

Newfoundland's Traditional Economy and Development to 1934

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The price of being a country is willingness to bear a cross. For Germany it is the cross of beastliness; for Russia it is stolidity; the United States must rise above material wealth; and Canada is required to find a national identity. The burden which Newfoundland has carried is to justify that it should have any people. From the Western Adventurers of the seventeenth century to Canadian economists in the twentieth, there has been a continuing debate as to how many, if any, people should live in Newfoundland. The consensus has normally been that there should be fewer Newfoundlanders — a conclusion reached in the seventeenth century when there were only some 2,000 inhabitants, and one which is drawn today when there are over 500,000.

Newfoundland's economic history has centred around valuation of its natural resource endowment in relation to the size of its population. The particular object of debate has been (and still is) the size and well-being of the traditional or rural economy, and the likelihood that it could expand extensively at acceptable standards of life, or that other sectors can be developed to absorb labour exports from the traditional sector. The economic characteristics of a traditional economy can be stated simply enough. Labour and natural resources, or 'land', are the most important factors of production, and capital plays a very minor role. If it is assumed that land is a constant, then the average output of labour is a simple function of the ratio of labour to land. Thus, if the population expands and the ratio increases, then average per capita output falls; that is, standards of living fall. If it is further assumed that the economy is closed to emigration, then the prospects are those of deteriorating standards to a very low level of physical security and comfort. To make matters still more depressing, a once-and-for-all technical improvement in the traditional economy (say the introduction of the cod trap) which shifts average per capita output upwards, is of little long-term benefit, for the gains in living standards will be eaten away by the likelihood of strengthened population growth: one ends up with a larger economy, but not necessarily a more prosperous one. The only routes to a long-run improvement in living standards are a widening resource base and technical change (including organizational changes such as the growth of domestic and international market

activity).¹ These assumptions imply a movement away from the traditional economy with capital growth (both reproducible and human) defining the growth of total and per capita income.

The stark features of this simple model obviously fail to capture accurately the complexities of Newfoundland's economic history. Yet it does identify some realities of its economic problems and, what is just as important, perceptions of the problems. When Newfoundland's traditional economy reached an apparent limit to extensive expansion in the second half of the nineteenth century, a struggle was waged to expand the resource base and modernize both the structure of production and the composition of output. This campaign ended in collapse and that collapse led directly to union with Canada. In 1949 the effort to 'develop' was resumed under new constitutional dress. But the historical record sketched in this essay suggests that Confederation did not introduce any especially new perceptions of Newfoundland's economic problems and potential, and some might argue that it simply reinforced a depressing tendency to neglect the province's most obvious natural resource — the sea.

At the time of its discovery Newfoundland's fishery was an international open access resource, exploited by fleets from France, Portugal and Spain. At this time (unlike today) the volume of factors of production available to exploit the resource, the primitive techniques, and the size of the markets, meant the resource base was in no danger of over-exploitation in the sense of significant reductions in maximum sustainable yield. For the continental countries, the adoption of a 'green cure' meant the issue of settling Newfoundland did not arise, since the Island was mainly a convenient watering and repair station. But this was not the case with the West of England fishery, which developed in the second half of the sixteenth century.² Whether in response to relatively high costs of salt or to local tradition, the West Country fisherman pursued a light salted, sun dried fishery at Newfoundland. Land resources were consequently important to the Westcountrymen, as wood was needed for flakes and stages, and shore facilities for drying. The consequences of this technology were two-fold: first, an undignified annual rush by the West of England fishing boats to Newfoundland to claim *seasonal* property rights over the best fishing 'rooms'; and secondly, opposition to establishment of 'plantations' or any other settlement of the Island, whether by Englishmen or foreigners, which would prejudice seasonal claims to ownership over essential land inputs.

1 See C. H. Fei and Gustav Ranis, "Economic Development in Historical Perspective", *American Economic Review*, LIX (1969), pp. 386 - 400.

2 On this point see K. Matthews, "A History of the West of England-Newfoundland Fishery" (Unpublished D.Phil. thesis, Oxford University, 1968).

The short fishing season and poor winter employment opportunities in Newfoundland as well as the grim agricultural potential, favoured a migratory fishery; but very slowly in the course of the seventeenth and eighteenth centuries the difference in the rates of return between a migratory and a settled fishery shifted in favour of the latter. Rising European shipping costs and the development of regular and lower cost supplies of food and other imports from the North American colonies, were critical factors in this shift. Nonetheless the growth of a resident population was painfully slow. In 1650 it was around 2,000 and by 1750, with sharp fluctuations, reached only 6,000. The turning point came in the second half of the eighteenth century. The French fishery declined after the Seven Years' War and the New England fishery following the Revolution, and neither fully recovered until the end of the Napoleonic Wars. By the end of the century the West Country merchants had translated an international migratory fishery at Newfoundland into a colonial industry in Newfoundland. Between 1750 and 1804 Newfoundland's population grew at an annual rate of 2.3% reaching over 20,000 and in the next twelve years more than doubled to 50,000, implying a growth rate of over 8% per annum.³

The transition from a British fishery at Newfoundland to a Newfoundland fishery was significant in two ways. It meant the foundation of a new country in the world, for while it is customary (at least in Newfoundland) to claim a history of many hundreds of years, it is more realistic to view Newfoundland as one of the nineteenth-century countries of European settlement. Secondly, while there was always a possibility (however remote up to the nineteenth century) that an expanding migratory fishery would deplete an open access resource, there was now a better possibility that a settled traditional economy would expand to the point of impoverishing a country.

The inshore salt cod industry dominated Newfoundland's economic history in the nineteenth century and continued to be the single most important source of employment and market income well into the twentieth. Table 1 is the basis for suggesting that in terms of the gross value of (export) production, prices and physical output, there were three long cycles running between 1815 and 1934: the first covering 1815/19 to 1850/54; the second between 1855/60 to 1895/99; and a third between 1900/04 to 1930/34. Mean volumes, prices and export values tended to be higher in each period, but as Table 2 indicates fluctuations around the means were extreme, especially with respect to prices and export values. It is clear that prices were more volatile than physical production, and that on a quinquennial basis gross export values were less stable than either output or prices. The industry was obviously an unstable one upon which to found a country's external earnings

3 Calculated from figures in S. Ryan, "Collections of C.O. 194 Statistics" (unpublished manuscript, Newfoundland Studies Centre, Memorial University, 1970).

and such a large fraction of its national income, and it is hardly surprising that with responsible government politicians launched an effort to widen the country's production base.

TABLE 1
QUINQUENNIAL AVERAGES AND VARIATIONS IN SALT COD EXPORT
VOLUMES, PRICES AND GROSS VALUES 1815/19 - 1930/34

PERIOD	VOLUMES (000 Quintals)			PRICES (\$ per Quintal)			GROSS EXPORT VALUE (000 Dollars)		
	\bar{X}	S	V	\bar{X}	S	V	\bar{X}	X	V
1815-19	1,018	50	5%	3.90	1.07	27 %	2,968	1,429	48%
1820-24	883	30	3	2.46	0.23	9	2,175	224	10
1825-29	923	37	4	2.08	0.11	5	1,942	174	9
1830-34	763	110	14	2.42	0.32	13	1,840	326	18
1835-39	788	65	8	2.78	0.04	1	2,193	201	9
1840-44	944	59	6	2.79	0.13	5	2,637	216	8
1845-49	963	115	12	2.66	0.16	6	2,547	226	9
1850-54	955	108	11	2.61	0.38	15	2,454	161	7
1855-59	1,205	128	11	3.33	0.34	10	4,008	605	15
1860-64	1,172	140	12	2.65	0.50	14	4,218	266	6
1865-69	969	81	8	3.86	0.45	12	3,731	450	12
1870-74	1,273	175	14	3.93	0.02	0.5	5,026	896	18
1875-79	1,134	132	12	3.88	0.31	8	4,354	432	10
1880-84	1,460	70	5	3.82	0.13	3	5,582	615	11
1885-89	1,192	112	9	3.66	0.52	14	4,316	374	9
1890-94	1,101	70	6	3.60	0.04	1	3,957	461	12
1895-99	1,224	81	7	2.89	0.16	5	3,549	559	16
1900-04	1,302	78	6	4.19	0.03	0.6	5,562	289	5
1905-09	1,574	112	7	N/A	N/A	N/A	N/A	N/A	N/A
1910-14	1,346	122	9	5.66	0.51	9	7,583	599	8
1915-19	1,517	250	16	9.35	2.80	30	15,650	6,030	41
1920-24	1,499	183	12	8.67	2.29	26	13,265	4,974	37
1925-29	1,398	162	12	8.37	0.76	9	11,587	584	5
1930-34	1,179	52	4	5.90	1.87	32	7,010	2,464	35

NOTES: \bar{X} — Arithmetic Mean

S — Standard Deviation

V — Coefficient of Variability ($V = S/X \cdot 100$)

SOURCE: Calculated from Government of Newfoundland, *Historical Statistics of Newfoundland* (St. John's, 1970), vol. I, Table K-7.

TABLE 2
MEAN VALUES OF QUINQUENNIAL COEFFICIENTS
OF VARIATION FOR THE SALT COD INDUSTRY

PERIOD	VOLUMES %	PRICES %	GROSS VALUES %
1815/19 - 1930/34	8.88	11.09	15.57
1855/59 - 1895/99	9.33	7.50	12.11
1900/04 - 1930/34	9.43	17.77	21.83

Although high volumes, prices and export values characterized the cod fishery in the first years of the century, output volumes grew by only 0.08% per annum from the mid-1820s to mid-1850s, and in four out of six quinquennia were below the trend for 1805/08-1915/20. During the same period prices rose by only 0.13% per annum and in five quinquennia were below trend for 1821/25-1900/04. Accordingly, the value of cod exports grew by only 0.9% per annum and in all six quinquennia was below trend for 1805/09-1900/14.⁴ Over the same period population grew at slightly over 2.5% per annum, and the apparent depression of the first half of the century would appear worse if the initial benchmark for measurements was the values of 1809/15 — a quinquennia when many people were encouraged to migrate to Newfoundland. But it does not follow necessarily that for the economy as a whole the productivity of labour and living standards were falling. It is possible that a decline in per capita export values was compensated by a general decline in unit costs of imports, for while a U.S. wholesale price index for farm products rose from 59 in 1826/30 to 84 in 1851/55 (with a dip to 55 in 1841/45), a United Kingdom merchandise export price index fell from 169 in 1826/30 to 104 in 1851/52.⁵ Moreover, within Newfoundland the rapid growth of the seal fishery softened the depression in the cod fishery, and it is also a reasonable hypothesis that over the period some fraction of total domestic expenditure was shifted from imports to domestic production. In addition to the non-market output which a rural community could generate through increasing familiarity with its environment, the very rapid growth of St. John's (reaching some 20% of the population by 1857) suggests development of import substituting commodity and service production.

Between the grant of responsible government in 1855 and the mid-1880s, Newfoundland's basic industry flourished, although there were always bad years, frequently coupled with indifferent ones. But prices grew by 1.17% per annum in 1850/54-1880/84 and were above the trend referred to earlier in every quinquennia. Volumes grew by 1.25% per annum and were above trend in four out of six quinquennia. Accordingly, over the same interval, export values grew by 2.14% per annum and were above the trend in each quinquennia. Over the period 1857-1884 population growth decelerated to an annual rate slightly over 1.7%. Furthermore, while according to the censuses the labour force (occupied population) was growing at just over 2% per annum, the male fishing labour force grew by only 1.7%. Thus, the industry's

4 Calculated from Government of Newfoundland, *Historical Statistics of Newfoundland and Labrador* (St. John's, 1970), vol. I, Table K-7.

5 Calculated from Department of Commerce, *Historical Statistics of the United States* (Washington, 1962), Series E1-12; and B. R. Mitchell, *Abstract of British Historical Statistics* (Cambridge, 1962), ch. XI, Table 15. It is a reasonable assumption that wholesale prices for Canadian farm products which Newfoundland bought moved in directions similar to the American.

share in total employment fell from 90% in 1857 to 82% in 1884, and the implication (under the assumption of constant factor proportions) is a modest growth in total productivity. The trend in living standards, however, is unclear. The U.S. wholesale price index for farm products rose sharply from 83 in 1856/60 to 117 and 130 in the two quinquennia of the 1860s, then fell to 86 in 1880/84. The U.K. merchandise export price index moved in the same direction, rising from 110 in 1856/60 to a plateau of about 126 in the three quinquennia between 1861-75 and then falling off to 93 in 1881/85. But whatever the implications of the terms of trade for living standards, behind the growth rates for the fishing economy an alarming situation was emerging. The absolute level of employment in the fishing industry grew from some 38,500 men in 1857 to around 60,400 in 1884, and fishing rooms in use expanded from some 6,000 to around 10,500⁶. This meant that the average volume of production per fisherman was falling from around 30 quintals in the 1850s and 60s to a low of some 23 quintals in the late 1880s, after which there was a modest recovery.⁷ We know little about trends in man-hours among fishermen and the growth of employed capital, and it is therefore difficult to be certain about changes in labour and total factor productivity. But contemporaries were convinced that the traditional fishing economy had reached a limit to extensive growth.

The size of national income produced by this traditional economy is impossible to estimate precisely. In 1884 the value of all exports was \$6.6M and almost all of this was accounted for by fish products — notably salt codfish and oil, while the remainder consisted of mineral and other primary product shipments.⁸ Primary employment (the export sector) accounted for 87% of the labour force, the secondary sector some 10% and the service sector some 3%.⁹ If we assume that the value of output in the secondary and tertiary sectors was a proportional fraction of their labour forces to the *realized* output of the primary sector, then the realized national income would be around \$7.5M.¹⁰ There was a great deal of production in rural Newfoundland, however, that did not move through markets. In the late 1930s it was estimated that income in kind amounted to some 55% of the value of fish exports.¹¹ If the

6 *Tenth Census of Newfoundland and Labrador*, 1935, Part I, vol. II, p. 87.

7 Calculated from *loc. cit.*

8 P. Copes, "Role of the Fishing Industry in the Economic Development of Newfoundland" (unpublished manuscript, Newfoundland Studies Centre, 1970), Table 3.

9 Calculated from *Tenth Census of Newfoundland*, *op. cit.*

10 By 'realized' output is meant that fraction which enters into markets. For estimates of 'National Cash Income' in this period see Steven D. Antler, "Colonialism as a Factor in the Economic Stagnation of Nineteenth Century Newfoundland: Some Preliminary Notes" (unpublished manuscript, Newfoundland Studies Centre, 1973), Table 3.

11 R. A. MacKay, ed., *Newfoundland: Economic, Diplomatic and Strategic Studies* (Toronto, 1946), Anonymous, Appendix B.

same proportion of non-market income was produced in 1884, then this would add some \$4.1M to the realized national income, for a total national income of some \$11.6M and a per capita income of around \$60. Probably this is a low estimate. If realized income accounted for, say, only around half of a *fishing family's* total income, then the output of factors in the secondary and tertiary sectors should be at least doubled (otherwise there would have been migration from the urban to rural sector), yielding a realized national income of \$8.4M and a total national income of around \$12.5M. Even this figure may underestimate the national income, for despite the strains of the Depression period, impressionistic evidence suggests the economy was less oriented to markets in the nineteenth century than during the 1930s. At the later date a smaller fraction of the labour force was geographically and occupationally situated to generate income in kind and consumption patterns were by then more oriented through taste and availability of cash towards marketed food-stuffs and manufactures. Thus as an 'outside' estimate, if we impute an income in kind at least equal in value to that of primary exports, then the estimate of national income rises to around \$15M with income per capita of \$75.¹²

Even if this high estimate is accepted, then it is clear that Newfoundland's traditional economy was by no means an affluent component of the North Atlantic world. Comparisons are fraught with dangers, but as a rough indicator, it can be noted that Canada's per capita national income in 1880 (without adjustment for income in kind) was around \$135.¹³ It is probably true that with a more sophisticated and market oriented economy, the burden of capital depreciation and taxation on personal incomes was higher in Canada than in Newfoundland at this time; nonetheless the gap in average material well-being must have been substantial.

Newfoundland's traditional economy underwent a crisis in the late 1880s and 1890s. Export prices for salt codfish sank from \$3.82 a quintal in 1880/84 to \$2.89 in 1895/99 — a collapse of around 32%. Production volumes also fell from about 1.5M quintals in 1880/84 to some 1.2M in 1895/99 — a 20% decline. Accordingly, industry gross earnings sagged from \$5.6M to \$3.6M — a decline of 36%.¹⁴ But the impact on the real level of national income and per capita consumption was probably less severe than these figures suggest. Table 3 represents a rough indicator of Newfoundland's terms of trade up to the end of World War I for the fishing sector. It suggests that the terms of trade actually moved in Newfoundland's favour in the two quinquennia

12 More accurately, this is an estimate of total domestic income as no allowance has been made for depreciation and the balance of net property income from abroad.

13 Calculated from M. C. Urquhart and K. A. H. Buckley, *Historical Statistics of Canada* (Toronto, 1965), Series E2.4-244.

14 Calculated from *Historical Statistics of Newfoundland*, Table K-7.

1884-94 relative to the 1870s and first half of the 1880s, although there was a sharp deterioration during 1895-99. But the point remains that employment levels reached in 1884 could not be maintained, quite apart from the additional burden of absorbing into the traditional economy increments from natural increase. The male labour force engaged in catching and curing fish fell back from an historic peak of 60,000 in 1884 to just under 37,000 in 1891. Employment inched up again during the prosperous first decade of this century and reached almost 44,000 in 1911; but then it began a slow decline to some 35,000 in 1935.¹⁵

The sharp decline in employment in the traditional economy after 1884 and its relative stability during the first half of this century, was achieved in part through the absorption of labour into other sectors; but a major contribution also came through slower rates of growth of population and labour force. Whereas in 1874-84 population grew at a rate of 2.1% per annum, it was close to stationary in 1885-91 at 0.3% and remained below 1% per annum until World War II.¹⁶ Deceleration of population growth was not principally a function of changes in fertility or mortality. The crude birth rate was around 30 per thousand in 1884, 33 in 1891 and 35 in 1901. The crude death rate which was 14 per thousand in 1884 rose to 22 in 1891 and fell back to 15 in 1901.¹⁷ Throughout the 1920s and 1930s the crude birth rate was above 20 per thousand — in the high twenties during the relatively prosperous 1920s and the low twenties during the Depression — while the crude death rate fluctuated around 12 per thousand.¹⁸ It follows that population and labour force growth could only have been held down by substantial net emigration. Trends in net migration can be estimated by noting population levels at census periods and imputing what it should have been with no migration at the estimated Rate of Natural Increase. By this method, net immigration at an annual average of less than 1000 prevailed between 1869-84. But from 1884 to 1935 a large flow of emigrants began. Between 1884-1901 it probably ranged between 1,500 to 2,500 per year, and from 1901 to 1945 between 1,000 to 1,500 per year.¹⁹

15 Calculated from *Tenth Census of Newfoundland*, *op. cit.*

16 *Historical Statistics of Newfoundland*, Table A-1.

17 Calculated from *Census of Newfoundland*, 1901, Table J, p. XVII. The sharp increase in the death rate in 1891 may represent an unusual year or a weakness in the census.

18 Dominion Bureau of Statistics [hereafter DBS], *Province of Newfoundland Statistical Background* (Ottawa, 1949), Tables 21 and 22.

19 Sources for these estimates are the *Census of Newfoundland*, 1901, 1911 and 1935; and DBS, *Statistical Background*, Table 23. Michael Staveley, "Migration and Mobility in Newfoundland and Labrador: A Study in Population Geography" (Unpublished Ph.D. thesis, University of Alberta, 1973), p. 71, also concludes that a flood of emigration began around 1884.

TABLE 3

TERMS OF TRADE FOR THE TRADITIONAL ECONOMY

Period	(1) Index of Sale Cod Prices 1913-100	(2) UK Merchandise Export Index 1913-100	(3) Terms of Trade with UK Exports/Imports	(4) Canadian Export Price Index 1913-100	(5) Terms of Trade with Canada Exports/Imports	(6) USA Merchandise Export Index 1913-100	(7) Terms of Trade with USA Exports/Imports	(8) Country Share in Newfoundland Imports %			(11) All Country Weighted Index of Terms of Trade
								UK	Canada	USA	
1870-74 ¹	69	130	53	78	88	N/A	N/A	40	30	30	67
1875-79 ¹	68	110	62	83	82	N/A	N/A	40	30	30	70
1880-84	67	99	68	84	80	102	66	40	30	30	71
1885-89	65	87	75	81	80	88	74	39	36	35	77
1890-94	63	87	72	84	75	81	78	35	41	24	75
1895-99	51	80	64	78	65	71	72	33	35	32	67
1900-04	74	81	91	86	86	83	89	29	38	33	88
1905-09	N/A	91	N/A	96	N/A	91	N/A	25	37	38	N/A
1910-14	100	96	104	100	100	98	102	26	35	39	102
1915-19 ²	165	N/A	N/A	180	92	168	98	11	42	47	96
1920-24 ³	153	236	65	178	86	117	131	24	44	33	97
1925-29	148	164	90	158	94	138	107	23	44	33	97
1930-34	104	130	80	106	98	97	107	20	44	36	98
1935-39	82	135	61	117	70	113	73	26	40	34	69
1940-44 ⁴	172	N/A	N/A	142	121	250	69	7	60	33	100
1945-49 ⁵	281	300	94	222	127	252	112	5	60	35	120

SOURCES:

¹Calculated with 1881-85 distribution of trade between the three trading partners, and with the USA the 1880-84 terms of trade.

²Calculated with 1910-14 terms of trade with the UK.

³Calculated with 1923-24 only as weights.

⁴Calculated with 1935-39 UK terms of trade.

⁵Calculated with 1945-48 only as weights.

Historical Statistics of Newfoundland, Table K-7; D.B.S.,
Province of Newfoundland Statistical Background, Table 98;
Historical Statistics of Canada, Series J84-95 and J108-117;
Historical Statistics of the United States, Series U21-44;
British Historical Statistics, ch. 11, Table 15.

It is clear that the 1880s is an important benchmark in Newfoundland's economic history. The traditional economy reached a limit to its extensive growth and further development was perceived as a function of the emergence of modern resource industries, with emigration acting as a mechanism to balance a labour force growing faster than employment opportunities. Since the acquisition of responsible government in 1855, the ever pressing task which confronted ministries was to raise market incomes in the traditional sector and to substitute domestic job creation for the humiliating, costly and enervating mechanism of emigration. Indeed, during the decades when the traditional economy was approaching its maximum extensive growth, government had begun to search for a development strategy which would reduce the rate of inshore fishery expansion and initiate its relative decline. The most famous statement of this goal was the report of the Whiteway Committee which declared that "no material increase of means is to be looked for from our fisheries, and . . . we must direct our attention to the growing requirements of the country."²⁰ The strategy the committee proposed contained the essential features of the national development policy pursued by all nineteenth-century territories of European settlement.²¹ Through railway technology the country would be shaken free from dependence upon coastal resources, and a moving frontier of inland settlement would open export sectors in agriculture and minerals — resources whose existence in Newfoundland was confirmed by geological survey. There was also a hint in the committee's report that St. John's would provide a market for country products, and presumably with the growth of the latter, would emerge as a centre of domestic manufacturing. At one stroke, a blow was dealt to the one product export economy and the income leakages resulting from high foreign trade dependence. In general, Newfoundland's economic problem was seen not as an actual or approaching over-abundance of labour relative to resources, but of labour relative to resources currently being exploited.

In the latter part of the nineteenth century this strategy was pursued with a legislative ferocity which took second place to no developing country. In 1873 a Homestead Law was passed to encourage "Agriculture and the more speedy settlement of the Wilderness" and the Companies Corporation Act provided the legal framework for establishing limited liability companies in manufacturing, mining and commerce. In 1875 a system of bounties was introduced to speed up land clearance and cultivation. Two years later there was an "Act for the Encouragement of Manufacturing" providing subsidies on imports of flax, cotton and wool used in fishing gear and textiles. An act of

20 "Report of the Select Committee to Consider and Report upon the Construction of a Railway", *Journal of the House of Assembly*, 1880, p. 126.

21 For a discussion of this point see A. J. Youngson, "The Opening up of New Territories", *Cambridge Economic History* (Cambridge, 1966), vol. VI, Part I, ch. 3.

1880 offered large blocks of land to licensees who would settle farming families. In the same year the Receiver General was authorized to issue debentures for construction of a railway from St. John's to Notre Dame Bay, and in the next year the first railway contract was brought down for a line to Halls Bay with branches to Conception Bay. The 1880 session also introduced one of many bounty schemes to encourage ship building for the Bank fishery, and legislation was passed in 1882 providing assistance to New York promoters to establishing the Newfoundland Dock Company — the railway and drydock being the two great infrastructure investments of the late nineteenth century.²²

The 1882 session included a flight of fancy, in legislation for the "Great American and European Short Line Railway". It provided the promoters with incentives to build a southern line from St. John's to the Southwest Coast, there to link up by steamer with railways to be built or running rights to be acquired, through Eastern Canada and the United States — a scheme perhaps no more ridiculous in its historical context than the Canadian dream of an Imperial transportation link between Europe and the Orient. In any case, it was an early manifestation of Newfoundland's continuing fascination with its supposed locational advantages in the North Atlantic. In 1884 an act closely modeled on Canadian legislation provided for the survey of Newfoundland into townships, sections and quartersections, with a further development of homesteading, mining and forestry law. This was followed two years later by an "Act for the Promotion of Agriculture" which established agricultural districts under the direction of a superintendent and staff to direct settlement, road building and other public works as well as the promotion of scientific agriculture. In 1889 these measures were supplemented by the establishment of a Board of Agriculture to supervise local agricultural societies, and found a model farm to introduce improved stock, seeds and farm equipment.²³ In 1896 the trans-insular railway was completed, but the decade saw the projection of fresh schemes including a line from the Canadian border to the Labrador coast.

Throughout the late nineteenth century the St. John's newspapers followed the progress of secondary manufacturing, giving close attention to technical accomplishments, the level of employment and the likelihood of staunching imports. Gaden's Ginger Ale Factory was applauded for beating out imported mineral waters. The carriage factory of Messrs. W. R. Oke and Sons was hailed for developing a wooden tricycle for the French Consul which could be marketed at a quarter the cost of steel models. Archibald's Tobacco

22 For the statutes embodying these provisions see *Statutes of Newfoundland*, 36 Vict., c.7, c.8; 38 Vict., c.18; 40 Vict., c.10; 43 Vict., c.3, c.4; 44 Vict., c.2; 43 Vict., c.5; and 45 Vict., c.3.

23 See *ibid.*, 45 Vict., c.4; 47 Vict., c.2; 49 Vict., c.3; and 52 Vict., c.8.

Works, employing some 120 people, produced a Newfoundland plug tobacco. Stained glass, with designs in a national idiom, was made by the Newfoundland Glass Embossing Company. Newfoundland fruit was bottled in a new factory on Mundy Pond Road and samples were sent to the Queen with the hope of acquiring a royal appointment. Boots and shoes were turned out in a plant at Riverhead in St. John's employing close to 150 people, and since its work could "compare more than favourable with work turned out in any part of the world" it was anticipated that imports would be reduced.²⁴ The seriousness with which manufacturing development was viewed was symbolized by a government decision in 1891 to fund an Industrial Exhibition at St. John's "for the encouragement of the national and mechanical products of this colony."²⁵

Like Canada's National Policy, Newfoundland's first development strategy envisioned a moving frontier of agricultural settlement (facilitated by investments in inland transportation) linked to an initially protected and subsidized industrial sector. The results were disappointing. Improved acreage doubled from 36,000 acres in 1874 to 86,000 in 1901, but on a per capita basis this meant a growth from only 0.28 acres to 0.32.²⁶ Similarly, there was modest growth in the livestock population — from 90,000 cows and cattle to 148,000, and from 180,000 sheep to 350,000 — but the country had hardly made a dent in its domestic import bill and certainly had not emerged as one of the world's frontiers of agricultural investment.²⁷ In the industrial sector the value of factory output per capita grew from only \$10 in 1884 to \$12 in 1901 and \$14 in 1911.²⁸ It is, accordingly, a reasonable conclusion that agriculture and secondary manufacturing developments brought no important shifts in the composition of output. Nonetheless, the structure of employment in the country was significantly different in 1911 compared with 1884, as shown in Table 4. Between these dates almost 30% of the labour force — a growing labour force — was shifted out of fishing and into other occupations. Over half of this 30% represented small gains to defined primary, secondary and service occupations, while the other 13% was accounted for by the census aggregate 'Others'. This category likely included workers in a variety of personal service occupations, although the sharp increase in the category between 1884 and 1891 suggests another analysis which supports its allocation

24 I am grateful to Mrs. B. Robertson of the Newfoundland Historical Association for drawing my attention to these references. See *The Daily Colonist*, 30, 9 July 1887; 1 April, 13 September 1886; 8 October 1888; 4 June 1889.

25 54 Vict., c.10.

26 Calculated from *Census of Newfoundland*, 1911, vol. I, Table XXI.

27 *Ibid.*, Table XXII.

28 *Ibid.*, Table XXIII. Some large firms, however, did not report, such as Reid-Newfoundland, Angel Engineering and A. Harvey.

TABLE 4

DISTRIBUTION OF THE LABOUR FORCE: 1857 - 1935

	1858	1869	1874	1884	1891	1901	1911	1921	1935
Labour Force	43,251	47,024	53,309	73,796	56,984	67,368	82,426	80,327	88,710
Primary:	94%	90%	89%	87%	70%	69%	63%	59%	55%
-Agriculture	4	4	2	2	3	4	4	4	5
-Fishing	89	84	86	82	64	61	53	51	48
-Lumbering	1	1	1	2	2	2	3	3	2
-Mining	—	1	—	0.5	2	2	2	1	2
Secondary:	5	9	10	10	22	23	27	28	24
-Mechanics	5	4	4	5	5	5	7	6	7
-Factory Workers	—	—	—	—	2	1	2	2	—
-Others	—	5	6	5	15	17	18	20	17
Service:	1.9	1.6	1.5	3.8	7.9	8	11	12	22
-Professional	0.3	0.4	0.4	0.4	2	2	2	2.6	3.6
-Merchants	1.6	1.3	1.1	1.2	1.4	1.5	1.6	1.3	8.7
-Clerical	—	—	—	2.2	3.4	3.5	5.6	6.2	7.3
-Government	—	—	—	—	—	—	—	—	—

NOTE: A 'modern' occupational classification was introduced in the 1935 census which renders comparisons with previous years difficult. The category 'others' for 1935 includes employees in electric power, construction, transportation and unspecified areas. Prior to 1935 employees in personal service were enumerated under 'others' insofar as they were recorded at all. The error would hence inflate secondary employment and deflate service employment in earlier years relative to 1935.

SOURCE: *Tenth Census of Newfoundland and Labrador, 1935*, Part I, vol. II.

to secondary employment. Between 1884 and 1891 railway construction and a number of urban service projects got underway, and the upswing in the category 'Others' probably reflects the emergence of a large labour force in transportation, communications, public utilities and construction. If this is so, then a large share of employment diversification in this period was secured by a flow of public, and largely foreign private funds, into capital projects. Indeed it was two of the largest of these investments — the Bell Island iron mine and the Harmsworth newsprint plant at Grand Falls — which accounted for the decline in fish products as a percentage of exports (despite rising values from 1900) from over 90% in the 1880s to less than 70% by the opening of the War.

It is very probable that gross domestic product grew substantially in real terms between the mid-1880s and 1911. But the gains to gross national product and to personal incomes would be less dramatic; for both the railway, the new resource industries, and the expanding urban services must have increased the gross investment ratio and introduced for the first time into the Newfoundland economy substantial payments abroad for technology, capital and entrepreneurship.

The assumptions guiding Newfoundland's first development strategy were akin to those shaping the nineteenth-century territories of settlement. The weight of development was to be assumed by Newfoundlanders — native born and immigrants — accumulating capital and absorbing modern technology through the formation and expansion of small agricultural and industrial enterprises. Their efforts would be complemented by footloose entrepreneurs who, with government backing, would tackle large and complex capital investments. These assumptions began to give way by the beginning of the twentieth century. It is true that interest in native Newfoundland enterprise remained strong in the St. John's newspapers. For example, in 1912 excitement built up over the prospect of a rubber goods factory employing "all local capital", but it was abandoned when it was found that "the smallest plant which could be established . . . would produce enough stock in about four to five weeks to accommodate the demand."²⁹ It was also suggested at various times that factory hands should boycott merchants who carried imported lines when local products were available.³⁰ But the bulk of development legislation from the turn of the century was devoted not to the stimulation of local enterprise, but to a search for foreign, direct investment firms to develop modern resource industries through a package of advanced management and technology.

The reasons for this shift are clear. The original development strategy had failed. The high cost of land clearance and fertilization of an acidic soil made

29 *The Daily News*, 16 January 1912.

30 *The Evening Telegram*, 9 July 1908.

the land marginal to Newfoundlanders and the European migrants who flooded into the prairie lands of Australia and South and North America. With manufacturing, the size of the domestic market doomed firms to sub-optimal scale, and the absence of an industrial tradition in the country among capitalists and workers made it unlikely that Newfoundland firms would overcome the difficulties of entering foreign markets to achieve optimum scale. The remaining avenue to development was primary manufacturing industries, where possession of a scarce natural resource provided cost advantages for entry into international markets. Unlike the fishing industry, however, the minimum size of the firm in modern resource-based manufacturing was large and Newfoundland, with its tiny national income, had neither the savings, the entrepreneurs, nor the skilled workers to launch and control such developments.

The resulting wedding between Newfoundland and the international corporation can be traced back to the nineteenth-century contracts for railways, the drydock and the Bell Island mines. But the volume of such contracts accelerated with the successful Anglo-Newfoundland Development Company agreement in 1905 for a paper mill at Grand Falls. In the following year the Marconi Company was given a monopoly over telegraphy in return for a commitment to improve the Island's communications. In 1910 the "Coal Development Act" provided the Newfoundland Exploration Syndicate with tariff guarantees on coal imports if the company established a commercial mine. A similar inducement was given in 1910 to the Newfoundland Oil Fields Limited of London. In 1911 the British-Canadian Explosives Company, also of London, was offered protection to establish a manufacturing plant of sufficient capacity at least to supply local demand. In the same year an agreement was reached with the International Carbonizing Company to manufacture peat fuel, and two Maine promoters were offered various inducements to build five cold storage plants for fish products. In the next year the American-Newfoundland Pulp and Paper Company of Grand Rapids, Michigan, entered into an agreement for a pulp and paper mill at Deer Lake. In 1913 the Orr Newfoundland Company was empowered to construct five reduction plants to manufacture glue and fertilizer from dogfish, while the Canadian North Atlantic Corporation revived an old vision of a railway from Quebec City to the Labrador coast.³¹

The war years slowed down but did not staunch the flood of industrial promotions. In 1915 the Newfoundland-American Packing Company received concessions for cold storage facilities to pack fresh water fish, fruits and berries, and the Newfoundland Products Corporation was launched to manufacture fertilizers on the Humber. In the first year of peace the St. George's

31 See *Statutes of Newfoundland*, 5 Ed. VII, c.9, c.8; 10 Ed. VII, c.23, c.24; 1 Geo. V, c.11, c.20, c.22; 2 Geo. V, c.7; 3 Geo V, c.8, c.14.

Coal Fields Company revived the prospect of domestic coal supplies. In 1920 the St. Lawrence Timber, Pulp and Steamship Company offered prospects for the development of pulp mills on Bonne Bay, while the Terra Nova Sulphite Company was planning a similar facility at Alexander Bay. In 1921 the D'Arcy Exploration Company was granted leases for oil exploration, while the Pulp and Paper Corporation of America proposed mills in Labrador — probably only to acquire rights to export pulpwood and pitprops. In 1923 an agreement with the Newfoundland Power and Paper Corporation resulted in the mill at Corner Brook — one concrete success. In 1924 the Newfoundland Milling Company was founded to mill cereals with a guarantee of a twenty year monopoly and tariff protection. In 1929 the Newfoundland Mines and Smelters Limited was granted concessions over a large part of the Avalon to mine and process lead, copper, zinc and other ores. In 1930 one of the most imaginative — and enduring — schemes was launched by the Great Lakes-Atlantic Newfoundland Company for a transshipment port at Mortier Bay. In the last years, as the edifice of responsible government slipped away, the Terra Nova Oils Company was granted privileges to distil for export.³²

Each of the agreements had common threads. Any provision for Newfoundland equity participation, either public or private, was absent. The Newfoundland Government provided concessions in the form of Crown Land grants, drawbacks on duties on new construction materials, machinery and raw materials, tax holidays, and where applicable, the promise of protective tariffs. In return for these privileges, the companies promised to employ Newfoundland labour wherever possible and to invest certain minimum amounts over specified time periods — a guarantee which was commonly extended for further grace periods by amending legislation. But for all the hopes and effort embodied in these agreements, few resulted in any investment and still fewer in any permanent additions to the country's productive capacity.

In contrast to the late nineteenth century, legislation involving Newfoundland entrepreneurship was remarkably scarce and, with two exceptions, unoriginal. In 1908 the Model Farm Act provided for an agricultural experimental station to undertake original and applied research. In 1917 the Newfoundland Knitting Mills and the Riverside Woolen Mills, both apparently Newfoundland firms, were given relief from import duties on machinery and raw materials and a limited subsidy for fifteen years. In 1928 a Harbour Grace merchant was given a three year monopoly to establish a shark oil industry — a trade perhaps better fitted to some of the foreign concessionaires. A more promising direction was offered in the Tourist Commission Act of 1927 which

32 *Ibid.*, 6 Geo. V, c.3, c.4; 9 & 10 Geo. V, c.25; 11 Geo. V, c.6, c.2; 12 Geo. V, c.8, c.9; 14 Geo. V, c.1; 15 Geo. V, c.1; 20 Geo. V, c.12; 21 Geo. V, c.6; 22 Geo. V, c.5; 23 & 24 Geo. V, c.5.

established a public corporation drawing revenues from a tax on hotels, steamships and similar enterprises, to promote a tourist traffic and a "wider knowledge of the colony's natural resources". Undoubtedly the most important legislation in these years seeking to upgrade the efficiency and returns to Newfoundland enterprise was the two acts which made up the Coaker Regulations.³³ The acts established national quality controls in the production of salt fish and an organized approach in the markets for all Newfoundland output. Regrettably, the regulations foundered on divisions within the trade and were repealed in the following year.³⁴ It was not until the economic collapse of the 1930s when prospects of attracting foreign capital for resource development dried up, that attention to fishery legislation revived. In the interval Newfoundland's position as the world's largest exporter of salt cod weakened in the face of a growing competitiveness in Scandinavia and the development of national fishing fleets in traditional importing countries.³⁵

"No colony of the British Empire", it was stated in 1910, "has made such progress in recent years as has Newfoundland." It was "one of the most progressive states in the Western hemisphere" and "no people in the world maintain a more comfortable and contented existence than the Newfoundland fishermen . . ."³⁶ Twenty years later, on the eve of Newfoundland's economic and political collapse, Joseph Smallwood wrote at length of the country as a budding industrial Michigan set down in a North Atlantic Arcadia.³⁷ But the structural transformation so often planned, predicted and seen, had not in fact arrived. Between 1911 and 1935 Newfoundland's population grew from 243,000 to 290,000, an annual rate of 0.8% as compared with about 1.7% in Canada. As a consequence of emigration, the labour force grew more slowly than population at an annual rate of 0.3%, whereas in Canada it grew faster than population at slightly over 1.8%.³⁸ In other words, the demographic trends were not those of a country which had surmounted a development hump into modern economic growth.

33 *Ibid.*, 8 Ed. VII, c.7; 8 Geo. V, c.1, c.2; 18 Geo. V, c.1; 11 Geo. V, c.25, c.27.

34 See Ian McDonald, "Coaker the Reformer" (unpublished manuscript, Newfoundland Studies Centre, 1975).

35 See G. M. Gerhardsen and L. P. D. Gertenbach, *Salt Cod and Related Species* (Rome, Food and Agricultural Organization, 1949).

36 Anon., "The Golden Age of Newfoundland's Advancement" (n.p., 1910), pp. 1, 8. Internal evidence suggests this to be a Harmsworth promotional pamphlet.

37 J. R. Smallwood, *The New Newfoundland* (New York, 1931).

38 The Canadian rate is calculated for employed population 1911-31. The dependency ratio was not, however, remarkably different. Both countries had heavy child dependency ratios of 35% in Newfoundland in 1935 and 31% in Canada for 1931. That the Newfoundland ratio was not more unfavourable may be attributable to the apparently higher infant mortality rate (see DBS, *Statistical Background*, Table 24) and differing marriage and fertility patterns. Whatever the explanation, the occupied labour force was 34% of the population in 1911 and only 30% in 1935.

The foreign trade statistics appeared, superficially, to indicate considerable growth and diversification. Exports and re-exports grew from \$11.7M in 1906/10 to a peak of \$40.0M in 1929/30, or from about \$50 per capita to around \$135, while fishery products fell from some 80% to 40% of total exports.³⁹ Indeed, per capita exports from Newfoundland were higher than in Canada, which stood at \$40 in 1911 and \$115 in 1929. But given the small volume of domestic production for home consumption, Newfoundland needed very high levels of exports per capita to emulate the North American pattern of consumption which, as Smallwood noted, was increasingly emulated and desired.⁴⁰ Moreover, the gains to levels of consumption from rising per capita exports could not have been very great since, as Table 3 suggests, the export price indices of countries from which Newfoundland drew most of her imports rose by 40% to 60% between the immediate pre-war years and the second half of the 1920s. Secondly, duties as a percentage of imports rose from around 20% to 28% over the period,⁴¹ and expenditures for servicing foreign debt rose from 20% of revenue in 1919-20 to 35% in 1929-30.⁴² Thirdly, the per capita value of exports in pre-war Newfoundland reflected much more realistically returns for consumption to factors of production in Newfoundland than was the case by the late 1920s. The new resource industries in mining and forest products, which accounted for over 55% of the value of exports in 1929-30, required substantial payments out of the gross value of sales for capital depreciation, payments to foreign suppliers of intermediate inputs and non-resident management and ownership. For the same reason, the apparent diversification of the economy is misleading. Newfoundland had progressed from a domestically owned one product export economy to a substantially foreign owned three product export economy, for in 1929-30 some 98% of exports were accounted for by fish, forest, and mineral products.

Diversification of output for the export economy had no dramatic impact on the distribution of the labour force. In Table 4 the apparently strong growth in service employment and the decline in secondary shares between 1911 and 1935 is largely a statistical illusion arising either from a failure to enumerate personal service before 1935, or its allocation to 'Others' in earlier periods. The Table suggests a continuation of long-run trends rather than sharp discontinuities. Relative to the labour force, primary employment was declining, service employment was increasing, but secondary employment was stabilizing at around 20-25% of labour force. This was the share reached in the 1890s when the modern transportation, communications and construc-

39 DBS, *Statistical Background*, Table 97.

40 *New Newfoundland*, p. 211.

41 DBS, *Statistical Background*, Table 97.

42 Dominions Office, Newfoundland Royal Commission, *Report* (London, 1933, Cmnd. 4480), pp. 57, 63.

tion labour force began to emerge. Fishing and lumbering in 1935 continued to employ almost half the labour force, while factory and shop employment, despite the paper mills and electrical power stations, still employed only about 7%, while all occupations in the service sector showed small relative gains. The modern resource industries attracted to Newfoundland since the turn of the century had had a much greater impact on the composition of domestic product than on the structure of the labour force. The *trends* in labour's sectoral allocation were the same as those affecting other countries in the western world,⁴³ but the strength of demand for labour in Newfoundland's non-primary sectors and the growth of labour productivity in the primary sector had generated a much slower pace of transition than elsewhere. Thus, while the employment trends were toward the 'modern' allocation, at each date the secondary sector and, to a lesser degree, the service sector were more weakly developed.

Table 5 compares the sectoral allocation of employment with distribution of earning in 1935 and gives the resulting sectoral average per capita earnings. The Table is misleading as to the share in earning of the fishing industry in 'normal' times, as the price collapse of fish products was more severe than in other export industries. Still, even if the export value of fish products for 1928/29 (some \$16M) is allocated entirely to labour income in Newfoundland and no adjustment is made for depressed earnings in other sectors — obviously a gross bias in favour of the fishing industry in normal times — the sector would have received only about 45% of earnings, and per capita earnings would have stood at around \$350. It is more likely that in good years some 35-40% of earnings went to this sector which, according to the 1935 census, directly and indirectly employed and supported some 40% of the population. It is true that fishermen had to outfit themselves from earnings, but it is also the case that non-market income was more available to the rural than the urban labour force. The best guess is that in normal times standards of living for the mass of workers in the fishing sector did not differ sharply from those for the mass of workers in other sectors of the economy. If this is so, then the reason for the small absolute decline of the fishing labour force in the first half of the twentieth century is not simply a function of employment potential in other sectors. The critical fact is that the economy as a whole could not provide sufficient employment for the growing population and potential labour force, necessitating emigration from *both* urban and rural sectors. With stronger growth in secondary and tertiary sectors the level of emigration would have fallen, but it would have required a massive boom in demand for secondary and service output and a correspondingly sharp rise in per capita earnings in those sectors to have attracted large amounts of labour out of the primary sector.

43 See Simon Kuznets, *Modern Economic Growth* (New Haven, 1966), ch. 3.

TABLE 5

OCCUPATIONS AND EARNINGS IN NEWFOUNDLAND 1935

	% Total Employment	% Total Earnings	Per Capita Earnings
All Industries	(88,710)	(\$24,952,700)	(\$280)
Forestry, Fishing, Trapping	48 %	24 %	\$ 140
Services:	15	19	350
-Professional (Male)	1.3	5.4	830
-Public Administration (Male)	2.3	6	750
-Personal Service (Female)	6.5	2	60
Unspecified	8	4	140
Trade	7	16	640
Manufacturing	7	14	610
Transportation and Communication	5	10	500
Agriculture	5	4	155
Construction	3	4	350
Mining	2	4	500
Electric Power	0 (0.3)	1	1,100
Finance	0 (0.2)	1	1,350

NOTE: All calculations are rounded in the major breakdowns to the nearest 1%.

SOURCE: Calculated from *Tenth Census of Newfoundland and Labrador*, 1935.

The Newfoundland government struggled with the prospect of bankruptcy during the early years of the Depression, and finally surrendered independence and Dominion status early in 1934. The Commission appointed from Britain a year earlier to review the causes of impending collapse, attributed it largely to the irresponsibility of politicians in the management of public funds.⁴⁴ But from its own evidence it is difficult to make the case that there was a riot of spending. Revenues grew steadily from \$8.4M in 1920/21 to \$11.6M in 1929/30, but current expenditures actually declined from \$8.9M to \$7.2M and in every year between were under \$7M.⁴⁵ It is true that the budget was in surplus only in 1924/25, whereas it was in surplus in every year after 1922 in Canada; but the great development expenditures of the Canadian government were over by the 1920s, whereas in the twenty-eight years between 1885 and 1913 the Canadian budget had been in deficit in all but six of those years.⁴⁶ In 1933 the per capita public debt in Newfoundland stood at around \$344 compared

44 1933 Commission, *op. cit.*, p. 43.

45 *Ibid.*, pp. 57, 63.

46 Calculated from *Historical Statistics of Canada*, Series 621-24 and 626-44.

with \$540 for all levels of government in Canada,⁴⁷ which given relative income levels implied a heavier burden in Newfoundland.⁴⁸ Analysis of the Newfoundland public debt in 1933 shows that 35% was attributable to development of the railway; 60% was accounted for by the railway and other development expenditures on fisheries, agriculture, schools, roads, urban development and similar accounts; that over 70% was chargeable to these and the war debt, and finally that the lion's share of borrowings made to cover budget deficits was in order to keep the railway operating.⁴⁹

Whatever the peccadillos of its politicians, Newfoundland's collapse was not the result of corruption or even unwise, as distinct from unfruitful, spending of public funds. With the grant of responsible government, Newfoundland had set out to replicate the economic performance of its continental neighbours. The levels and patterns of North American consumption were the goal, and it is not surprising that development strategies to achieve it were imported as well. From hindsight, some of the reasons for failure are apparent. The matter of scale was crucial, for it was only by the output of massive volumes of several primary products and the simultaneous enlargement of domestic markets, that servicing of development expenditures could be covered, a measure of isolation from the swings of international prices secured, and dependence upon external capital markets reduced. Newfoundland was unfortunate. The economy was too narrowly based to benefit from war demand in 1914-18 and at best only a small commodity trade surplus was achieved. Moreover, unlike Canada, Newfoundland had to finance much of her war effort by borrowing in London and New York. The economy emerged from the war without a sharply diversified structure or increased capacity, with a casualty ridden labour force, and an increased external debt.

In the 1920s weak primary product prices offered no relief, and unlike Canada the country could not escape from the treadmill of external borrowing to service existing debt and to seek the elusive breakthrough into modern economic growth and structure. Hence the country was extremely vulnerable in the face of the international economic crisis which was steadily building throughout the 1920s. Newfoundland's export earnings dropped by 22% in 1930/31 - 1934/35 over their level in 1925/26 - 1929/30 — a rather modest decline compared with the almost 50% collapse in Canada's foreign earnings in 1931-35 over 1925-29.⁵⁰ But the smaller percentage decline had a much

47 Calculated from 1933 Commission, *op. cit.*, p. 253; *Historical Statistics of Newfoundland*, Table A-1, and *Historical Statistics of Canada*, Series 696-710.

48 In Canada in 1933 debt charges of all governments as a per cent of revenues amounted to 40% as compared with 63% for Newfoundland in 1932/33. Calculated from *Historical Statistics of Canada*, Series 662-82, 683-710, and 1933 Commission, *op. cit.*, pp. 57, 63.

49 Calculated from 1933 Commission, *op. cit.*, p. 253.

50 Calculated from DBS, *Statistical Background*, Table 97, and *Historical Statistics of Canada*, Series F242-245.

greater impact on Newfoundland since a larger share of national income was derived from foreign trade, the fishing industry (which was the most important in terms of payment to resident factors) was most severely hit, and government revenues, out of which payments on development capital had to be met, were almost entirely derived from customs.

Emulation of the style of life and the development strategies by which the new continental countries had achieved it, resulted in ruin for Smallwood's 'New Newfoundland'. For the impatient public servants of the 1933 Royal Commission, it was a case of a "people misled into the acceptance of false standards" and a "country sunk in waste and extravagance."⁵¹ A blunter conclusion was reached in the 1940s by MacKay and Saunders: "the Newfoundland economy cannot, in normal times, provide the revenue required to supply the Island with the public services demanded by a Western people".⁵² In short, Newfoundland was not a fit place for white men, or at least very many of them.

E. H. Carr has suggested that history rarely repeats itself because man is conscious of the past.⁵³ But in Newfoundland the past has not been well understood and the range of choice has been severely restricted. After the 1934 collapse succeeding decades have brought a repetition of earlier development cycles. During Commission Government in the 1930s and 1940s, attention reverted to improving the efficiency and expanding the capacity of indigenous enterprise; in the 1950s and 1960s as a province of Canada, there was a further round on 'infrastructure' investment and strenuous efforts to woo international capital and corporations. In the 1970s the province confronts the highest per capita debt and burden of taxation and the lowest credit rating in Canada. Almost half of provincial revenues are transfers from the federal government, and consumer expenditure and private investment is heavily supported by direct and indirect federal expenditures and transfers. The level of unemployment hovers around 20% of a labour force with a low participation rate, and many of the provinces hard-won industrial projects, such as the electric reduction plant, the linerboard mill and the oil refinery, are either heavily subsidized or operating at a loss. The Labrador mineral and hydro-electric projects have not generated major returns to the province and their prospect for further expansion is now dim. On the Island and coastal Labrador a large rural population remains, reluctant to move to the Mainland, and dependent upon the tattered remnants of a once great fishing industry wrecked by unfavourable trends in the international economy and hopelessly ineffec-

51 1933 Commission, *op. cit.*, p. 43.

52 MacKay, *Newfoundland*, p. 190.

53 *What is History?* (New York, 1972 ed.), pp. 84-89.

tive national trade and fisheries policies.⁵⁴ As Newfoundlanders once hoped that paper and mining companies would finally bring prosperity, they now await the discoveries of international oil companies on the Labrador coast.

If there are lessons from the past, however, they suggest that the province's natural potential lies on the sea, not the land, and that international resource corporations will not effect the economic transformation so long awaited. It might be wiser for Newfoundland to define and accept more modest goals and expectations, or perhaps more accurately, different ones. The development which a country achieves is not simply a quantitative measure of real output, but a qualitative valuation of the levels and patterns of consumption secured with that output, and its mental independence from valuations made by other influential countries. A tropical island will be poor no matter how much fish, fruit, sunshine and leisure its economy can provide if its people want, or are persuaded to want, cars and apartment towers. It is possible Newfoundland could develop a more prosperous economy and more self-confident society if its people adjusted to a pattern of consumption somewhat different from that of the Mainland, and its labour and capital were more effectively linked to its obvious natural endowment.

54 This issue is to be detailed in a forthcoming monograph by the author on the post 1945 Newfoundland fishing industry.