

Regional Disparities: The Canadian Case in the Theoretical Context

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The economic growth or decline in many countries is spread unequally over the regions of the country. In most countries, national economic growth is accompanied by an intensified polarization among regions and an increase in the disparities among them. Only in a few countries is national economic growth accompanied by a narrowing of regional disparities. This geoeconomic phenomenon has been given various names by researchers: the north-south problem, the geographical core-periphery structure, the sociospatial conflict, regional inequality, and the geographic distribution of economic development.

Many empirical research studies show that the debate on this issue revolves mainly around the spatial outcome, as reflected in a non-uniform spatial distribution of variables that characterize the "level of development" and/or "level of well-being", based on "large" geographical units (Smith 1979, 1987, 1994). This seems to be where the consensus among the numerous researchers begins and ends, and controversy and deep rifts appear across schools of thought regarding the following questions:

- How does one define and measure the "level of development"? Is the level of development of a region the same as its level of well-being, and if so, how does one measure "regional well-being"?
- Should the "level of development" of a region be determined by objective or subjective variables, or based on indicators that take both into account?
- Does regional inequality with respect to the level of development increase or decrease over time? Is there a difference in this respect between developed and developing countries?
- What are the factors that produce spatial polarity with respect to the "level of development", and what research methodologies should be used to identify these factors?
- Should one only use the data that are published in most countries based on administrative geographical units, or are these units irrelevant to this sort of research, in which case one must construct a database using economic geographical units?

- Finally, what are the important issues in this field of research: questions regarding spatial results (such as, the inequality itself) or questions regarding all the various economic, social and political factors that have led to the spatial results?

These questions involve the theoretical, methodological, and empirical aspects of the subject, and the literature shows profound disagreement among the researchers.

The present study addresses the third question: do regional disparities shrink or increase over time, and is governmental intervention needed to reduce them? There are three main schools of thought: the spatial-equilibrium school, the spatial-disequilibrium school, and the radical school. This research presents the main arguments in the debate among these three schools in general and among Canadian researchers -- economists, geographers, sociologists, political scientists, and planners -- in particular.

The Spatial-Equilibrium ("Convergence") Approach in the Economic Context

The main claim of the supporters of this theory is that regional inequality in the first stage of national economic growth is a natural state that stems from lack of coordination between the spatial system (regional economic growth) and the national system (national economic growth). Over a period of time, however, with the increase in the free movement of the factors of production (labour and capital) among the regions, regional inequality will be minimized or possibly eliminated.

Figure 1 Williamson's Model: The Relationship Between Regional Disparities and National Economic Growth

According to Borts and Stein (1964), migration of the labour force from low-income regions, with a surplus of available labour, to high-income regions, with a demand for labour, reduces regional disparities in unemployment and income. The reduction of interregional inequality, through labour migration, can only be understood in the short term if the traits of the migrant are ignored. In such an event, the migration of workers and their families from peripheral regions to core regions reduces the number of workers in the periphery. It reduces, for example, the large number of workers in agricultural regions of developing countries, while increasing the number of workers in the core region. In the short run, a period in which the stock of capital remains unchanged, this results in an increase of marginal output in the periphery and a reduction in the core region. This, in turn, leads to reduction of interregional income inequality. A different graphic approach that presents the spatial-equilibrium approach using the value of marginal product and internal migration can be found in Lipshitz (1992).

The closing of the gap between regions over a period of time has been illustrated through the famous inverted-U curve suggested by Williamson (1965). The curve presented in Figure 1 illustrates how, in the first stages of national economic growth, regional inequality grows. From a certain point, W_o , the national economic growth W is accompanied by a reduction of regional disparities, V_w . In other words, the curve shows that in a poor country there exists regional equality of poverty. In the course of national economic growth, regional inequality increases up to a certain point. After this point, national economic growth is accompanied by a decrease in regional inequality (regional equality of prosperity).

Researchers who quote Williamson view the theory as a "transition theory" describing a phase that every country must pass through in the process of national economic growth (see, Vining and Strauss 1977; Mera 1979; Fisch 1984). In other words, it is sufficient to improve the rate of national economic growth in order for interregional gaps to narrow "automatically" (without intervention from above). Williamson's approach is the "official position" of the spatial-equilibrium school and, fifteen years later, we find researchers who still support him (Mera 1978, 1979). For example, Mera (1979: 1129) states:

"In recent papers I have demonstrated, on the basis of the development experiences of Japan and Korea, that economic development not only raises the average per capita income but also decreases income disparity among regions and thereby reduces the magnitude of other regional problems."

Mera (1979: 1129) then makes the following far-reaching conclusion:

"Thus the urban-rural imbalances are considered to be a temporary problem that can be overcome in a shorter span of time by accelerating the growth rate of the economy."

The theoretical and empirical research by Barro and Sala-i-Martin -- on the question of whether regions and countries on a low economic level experience more rapid or slower growth than regions and countries that are already on a high economic level -- also supports the equilibrium theory (Barro 1991; Barro and Sala-i-Martin 1991, 1992). They support their thesis of convergence with an analysis of data on US states from 1841 to 1963 and a comparative analysis of 98 countries between 1960 and 1985.

This theory is not widely accepted and has been criticized extensively.

The Spatial-Equilibrium Approach in Canadian Research

Some of the Canadian researchers of the spatial-equilibrium school have paid considerable attention to the role of regional migration in Canada in reducing disparities.

Grant and Vanderkamp (1987) believe that internal migration is bringing about a reduction in regional disparities in Canada. People are moving from areas with a surplus of labour to areas where labour is in high demand, thereby reducing disparities in income

per worker and in public expenditure per capita. The persistence of the disparities and their failure to shrink substantially is, as Grant and Vanderkamp see it, due to government interference. These researchers note two government plans that have a spatial aspect: federal-provincial transfer payments and the unemployment insurance system. Both plans encourage residents not to leave the poorer provinces, thereby producing geoeconomic inefficiency. The policies prevent an increase in the marginal product of workers (and income per employee). They harm the tax base, thereby lowering the quality of public services. The researchers see a conflict between economic-efficiency policy and spatial-equity policy in Canada. "The pervasive conflicts between equity and efficiency objectives of policy present a serious conundrum in the Canadian political policy" (Grant and Vanderkamp 1987: 14).

With respect to the effectiveness of equalization payments, Boadway and Flatters argue that a person who decides to migrate can hardly be expected to take the equalization payment policy into account, and therefore migration will not cause the effective and equal dispersion of the workforce that the federal government would like. Internal and global migration of labour results from the economic interests of individuals and makes the allocation of labour more ineffective and unequal -- as it does not take the equalization payment policy into account (Boadway and Flatters 1982). According to these scholars, an equalization payment policy could potentially reduce regional disparities in Canada, but it would have to be a policy different from the present one in terms of its assumptions and its implementation.

Termote (1979), too, shows that internal migration trends -- especially those of the 1970s -- indicate a structural change in the Canadian spatial economy rather than a situational change. The reversal pattern in internal migration trends in the direction of the peripheral regions of Canada will, Termote believes, lead to a reduction in regional disparities. Termote (1979: 6) writes, "... as the migration flow between two provinces increases, income disparity between these same provinces decreases".

Davis (1980) argues that the trends toward reducing regional disparities in Canada are chiefly the result of changes in some provinces in GDP, which reflect spatial changes in the economic structure. Davis does not discuss immigration or internal migration as factors in the reduction in disparities; perhaps he does not consider them particularly important. In his study, Davis shows that the disparities in per capita personal income among Canadian provinces decreased significantly until 1961 (and this trend becomes even more obvious when the populations of the provinces are weighted). Between 1927 and 1961 there were fluctuations in the disparities among provinces with respect to income level, but these were marginal.

Another study that shows a slight, irregular tendency toward reducing regional disparities in Canada -- and stresses the role of internal migration in these trends -- was done by the Economic Council of Canada (1977). This study shows that regional disparities in personal income per capita changed slightly between 1926 and 1964. The disparities were substantial in the 1930s and the 1950s, and less so, but still significant (especially in earned income but also in personal income), in the 1940s and the 1960s. The study

indicates changes in the ranking of provinces by per capita personal income. For example, British Columbia takes over first place from Ontario in per capita income, and beginning in the 1950s the Prairie provinces rank higher than Quebec. The four Atlantic provinces have remained on the low end of the economic scale for decades. The study notes that the following factors influence spatial trends: regional differences in age structure, differences in the rate of participation in the labour force, differences in unemployment rates, and differences in the quality of production factors; human capital (based on level of education) and physical capital (based on annual per capita rate of investment by province).

The study by the Economic Council of Canada shows that internal migration is the most important factor in reducing regional disparities. The rate of increase in total personal income in the wealthier provinces (Ontario, British Columbia, and Alberta) is greater than in the poorer eastern and prairie provinces. However, the differences in personal income per capita are not as salient because of differences between provinces in population growth rates, which stem mainly from internal migration. For example between 1948 and 1963, total personal income rose 7.5 percent annually in Ontario, 7.7 percent in British Columbia, and 5.6 percent in Saskatchewan, whereas in the same period the population rose 2.8 percent in Ontario, 3.1 percent in British Columbia, and 0.7 percent in Saskatchewan. As a result, the rate of increase in per capita personal income in Ontario was 4.6 percent, in British Columbia 4.4 percent, and in Saskatchewan 4.9 percent.

According to this study, the decrease in regional disparities in Canada is due not to regional differences in labour force efficiency, but chiefly to differences in population growth. The cause of these differences is, to some extent, the geographic distribution of immigration to Canada, but most importantly the geographic distribution of internal migration.

The neo-classical approach to Canadian economics -- which advocates the use of market forces alone to reduce regional disparities -- attributes the failure to reduce regional disparities to a market failure. According to this approach, market forces should be permitted to act freely, all economic systems in all regions should be assured full access to information, and government intervention should be avoided; if this is done regional disparities will decrease.

Courchene (1970, 1978, 1981; Courchene and Melvin 1986) -- one of the most prominent advocates of the spatial-equilibrium school (the neo-classical approach) -- argues that high unemployment rates in poorer regions are the result of a faulty government wage policy. When a minimum wage is set in a particular region, actual wages (what the employee actually receives) are higher than true wages (what the employee "deserves" on the basis of marginal product), and therefore industry is not drawn to the region. Transfer payments do not help to reduce disparities either, because the transfer of government funds to the residents of the periphery encourages the "inefficient" to remain in the region and deters them from migrating to other regions.

Courchene argues that the problem of regional disparities in Canada will be solved only when transfer payments to the poorer provinces are cut back. Any strategy that reduces real wages and pays true wages instead will lead to the migration of surplus labour from the poorer areas, will attract industry to them, and will stimulate positive economic activity in them, thus ultimately benefiting these areas. The minimum wage policy is essentially a "minimum-wage boomerang", as Courchene puts it. Courchene believes that market forces should be allowed to operate. "Market forces should be left alone to bring about a solution to regional inequality", he writes.

Courchene uses the term "dependency", which, as we shall see below, is part of the basic terminology of the radical approach (which is diametrically opposed to the neo-classical approach). However, he uses the term in the context of "transfer dependency". Courchene views transfer payments from the federal government to the poorer provinces as a major factor in the perpetuation of poverty in these provinces. The payments make the poorer provinces more dependent on the federal government. The provinces use the transfer payments to pay salaries and to supplement income rather than to make the structural changes in their economy that are essential for their development.

"It is highly likely that sheer magnitude of the flow of federal transfers toward less-developed provinces and regions...perhaps even exacerbated regional economic disparities within Canada" (Courchene 1978: 157).

The provincial governments are so busy with the present (for political reasons) that they are not interested in searching for long term solutions and prefer the easy, temporary way, thereby intensifying the economic dependency and perpetuating the regional disparities.

Mills, Percy, and Wilson (1983) take an approach similar to that of Courchene. They argue that internal migration in Canada fails to reduce disparities chiefly because it is not motivated by considerations of economic efficiency, and this is because of government intervention. As they see it, the spatial-equilibrium school assumes that migration is a process of economic efficiency because workers respond to regional differences in income by moving where their marginal product, and hence wage, will be higher. Anything that causes a deviation from this pattern will lessen the probability that disparities will be reduced. This, they believe, is precisely what has happened in Canada.

As Mills, Percy, and Wilson see it, spatial models of migration and economic disparities have to focus not only on income and unemployment, but on fiscal factors as well. In Canada, these are manifested in the transfer of funds from the federal government to the poorer provinces. Such transfers reduce income disparities among the provinces, but cause geoeconomic inefficiency of the labour force in the poorer provinces. Migration from these provinces (which might otherwise have moved the unemployed out) drops, and at the same time migrants are drawn to these provinces, where marginal output per worker is low (and wages per worker should be low), but real wages are fairly high due to federal transfer payments.

On the relationship between fiscal policy, migration, and regional disparities, it is worth noting a study by Day (1992). Day shows that fiscal policy -- for example, reductions in taxes and financial support for public services such as health, welfare, and education -- influences an individual's decision to migrate. So long as there are policy differences between provinces in terms of their public outlay, the regional disparities will not disappear. The "strong" population will move to the provinces that provide high-quality public services. A similar approach to Day's is found in an article by Charney (1993) on the relationship between migration and public outlay in Canada.

Matthews's criticism of Courchene and others who advocate effective wages -- which reflect marginal product -- that are lower than the wages currently being paid is that the effective wages are "slave wages", and make it difficult to support oneself (Matthews 1980, 1983). Moreover, the industries that are drawn to "weak regions", because of the low wages, tend to be searching for low wages and are unable to produce economic growth in the form of higher wages and smaller regional disparities. If we adopt the neo-classical approach to regional economics, critics of it argue, the regional disparities and the dual structure of the spatial economy will be institutionalized.

The Spatial-Disequilibrium Approach (the Planned-Economics Theory)

Researchers of planned economies claim that the spatial movement of production factors (labour and capital) increases regional inequality. They believe that only government intervention (or intervention by a central planning authority) can reduce the gaps among regions in the rate of development. The individual approaches of several researchers are presented below (see, Lipshitz 1992).

Myrdal's (1957) spatial-economic approach is related to his perception of the social system. In his view, neither the spatial nor the social system has a built-in mechanism for automatic stability. According to Myrdal, in the long run, capital and labour (primarily the young and talented) will leave the "declining regions" and move to "growing regions".

Hirschman (1958) developed a theory similar to that of Myrdal. He defines the flow of capital and labour from peripheral regions to core regions as "polarization" and the opposite flow as "trickling down". Contrary to Myrdal, Hirschman believes more strongly in the efficacy of government aid in reducing regional inequality.

Myrdal and Hirschman put greater emphasis on the role of capital and labour in the growth of a region and little or none at all on the role of technological innovation. One of the important contributions made by Friedmann (1973) is his emphasis on the role of technological innovation in regional development.

Friedmann builds a broad theoretical framework, composed chiefly of four factors: population migration, flow of capital investment, spatial diffusion of technological innovation and spatial organization of political power. Their simultaneous influences cause instability in the spatial system that increases the inequality between the core and

the periphery. Friedmann (1973) and Friedmann and Weaver (1979) have suggested several approaches to spatial policy to reduce regional inequality.

Richardson (1973), like Friedmann, attributes great importance to distribution in the creation of technological innovation and to spatial distribution in the absorption of such innovations, in order to explain the increase in interregional inequality (see the broad discussion in Nijkamp 1986 and Shefer 1990). Richardson maintains that a wise spatial policy undertaken by government or its authorities, may influence the rate at which inequality is reduced.

The Spatial-Disequilibrium Approach in Canadian Research

Most of the Canadian researchers are dubious about the reduction of regional disparities in Canada. Wrage (1981) argues that, despite indications that internal migration in the United States reduces regional disparities, this does not seem to be the case in Canada. The expected reduction in disparities does not occur, despite substantial migration between regions. As Wrage (1981: 61) writes in his article: "As an earning adjustment mechanism, migration simply does not work very well in Canada".

As he sees it, it is difficult to see evidence in Canada to support the argument of the spatial-equilibrium theory -- that is, that regional migration, which is prompted by interregional differences in wages and unemployment rates, ultimately leads to a reduction in regional disparities in wages and unemployment. Wrage considers immigration processes and the traits of the immigrants to be important for the economic development of poorer areas. Therefore, an effective spatial policy could foster economic growth in the poorer provinces and thereby reduce regional disparities. At the present stage, however, in the absence of a wise policy, immigration intensifies regional disparities.

Some of the Canadian researchers who maintain that regional disparities in Canada are decreasing, cite the changes in migration trends in the 1970s from the centre to the periphery, and especially to Alberta and British Columbia. However, most of them also consider this spatial change to be short-term. As they see it, the change is due to the temporary economic growth of Alberta as a result of the development of the oil and gas industries in this province. This short-term growth, which brought about decentralization of the Canadian population and reduced regional disparities in income and unemployment, was therefore a passing phase.

Webster (1985) argues that even in the 1970s the centre (Ontario and Quebec) was still benefiting from economies of scale, which were preventing the reduction of regional disparities. In his view, absolute population size in the central provinces still plays an important role in their economic growth (although the rate of population growth is relatively low). For many types of services (personal or informative), which, in the modern age, are a major factor in economic growth, the number of residents in a region (which increases the threshold) and their occupational/educational quality are still

important. Both of these (a large population and the high quality of the residents) characterize the core provinces.

Webster also notes the growing importance of SMEs (small and medium enterprises) in economic growth and in job creation. In this, too, he believes, central Canada has an edge over the periphery.

The Canadian periphery's advantage over the centre has to do chiefly with natural resources, but in the modern age this has little economic significance. The value of the products of quarries is fairly low compared to high-tech industries. Furthermore, industries based on natural resources are replacing human capital with physical capital, and demand for labour in these industries is dropping. The periphery also has the advantage of amenities, but Webster argues that this advantage is insufficient to alter the migration map substantially except in a few "pockets", as he puts it.

The relative disadvantage of the Canadian centre is ostensibly the aging of its population (the elderly in the region do not migrate out, but other elderly people move in from other provinces). Webster does not see this as retarding the growth of the centre, however. On the contrary, the older people -- most of them financially well-off and with capital -- require more services and fewer products. This process may increase the disparity between the centre and the periphery, since the centre specializes in services and the periphery in products.

The spatial decentralization of population in Canada, which characterized the 1970s -- and was seen by some researchers as the start of a disparity-closing process -- is turning into a spatial process of centralization, manifested in the growth of Ontario. As Webster (1985: 391) writes: "No longer will the periphery continue to increase its share of population, income, and head offices at a significant rate".

Shaw (1985), too, argues that internal migration in Canada spurs economic growth in the core and inhibits the economy of the periphery. Shaw's research stresses not only the number of people who move from the periphery to the centre, but also their socioeconomic traits. With respect to the number of migrants, Shaw argues that when residents leave the poorer peripheries the threshold is lowered (fewer businesses and services are opened, and some of those that are already there close), and purchasing power and the tax base also decline (thereby hurting the quality of local public services). Moreover, the drop in population harms the real-estate market, which has a major influence on the other markets.

As for the quality of the migrants, Shaw shows that internal migration gives the central region a young, dynamic, educated population with high potential for development or for "heavy drain", as he puts it. Meanwhile, the peripheral regions lose this population group. Using various indicators, Shaw shows how, for example, in mutual migration between Toronto and Winnipeg, Toronto does 2.5 times as well among the highly educated as does Winnipeg.

Thus, according to Shaw, internal migration intensifies regional disparities in Canada not only in terms of the number of residents, but also in terms of their quality. The spatial distribution of "human capital" in Canada thus becomes more polar, because net migration is negative among "strong" segments of the population -- for instance, those with higher education and academic and scientific professions -- in the Atlantic provinces, and positive in the core provinces. The advantages of amenities and quality of life (which today are major considerations in migration) may help the peripheral regions somewhat, but they will not change the trends drastically.

Immigration as a Mechanism of Increasing Regional Disparities in Canada

The importance of immigration in the spatial dispersion of population and of economic growth in Canada has been decreasing over time. However, the influence of immigration to Canada on demographic and economic growth, especially in certain regions, is by no means negligible.

Major changes have occurred in immigration to Canada in this century, not only in the volume of migration but also in the countries of origin, the provinces and regions of destination, and the demographic-economic traits of the immigrants. All these have a cumulative effect on the economic growth of certain parts of Canada and on the decline of others.

Moore, Ray, and Rosenberg (1990) show that over the past fifty years there have been marked changes in the countries of origin of the immigrants to Canada. In the 1940s and 1950s, most (approximately 70 percent) were from Europe, including England. In the 1980s, the main countries of origin (about 60 percent of the immigrants) were in southeast Asia, while only 20 percent of the immigrants were from Europe (including England). In addition, they show, the destinations of the immigrants have undergone a major change. In the 1940s and 1950s, and even in the 1960s, the main destinations were the peripheral provinces, especially Manitoba and Saskatchewan; in the 1980s, however, the main destinations were Ontario and British Columbia. In 1911 and 1921, about 40 percent of the immigrants to Canada moved to the Prairie provinces and about 30 percent to Ontario; in 1986 the figures were 15 percent and 55 percent, respectively. In 1986, about 15 percent of the total population of Canada consisted of immigrants, while in Ontario and British Columbia the figure was over 20 percent. In Vancouver, immigrants constituted 30 percent of the population, and in Toronto 36 percent (McKie and Thompson 1990). In all provinces, there is a tendency for immigrants to settle in the larger cities. This change is a clear reflection of the structural changes in the Canadian economy: a switch from agriculture to industry and from industry to services.

These findings show clearly that immigration to Canada produces demographic polarization between and within provinces. However, Moore, Kay, and Rosenberg argue that this spatial-demographic polarization can also accelerate geoeconomic polarization. The reason is not only the greater number of residents in a few central provinces (which, of course, also has economic significance because it boosts the threshold and purchasing power) but also -- and perhaps chiefly -- the quality of the immigrants. It seems that

"immigrants are more likely than non-immigrants to have a university education" (McKie and Thompson 1990: 9). In 1986, 12 percent of all immigrants to Canada aged 15 or over had university degrees, as opposed to 9 percent of non-immigrants in Canada. About 16 percent of all immigrant men had a professional occupation, as opposed to 12 percent of non-immigrant men. Immigrant men also seem to work more efficiently, or to have higher-paying occupations, than non-immigrant men, since McKie and Thompson show that "generally, immigrant men earn more than comparable non-immigrants, whereas the opposite is true for women" (McKie and Thompson 1990: 11). The average annual salary of immigrants who worked full-time was \$31,800 in 1986 as compared to \$30,200 for non-immigrants. The longer the immigrants have been in Canada, the higher their salaries (to a significant degree) and their labour-force participation rate. Among certain age groups, their labour-force participation rate even somewhat outstrips that of non-immigrants.

One of the main reasons for the "importation of human capital" of such high quality is the Canadian government's immigration policy. Under this policy it is possible to select among prospective immigrants (Hawkins 1974), and therefore the socioeconomic level of the immigrants from southeast Asian countries (which are the chief countries of origin for immigrants to Canada in the 1980s) is higher than that of non-immigrants. In 1986, 21 percent of south Asians in Canada aged 15 and over had university degrees, as compared to only 10 percent of Canadian adults (McKie and Thompson 1990).

In other words, because the immigrants are well educated, work in technological professions, and are highly motivated to integrate into the economic life, they are an important motivating force in the Canadian economy in general and in the economies of several provinces and major cities in particular. Since the immigrants are concentrated in just a few regions, they stimulate the local economy in those places, but they do not promote the economy of most other regions. Therefore, immigration to Canada intensifies regional disparities.

Moore, Kay, and Rosenberg show that the immigrants respond quickly to changes in the national and spatial economy of Canada. Therefore, they tend not to migrate within the country very soon after initially settling in Canada, in the medium term they do tend to migrate, especially to those few regions that are experiencing economic growth (Moore, Ray, and Rosenberg 1990). Their data demonstrate clearly that all the provinces other than Ontario and British Columbia "continue to lose immigrants".

The Radical (Structural) Approach

The equilibrium researchers claim, as clarified in this section, that the spatial movement of market forces leads to the narrowing of interregional gaps (even without government intervention). The planned-economies researchers (the disequilibrium approach) claim, however, that the spatial movement of market forces leads to the widening of interregional gaps and necessitates government intervention. The radicals believe that market forces cause interregional inequality to increase, and governmental activity operates in the same direction as market forces: it increases disparities. However,

according to their approach, this is not the central issue for study. According to their approach, the main questions to be dealt with are those concerning the causes of inequality. Gilbert and Gugler (1982: 2) write: "Instead of considering how individual peasants respond to rural-urban differentials, current work focuses more on the causes of these differentials". Or, as Wilber and Weaver (1979: 118) write, "Questions must be asked about the role of imperialism and dependency in creating underdevelopment", and "The structural approach tries to get behind statistical indicators...and attempts to identify the social forces that are responsible for generating these indicators" (Wilber and Weaver 1975: 120). In the opinion of the radicals, the state actually supports the perpetuation of regional inequality, either directly or indirectly, even though it declares its intention to reduce it.

According to the radicals (Marxists), only after the causes of interregional inequality are identified and studied will it be possible to formulate a suitable policy for development or to take any action against the "causes", and so reduce regional inequality (Frank 1979).

As the radicals see it, the political- and economic-history studies of underdeveloped nations made it clear that there was not much hope that backward regions and underdeveloped nations would pass, with time, from a stage of underdevelopment to a stage of development. The main reason for this conclusion is associated with the dependency that existed in the past, and continues to exist in the present, between the "controlled class" and the "controllers' class" (authority-dependency relations), between the periphery and the core region (Evans 1979). On the national level, the periphery is usually made up of rural areas and small urban settlements, while the core consists of metropolitan areas. On the international level, the periphery includes most of the developing nations, while the core refers to the developed nations (Western countries). The dependency between social classes, between regions, and between countries is therefore the essence of capitalism (Peet 1975; Soja 1980). Why did capitalism not bring to the periphery the economic growth that it brought to the core? How did it create the regional inequality within the countries it controls?

In large part, the answer is that the development process that took place in developed nations or regions is the flip side of the same process of underdevelopment in underdeveloped nations or regions (Henriot 1979; Griffin 1979). That is to say, the development of prosperous nations or regions has caused the slow development of the underdeveloped nations or regions. To be exact, the developed countries grow by exploiting the underdeveloped countries. The methods of exploitation and the "agents of exploitation" (including senior government officials) vary with time, although their objective -- the exploitation of the underdeveloped countries or regions -- does not. The exploitation process also benefits the local elite, which is centralized in the large cities.

Although the agents of exploitation and even the "regions of exploitation" vary, the method of "building on the best" has been preserved from the beginning of capitalism to the present. As Weisskopf (1979: 143) writes, "The very logic of capitalist expansion is to build on the best", that is, "to invest in these areas and favor those people that are already the most economically advanced".

The Radical Approach in Canadian Research

Radical scholars in Canada -- most of them sociologists and political scientists (Matthews 1983; Veltmeyer 1978; Galois and Mabin 1982; Innis 1956a, 1956b; Brodie 1990; Archibald 1971; Clement 1975, 1978) -- who address regional problems do not accept the arguments of their colleagues (economists, geographers, and urban and regional scientists) from the two schools discussed previously. The bulk of their criticism is directed at the spatial-equilibrium school. Matthews rejects Courchene's premises. For example, Matthews does not agree that low wages in a particular region in Canada will attract capitalists and large entrepreneurs, thereby improving the economy of these regions and consequently boosting wages. If the motivation of the people with the capital is to maximize profits, why don't they migrate to (or open another plant in) other parts of the world where salaries are especially low instead of in the poorer regions of Canada? Furthermore, out-migration of residents of the poorer provinces will not necessary lead to lower unemployment and higher salaries, since the migrants are usually educated, skilled, and young and have high development potential (that is, such migration is a "brain drain"). Migration thus takes away from the poorer provinces the human capital that is essential if high-tech industries, which pay relatively high wages, are to be located there.

According to Matthews, letting market forces do the planning (the equilibrium school) will perpetuate regional disparities.

Matthews argues that many of the scholars studying regional underdevelopment in Canada and social and economic disparities among regions in Canada assume that the causes are to be found within the poorer areas. They believe that these areas lack the attributes necessary for regional development, such as certain sources, capital, transportation infrastructure, communication networks, and even human capital. In the social-psychological context, one sometimes hears the opinion that the residents of the poorer regions are themselves somewhat deficient, and that this is what prevents the regions from flourishing. While they are portrayed as friendly and warm, they are said to lack the traits of human capital that are necessary for economic growth.

Matthews (1983: 3) rejects these suppositions, as he writes:

"Regional underdevelopment, at least in Canada, is not natural but created. Even the poorest provinces and regions of Canada have sufficient natural resources to sustain their population at a reasonably high standard of living".

If certain parts of Canada remain permanently undeveloped, this is not because of inherent characteristics of the region, but rather due primarily to social and economic processes that create a regional dependency in favor of the strong regions and to the detriment of the weak. As Matthews (1983: 4):

"Most societies are not naturally underdeveloped: they are made underdeveloped largely through their contact with more developed ones. The same is true of underdeveloped regions within developed countries. Contacts with the more

developed regions make them dependent and dependency leads almost invariably to underdevelopment".

This general hypothesis regarding geographically unequal economic development is also valid with respect to Canada.

One of the main elements of the radical theory is "dependency development". The theory says that development and underdevelopment in certain regions are caused by economic linkages between regions. These linkages make certain regions dependent on other regions.

One of the main Canadian spokesperson of the radical school was Innis, whose theory is known in Canada as the staple theory. According to Innis (1956a, 1956b), to understand the spatial pattern of Canadian development it is necessary to follow the European invasion of Canada and the methods by which capitalist economic methods were applied in the non-capitalist culture and society.

The colonists in North America, including Canada, strove to trade in the raw materials found in the colonies and to send them to the imperial centres of France, Great Britain, and later even the United States. Under European rule, the geographic location of economic activity in the colonies was determined by the general sorts of products in demand in the European centre and by the specific demand for staple products.

The geographic manifestation of the exploitation of various staples (minerals, fish, fur, wheat, etc.) by the European government in Canada was the development of certain parts of the country and not others. At different times, different regions in Canada were exploited in accordance with the changing demands of the European centre.

Each staple is characterized by a specific pattern of settlement and of linkages with other economic activity. Each staple left its geographic mark in a certain period, leading to the growth of certain regions at certain times and the decline of those same regions at other times.

Innis, therefore, calls for examining the link between political arrangements and non-uniform spatial distribution of development in Canada. Innis' view is relevant to various levels of geographic relationships, such as between the European imperial centres and Canada (especially the Canadian hinterland); between the Canadian regional centres and the Canadian hinterland; and between Canada and the new power that came to dominate the Canadian economy, the United States.

Other Canadian researchers (see the list in Brodie 1990) who support the radical theory argue that, since the emergence of the "heartland-hinterland" geoeconomic structure (or, in the professional jargon, the "core-periphery structure") in Canada, which reflects the regional disparities, the underdevelopment of the hinterland has been dependent on/shaped by the heartland, and the accelerated growth of the Canadian core has come at the expense of the periphery. Below are some of the radical scholars' arguments:

- Metropolitan development and metropolitan policy in Canada have increased production of a limited number of staples in the hinterland.
- Canada's metropolitan policy forced the periphery to purchase the heartland's industrial products, thereby strengthening the economy of the metropolitan areas.
- The industrial (capitalist) development of the hinterland is carried out by economic institutions located in the heartland. Thus, industrial development in the periphery not only affects the periphery, but promotes development of the core concurrently.

A radical argument similar to the one described above is that of Archibald (1971), who argues that the inferior condition of the Atlantic provinces is the result of the past and present control of their economy by people outside these provinces. Before confederation these were the British; after confederation they became the Canadian centre (the commercial superiority of the central Canadian metropolis); and today it is the technological superiority of the American world. These economic centres have drained the raw materials from the Atlantic provinces, controlled and continue to control their economic development, and prevent diversification of their economic development.

In keeping with the "dependency theory", Clement (1978) stresses another element in the dependence of the Canadian economy. He notes the relationship between the polarization of the geographic distribution of economic activity within Canada and Canada's dependence on American multinational corporations. The external dependence of the Canadian economy on multinational corporations and on the U.S. economy, he argues, causes internal spatial asymmetry in its economic development. The effect of this dependence is accelerated growth of the economy of Ontario, where the factories and institutions with strong ties to the U.S. economy and the world economy are concentrated.

As Matthews and others see it, the views of various Canadian researchers presented in this section concur with the Marxist idea that regional disparities are the result of the endemic and natural properties of the aims of capitalism. Among these aims are the unequal distribution of wealth among people and regions and the accumulation of capital by the minority class. In other words, unequal distribution of development is a result welcomed by the capitalist system and is even the lifeblood of the capitalist system.

Indeed, Clement -- who tries to apply Marxist theory to explain regional disparities in Canada -- argues explicitly that it is not Ontario that controls the underdeveloped regions of Canada, but rather a certain group of capitalists who live in southern Ontario (presumably Toronto), Montreal, and Vancouver. These people, whom he calls "compradors", exploit economically the elite group in the underdeveloped regions. Another application of the Marxist theory in Canada can be found in Veltmeyer's study on New Brunswick (Veltmeyer 1978).

Summary: The Official Response to Regional Inequality (Spatial Policy in Canada)

A look at Canadian studies makes it quite clear that for many years the Canadian government has followed the disequilibrium (planned-economics) school. Instead of letting the "hidden hand" (market forces) act to reduce interregional disparities, the government has used various regional-development strategies. This spatial policy has been the subject of numerous studies and differing assessments (Brewis 1978; Savoie 1986, 1992; Lithwick 1978, 1982; Bourne 1981, 1993). This summary will survey briefly various policy measures that have been used by the Canadian government to reduce interregional disparities.

As noted above, the interregional disparities in income and unemployment and the tendency of immigration and internal migration to intensify the polarization of the population distribution in Canada have led the Canadian government over the years to apply intervention from above (Lithwick 1978). Sensitivity to the issue is high on both the federal and provincial levels.

However, there is constant tension in Canada between the "province-building" view that charges each province with responsibility for itself and the "nation-building" view that calls for using national resources to promote the development of slow-growth regions and for increasing mutual responsibility among provinces. This tension is manifested in the conflicting approaches of policymakers in the various provinces. The previous premiers of British Columbia and Ontario maintain that the federal regional-development policy takes a lot of money from the wealthier provinces, is really ineffective, and distorts the Canadian economic structure. Therefore, government intervention should be minimized. On the other hand, the premiers of the Atlantic provinces argue that the federal efforts are essentially compensation for bad federal policy in the past, which, directly or indirectly, favored the wealthier provinces. In the name of regional equity, therefore, they call for increasing government intervention in regional development (Savoie 1992).

Several strategies have been adopted to reduce disparities on both the federal and the provincial levels (Boots and Hecht 1989).

The passive strategy, which contends that government intervention is unnecessary and that market forces should instead be permitted to decrease regional disparities, has not been adopted by Canadian policymakers. The dominant approach in Canada is that of intervention from above -- the development approach -- according to which "regional disparities are caused by the market and...government intervention is essential" (Savoie 1992: 7).

The means of intervention adopted by the federal government are of various types and have changed over the years, although the goal remains the same: to reduce regional disparities.

Despite the spatial policies adopted by the Canadian government over the years to decrease disparities in income and unemployment, actual success has been marginal, and in the past sixty years the disparities have been reduced only slightly (Lithwick 1982). Lithwick stresses that any spatial disparity-reduction policy that is not based on intensive

research into the causes of the disparities and of changes in them is destined to fail. In Canada, he notes, these causes are not only economic -- such as industrial structure -- but political, educational, social, ethnic, federal policy, provincial policy, and geographical as well. "Canadians have a history of handling the regional development process badly, and they know little about works". Furthermore, Lithwick (1982) notes that when a policy is adopted it must be clear and consistent and not follow a zigzag course, and it must combine good research with efficient administration.

The findings of the empirical studies indicate that regional disparities in Canada are stable over time and have even increased in terms of some of the variables used to measure the development level. Despite all the efforts, regional disparities still remain. As Savoie (1992: 3) writes: "There is probably no other field of government expenditure in which so much money is committed, but so little known about the success of the policy". The regional economic disparities and trends toward spatial polarization of population that characterized Canada in the 1950s were still around in the 1980s and may even have become more marked.

In the 1980s and especially in the 1990s, Canada has to deal with worldwide economic changes: economies everywhere are restructuring (Bourne 1993). If Canada wants to be part of the international structural changes (and if it does not do so it will sink into economic regression), its economic policy must become more outward-oriented. The aspiration for economic efficiency and competitiveness in world markets may prevent Canada from striving for internal spatial equality. The dilemma between economic efficiency and spatial equality in Canada is thus serious, fundamental, and genuine. Canadian spatial and economic policymakers have been working on it for decades and will apparently continue to do so into the next century.

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Figure 1 Williamson's Model: The Relationship Between Regional Disparities and National Economic Growth

