.

The federal agriculture ministry, to take a leading example, is strongly involved in supporting agricultural production. In the mid-1990s the department operated a Market Industry Services Branch -- its regional office network; a Policy Branch including a Farm Women's Bureau and an Adaptation Group; a Research Branch with research stations across the country; and a Food Production and Inspection Branch with 4,000 - 5,000 inspectors. (Stephens 1994, p. 169) Many of these functions -- industry services, research, quality control -- can be understood as supporting commodity production, processing, and the overall growth of the industry.

In general, and pending further research, an initial generalization would be that the primary goal of federal and provincial commodities departments -- agriculture, fisheries, forestry, mining -- has been the promotion of growth, investment, modernization, and productivity. While many such departments, in various times and places, have also had rural-development programmes and units, the disparity in sizes between large production-oriented departmental establishments and small rural-development offices or programmes is typically quite striking. Governmental departments associated with rural commodities are, in essence, public-sector infrastructures dedicated to expansion of productivity, not primarily to integrated rural, regional, or community development.

Research

Among the functions of government departments and government-funded agencies such as universities, one of the most important means to promote increased productivity has been through research. The federal government has been active in agricultural research for over a century, and many provinces became involved by the mid-twentieth century. Particularly in agriculture, large amounts of public money have been committed over many decades, and have produced results that have transformed agriculture and greatly expanded production. In retrospect, the accomplishments of these research establishments have been spectacular.

Federally funded research. Public sponsorship of agricultural research in Canada began in 1886 when the federal government established a system of experimental farms which conducted research across the country.⁴⁸ In 1948 K.W. Neatby, the Director of Science Service of the department of agriculture, toured the United States in search of information regarding ways in which to amalgamate the Experimental Farms and Science services of the department. In 1959, the two branches were finally amalgamated to form the Research Branch of the department.⁴⁹ The objective of this branch was, and continues to be to maintain and improve the production of the agri-food sector through developing and transferring new knowledge and technology.⁵⁰

Another federally sponsored organization active, in part, in the area of agricultural research has been the National Research Council (NRC). The NRC was established in 1917 to coordinate research both purely scientific and industrial. The first NRC laboratory opened in the postwar era was the Prairie Regional Laboratory in Saskatoon.⁵¹ Since the turn of the century most provinces have established Research Councils and laboratories for the purpose of research, some of which has been agricultural research.⁵² The Natural Sciences and Engineering Research Council (NSERC) was established in the 1970s to grant research funding to support research conducted in universities and associated institutions.⁵³ The role of the Social Sciences and Humanities Research Council (SSHRC) is often overlooked, as rural and agricultural research has been assumed to be science-, technology-, and production-centred rather than centred on human systems.

Federally sponsored agricultural research has put Canada, and its scientists, at the forefront. Canadian scientific research into short-season and winter-hardy plants, especially cereal crops and apple trees, has led to significant innovations in those areas of agriculture. Canadian scientists and producers have collaborated in the study of pest control methods and livestock breeding. The Department of Agriculture's engineering and biotechnology research undertakings have led to innovations in land, water and biological resources conservation and protection. Collaborative research -- between federal, provincial and university scientists -- has often led to important innovations in agriculture. In Publicly Sponsored Agricultural Research in Canada

⁴⁸ Ester, Ralph H. Publicly Sponsored Agricultural Research in Canada Since 1887. *Agricultural History*. vol. 62 no. 2 1988 p. 52

⁴⁹ *Ibid.* pp. 53 - 54

⁵⁰ *Ibid.* p. 54

⁵¹ *Ibid.* pp. 56 - 57; the first NRC laboratory was the Rust Research Laboratory opened in Winnipeg in the mid-1920s, the second was opened in Ottawa in 1932

⁵² *Ibid.* pp. 57 - 62

⁵³ *Ibid.* pp. 58 - 59

Since 1887, Estey describes the fifteen year process of research that led to the transformation of rapeseed into canola, a result of such collaborative research.⁵⁴ The creation of canola (named for Canada and oil) opened up large markets for vegetable-oil-based products as well as for inks, lubricants and more. Canola has since become one of Canada's major crops. Also, according to Estey, in 1985, varieties of hard red spring wheat developed at Winnipeg [the Rust Research Laboratory] occupied about 80 percent of the area sown to that crop across the Canadian provinces.⁵⁵

Provinces. The Ontario Ministry of Agriculture, Food, and Rural Affairs has, in Guelph, Ontario, likely the largest research establishment of any provincial department. It has important synergies with the agriculture-oriented University of Guelph and the School of Rural Planning and Development located nearby. Most provinces that have large agricultural sectors contract with university-based academics for much of their research. Provinces with smaller agricultural bases have been less involved in such research. Newfoundland, for example, had, by 1988, sold its demonstration farm to the federal Department of Agriculture and had done little in the area of agricultural research since.⁵⁶

Research councils. As stated above, research councils have existed since the turn of the century. Provincial councils have existed due to regional and geographical constraints; the geographical dispersion of the Canadian population has caused the provinces to feel that their scientific and technological needs could not always be adequately met by the central government, due to both distance and regional differences.⁵⁷ As of 1970 Prince Edward Island was the only province that did not have provision for its own research council; it was using the services of the National Research Council and the New Brunswick Research and Productivity Council.⁵⁸ Newfoundland passed a Research Council Act in 1961, but there was no record of its implementation.⁵⁹ Other than Prince Edward Island and Newfoundland, each province operates its own research council and each council plays different roles and conducts different kinds of research.

There have also been regional research councils, at least to deal with policy research. The Atlantic Provinces Economic Council of 1954 was a nongovernmental research agency established by the provinces to propose solutions to the problems of uneven development. In general, it promoted growth-pole ideas: industries were to be transplanted to into the Atlantic from outside and serve as nuclei for development.

The Nova Scotia Research Foundation (NSRF), founded in 1946, was established to provide for the examination of and research respecting the utilization of the natural resources of the Province of the expansion or development of industry within the Province.⁶⁰ The NSRF did not have a laboratory until 1969 (built with funds from the Atlantic Development Board) and made use of the facilities of universities in Nova Scotia. In the late 1960s, the NSRF was conducting research into the uses of Cape Breton salt deposits in the petrochemical industry, as well as conducting research into industrial uses of seaweed.⁶¹

The New Brunswick Research and Productivity Council, established by an Act of the legislature in 1962. Its facilities were also funded by the Atlantic Development Board. This council focuses its research towards industry needs and managerial assistance, as opposed to pure scientific research. In the late 1960s, it dropped the term New Brunswick from its title as it is not a branch of government.⁶²

The government of Quebec established Le Centre de recherche industrielle du Quebec (CRIQ) late in 1969. Its purpose, as the name suggests, is industrial research.

The Ontario Research Foundation was established in 1928 and supported by private industry and government. Its purpose is to provide assistance to industry. It has studied such areas as the steel industry in Northern

⁵⁴ Ibid. p. 54, 56 & 62

⁵⁵ Ibid. p. 57

⁵⁶ Ibid. p. 59

⁵⁷ Wilson, Andrew H. *Research Councils in the Provinces: A Canadian Resource; Background Study for the Science Council of Canada, June 1971; Special Study No. 19.* Information Canada. Ottawa, ON. 1970. p. 58 - Dr. E. J. Wiggins of the Research Council of Alberta quoted from remarks to the Senate Special Committee on Science Policy.

⁵⁸ Ibid. p. 69

⁵⁹ Ibid.

⁶⁰ Ibid. p. 71 - quote from the Research Foundation Act of Nova Scotia

⁶¹ Ibid. p. 73

⁶² Ibid. p. 77

Ontario and changing technology in that industry, as well as industrial energy in Northern Ontario and the prospective demand for that energy.⁶³

The creation of the Manitoba Research Council (MRC) in 1963 was the result of recommendations made by the Commission on Manitoba's Economic Future. From those recommendations the Act to establish the Research Council specified the intent of the council to promote and carry on or cause to be promoted or carried on research and scientific enquiries respecting agriculture, natural resources, industry or other segments of the economy of the province.⁶⁴ In the 1960s, the MRC was not a laboratory research facility, but had an advisory position in relation to commercial interests.⁶⁵

The Saskatchewan Research Council (SRC) was established in 1947. In 1958 its own permanent laboratory was built on the University of Saskatchewan campus in Saskatoon.⁶⁶ Agriculture being the main economic force in Saskatchewan at that time, the SRC conducted much research into such areas as alternate crops, groundwater geology and hydrology, animal science, crop science and horticulture. Many of these projects were conducted as graduate research funded by the SRC or by federal or provincial departments.⁶⁷

The Research Council of Alberta (RCA) was officially established in 1919, but did not begin activities until 1921 when a joint university-provincial government committee was set up to study the economic potential of the natural resources of the province.⁶⁸ Some of the RCA's functions, as outlined in the Research Council Act of 1930, were to promote in such a way as is deemed advisable i) the utilization of the natural resources of Alberta⁶⁹ and to conduct researches, the objects of which are the betterment, welfare and progress of the urban and rural life in the Province⁷⁰. The primary concern of the RCA was, however, the physical resources and industries of the Province, and its activities are therefore complementary to those of the Human Resources Research Council.⁷¹ The council focused its research in such areas as: petroleum and natural gas, coal, gasoline, computing, engineering, with some research in geology, groundwater, soils and a Hail Studies Project to develop effective methods for alleviating hail damage.⁷²

In the late 1960s, British Columbia had a clearly delineated system of laboratory and council. British Columbia Research was the technical operation of British Columbia Research Council.⁷³ Established in 1944 under the provincial Societies Act, neither of these institutions were publicly financed. The council's ultimate aim ... is to be a completely independent non-profit research agency.⁷⁴

Post-secondary institutions. The University of Guelph is the leading provincially sponsored institution for basic and applied agricultural research in Canada⁷⁵. It traces its history back to the 1873 Ontario School of Agriculture and Experimental Farm which pioneered agricultural research in Canada. The Ontario Agricultural College and non-degree-granting Colleges of Agricultural Technology also conducted agricultural research in the province. The government of Ontario established, in 1962, the Agricultural Research Institute of Ontario (ARIO) which conducted research in agriculture, veterinary medicine and household science. The ARIO also brought the Horticultural Research Institute under its auspices. The Horticultural Research Institute was established by the Ontario government in 1906. Qu_bec, also, has many agricultural colleges in which research is conducted, including the faculties of agriculture of McGill University and L'Universit_ Laval.⁷⁶ An important technical institute of agriculture in Qu_bec is the Institut de technologie agro-alimentaire (institute of agri-food technology) in Saint-Hyacinthe. In the West, one of the foremost agricultural technology

⁶³ Ibid. pp. 79 & 85

⁶⁴ Ibid. p. 86

⁶⁵ Ibid. p. 88

⁶⁶ Ibid.,

⁶⁷ Ibid. pp. 90 - 92

⁶⁸ Ibid. p. 92

⁶⁹ Wilson. p. 93

⁷⁰ Ibid.

⁷¹ Ibid. pp. 93 - 94 - quote from 1969 Annual Report of the Research Council of Alberta

⁷² Ibid. pp. 94 - 95

⁷³ Ibid. p. 99

⁷⁴ Ibid. p. 102

⁷⁵ Ibid. pp. 59 - 60

⁷⁶ Ibid. pp. 59 - 61

institutes is Olds College in Alberta.⁷⁷ Basic and applied research are conducted in agriculture colleges, notably at University of Saskatchewan in Saskatoon and University of Alberta in Edmonton, and the Rural Development Institute at Brandon University conducts research and extension.

In 1994, the Association of Canadian Community Colleges submitted a report to the Joint Study of the House of Commons and Senate Committees on Agriculture commenting on the government's neglect of community colleges and technical institutes as institutions for rural and agricultural research and education. The Association recommended that colleges and institutes receive more recognition in agri-food and agri-business research.⁷⁸

Education and Extension

Equally important to research, at least until the early postwar years, was rural extension and related education. Historical extension education was a combination of what might now be termed human resource development and technology transfer. Rural people obtained general information, studied the economic and regulatory environments, developed their leadership capacities, and refined useful skills applicable not only to rural production but to the operation of rural systems and institutions in general. In addition, they were apprised of the latest production techniques, pieces of equipment, forms of and programmes for credit, and so on. While the first-mentioned types of education might be considered community development, these latter types of training and information were explicitly oriented toward the augmentation of production. The distinction is important, because in later years -- from perhaps the 1950s-60s -- the two types of extension followed quite different trajectories.

General capacity building. The first type of extension education mentioned above had expansive purposes of developing rural people as citizens, volunteers, and community leaders. Generally, the governmental contribution to this capacity-building was decentralized, through small grants, the participation of salaried government personnel, and -- above all -- through the activities of universities and extension divisions. These activities declined or became more formalized over time (see *Community Development*).

Technical extension services. Technical information, largely related to production techniques, technology, and government programmes, was provided both by university and by government extension services. In general, these functions have been reabsorbed into governments and have become the primary focus of agriculture-department field services; many large agricultural companies also offer extension services. This type of extension has almost entirely displaced general capacity-building as described above. Such activities include visits by programme or product representatives, demonstration sites, and more. In contrast to earlier adult education, these activities are information- (rather than education-) based, technology-centred, and largely focused on increasing production.

Credit

Credit is a crucial mechanism for the modernization and mechanization of industries, including rural resource industries as well as other kinds of businesses. There are many mechanisms by which governments have facilitated the obtaining of credit, or lowered the cost of credit, for enterprises of different kinds. Interest-rate subsidies for farms and low-cost credit for small enterprises locating in rural centres are two examples.

Only a couple of the prominent federal programmes are mentioned below.

Farm Credit Corporation (FCC). The purpose of the Canadian Farm Loan Board was to lend money to farmers, or people intending to become full-time farmers, to refinance existing farm indebtedness, to purchase live stock and equipment, to make improvements, including the erection of buildings and to pay operating expenses.⁷⁹ A loan programme for fishermen was included in the 1940s. The Canadian Farm Loan board was replaced by the Farm Credit Corporation in 1959 and under the Farm Credit Act, the Corporation makes long-

⁷⁷ Association of Canadian Community Colleges. *Serving Rural Canadian and Their Communities: Community Colleges and Technical Institutes and the Future of Agriculture in Canada; The ACC Submission to the Joint Study of the House of Commons and Senate Committees on Agriculture*. 1994. p. iii

⁷⁸ Ibid. pp. iii - iv

⁷⁹ Canada. Canadian Farm Loan Board. *Report of the Canadian Farm Loan Board for the Year Ended March 31, 1946*. King's Printer. Ottawa, ON. 1946 p. 4

term mortgage loans to assist Canadian farmers to develop viable farm businesses.⁸⁰

Statistics issued by FCC in 1976 indicate that upon receiving loans farmers were acquiring more land and improving more land.⁸¹ The trend of lending money to acquire and improve more land has not necessarily had a positive effect on rural people or their communities. However, now the stated primary purpose of FCC is to [support] farmer-controlled diversification initiatives and value-added agricultural operations beyond the farm gate. FCC also delivers joint programs and services with government agencies and other lenders.⁸²

In 1993 FCC's mandate was expanded to facilitate lending to value-added agri-industrial processing. Shortly thereafter, a federal official posed the question, should it be expanded further to facilitate non-agricultural micro-enterprise development in rural areas?⁸³

Federal Business Development Bank (FBDB). In a 1992 study the Prairie Farm Rehabilitation Administration studied the impact of the FBDB on the economy of the rural prairies. The study outlined the range of financial and management assistance programs offered by the FBDB as follows:

- term loans and guarantees
- venture capital
- student business loan programme
- Counseling Assistance to Small Enterprises (CASE) Programme
- Management Training and Planning Services, and
- Community Business Initiatives Programme.

84

Fifty-seven percent of the loans disbursed by FBDB in 1991 were to customers in rural areas. In that year the 892 clients in the prairie and northern region were able to receive approximately \$64.3 million. The prairie region alone made up about 90% of this, and amounted to 11% of the Canadian total in 1991. In that region wholesale and retail operators received 26% of the \$64.3 million (\$16.6 million to 172 clients); tourism 17% (\$10.8 mill. to 98 clients); manufacturing 16% (\$10.6 mill. to 67 clients); commercial properties 15% (\$9.3 mill. to 42 clients); other industries 10% (\$6.7 mill. to 151 clients); construction 9% (\$5.9 mill. to 120 clients); transportation and storage 6% (\$3.7 mill. to 32 clients) and agriculture 1% (\$0.7 mill. to 210 clients).⁸⁵ The emphasis, then, of the Federal Business Development Bank in this region is not to perpetuate the rural dependence upon resource extraction (i.e. agriculture), but to foster a healthy, diversified economy.

Fisheries

Federal and provincial governments were heavily involved in promoting the expansion and modernization of fisheries, similar to their role in promoting increased agricultural production and productivity. Significantly, larger fishing vessels in the Canadian fleet multiplied fivefold between 1959 and 1974, thanks chiefly to government programs to aid fishermen, and the result was an overcapacity to fish that -- added to international pressures on fish stocks in Canadian waters -- produced a crisis for Canadian fishermen. Until the 1970s those who argued against overfishing were largely ignored, and the fishery was one more area of Canadian development in the post-war period in which growth was encouraged without much concern for eventual consequences.⁸⁶

⁸⁰ Canada. Farm Credit Corporation Canada. *Farm Credit Statistics/Statistiques du cr_dit agricole 1984*. 1984. p. 1

⁸¹ Canada. Farm Credit Corporation. *1976 Federal Farm Credit Statistics*. 1976. p. 39

⁸² Canada. Government of Canada. *Canada: At Work in Rural Canada/Canada: Au service de ses communités rurales*. 1997. p. 247

⁸³ Stephens, p. 169.

⁸⁴ Canada. Prairie Farm Rehabilitation Administration. *Rural Prairie Sustainability: A Background Paper; Draft for Discussion*. 1992. p. 44

⁸⁵ Ibid. p. 45

⁸⁶ J.M. Bumsted. *The Peoples of Canada: A Post-Confederation History*. Oxford University Press. Toronto. 1992. p. 295.

Fisheries, partly due to their interprovincial and international dimensions, have been much more closely regulated by the federal level than is agriculture. The federal fisheries department has been correspondingly influential. In 1977 the federal government established a 200-mile economic zone in the Atlantic. This measure was intended to curtail foreign over-fishing on Canada's east coast and encourage economic growth in Canada's fishery. This measure did increase catches and stocks available to Canadian fishers, but the increase did not last.⁸⁷ The federal government, and others involved in the industry invested heavily in expanding the fishery, both in- and offshore, and the processing production industry.⁸⁸ By the early 1980s numerous economic problems befell the Atlantic fishery--high fish prices, high interest rates and a strong Canadian dollar--all of which led to numerous companies being in serious financial trouble. The federal government bailed out many of the companies, but failed to institute an effective resource management strategy at the time.

Policy with respect to east-coast fisheries concentrated on the economics of catching and processing larger quantities of fish. Viewed in a long-term context, it is clear that these programmes failed to take sufficient account of social and ecological dimensions of the fisheries. These shortcomings contributed to the collapse of fish stocks, the 1992 moratorium on cod, and the virtual collapse of the industry in the 1990s. For present purposes, it is important to stress that this outcome was not due to policies peculiar to fisheries. Rather, all rural commodities were subject to loosely comparable policies of increased exploitation and productivity. The fisheries case was simply more extreme and, it appears, more ecologically vulnerable.

Forestry and Mining

Governments and particular departments, federal and provincial, have been actively involved since the Second World War in shaping the environment within which forestry and mining industries have expanded. These sectors have been characterized by high levels of foreign investment, concentrated ownership, and large-scale developments. The growth of the petroleum industry in Alberta following the Leduc find of 1948, the development of mining communities in northern Qu_bec and Ontario, and the development of forest industries from New Brunswick to B.C. are examples. The impact of these industries on rural Canada should be researched as part of assessing rural development. The present study is unable to do so.

Policies and Programmes: Adjustment and Transition

Substitution of capital and equipment for labour (supported as noted above by government-funded taxation policies, research, and so on) made resource industries more productive; the corollary was that surplus labour had to be assisted to leave these industries. Programmes designed to reduce the number of farmers and fishers were not *ad hoc* or crisis-driven, but reflected a long-term predisposition or planning mentality, supported by development theories common through at least to the 1970s. Under the dominant development theories of the time, removal of excess labour from these sectors was a key goal of state economic policy. Within the Keynesian framework of federal and provincial planners, this was a crucial way in which the state could act to create the conditions for efficient market development. Presumably for political reasons, governments rarely stated that they aimed to reduce farming or fishing populations, or that they wished rural people to move to the city. Nevertheless, such ideas were common threads running consistently through education and training programmes, employment and unemployment programmes, and rural-development programmes. For this reason, rural-development policies through to the 1970s have been characterized as policies of industrialization and urbanization.⁸⁹

Resettlement

Newfoundland outports. The clearest, or crudest, expression of the idea of consolidating far-flung, underemployed rural populations into urban growth centres was undoubtedly the outports resettlement

⁸⁷ Weeks, E.P. and L. Mazany. *The Future of the Atlantic Fisheries*. The Institute for Research on Public Policy. Montreal, PQ. 1983. p. 1

⁸⁸ Blades, K. *Net Destruction: The Death of Atlantic Canada's Fishery*. Nimbus Publishing, Ltd. Halifax, NS. 1995. pp. 12 - 13

⁸⁹ For example, Janvry *et al.*

programme in Newfoundland and Labrador. The resettlement programme was first administered by the province's Department of Welfare and later by the federal Department of Regional Economic Expansion (DREE). Between 1955 and 1975, some 567 communities and more than 28,000 people were affected. The problem was that the program eliminated traditional jobs and lifestyles before new ones were created.⁹⁰ Ironically, this did contribute to rural development in that affected residents organized to fight the resettlement plans. This mobilization contributed to the formation of rural development associations in the 1960s -- some of Canada's earliest local development organizations.⁹¹

Agricultural Rehabilitation and Development Act (ARDA), 1961. ARDA (*see Regional Development*) is best remembered as a rural- and regional-development initiative. But ARDA included measures to assist people out of farming and perhaps even out of rural areas altogether. Some might view this as the opposite of rural development \circ rather more like underdevelopment \circ but it is understandable given the ideology and growth theories accepted at the time by planners. ARDA led to federal-provincial initiatives that included measures to convert marginal lands to other productive uses, and encourage subsistence farmers to leave the land.⁹² Farm enlargement was one of the goals.⁹³

Fund for Rural Economic Development (FRED), 1966. FRED (*See Regional Development*) was a programme specifically at marginal rural areas where development was considered inefficient. Janine Brodie described FRED as being employed to assist in the outmigration of the rural population⁹⁴ in certain instances. The adjustment strategy under FRED provided for education, retraining, and manpower mobility grants in areas deemed to lack potential.⁹⁵

Donald J. Savoie indicates that FRED planners for northeastern New Brunswick wanted to relocate 3,000-4,000 families from centres deemed economically weak into those designated as growth centres. Relocation grants were offered for this purpose. Over \$24 million of \$89 million committed in the first northeastern N.B. agreement was for relocation projects. These relocation programmes were a failure. Only 300 families relocated. The designated growth communities saw a slight net population loss, while smaller villages grew. The out-migration pattern was turned around for the first time in 50 years -- *contrary* to programme objectives.⁹⁶

Technical and Vocational Training

Training oriented toward what were considered modern and growing occupations was one solution to chronic unemployment and rural underdevelopment. As many technical occupations were urban, and much chronic unemployment was rural, these programmes also functioned as *de facto* mechanisms for rural-to-urban transition. It seems likely that they were explicitly designed, at least in part, to soak up the excess labour that was believed to exist in traditional resource industries.

In the postwar period, the federal government has been heavily involved in financing technical and vocational education.

The Technical and Vocational Training Assistance Act of the early 1960s provided the provinces with \$1 billion over six years on a cost-shared basis. Because poorer provinces had trouble financing their share, the programme is considered by some to have probably heightened the disparity between rich and poor province.⁹⁷

⁹⁰ Brodie, p. 156. Hodge, Gerald. *Regional Planning : The Cinderella Discipline/ Am_nagement r_gional: le discipline n_glig_e. Plan Canada*. July/Juillet 1994, p. 47, calls the resettlement programme top-down, and says only 300 outports were relocated of 600 targeted.

⁹¹ Richard Fuchs. *Rural and Community Economic Development in Newfoundland and Labrador*. In Douglas (ed.), *Community Economic Development*, p. 57.

⁹² De Brou and Waiser (eds.), p. 485.

⁹³ Hodge. p. 47

⁹⁴ Brodie. p. 171

⁹⁵ Lithwick. p. 130.

⁹⁶ Donald J. Savoie. *Rural Redevelopment in Canada: The Case of Northeast New Brunswick*. *Journal of Rural Studies* 5, 2 (1989), p. 188 and p. 194.

⁹⁷ Careless, 1977, p.60, cited by Lithwick, p. 124.

The Adult Occupational Training Act (OTA), which was now solely federal, replaced the Technical and Vocational Training Assistance Act. An implicit objective of the Act was occupational and geographic mobility to deal with structural unemployment.⁹⁸ Because of political sensitivity with poorer provinces, explicit mobility incentives were not introduced. Twice as much per capita funding went to the Atlantic region as to wealthier provinces.

Manpower training and mobility programmes, 1965. Described by Weaver and Gunton as one of the five main regional-development initiatives of the early 1960s, federal manpower programmes were designed to upgrade quality of labour, especially in low-growth regions, and to encourage migration of labour to areas of high employment.⁹⁹ Pending further research, it can initially be assumed that this would have the effect of promoting migration of labour from many rural areas into urban ones.

Post-secondary education transfers. Much federal funding was later provided for post-secondary education through general federal-provincial transfers such as the Fiscal Arrangements Act or Established Programmes Financing. Provinces added additional funding. In part, this supported the emergence and expansion of technical institutes, community colleges, and vocational schools in the 1960s and 1970s.

Unemployment Insurance

(See also under *Income Support and Wealth Transfer*)

In 1965, the unemployment insurance system had already created employment services, which, in 1966, were transferred from the Department of Labour to the Department of Manpower and Immigration.¹⁰⁰ In 1977 the use of UI funds in labour market adjustment programs began with the incorporation in the Unemployment Insurance Act of assistance programs for Work sharing, Job Creation and Training. The first use of UI funds to support workers in training programs occurred in 1978 and after that time became fundamental to the UI system.¹⁰¹ In 1982, a federal-provincial agreement was signed to implement job creation strategies with UI funds.¹⁰² The Developmental Uses programme was expanded in 1991 in response to increased skill requirements of the Canadian economy, and to changes in the nature and type of work.¹⁰³ Part of the funds of the programme were directed towards those living in rural areas. Supplementary allowances were available for such requirements as travel to and from the training site¹⁰⁴ as well as living away from home while on training¹⁰⁵; the intent being that supplementary training allowances ensure that individuals living in remote communities ... have equitable access to training.¹⁰⁶ Human Resources Development Canada, the department created in 1993 to deal with Unemployment Insurance and other related programs, issued a similar report of the Developmental Uses programs in 1993 which stated that in 1994, \$95 million will be spent on Supplementary Allowances. This will ensure equitable access to courses and programmes for approximately 46,000 women, persons with disabilities, and individuals living in remote communities.¹⁰⁷ However, descriptions of programs and uses of these supplementary allowances give little indication of how individuals in remote communities were able to use these funds to their advantage, for what kind of work they were trained, and whether they were successful in obtaining it.

⁹⁸ Lithwick. p. 130.

⁹⁹ Weaver and Gunton, p. 12.

¹⁰⁰ Pal. p. 179

¹⁰¹ Canada. Employment and Immigration Canada. *1992 Unemployment Insurance Developmental Uses: Providing Skills for Tomorrow*. Minister of Supply and Services. Ottawa, ON. 1991. p. 1

¹⁰² Pal. p. 181

¹⁰³ Canada. *1992 Unemployment Insurance Developmental Uses*. p. 1

¹⁰⁴ Ibid. p. 4

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ Canada. Human Resources Development Canada. *1994 Unemployment Insurance Developmental Uses Programs*. Minister of Supply and Services Canada. Ottawa, ON. 1993. p. 4

Fisheries Aid Programmes

Fisheries programmes, particularly in the 1990s, have included substantial components for adjustment, transition, and retraining. In 1993 the federal task force released *Charting A New Course: Towards the Fishery of the Future; Report of the Task Force on Incomes and Adjustment in the Atlantic Fishery for the Department of Fisheries and Oceans*. The report commented and made recommendations regarding all aspects of the fishery in light of the 1992 moratorium on cod fishing and the general poverty of those Atlantic Canadians whose livelihoods depend upon fishing and the processing industry.

A number of recommendations were made with respect to training and retraining those who were displaced by adjustments in the industry and those who needed skills upgrading in order to remain in the fishery. The task force recommended that basic literacy and numeracy training be made available and that such training be based within the communities where it is needed by directing training initiatives through co-operatives, trade unions and other organizations.¹⁰⁸ A related recommendation was for the federal and provincial governments to include income and mobility assistance to those undertaking retraining and fishery professionalization programmes and that training programs be made mandatory for those receiving income support.¹⁰⁹ Better access to post-secondary education for those who had made their living in the fishing industry was recommended as a priority for both levels of government. Such a move, the task force argued, was in order to recognize that people living in the small communities that supported the fishery had, traditionally, not had the same access to such education as those living in larger centres and receiving higher incomes.¹¹⁰ A unique recommendation of this task force was that of creating programs of professionalization (i.e. certification and registration of professional fishers) for the industry. Such a programme would set standards of competence, experience and attachment to the fishery for both existing fishers and those desiring to begin their careers in the fishery.¹¹¹

Farm Debt Review

Government authorities and regulations relating to farm debt, notably the Farm Debt Review Board, are sometimes viewed as mechanisms to help farmers stay in business. This is true in some cases; debt review and restructuring does save some farm operations. However, these institutions also serve to ease the transition out of agriculture for those with excessive debt.

Miscellaneous Transition Programmes

Other programmes that assist transition out of declining industries or those with excess labour include the following:

The Canadian Rural Transition Programme, operated by Employment and Immigration Canada/Human Resources Development Canada since the mid-1980s.

The Alternative Enterprise Initiative.

Grape and Wine Adjustment Programme.

Tobacco Transition Adjustment Initiative.

There are likely many others. A survey and analysis of the thinking behind these diverse programmes, their methods, their reception, and their effects would make interesting reading.

¹⁰⁸ Canada. Task Force on Incomes and Adjustment in the Atlantic Fishery. *Charting A New Course: Towards the Fishery of the Future; Report of the Task Force on Incomes and Adjustment in the Atlantic Fishery*. Communications Directorate Fisheries and Oceans. Ottawa, ON. 1993. p. 102

¹⁰⁹ Ibid.

¹¹⁰ Ibid. pp. 102 & 106

¹¹¹ Ibid. p. 103

Policies and Programmes: Agricultural Market Stabilization

Agricultural products have traditionally been important staples for the Canadian economy and above all for rural areas. An open market economy, however, can put extreme pressure on producers. Canadian producers have often called upon governments to create an environment in which a protective monopoly for the purchase and sale of their products is possible. The establishment of the Canadian Wheat Board and other product marketing boards have been made possible by the passage of federal and provincial legislation.

By the 1920s farmers in most parts of Canada had created commodity-specific marketing organizations, usually in the form of co-operatives, to market and to process their commodities. For those farmers who joined them, these organizations stabilized returns by averaging prices among all participating farmers -- pooling. This reduced the risk that any one farmer would be stuck with a bad price at a critical time. This concern with price security reflected the structure of the industry and the social composition of rural Canada: many small producers, each with scant resources, could not take large risks. Averaging of prices was far more important to them than aiming for speculative windfalls. Additionally, to varying degrees, marketing organizations also attempted to increase returns by eliminating middlemen, selling directly to industrial or overseas buyers, implementing quality controls, and undertaking processing activities. Governments assisted farmers in these efforts, at that time, through provision of extension services and education, through enabling legislation, and sometimes through loans or other assistance. When, in the 1930s, these efforts universally collapsed, the federal government became involved. By the late 1940s most of these functions had been reorganized in federally mandated marketing boards and stabilization plans.

The historical background is essential to understanding the role of marketing boards in postwar Canada. First, marketing boards were not created at federal behest, but were demanded by rural people. Over a period of decades, from the 1910s to the 1940s, rural citizens and farm leaders pressed the federal government, which really was rather reluctant, into creating this system. Second, marketing boards were, in the largest sense, created for the purpose of preserving the social structure of decentralized farming. The institution of marketing boards reflects, or reflected, a rural Canada of small producers. Third, marketing boards now control billions of dollars in commodities -- billions of dollars of rural income, billions in Canadian exports and urban foodstuffs -- and are of fundamental importance to rural areas. Oddly, they are often skipped over in accounts of the history rural development.

Marketing boards are partnerships of governments with producers, usually operated by elected producer boards and operating at arm's length from government. Various marketing boards have different mandates and powers, sometimes extending to government-enforced monopolies and quota systems.

Western grains are marketed through the Canadian Wheat Board, the compulsory purchaser of specified kinds of grain (excluding feed grain). The CWB is, however, not a marketing board insofar as marketing boards are often understood to include production controls and comprehensive price-setting systems. The CWB does not regulate production, and sells on international markets where prices cannot be controlled. It also has a unique and complicated history. For these reasons it requires separate treatment.

The Canadian Wheat Board

During the First World War the government became the sole buyer and seller of wheat, but suspended operations of the Board of Grain Supervisors two years after the signing of the armistice. Many farmers had liked not only the high prices of the war years, but also the orderly system of initial, interim, and final payments: the same prices for all producers of the same grades of product. When federal and provincial governments dragged their feet, western farmers in 1923-24 created the three Prairie wheat pools and a Central Selling Agency to perform the pooling and marketing functions on a co-operative, regional basis. However, the collapse of commodity prices after 1929 virtually bankrupted the wheat pools, forcing a bailout and reorganization by the Liberal government of Mackenzie King. The pools continued as elevator co-operatives; the actual pooling and marketing functions were absorbed into a new wheat board in 1935. The CWB of 1935 was intended as a temporary measure to protect farmers until the economy turned around; and it was a voluntary mechanism: farmers could continue to sell to private traders if they wished.¹¹² In 1942, however, the governing act was amended and the CWB was authorized

to regulate deliveries of all kinds of grain by producers to country elevators, loading platforms, mills, mill elevators and terminal elevators and to fix the maximum amounts of any kind of grain that producer may so deliver in any period of time and to prescribe

¹¹² De Brou and Waiser (eds.), p. 329

penalties to be suffered by any producer who delivers or attempts to deliver any grain otherwise than in accordance with the Board's regulation herein authorized.

113

This amendment to the CWB Act came out of the wartime need for order in the marketing of grain. The war (as it were) not only saved the Canadian Wheat Board from elimination, but it led to an expansion of the board's powers, with the CWB acquiring once again a monopoly on buying and selling Canadian grain.¹¹⁴ It was thus a tortuous route of politics, economic crisis, and war that led to the realization of farmers' original post-First World War demands for a government monopoly board.

Recently, CWB objectives have been [t]o market as much grain as possible at the best price that can be obtained; [t]o provide Prairie grain producers with price stability; [t]o ensure that each grain producer gets his fair share of the available market each year.¹¹⁵ While these objectives have traditionally been associated with the CWB, W. Morriss contends that price stabilization is not something that the CWB is equipped to do. He insists that, while the function of the board in 1935 may have been temporary income stabilization, after changes made in 1949 the legislated mandate does not encompass price support under the accepted definition of that phrase. ... Pooling of returns, combined with equalization of delivery opportunities, may result in limited form of stabilization within a crop year. However, year-to-year price -- and thereby income variations -- are governed by fluctuations in a competitive world marketplace.¹¹⁶

Drs. D.F. Kraft, W.H. Furtan and E.W. Tyrchniewicz published *Performance Evaluation of the Canadian Wheat Board* in 1996, in which they conclude that the CWB has been an extremely useful and successful tool for the marketing of wheat (if not all Prairie grains). Not only does the CWB create higher returns for producers, but its scope and capacity have created a reliable and respected marketing agent. Not only does the Board market wheat, according to the authors, it markets reliability, support services, credit, diversity of suppliers and a consistent product.¹¹⁷ Independent, multiple sellers do not have the capacity to offer these services to their buyers. The Board estimates that if wheat were marketed by multiple sellers an average of \$13.35 per tonne, or \$265 million per year, would be lost.¹¹⁸ The CWB's other advantage comes in the form of the one price law. Buyers only see one price, because of this fact the CWB estimates that it has added between \$557 million and \$690 million per year or \$27.84 per tonne and \$34.50 per tonne over what multiple sellers would realize between 1985/86 and 1993/94.¹¹⁹ The single-desk marketing mechanism of the CWB, has been an extremely successful tool, financially, for grain producers.

The CWB includes the single-desk marketing of wheat and barley..., risk management through pooling, lower financing costs through government guaranteed borrowing, market development activities, the control of the basis between export values and farmgate returns to costs actually returned, and management of access to constrained handling and transport facilities.¹²⁰ The Board has been effective in achieving its objectives, as it has created higher returns for producers, and is better able to market grain than multiple sellers. The directors of the Canadian Wheat Board, however, are appointed by government, unlike directors of marketing boards who are elected by producers.¹²¹ This, as the three authors of the study point out, is at the forefront of the current debate as farmers evaluate the future role of the CWB.¹²²

113 Ibid. p. 391

114 Ibid. p. 390

115 The Canadian Wheat Board. *About the Canadian Wheat Board*. 1980. p. 1

116 Morriss, W.E. *Chosen Instrument; a History of the Canadian Wheat Board: The McIvor Years*. The Canadian Wheat Board/Reidmore Books. Edmonton, AB. 1987. pp. 3-4

117 Kraft, D.F., W.H. Furtan, and E.W. Tyrchniewicz. *Performance Evaluation of the Canadian Wheat Board*. 1996. p. ix

118 Ibid.

119 Ibid.

120 Ibid. p. 26

121 Sandham J.M. *Commodity Boards in Canada: An Analysis, Based on the Prince Edward Island Experience, and an Evaluation*. PEI Marketing Council. Charlottetown, PEI. 1978. p. 24

122 Ibid.

Marketing Boards

Marketing boards for other products -- fruits and vegetables, pork, beef, poultry, eggs, dairy products -- have also been established. The demand for marketing board legislation grew out of the organizing efforts of producers in the interwar period. Marketing Boards, by commonly accepted definition, are compulsory, in contrast to co-operatives which, by allowing some producers to opt out, may be vulnerable to price-undercutting and destabilization. Many producers feel that marketing boards provide superior stability and put them on a more equitable footing with the huge agribusiness companies to whom they sell their product.¹²³ Marketing boards are used by producers to influence the pay-off from their labor and investment. This is usually referred to as collective bargaining in agriculture.¹²⁴

The idea of a marketing board system, as opposed to co-operatives, appeared in Canada in the late 1920s.¹²⁵ The basic economic demands behind the establishment of either system remain the same -- the producers' desire for higher prices, more stable prices and an improved bargaining position.¹²⁶ In the 1930s, under pressure from producers, a number of provinces, as well as the federal government, passed legislation facilitating the establishment of boards. In the ensuing years a number of constitutional battles were fought through the courts and the Judicial Committee of the Privy in London. These court battles had as their aim the legal establishment of which order of government had jurisdiction over agricultural products marketing.¹²⁷

The result was the federal **Agricultural Products Marketing Act** of 1949. This Act allowed for Provincial local boards and marketing agencies [to have] the same powers granted them by their Provincial Governments extended into the interprovincial export field by the Government of Canada. ... Regulation over the marketing of a farm product anywhere was now believed possible under a combination of Provincial and Federal Law.¹²⁸ A new piece of legislation was enacted in 1972, the **Farm Products Marketing Agencies Act**. The intention of the Act was to counter certain limitations of existing legislation, such as inability to regulate product flow between provinces and the inability to co-ordinate activities of local commodity boards at the national level.¹²⁹ The 1972 legislation established

a supervisory agency known as the National Farm Products Marketing Council which is very similar in its powers to the provincial supervisory agencies. ... Marketing Agencies can be formed under the Act supplement provincial commodity boards. Producers play a major role in the development of the plan under which an agency will be formed. Council's role is to co-ordinate the activities of those involved in the plan development and to consult with the provinces and producers to ensure the proposal had the support and input of the provinces. Public hearings are held by Council before an agency is established under the Act.

130

Subsequent to these pieces of legislation, marketing boards and stabilization plans have been established by tripartite arrangements among federal and provincial governments and producers.

As mentioned, there are different systems for different commodities. Poultry, dairy, and egg production operate under a quota system. Quota is allocated to provinces and to producers, and can be reallocated over time, but total production is capped. Prices are set according to formulas that reflect costs of production and regional interests; the intention is to achieve prices that are fair to producers, fair to consumers, and fair to regions, in the sense that high-cost regions and provinces do not have their market share eliminated by low-cost regions. These quota and price systems can only be maintained with strict control of imports. Tripartite stabilization programmes exist for beans, sugar beets, honey, and livestock, but there is no quota system for these commodities.

Outcomes. The total effect of these marketing and production arrangements on rural economies over time has not been sufficiently researched, as far as we could tell in this preliminary survey. The price and quota formulas (and the politics involved) are quite complicated, and their impact would not be easy to assess.

¹²³ Sandham p. 14

¹²⁴ Ibid. p. 1

¹²⁵ Ibid. p. 14

¹²⁶ Ibid. p. 15

¹²⁷ Ibid. pp. 17 - 19

¹²⁸ Ibid. p. 19

¹²⁹ Ibid. p. 22

¹³⁰ Ibid. pp. 22 - 23

However, the initial interpretation, from a rural point of view, would be that these structures have maintained higher prices, considered fair by producers; have stabilized markets, assisting many small producers to remain in business and helping preserve the landscape and population pattern of rural Canada; and have hindered destructive interprovincial or interregional competition. The main benefits to rural areas are higher income from agricultural commodities, and an agriculture industry that is less economically concentrated and unstable than it would otherwise have been. In other words, marketing boards have been a form of rural development, both in the senses of creating higher income and enhancing social development.

Critics would perhaps suggest that these are not advantages: that agriculture should be more concentrated, that fewer people still should be engaged in it, and that dependence on marketing boards has slowed diversification into other activities. Free markets and cheap foreign imports would also benefit consumers, at least in price. Indeed, these criticisms would be quite consistent with overall government policies of increased productivity, economic adjustment, and growth-pole industrialization, as described elsewhere. To these criticisms one would have to comment, however, that they are based on unprovable assumptions about what would have been under less-regulated markets. The majority of rural people have not historically seen their interest in this way, and have been reluctant to gamble on the basis of theories; there is no proof that market instability and concentration of agricultural ownership would contribute to diversification. However governments and citizens may see these issues in future, marketing boards have so far been sustained by support from farmers.

Miscellaneous Market-Stabilization Programmes

Special Grains Programme. This was one of several programmes designed for products not covered by the CWB or marketing boards.

Operation LIFT: Lower Inventories For Tomorrow. The short-lived, and some would say infamous, LIFT programme of the early 1970s was an attempt to deal with the absence of production controls for grain. The purpose was to reduce grain production in order to draw down surplus stocks and influence prices upward.

Early in 1970 the government announced that by July of that year Canada would have a carryover of about 950,000,000 bushels of wheat, or enough to sell in the international market without new crops being produced for two years. The government decided that action had to be taken in order to deter wheat farmers from switching to oilseed crops or oats and barley whose stock positions were already high. While recognizing the need for long term adjustment programs, the government decided to implement a short term programme to quickly reduce the amount of wheat that would come on the market in the fall of 1970. Operation LIFT was implemented to induce farmers to leave much of their land out of production (i.e. summer fallow) or to grow forage crops in 1970.¹³¹ The Department of Agriculture estimated that the programme would cost \$140 million, by having farmers remove approximately 22 million acres of land from production in the Wheat Board Designated Region (Saskatchewan, Alberta, Manitoba and portions of British Columbia) and paying farmers \$6.00 per acre of summer fallow and \$10.00 per acre of additional perennial forage. As additional incentive, wheat quotas for 1970 - 71 were based on net additional forage land and total acres of summer fallow as opposed to acreage seeded to wheat; farmers were further allowed to include 25% of their land left fallow in 1969 in their 1970 wheat quotas.¹³²

Politically, LIFT was scorned. Farmers, who understand themselves as producers, were not comfortable with being paid not to produce.

Policies and Programmes: Agricultural Income Stabilization

The programmes described here are those which seek less to regulate the behaviour of markets, than to

¹³¹ Statement By the Honourable Otto E. Lang to the House of Commons, February 27, 1970 Canada. Office of the Hon. Otto E. Lang; minister without portfolio. *'Operation LIFT' Lower Inventory for Tomorrow; Wheat Stock Reduction Program.* 1970. pp. 1 - 3

¹³² Press Release: Wheat Stock Reduction Program *'Operation LIFT' Lower Inventory for Tomorrow.* p. 1

address the actual income received by farmers while leaving markets to operate otherwise freely. Most were designed to even out bad years; some programmes attempted to set floor prices or guarantee farmers what would be considered a fair return. These programmes were rural development because they were intended to improve rural farm incomes and protect rural farm families and businesses. One of their striking features is their complexity, and the real and perceived problems of equity to which they have given rise.

Agricultural Stabilization Act

The Agricultural Stabilization Act was enacted in 1958. Its intention was to assist the industry of agriculture to realize fair returns for its labour and investment, and to maintain a fair relationship between prices received by farmers and the costs of the goods and services that they buy, thus to provide farmers with a fair share of the national income.¹³³ The Act replaced the Agricultural Prices Support of 1944. Farmers had been prevented from taking advantage of high wartime prices and, as prices were expected to decline in the post-war era, the government felt it fair to protect farmers against such a decline.¹³⁴ The Act of 1958 provides a guaranteed floor price for any agricultural product for which the government decides price support is necessary.¹³⁵ Nine such commodities were named in the Act--cattle, hogs, sheep, butter, cheese, eggs, as well as wheat, oats and barley produced outside the prairies. The Act gave the Agricultural Stabilization Board the power to designate other products that it felt needed the same price stabilization from time to time. The Board was mandated to support prices at a level not less 80% of the average price paid at representative markets over the previous 10 years¹³⁶ There were three methods the Board the could use to support prices. The first was to [offer] to purchase the product at the support price¹³⁷, which would prevent the market price from falling below the support price. Secondly, the Board could [make] a deficiency payment equivalent to the difference between the support price and the market price.¹³⁸ This method allowed the market to find its own level and the Board was not required to involve itself in the buying and selling of agricultural products. Finally, the Board could choose to [make] a fixed payment to the producer.¹³⁹ This last method was used most often for crops grown under contract; the payment would be the difference between the support and the contract prices.¹⁴⁰

Crop Insurance

Crop insurance was initially developed by the Manitoba government in the 1950s. In 1961 it was picked up by the federal government and expanded to include Saskatchewan and Alberta as well. The costs of this voluntary programme were shared by the federal and provincial governments and producers. The federal government and producers shared the premium costs (50/50) and the provinces were responsible for the administrative costs of the programme. Premium levels depend upon the amount of coverage a producer desired and previous records of claims.¹⁴¹ Crop insurance is a production guarantee and levels of that guarantee are dependent upon the class of soil in which the crop is grown, whether it is grown on stubble or summer fallow, as well as the level of coverage desired (60 to 70 percent).¹⁴² Fulton, Rosaasen and Schmitz emphasize that crop insurance does not necessarily provide income insurance. The prices at which the yields can be insured vary from year to year, according to market conditions.¹⁴³ Crop insurance does, however, ensure that producers

¹³³ Ontario Ministry of Agriculture and Food. S.H. Lane. *Agricultural Stabilization Act*. 1972.

¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ Ibid.

¹³⁷ Ibid.

¹³⁸ Ibid.

¹³⁹ Ibid.

¹⁴⁰ Ibid.

¹⁴¹ AgriStudies/CanWest Inc. *Impacts and Effects of Crop Insurance and Western Grain Stabilization Act Payments on Prairie Farmers and Communities - Executive Summary*. Agriculture Canada. 1986 p. 1; Fulton, Rosaasen, and Schmitz, p. 38

¹⁴² Fulton, et al. p. 38

¹⁴³ Ibid. p. 39

will be compensated for 60 to 70% of the income lost due to drought, hail, frost, floods, fire, insects and plant diseases.¹⁴⁴ The study done by Fulton, Rosaasen and Schmitz indicates that

During the late 1960s and early 1970s, premiums paid by farmers outweighed the insurance payments received under the program. The overall reduction in income that resulted, however, was not very large. Since 1979, and particularly in 1984 and 1985, net farm income had been substantially raised over and above what it would have been in the absence of crop insurance. The result is a reduction in the level of volatility of farm income experienced by producers in the Prairie region, as well as an increase in the average level of net farm income.

145

Crop insurance does not, however, affect each producer equally. For instance, one producer affected by drought may be able to write off the crop altogether, not incur harvesting costs and be eligible for summer-fallow coverage in the following crop year. Another producer, not as severely affected by the drought, may be obliged to harvest a poor crop before crop insurance payments can be determined and, due to harvesting, would only be eligible for stubble coverage in the following crop year. According to the authors of this study, such actual and perceived injustices reduce the effectiveness of the program in stabilizing farm income.¹⁴⁶ The 1986 study by AgriStudies/CanWest Inc. indicated that the Crop Insurance program ... appears to be meeting its objectives.¹⁴⁷ It also found that a relatively large group of farm operators (possibly as high as 20 to 25 percent of all farm operators in the prairies) who, based on a psychological attitudinal assessment, continue to be faced with severe social and economic dislocations.¹⁴⁸ Income stabilization programs, while useful and important, seem not to meet all the needs of agricultural producers.

Western Grain Stabilization Act (WGSA)

In order to stabilize net cash flow from grain and oilseed production on the Prairies, the WGSA was enacted in 1976. The goal was to reduce economic difficulties for producers in the event of low prices and sales, and to protect the Prairie agricultural economy. With new legislation passed in 1988, crops covered under the programme included: triticale, mixed grains, sunflower seeds, safflower seeds, buckwheat, peas, lentils, faba beans, and canary seed, as well as wheat, durum wheat, oats, barley, rye, flax, canola, and mustard seed which were previously covered. The WGSA, like crop insurance, was voluntary; participants contributed a percentage of their gross sales to the fund. The percentage, originally 1 to 3%, rose to 4% for the 1988/89 crop year and was retroactive to the 1987/88 year. Depending upon the balance of the fund, the percentage now fluctuates between 2 and 4%. The contributions are matched by the federal government.¹⁴⁹ The federal government also pays for the administration of the programme.¹⁵⁰ One problem is that WGSA payments are not made on the basis of individual need, but only when the majority of producers fare poorly.¹⁵¹ However, only between 1979 and 1983 did WGSA levies lower the total net income of farmers on the prairies. Western Grain Stabilization payments had the effect of raising the level of realized net income by 29 per cent, 40 per cent, and 56 per cent in 1985, 1986, and 1987, respectively,¹⁵² at least for those farmers who opted into the programme and whose regions received payouts.¹⁵³

Red Meat Stabilization Programme

This was a mid-1980s stabilization programme for livestock producers, whose products were not covered by marketing boards or by grains programmes.

¹⁴⁴ Ibid. p. 38

¹⁴⁵ Ibid. p. 62

¹⁴⁶ Ibid. p. 63

¹⁴⁷ AgriStudies/CanWest Inc. p. 17.

¹⁴⁸ Ibid.

¹⁴⁹ Fulton, et al. p. 37 - 38

¹⁵⁰ AgriStudies/CanWest Inc. p. 2

¹⁵¹ Fulton, et al. p. 38

¹⁵² Ibid.

¹⁵³ Ibid.

Gross Revenue Insurance Programme (GRIP) Net Income Stabilization Account (NISA)

GRIP and the companion NISA programme were introduced in the early 1990s to stabilize farmers' incomes, and to some extent to replace earlier *ad hoc* payments in the case of drought, flooding, and international trade wars. Both programmes are voluntary. Farmers can opt in for terms (they cannot enter and leave freely on an annual basis), paying into the plans in good years, and receiving payouts in bad years.

GRIP is essentially an insurance plan. Farmers purchase coverage and receive benefits according to a formula. GRIP is designed to smooth annual income fluctuations by averaging crop prices and yields over longer terms.

NISA puts producer contributions into individual accounts, when can be accessed in low-income years or after retirement from farming. NISA was intended as a replacement for the WGSA in the Prairie provinces.

Policies and Programmes: Income Support and Wealth Transfer

Simple transfer of wealth to rural residents, either directly through transfers to citizens or indirectly through subsidized services and programmes disproportionately used by rural residents, do not in one respect seem like development: if they promote dependency, they might even be the opposite of development. Nevertheless, such policies and programmes meet the objectives of broad rural development as set out by ARDA in 1961: they generate income... in rural agricultural areas, and serve to increase rural standards of living. The size of the resources committed in such programmes likely exceeds by a great deal what has been devoted to rural development properly or narrowly defined. Yet social transfers are rarely mentioned at any length in relation to rural development, perhaps because it is politically unpalatable for both the donor (government) and the recipients (rural citizens) to see them in this way. The size of subsidies to rural populations, however, and the obviousness of the way in which Unemployment Insurance, in particular, is tailored to rural income support in Atlantic Canada, suggest that these transfers are not unplanned. They may well reflect a persistent conceptualization of rural issues as poverty issues -- to be addressed by alleviation of distress, transition, and adjustment, by compensatory strategies in other words -- rather than as development issues needing to be solved by rural empowerment.

Equalization Payments

Federal payments have been used to promote equality among provinces since Confederation when payments were made to Nova Scotia and New Brunswick, and then to Prince Edward Island in 1873. Throughout Canadian history the federal government has made payments to different provinces in order to maintain their economies. One of the most important Royal Commissions established to examine Federal-Provincial relations delivered its report in 1940. The Rowell-Sirois report recommended that an official system of equalization payments be implemented in Canada in order to ensure fiscal equity and provide similar public services in different regions. The first such payments began in 1957.¹⁵⁴ In the 1960s and 1970s Canadians were preoccupied with the issues of regional development and regional disparities.¹⁵⁵ Such discussion made equalization the touchstone of Canadian federalism.¹⁵⁶ Equalization payments had become such an important element of Canadian federalism that they were entrenched in the Constitution Act of 1982 as Part III, Equalization and Regional Disparities.¹⁵⁷ The importance of debt and deficit reduction in the early 1990s led to the announcement of the Canada Health and Social Transfer (C.H.S.T.) in the federal budget speech of 1995, a multiyear cutback and capping of equalization transfers.¹⁵⁸

In his *Equalization on the Basis of Need in Canada*, Douglas Brown concludes that in an era of decentralization the need for an equalization program to maintain the integrity of the political and economic union will certainly continue. Indeed, in the absence or decline of other intergovernmental transfers the importance of

¹⁵⁴ Brown, Douglas M. *Equalization on the Basis of Need in Canada*. Institute of Intergovernmental Relations. Queen's University. Kingston, ON. 1996 p. 12

¹⁵⁵ Ibid. p. 1

¹⁵⁶ Ibid. p. 17

¹⁵⁷ Ibid. pp. 17 - 18

¹⁵⁸ Ibid. p. 27

equalization is reinforced.¹⁵⁹ Dan Usher, in *The Uneasy Case for Equalization Payments*, makes the argument that such payments are difficult to assess and analyze. He argues that, if the purpose of such payments is to redistribute wealth among individuals, it would be more cost effective for the government to make direct cash payments to needy individuals.¹⁶⁰ If the purpose of the payments is to redistribute wealth among provinces, then, again, the programme falls short because provinces do not necessarily deliver equal services.¹⁶¹ He concludes that in reality only the very poor provinces really benefit from equalization payments. Usher finds two opposing pictures emerge with regards to the payments. The first is equalization payments as the natural extension of the principle of horizontal equity (i.e. equals should be taxed equally). The second is equalization payments as a system of bribes from the federal government to the provincial governments justified by high ideas of equality. The problem, according to Usher, is to discover how much of each picture is part of the reality.¹⁶²

Fiscal Arrangements Act

The Federal-Provincial Fiscal Arrangements Act of 1967 provided a framework for federal-provincial fiscal transfers for over a decade.¹⁶³

Established Programs Financing

In the mid-1970s, during the nationwide discussions of regional development and regional disparities, and before the entrenchment of equalization payments in the Canadian constitution, the federal government was interested in phasing out the cost-sharing of health care and post-secondary education. At the 1976 Conference of Federal and Provincial First Ministers, Prime Minister Trudeau outlined seven problems of equalization payments that had been established by the federal government;

1. Some provinces had complained that federal grants distorted their priorities
2. Provinces found difficulty in keeping their health and post-secondary education costs down.
3. The federal government found year-to-year uncertainties regarding the amount of grants in the, originally, open-ended funding commitments.
4. The federal government had already found it necessary to impose contributions ceilings on two programs.
5. The provinces were becoming uncertain about the federal government's commitment to funding.
6. Provinces continued to have disparities of services because of differences in the uses of funds or the decision not to take advantage of all the funding available to them.
7. The federal government found auditing and administrative difficulties and added costs for determining eligible expenditures.

164

The Established Programs Financing of 1977 was a lump payment to provinces for medical insurance, hospital insurance and post-secondary education. One implication of this approach was that, since the federal funds were not tied to specific purposes, provinces were free to spend them however they wished. In reality, therefore, these were not health and post-secondary education funds, but simply additions to general

¹⁵⁹ Ibid. p. 27

¹⁶⁰ Usher, Dan. *The Uneasy Case for Equalization Payments*. The Fraser Institute. Vancouver, BC. 1995. p. 60

¹⁶¹ Ibid. p. 93

¹⁶² Ibid. p. 115

¹⁶³ De Brou and Waiser (eds.) pp. 504ff.

¹⁶⁴ Brown, Malcolm C. *Established Programs Financing: Evolution or Regression in Canadian Fiscal Federalism?* Centre for Research on Federal Financial Relations. The Australian National University. Canberra, Australia. 1984. pp. 21 -22

provincial revenue. How provinces actually spent these funds, and what specific impact they had, is almost impossible to determine.

The issue, from a rural-development point of view, is that these transfers enhanced the ability of more rural and poorer provinces to deliver better services. If these provinces chose to do so, in ways that benefited rural areas, then these transfers contributed to rural development.

Unemployment Insurance (UI)

In 1935, in the midst of the Great Depression, Prime Minister R. B. Bennett attempted to implement an unemployment insurance programme. In 1937, however, it was deemed *ultra vires* by the Judicial Committee of the Privy Council. The programme was finally implemented in 1941, by the Liberal government of W.L. Mackenzie King. After consultation with the provinces, although Ontario, Quebec and Alberta did not approve, and the appropriate amendment to the BNA Act in 1940, the government was able to push forward in an area of jurisdiction that had otherwise been the clear purview of the provinces. The fear of economic downturn following the end of the war and the rise of the political Left, in the guise of the Co-operative Commonwealth Federation, were two of the most important reasons for the implementation of the UI system by the Liberal government.¹⁶⁵ Discussion surrounding the UI system in the early 1940s centred on mechanisms that would ensure the system would, indeed, remain an insurance system and not simply become another form of welfare.¹⁶⁶

Numerous Royal Commissions were established to examine and investigate the UI system throughout the postwar era, and many changes were made to the system. The high degree of attention and the frequent changes testify to the political, economic, social, and regional importance of the programme. In 1961 the Gill Commission was established. By 1965 the decision was made to have the employment services of the Unemployment Insurance Commission to the Department of Labour. In 1966 these services were transferred once again, from Labour to Manpower and Immigration. In 1970 a White Paper entitled *Unemployment Insurance in the 70s* was issued and referred to the Standing Committee on Labour, Manpower and Immigration. The investigation led to a new UI act being passed in 1971. The UI changes in 1971 included a number of features important to seasonal work in depressed rural areas (see below). By 1972 the government was anticipating an increase in benefits payments and in February 1973 the ceiling on federal advances to the UI account was revised. Later in 1973 new administrative procedures were implemented with the intent of prevent abuses of the UI system. Throughout 1975 benefit controls were further tightened and by 1978 the government was so concerned with the stability of the system that Prime Minister P.E. Trudeau delivered a message of restraint to the country. Throughout the period 1977 to 1980 many restraint measures were placed on the system. Between 1985 and 1986 the Forget Commission investigated the system and in 1987 the Standing Committee on Labour, Employment and Immigration delivered its report on it. In May of 1987 the government made the announcement that the unemployment insurance system would be saved from another overhaul.¹⁶⁷ In the late 1980s and early 1990s, however, the system saw additional financial cuts and administrative changes.¹⁶⁸

Two studies were published in 1995 for Human Resources Development Canada concerning the Unemployment Insurance system as a stabilizing system in both a macroeconomic and microeconomic sense. The first, *UI: Canada's Unemployment Insurance Program as an Economic Stabilizer*, studied the system on the micro level. The report concluded that the system was an effective redistributor of wealth and the differential impacts of revenues and expenditures on business and households have enabled the program to act as a stabilizer. Increased spending by households has more than offset the negative impacts of contribution rate increases on corporate profits.¹⁶⁹ The second study, *The UI System as an Automatic Stabilizer in Canada*,

¹⁶⁵ DeBrou and Waiser (eds.) p. 369; Pal, Leslie A. *State, Class, and Bureaucracy: Canadian Unemployment Insurance and Public Policy*. McGill - Queen's University Press. Kingston, ON & Montreal, PQ. 1988. p. 179

¹⁶⁶ Pal. p. 39

¹⁶⁷ Ibid. pp. 180 - 181

¹⁶⁸ Docquier, Gerard, Hugh MacKenzie and Richard Shillington. *Victimizing the Unemployed: How U.I. Cuts Will Promote Poverty in Canada*. The Canadian Centre for Policy Alternatives. Ottawa, ON. 1989. pp. 7 - 8

¹⁶⁹ Stokes, Ernie. *UI: Canada's Unemployment Insurance Program as an Economic Stabilizer*. Canada. Human Resources Development Canada. Ottawa, ON.

discovered that there is a strong correlation between the net spending of the UI system and the performance of the economy.¹⁷⁰ This study also discovered that, with respect to the recession of 1982, had the UI system not been operating real GDP could have fallen another 1 percent or more in 1983 and 1984, and a further 100,000 or more jobs would have been lost. From 1982 to 1984, the UI system prevented a further drop of 15 to 20 percent in economic output and a significant decline in employment.¹⁷¹ Both studies found that the manner in which contributions were collected was inefficient. The second characterized the procyclical nature of contributions as not automatic, but changed by policy choice¹⁷². The other concluded that raising the rates more slowly during a recovery, or not dropping them so much during an expansion, would enhance the stabilizing power of the program.¹⁷³

In his case study of development programmes in northeastern New Brunswick, Donald J. Savoie found that changes in unemployment insurance regulations in the 1970s may have made more difference to regional incomes than all the development, business, and manufacturing programmes under FRED and DREE put together. Prior to 1971, residents had to work 25 weeks to qualify for a minimum of 12 weeks UI benefits. The 1971 revision lowered the entrance requirement to 8 weeks, and greatly extended the benefit period. An individual in a high-unemployment area could qualify after 8 weeks work for 40 weeks benefits. Given the seasonal nature of work in northeast N.B., these changes had a tremendous impact.¹⁷⁴ Essentially they turned a summer job into a year's income. This constitutes a calculated wealth transfer to high-unemployment regions, certainly contrary to the original vision of the programme as an insurance plan, but of tremendous importance to regional income levels.

Policies and Programmes: Regional Development

As one writer has noted, rural development is a *spatial* issue.¹⁷⁵ The policies characterized here as regional development are generally those that, in recognition of this spatial attribute, stressed the integration of development policies of different kinds at a regional level. The programmes described here included components of land protection or reclamation, productivity increase, transition or resettlement, wealth transfers and construction of facilities, business development, and so on, as categorized in other sections of this document.

Agricultural Rehabilitation and Development Act/ Agricultural and Rural Development Act (ARDA)

The Agricultural Rehabilitation and Development Act, first introduced in 1961, was a wide-ranging, cost-shared programme designed to improve farming methods, modernize rural dwellings, convert marginal lands to other productive uses, and encourage subsistence farmers to leave the land.¹⁷⁶ The ARDA legislation facilitated federal-provincial programmes for alternate uses of land, soil and water conservation, rural development and research; all in conjunction with voluntary and university organizations.¹⁷⁷ Initially, ARDA identified low-income agricultural regions for programmes of farm enlargement, establishing community pastures and improving farm market roads.¹⁷⁸ In the first phase, the programme was heavily oriented toward agriculture-related research.

In 1965 ARDA became the Agricultural and Rural Development Act, and the focus of ARDA switched from

1995. pp. 38 - 39

¹⁷⁰ Dungan, Peter and Steve Murphy. *The UI System as an Automatic Stabilizer in Canada*. Human Resources Development Canada. Ottawa, ON. 1995. p. 33

¹⁷¹ Ibid.

¹⁷² Ibid.

¹⁷³ Stokes. p. 39

¹⁷⁴ Savoie, p. 195.

¹⁷⁵ R.W. Phidd. *The State and Rural Development in Canada*. In Bryden (ed.), p. 189.

¹⁷⁶ De Brou and Waiser (eds.), p. 485.

¹⁷⁷ De Brou and Waiser (eds.), pp. 486 - 487.

¹⁷⁸ Hodge, p. 46

agricultural assistance to regional development. An additional \$125 million was allocated to the programme over a five-year period.¹⁷⁹ It set up initiatives in many rural areas and forty regional planning efforts were undertaken in the 1960s.¹⁸⁰

There was a special ARDA for Aboriginal communities.¹⁸¹

A number of commentators seem confused about whether ARDA was intended to keep farmers on marginal land, as Brodie suggests¹⁸², or to assist them off of it, as resettlement and adjustment programmes funded under ARDA suggest. It is not impossible, in a federal-provincial programme in this period, that it may have pursued both apparently contradictory objectives at the same time, possibly in different regions. In any event, the former goal (to keep as many farmers as possible on the land) would have been in tune with the political populism of the government, while the latter goal (adjustment) would have been consistent with the orientation of many of the planners and civil servants.

Funding. The initial federal funding allotted to ARDA was \$50 million, however, only two-thirds of that money was spent due to the difficulty the poorer provinces found in coming up with the matching 50% required to participate in the programme.¹⁸³ As noted, after 1965 an additional \$125 million was allocated over five years.

Outcomes. In 1966, the Economic Council of Canada found that the program had not significantly reduced the problem of rural poverty and a new approach to regional development should be devised.¹⁸⁴ De Brou and Waiser call the outcome of the ARDA initiatives questionable.¹⁸⁵ Lithwick calls it modest at best. Regional disparities were not reduced...¹⁸⁶

Cummings indicates that a positive feature of ARDA was the flexibility of the programme, which enabled northern and Aboriginal projects to be included.¹⁸⁷

ARDA agreements continued to be signed into the late 1970s. By the time the fourth ARDA agreement was signed (by only five provinces - Ontario and the four Western provinces) in 1975 ARDA was losing momentum. The fourth agreement was only to last two years, as opposed to the five-year agreements of previous years and the funding was far less than other agreements. In 1978, only Ontario renewed its agreement, but only for one more year. By the 1979 - 1980 fiscal year, ARDA was longer a national programme; by 1980 - 1981 it no longer existed.¹⁸⁸

¹⁷⁹ Lithwick, pp. 129 - 130

¹⁸⁰ Hodge. p. 47

¹⁸¹ David J.A. Douglas, Contexts and Conditions of Community Economic Development in Canada: Government and Institutional Responses, in David J.A. Douglas (ed.), *Community Economic Development in Canada*, 2 vols. McGraw-Hill Ryerson. Toronto. 1994. p. 87.

¹⁸² Brodie, p. 171.

¹⁸³ Lithwick. p. 127

¹⁸⁴ Brodie, p. 171

¹⁸⁵ De Brou and Waiser (eds.), p. 485.

¹⁸⁶ Lithwick, p. 128.

¹⁸⁷ Cummings, p. 13.

¹⁸⁸ Canada. Department of Regional Economic Expansion. *1973 - 1974 Annual Report*. Queen's Printer. Ottawa, ON. 1975.; *Annual Report and Review - Rapport annuel et exposé 1974 - 1975*. Information Canada. 1975.; *DREE Annual Report 1975 - 1976*. Minister of Supply and Services. 1977.; *DREE Annual Report 1976 - 1977* Minister of Supply and Services. 1977; *DREE Annual Report 1977 - 1978* Minister of Supply and Services. 1979; *DREE Annual Report 1978 - 1979*. Minister of Supply and Services. 1980; *DREE Annual Report 1979 - 1980*. Minister of Supply and Services. 1980.

Atlantic Development Board (ADB), 1962

The Atlantic Development Board was established in 1962 as an advisory board to direct economic development in the Atlantic provinces. Initially, its mandate was research, and a number of studies were conducted. A number of studies in the late 1960s examined areas of Atlantic economy where expansion might occur. These studies focused on agriculture, forestry and fishing in the region. All of these studies concluded by suggesting that there was room for expansion in the sector, but such expansion would depend upon the acceptance of new technologies. Indeed, the second study of agriculture in the Atlantic region suggested that adjustments in agriculture would lead to rural depopulation, but that this would also mean larger, more productive farms and increased use of urban commodities and services. This attitude, while typical of development theory at the time, did not necessarily make for adequate or appropriate development of rural regions.¹⁸⁹

Funding. Already in 1963, the ADB was given a budget to initiate infrastructure improvement projects in the Atlantic region. A \$186 million Atlantic Development Fund was under the board's authority. Although the ADB's mandate was renewed in the mid-1960s and was given more funds between 1965 and 1969, the projects it funded (highway, water and sewage system improvements) were mostly short-term infrastructure-construction activities and offered little in the way of long-term employment.

Outcome. A number of commentators have suggested that the Atlantic Development Board never had a coherent rural-development strategy. In light of the lack of consistent development strategy the Atlantic Development Board was dissolved under DREE. Brodie asserts that it became little more than a vehicle for Liberal Party patronage and was finally disbanded in 1971.¹⁹⁰

Area Development Agency (ADA), 1963

The Area Development Agency, established in 1963, was an early example of the federal government's shift in emphasis, its development policies and programs, from rural and infrastructural development to urban industrial growth, an approach that is thought to have culminated in DREE (below).¹⁹¹ This shift was underlain by growth-pole theories of development, which were taken to mean that resources should be concentrated in certain promising, basically urban-centred regions. Development would then spread outward from the growth poles to the surrounding regions. In line with this thinking, ADA focused on designated regions characterized by chronic unemployment.

Within the designated regions, ADA offered tax concessions, and frequently after 1967 cash grants and other support, for business relocations, expansions, and job creation.¹⁹² The apparent quantitative successes of this program — the attributed creation of 18,000 jobs in Ontario, 10,500 in Quebec, and 16,000 in the Atlantic provinces between 1963 and 1967 — convinced federal officials that industrial development ... was the most efficient means of correcting uneven development.¹⁹³

Outcomes. Lithwick comments that ADA's overall impact was modest and it failed to achieve the goals originally set for it.¹⁹⁴ Weaver and Gunton comment, in relation to 1960s industrial-location programmes generally, that the key problem was that aid was indiscriminate with respect to type of industry. While international theory emphasized the need to concentrate resources in propulsive industries, the government distributed its industrial incentives to almost any manufacturing firm, no matter whether propulsive or not;

¹⁸⁹ Canada. Atlantic Development Board. *Fisheries in the Atlantic Provinces: Background Study No. 3*. Queen's Printer. Ottawa, ON. 1969; Canada. Atlantic Development Board. *Forestry in the Atlantic Provinces: Background Study No. 1*. Queen's Printer. Ottawa, ON. 1968; Canada. Atlantic Development Board. *The Competitive Position of Maritime Agriculture: Background Study No. 2*. Queen's Printer. Ottawa, ON. 1968; Canada. Department of Regional Economic Expansion. Atlantic Development Board. *Agriculture in the Atlantic Provinces*. 1970.

¹⁹⁰ Brodie, pp. 170-1.

¹⁹¹ Brodie. p. 172

¹⁹² Douglas, Contexts and Conditions, p. 88; Weaver and Gunton, p. 12.

¹⁹³ Brodie. p. 172

¹⁹⁴ Lithwick, p. 130.

and indiscriminately to slow growth regions instead of realizing economies of agglomeration.¹⁹⁵ Continuing from the latter point, they agree with DREE's shift from rural to regional development.

Area Development Incentives Act (ADIA)/ Regional Development Initiatives Act (RDIA)

The Area Development Incentives Act (ADIA) was established in 1965. Before being transferred to the Department of Regional Economic Expansion, ADIA was administered by the Department of Industry. The purpose of the ADIA was to stimulate economic development and employment in those areas of the country that traditionally experienced low incomes and low employment. Financial assistance was distributed to processing and manufacturing industries who relocated or expanded in those designated, low-income areas.¹⁹⁶

The Regional Development Incentives Act (RDIA), under DREE, identified twenty-three special areas across the country. Locational incentives, cash grants, and loan guarantees promoted business and employment growth within these areas. Growth-pole ideas and spread- or trickle-down concepts lay behind the assumption that such development, in largely urban centres, would alleviate rural poverty in surrounding regions.¹⁹⁷

Fund for Regional Economic Development (FRED), 1966

The Fund for Regional Economic Development (FRED), announced in 1966, represented a somewhat different approach to economic development than had been implemented before. The program encouraged the preparation of comprehensive regional plans to co-ordinate public investment decisions¹⁹⁸; it funded manpower training, infrastructure development, industrial expansion, and research. It was an attempt to go beyond the rather limited and ad hoc project-by-project funding approach that characterized ARDA and ADA.

FRED was a programme aimed at rural areas, but it was aimed specifically at marginal areas where development was considered inefficient, or had not been developed efficiently in the past. Janine Brodie described FRED as being employed to assist in the outmigration of the rural population¹⁹⁹ in certain instances.

The programme administration identified five regions in the country where federal funding would be used to develop industry and infrastructure. These areas were; the Interlake region of Manitoba; the Gaspé; the Mactaquac area of central New Brunswick; northeastern New Brunswick; and Prince Edward Island. New to the FRED programme was the intense research that would precede any development in these areas; also the fact that these projects were to be implemented for long periods of time, were comprehensive, and were industrially focused.²⁰⁰ FRED was intended to be more comprehensive than previous rural development initiatives because the rural adjustment strategy involved providing education, retraining, and manpower mobility grants in areas deemed to lack economic potential.²⁰¹

Outcomes. Brodie argues that with the creation of DREE in 1969, FRED was considered redundant and few

¹⁹⁵ Weaver and Gunton. p.12.

¹⁹⁶ British Columbia. *The Impact of the Department of Regional Economic Expansion on the Food Industry in Western Canada*. p. 13; Saskatchewan. Department of Industry and Commerce. *Saskatchewan: Open for Business: An Area Development Incentives Program*. 1968. p. 1.

¹⁹⁷ Douglas, Context and Conditions, p. 88, refers to the Regional Development Incentives Act; Lithwick, p. 132, refers to the Regional Development Industrial Assistance programme of DREE. Brodie, p. 173, uses Regional Development Initiatives Act. Some apparent confusion among these authors about the acronyms needs to be cleared up.

¹⁹⁸ Weaver and Gunton. p. 12 (and the same for the following).

¹⁹⁹ Brodie. p. 171

²⁰⁰ Ibid. ; Lithwick. p. 130

²⁰¹ Lithwick. p. 130

projects were implemented under its auspices.²⁰² But in general, FRED has been well-received by advocates of regional planning and community development. David J.A. Douglas called it one of the more comprehensive and integrated approaches to economic development undertaken in Canada.²⁰³ F. Harry Cummings calls the FRED process the most comprehensive agreements for rural development, covering virtually all aspects of rural society.²⁰⁴

The Interlake region of Manitoba seems to have benefited a great deal from 10 years of FRED involvement in the area, according to a 1979 publication by DREE and the Manitoba Department of Agriculture entitled, *FRED: 1967 - 1977, A Decade of Development in the Interlake*; The Interlake programme in Manitoba is identified by some as a best-case success story. Brodhead calls it one of the most successful rural development schemes in Canada.²⁰⁵

FRED was significant as an experiment, only partly fulfilled, and as a spur to research and to innovative approaches. The successful programs served as pilots: for example, the knowledge and experience gained in the Interlake was applied, directly and indirectly, across the country in farm management courses offered by the federal government.²⁰⁶

Department of Regional Economic Expansion (DREE), 1969

The Department of Regional Economic Expansion was created in 1969. It was designed to co-ordinate economic development programmes and policies that had otherwise been under the auspices of different departments. These included locational incentives for business development, programmes for human resource development, and infrastructure programmes. DREE took over responsibility for or absorbed PFRA, MMRA, Roads to Resources, ARDA, ADB, ADA, and FRED. All of the programmes that fell under its auspices were intended to alleviate regional and economic disparity through industrial expansion, rural development and social adjustment in the poorer economic regions of Canada. Its overall objectives, as established by the Federal Government, was to bring about a better balance of economic and social equality among diverse regions of Canada.²⁰⁷

This vision -- a centralized instrument for development and for equality among regions -- fit the centralist-reformist attitude and policy of the 1968 Trudeau Liberal government. Trudeau believed strongly that Canada was threatened by the excessive devolution of fiscal and hence political power to the provinces. DREE was to be an instrument for reasserting federal power.²⁰⁸

However, DREE served not only to combine initiatives and to expand federal control, but also to reorient programmes away from rural development and towards regional urban and industrial development. This shift was facilitated by the growth-pole theories of development then in vogue, which suggested to Canadian planners (crudely put) that the way to develop rural areas was by developing nearby cities. In general terms, DREE altered the existing programmes by changing the worst first emphasis of assistance to weak industries in poor regions to support stronger sectors with more growth potential. Areas eligible for the industrial incentives program were expanded by 1971 to include 50 percent of the Canadian population, opposed to

²⁰² Brodie. pp. 171 - 172

²⁰³ Douglas, Contexts and Conditions, p. 88.

²⁰⁴ F. Harry Cummings. "Rural Development and Planning in Canada: Some Perspectives on Federal and Provincial Roles," in *Plan Canada* vol. 29, No. 2. 1989. p. 13.

²⁰⁵ Dal Brodhead. Community Economic Development Practice in Canada. In Burt Galaway and Joe Hudson, *Community Economic Development: Perspectives on Research and Policy*. Toronto: Thompson Educational Publishing. p. 7.

²⁰⁶ Canada. Department of Regional Economic Expansion. Manitoba Department of Agriculture. *FRED: 1967 - 1977, A Decade of Development in the Interlake*. 1979. p. v

²⁰⁷ British Columbia. Select Standing Committee on Agriculture. *The Impact of the Department of Regional Economic Expansion on the Food Industry in Canada*. 1978. p. 5

²⁰⁸ Lithwick , p. 131

only 18 percent eligible under the previous policy.²⁰⁹ Regions like Montr_al were now eligible for assistance. Also, 23 growth centres were designated for special assistance: infrastructure, training, industrial development.

Weaver and Gunton see the establishment of DREE in 1969 as the beginning of a major shift to a new regional policy based on the dominant international paradigm.²¹⁰ DREE embodied an effort toward rational planning based on modern ideas of concentrating resources in promising growth poles to drive economic progress (a trail blazed by ADA). This idea that prosperity would spread from urban or industrial growth centres was, however, according to Brodie, a mistaken interpretation of international development theory. The growth-pole theory, as developed in other countries, was not about locations but about *types* of industry, propulsive industries that were capable of growth as well as of creating and sustaining a series of economic linkages. But DREE showed little concern for type of industry. The industries haphazardly chosen by DREE did not produce circles of growth around themselves. (Brodie, 1990, p. 175) If Brodie is right, then DREE's major strategy was not only politically controversial and economically unsuccessful: it was also wrong in principle.

Various commentators believe DREE's activities lacked coherent policy and goals, not only at the federal level but also within affected regions. Was it regional planning at all, some would ask? says Hodge. There were no permanent planners located in DREE-designated regions. There were federal-provincial committees, development corporations, and general funding agreements. But there was seldom a published regional plan. 'Worst-first' concepts vied with 'growth poles' when implementation was debated.²¹¹

Politics, especially the growing furor over separatism in Qu_bec, distinctly affected DREE. Whereas in 1969-70 over half (51%) of DREE funding went to Atlantic Canada and 12% to Qu_bec, by 1973-4 the respective percentages were 38% and 39%. The absolute amount spent in Atlantic Canada actually declined from 1970 to 1974, though per-capita spending in the Atlantic remained much higher than in other regions. (Lithwick 1987, p. 132; compare Brodie 1990, p. 172).

Funding. DREE operated for some 13 years, and was phased out in 1982 after spending perhaps fifteen billion dollars in its various efforts.²¹²

Outcomes. According to Brodie, the new department and its growth-pole strategy were roundly criticized from their inception.²¹³ Officials in the federal department of finance; in industry, trade and commerce; and in Treasury Board argued that industrial incentives were wasteful and inefficient. Some argued that Liberal patronage was involved. Provinces were dissatisfied with the high degree of federal control. Standard economic indicators did not reveal much impact at all.²¹⁴

Weaver and Gunton, referring to all the programmes in the 1960s-70s (DREE and its predecessors), comment, The impact of these policies, ... if taken at face value, was hardly impressive or encouraging. They also quote the Economic Council of Canada, 1968: the stark fact remains that the historical mix of forces and public policy has not resulted in any significant narrowing of regional income disparities; and the same council again in 1977: disparities in Canada are surprisingly large; certainly larger than many of use expected and larger than they need to be or ought to be.²¹⁵ And further, the Economic Council concluded that between 32 and 61 percent of DREE's subsidies to industries have no effect on location decisions. They are simply public gifts to corporations. The council noted a tendency for DREE spending to transfer resources from low-income people in rich regions to high-income people in poor regions. Many development benefits went to the well-off or in-migrants.²¹⁶

Lithwick summarizes the conflicting interpretations of DREE officials, who reported glowing totals of jobs created, and academics, who savaged DREE programmes.²¹⁷ There is no disagreement, however, concerning the fact that DREE's rational problem-centred approach and the bureaucratic style that went with it had made co-operation with [the] provinces more difficult. The debate about development effectiveness is really moot, since DREE was ultimately incompatible with the circumstances of Canadian federalism in the 1970s.

²⁰⁹ Weaver and Gunton, p. 13.

²¹⁰ Weaver and Gunton, p. 13.

²¹¹ Hodge, p. 47.

²¹² Hodge, p. 47.

²¹³ Brodie, p. 174.

²¹⁴ Brodie, p. 174.

²¹⁵ Weaver and Gunton, p. 6.

²¹⁶ Quoted by Weaver and Gunton, p. 25.

²¹⁷ Lithwick, pp. 133-34.

Under these various pressures, DREE was reoriented. The special areas program that had been determined almost unilaterally by Ottawa was eliminated in 1974.²¹⁸ DREE, beginning that year, adopted the more decentralized and flexible approach of **General Development Agreements (GDAs)** between each province and the federal government.

In early 1982, DREE was combined with industry side of Department of Industry, Trade and Commerce to create the **Department of Regional Industrial Expansion (DRIE)**. Existing DREE agreements were allowed to lapse and replaced with supposedly less complex ones. A Ministry of State for Economic and Regional Development (MSERD) was created to co-ordinate development. Most commentators take this to mean the end not only of DREE but of the regional planning for which it stood.

General Development Agreements (GDAs)/ Economic and Regional Development Agreements (ERDAs)

DREE's program of federal-provincial development opportunity initiatives began in 1974 when 10-year General Development Agreements (GDAs) were signed with all the provinces except Prince Edward Island, where a 15-year Comprehensive Development Plan had been signed in 1969. ... Five-year GDAs were later signed with the territories; with Yukon in 1977, and with the Northwest Territories in 1979.²¹⁹ These programmes were funded jointly, administered jointly and evaluated jointly. GDAs involved management committees of provincial civil servants and province-based DREE officials; in the era of GDAs, DREE shifted a significant portion of its staff out into the regions. The management committees had the power to develop new projects and make final decisions on reviewing annual expenditures, budgets and programs. The programmes themselves were run by the provinces.

Funding differed depending on the income capabilities of the province. Maximum percentages of federal contributions were: Newfoundland, 90%; Nova Scotia and New Brunswick, 80%; Qu_bec, Manitoba, Saskatchewan, Yukon and the Northwest Territories; 60% and Ontario, Alberta and British Columbia, 50%.²²⁰ The GDAs funded all kinds of projects, from Newfoundland fisheries and New Brunswick forestry to public infrastructure projects in Quebec to agriculture and value-added industries in the West.²²¹

According to Douglas, the emphasis on locational incentives for industrial, particularly manufacturing industry [as in ADA, RDIA, etc.] continued even though some resource development investments were supported.²²² Capital grants, forgivable loans, and infrastructure investments were typical projects under GDAs. The subprovincial special areas previously identified as targets by DREE were now replaced by provinces as units of programming, with provincial governments setting priorities. Between 1974 and 1981, 117 Subsidiary Agreements were signed with nine provinces. Following the winding up of DREE, GDAs were replaced by similar Economic and Regional Development Agreements (ERDAs) as vehicles for federal-provincial cost-sharing.

In the mid- to late 1980s, GDAs were generally transformed into ERDAs (Economic and Regional Development Agreements), and became less important. The focus of new agencies like ACOA and WDF (*below, under Business Development*) was much more toward private-sector, market-driven development. But in any case, most of these initiatives [under ERDAs] are not targeted at rural areas. The federal-provincial conflicts that existed in relation to GDAs were not resolved in ERDAs.²²³

Funding. As of April 1, 1980, there were 108 subsidiary agreements signed under GDAs committing the federal government to \$2.3 billion in spending and the provinces to \$1.4 billion.²²⁴

Weaver and Gunton summarize the active subsidiary agreements at that time (pp. 15-16), from which the following items stand out:

Newfoundland: largest single category is highways \$101 million, followed by forestry

²¹⁸ Weaver and Gunton, p. 14.

²¹⁹ Canada. Department of Regional Economic Expansion. *DREE Development Agreements, April 1, 1980*. Minister of Supply and Services. Ottawa, ON. 1980. p. 1

²²⁰ Ibid.

²²¹ Ibid. pp. 171 - 174

²²² Douglas, Context and Conditions, p. 88.

²²³ Cummings, p. 14.

²²⁴ Weaver and Gunton, p. 14.

\$67m, industry, agriculture \$16m, rural \$15m, tourism, minerals, fisheries (various areas)

Nova Scotia: Halifax-Dartmouth \$110m, forestry \$58m, agriculture \$48m

New Brunswick: Northeast \$96m, forestry \$74m, highways \$56m, St John-Moncton \$51m

Qu_bec: highways \$449m, forestry \$322m, water treatment \$200m, pulp and paper \$150m, industrial infrastructure \$138m, agriculture \$103m

Ontario: pulp and paper \$150m, forest \$82m, eastern \$50m, northeastern \$30m

Manitoba: northlands \$155m, industrial \$44m, tourism \$20m, value-added crops \$19m

Saskatchewan: northlands \$127m, Qu'Appelle \$34m, forestry \$24m, agriculture \$15m, interim water \$15m

Alberta: North \$55m, Nutritive Processing \$17m

BC: agriculture \$87m, industrial \$70m, travel \$50m, intensive forest \$50m

NWT: Interim Community \$4m

Yukon: Renewable Resource \$7m, Interim tourism \$6m

Outcomes. Those who have written on the subject seem to agree that GDAs were politically more palatable than the centralism of DREE, and so in this respect may have accomplished more. However, there are also important reservations.

Cummings, who was a federal official at the time of the GDAs, found their flexibility and the joint nature of federal and provincial commitments to be noteworthy experiments in the history of rural development. But he writes: I can attest to the utility of the approach, but also note the debate that surrounded their implementation. From the federal perspective, visibility was always an issue. Provinces controlled delivery, and disliked the federal agenda. Federal politicians felt they did not get enough credit. Provinces were often afraid federal priorities would conflict with their own and so refused to commit even when they could access substantial amounts of federal money. Moreover, cooperating federal departments ... did not always like the DREE role. Employees of E.I.C. and Agriculture Canada often preferred to be delivering programs directly.²²⁵

In his chapter for *Still Living Together: Recent Trends and Future Directions in Canadian Regional Development*, N. Harvey Lithwick evaluates General Development Agreements largely negatively. In his opinion, the GDAs restored much of the initiative for regional policy to the provinces, and shifted the emphasis to a clear region-wide developmental orientation. ... But the focus on provinces meant that regional development policy was really provincial development policy.²²⁶ This was certainly better than previous top-down, centralized approaches by DREE, but what this also meant was [a] new impetus was given to an old phenomenon called 'province-building'.²²⁷ On the whole the GDAs precluded the creation of interprovincial economic policies, where closer economic integration of the Canadian economy could have been achieved.²²⁸

Decentralizing power from federal officials to provincial ones may not have been good for national integration, if Lithwick is right; Douglas adds that the decentralization of authority to the provincial level was of little benefit to local communities. The unwillingness, or inability, of provincial counterparts through the GDA and ERDA processes to engage communities is instructive, if disappointing.²²⁹ If provinces were closer to the grass roots than the federal government was, this was not apparent in the delivery of most of the programmes.

ARDA to GDAs: Views from the Regions

For all government programmes, and especially for regional-development programmes, it is artificial to analyse the discrete success of individual programmes, particularly at a national level. In regions, programmes are

²²⁵ Cummings, p. 14.

²²⁶ Lithwick. p. 135

²²⁷ Ibid.

²²⁸ Ibid. p. 136

²²⁹ Douglas, Context and Conditions, p. 90.

received together and in succession; they interact, have synergies, build on earlier foundations, or contradict each other. They have different form and content in one region than they do in another. The proper way to study the impact of rural-development programmes is to analyse all the actual initiatives taken within a single regional context over an extended period.

What have observers concluded about regional successes and failures of regional-development projects?

Newfoundland. Hodge criticizes the top-down Newfoundland Outport Resettlement Programme, begun by the provincial government and continued under DREE, which eventually relocated 300 outports. Tremendous controversy was associated with this programme.²³⁰

One of the first round of GDAs, the Canada-Newfoundland General Development Agreement of 1974, has been seen as reflecting and reinforcing a rural development movement in that province, in contrast to the earlier resettlement plans. The GDA states: The broad objectives of this Agreement are to increase the number and quality of viable long-term employment opportunities and improve access to those opportunities by the people of Newfoundland and to increase opportunities for people to live in the area of their choice with improved real standards of living. The phrase opportunities for people to live in the area of their choice has been interpreted by Fuchs as a rejection of relocation plans, and an endorsement of a stay at home option demanded by rural Newfoundlanders.²³¹ In this respect the GDA was more responsive to rural wishes than had been the policies promoted previously by federal officials. It is interesting that this positive interpretation of the GDA is related to the inclusion in it of something rural Newfoundlanders had demanded, and which was in fact a repudiation of previous government policies.

New Brunswick O northeastern. The FRED, DREE, and GDA processes in northeastern New Brunswick have been the subject of a published investigation by Donald J. Savoie.²³² Savoie's study, integrating as it does numerous programmes over an extended period, within the context of a defined region, is a model for how historical assessments of these programmes ought to be done. As in the case of Newfoundland (above), Savoie finds telling differences between what the planners wanted and what rural residents wanted.

Planners were enthused about mining, even though many of the mines were located far from where the population of the region lived, and about manufacturing and urbanization. Growth centres were designated; thousands of people were to be relocated into them, through the enticement of relocation grants. Education was also stressed: 70% of FRED plan resources were earmarked for new school construction and teacher upgrading; this emphasis was related to the centralization and reform of provincial education under Premier Louis Robichaud. In the FRED agreement, \$45 million was allocated to education, over \$24 million to relocation, and over \$13 million to rationalization and development of agriculture and fisheries. Amendments in 1972 -- now under DREE -- added \$68 million more, and put the whole project under a management committee of federal and provincial representatives, with effective decision-making authority. New objectives focused the northeast agreement on job creation. Industrial commissions and small-business incentives followed -- some of the earliest in the province -- and so too did initiatives for education, adult training, urbanization, and social adjustment.

Rural residents -- when they finally became involved -- were not pleased with the development plans. It was true that many of them had better schools, infrastructure, roads, and industrial parks. But they were not satisfied that any difference had been made to their incomes or their jobs. There were allegations of discrimination: that a disproportionate amount of development resources was flowing into the relatively better-off southern part of the region, too little into the predominantly Acadian northern part. The minister responsible for DREE promised to get more involved in the northern area. DREE and the provincial government agreed to concentrate less on infrastructure, and more on job creation. But residents were still critical, particularly of outside experts and of the failed urbanization programmes. They demanded the completion of specific projects such as the Highway 11 link, and demanded attention to cultural development, lifestyles, and the well-being of traditional industries, which they felt had been neglected by FRED and DREE.

In 1977, DREE and provincial-government officials came up with a redesigned six-year package including \$68 million in federal funds, the largest regional development agreement ever signed in New Brunswick.²³³ Two industrial-development programmes accounted for more than half of the total resources. Other components included labour-force skills, and small programmes for housing, resource development, and ongoing research.

²³⁰ Hodge, p. 47.

²³¹ Fuchs, p. 59.

²³² Donald J. Savoie. Rural Redevelopment in Canada: The Case of Northeast New Brunswick. *Journal of Rural Studies* 5, 2 (1989), pp. 185-97.

²³³ *Canada-New Brunswick Northeast Subsidiary Agreement*. Department of Regional Economic Expansion, 23 June 1977. Savoie, p. 191.

Basically, officials regarded preferences expressed at public hearings as 'soft information, and deferred action until they could obtain a statistically more valid picture. Through to 1983, over 400 separate projects were funded under this agreement. The largest funding categories were capital infrastructure (\$21 million), special projects and exceptional cases (\$18m, including community colleges, education, distance education, housing, water supply, planning and studies), tourism/historical and cultural resources (\$10m), fisheries (\$7m), manufacturing (\$4m), and agriculture (\$4m).

Overall, Savoie appears critical of the degree to which planners listened to rural residents, and the degree to which separate government agencies were really committed to development in the area. He finds serious problems in the FRED approach, notably a lack of coordination between the two orders of government. Governments regarded the FRED plan not as a priority overriding their own efforts, but as a pot of money to be fought over. Savoie raises the question of whether the resources provided through FRED and DREE really were supplemental to other government services and programmes, or whether government agencies simply tapped the regional-development funding for projects that could have been conducted by other means. Federal and provincial agencies may also have continued to neglect the northeast region, on the assumption that the development agreements would take care of it. In fact, there is plenty of evidence to suggest that federal government departments and agencies virtually ignored the northeast agreement in their ongoing operations.²³⁴

As for effectiveness, Savoie finds this hard to judge authoritatively. The expenditures, though large, relatively speaking, were not large enough to be able to assess their impact in relation to other economic forces... The objectives of the development agreements were extremely broad and thus of little benefit even as a checklist against which to assess the projects. He concludes that the only feasible approach is to compare the status of the region after the programmes to the status before, and analyze the role the programmes may have played in the changes. In this light, the relocation programmes were complete failures, which was undoubtedly welcomed by rural residents. The designated growth centres shrank slightly; the small villages grew -- contrary to programme objectives. Employment grew by amounts exceeding provincial and Canadian averages from 1961-81, but many of the jobs were unskilled primary-sector jobs -- contrary to the planners' intentions. Population growth meant that unemployment remained high. Income levels rose relative to national and provincial averages -- but the largest contribution to this increase was likely the change in Unemployment Insurance regulations during the 1970s. *Earned* income fell relative to other areas.

Savoie's explanation for the limited success of twenty years of programming: The approach adopted in the northeast was essentially a 'top-down' one, by and large overlooking historical processes. It ignored the Acadian culture of the region. Planners dismissed what rural residents told them at public hearings, that they were happy with seasonal employment as long as they could retain their language and culture. Planners simply assumed that what was required was a new economic structure patterned along the lines of the most developed industrial regions of Canada. So industrial parks were built. Savoie compares this development approach to Pacific cargo cults: glittering objects were put out, in hope of attracting a shining silver bird of industry to land there. This created high expectations, but in the end the federal government proved unwilling to intervene in business decisions. It was assumed that corporate decisions must ultimately prevail, and that the only role of government was to offer lures to influence the decisions of businessmen.

New Brunswick O Mactaquac. Gertler, a planning director by profession, has written about the central New Brunswick Mactaquac regional project funded by ARDA, ADB, and FRED.²³⁵ The project was centred on a large hydroelectric power development in the Saint John Valley upstream from Fredericton. The Mactaquac Regional Development Plan was supervised by a subcommittee of the federal-provincial ARDA committee. The provincial government created a Community Improvement Corporation for the area in 1965, and a federal-provincial agreement was eventually signed in 1966. The project included a town relocation (Nackawick on the east shore of the Saint John River) and a softwood pulp mill. Generally boosterist in tone, Gertler notes that the dam project eventually earned a degree of local endorsement despite controversy. This is a significant characterization of what might have been a top-down, planner-driven, megaproject-centred development. Nevertheless, Hodge identifies this as one of only a handful of projects where the planning was ... generated and tended by [the] region's inhabitants.²³⁶ On the published evidence, there is no way to assess this claim.

P.E.I. Cummings, a planner and former federal official, singles out the Comprehensive Plan in PEI, developed under FRED, as an example of integrated long-range vision. The plan covered the whole island, and had a 15-year time frame. It highlighted tourism, and focused on providing training, physical

²³⁴ Savoie, p. 193

²³⁵ Len Gertler, *The Mactaquac Regional Development Plan*, sidebar in Gerald Hodge. *Regional Planning: The Cinderella Discipline. Plan Canada* (July 1994), pp. 40-1.

²³⁶ Hodge, p. 47.

infrastructure, and financial incentives. Key parts of the plan were proposed measures to attract tourists to areas of the island not usually much visited.²³⁷

Qu_bec. Two writers have given sharply contrasting assessments of the ARDA-funded **Bureau d'am_nagement de l'est du Qu_bec (BAEQ)**, which operated in the Gasp_ peninsula. Hodge calls it a truly grassroots development program... involving all sectors of the community in what would nowadays be called 'self-management' of the region's future.²³⁸ According to Hodge, the problem with the programme was its success, which he says the provincial government did not like. Brodhead, on the other hand, says the BAEQ forced the depopulation and closure of rural communities in the Gasp_ region and inspired enormous province-wide and national debate on rural development policy.²³⁹ It also provoked oppositional citizen's movements. It may be that Hodge's positive evaluation can be attributed to his outlook and interest as a planner, Brodhead's negative one to his interest as an advocate of community economic development (CED). This seems like a particularly interesting case.

Manitoba. The success of the Interlake initiatives under ARDA and FRED has already been mentioned. The Interlake programme in Manitoba is identified by some as a best-case success story of regional development. Brodhead calls it one of the most successful rural development schemes in Canada.²⁴⁰ Hodge says it was multi-faceted... it might be considered ARDA's success story.²⁴¹

Alberta. Brodhead observes that federally financed ARDA projects in central and northern Alberta, such as Alberta Newstart in the Fort McMurray area, contributed to some of the early CED capacity building.²⁴² If this is accurate, then the ARDA projects in this area certainly contributed to rural development, narrowly defined; and their success should be judged not only in relation to economic statistics at the time of the programmes, but also by later evidence of capacity for community economic development.

One has to contrast this with Apedaile's analysis of the ARDA programme in Census Division 14 of Alberta in the 1960s. Apedaile concludes that there was no genuine or meaningful rural participation. Rural people did not receive power or information, or talk to senior decision-makers who possessed it. Rather than serving rural interests, the co-ordinating and managing bodies became for apportioning rural development monies into line departments and strategic maneuvering for departmental influence and resources.²⁴³ Based on this experience, Apedaile concludes that dominance is an overriding feature of partnership between rural institutions and government, creating a basic inequality that frustrates attempts to achieve genuine development.

The apparently diametrically opposed remarks by Brodhead and Apedaile may not be irreconcilable. Apart from the fact that they are talking about different processes and locales, Brodhead's claim is only that the ARDA projects laid a foundation for later and more genuine CED. Even misguided development initiatives can do this, particularly if they are so misguided as to arouse local opposition and mobilization.

Conclusions. Many more regional studies of a broad historical nature need to be done. Savoie's work on northeastern New Brunswick provides a model. Such studies look at all the development programmes and government activities in a region and attempt to assess the net effect. They are sensitive to questions of power and relationships among governments and between governments and rural populations. They examine the genuineness of rural participation in the programmes, and highlight differences between the perspectives of rural people and the perspectives of planners. They attempt to determine what happened and

²³⁷ Cummings, p. 13.

²³⁸ Hodge, p. 47.

²³⁹ Brodhead, p. 8.

²⁴⁰ Dal Brodhead. Community Economic Development Practice in Canada. In Burt Galaway and Joe Hudson, *Community Economic Development: Perspectives on Research and Policy*. Toronto: Thompson Educational Publishing. p. 7.

²⁴¹ Hodge, p. 47.

²⁴² Brodhead, p. 6.

²⁴³ L. Peter Apedaile. Enhancing Results from Participatory Rural Development. In Richard C. Rounds (ed.). *The Structure, Theory and Practice of Partnerships in Rural Development*. ARRG National Rural Economics Seminar, 27-29 May, 1993, Merrickville, Ontario. Canadian Agricultural and Rural Restructuring Group (ARRG Working Papers Series Number 5 1993), p. 53. (citing results of 1971 Tobias and Apedaile evaluation study)

what made a difference, not remaining content to follow checklists of quantifiable programme objectives.

The published literature is not sufficiently systematic to support firm generalizations. The remarks quoted above are suggestive, however. Fuchs, Savoie, and Apedaile all highlight a tension between the ideas of planners in the 1960s-70s, and their position of power within government agencies, and the ideas and power positions of rural residents, who were hardly involved in a meaningful way in what was supposed to be their own development. One suspects that a Savoie-type analysis of most other regions would be likely to show similar results: namely, that these largely technocratic programmes, designed with little rural control, made little detectable difference to the status of the regions concerned. They reflected the Keynesianism of Canadian elites, who were willing to use public resources to build infrastructure and to help business, who believed they knew better than the affected populations in the regions, and who did not really know what to do when business failed to play ball.

The reported success of the Interlake programmes in Manitoba, apparently contrasting so greatly with the outcomes of ARDA, FRED, and DREE programmes elsewhere, particularly merits additional, in-depth investigation.

Partnership Agreement on Rural Development (PARD)

The Canada-Saskatchewan Partnership Agreement on Rural Development (PARD) is a cost-shared federal-provincial agreement to implement a strategic economic development programme in rural Saskatchewan. It is to provide funding for feasibility studies, training in leadership and business skills, marketing activity, and activities that address systemic or broader based constraints to rural development for a sector, industry, or broad geographic region.²⁴⁴ Partnership agreements were put in place or under negotiation for forestry, tourism, communications technology, water-based economic development, mineral development, and cultural industries. Western Diversification is involved in the negotiations and the funding; the federal agriculture department plays the lead role on rural development and water-based activities; and federal forestry officials have the lead role on forestry agreements. The Saskatchewan Council for Community Development has been appointed to administer the PARD moneys.

Policies and Programmes: Rural Business Development

The distinction among regional development (the preceding section), business development, and community economic development (CED) is sometimes subtle and in some cases arbitrary. Some of the programmes and strategies described below went beyond business development to include aspects of regional development. Some incorporated aspects of CED. The categories should be treated as fluid and flexible.

In general, regional development has been taken to denote large-scale, long-term planning, integrating many kinds of development -- not just business -- and numerous communities. Business-development programmes, as described below, focus on attracting or creating businesses; most of these are local -- covering one or a few communities -- rather than covering large regions. The term CED is reserved for those approaches strongly incorporating recognized principles of citizen participation, capacity-building, and so on. According to experts in the field, there have been few of these. Most programmes are therefore included here under the heading of Business Development, unless there is a particular reason to put them elsewhere.

Many of the following programmes were not specifically rural in focus, but were at least theoretically available to help rural areas.

Provincial Development Corporations

Beginning in the 1950s, provinces formed provincial development corporations or funds for the purpose of promoting products and business within their jurisdictions.²⁴⁵

Nova Scotia. Nova Scotia Industrial Estates Limited was created in 1957 to attract industry.

²⁴⁴ See Canada. PFRA. *Rural Prairie Sustainability*. p. 41. This places the PARD process in the context of other initiatives and explains the connection to Western Diversification.

²⁴⁵ This section is based on Brodie, pp. 169-70.

Qu_bec. The Conseil d'orientation économique du Qu_bec (COEQ), Caisse de d_pTMt et de placement, and Soci_t_g_n_rale de financement (SGF) were early public institutions created to promote business development.

Ontario. There was an Ontario Development Corporation and an Eastern Ontario Development Corporation to encourage the decentralization of industry, provide jobs for young people in small centres, and expand industry and employment in areas of slow growth.

Saskatchewan. The Saskatchewan Economic Development Corporation (SEDCO) brought financial resources to ventures it considered promising.

Undoubtedly, many other examples could be given.

Funding and outcomes. Although these development organizations were not intended to be simple subsidy vehicles, it was occasionally necessary for provincial governments to bail them out to cover losses. While Brodie's judgement is a little harsh, there is little reason to disagree with its basic thrust: With a few exceptions, none of these agencies achieved their intended goals. Their industrialization initiatives were marked by scandal, mismanagement, cronyism, excessive incentives, interprovincial competition, fly-by-night operators, and a legacy of industrial failures.²⁴⁶ Most importantly, for present purposes, these development corporations were not particularly rural in their orientation, and focused much more on business (development in the community) rather than on development of the community. It may be suspected, pending further investigation, that they in fact disproportionately helped urban businesses, and had little to do with citizens and communities.

One study of Ontario development corporations concluded that they continued to pour funds into the prosperous southern portion of Ontario.²⁴⁷

In recent years, provincial-level development corporations appear to have been marginalized as policy tools, and in some cases have been wound up. An exception is **Newfoundland.** Enterprise Newfoundland and Labrador Corporation has recently decentralized authority to regions as part of effort to achieve partnership with local organizations and a more co-ordinated focus on economic development within regions.²⁴⁸ The goal is to ensure that economic development ... becomes not just the domain of agencies with that particular mandate, but the preoccupation of the school, the hospital, the highways department, the town council and all other organizations in the region.

Another recent innovation is the establishment of the ACOA/ENTERPRISE Network. Its mandate is to provide business and economic development information, as well as data communication services to all community, rural, and economic development organizations in the province. Within 14 months of operation it already served one thousand people and 150 organizations in all regions of the province, and had established Tele-Centres in six rural locations through the sponsorship of community- and regional-development organizations.

Provincial Programmes: 'Main Street'/Downtown Revitalization

Programmes for downtown revitalization were one of the first ways in which provinces became involved in efforts to promote business development in localities.

Numerous 'Main Street' and/or downtown revitalization programs were initiated by provincial governments during the 1970s and 1980s across the country. The general purpose of these programs was [t]o refurbish, revitalize and promote downtown commercial areas in communities,²⁴⁹ in conjunction with departments of municipal affairs, or economic development. Various municipalities and local business people work together to improve the physical, economic and social environment in the downtown areas.²⁵⁰ In most provinces all communities were eligible for funding for such projects -- cities as well as rural communities. The programme

²⁴⁶ Brodie, 1990, p. 169.

²⁴⁷ Cited by Cummings, p. 15.

²⁴⁸ Fuchs, p. 67, and pp. 67, 69 for the following.

²⁴⁹ Malon Given Parsons, Ltd. *Final Report: Downtown Revitalization Program Evaluation*. New Brunswick Department of Municipal Affairs and Environment/Atlantic Canada Opportunities Agency. Fredericton, NB. 1988. p. 14.

²⁵⁰ Ibid.

in Manitoba, however, focused only on Winnipeg's core area.²⁵¹

In 1970 Ontario became the first province to introduce Business Improvement Associations (BIAs). The 1976 Ontario Downtown Revitalization Programme offered a \$30 million budget for commercial revitalization in the downtowns of communities not exceeding 125,000 in population. Major downtown projects in Sarnia, Chatam, Cornwall, Guelph, and Thunder Bay were funded.²⁵² More than fifty-five communities of under thirty thousand inhabitants participated in a 1978 Main Street Revitalization Programme.

In 1978, Nova Scotia and Saskatchewan also introduced Main Street programmes. The Saskatchewan programmes was for communities of fewer than six thousand people, and allowed them to set up Business Improvement Districts (BIDs). Very modest funding (\$500 - \$1,000) was available to individual businesses for storefront improvements, and there were grants for municipalities and BIDs for improvements to public areas and parking. The Nova Scotia programme funded anchor projects, also using BIDs as a first step, but also provided for Downtown Development Corporations. A Village Square Programme was made available for facade improvements and improved business training and consulting in smaller communities. By 1976-86, most provinces had a programme of some kind.

Quebec established a ReviCentre programme in 1984, and allocated \$54 million for design and management assistance, and for cash grants to downtown merchants. Sociétés d'initiative et de développement des artères commerciales (SIDAC), business improvement areas, were created.

Although a number of such programs were discontinued (e.g. Quebec 1987, Saskatchewan 1983²⁵³), some continued into the 1990s. The Downtown Revitalization Programme in British Columbia, for example, was established in the early 1980s and a second evaluation of the programs was published in 1993. The programme was open to all communities and a number of smaller ones participated -- Campbell River, Courtney, five communities in the Gold Country area, among others.²⁵⁴ The 1993 evaluation found that, in general, the initiatives appear to be beneficial ones, ... helping to improve the stability and economic viability of downtown areas in British Columbia. Communities that have taken one, or ideally both, of these components [Downtown Revitalization and Business Improvement Area] of a comprehensive revitalization project have downtown cores that are better able to respond to the pressure of the changing business environment.²⁵⁵ Many other such undertakings have been judged beneficial for small communities across Canada.²⁵⁶

Funding and outcomes. Typically these programmes involved only small cost-shared assistance for improvement of streets, facades, and appearances. As indicated, funding for small communities was often very modest. It is to be suspected that disproportionately large resources went into relatively fewer projects in larger urban centres. Despite undoubted positive impacts, these programmes look, in retrospect, to be of marginal significance to the structural and developmental problems of rural communities. Douglas generally dismisses these programmes as project-based, short-lived, uneven in quality, representing downtown business with very little public participation, having no comprehensive analysis of the local economy, and exhibiting a preoccupation with 'skin deep' refurbishing.²⁵⁷ Perhaps at best they should be seen as an initial step in

²⁵¹ Ibid. p.17

²⁵² Douglas, Context and Conditions, p. 197, and the same for following information unless otherwise noted.

²⁵³ Ibid. p. 14

²⁵⁴ British Columbia. Ministry of Municipal Affairs, Recreation and Housing. Michael Hartford. *British Columbia's Downtown Revitalization Program: Issues and Experiences*. 1993. p. i

²⁵⁵ *British Columbia's Downtown Revitalization Program*. p. vi

²⁵⁶ *Final Report: Downtown Revitalization Program Evaluation..; British Columbia's Downtown Revitalization Program.*; Canada Mortgage and Housing Corporation. Canadian Home Builders Association. Canadian Housing Renewal Association. Federation of Canadian Municipalities. *Affordability and Choice Today (A.C.T.) Demonstration Project: Downtown Revitalization: City of Drummondville*. 1996; British Columbia. Ministry of Municipal Affairs. *Downtown Revitalization Program: A Guide*. 1980.

²⁵⁷ Douglas, Context and Conditions, p. 105.

provincial-municipal co-operation toward economic development, reflecting the state of thinking on these issues in the 1970s.

Provincial Programmes: Local Economic Development

According to Douglas, provinces entered the field of local economic development relatively late and initially concentrated on sectoral development.²⁵⁸ Only gradually did more of them take an integrated approach, concentrating on organization development at the local level. By the 1980s most provinces had adopted policies and programmes to assist local governments, groups of local governments, and small regions to promote business and employment. Although most of these programmes were not explicitly rural in designation, circumstances likely meant that the take-up was disproportionately rural in many cases. Community development corporations, regional development corporations, or rural development corporations, as well as institutions for alternative financing, were widely promoted in the 1980s as mechanisms suited to local business creation or relocation. To a greater or (usually) lesser degree, these approaches leaned on ideas associated with community economic development or C.E.D.

Funding. Provincial funding for local economic-development organizations has typically been modest and short-term (again according to Douglas), with little support for training or strategic planning.

Outcomes. There is some evidence that the programmes of the 1980s were more successful at promoting rural-development organizations than at promoting rural development in depressed areas. Perhaps this was due to an excessive stress on creating institutions rather than on processes of local participation. In any case, in the 1990s governments in several provinces concentrated on rationalizing the large number of local governments and other agencies involved in development. Over the years, co-ordination between organizations and levels of government has become an ever-more-prominent theme.

Normally provincial programmes have relied on local governments as central partners, which may explain the limited impact. Local governments have many other concerns, and may be no better than the federal government at making economic development happen. Although most programmes use the term 'community' economic development, observes Douglas, they do not accord ownership to the community; they limit the degree of control to be exercised by the community...; provide no, or very limited, alternatives to the municipality as the designated central agency, and do not allow for open alternatives and choices for the community in the design of the planning process. Unlike federal-provincial relationships, in provincial-municipal partnerships there has been virtually no devolution of authority or transfer of taxation and other income-generating capacity.

(Note: The following information closely follows the useful summary given in Douglas, Context and Conditions, pp. 96ff. All references and quotations are from that source unless otherwise indicated.)

British Columbia. Hodge cites the Central Kootenay Regional District as a successful story of regional development planning from the 1970s.²⁵⁹

A Provincial-Municipal Partnership Programme was created in 1985, offered by Municipal Affairs and Industry and Small Business Development. This programme funded joint, usually 50/50 provincial/local undertakings to foster economic development. Funding was provided to prepare strategies with community involvement, to prepare brochures, and to operate local development committees. Funding of \$25,000 was provided towards an economic development officer. Committees were encouraged to collaborate. Funding was prorated on a per-capita basis. A majority of the communities in the province participated. Though this programme concentrated on recruitment of businesses, like the Alberta strategy (below), it did also stress local input and collaboration. The provincial government supported local leadership and management by providing manuals, training, videos, advertising, and market research.

Alberta. Hodge notes that Alberta was an early leader in rural regional planning through 5 nonmetropolitan regional planning commissions established in the mid-1950s. He also cites the Peace River Regional Planning Commission as a prominent success story of the 1970s.²⁶⁰

Approaches to local or community economic development in the first half of the 1980s were couched within a general business development programme delivered by the Department of Tourism and Small Business. Advisory services, management training, information and related services were provided to small business. An Alberta Locations Programme assisted communities to develop profiles and land inventories. Modest

²⁵⁸ Douglas, Context and Conditions, p. 101.

²⁵⁹ Hodge, p. 45.

²⁶⁰ Hodge, pp. 44-45.

assistance was provided to help communities under 75,000 to attract industry. Douglas characterizes this as local economic development with industrial recruiting as the primary engine of economic development. An Alberta Industrial Land Programme gave financial support to municipalities to assemble or develop industrial lands; a promotional programme helped communities advertise gaps, attract entrepreneurs; and funds were provided for co-ordinators in intercommunity ventures. In general, there was considerable provincial assistance to develop infrastructure and public facilities in smaller communities.

Brodhead mentions the East Central Economic Development Association (ECEDA) in the Drumheller area as a noteworthy example of a regional development organization bringing together a number of neighboring communities.²⁶¹

Saskatchewan. Saskatchewan developed a distinctive suite of integrated programmes in the 1980s and 1990s that was seen as a model.²⁶² A Department of Rural Development was created in 1980. A subsequent Task Force on Rural Development sponsored by the department and reporting in 1985 recommended the creation of Rural Development Corporations (RDCs), which multiplied in the following years. RDCs were to be operated by volunteers representing at least four municipalities, and were eligible for \$50,000 funding for five years. As of 1994 there were 38 RDCs involving 298 rural municipalities as well as 126 villages and Indian Bands. From 1986-91 the RDCs proposed 340 projects with total value over \$116 million, involving 800 jobs, and ranging from housing to ethanol plants, farmers' markets, and a short-line railroad.

Financing-related programmes included Community Bonds (1990, local investment pools with the principal guaranteed by the provincial government) and Small Business Loans Associations (SBLAs, local microlending circles). There was also a Municipal Capital Grant Programme paying rural municipalities (RMs) \$2,000 plus \$15 per capita per year, to be used for loans or equity stakes in new enterprises.²⁶³ The province also established Agriculture, Development and Diversification (ADD) boards, made up of groups of RMs, which finance research and development of new products and ventures.

In the 1990s, the province attempted to rationalize what had become a plethora of hundreds of community and rural development organizations by encouraging the formation of larger Regional Economic Development Authorities (REDAs). These authorities were formed by neighboring local governments, and were intended eventually, on a voluntary basis, to cover the province with a network of about thirty REDAs. The province provided some core start-up funding for the REDAs.

Manitoba. The Manitoba Communities Economic Development Fund of 1972 was an early programme providing financial assistance, business advising, and other support for small fishing, logging, and mining communities, including Aboriginal communities.

In 1992 the province adopted a Rural Economic Development Initiative (REDI), a four-part programme building on previous economic development approaches. It included a Community Choices programme to support C.E.D. strategies (small cash grants to RMs to organize community roundtables), Grow Bonds (provincial underwriting of principal in local investments), and a very active Regional Development Corporations sector. REDI was designed to generate and channel funds through rural video lotteries into commercially viable enterprises promising long-term benefits to communities outside Winnipeg. Funding was provided, usually on a 50/50 shared basis with incentives for intercommunity collaboration, to cover infrastructure development, enterprise development, business consulting, feasibility studies, and innovative nontraditional projects.

Ontario. Ontario established a Northern Community Economic Development Programme (NCEDP) in 1983. It assisted communities to identify promising economic-development opportunities, and covered 75 percent of the cost of development plans and promotion. A 1987 Municipal Economic Development Assistance Programme (MEDA) launched by the Ministry of Northern Development and Mines assisted municipalities 4,000 - 30,000 to set up C.E.D. organizations; the programme originally offered five years of support up to \$100,000 p.a.

²⁶¹ Dal Brodhead. *Community Economic Development Practice in Canada*. In Burt Galaway and Joe Hudson, *Community Economic Development: Perspectives on Research and Policy*. Toronto: Thompson Educational Publishing. p. 6.

²⁶² Douglas, *Context and Conditions*, p. 102. On the following, see also Harold Baker and Lou Hammond Ketilson. *Community Economic Development in Saskatchewan*. In Douglas (ed.), *Community Economic Development*, pp. 169-204.

²⁶³ See the useful summary of provincial and federal programmes in the West, as of 1992, contained in PFRA, *Rural Prairie Sustainability*.

In 1993 a Community Action programme was initiated and a Community Economic Development Act was passed. The act introduced new mechanisms for raising local capital, based on an analysis that saw economic leakages from small communities as a key problem. Self-employment, new enterprises, new partnerships, and microenterprises were to be encouraged within a systematic and democratic approach to local development. The act provided for setting up Community Development Corporations (CDCs), nonprofit community organizations that were to provide leadership, co-ordinate development, prepare and implement strategic plans, facilitate partnerships, and co-ordinate local investments. Community Loan Funds were also set up to facilitate pooling of local capital for investment in microenterprises and small businesses. These funds made loans of between \$500 and \$15,000, were governed by local boards of directors, and could be sponsored by CDCs. Community Investment Share Corporations (CISCs) were for-profit corps set up by communities to raise up to \$500,000 in equity capital.

Qu_bec. In many respects Qu_bec has been a leader in local economic development, particularly in the degree of support given by the provincial government to local/regional entities.

As one early initiative, Brodhead highlights the 1973 JAL regional development project (St Juste, Auclair, Lejeune) in Temiscouata region. It involved the formation of small development corporations related to farming, woodlot development, roads, and housing.²⁶⁴

Rural business development in Qu_bec is undertaken largely at a county level by second-tier, intermunicipal authorities known as MRCs, most of which bring together between 10 and 25 municipalities. MRCs were created in 1979 through a bill on town planning and rural planning, which divided the municipal territory of Qu_bec systematically into 95 MRCs. Originally a substantial amount of authority was to have been devolved to them from the provincial level, but this was not implemented by later governments. Supported by provincial government policies and central agencies, a network of organizations for local economic development has grown denser over the last fifteen years.²⁶⁵

The Office de planification et de d_veloppement du Qu_bec (OPDQ), created in the early 1960s, became actively involved in selective rural development projects without having an overall policy. Structured socioeconomic development experiments were pursued in a number of rural communities, particularly in the eastern regions of the province, through the OPDQ's programme of support for rural development. Funding included grants to community-development organizations and *ad hoc* financial and technical assistance. In 1993 the OPDQ was replaced with the Secr_tariat aux Affaires r_gionales.

Demands from remote areas for more sustained assistance led the OPDQ in 1993 to work out a financial and technical support programme with the Minist_re de l'industrie, du commerce et de la technologie (MICT). This programme (Volet III du programme d'aide aux corporations de d_veloppement _conomique) assists economic development corporations (75 in number in 1990) to hire a rural development agent. The first review of this programme in 1987 revealed that 24 local corporations had received assistance; each development agent covered an average of 15 municipalities with 17,500 people -- in other words, were stretched very thin. The second evaluation, in October 1990, emphasized that over five years the programme had used \$5.5 million (60 percent provincial, 40% local funding) to create 6,690 jobs, mainly by direct employment creation. One estimate was that the rural-development agents were involved in \$187 million in development investments. More recently, budgets under this programme are being devolved to regional boards.

Qu_bec also has notable programmes for development of rural employment through co-operatives. Coop_ratives de d_veloppement r_gionales (CDRs) have administered significant government job-creation funds, which have been used to create employment in worker co-operatives. Value-added agricultural co-operatives are strong, for example in the dairy sector. Worker and producer co-operatives in the forestry sector are well-developed and are supported by the province. No other government has committed similar resources to development of new rural co-operatives.

Nova Scotia. In 1993 the Department of Economic Development announced a proposed programme for C.E.D. in which municipalities were expected to take the lead. The provincial programme emphasized the need to co-ordinate, to reduce fragmentation, and to integrate different levels of government. C.E.D. was presented as a subset of a broader concept known as 'community development,' and included goals of qualitative changes in community structure and organization. A consolidated system of Local Economic Development Authorities (LEDAs) was to be created, grouping municipalities to co-ordinate development.

²⁶⁴ Brodhead, p. 8.

²⁶⁵ This section follows Bernard Vachon. Local Economic Development Policies in Rural Quebec **O** The Situation Today. In Douglas (ed.), *Community Economic Development*, pp. 101-128.

In Cape Breton, New Dawn Enterprises is considered one of the most sustainable CDCs [Community Development Corporations] in Canada.²⁶⁶

Newfoundland and Labrador. Newfoundland and Labrador have some of the longest-established local development associations in the country. Regional development associations (RDAs) began to emerge in the mid-1960s. In 1971 Premier Joey Smallwood made a commitment for the province to fund the then 14 development associations on the order of \$10,000 p.a. By 1993, Newfoundland had 59 RDAs under the umbrella Newfoundland and Rural Labrador Rural Development Council. These associations have received support through four cycles of five-year federal/provincial agreements (the most recent being the Canada Newfoundland Rural Development Cooperation Agreement, 1988-1993). An analysis of their activities showed that 53% of their funds had been devoted to infrastructure and facilities to support the fish processing industry; recreation, tourism, and community facilities followed. Besides RDAs, in Newfoundland there are also four other development corporations established by governments in response to plant closures, and three Aboriginal development corporations.²⁶⁷

In 1995, a task force announced a commitment to a New Regional Economic Development based on principles of CED. The task force referenced the June 1991 Labrador Straits Declaration of Co-operation calling for CED as a new approach to regional development, where individual communities, community development organizations, and government and non-government organizations agree to work together to generate sustainable economic activity in a region.²⁶⁸

Aboriginal Local Economic Development

Although Indian bands and Aboriginal communities are to some extent integrated into provincial rural and especially northern development programmes, many Aboriginal communities also have separate institutions.

In British Columbia, bands began to create economic development corporations in the 1960s and 1970s.²⁶⁹

Makivik, the best-known, was established in 1975 as a result of a James Bay land claim settlement. Based in Fort Chimo, Quebec, it has been called the primary economic agency for the Inuit of northern Quebec. Makivik invested in and managed a shrimp fishery, a construction company, and regional air services.²⁷⁰

In Saskatchewan, the Kitsaki Development Corporation of the La Ronge band is noted as one of the most successful Aboriginal development corporations in the country.

Aboriginal groups in Alberta formed the Peace Hills Trust Company in 1980.

Atlantic Canada Opportunities Agency (ACOA), 1987

The federal government created the Atlantic Canada Opportunities Agency on 6 June 1987 to foster business development. It provides support for entrepreneurship, innovation and technology transfer, marketing and trade development, training, infrastructure, and rural diversification.

This agency represented an initiative to decentralize decision-making in the area of regional development. This decision was based on the lessons learned over 25 years of federal involvement in regional development, namely that: ... [t]he centralized approach had, in fact, resulted in the principal focus of assistance programs being in central Canada. Atlantic Canada's business community was impatient with the complex decision process of centrally designed and managed programs. National policies and criteria were not serving the region adequately.²⁷¹ With the implementation of a moratorium on federal-provincial agreements ACOA was

²⁶⁶ Brodhead, p. 9.

²⁶⁷ Fuchs, pp. 55-62.

²⁶⁸ Newfoundland. *Community Matters: The New Regional Economic Development. Report of the Task Force on Community Economic Development in Newfoundland and Labrador*. January, 1995.

²⁶⁹ On this subject see Brodhead, *passim*.

²⁷⁰ David Pell and Susan Wismer. The Role and Limitations of Community-Based Economic Development in Canada's North. *Alternatives* 14, 1 (Feb. 1987), p. 34.

²⁷¹ Canada. Atlantic Canada Opportunities Agency. *Five-Year Report to Parliament 1988 - 1993; Executive Summary*. 1994. p. i

established to develop and manage programs and... to improve regional sensitivity to national programs through advocacy of Atlantic Canadian interests.²⁷² ACOA's mandate is four-fold: 1. advocacy of Atlantic Canadian interests at the federal level, 2. coordination of federal programs and policies in the region, 3. the promotion of cooperation among all participants in the region's economy, and 4. the promotion of business actions that develop economic opportunities.²⁷³

In terms of advocacy of Atlantic Canadian interests, the agency indicated that it had successfully advocated that regional development subsidies should be non-countervailing under the General Agreement on Tariffs and Trade.²⁷⁴ It did, however, admit that it had not taken full advantage of its advocacy role.²⁷⁵

Research done in 1992 (before an in-depth evaluation of ACOA had been conducted) concluded that ACOA was an efficient and effective agent of regional development policies because [t]he federal government, through ACOA, has formulated regional development policies that are sufficiently flexible and effective to capture the benefits of globalization in the world's economies.²⁷⁶

An independent evaluation of the Atlantic economy published in 1994 found that, in general, the Atlantic economy was still clinging to markets that were shrinking and commodities that were no longer in great demand. It suggested, however, that provincial programs of regional development were doing well in terms of moving their particular provinces into new markets ○ telecommunications in New Brunswick, software development in Nova Scotia, ocean industries in Newfoundland and niche manufacturing in Prince Edward Island.²⁷⁷ The study advocated *purposeful* action by the region,²⁷⁸ and suggested that by taking lessons from such dynamic economies as Ireland, Tennessee and Singapore it was possible to see that *rapid change is possible*²⁷⁹. This study suggested that through such action and study Atlantic Canada can ignite the kind of positive cycle of economic growth that, with some exceptions, appears to be missing today.²⁸⁰

Much of the mandate of ACOA focuses on promoting entrepreneurship in the Atlantic region.²⁸¹ Indeed, the Agency was created to foster, in a strategic partnership with the people of the region, the long-term economic development of Atlantic Canada through a renewal of entrepreneurial spirit.²⁸² The agency does this in a number of ways ○ it provides support for business opportunities studies, new product and process development, capital investment, marketing initiatives, supplier development, and non-commercial organizations that provide specialized business services.²⁸³ In its 1993 report to Parliament the agency indicated that in the five years of operation it was meeting its mandate to a degree. Independent surveys show that the 'intent' of Atlantic Canadians to 'start their own business within two years' has increased from 7% in 1991 to 12% in 1993. Self-employment increased by 7.3% in Atlantic Canada between 1989 and 1991, compared to 4.8% for Canada.²⁸⁴ Small businesses are also an important element of ACOA's efforts to stimulate economic growth in the Atlantic region. In 1994 ACOA released its report *The State of Small Business and Entrepreneurship in Atlantic Canada - 1994*, in which it was found that [t]he smallest [those employing fewer than five people] firms have expanded their employment by 14.3% p.a. [per annum] from 1982 to 1991, compared to 3.1% for firms employing 5 to 19 people, 2.4% for firms employing 20 to 49

²⁷² Ibid. p. iii

²⁷³ Beaumier, Guy. *The Atlantic Canada Opportunities Agency: The Action and Cooperation Programs; Background Paper*. Library of Parliament. Research Branch. Economics Division. Minister of Supply and Services Canada. Ottawa, ON. 1992. p. 1

²⁷⁴ *Five-Year Report to Parliament 1988 - 1993*. p. x

²⁷⁵ Ibid.

²⁷⁶ Beaumier. p. 16

²⁷⁷ DRI Canada. Atlantic Provinces Economic Council. Canmac Economics Ltd. *Atlantic Canada: Facing the Challenge of Change; Executive Summary; A Study of the Atlantic Economy*. Atlantic Canada Opportunities Agency . 1994 p. 21

²⁷⁸ Ibid.

²⁷⁹ Ibid. p. 22

²⁸⁰ Ibid.

²⁸¹ Beaumier. p. 2

²⁸² Ibid.

²⁸³ Ibid.

²⁸⁴ *Five-Year Report to Parliament 1988 - 1993*. pp. vii - ix

people and 1.2% for firms employing 50 to 99 people.²⁸⁵ This growth in small firms was occurring at a time when large firms were, for the most part, shedding labour.²⁸⁶ The average for large companies in the years 1984 - 1994 was a net loss of 0.4% p.a. for organizations employing more than 500 people, compared to a growth of 5.2.5 for all small firms employing fewer than 100 people.²⁸⁷ A similar report released in 1996 indicated that the trend of growth of small firms and the shrinking of large firms continued - Between late 1994 and the end of 1995, firms with fewer than 50 employees created 13,500 of the 17, 300 or 78% of the net new jobs in the Atlantic region.²⁸⁸ The statistics do not, however, indicate what percentage of these businesses are located in rural areas.

ACOA also funds special programmes for women entrepreneurs. For example, in 1993 it funded six offices of the Women's Enterprise Bureau in Newfoundland, each with its own board of directors.²⁸⁹

Western Economic Diversification

In 1980 a Western Development Fund was established in the federal budget with, initially, \$4 billion to support business development in the West. Four years later, the terms for the fund had still not been worked out, due to opposition from western premiers, and the status of the whole enterprise was in doubt.²⁹⁰

The Western Diversification Initiative was announced on August 4, 1987 and on August 5, 1987 Western Economic Diversification Canada was open for business. It was established as a department of government with its headquarters in Edmonton - the first department with headquarters in the West. The department was created with the business community in mind and was set up to work more like a business than a government department.

In order to effectively work with the business community, it was necessary to structure WD in a business-like fashion. Red tape had to be reduced to a minimum, and most of all, the Department had to respond to the needs of western Canadian business. To this day, the program remains market driven, with flexible guidelines and a policy of providing a hand -- not a handout.²⁹¹

In the first five years of its existence the department lent over \$1 billion to more than 3,000 projects, it advocated for Western business interests in federal decision-making processes, aided in the generation of nearly 40, 000 jobs, some in areas where few employment opportunities existed previously, and gave support to business and industry in their efforts to attain higher levels of competitiveness in world markets.²⁹² Two important programs implemented by the department are intended, specifically, for developing international competitiveness in Western business.

QAAP [Quality Assurance Assistance Programme] helps businesses meet internationally accepted quality standards with funding of up to 50 of direct costs.

The IMI [International Marketing Initiative] assists companies to take part in major international marketing events which are likely to generate export sales and strengthen Western Canada's position in the world marketplace.²⁹³

Western Economic Diversification also ensured that Western businesses had equal access to government

²⁸⁵ Canada. Atlantic Canada Opportunities Agency. *The State of Small Business and Entrepreneurship in Atlantic Canada - 1994*. 1994. p. xx

²⁸⁶ Ibid. p. xx

²⁸⁷ Ibid.

²⁸⁸ Canada. Atlantic Canada Opportunities Agency. *The State of Small Business and Entrepreneurship in Atlantic Canada - 1996*. 1996. p. ix

²⁸⁹ Richard Fuchs. Rural and Community Economic Development in Newfoundland and Labrador, in Douglas (ed.), *Community Economic Development*, p. 55.

²⁹⁰ Douglas, Context and Conditions, p. 88; Lithwick, p.141.

²⁹¹ Canada. Western Economic Diversification Canada. *Five Year Report to Western Canadian Business; 1987 - 1992*. 1992. p. 1

²⁹² Ibid.

²⁹³ *Five Year Report to Western Canadian Business; 1987 - 1992*. p. 2

contracts through the Western Procurement Initiative.²⁹⁴ In 1996, in conjunction with the Farm Credit Corporation and the Canadian Imperial Bank of Commerce, WD initiated a loan programme geared toward business in the agricultural value-added sector.²⁹⁵ All of the initiatives undertaken by Western Economic Diversification have been intended to develop the economy of the West, as a region. To a degree it has done so by assisting businesses, of all kinds, to grow both nationally and internationally.

While Western Economic Diversification Canada has assisted diverse businesses to grow and compete across the country and around the world -- focusing on agricultural value-added industry, as is evident in the loan programme with the Canadian Imperial Bank of Commerce (CIBC) and the FCC -- these types of businesses are not, however, necessarily rural businesses. In 1992, the businesses Western Economic Diversification was using as examples of its success were based in Western cities like Richmond, BC, Winnipeg, MB, Kelowna, BC, and Saskatoon, SK.²⁹⁶ Unlike the very small businesses ACOA often supported in the Atlantic region, the businesses discussed by Western Economic Diversification were all manufacturing companies (one manufactured life jackets, another manufactured computer systems and was expecting to employ more than 70 employees by the end of 1992), with plants located in urban areas. By its own estimation in 1991, about one-third of the projects WD has sponsored lie outside the major metropolitan centres. To 1992, total assistance to communities with populations under 25,000 was \$180 million for 550 projects.²⁹⁷

Smaller federally funded programmes

Federal Office of Regional Development-Quebec. Federally-funded programme for regional development in Qu_bec.

FedNor, 1987. Cost-shared federal-provincial programme for economic development in northern Ontario.

Policies and Programmes:

Community Development and Community Economic Development

Extension education

One type of extension education had expansive purposes of developing rural people as citizens, volunteers, and community leaders. Examples of this were 4-H programmes for youth, and institutes, courses, lectures, correspondence courses, and printed publications for adults. Women's education, notably the rural Women's Institute movement, was an important part of rural development. The National Farm Radio Forum after the war is an example of a successful attempt to reach a mass rural audience with participatory programming. Many of these educational activities were delivered within the framework of, and with the participation of, the general farm movements, fishermen's unions, and co-operative organizations that continued to expand in rural Canada after the Second World War. These rural movements -- the largest social movements in Canadian history -- had a tremendous impact on rural leadership and rural education. Governments played a supporting role.

Generally, the governmental contribution to this capacity-building was decentralized, through annual grants to local organizations; small grants to particular programmes and events; through the participation of salaried government personnel, especially employees of agriculture departments; and -- above all -- through the activities of universities and extension divisions, indirectly or directly financed with public moneys. This kind of publicly funded, open-ended extension began to decline, likely beginning in about the 1960s, under the impact of professionalization and budgetary pressures, as well as due to the declining dynamism of the rural movements mentioned above. Certain universities remain active in rural extension, though it tends either to

²⁹⁴ Ibid. p. 25

²⁹⁵ Western Economic Diversification Canada. Canadian Imperial Bank of Commerce. Farm Credit Corporation. *Financing Program for Western Canadian Agricultural Value - Added Firms*. 1996.

²⁹⁶ *Five Year Report to Western Canadian Business; 1987 - 1993*. pp. 3, 5, 24, &25

²⁹⁷ Cited in Canada. PFRA. *Rural Prairie Sustainability*. pp. 40-41.

have become a marginal activity, or to have become formalized and professionalized in the form of distance-education courses. In most universities today, research takes clear precedence over extension. Government departments rarely involved in a direct or systematic way in rural education. This is probably due to the professionalization of field staff, emphasis on rationalization, and political/financial pressures for clarity and quantifiability of objectives. An exception to this trend may be the education and facilitation aspects of the role of Community Futures consultants (below).

Co-operatives

Co-operatives spread widely in rural Canada beginning in the early twentieth century, and by the 1960s saturated many parts of rural society. The basic forms included agricultural marketing co-operatives, processing co-operatives for fish and farm products, supply and consumer co-operatives, and *caisses populaires* or credit unions. To these in various places were added grazing co-operatives, recreation and community-hall co-operatives, telephone co-ops, electricity co-ops, and in recent years funeral co-ops, health co-ops, and more -- co-operatives for almost every conceivable purpose. This was both rural development and community economic development (CED): communities gained not only enterprises but locally owned enterprises, operated by local people who learned and were trained in new roles as members and leaders, customers, managers and owners. These institutions have since become cornerstones of many rural communities and are frequently taken for granted.

Some fourteen million Canadians are members of this, what was initially a rural movement. It is still strongest in rural areas. Of the ten largest agricultural enterprises in Canada, a majority are co-operatives.²⁹⁸ The same is true on a local level in large parts of the rural Atlantic, Qu_bec, and Saskatchewan: many of the key rural enterprises in any given region are co-ops.

What is often forgotten is that governments helped create these lasting examples of community economic development. *How* they helped is a lesson frequently overlooked in intervening rural-development programmes. Governments helped by acting in a supportive role, not a planning role and not a contracting role. Federal and provincial officials worked with independent and autonomous rural movements -- organizations of farmers, of fishers, of craftspeople, of women. They secured facilitating legislation for new kinds of enterprises. There were tax exemptions in some cases, low-interest loans in others, grants on rare occasions. The financial incentives were rarely the main point. Governments funded training programmes and conferences, extension programmes and institutes. Most important, government staff acted as secretaries, instructors, and organizers when working with co-ops, and quietly supported and legitimated co-ops when working with rural people -- which they did at a local level.

There had to be a need and niche for co-operatives, created by the failure of other forms of institution to do what rural people wanted done. There had to be rural people as leaders and followers. But there was also government as supporter, legitimator, and facilitator. The two provinces with the proportionately strongest rural co-operative movements, Qu_bec and Saskatchewan, were the two provinces with the most supportive governments in the 1940s and 1950s. In Qu_bec at least, to a lesser degree in Saskatchewan, this tradition appears to have continued. Co-operatives have generally been considered to have been in provincial jurisdiction, but the federal government has been involved where co-operatives are interprovincially incorporated; in the North; and where federal programmes are involved, such as those for employment, training, agriculture, fisheries, veterans' or Aboriginal affairs, and so on. Probably no financial summary is possible or meaningful, since the resources were small, dispersed, and under no one clear heading.

The decline in effective government support for co-operatives dates from around the 1950s-60s, corresponding to the decline in extension education and the rise of planning and regional science. It is very likely that the aloofness of governments from co-operatives reflects the coalescence of official strategies around Keynesian models of state encouragement of growth: co-operatives do not appear in these theories. It is also true that established co-operative movements have become less dynamic, as part of the normal life-cycle of social movements.

This history is significant for two main reasons. First, co-operatives remain cornerstones of rural economies, providing services that would not otherwise be provided, recirculating wealth in local economies, and training cohorts of rural leaders. Rural co-operatives and their leaders are partners and focal points for rural-development programmes. One side of rural economic development stresses value-added processing: Saskatchewan Wheat Pool and Agropur of Granby, Qu_bec are leaders in this. Another side of rural economic development is plugging leaks in local economies, increasing local multipliers and local spinoffs:

²⁹⁸ See the most recent publications by the Cooperatives Secretariat of the Government of Canada, *Co-operation in Canada*.

traditional functions of service co-operatives. Then there is human resource development: co-operatives elevate education to a guiding principle.

It is not that co-operatives are a magic solution -- it is that they have been one successful embodiment of successful principles of CED. And this is the second point: to learn from the successes and failures. The ways in which governments helped make the co-operative movement a success are good guidelines for ways in which governments could assist CED. The life-cycle of co-operatives is a good reminder that no creation of any particular institution will solve all the problems. Development lies in the *process*, not in the structure that is created. And the failures, where co-operatives were pushed onto unwilling or unready communities, where governments were excessively interventionist and directive -- as may in some cases have occurred in Aboriginal communities -- are a reminder that any useful tool can be improperly applied.

Community Futures

Employment and Immigration (now Human Resource Development) Canada developed Community Futures programmes in the mid-1980s to assist rural communities in the development of strategies for dealing with a changing economic environment.²⁹⁹ The programme was formally established in 1986. [T]he first *Comit s d'aide au d veloppement des collectivit s* ... were set up in Quebec during 1986, and as of the summer of 1993 there are 56.³⁰⁰ Community Futures Programmes have since been established in most provinces.

Community Futures supports an integrated approach to local labour-market problems in rural and remote communities. Support is designed to build community capacity to manage change and adjustment, to support the development of local institutions and to implement locally designed strategies.³⁰¹ The goal of the programme is to reach certain communities outside metropolitan areas (for the most part, rural), those that are going through an economic crisis and have a serious unemployment problem and have been trying to deal with it for a long time.³⁰²

Community Futures reflected a new direction in federal regional development policies, based on an emergent 'bottom-up' perspective, known as community economic development.³⁰³ The goal of this 'bottom-up' approach is to create self-sustaining, locally based economic development. The rural areas in which Community Futures programmes operate, traditionally, have unstable, volatile economies and these regional economic development programmes represent *the will and the ability of the local communities to take charge* of their own destinies.³⁰⁴ The political leadership of provinces and local governments also recognize that community economic development has a human dimension that cannot be ignored. They would tend to favour socioeconomic development, using a community development approach, as essential for efficiency, effectiveness, and perhaps more importantly, acceptance.³⁰⁵ It is expected that [t]his increasing awareness will help to foster an improved climate for community economic development in the future.³⁰⁶

The Community Futures programme is built around Community Futures Committees (CFCs), representing an area of 5,000 to 50,000 (optimally, 30,000 or more) population. These local committees are responsible for managing projects and are accountable under contract to the federal government. They also co-ordinate their projects with provincial and municipal development organizations active within their area. There is substantial funding of about \$100,000 per year to support the development efforts of the committees. This

²⁹⁹ West Coast Development Group for the BC/Yukon Community Futures

Association. *Entrepreneurial Communities: A Handbook for Local Action*.

Community Futures Development Association of BC. Vancouver, BC. 1993 p. 42

³⁰⁰ Vachon, Bernard. Local Economic Development Policies in Rural Quebec - The Situation Today. *Community Economic Development in Canada; Volume Two*.

David J.A. Douglas, ed. McGraw - Hill Ryerson. Toronto, ON. 1994. p. 113

³⁰¹ Baker, Harold and Lou Hammond Ketilson. Community Economic Development in Saskatchewan. *Community Economic Development in Canada; Volume Two*. David

J.A. Douglas, ed. McGraw - Hill Ryerson. Toronto, ON. 1994. p. 189

³⁰² Vachon. p. 113

³⁰³ *Entrepreneurial Communities*. p. 26

³⁰⁴ Vachon. p. 125

³⁰⁵ Baker and Ketilson. p. 198

³⁰⁶ Ibid.

funding is initially for six years, with an option to extend. Committees are assisted by Community Futures consultants employed by the federal government to implement the programme, facilitate the committees' work, and monitor the results. Training has also been an important component. Community volunteers are trained in strategic planning, the theory and practice of CED, and other subjects.

Community Futures areas also involves Business Development Centres (BDCs), though some BDCs have also been created separately from Community Futures areas. Each BDC operates as a small bank which can provide loans and loan guarantees up to \$75,000 to help entrepreneurs, co-operatives, or companies to start or expand businesses. Loans are usually to top-up other funding and are high-risk, as the BDC is usually the lender of last recourse. BDCs usually have about three staff members, who also assist the Community Futures Committee. The initial funding is about \$1.5 million over five years for equity investments, loans, and guarantees. Returns on loans are intended to pay for the continuing operation of the BDC.

The Community Initiatives Fund, another programme offered by EIC/HRDC, complements and supports the work of the CFCs. The Community Initiatives Fund works with local committees -- CFCs or Industrial Adjustment Committees (IACs), which are usually formed in the case of plant closures -- who are funded to do long-term strategic planning, market research, inventory studies, and business training.

Outcomes. Community Futures committees are generally rural, are composed of local citizen-volunteers, and have real responsibilities as well as appropriate training and significant resources. These characteristics of structure and process distinguish the Community Futures programme as one of few genuine community-economic-development programmes mounted by a senior government in Canada. This is to say that Community Futures is the only federal programme, as a whole, to meet the narrow definition of rural development: development that necessarily and systematically includes social-capital- or capacity-building. The analysis of Douglas, 1994b, suggests there are no provincial programmes, either, that approximate community economic development as closely as does Community Futures: although provincial (and territorial) governments are constitutionally and operationally closer to local government and communities in Canada, none have designed and delivered a community economic development programme. (p. 96)

The consensus is that Community Futures is the programme that best approximates what a CED programme should be -- so far. This has elicited widespread positive reactions from those actively involved in rural and community development.

There should be three significant qualifications to this widespread positive view.

First, Community Futures is only an approximation. While it incorporates important elements of local, community-based planning, it also remains closely bound by rules, contracts, and precisely defined programme options; also by the nature of the local institutions with which it works. It remains to be seen whether, over time, the framework of Community Futures gives breathing room for ongoing rural and community development.

The following comment by a sociologist, recounting her first exposure to Community Futures, is indicative or questions that may be asked in future years:

I was also struck by the claims of some community development workers that there have been important changes in community development programmes, making them less rigid, more adaptable and more available for community control. While this is certainly possible, I also heard (over lunch) that community futures boards are still often controlled by old boys' networks. Is community control, control by community elites?

307

Second, Community Futures arose out of an employment- and training-oriented department, and stresses economic development. This is not an all-encompassing regional, rural, or community development vision, though it could be part of one.

Third, the recent expansion of the programme to cover virtually all of rural Canada may dilute it, may change it, or may prove its ultimate success.