UNDERSTANDING OUR REGION'S ECONOMIC CHALLENGES

John K. Galbraith, the well-known Harvard economist, put a question to Maritimers – "the Maritime Provinces are in the middle of two of the world's leading economic hot spots – Western Europe and the eastern seaboard of the United States. Why has economic development skipped over your region?" – I seek to answer this question in my *Looking for Bootstraps: Economic Development in the Maritimes*. I point to three reasons – geography, national political institutions and national policies and we, Maritimers.

Geography matters in all things, particularly so in economic development – the fact that the three Maritime Provinces are on the periphery of North America, away from the continent's largest markets, matters. Isambard Brunel's invention in shipbuilding would revolutionize the industry and the Maritime region would pay a heavy price. His iron-hulled propeller-driven ships started to cross the Atlantic Ocean and brought to an end the Golden Age of Sail.

Canada's national political institutions, however, have made matters worse, much worse for our region. Canada is the only federation that does not have a capacity in its national political institutions to speak on behalf of its regions. Canada was established in 1867 essentially to deal with a crippling political problem in Ontario and Quebec. Western Canada did not exist then and the Maritime Provinces were taken to the cleaners by Macdonald, Brown and Cartier and the British Colonial Office. Consider this – during the negotiations it was agreed that several canals (the economic lifeblood of commerce in the 1860s) would be built. Nine were built or re-built in Ontario and Quebec and the only one committed for the Maritimes – the Chignecto Canal – was never built.

Consider also Ottawa's decision to concentrate all the World War II efforts in Ontario-Quebec. Ottawa established all 32 Crown Corporations to mount the war effort in Ontario and Quebec, drawing Maritime labour to Central Canada. Ottawa also gave ship building contracts to firms in Central Canada as part of the war effort. The first ten ships built for Britain barely escaped getting trapped in the St. Laurence in the winter freeze-up and required substantial work in the Maritimes before they could risk an Atlantic crossing. British military advisors concluded that in Canada "Political issues weigh heavily." Both American and British military advisors urged Ottawa to locate Canada's logical naval headquarter and repair centre for large vessels in Halifax. They were unsuccessful. This was one time where geography should have favoured the Maritime Provinces. It did not because Ontario and Quebec had the political clout to look after their economic interests.

There are many other examples. Ottawa said no to Thyssen Industries to establish a plant to manufacture Light Armoured Vehicles in Cape Breton. A senior Privy Council Office official explained why: "this is a moral choice, a point of principle, a decision not to build a stall in the Middle East arms bazaar." Fast forward to 2015. Ottawa agrees to a multi-billion dollar deal to sell made-in-London, Ontario, Light Armoured Vehicles to Saudi Arabia. No one in Ottawa spoke about a moral choice or building a stall in the Middle East arms bazaar. The focus was then on sustaining "3,000 jobs in London." To Ottawa 3,000 jobs in Southern Ontario somehow matter a great deal more than 3,000 jobs in Cape Breton.

One does not need to look only to history to see that national political institutions have failed the Maritimes. Consider this – in the 1970s, only 28 percent of federal public servants were located in the National Capital Region. Today, the number is 43 percent. I could go on with many other examples and I do in my book.

The point – Maritimers should not buy into the view often voiced in the national media or in some Ottawa circles that Maritimers are solely responsible for their region's lack of economic success. A combination of geography and political power that belongs to regions with the most seats notably Ontario-Quebec with no counter balancing Upper House capable of speaking to the interest of the smaller provinces have hardly helped matters. In brief, Maritimers continually have to pull against gravity to generate economic activities.

Maritimers also need to look in the mirror. I maintain that more than other regions, we are comfortable with the status quo. More than other regions, we do not see opportunities where opportunities exist. More than other regions, we are all too often negative about our region's economic potential. More than other regions – and because of our relationship with the Government of Canada and its past policies on transfer payments – we accept too readily that government has a role in managing economic success rather than establishing the circumstances for economic success. More than other regions, we say no to some development opportunities, thinking that somehow or some way we can nevertheless sustain present levels of public service.

Nova Scotia's recent high-profile economic development report *Now or Never: An Urgent Call to Action for Nova Scotians*, better known as the Ivany Report, went to the heart of the issue with the observation: "Throughout our discussions with Nova Scotians, we heard a frequent message that our province and our people need a 'new attitude'. There is an abundance of community spirit, but some negativity as well, stigmatizing success and resisting change. There is a clear need for Nova Scotians to consider not only who gets what from our collective pie, but how we can make it bigger." My sense is that the observation applies no less to New Brunswick and Prince Edward Island.

Both New Brunswick and Nova Scotia have said no to important economic opportunities. Shale gas, for example, has been an important engine of growth in western Canada and some regions of the United States. I note that I have been an active participant in the shale gas debate in New Brunswick. I put a question to opponents of shale gas in my province within a few days after SWN decided to invest in New Brunswick: "How can we, on both economic and moral grounds, accept transfer payments from other regions that are generated largely by shale gas and oil development and at the same time say no to shale at home?" I have yet to receive an answer. Some have even argued that I should not have raised the question.

Our region's population mix also favours the status quo. We have an aging population and we have not been able to attract enough new Canadians. Apart from our aging population, the region's culture and attitude are also shaped by an economy of scarcity. A higher reliance on transfer payments, both at the provincial government and individual levels, reinforces caution and the status quo. The region also has a strong reliance on bureaucracy, health, education, for jobs and has a concentration of ownership in the private sector. The latter has led many Maritimers to view the local private sector not as a dynamic engine for economic growth and job creation, but rather as a threat to the environment and the genesis of inequalities of income and wealth. When I ask them to provide an alternative, however, I am met by silence.

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