

REGIONAL POLICY IN NORTH AMERICA: INTRODUCTION TO THE SYMPOSIUM

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The six papers that comprise this symposium on "Regional Policy in North America" have their origins in a panel discussion which took place at the Twenty-Eighth North American Meeting of the Regional Science Association, held in Montreal in November 1981. This collection of papers has been assembled and published with two purposes in mind. The first is to elicit a comparative account of both the perceived nature of "regional problems" in the United States and Canada and the types of approaches that have been employed to deal with these problems. Such a comparison is not only interesting from a detached academic perspective; from a policy viewpoint, the relative successes or failures of each nation should prove instructive to policymakers in both countries and elsewhere. Naturally, the results of any comparison will only be valid if interpreted within the context of the respective institutional structures and policy environments. Second, and more generally, this symposium, through the juxtaposition of the views of a number of experienced regional analysts, is designed to identify and to stimulate the further discussion of a broad spectrum of regional policy issues.

The papers in this collection are relatively brief, personal, and somewhat impressionistic perspectives on regional policy in North America. Within the limits imposed by the small sample size, they do succeed in demonstrating some of the fundamental similarities and differences in the perceptions of regional issues in the two countries. And, as we shall see, the symposium provides the basis for a broad and useful framework for thinking about regional policy in any national context.

A Tale of Two Countries

A comparison of regional policy in the United States and Canada could easily result in a book-length treatment. The present attempt is brief and selective, focusing solely upon those issues raised by the symposium participants. A simple, yet effective, method of undertaking this comparison is to identify the commonalities in the approaches of the two countries and, conversely, to point out the divergencies. Strictly speaking, of course, this exercise only partially involves an objective examination of United States and Canadian regional policy; in large measure, it reflects the perceptions of the participants.

The *first* point of *commonality* is the historical lack of consistency which characterizes both the conceptualization by policymakers of "the regional problem" and, consequently, the public policy initiatives designed to address that problem. As Harvey Lithwick points out, both the frame of reference and the policy tools employed have been volatile over time. Further, due to a lack of intragovernmental coordination, instruments with conflicting objectives have often been employed simultaneously. In Canada, for example, the efforts of the Department of Regional Economic Expansion (DREE) to decentralize economic activity have been counteracted by the efforts of the Department of Industry, Trade and Commerce (ITC) to centralize it in several specific locations. A *second* and related point concerns the role of explicit and implicit regional policy. There is agreement among most of the participants that in both countries the overall effects of explicit and spatially differentiated regional policy are vastly overshadowed and often neutralized by the implicit and unintentional regional effects of national (i.e., non-regional) policies involving federal taxes and expenditures, transportation, energy, social welfare, and so forth.

A *third* commonality between countries is a concern with the role and the "fit" of the second-level political units as viable participants in the regional policy arena. On the one hand, the provinces and/or states may have goals that conflict with those of the federal government; province-building and nation-building may often be contradictory activities.¹ On the other hand, neither the provinces nor the states seem to correspond directly to the spatial scale at which regional problems manifest themselves. Regional problems often involve either multi-provincial (multi-state) units - in which event there exists no corresponding political entity to ensure that a satisfactory solution will even be sought, or sub-provincial units - in

¹In addition to its treatment in the symposium, this dichotomy is discussed further in Harvey Lithwick's essay in the "Comment and Discussion" section of this issue.

which case there exists the possibility that the problems will be viewed as too specific and too minor to warrant attention. The papers by Larry Bourne and Donald Hicks reflect these concerns.

Fourth, the range of policy instruments utilized in each country has been roughly equivalent. The one major exception to this equivalence has been Canada's use of public enterprises (crown corporations), a device which has been almost entirely avoided in the United States due to its overtones of socialism. Some of the more common policy instruments will be enumerated in the following section. *Fifth*, while some measure of success, albeit often of a temporary or inefficient nature, may be attributed to several of the commonly utilized explicit policy instruments, Bennett Harrison makes the point that there is absolutely no ambiguity where direct government subsidies to business to promote location-specific investments are concerned: they simply do not work in either (or any) country. Not only do they fail to induce locational behaviour that would not have occurred in their absence, but they represent an opportunity cost to the State in the form of forgone revenues which might have been used to finance programs with a better performance record.

Finally, as Roger Bolton and Fernand Martin note, in terms of the differential regional impact upon the welfare of individuals and the competitive position of local industries, the distribution of natural resource rents will likely become the central concern in both countries. Depending upon the specific policy direction taken, resource rents have the power to greatly ameliorate or greatly exacerbate regional disparities. In addition to their direct effects (royalties and tax revenues), resource rents have the potential for attracting both population and new business investment. As a recent report by the Economic Council of Canada [4] demonstrates, the promise of benefitting from the fiscal advantages of natural resource rents has played a significant role in encouraging migration to Saskatchewan, Alberta, and British Columbia.

As reflected in the comments of the symposium participants, there also exist significant *differences* in the manner in which regional problems are perceived in the United States and Canada, and in the views concerning the appropriate remedies to these problems. To begin with, there has been an apparent shift in the emphasis on regional inequalities in the United States. In the halcyon days of United States regional policy in the 1960s, during which policy was conceived and implemented by a larger, wealthier, and more active federal government than now exists, the polarization between underdeveloped areas such as Appalachia and the developed urban-industrial "heartland" was the central focus. According to Bolton and Hicks, however, variations between the rapidly growing south and west regions and the currently-declining northeast-midwest heartland are now the primary concern.

The recent shift in emphasis in the United States involves much more than the emergence of this new polarity, however. As viewed by Donald Hicks, the regional concept is no longer valid in the United States context. Not only has regional policy been traditionally unable to develop a sufficiently loyal and committed political constituency; it has also become apparent that the social and economic circumstances which effect the well-being of regions are largely beyond the control of even the federal government. Thus, while it may be useful and informative to apprehend the consequences of social and economic changes in regional terms, it does not follow that this justifies active regional policy initiatives designed to produce alternative outcomes. The final *coup de grace* to United States regional policy has recently been administered in the form of the Reagan administration's budget cuts.

Both Bolton and Hicks consider regional inequalities or, more precisely, the federal government's role in retarding and reversing the divergence between regions, as a non-issue. The changing United States regional structure is the logical consequence of the country's geography, of recent developments in technology and in world markets, and of the economies of scale and external economies in the growing regions; the transformation is probably inevitable and possibly desirable. Rather than resisting the shift, federal "regional" policy should attempt to facilitate the transition and to assist the process of adjustment.

Despite a constitution which assigns to the individual states all powers that are not expressly specified to be in the realm of the federal government, the United States regional policy context has traditionally involved a centralized approach. This has manifested itself in concern for the well-being of individual states or regions being superceded by concern for the overall efficiency of the national economy. In this environment, the neoclassical market mechanism process of regional adjustment has been viewed as a relatively acceptable solution to regional inequalities.

In Canada, the principal regional issue continues to be that of the inequalities in per capita income levels between developed regions - industrialized central Canada and the resource-rich West - and lagging regions, such as the Atlantic provinces, which have been unable to develop either their resource base or their industrial capacity. Concern over the decline of industrialized southern Ontario has recently emerged, but the focus of the "regional problem" remains principally the underdevelopment of the periphery.²

²Within the context of a century-long time scale and within the framework of the staples theory approach, it can be argued that the Atlantic region is characterized by decline rather than underdevelopment; this line of reasoning is, however, largely an exercise in semantics. Certain portions of an underdeveloped region, industrial Cape Breton for example, may legitimately be regarded as declining.

Even more fundamentally, the regional concept and the issue of regional inequalities appear to be alive and well and living in Canada. In contrast to the United States case, the tradition of thinking and acting (in a political sense) "regionally" is an integral element of the Canadian policy environment. In the words of Harvey Lithwick, Canadian policy is characterized by a region-centred model of development in which, despite the increasing importance of integration and interdependence, each region is regarded as a quasi-autonomous and minimally linked economic entity.³ In reality, this region-centred perspective has been co-opted by the provinces, which have emerged as the effective regional economic units. We frequently employ multi-provincial entities, such as the Atlantic region or the West, in our analyses, but from a policy viewpoint these collectivities have little basis, save as intellectual constructs; the provinces are the regions. Thus, the regional concept has a political legitimacy in Canada that is absent in the United States.

As Fernand Martin points out, this region- (province-) centred perspective can ultimately be traced back to the Canadian philosophy of confederation in which the well-being of the individual provinces is regarded, at least in their own eyes, as being as important as (if not actually more important than) that of the country as a whole. This political-philosophical orientation has two implications. First, regional policy in Canada has tended to be far more decentralized than in the United States⁴; the General Development Agreement instruments are a prime example. It is interesting to note, however, that by means of the January 1982 reorganization of DREE, the federal government is attempting to reverse the decentralization and to gain a larger share of the credit for the "success" of regional development programs.

The second implication of the Canadian emphasis on province-building is that, in the eyes of some observers, regional equity has largely displaced national efficiency as a policy goal. As a result, the market mechanism solution is viewed as relatively less acceptable, if not largely unrealistic. The marginal acceptability of the market solution is regarded by some analysts as a constraint upon the scope of regional policy and as resulting in an equilibrium state in which regional inequalities perpetuate themselves. Therefore, the role of the federal government, as seen from the provinces, consists of

³See "Regional Policy: A Matter of Perspectives" in the "Comment and Discussion" section of this issue. Lithwick essentially argues that the region-centred perspective needs to be superceded by one based on regional economic integration. This point forms the basis of Larry Bourne's central theme.

⁴This decentralization in a political system in which, in contrast to the United States case, residual powers are assigned to the federal government is somewhat ironic.

retarding and reversing regional disparities or, at worst, of preserving the status quo. A relatively large and active, if not always effective, regional development apparatus thus remains functioning in Canada. In the overall context of the federal government, this apparatus is relatively minor; the 1980 DREE budget, for example, comprised less than one per cent of the total federal budget. And, as noted above, explicit policy initiatives are often overshadowed or neutralized by the implicit regional effects of "non-regional" policy. Nevertheless, in many ways, regional policy receives substantially more emphasis in Canada than it does in the United States.

A Framework for Regional Policy

The papers that comprise this symposium individually address a number of specific issues. Taken together, however, these perspectives provide the basis for a useful framework within which to examine regional policy. The various issues that are raised can be organized in many ways. Thus, the typology employed here represents only one of numerous possibilities. Some of the points addressed below have arisen in the previous section; in order to be relatively comprehensive some duplication will be unavoidable.

The Policy Context

In examining regional policy, a central concern is the context within which it takes place. There are several facets to this context. First of all, one must ask whether regional policy is, in itself, a valid construct. As seen in the previous section, Hicks and Bolton are doubtful of its validity in the United States, although the latter sees a limited role for it in assisting the process of regional adjustment. Bennett Harrison and the three Canadian writers, however, seem to make the implicit assumption that there is indeed a role for it.

The issue of validity appears to involve considerations of both efficacy and political reality. The question of efficacy concerns the ability of (explicit) regional policy to have an effect upon the "regional problem". Can government intervention actually influence the factors that cause regional inequalities, or is it powerless to offset, let alone reverse, the fundamental technological and world market forces that, at least in part, underlie disparities?⁵ Phrased in other terms, are disparities natural and inevitable consequences of

⁵The causes of regional inequalities are beyond the scope of the present essay. Suffice it to say that there are factors which are both exogenous and endogenous to the regions affected. While the exogenous factors tend to be broadly treated in the literature, Coffey and Polèse [2] provide one of the few discussions of endogenous barriers to development.

our economic system, particularly in cases where a nation (or its regions) refuses to allow the market to adjust its regional economic structure? Perhaps there is an analogy here between regional policy and the tale of King Canute ordering the tide to cease. The question of political reality involves the relative degree of correspondence between regional boundaries and political boundaries (which, as we have seen, differs substantially between the United States and Canada) and, perhaps even more basically, the correspondence between these political boundaries and the spatial scale at which regional problems manifest themselves.

Finally, the regional policy context includes considerations of the level of decentralization at which policy is formulated and implemented. Is regional policy the responsibility (or the privilege) of the federal, state/provincial, or local level of government? In certain instances it might also be appropriate to introduce multi-jurisdictional regional authorities into the arena. This issue ultimately resolves itself into one of intergovernmental relations. Despite its tradition of adversarial relationships between the federal government and the provinces, Canada has been able to attain a measure of cooperation through the General Development Agreement instruments. Ironically, with the reorganization of the federal regional development apparatus, these are being allowed to lapse. Successful interprovincial (interstate) cooperation has not been demonstrated in either country, particularly in this age of economic recession during which regional development has come to be viewed as a zero-sum game.

Policy Goals

Regional policy can, and does, reflect a variety of goals, ranging from the maximization of the efficiency of the national economic system to the establishment of an equitable level of well-being among regions. In the former case, policy will generally be directed towards facilitating the adjustment process and expediting the regional transition. In the latter case, policy will seek to induce a convergence in regional levels of income and employment. Here, it is usually assumed that the adjustment process is not involved; transfer payments or the promotion of greater local self-sufficiency are the principal options.

Harvey Lithwick's notion of temporal context closely approximates this dichotomy. Given that regional disparities arise because of differential patterns of development, are they to be dealt with by *transformation* or by *compensation*? Transformation involves a *long-term* structural change or adjustment to discourage the misallocation of resources and/or to encourage new ways to achieve a region's economic potential. As noted above, this can entail either interregional adjustment (efficiency) or intraregional self-sufficiency

(equity). Compensation, on the other hand, involves *short-term* gains through transfers to governments or individuals (equity).

The concept of regional policy goals is closely related to, and perhaps a function of, both the view of regional structure adopted and the spatial scale at which policy is targetted.

Regional Structure

To a large extent, the specific nature of regional policy is a direct consequence of the often implicit view adopted by policymakers of the regional structure of a nation. As Harvey Lithwick notes, there are two competing views: the regions as an internally homogeneous, minimally linked, autonomous unit; and the region as an economically interdependent element of the national, continental, and global systems. In Lithwick's paper the interplay in Canadian policy between views of regional structure and temporal context is reviewed. In his "comment" at the end of this issue he ascribes some of the manifest difficulties in Canadian regional policy to the reluctance of policymakers to abandon the region-centred or autonomous unit perspective in spite of its inappropriateness in a developed country such as Canada where interdependence is a reality; the dominant activities within each region tend to be those which are functionally linked to activities in other regions.

Larry Bourne argues along similar lines, noting that Canadian regional policy is essentially a contest between these competing views of the country's regional structure, and that the widespread assumption that the regional problem can be isolated from the operation of the space economy as a whole is dubious. He advances an urban system perspective as an alternative and more appropriate view of regional structure. The functional interdependence of the space economy is the basis of this view. The units of analysis in this perspective are urban-centred regions whose centres act as control points in the economy, sending out and receiving goods, capital, labour, and information; intermetropolitan linkages are the principal mechanisms for change. It is implicit in Bourne's argument that regional policy is more appropriately based on the nodal region rather than on the traditional homogeneous region.

Bennett Harrison adopts a differing view of regional integration. He argues that nearly all regional policies in both the United States and Canada have, at least implicitly, the objective of the increased integration of all regions into a well-connected national, continental, and international capitalist economic system, as opposed to an objective of promoting greater local self-sufficiency. Harrison has little doubt that integration - the increased mobility of capital, labour, and information across space - perpetuates inequalities, or produces new forms of inequality even as it eradicates others. As interregional disparities converge, intraregional disparities increase; this is

the Marxist notion of uneven development. Harrison's approach has much in common with that of the dependency theory perspective [3; 6; 7]. Further, the integration-autonomy issue is similar to the territory-function distinction proposed by Friedmann and Weaver [5; 8].

Policy Targets

A further useful construct concerns the units whose level of well-being regional policy is designed to influence. The choice of unit is closely related to the context and goals of policy and to the prevailing view of regional structure. Several distinctions may be helpful in examining policy targets. First, it is useful to distinguish between policies directed at government, at business, and at individual people. Under certain circumstances multi-state/province authorities, individual provinces or states, and local areas may be selected as the targeted level of government. There are numerous examples of such interventions in the two countries. Business is also a major target of regional policy. As Fernand Martin points out, approximately thirty per cent of DREE's expenditures have traditionally taken the form of assistance to industrial firms. We have already seen Harrison's view of such direct subsidies to business: not only do they have a dismal record of performance but they also have high opportunity costs. Individual citizens, too, can be the target of development policies, although many of these policies can be considered regional only in an indirect or implicit manner.

A second useful distinction is related to the first: people versus places as the targets of regional policy. In Bolton's view, although we commonly speak of problem regions, in the final analysis there are only problem individuals and it matters little whether they are clustered together in particular regions. He and Hicks consider the role of place-prosperity policies as being severely limited; people orientation is the better policy. Evidence has shown that policies designed to improve the infrastructure and physical capital of a region or a community in order to make it more attractive for the relocation of business often have little effect.

A third distinction, based upon the notion of scale, can be drawn between inter- and intraregional disparities. This dichotomy has direct relevance to the government-business-people distinction. As noted above, the concept of uneven development concerns the internal polarization of regions that occurs within the context of polarization between regions, especially as interregional disparities begin to converge. Although generally overlooked in a macroscopic approach, the internal disparities in a region are often wider and more significant than disparities between regions. The attainment of interregional equality by no means guarantees equality at the finer scale. The notion of intraregional disparities is particularly

relevant in assessing the success of the growth centre strategy.⁶

Policy Instruments and Institutional Fit

At a more specific level the regional analyst is concerned with the instruments through which policy is implemented. First of all, policy instruments may be distinguished on the basis of sectoral or spatial orientation. In the former case specific sectors of the economy are targeted for assistance and in the latter specific areas are the focus. A second distinction is made by Bolton, Bourne, and Martin, who differentiate between implicit and explicit (or indirect and direct) policy instruments, noting that the effects of the former are generally much more powerful than those of the latter, to the extent that they can, on occasion, neutralize the explicit instruments.

Implicit policy instruments include the federal tax system; federal expenditure programs (e.g., defense spending); macroeconomic initiatives; and programs in social welfare, trade and industry, transportation, and energy and resources. Among implicit policy instruments we can also include private sector preferences. Although not an element of public policy, private preference is often dominant to public policy in its regional effects. A partial listing of explicit instruments includes intergovernmental transfers; incentives and grants to private industry; public works and infrastructure programs; migration assistance; human capital (manpower) programs; public enterprises (crown corporations); local development programs; growth centres; and Canada's General Development Agreements.

It should be noted that an important area for regional policy in the future is likely to involve attempts to "regionalize" the effects of implicit policy instruments. As Bolton and Martin observe, the distribution of resource rents is one such area. Thus, in the long term, "regionalized" policy may become more significant than regional policy.

Finally, Harvey Lithwick calls our attention to the institutional design and "fit" which underlie the formulation and implementation of regional policy. ARDA and FRED begat DREE which, in turn, has recently mutated into DRIE (Department of Regional Industrial Expansion) and MSERD (Ministry of State for Economic and Regional Development); the United States has had its Area Redevelopment Administration, its Economic Development Administration, and its Appalachian Regional Commission. Coordination between programs, between departments or agencies, and between levels of government is essential to effective policy implementation.

⁶See Coffey, Macdonald, and Harvey [1] for a discussion of intraregional disparities in Canada's Maritime provinces.

What effective policy requires is a blend of a clear understanding of "the problem" and effective administration.

This symposium on "Regional Policy in North America" raises these and other issues of direct concern to the United States and Canada. It does not, however, provide the answers to the complex regional problems that have characterized both countries for decades. Regional issues remain to be resolved; consistent regional policy remains to be formulated. Let us hope that this collection of papers will stimulate the discussion of such matters and that it will heighten the appreciation of the elements of regional policy by both scholars and civil servants.

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