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The State as the Engine of Development: Louis Robichaud and New Brunswick

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For most industrialized countries, the 1960s were a turning point, a period during which sustained state intervention was intensified in order to diminish intranational social and economic disparities. Canada was among the trend-setters in this area because of the scope and intensity of the corrective measures it undertook.

When Louis J. Robichaud became premier of New Brunswick in 1960, he fell in with this philosophy. It was inspired by Keynesianism and held that the state could and should intervene in the economy in order to maintain the level of demand as well as to stimulate — through its presence, investments, and incentives — regional economies having trouble adapting. As part of the wider region of Eastern Canada, which for decades had been suffering from socio-economic deterioration, the province of New Brunswick was to benefit, along with its neighbours, from the more active support of the two senior levels of government.

Stimulated no doubt by the mood of optimism prevailing in the early 1960s, the young Premier Robichaud was determined to do what was necessary to propel his province into the industrial era. Hampering his plans, however, was the outdated politico-administrative structure he inherited — a structure that was inefficient and fundamentally unfair. As well, the development of the rich natural resources of this small province of six hundred thousand was being thwarted by the inertia of an industrial elite whose primary motive was self-interest and who were especially concerned with maintaining the status quo. In addition, the Byrne Commission clearly demonstrated at the time that the municipal tax system constituted a serious obstacle to the development of both human resources and the potential of the regional economies. Sweeping reforms were therefore necessary to make the system more equitable, flexible, and uniform

and thus better able to build a stable and prosperous provincial state. The response from Louis Robichaud was the Programme of Equal Opportunity, which comprised 130 separate pieces of legislation. There was no doubt in his mind that the inadequate social framework was wasting human potential, particularly in the field of education, and that the lack of financial support and industrial leadership was resulting in lost economic opportunities.

It was clear, however, that the provincial administration had neither the structure nor the skills required to carry out the development and implementation of wide-ranging provincial policies, particularly in the area of economic development. Also clear was the fact that it would be necessary to adjust provincial strategies to those of the federal government in order to make the best of Ottawa's assistance. There was a need, therefore, to raise the level of expertise within the provincial public service, and that soon became a priority of the Robichaud government. Starting in his first mandate, the premier focused on modernizing the public sector by reorganizing a number of departments and especially by recruiting new personnel with the necessary skills and experience.

Finally, more than any of its predecessors in Fredericton, the Robichaud government strove to promote outside investment in order to develop the natural riches in all areas of the province. After trying unsuccessfully to convince the business establishment to widen and diversify the industrial base, the premier turned to foreign investment, even when it meant involving the province in risky industrial projects. These risks were not always carefully calculated, but with industrial development on the horizon, he was prepared to do what was necessary, both financially and politically, to set the wheels of progress in motion.

The objective of this chapter is not to measure or offer a scientific evaluation of the impact of the policies, reforms, and actions of the Robichaud government. Indeed, it would be difficult, if not impossible, to disentangle social and political influences on the economy, and vice versa. Some of the questions that could be asked are, to what extent can we distinguish the reforms and actions of the Robichaud government from the more general approaches to state modernization and the more pronounced state intervention in the sphere of economic development? what indicators could be used to gauge the contribution of Robichaud's government to the industrial development of the province? what were the respective contributions of the provincial and federal governments to the improvement of living

standards, urban-industrial development, or the rehabilitation of rural areas? and what role was played by the province's large, established companies or, in a wider context, by the worldwide economic expansion during the golden years of the postwar boom?

Because these are highly complex questions where it is difficult to separate cause from effect, I will limit myself to a more modest approach. The first step will be to inventory and describe the principal economic interventions undertaken in the Robichaud era. This will entail a discussion and objective evaluation of the various government initiatives undertaken to stimulate industralization. Second, I will use a range of generally accepted indicators to provide a retrospective assessment of these initiatives. Before beginning, however, it is important that I first describe the social, political, and economic environment in which the Robichaud government found itself at the beginning of the 1960s. Setting the scene in this way is essential in order to fully grasp the dynamics of the era and to better understand the urgency of the situation and the enormous challenges that faced the new government.

Postwar New Brunswick: A Marginalized Region in a Burgeoning Country

Stimulated by immigration and an influx of American investment, the economy of postwar Canada experienced an unprecedented boom.[1] The Maritime provinces, however, found themselves watching from the sidelines as this process of industrialization and rapid modernization of governmental structures unfolded. In New Brunswick, little had changed since the war in the rural and semirural areas, where mixed activities (fishing, woodcutting, and agriculture/tenant farming) still dominated the economy, and more than 60 percent of the population continued to live in unincorporated municipalities of less than a thousand residents. Mechanization had killed many jobs, notably in the forests, where the number of lumberjacks was halved during the 1950s, while rationalization took an even greater toll in agriculture: the number of farms in the province dropped from 26,430 to 5,485 (an 80 percent decline) between 1951

1. This boom was fuelled, first, by an upsurge in population (the population of Canada grew from twelve to eighteen million between 1946 and 1961) and, second, by American direct investment in the Canadian economy (which doubled between 1945 and 1952 and again between 1955 and 1960). In total, foreign investment in Canada climbed from $7 billion to $45 billion between 1945 and 1970. See Janine Brodie, *The Political Economy of Canadian Regionalism* (Toronto: Harcourt Brace Jovanovitch, 1990), 153.

and 1971.[2] The abandonment of agriculture and the rationalization of farms undermined an economic sector that although characterized by small-scale market production and the growing of food crops was nevertheless vital to rural residents. For these regions, emigration had served as a safety valve for decades: New Brunswick registered a net migratory loss of 43,300 people in the 1940s, 37,300 in the 1950s, and 52,600 in the 1960s. (Francophones were hit hardest by these losses in the 1950s and 1960s.)[3] People left the region to find work in manufacturing firms in Central Canada or New England.

In 1960 the population of New Brunswick numbered less than six hundred thousand. It was a strikingly young society: 57 percent of the population was less than twenty-five years of age as compared to 48 percent in Canada as a whole. The average income of New Brunswick families at the time was just 76 percent of the national average, which was not bad for those years. However, the provincial average hid sharp disparities between counties, between rural and more urbanized regions, and also between linguistic groups. The average in some of the southern counties (Saint John, York, Westmorland, and Albert) was between 80 and 90 percent of the national level, whereas others (Carleton, Gloucester, Northumberland, Victoria, and especially Kent) with an average income of only 50 to 60 percent of the Canadian average were far behind. Per capita income in the four southern counties mentioned above was therefore 29 percent higher than the provincial average, whereas in the northern counties (Restigouche, Gloucester, and Northumberland) it was 33 percent below.[4] Saint John County, headquarters of the Irving empire, was home to 15 percent of the province's population, but it generated more than 40 percent of the manufacturing shipments and value added in all of New Brunswick.[5]

The level of industrialization remained low during this period, and important resources were not being exploited because of a lack of investment. The economies of most of the province's regions were far too dependent on traditional primary activities and suffered from inadequate production structures, a complete lack of organization, and deficient (or even non-existent) industrial and technological infrastructures. This logistical weakness constituted a major obstacle

2. Statistics Canada, 1951 and 1971 censuses.
3. Statistics Canada, 1941, 1951, and 1961 censuses.
4. Statistics Canada, 1961 census; author's calculations.
5. Statistics Canada, cat. 31-204.

to the modernization and expansion of the principal industrial and manufacturing sectors.

This marginalization of the provincial economy was coupled with a spatio-cultural cleavage in terms of disparities — a cleavage reflected in the socio-economic divisions between the more affluent urban areas and the resource-dependent rural and semirural areas, on the one hand, and the francophone (or Acadian) minority and the anglophone majority, on the other hand. In fact, there was a deep cleavage between the South, an urbanized anglophone region that was also home to the provincial capital, and the North, a mixed region made up of rural and semirural Acadian-dominated areas and several anglophone urban industrial centres, though pockets of poverty existed in both.

However, these were neither the only nor even the most important constraints on development. Prior to the 1960s, public administration and management in New Brunswick had changed very little, remaining heavily weighed down by an inefficient and archaic structure inherited from the colonial era. Alluding to this antiquated structure in his book on Louis Robichaud and K. C. Irving, J. E. Belliveau, who was commenting on the province's excessive and fundamentally inequitable fiscal burden as well as its decayed municipal and educational structures, said: "Designed for the nineteenth century, the county system itself was rotting and dead by the middle of the 20th but nobody had the energy, foresight or courage to bury it until 1966."[6] In short, in the areas of municipal taxation, education, and health, the situation was nothing short of a complete fiasco.

The politics of this period were typified by a high degree of partisanship, favouritism, and lack of transparency. In fact, since the mercantilist era, New Brunswick politics had been shaped or controlled by a handful of financial and industrial interests, notably the powerful, vertically integrated group run by K. C. Irving. Irving was able to wield his formidable power to *impose* his vision of development on municipal authorities and to thereby wrest from them a range of concessions, often to the detriment of the public interest.[7] He was a

6. John Edward Belliveau, *Little Louis and the Giant KC* (Hantsport, Nova Scotia: Lancelot Press, 1980), 68–69.

7. These concessions ranged from the huge timber concessions on Crown lands to distinctly advantageous tax arrangements like the agreements reached in October 1958 and May 1959 with the cities of Lancaster and Saint John on the supply of water to Irving's pulp and paper mill and refinery. Regarding the refinery, which was evaluated in 1960 at $50 million, Irving paid only $51,500 in taxes to the city of Saint John under a long-term agreement setting out payments that were to rise to $75,000 in 1990. This was far below the standard suggested by

past master in the art of manipulating public opinion in his favour, and even went so far as to build a small media empire within the province. He also used his economic power (i.e., the jobs and salaries provided by his businesses) to exert considerable influence on public policy makers, never hesitating to interfere in the business of government in order to protect his own interests. Moreover, this monopolistic concentration of industry represented a significant barrier to new investment from outside New Brunswick. Given this situation, the low level of investment in New Brunswick was hardly surprising: the average value of per capita investment from both public and private sources was only 64 percent of the national average during the period 1951–64, which at the time put the province in second-to-last place.[8]

Although resource-based industrial developments (e.g., in pulp and paper, mining, and hydroelectricity) had helped to invigorate some areas, too few benefited from these projects. A number of pulp and paper mills were constructed in the interwar years, mostly as a result of American investment (in the Dalhousie, Edmundston, Campbellton, Bathurst, and Newcastle areas) and investment by the Irving group (in Saint John). Still, this new industry was developed on the margins of rural areas and failed to provide a genuine solution to the problem of agricultural decline. As for the enormous mineral deposits discovered in the Bathurst area — they were in the hands of an American multinational that was obviously holding them in reserve and showed no interest in developing them. The same could be said for the six hundred thousand cords of wood that in the expert opinion of John S. Bates constituted an unexploited potential: indeed it was a waste of the province's resources.[9] Although the investment of public funds in megaprojects (i.e., rural electrification and the road system) went some way toward reducing rural isolation, it was insufficient to absorb the workers laid off in traditional primary activities.

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the Byrne Commission ($1.50 per $100 of assessed value). Plainly, Irving should have paid ten times more than he did. These agreements were not only financially prejudicial to the municipalities; they also constituted a clear discrimination against other users. See the description provided by Russell Hunt and Robert Campbell, *K. C. Irving: The Art of the Industrialist* (Toronto: McClelland and Stewart, 1973), 34–35.

8. Harvey Lithwick, ed., *Regional Economic Policy: The Canadian Experience* (Toronto: McGraw-Hill Ryerson, 1978), 15.

9. The report of the Bates Commission on the province's forestry resources was submitted to the Hugh John Flemming government in 1957, but it was shelved.

This, then, was the prevailing situation in New Brunswick at the time the Robichaud government took office. It is important that this be clearly understood in order to fully appreciate the enormous challenges it faced.

A Concern for Horizontal Equity: Unleashing the Regions' Potential

One of Premier Robichaud's key concerns was to foster greater equity in the fields of health care, education, and justice, goals that were reflected in the reforms announced in the Programme of Equal Opportunity. This did not mean, however, that problems of economic development were being ignored. In New Brunswick at that time, the concern for vertical equity (i.e., equity between individuals) was quickly shifted to a concern for horizontal equity (i.e., equity between regions). Louis Robichaud believed that government should play an interventionist role in the economy, and from the first, he worked hard to attract outside investment and to make economic development more equitable across the regions.

In New Brunswick, as elsewhere, the motivation behind increased state intervention to create a better balance among regional economies was hardly spontaneous. It originated, in fact, in the politico-economic context of the interwar years, during which the Maritime region declined economically and fell dangerously below national standards in the provision of social services. The handful of corrective measures applied during the 1940s and 1950s (unemployment insurance in 1940, family allowances in 1944, old-age pensions in 1951, hospital insurance in 1957) had actually been targeted at reducing social inequality. As for the system of equalization payments, the objectives were, as they continue to be today, to improve the finances of provincial administrations with a limited fiscal capacity. But these programs were not designed to meet the economic problems of a province like New Brunswick at the beginning of the 1960s.

Industrialization and the Robichaud Government

The industrialization of New Brunswick did not begin in the Robichaud era. The modernization of the fishing industry, for example, began in the 1950s as the result of a federal program aimed at industrializing the fishery and its provincial counterpart, the Fisherman's Loan Board established in 1946. The Conservative government of Hugh John Flemming had also set up the Industrial

Development Board with a mandate to promote the province's manufacturing sector. In addition, the Conservative government invested in the boosting of electricity production to respond to new developments on the horizon in the field of resource exploitation. Still, the major investments during the 1950s were channelled into traditional infrastructure projects, like the construction of roads and schools, or into the improvement of productivity in basic industrial concerns. Finally, 1959 saw the Irving group open its oil refinery in Saint John, the most modern in Canada at the time.

From the beginning of his first term in office, Robichaud's government sought to attract outside investment in order to diversify the province's industrial base. At the time, the pulp and paper industry was by far the dominant source of industrial production in New Brunswick, accounting for 40 percent or more of total manufacturing output. Four large firms (Fraser, with plants in Edmundston, Atholville, and Newcastle; International Paper in Dalhousie; Bathurst Pulp and Paper in Bathurst; and Irving Pulp and Paper in Saint John) had long monopolized the wood-processing industry.

In the face of opposition from the business elite, Louis Robichaud supported the construction of a new pulp mill in South Nelson (Miramichi). This controversial project eventually triggered an early election call in the autumn of 1963. Robichaud also encouraged the entry — the first in Canada in twenty-five years — of a new group in the pulp and paper sector, the Rothesay Paper Corporation, which, to the considerable displeasure of the Irving group, built a modern plant at Courtney Bay near Saint John. The reluctance of large businesses to endorse the new government's initiatives was partly due to the climate of uncertainty then prevailing on world markets for basic industrial products. But it is also clear that these firms wanted to maintain the status quo for a system that in the end had huge advantages for them. The industrial firms in the forestry sector were benefiting from significant concessions on Crown lands while at the same time being effectively exempted from paying taxes by the municipalities where they were located. They therefore saw the arrival of new companies as added competition not only on the markets where they sold their products but also for obtaining timber concessions and for the advantages offered by municipalities, notably in the area of taxation.

In any case, the premier was determined to develop the unexploited potential of the province's natural resources, even if it meant turning to outside investors, which would offend the industrial estab-

lishment, or committing the province financially to projects that although risky were considered essential. Even though the new firms lacked the power to make real changes to the industrial structure of the forestry sector, their arrival signalled the end of a status quo in which big business determined the future of the industry. By taking this stand against the financial and industrial establishment in his first mandate, Louis Robichaud opened the door to a new era and put the established industrialists on notice that his government was resolved to develop the province's natural resources in all of its regions.

Another concern of the Robichaud government in the economic field was the exploitation of the rich though complex mineral deposits in Northeast New Brunswick. The government wanted not only to exploit the region's sizeable mineral deposits of nickel, lead, and silver (the reserves of which were estimated at $1 billion) but also to attract heavy industry to that part of the province. The government hoped that this would lead to the development of a large-scale industrial complex that would include not only mines and mineral smelting but also the manufacturing of industrial by-products such as chemicals. When it saw the provincial government approach German interests about building a zinc smelter at Belledune, the Irving group agreed to take part in a consortium (Brunswick Mining and Smelting) with the Toronto mining magnate James Boylen and the Canadian company Patino. The provincial government became actively involved by granting a $20 million loan guarantee, a colossal sum when compared to the provincial budget at the time. Because of the involvement of the Irving group, with which the Robichaud government had already quarrelled, this arrangement constituted a litmus test of cooperation between the state and the private sector, at least as regards the two rivals.

Always careful to protect its own interests, Irving argued that the smelter should be built in Saint John, claiming that that region already had a pool of specialized labour as well as industrial and shipping facilities. The premier, however, wanted to ensure that the residents of the North benefited from their own resources. But because that would hardly make it a paying proposition, the Irving group asked the government to provide the consortium with stronger guarantees. In the end, the construction of the complex was undertaken by Engineering Consultants Limited, one of the major companies of the Irving empire, an empire that then included more than a hundred businesses. At the same time, Irving made sure to bring a number of

its subsidiaries into the project by means of subcontracting. In total, cost estimates for the complex did not exceed $25 million.

However, technical complications followed by delays caused by labour problems quickly pushed the initial estimate up to $35 million. As time passed and construction delays piled up, the cost soon reached $70 million. In addition, a general drop in the market price for mineral products, coupled with what was being seen as a financial fiasco, undermined investor confidence to the point that the value of shares in Brunswick Mining and Smelting fell from $20 to between $4 and $5. The consortium soon found itself facing bankruptcy, that is, unless the government agreed to its demands to commit an additional $20 million to the project. This, however, was a burden that the provincial government was utterly incapable of shouldering, either politically or financially, not least because it had just had a disastrous experience with the Fundy Chemical Corporation's fertilizer plant in Westmorland County.[10] To escape from this impasse, the province had to fire the project manager, the Irving group, and hand the job over to the multinational company Noranda, a world leader in the mining industry. After protracted negotiations, Noranda agreed to submit a bid of $50 million for Brunswick Mining and Smelting, the equivalent of the accumulated debt of the consortium. When all was said and done, the result was a loss of capital for the province. In the eyes of the Robichaud government, however, what really mattered was the completion of construction and the start-up of a new industry upon which the residents of the North were desperately counting.

Aid from Ottawa

Drawing on its growing spending power, the federal government in the early 1960s began to introduce a series of programs that in many cases were aimed at the rehabilitation of peripheral regions, something the Gordon Commission had recommended in its 1957 report.[11] The first measures focused on rural underdevelopment, a situation that needless to say was marked by the radical changes that had occurred in the agricultural sector. The 1961 Agricultural

10. This case also involved an attempt to foster the industrialization of a region (Dorchester) where jobs were in short supply. Despite a promising start, the Dorchester chemical plant was abandoned, leaving a $10 million hole in provincial coffers. For a discussion, see Della M. M. Stanley, *Louis Robichaud: A Decade of Power* (Halifax: Nimbus Publishing, 1984), 104–107.

11. *Report of the Royal Commission on Canada's Economic Prospects* (Ottawa: Queen's Printer, 1957).

Rehabilitation and Development Act (ARDA) addressed the problems of adaptation caused by the decline of the agricultural sector in the rural areas of Eastern Canada. The act authorized the federal government to enter into agreements with the provinces to rehabilitate those regions that were becoming marginalized. The federal government's share of the financing of these programs was set at between 50 and 80 percent, with the remainder being provided by the provincial governments involved.

In addition to the ARDA program, which was aimed at rural revitalization, efforts were also made to stimulate industrial development. Thus in 1962 the Atlantic Development Board was created and given a mandate closely linked to industrial infrastructure. Although the goal was to broaden the industrial base of the regions, the program was at first unable to provide help to rural and semirural resource-dependent regions; instead it was the urban centres in the Maritimes that benefited by building themselves industrial parks and other urban-industrial infrastructures.

One of Premier Louis Robichaud's first initiatives with respect to the federal government took place during the federal-provincial conference held in July 1960. At the conference, it was Robichaud more than anyone else who argued that the federal government should act upon the recommendations of the Gordon Commission, which had advocated that the Maritime provinces receive substantial assistance in establishing the infrastructures necessary for industrialization. He also called for a wider and improved formula for fiscal arrangements to help those provinces with a limited fiscal capacity as well as for an increase in equalization payments. Finally, he proposed that the federal government build a fixed link between Prince Edward Island and New Brunswick and a canal across the Chignecto Isthmus.[12]

At the provincial level, the new premier was quick to grasp the outstretched hand of Ottawa and establish the organizational infrastructure needed to better coordinate future federal-provincial initiatives. Ottawa's transfers to provincial governments were actually to rise from $24 million to $64 million between 1960 and 1967, but to take full advantage of federal-provincial shared-cost programs and initiatives in the field of regional development, the province of New Brunswick first had to modernize its public administration structure and at the same time harmonize its taxation system, particularly

12. Ibid., 57.

municipal taxation. Hence the need, as the Byrne Commission suggested, for a sweeping reform of municipal taxation, the cornerstone of the Programme of Equal Opportunity.

The motives behind the provincial government's decision to initiate this reform and the scope of the changes it brought about are amply described elsewhere in this book. Suffice it to say here that the existing taxation system had been inherited from the colonial epoch, and because it lacked uniformity and transparency, it left the door wide open to all kinds of abuse. Such a system represented a serious obstacle to the development of the different regions of the province. Based on tax rates that varied in relation to local capacities, the system allowed various kinds of discrimination with respect to businesses and individual taxpayers. Worse still, because the municipalities were responsible for educational, social, and health services, unacceptable inequities resulted between citizens and groups of citizens, and between rich and poor regions. These flagrant injustices, according to the Robichaud government, were hampering the development of human potential and, as a result, were holding back the economic development of the province as a whole.

The principal corrective measure applied to municipal taxes was the introduction of a uniform tax rate based on the market value of property (i.e., $1.50 for every $100 of assessed property value). This principle was simple but nonetheless revolutionary for its time, especially because the provincial government then centralized the tax system, collecting municipal taxes and redistributing them through a system of equalization payments. These changes signalled the end to individual tax agreements between municipalities and businesses.

It should come as no surprise that a number of groups opposed the reform, beginning with the Union of Municipalities and the cities in the South of the province, who not only saw themselves losing a discretionary power but who also had to hand over to Fredericton the assets and investments they had accumulated. The fiercest opposition, however, came from business interests, notably the Irving group, which for decades had benefited from special advantages and unparalleled tax concessions from the municipalities in which its businesses were located, particularly Saint John. The clash between Louis Robichaud and the Irving empire rose to a fever pitch when the municipal taxation program was presented in the legislature in November 1965. This led to open war, one that saw the active, and usually insidious and disgraceful, participation of the Fredericton *Daily Gleaner*, which was subsequently purchased by the Irving group. In any event, the munici-

pal taxation reform went ahead with the adoption of the Municipalities Act and was followed by a series of laws linked to the various reforms set out in the Programme of Equal Opportunity.[13]

Because of its principle of equity, its uniformity, and its centralization, the new taxation system was meant to create a more effective government administrative structure. However, the implementation of the various reforms required the addition of qualified personnel to the provincial civil service. They were needed in order to meet the new standards of a modernized state apparatus that was now being called upon to negotiate and coordinate its actions with federal agencies that were far better equipped. Thus, the number of civil servants grew from 2,908 in 1960 to 4,025 in 1964. The majority of the new recruits, including a number of senior civil servants from Ontario and Saskatchewan, were assigned to the fields of health and public works, to the Liquor Control Commission, and to various departments such as lands and mines, education, youth and welfare, and, of course, finance.[14]

The Robichaud government moved quickly to revive the Office of the Economic Advisor, to create a *separate* Department of Finance, and to establish an effective Treasury Board. It also formed the Regional Development Corporation in 1965, a Crown corporation whose initial goal was to coordinate the development of the Mactaquac Basin. The corporation subsequently coordinated federal-provincial economic and regional development agreements on behalf of the province.

Another priority of the Robichaud government was the production of affordable energy to meet the needs of the province's population and especially its industries (pulp and paper mills, sawmills, shipyards, mining, and petrochemical firms). Since the 1940s, the provincial authorities — under pressure, needless to say, from the industrial elite — had been trying to find a way to provide energy at a competitive price in order to foster industrialization. It was not until the early 1960s, however, that the proper conditions were present that would allow this to be done: new technologies became available and there were pressing needs from a range of industries (the start-up of the Irving oil refinery, the modernization of pulp and paper mills, and the manufacturing of industrial by-products like fertilizers and other

13. According to John Edward Belliveau, implementing the Byrne Report's recommendations required the adoption of at least 130 bills by the Legislative Assembly. See Belliveau, *Little Louis and the Giant KC*, 70.

14. Ibid., 91.

chemical products). It should also be pointed out that beginning at this time, the province could count on the help of the federal government in creating key infrastructures to support industrial expansion and modernization. Thus, the 1965 provincial budget earmarked $47 million for energy-related projects, in particular thermal and hydroelectric power stations.[15] The intention was clearly to attract heavy industry to the province by providing energy at an affordable price.

The major and long-awaited project was the hydroelectric development of the Mactaquac Basin, a project that required the very latest in engineering technology. It would result in the flooding of fourteen thousand acres of wooded, populated, and cultivated land, force nine hundred families to relocate, and provide more than three thousand jobs for several years. Obviously, this sort of undertaking was beyond the financial capacity of the province, so the Robichaud government arranged for federal government participation in several forms: a financial commitment of $20 million from the Atlantic Development Board; technical, professional, and financial assistance from the ARDA program to compensate the people affected and to help with their socio-economic development; and assistance through FRED (the Fund for Rural Economic Development). Combined with other energy production projects in various parts of the province, the development of the Mactaquac hydroelectric project was intended to complete the provincial network of electricity generation, thereby meeting the needs of New Brunswick's residents and industries for decades to come.

Evaluating the Impact of the Robichaud Regime on Industrialization

It was a daunting prospect that faced the young, newly elected Acadian premier in 1960: an obsolete administrative structure characterized by an inert industrial elite that was determined to defend the established system so as to protect its own immediate interests. On the positive side, however, the new government took office at a time when governments elsewhere were establishing new structures and mechanisms meant to help modernize the state, plan economic and social development, and eliminate the chronic underdevelopment of whole regions. This was also the era of growing, and soon to

15. A 10,000-kW hydroelectric power station on the Tobique River near Grand Falls, the first of its kind to be automated, began operation in 1965. The provincial government also announced the construction of a $25 million hydroelectric power station in Dalhousie. The same year, construction was begun on a 110,000-kW power station in Saint John. See ibid., 109.

be massive, intervention by the federal government. At the beginning of the 1960s, though, the province was not in a position to benefit from federal economic development assistance. As Premier Robichaud said at a meeting of Atlantic premiers in Halifax, "Even if we had $100 million available for economic development, we wouldn't be able to use it," a remark that was not well received by his provincial counterparts.[16]

The major accomplishment of the Robichaud government was undoubtedly its modernization of the government apparatus, which made it possible for the provincial state to coordinate with the federal agencies in the planning of industrial development as well as in the development of the province's resource-based regions. It must also be credited with having partly broken, or at least weakened, the business establishment's longstanding stranglehold on the economy, replacing it with a more democratic decision-making process to manage investment. Finally, through its municipal reforms and more generally its Programme of Equal Opportunity, the government prepared the municipalities and the subregions to play a proactive role in the numerous development programs aimed at the regions.

That said, it remains extremely difficult to assess the impact of the Robichaud government's numerous initiatives, many of which were revolutionary for their time. Complicating the problem is the large number of factors, events, and external interventions in the 1960s and afterwards that affected the social, economic, and industrial development of the province and its subregions. Consider, for example, the Northeast, a region designated in 1966 as part of the FRED plan and that was to benefit from investments of approximately $250 million (including the Canada–New Brunswick Northeast Development Agreement of 1976). Consider also the 1971 reform of unemployment insurance, which had a significant impact on regional labour markets and radically altered the pattern of migration.[17] Although these changes took place just after the Robichaud era, they modified considerably the socio-economic landscape of the province and make it even more difficult to assess the measures implemented by his government.

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16. Ibid., 59.

17. Having suffered substantial migratory losses for decades, New Brunswick suddenly found itself with a positive migratory balance following the 1971 unemployment insurance reforms. Thus from 1971 to 1977, the province registered a net migration increase of 18,600 people, most of them emigrants returning to their home province. The reform also encouraged many young workers to stay, which had the effect of swelling the ranks of regional labour markets already heavily burdened by underemployment and seasonal work.

The policies and actions of the Robichaud government were certainly guided by the principles of equity and justice, but they were also shaped by the expectation of imminent massive industrialization founded on the exploitation of the province's immense natural resources. The reforms were conceived as well in the belief that the federal government's involvement in the province would continue to grow. From a level of $47 million in 1962–63, conditional and unconditional grants from the federal government to the government of New Brunswick climbed to $175 million in 1969–70.[18] And these figures do not include the assistance provided through the Atlantic Development Board and the ARDA and FRED agreements.

Nevertheless, New Brunswick was not the only province that benefited from the rise of the welfare state. Figure 1 shows the changes in net federal expenditures, as a percentage of the gross domestic product (GDP), in the four Atlantic provinces and in Manitoba. The graph shows that federal spending in New Brunswick fluctuated slightly over the 1960s, but never reached 20 percent. It was only in the mid-1970s that federal spending began to represent an increasingly large proportion of GDP — that is, around 28 percent by the end of the 1970s, peaking at 40 percent in 1981. Subsequently, federal spending shrank considerably, returning to the 20 percent level around the end of the 1980s. It is worth noting that the level of federal spending as a proportion of GDP was always lower in New Brunswick than in the other Atlantic provinces.

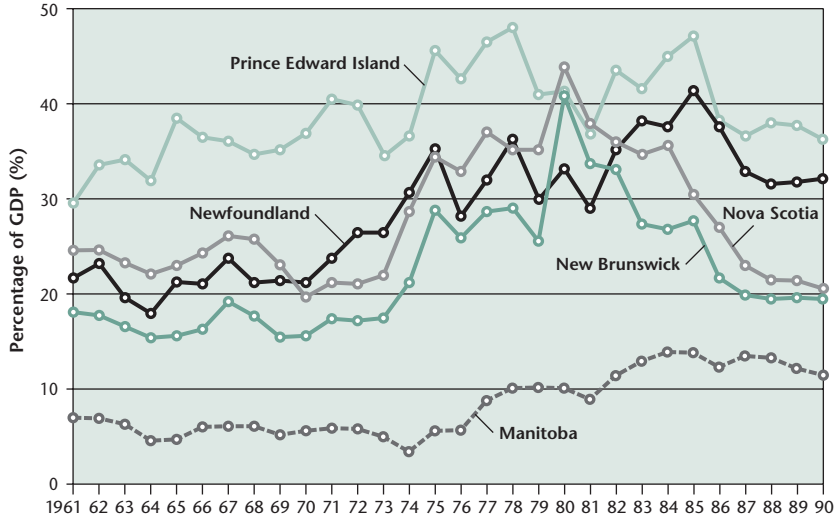
Fiscal capacity can also serve to gauge the impact of the Robichaud government's initiatives. From 1962–63 to 1969–70, the New Brunswick government's tax revenues almost tripled, which allowed the Robichaud government to diversify its investments. The index of the fiscal capacity of the provinces (the average propensity to generate revenues) for the 1970s (unfortunately there are no data for earlier years) changed little in the Atlantic provinces. The index remained a little above 60 percent of the national average in the cases of Newfoundland and Prince Edward Island, it fluctuated between 65 and 75 percent of the national average for New Brunswick and Nova Scotia, while in Quebec it hovered between 80 and 85 percent of the national level.

As regards employment, measuring the impact of the initiatives adopted during the Robichaud era is tricky. The labour force participation rate of adults dropped slightly in New Brunswick, as it did in

18. New Brunswick, *Public Accounts*, various years.

Figure 1

Net Federal Expenditures by Province as a Percentage of Provincial GDP, 1961–90



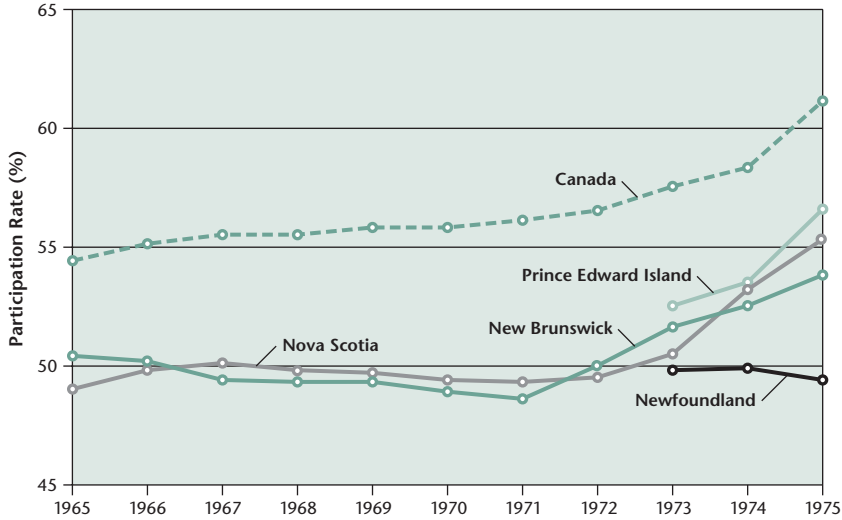
Source: Statistics Canada, *Economic Reference Tables*, cat 13-001; *Provincial Gross Domestic Product by Industry*, cat. 15-203, various years.

Nova Scotia, in the second half of the 1960s (see figure 2). This was due in part to the fact that the resource-dependent sectors were going through a phase of mechanization and modernization. Subsequently, however, the participation rate grew rapidly with the entry of women into the labour force, particularly in the public services, as well as with the increase in manufacturing activity. In at least some regions, the participation rate showed a tendency to rise owing to seasonal employment, especially from 1971 onwards as a result of the more generous unemployment insurance benefits available to workers. As for the rate of unemployment, there was a considerable increase during the 1970s both in New Brunswick and in the other provinces (see figure 3).

Another way to assess the impact of the economic development initiatives undertaken by the Robichaud government is to examine the manufacturing sector. Figure 4 shows the trend in manufacturing activity in the province from 1955 onwards. It can be seen that manufacturing was relatively stagnant at the beginning of this period but was followed by a period of growth beginning in 1959, a trend that then grew stronger. However, the extent to which this growth was attributable to the Robichaud government's policies is more difficult to determine.

Figure 2

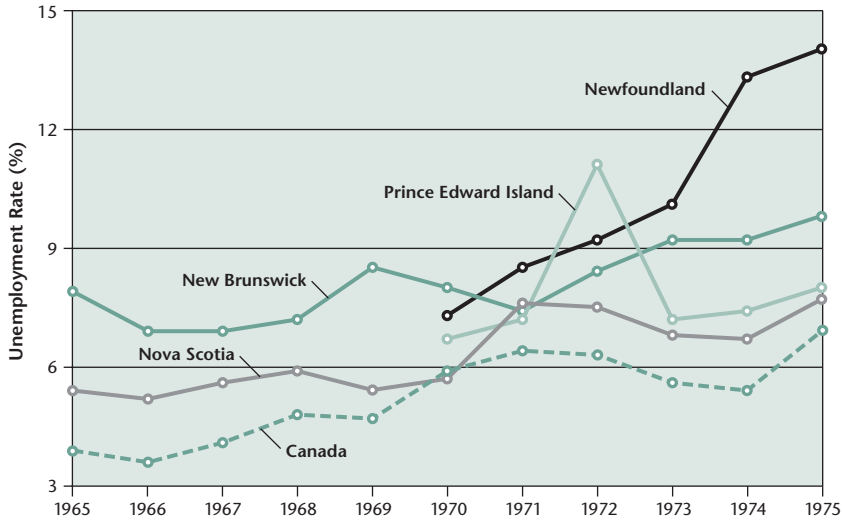
Trends in Labour Force Participation Rates in the Atlantic Provinces and Canada, 1965–75



Source: Statistics Canada, *Historical Labour Force Statistics*, cat. 71-201.

Figure 3

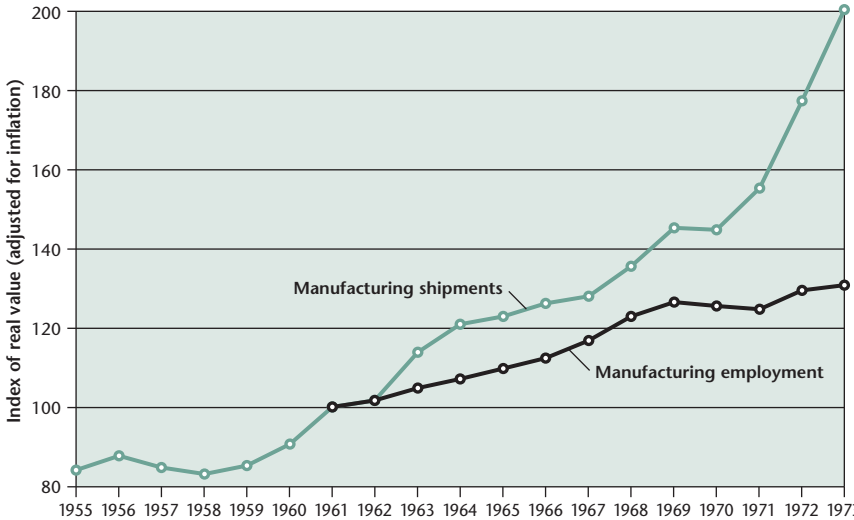
Trends in the Unemployment Rate in the Atlantic Provinces and Canada, 1965–75



Source: Statistics Canada, *Historical Labour Force Statistics*, cat. 71-201.

Figure 4

Index of Manufacturing Shipments and Manufacturing Employment in New Brunswick, 1955–73



Source: Statistics Canada, *Principal Statistics of the Manufacturing Industries — Provincial Level*, cat. 31-204.

Nevertheless, it does seem clear that there was a degree of diversification in the manufacturing sector and that the Saint John region became less dominant than in the past (see table 1). These several indices make it possible to put New Brunswick's economic development during the 1960s and afterwards into perspective.

Other measures can also be used to evaluate the extent of the changes that occurred in the provincial economy. One simple and universally recognized indicator of regional disparities is the measurement of per capita income as a proportion of the national average. This measure confirms that New Brunswick experienced an improvement during the 1960s and afterwards, at least in relation to the national average (see figure 5).

The relative performance of the regional economies in Atlantic Canada cannot explain by itself the increase in the standard of living as expressed by personal income. In the cases of Prince Edward Island and Newfoundland, personal incomes grew considerably between the beginning of the 1960s and 1975 by around 10 percentage points. It seems clear that federal government transfers played a decisive role in this growth, along with significant federal public spending in the regions. But the fact that per capita GDP (see figure 6) in the Atlantic

Table 1

Importance of the Manufacturing Sector by Economic Region, New Brunswick, 1961–72 (Selected Years)

	Northeast	Northwest	Southeast	Central	Southwest	Provincial Total
Value of Manufacturing Shipments (in millions of dollars)						
1961	82,173	38,949	50,208	21,676	197,566	390,572
1966	118,740	66,101	81,678	34,413	246,264	547,196
1970	178,826	95,381	101,013	57,085	297,918	730,223
1972	183,810	115,767	127,589	89,626	448,253	965,045
Share of Provincial Manufacturing Shipments (%)						
1961	21.0	10.0	12.9	5.5	50.6	100.0
1966	21.7	12.1	14.9	6.3	45.0	100.0
1970	24.5	13.1	13.8	7.8	40.8	100.0
1972	19.0	12.0	13.2	9.3	46.4	100.0

Source: Statistics Canada, *Principal Statistics of the Manufacturing Industries*, various years.

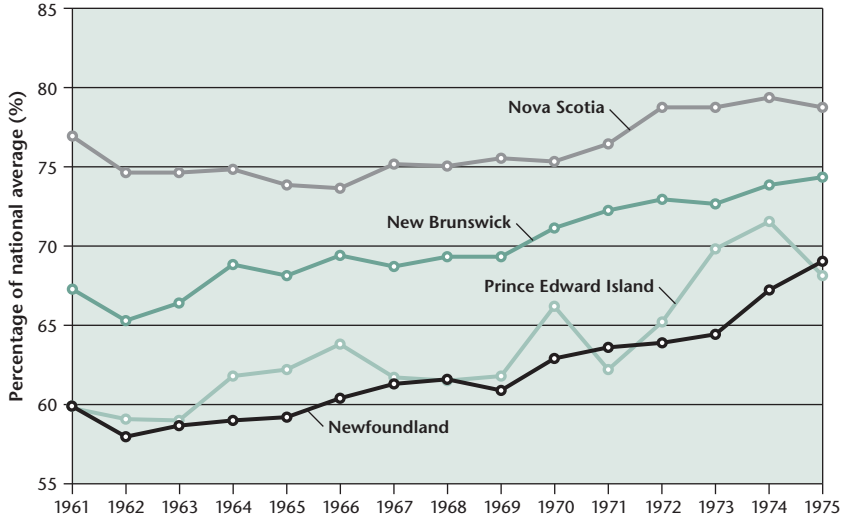
provinces grew so much indicates that on the whole the regional economy possessed a degree of adaptive capacity. Slow population growth also contributed to this relative performance, since population is the denominator in the calculation of per capita GDP.

It is fair to ask to what extent regional development programs helped to maintain New Brunswick's relative position as measured by these economic indicators. We can only answer in general terms. What is most certain, however, is that federal spending on regional development as a percentage of GDP peaked, in relative terms, at the beginning of the 1970s following the establishment of the Department of Regional Economic Expansion. It was from this period onward that the province benefited most from federal assistance, particularly as regards urban-industrial infrastructure (for example, industrial parks and downtown revitalization), grants to businesses, tourism, and the modernization of the resource sector.

Another point deserves attention. In disadvantaged regions (where government intervention was doubly justified), assistance and grants for regional development represented a smaller share of total federal spending than they did elsewhere. This was because of the high proportion of transfer payments to individuals that were flooding into these regions. Even if it can be said that socio-economic indicators

Figure 5

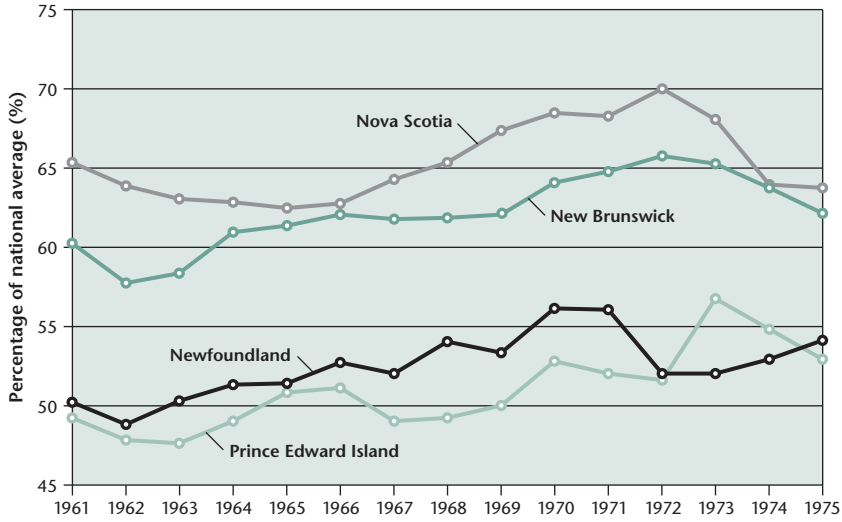
Personal Income Per Capita in the Atlantic Provinces as a Percentage of the National Average, 1961–75



Source: Statistics Canada, *Provincial Economic Accounts*, cat. 13-213.

Figure 6

Per Capita GDP in the Atlantic Provinces as a Percentage of the National Average, 1961–75



Source: Statistics Canada, *Provincial Gross Domestic Product*, cat. 15-213.

reveal a general improvement in New Brunswick over the course of the 1960s, this improvement was even more marked beginning in the early 1970s. The progress that was achieved contributed in certain cases to a reduction in the disparities in relation to the national average, which was continually growing. Indeed, the indicators show a clear-cut improvement in per capita income and GDP. Nevertheless, the impact of government intervention was most beneficial in the social domain.

Conclusion

When all is said and done, it is clear that the policies and reforms instituted by Louis Robichaud during the 1960s paved the way for a better handling of the federal-provincial arrangements that were to come. It remains to be seen, however, whether New Brunswick benefited any more than other provinces. Nova Scotia received its share of federal largesse, metropolitan Halifax and the Sydney area being the targeted regions. In New Brunswick, it can be said that all regions left the table as winners, even though to some extent the urban regions and the Northeast benefited more. Louis Robichaud's determination to develop the potential of all of the regions undoubtedly contributed to a better distribution of federal-provincial assistance. Besides forcing a change in attitudes, Louis Robichaud's reforms laid down the foundations for planned development, or at the very least for a massive intervention by the state in the economic direction and industrialization of the province. It is understandable, then, why subsequent governments instead of questioning the new system learned to live with it — to the great benefit of most New Brunswickers.