

## "We Must Speculate to Accumulate!": Mineral Development and the Limits of State Intervention, New Brunswick, 1952-1960

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## “We Must Speculate to Accumulate!”: Mineral Development and the Limits of State Intervention, New Brunswick, 1952-1960

THE DISCOVERY OF LARGE BASE METAL DEPOSITS in the North Shore area of New Brunswick in 1953 set off a mineral boom unprecedented in the province's history. American mining companies flocked to the province, attracted both by the size of the ore discoveries and by favourable American Cold War policies. Eager to diversify its lagging economy, the provincial government, led by Premier Hugh John Flemming, responded to the demands of these new investors for tax and infrastructure incentives. Although the state's interventions in economic planning and development were modest, they were nonetheless unprecedented in scope. State actions, coupled with the zealous rhetoric of politicians and mining promoters, created expectations of prosperity in the poverty-stricken communities of the North Shore. The expected prosperity, however, proved elusive. Faced with market downturns, the American mining companies chose not to develop their New Brunswick properties. Disappointed New Brunswickers began to highlight the distinctions between their interests and those of foreign capital. A variety of solutions were offered, both moderate and more radical, but all centred on increasing the state's role in the economy not only to attract capital and plan development but also to ensure that New Brunswickers benefited from their mineral resources. In response to these options, the provincial Progressive Conservative government showed the limits of its commitment to state intervention. Ultimately, it refused to challenge the claims of mineral companies that they had a right to develop the province's resources as they pleased, and when they pleased.<sup>1</sup>

Recent academic work on post-war Atlantic Canada has highlighted the importance of the struggle of regional politicians and bureaucrats to have aid for regional development incorporated into the policies of the emerging federal welfare state.<sup>2</sup> Out of this work the Flemming administration emerges as an influential

1 An earlier version of this paper was presented to the Annual Meeting of the Canadian Historical Association, Charlottetown, Prince Edward Island, June 1992. This study has been supported financially by the Social Sciences and Humanities Research Council of Canada and Carleton University. I would like to thank Kerry Badgley, Carmen Bickerton, Rusty Bittermann, Dominique Jean, Del Muise, Bill Parenteau, Danny Samson, Andy Secord and the anonymous *Acadiensis* readers for their helpful criticisms and support.

2 Margaret Conrad, “The 1950s: The Decade of Development”, in E.R. Forbes and D.A. Muise, eds., *The Atlantic Provinces in Confederation* (Toronto/Fredericton, 1993), pp. 382-420; Conrad, “The Atlantic Revolution of the 1950s”, in Berkeley Fleming, ed., *Beyond Anger and Longing: Community and Development in Atlantic Canada* (Fredericton, 1988), pp. 55-96; Conrad, *George*

force in achieving this federal aid, as well as a champion of the concept of state economic intervention. This present study, however, examines the actions of the Flemming administration at the provincial, rather than the federal level, by exploring how the New Brunswick state managed development of the base metal industry in the 1950s. To change the focus is to discern a "face" of the Flemming government quite different from that displayed in federal-provincial relations.<sup>3</sup> On the provincial scene intervention was limited to accommodating many of the infrastructural and legislative demands of outside mining capital, but provincial intervention did not extend to challenging the mining industry's timetable when it conflicted with the province's own needs. This limited intervention reflected a number of factors, including the conservative ideological climate of the Cold War, the absence of a tradition of state intervention provincially and the province's acceptance of its traditional dependence on "outside" capital for development.<sup>4</sup>

As limited as state intervention was under Flemming, his administration's use of state planning and incentives to promote economic development represented a departure from the practice of previous provincial governments.<sup>5</sup> As R.A. Young has shown, during the immediate post-war period Liberal Premier John B. McNair took little interest in planning and reorganizing the province's economy. His government preferred instead to invest post-war treasury surpluses on infrastructure

*Nowlan: Maritime Conservative in National Politics* (Toronto, 1986), especially chapter 8; James P. Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development* (Toronto, 1990); James L. Kenny, "Seeking Power: The Quest for Beechwood Financing", paper presented to the 1989 Atlantic Canada Workshop, N.S.; Kenny, "Politics and Persistence: New Brunswick's Hugh John Flemming and the 'Atlantic Revolution', 1952-1960", M.A. thesis, University of New Brunswick, 1988.

- 3 Theda Skocpol has argued that apparently contradictory state actions can be understood by recognizing that states have two "faces", one which confronts relations with other states and the other which deals with their internal "class-divided socioeconomic structures". See Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia, and China* (Cambridge, 1984), pp. 29-33. Although New Brunswick is not an independent state, it seems fair to make a distinction between its external dealings with other provinces and Ottawa, and its "internal" socio-economic realities.
- 4 The emergence of this dependence on outside capital for resource development occurred with the transformation from lumbering to pulp and paper production in the early 20th century. See Bill Parenteau, "The Woods Transformed: The Emergence of the Pulp and Paper Industry in New Brunswick, 1918-1931", *Acadiensis*, XXII, 1 (Autumn 1992), pp. 5-43.
- 5 The body of academic literature on state planning in post-war Canada is large. On the growth of the personnel and ideas of the federal mandarinate see J.L. Granatstein, *The Ottawa Men: The Civil Service Mandarins 1935-1957* (Toronto, 1982) and Douglas Owsam, *The Government Generation: Canadian Intellectuals and the State, 1900-1945* (Toronto, 1986). There has also been some debate as to whether or not Canada had a "Keynesian experience": see David Wolfe, "The Rise and Demise of the Keynesian Era in Canada: Economic Policy, 1930-1982", in Michael Cross and Gregory Kealey, eds., *Readings in Canadian Social History, Vol. 5: Modern Canada: 1930-1980s* (Toronto, 1985), pp. 46-78 and Robert Campbell, *Grand Illusions: The Politics of the Keynesian Experience in Canada, 1945-1975* (Peterborough, 1987). For examples of the successful use of the provincial state to develop a new resource staple see Larry Pratt and John Richards, *Prairie Capitalism: Power and Influence in the New West* (Toronto, 1979) and H.V. Nelles, *The Politics of Development: Forests, Mines and Hydro-electric Power in Ontario, 1849-1941* (Toronto, 1974). Nova Scotia's experience with state planning has been less successful: see Bickerton, *Nova Scotia, Ottawa, and the Politics of Regional Development*, chapters 4-8 and Roy George, *The Life and Times of Industrial Estates Limited* (Halifax, 1974).

that supported what Young has called "traditional clientele networks".<sup>6</sup> By 1955 the Flemming government was not exactly reorganizing the primary resource sector, but it was actively promoting development through tax concessions, favourable mining laws and infrastructural support.

What factors account for this change? Young has identified the emergence of the New Brunswick Electric Power Commission (N.B. Power) as a professional and autonomous organization as the most important reason for the shift. Professional engineers, taking advantage of promising mineral discoveries and Flemming's desire to attract investment to process those minerals, successfully promoted "power for industry" as the province's development policy. The "rub", according to Young, was that N.B. Power's real agenda could more aptly be described as "industry for power", for the increasingly autonomous utility was ultimately most interested in expanding its own operations.<sup>7</sup> While the influence of N.B. Power in defining development policy was significant, Young's focus on the utility has de-emphasized the importance of the province's emergent mineral industry in inducing changes in the nature of state economic policy. The promise of this new industry is what allowed N.B. Power to put its development strategy into action and, in the long run, to achieve the autonomy described by Young. A close examination of the mineral boom suggests that such factors as the prevailing ideologies of development, the lobbying of foreign mining corporations and the appointment of a Keynesian provincial economic advisor all influenced the development strategy pursued by the province. In order to more fully understand the development thrust of the 1950s this study explores the emergence of the base metal industry that lay behind the "power for industry" strategy. The development of this resource is situated in the international political economy of the 1950s and the forms of state intervention under the Flemming administration receive close attention.<sup>8</sup> Finally, this study also examines how groups at the community level responded and tried to re-shape the province's development strategy.

In 1950 mining played a minor part in New Brunswick's economy, accounting for a very small percentage of the province's gross product.<sup>9</sup> The major mining

6 R.A. Young, "'and the people will sink into despair': Reconstruction Policy in New Brunswick, 1942-52", *Canadian Historical Review*, LXIX, 2 (June 1988), pp. 127-66. E.R. Forbes has argued that the New Brunswick government did not have as much freedom in determining where to spend its increased revenue as Young claims: see Forbes, "The Atlantic Provinces, Free Trade, and the Canadian Constitution", in *Challenging the Regional Stereotype: Essays on the 20th Century Maritimes* (Fredericton, 1989), pp. 205-6. William Parenteau has challenged Young's interpretation of clientelism in New Brunswick: see Parenteau, "Forest and Society in New Brunswick: The Political Economy of the Forest Industries, 1918-1939", Ph.D. thesis, University of New Brunswick, 1994.

7 R.A. Young, "Planning for Power: The New Brunswick Electric Power Commission in the 1950s", *Acadiensis*, XII, 1 (Autumn 1982), pp. 73-99.

8 For good examples of studies which have located an Atlantic Canadian resource in the international political economy, see David Alexander, *The Decay of Trade: An Economic History of the Newfoundland Saltfish Trade* (St. John's, 1977) and Margaret Conrad, "Apple Blossom Time in the Annapolis Valley, 1880-1957", *Acadiensis*, IX, 2 (Spring 1980), pp. 14-39.

9 The only major published study of mining in New Brunswick is Allan Seager's fine study of class relations in the Minto coalfields. Seager, "Minto, New Brunswick: A Study in Canadian Class Relations Between the Wars", *Labour/Le Travailleur*, 5 (Spring 1980), pp. 81-132.

products were fuels, structural products (sand, gravel, limestones and clay) and non-metallics such as gypsum and peat moss. Coal, mined primarily in the Minto area, accounted for the largest portion of revenues and employment.<sup>10</sup> Its prospects were at best unstable, however, as it was of poor quality and not competitive with Nova Scotia coal. The base metal industry was practically non-existent in 1950 despite some earlier mining activity. Between 1902 and 1915, and again for a few years in the 1940s, iron ore was mined by Bathurst Iron Mines (also known as Drummond Mines). Minor discoveries of gold, pyrite and zinc sparked some interest in the region in the 1930s but with little result.<sup>11</sup>

Interest in the province's mineral potential was renewed in the early 1950s when state-sponsored studies yielded promising results. In 1950 and 1951 an aeromagnetic survey of the province was commissioned by H.J. Rowley, chairman of the New Brunswick Resources Development Board.<sup>12</sup> This survey, carried out by the provincial geologist and the Geological Survey of Canada, identified magnetic anomalies indicative of base metal deposits in the Bathurst-Newcastle region.<sup>13</sup> Copies of these maps were distributed by the Geological Survey and Rowley to prominent mining companies in the hopes of attracting interest in the region.<sup>14</sup> The survey results were made more attractive in 1952 when a University of New Brunswick geology student discovered that an ore sample taken from the Bathurst area contained sulphides indicating the presence of lead, zinc, silver and copper.<sup>15</sup> These promising findings attracted the attention of national mining companies such as M.J. O'Brien Ltd. and Noranda. By the summer of 1952 these companies and a handful of local prospectors had begun serious exploration work.

The most prominent of these companies was a prospecting syndicate headed up by Toronto mineral developer M.J. Boylen. A short, stocky man who regularly reminded people of his humble beginnings, Boylen had been a prospector in northern Ontario and Quebec since the 1920s. He had made his money in 1948 when he purchased the abandoned Anacon Lead Mines in Quebec only to discover new ore deposits. His increasing profile within the Canadian mining fraternity helped him attract speculative money for prospecting ventures in Quebec and New Brunswick from a group of wealthy American investors including Garard Winston,

10 In 1951 New Brunswick mines produced 656,791 tons of coal at a value of \$4,891,308 and employed a total of 432 workers on the surface and 517 underground. New Brunswick, *Annual Report of the Department of Lands and Mines* (1951), pp. 82-5.

11 G.S. MacKenzie, "History of Mining Exploration in the Bathurst-Newcastle District, New Brunswick", paper presented to the Annual General Meeting of the Canadian Institute of Mining and Metallurgy, Ottawa, 23 April 1957, pp. 5-7.

12 In 1945 the provincial government established the New Brunswick Resources Development Board, under the chairmanship of H.J. Rowley, in response to the recommendations of the province's Committee on Reconstruction.

13 New Brunswick, *Interim Report of the Department of Lands and Mines* (1950), p. 6.

14 See *Daily Gleaner* (Fredericton), 6 March 1953; Interview of John A. Paterson by W.Y. Smith, E.D. Maher and G.N. Chaison, 25 March 1976, MC81 # 8, p. 10, Provincial Archives of New Brunswick [PANB], Fredericton.

15 The student, A. Bennett Baldwin, studied under Prof. Graham S. MacKenzie, who also served as the province's chief geologist. See "Mining Developments Show Value of University Research", *Northern Light* (Bathurst), 26 February 1953, p. 9.

a former undersecretary of state.<sup>16</sup> The syndicate's investment paid off quickly. After quietly staking nearly 1,000 claims in the vicinity of the old Bathurst Iron Mines throughout the late fall of 1952, Boylen held a news conference in January 1953 to announce that he had struck paydirt.<sup>17</sup> A large base metal deposit containing zinc, lead, copper, nickel and silver had been located. While the ore was of only average grade, the deposit was large, amounting to an estimated 28 million tons. *The Northern Miner*, trade newspaper of the Canadian mining industry, described the discovery as "among the biggest in Canadian history".<sup>18</sup> In New Brunswick the provincial Mines Director boasted that "seldom... in Canadian mining history has such a vast tonnage of ore been proven in such short time".<sup>19</sup> The New Brunswick mining rush had begun.

The Boylen discovery attracted much attention not only because of its size but also because of a buoyant international mineral market stimulated by increasing tensions between the United States and the Soviet Union. Throughout the post-1945 period the American government increased its military preparedness by ensuring a steady supply of resources considered necessary to fight a war. The United States National Stockpile of strategic resources was increased in 1946 and again in 1950. A number of these resources were not available domestically and private American companies were encouraged to invest in foreign resources through loan guarantees, subsidies and tax write-offs. Tariff agreements for strategic resources were negotiated with "friendly" resource-rich countries.<sup>20</sup> The most formal statement of American policy came on 1 July 1952 when *Resources for Freedom: Report of the President's Materials Commission* was presented to President Harry Truman. Commissioned in the midst of the Korean War and chaired by William S. Paley, Chairman of the Columbia Broadcasting System, this report was a classic product of the Cold War. It identified 22 strategic resources that the United States needed to control in order to meet the long-range requirements of American defence and consumption. To achieve these goals the report advised Washington to accelerate both its stockpiling programme and its efforts to win access to foreign resources through trade agreements and private investment.<sup>21</sup>

16 "Prospector With The Midas Touch", *Northern Light*, 22 November 1956, Sec.3, p.1; "Jim Boylen — The King of the Mine Makers", *The Northern Miner* (Toronto), 24 November 1966, p. 57.

17 "These are the Hotspots Along Twenty-Five Miles of New Brunswick Staking", and "New Brunswick Fired By Metals Find With Big Tonnage Possibilities", *The Northern Miner*, 15 January 1953, pp. 1, 4, 5.

18 "New Brunswick Fired By Metals Find With Big Tonnage Possibilities", *The Northern Miner*, 15 January 1953, p. 1.

19 New Brunswick, *Annual Report of the Department of Lands and Mines* (1953), pp. 91-2; MacKenzie, "History of Mining Exploration", pp. 10-11.

20 The National Stockpile was increased under the Critical Materials Stockpiling Act of 1946 and the Defence Materials Procurement Agency/Inventory. Subsidy of investment in foreign resources by American companies was initiated in 1948 with the Economic Cooperation Act. See Melissa Clark-Jones, *A Staple State: Canadian Industrial Resources in Cold War* (Toronto, 1987), p. 239; and Satyadev Gupta, *The World Zinc Industry* (Toronto, 1982), pp. 32-3.

21 *Resources for Freedom: Report of the President's Materials Policy Commission: Summary of Volume I Foundations for Growth and Security* (Washington, 1952), pp. 61-8; Clark-Jones, *A Staple State*, pp. 12-16. On the relationship between American resource/ trade policy and national

American stockpiling and the Paley Report had great relevance for New Brunswick, for the newly-discovered base metal deposits in the Bathurst area were all listed as strategic resources. The strategic and consumer demand for zinc, copper, lead and nickel was predicted to rise substantially between 1950 and 1975.<sup>22</sup> Accordingly, Canadian exports of these materials were admitted to the United States at reduced levels. No duty applied to Canadian nickel and copper and, under the terms of the 1951 Torquay trade agreement, Canadian zinc and lead were admitted at reduced rates of 0.6 cents per pound and 0.75 cents per pound respectively.<sup>23</sup> Moreover, the demand created by the American stockpiling effort maintained artificially high price levels for these base metals. The Bathurst ores were also favourably located for the American market. Situated on the Baie de Chaleur, the Bathurst finds could easily be transported by sea to American markets on the eastern seaboard as well as by the soon-to-be-constructed St. Lawrence Seaway to the country's interior.<sup>24</sup>

Melissa Clark-Jones has argued that the Paley Report can be seen as a major factor in the increasing ownership of Canadian resources by American multinationals. Thirteen of the 22 "strategic" resources listed by the Report were found in Canada. The artificial demand created by American stockpiling efforts and the lowering of duties made Canada an attractive investment.<sup>25</sup> The favourable metal market created by the American stockpiling effort increased the significance of the Bathurst discovery. Within days of Boylen's announcement Bathurst was deluged with prospectors and mining company representatives from Canada and the United States. The *Moncton Daily Times* reported that mining people were "thronging into the town by train, car and bus,...staking claims over a wide area of Gloucester County in a race to cash in on an ore strike reputed to be of promising dimensions". Other newspapers noted that newly-arrived prospectors were sleeping in hotel lobbies and the local theatre where cots had been set up to accommodate them

security, see Stephen Krasner, *Defending the National Interest* (Princeton, 1978) and Richard J. Barnett, *The Lean Years: Politics in the Age of Scarcity* (New York, 1980).

22 Between 1950 and 1975 American demand for nickel, copper, zinc and lead was predicted to rise 100 per cent, 45 per cent, 38 per cent and 61 per cent respectively. See *Resources for Freedom: Summary of Volume II: The Outlook for Key Commodities* (Washington, 1952), p. 118.

23 Under the terms of the Torquay trade deal of 1950-51 Canada revoked preferential tariffs given to British tinplate in exchange for lower American tariffs on a number of Canadian minerals and metals, most notably lead and zinc. See Donald J. Patton, "The Evolution of Canadian Federal Mineral Policies", in Carl E. Beigie and Alfred O. Hero, Jr., eds., *Natural Resources in U.S.-Canadian Relations: Vol.1 The Evolution of Policies and Issues* (Boulder, Colorado, 1980), pp. 219-20.

24 Interestingly, the Paley Commission also recommended that the United States participate in the construction of the St. Lawrence Seaway to facilitate quicker and safer shipping of Labrador iron ore to the American interior: *Resources for Freedom: Summary of Vol.1*, p. 74.

25 Clark-Jones, *A Staple State*, pp. 2-21. See also Wallace Clement, *Hardrock Mining: Industrial Relations and Technological Change at INCO* (Toronto, 1981), pp.70-75 and Alexander Dow, "Finance and Foreign Control in Canadian Base Metal Mining, 1918-55", in Douglas McCalla, ed. *Perspectives on Canadian Economic History* (Toronto, 1987), pp. 270-83. For a more general interpretation of the growing American influence in Canada during the Cold War years, see J.L. Granatstein and Norman Hillmer, *For Better or For Worse: Canada and the United States to the 1990s* (Toronto, 1991), chapter 6.

while they waited to get to the field.<sup>26</sup> While only 153 claims were staked in the whole province in 1951, more than 40,000 claims were staked in the Bathurst area alone in 1953. By 1954 that number had increased to 60,000. Writing in *The Financial Post*, Peter C. Newman described the Bathurst boom as "the most concentrated claim staking rush in Canadian mining history", a point which the province echoed in literature promoting New Brunswick's mining and industrial potential.<sup>27</sup>

Table One  
Major Mining Claimholders in New Brunswick, 1955

Company Name	Controlling Company	Head Office Location
Brunswick Mining and Smelting	St. Joseph's Lead	United States
Heath Steele Mines	American Metal Company	United States
Annaconda Company	Annaconda Copper Mining	United States
Nigadoo Mines Ltd.	Billiton Corporation	Holland
Middle River Mining	Texas Gulf and Sulphur	United States
Stratmat	Strategic Materials Ltd.	United States
Kennco Explorations	Kennecott Copper Corp.	United States
Consolidated Mining and Smelting	Consolidated Mining and Smelting	Canada

Source: G.S. MacKenzie, "History of Mining Exploration in the Bathurst-Newcastle District, New Brunswick"; *Final Report of Commissioner of Mines of Province of New Brunswick* (Fredericton, 1960), pp. 6-20.

The attraction of American mining interests to New Brunswick during the 1950s is shown in Table One. These investments took two forms. First, a company could establish a Canadian subsidiary as was the case with the formation of Heath Steele by the American Metal Company Limited in 1955. Second, it could purchase a controlling interest in an established Canadian company. The best example of this

26 "100 Licenses Issued to Claim-Stakers As Office Opened", *Moncton Daily Times*, 23 January 1953, p. 1; "New Brunswick Metal Find Scene of Staking Rush", "Frenzied Staking in N.B. Spreads Far and Wide", "Bathurst Boom Aids Business", *The Northern Miner*, 29 January 1953, pp. 1, 2, 5.

27 New Brunswick, *Annual Report of the Department of Lands and Mines* (1951), p. 47; "Anticipate 30,000 Claims By Spring in N. New Brunswick", *The Northern Miner*, 19 March 1953, pp. 21-2; Peter C. Newman, "Bathurst Find Maritime Noranda?", reprinted in *Northern Light*, 28 May 1953, p.2; Travel Bureau Press Release, January 1954, Hugh John Flemming Papers, RS415 F4c, PANB.



approach was the purchase by St. Joseph's Lead of 40 per cent of the shares of Brunswick Mining and Smelting, the principal company established by Boylen after his 1953 metal discoveries. Hungry for development capital, Boylen readily sold St. Joseph's the controlling interest in Brunswick.

Of these mining companies, three held out the most promise for providing extensive development. The Boylen group's Bathurst discoveries drew the most attention. While Boylen's flagship company was Bathurst Mining and Smelting, he also used other companies to work the various ore bodies in the region. Principal among these were Keymet Mines, New Larder U. Mines, Anacon Mines and Sturgeon River Mining, in all of which Boylen had a controlling interest. Brunswick controlled the two richest discoveries in the Bathurst region, namely Austin Brook and Anacon-Leadrige. A University of New Brunswick geologist told the provincial legislature that these ore bodies, composed largely of lead and zinc, amounted to "a staggering 49,970,000 tons". Only two other Canadian base metal companies, Noranda and International Nickel, had larger ore reserves.<sup>28</sup> Although the ore was mid-grade, company officials were confident that they could develop a process to extract the metals. Boylen also made public his company's intention to establish Eastern Canada's first zinc smelter and a chemical operation (to take advantage of the high sulphide content in the ore) in the Bathurst area.

American Metal, through its subsidiary Heath Steele Mines, also had substantial claims in the Bathurst-Newcastle area. In the fall of 1954 this company announced the discovery of a large ore body at Little River, Northumberland County. This ore body was not as large as that of Brunswick but every bit as promising.<sup>29</sup> Established in 1955, Heath Steele Mines was owned 75 per cent by American Metal and 25 per cent by the Canadian-based International Nickel Company. Its development plans were not as grandiose as Brunswick's but it did promise a mine and lead-zinc concentrator by 1957.

The other major mining company investing in the province was Stratmat, a subsidiary of the suggestively named Strategic Materials Corporation, which controlled a large ferro-manganese ore body near Woodstock in south-central New Brunswick. The company's president, hotel developer John Udd, was also active in the Bathurst developments, sitting on Brunswick Mining and Smelting's board of directors.<sup>30</sup> Because the American supply of ferro-manganese, an essential ingredient in steel production, came primarily from the Soviet Union until 1949, it too was given preferential import status as a strategic resource. First discovered in 1954, this body was estimated to contain 150 million tons of proven ore, "enough

28 *Synoptic Reports of the New Brunswick Assembly [Assembly Reports]* (1954), p. 48.

29 "American Metal's New Major Discovery is Not Only Big, But It's Also Rich", *The Northern Miner*, 4 November 1954, pp. 1, 14.

30 Stratmat's board of directors included some big names in the American business world, including Ralph Damon, president of Trans World Airways, Alwin Franz, president of Colorado Fuel and Iron, and M.H. Baker, president of National Gypsum Co. Udd himself was developer of Montreal's Laurentian Hotel and Ottawa's Lord Elgin Hotel. He was also the top Canadian official for Sheraton Hotels. See "Local Mine Discoveries Looming Much Bigger Than So Far Indicated", *Northern Light*, 7 May 1953, p. 9 (reprinted from *The Montreal Gazette*).

to feed U.S. steel mills for twenty years".<sup>31</sup> Although the ore was of fairly low grade, the company hoped to upgrade it by means of a procedure (known as the Udy process) by which manganese was removed magnetically from rock and then subjected to sulphuric leaching. Stramat's president best expressed the Cold War and continentalist mentality of the period when he noted optimistically: "If war made it necessary the Woodstock deposit could probably supply the entire steel industry of North America, ending completely our reliance on overseas resources".<sup>32</sup>

By 1955 there seemed much reason for optimism about the province's new industry. Development was proceeding on the major ore bodies in Gloucester and Northumberland counties. In the Woodstock region Stratmat was making preparations to mine manganese and perfecting the refining process. Moreover, lead-zinc mining had already been initiated by Keymet Mines at Elmtree, Gloucester County and tungsten mining by Burnt Hill Tungsten Mines in York County.<sup>33</sup>

The North Shore base metal discoveries could not have come at a better time for the Flemming government, which had assumed power in 1952. New Brunswick had not been sharing in the post-war prosperity enjoyed by other provinces. The province's industrial output made up a meagre 1.7 per cent of the national output in 1952. Per capita income in the province declined from 72.4 per cent of the national average in 1945 to 64.5 per cent in 1952, and unemployment rates in New Brunswick were twice as high as the national average. Most importantly, the province's primary industries were no longer employing the numbers that they once had, despite the fact that the province's main staple, the forest industry, was increasingly profitable due to an expanding pulp and paper industry. Moreover, the province lacked a substantial secondary manufacturing industry.<sup>34</sup>

For years provincial politicians had talked of the need for a more diversified economy but little had been done to accomplish this goal. In 1945 the provincial Committee on Reconstruction had recommended that the state actively promote a more diversified economy based on efficient use of the province's natural resources but, as Young has shown, the McNair government largely ignored these recommendations. The Bathurst discoveries offered an opportunity to establish a new resource industry, one that had considerable secondary manufacturing possibilities. At the very least the Flemming administration wanted to have these minerals processed in New Brunswick. University of New Brunswick economics professor W.Y. Smith reported to the legislature's Forestry and Resources Committee that the location of a zinc smelter and refinery within the province

31 Strategic Materials Corporation, *Annual Report* (1956), p. 6.

32 "Plugging a Big Hole in Industry", *Newsweek*, 27 December 1954, p. 53.

33 New Brunswick, *Annual Report of the Department of Lands and Mines* (1955), pp. 97-8; *Assembly Reports* (1954), pp. 47-8.

34 New Brunswick, *The New Brunswick Economy: Past, Present and Future Prospects: A Brief Presented to the Royal Commission on Canada's Economic Prospects* (Fredericton, 1955), pp. 21-5, 44-2, Margaret Conrad, "The Atlantic Revolution of the 1950s", pp. 57-9 and Bill Parenteau, "In Good Faith: The Development of Pulpwood Marketing for Independent Producers in New Brunswick, 1960-1975", in L. Anders Sandberg, ed., *Trouble in the Woods: Forest Policy and Social Conflict in Nova Scotia and New Brunswick* (Fredericton, 1992), pp. 111-14.

would “represent a capital investment in the vicinity of \$30,000,000 and might create 3,000 extra jobs”.<sup>35</sup> Premier Flemming could barely contain his excitement. In a radio broadcast to the province shortly after the Bathurst discovery the premier announced:

Here is something which could transform the economy of our province, diversify our industries, bring new employment and new wealth to our people. If the ore is there, smelters will follow and other industries grow up following the smelters. What has happened in Northern Ontario and Quebec can very well happen in New Brunswick.<sup>36</sup>

Nor was Flemming alone in these dreams. *The Northern Miner* called the Bathurst discovery one of “national significance” and made the claim that New Brunswick was “a whole new mining province of important stature”. *The Monetary Times* was equally optimistic, suggesting that the base metal discoveries “may mean for this Province a return to the economic self-sufficiency she enjoyed during the great era of the building of the clipper ships”. And *The Financial Post* compared the Bathurst find with Noranda’s discoveries in northern Ontario.<sup>37</sup>

The mining industry made its position on state intervention clear from the outset. Fearing that the province would try to extract maximum value from its resources through taxation or stringent regulations, the editor of the Toronto-based *Northern Miner* warned:

When some half-baked Socialist, or fully-baked Commy, tries to tell New Brunswick that the mines are natural resources belonging to the people it would be well to remember that the people had those resources for several generations and did nothing with them. Any indications that New Brunswick feels profits earned by the mines are gained at the expense of the people of the province would be disastrous from the standpoint of attracting investment capital.<sup>38</sup>

The rhetoric, a product of the same Cold War environment that produced the *American Resources for Freedom* report, was extreme, but the laissez-faire message was one shared by the Canadian and, increasingly during the 1950s, American mining capital that *The Northern Miner* served.

Mining capital had little to fear from Flemming. Cognizant of the province’s historic inability to attract capital investment, he accepted the province’s dependent economic position. Base metal development was contingent on foreign capital and,

35 *Assembly Reports* (1953), p. 37.

36 Transcript of “Provincial Affairs”, 17 January 1953, p. 1, Flemming Papers, RS415 F4e2, PANB.

37 “New Mining Province Born”, *The Northern Miner*, 15 January 1953, p. 1; *The Monetary Times*, 15 June 1953; “Bathurst Find Maritime Noranda?”, *The Financial Post*, reprinted in the *Northern Light*, 28 May 1953, p. 2.

38 “New Brunswick’s Wonderful Opportunity”, *The Northern Miner*, 6 August 1953, p. 6. These fears were probably informed, in part, by the increased economic intervention, during the post-war period, of Saskatchewan’s CCF government. See Pratt and Richards, *Prairie Capitalism*, chapters 5 and 6.

consequently, the province would have to be responsive to prospective investors. Thus, while he asserted the importance of ensuring that the resource be processed in New Brunswick, Flemming made it clear that “those with money to invest in developing the natural resources of the Province will find us ready to cooperate”.<sup>39</sup>

Companies wishing to join the mineral rush found the Province of New Brunswick eager to aid their development efforts in a number of ways. At the most fundamental level, the state aided the companies by giving them knowledge. Throughout the decade the government disseminated knowledge of provincial mineral resources — “local knowledge” — to what were largely “outside” mining companies, without obligating those companies to do anything with it. A good example is the provincial and federal government’s distribution to large mining companies of the results of the aeromagnetic survey, performed by the provincial and federal governments, and the findings of the provincial geologist, UNB Professor MacKenzie. The point is also illustrated in regular mapping and surveys which were circulated by the Department of Lands and Mines to mining companies and prospectors. Such information, designed to attract interest, saved mining interests time and research costs. But this dissemination of knowledge to “outside” mining companies was not universally welcomed by New Brunswickers. In the months immediately following Boylen’s discovery there were complaints from some northern New Brunswick residents that Ottawa had given outside mining companies geological maps showing potential ore bodies well in advance of local prospectors. Progressive Conservative MLAs from Restigouche and Victoria counties took up the local cause in the legislature, arguing that because maps were issued only in Ottawa (and not New Brunswick) “the mining companies [had] an edge over provincial prospectors”. Moreover, D.B. Pettigrew, MLA for Restigouche, suggested there was “a feeling that the mining companies had maps in their hands at least two years before we knew there were any maps”. The provincial director of mines, C.S. Clements, acknowledged that he had received “similar complaints but had been assured by federal authorities that no advance distribution of maps had been made by Ottawa”.<sup>40</sup> The timing of the map distribution is unclear but it is notable that in later years John Paterson, a senior provincial civil servant during the 1950s, remembered H.J. Rowley sending copies of the geological maps to the major mining companies.<sup>41</sup> Regardless of whether Ottawa distributed maps to mining companies before local prospectors, it seems that the provincial government actively courted outside mining capital. That the province so readily sent knowledge to outside investors — rather than attempting a development strategy based on local capital and initiative — reflects its belief that “development would come from away”.<sup>42</sup>

39 Transcript of “Provincial Affairs”, 17 January 1953, p. 2, Flemming Papers, RS415 F4e2, PANB.

40 *Assembly Reports* (1953), p. 26; “N.B. Mining Maps Distribution Here Is Hit In Committee”, *Daily Gleaner*, 6 March 1953.

41 Interview of John A. Paterson by W.Y. Smith, E.D. Maher, and G.N. Chaison, 25 March 1976, p.10, MC81 #8, PANB.

42 James Bickerton has argued that “by the 1950s the notion of development as internally spawned and generated...was giving way to a concept of development as something that ‘comes from away’, a condition of modernity acquired by the region via the importation of industries”. See Bickerton,

A second kind of state aid came in the form of tax concessions granted to the mining interests by the federal, provincial and municipal authorities. During the post-war period the federal Liberal government used tax concessions to attract investment, domestic and international, to Canadian resources. In 1955 Ottawa made permanent a three-year tax holiday on new mines that had been in effect since 1936. Moreover, mining companies were granted "a depletion allowance amounting to 33 1/3 per cent of net profits, deduction of all exploration and development costs...and a special capital cost allowance on mine buildings, machinery and equipment". These generous concessions were welcomed by the mining industry and, as Wallace Clement has shown, attracted investment, much of it American-based, to Canadian mineral resources.<sup>43</sup>

The principal tax concession granted at the provincial level was relief from resource rents. In 1954, after some negotiation with mining interests, the Flemming government passed the Mining Tax Act. Rather than impose a royalty-based tax, as was done in other provinces such as Saskatchewan, the province opted for a tax on net profit only.<sup>44</sup> In addition, generous deductions from the gross profit were offered.<sup>45</sup> These measures virtually assured that mines would be in production for many years before the province realized any rent on provincial resources. This contrasted greatly with the province's rental policy in other resource sectors such as the fossil fuel industry where a royalty system existed and the forest industries where annual stumpage rates were charged for company use of Crown forests. The Mining Tax Act did contain measures that would give the province some control over its resources. Despite objections from some mining companies, particularly St. Joseph's Lead, the act permitted the government to triple the tax on profits earned on raw ore exported for processing elsewhere. Moreover, the provincial government was given the power to determine the location of any smelter in the province.<sup>46</sup> But on balance New Brunswick's mining taxes were generous and met with the general acceptance of mining capital.

At the local level the Gloucester Municipal Council, anxious to develop its mineral resources, offered generous property tax deals with individual mining companies. In 1953 Boylen's Keymet Mines, the first company to open a mine in the district, was exempted from paying municipal taxes on its equipment for four years. Moreover, the municipal assessment of the company's lands and buildings was to be calculated at a rate of 50 per cent of the "gross book value". In 1954

*Nova Scotia, Ottawa and the Politics of Regional Development*, p. 138.

43 Clement notes, however, that most of the investment attracted to Canada was centred in the extraction rather than processing aspects of the mining industry: Clement, *Hardrock Mining*, p. 72.

44 Originally, Saskatchewan's CCF government set potash royalties at 25 per cent during the 1950s. This was eventually reduced to 12.5 per cent after many industry protests. See John Richards and Larry Pratt, *Prairie Capitalism*, chapter 8.

45 Tax rates on net profit were: 0 per cent up to \$10,000, 7 per cent between \$10,000 and \$1,000,000, 8 per cent between \$1,000,000 and \$5,000,000, and 9 per cent above \$5,000,000. The Act was based on the Ontario and Manitoba Mining Tax Acts. *New Brunswick Statutes* (1954), pp. 29-49; *Assembly Reports* (1954), pp. 366-7.

46 The provision designed to promote home-processing was inspired by a similar Quebec prescription. See *Assembly Reports* (1954), pp. 366-7. On the objections of mining companies, see "Minutes of Meeting between Power Committee and St. Joseph's Lead, November 9- 10, 1954", File #3-333, microfilm #595, New Brunswick Power Commission Archives [NBEPAC], Fredericton.

similar deals were offered to the Canadian Manganese Mining Corporation, New Larder U. Mines and Brunswick Mining and Smelting.<sup>47</sup>

The municipality's agreement with Brunswick met with opposition from some county ratepayers. Lawyer and former Bathurst mayor E.G. Byrne appeared before the council in January 1954 to oppose the tax concession on behalf of "representative tax-payers of Gloucester, including both corporations and individuals". Byrne, who had earlier negotiated tax concessions for Keymet Mines, another Boylen company, urged that Brunswick not be granted concessions because it was better off than the other companies that had received tax relief. While those companies were only at the exploration stage, Brunswick controlled a large discovery of proven ore which the company boasted had "almost unheard of mining profit possibilities". "Why then", Byrne asked, "should B.M. and S. seek to have the people of this County bear the cost of providing municipal services without an adequate contribution by way of taxes from the exploitation of mineral resources, which are proven and belong to the people?" Moreover, while Keymet and Canadian Manganese were small privately-owned companies, Brunswick had the backing of St. Joseph's Lead, "one of the largest base metal mining concerns in the world". This American multinational, Byrne noted, owned mines all over the world and was currently lobbying for the imposition of an import duty on Canadian zinc and lead to protect its U.S. mines. This, according to Brunswick's opponents, made questionable St. Joseph's commitment to the New Brunswick development. Byrne also noted that, despite these facts, the municipal council was offering the company tax concessions without obligating it to a development timetable. Opposition to the Brunswick agreement was centred in northeast Gloucester County and motivated, in part, by the fear that the whole county would end up paying for a new industry that would be of greatest benefit to Bathurst, located in the west of the county. While it is unlikely that businesses near the mine site had similar objections, the issue generated considerable interest. Unsubstantiated rumours had circulated throughout the county that certain municipal leaders were promoting the tax concessions in order to get employment with Brunswick. The *Northern Light* devoted two pages to the debate and noted that "as news spread throughout the shiretown concerning the debate, the council chambers filled up with interested spectators". In the end, after a full day of debate, the municipal council and its solicitor rejected Byrne's arguments, contending that "the people of Gloucester County had nothing to lose and everything to gain" from the deal.<sup>48</sup>

Although the Gloucester Municipal Council rejected Byrne's arguments, opponents of the deal found an ally in Acadian MLA W.J.A. Gallant from neighbouring Northumberland County. A Rogersville car dealer and past-president of the Union of New Brunswick Municipalities, Gallant was a self-styled populist who proved to be a thorn in the side of both the governing Conservatives and his

47 *New Brunswick, Statutes* (1953), pp. 159-65; *New Brunswick, Statutes* (1954), pp. 311-36.

48 "Mr. Byrne's Brief", *Northern Light*, 28 January 1954, pp. 9, 13; "Lively Debate Marks Municipal Session: Interest High As Lawyers Argue Pros and Cons of Tax Concession Award to Mining Firm", *Northern Light*, 28 January, 1954, pp. 9, 13; Minutes of the Municipal Council of Gloucester, Annual Meeting 1954, RS149 A1.12, p. 632, PANB.

fellow Liberals during his eight years in the legislature.<sup>49</sup> In a legislative committee meeting to ratify the tax agreement, Gallant objected to the terms, questioning the commitment of St. Joseph's Lead to developing the New Brunswick deposits while it was advocating protectionism in Washington. Moreover, the multinational was "the largest mining company in the world". "Why", asked the Acadian populist, "should a company with \$37,000,000 ask the farmers and fishermen to pay their tax load?" Brunswick's lawyer Alfred Harris countered these arguments with the promise of a \$1.5 million investment in the county during the next year and the creation of up to 300 jobs. He also pointed out that "development at the Keymet Mine was much further advanced when it was granted a taxation agreement".<sup>50</sup> The assembly eventually ratified the Brunswick deal but it is significant that the problem of foreign investment was highlighted at this early date.

A third and more controversial way in which the government attempted to expedite mineral development was by asserting its ownership of mineral resources. While ownership of many New Brunswick minerals was vested in the Crown, some private landowners retained ownership to sub-surface minerals by virtue of early land grants. Bill 99, passed in 1953, was designed to standardize ownership by "re-vesting" property rights of all minerals in the Crown. It allowed the Lieutenant-Governor-in-Council to authorize prospecting activity on all lands and to determine compensation to their owner.<sup>51</sup> This action brought the state into conflict with both the owners of established resource industries and private land owners in general. At least one international pulp and paper company feared the impact of the bill on their substantial New Brunswick woodland holdings. The assistant general manager of the Nashwaak Pulp and Paper Company, owned by the Oxford Paper Company of Maine, lobbied against the legislation by claiming that it constituted "a threat hanging at all times over the heads of...companies who have something the Government may decide it wants".<sup>52</sup> The Liberal Party's opposition to Bill 99 centred around the vulnerability of individual, rather than corporate, property rights. Austen Taylor, the party's leader, claimed that by taking away established mineral rights from property owners the government was "trespass[ing] on the sacred rights of the individual". The bill, he claimed, could be used to confiscate lands from farmers unwilling to carry out exploration or develop a mining operation. A farmer could "wake up some morning to find that mining companies have moved in; that others have taken over his property, or a valuable part of it". Moreover, Liberal MLA Joseph Connolly complained, it was "professional

49 A brief description of Gallant can be found in Richard Wilbur, *The Rise of French New Brunswick* (Halifax, 1989), p. 190.

50 *Assembly Reports* (1954), p. 23.

51 *New Brunswick Statutes* (1953), p. 19.

52 Harry Beach, to Norman Buchanan, 31 March 1953, Flemming Papers, RS415 F4a, PANB. Pulp and paper companies in Northumberland County were particularly conscious of this vulnerability, for throughout the 1950s and early 1960s there was discontent among local residents over the under-utilization of Crown Lands by the pulp and paper industries. See Jim Kenny, "'The People's Resources': Competing Notions of Resource Ownership on New Brunswick's North Shore, 1950-65", paper delivered to the 1993 Meeting of the Association for Canadian Studies in the United States, New Orleans, Louisiana, November 1993.

prospectors" who would profit from the sale of claims staked on private lands, rather than the owner of those lands.<sup>53</sup>

Interestingly, the government defended the legislation from its critics by also appealing to populist rhetoric. Arguing that the public interest was better served through a rapid development of the mineral industry rather than the maintenance of individual property rights, Flemming declared that "Private rights that stymie the rights of the public must give way to public rights".<sup>54</sup> But Flemming's public interest defence failed to acknowledge that some private interests would benefit from the bill. Although it is not apparent whether large outside mining companies were behind Bill 99 as the Liberal Opposition charged, it is clear that these companies benefited from the legislation. Instead of having to negotiate with a number of individual landowners over access to resources, they could negotiate with the provincial government only.<sup>55</sup>

The final way in which the state sought to encourage mineral development was through the provision of infrastructure. The provincial government agreed to repay the major mining companies 50 per cent of the cost of roads to mining areas. The province also successfully lobbied Ottawa to build a harbour at Bathurst to facilitate the shipping of the region's base metals. What the mining companies wanted most, however, was inexpensive electricity. From the outset, mining companies demanded cheap and plentiful power as a pre-requisite for establishing operations in the province. Over the next five years the price of industrial power for mining operations became the major concern of mining interests. The provincial government and N.B. Power were sensitive to these demands, as concerns about the supply of power were well-founded. In 1953 the province's electricity output was relatively meagre. N.B. Power had been unable to meet domestic needs created by a rural electrification programme in the late 1940s, and it seemed certain that it could not meet the needs of major mining developments.<sup>56</sup> Moreover, there was a perception that the province's inadequate power supplies were a critical reason for its lack of secondary industry. Flemming pointed out that "during the war, power shortages were given as the principal reason, by the Federal Government, against the establishment of war industries in the Province".<sup>57</sup> But the mining boom also dovetailed nicely with N.B. Power's own expansion plans. R.A. Young has shown that the newly-reorganized utility was anxious to develop increased power capacity. The chief engineer, J.L. Feeney, and the development engineer, Reg Tweeddale, contended that cheap power was necessary to attract capital to the province.<sup>58</sup> Accordingly, an expansion of the Grand Lake thermal plant and construction of a hydro development at Tobique Narrows were planned. More importantly, in 1953

53 *Assembly Reports* (1953), pp. 292-6.

54 *Assembly Reports* (1953), p. 299.

55 *Assembly Reports* (1953), p. 393.

56 Young, "Planning for Power", pp. 76-80.

57 *Assembly Reports* (1953), p. 200. For a description of the lack of wartime state investment flowing into the Maritimes, see E.R. Forbes, "Consolidating Disparity: The Maritimes and the Industrialization of Canada During the Second World War", *Acadiensis*, XV, 2 (Spring 1986), pp. 3-27.

58 Young, "Planning for Power", p. 79.



the International Joint Commission authorized initiation of the hydroelectric development of the St. John River. The emerging mineral industry justified N.B. Power's expansion plans and offered Tweeddale and Feeney an opportunity to put their "power for industry" philosophy into action. It also gave them substantial influence within a provincial government eager to encourage development of the new resource.

The province's first economic advisor, William Y. Smith, was also a strong advocate of using cheap power to attract industry. An economics professor at the University of New Brunswick, Smith was hired first by N.B. Power in 1953 and then by the provincial government in 1954. Like many academics of his generation, Smith was a strong proponent of state economic planning. A New Brunswicker who had served in the Second World War and subsequently graduated from Oxford University, he was heavily influenced by the economic theories of John Maynard Keynes and the active role that his Keynesian tutors played in managing the British economy. As a public servant in New Brunswick during the 1950s, Smith expressed his Keynesianism less in terms of advocating income support policies than in having the principle of regional development recognized by Ottawa. He greatly admired the emphasis that Britain's Keynesian blueprint, the 1944 White Paper on Employment Policy, put on the national state's responsibility for attracting capital to depressed regions, and he believed that such a policy in Canada would help industrialize the Atlantic region's economy. Smith was particularly impressed with the White Paper's proposal to use infrastructure to lure capital to underdeveloped regions. The "power for industry" model fit well into Smith's economic thinking, and throughout the decade he was a central figure in trying to win federal aid for N.B. Power's development programme.<sup>59</sup>

The Bathurst discoveries highlighted the need for state planning in order to facilitate full development of the industry. A Power Committee, consisting of representatives from government and N.B. Power, was established to determine the power needs of new industries. In particular, attention was focused on forecasting load requirements for mining companies. Smith and Tweeddale approached the major mining interests to outline their development plans and power needs. These companies sought to obtain power at the lowest price possible, arguing that the establishment of processing operations in the province was conditional on the cost of power. Stratmat president John Udd promised a processing plant valued between \$20 and \$100 million in the Woodstock area if the province could provide power at a cost of between 6 and 7 mills per kilowatt hour (kwh).<sup>60</sup> Brunswick Mining and

59 As a professor at UNB in the early 1950s Smith sought to "instill a strong Keynesian component" into the courses offered by the Economics Department. See "Partial Transcript of Tape With W.Y. Smith", interview of Smith by Janet Toole for UNB Oral History Project, 14 January 1985, Fredericton, N.B., p. 1; Transcript of interview with W.Y. Smith by the author, 23 September 1990, pp. 7-9, PANB. For Smith's views on Britain's White Paper and the absence of a regional component in Canada's equivalent statement, see W.Y. Smith, "Recognition of Regional Imbalance", *Policy Options*, Vol. 2, No. 5 (November/December 1981), pp. 41-4. On Smith's role in the province's struggle to win federal recognition of the principle of regional development, see Kenny, "Politics and Persistence", chapters 1 and 2.

60 Udd to Flemming, 19 September 1955; Smith to Flemming, 13 January, 1955, Flemming Papers, RS415 F4e3, PANB.

Smelting's price of establishing operations in the province was much higher. In an August 1954 meeting provincial officials were told by Francis Cameron, vice-president of St. Joseph's Lead, that the company planned to have a pilot plant operating by 1955 and a 40,000-ton concentrator in place by 1957. If the company was going to proceed with a smelter, however, it would require power at a price of between 4 and 4.2 mills per kwh. A chemical refinery to process the sulphur content of the ores was also a possibility, but it too would require power at a cost of 4 mills.<sup>61</sup> Together these developments represented 1,500 new jobs and a capital investment of \$30 to \$50 million. But, Cameron warned, if the company's power demands could not be met he would consider locating the refinery "on the north shore of the St. Lawrence River in the Province of Quebec" where low-cost power was available.<sup>62</sup>

Meeting industry demands would not be easy, though. At best, the utility's thermal plants produced power at 7 mills, and engineering studies commissioned by the province indicated that hydroelectric development of the St. John River would not yield the rates demanded by St. Joseph's. In 1955 the province's Power Committee concluded that N.B. Power's best price was 7 mills. The demands of St. Joseph's Lead were indeed extreme. Although they admitted paying 7 mills at their zinc smelter in Josephstown, Pennsylvania, company officials refused to soften their position in negotiations with New Brunswick during the 1954-7 period.<sup>63</sup> The hard negotiating of St. Joseph's Lead officials reflected an understanding of the company's advantageous position in dealing with the government of a poor province eager to attract investment. It seems unlikely, however, that N.B. Power officials or cabinet ministers felt blackmailed by this pressure. In fact N.B. Power and the province happily used the demands of Stratmat and Brunswick to bolster their arguments for federal aid for the proposed hydroelectric development of the St. John River and for Beechwood in particular.<sup>64</sup>

By the mid-1950s the issue of mineral development had become inextricably linked in public statements by politicians and bureaucrats with that of cheap power. In a 1955 radio broadcast Premier Flemming announced that "Cheaper power is the key which will unlock the treasure chest, located in New Brunswick".<sup>65</sup> This theme was reiterated by Conservative MLAs, N.B. Power officials and some University of New Brunswick faculty members, most notably Smith and his

61 Smith to Flemming, 28 July 1954, Flemming Papers, RS415 F4e7, PANB; Smith to Flemming, 30 August 1954, Flemming Papers, RS415 F4e6, PANB; Cameron to Smith, 13 September 1954 and Tweeddale to Feeney, 31 August 1954, Flemming Papers, RS415 N2g, PANB.

62 Cameron to Smith, 13 September, 1954, Flemming Papers, RS415 N2g, PANB.

63 C.E. Baltzer, "Power for a Major Mining Industry", undated report; and "Interim Report of the New Brunswick Power Committee to the Government of New Brunswick and the New Brunswick Electric Power Commission", 9 November 1955, file #3-333, microfilm #595, NBEPAC.

64 The province finally succeeded in obtaining federal financing for the Beechwood project in 1957, after John Diefenbaker was elected on a platform that included support for regional development. Kenny, "Politics and Persistence", chapter 1.

65 Flemming, "Provincial Affairs", 7 May 1955, Flemming Papers, RS415 Df1, PANB. In the course of demanding federal aid for power development from Ottawa he made a similar statement at the 1955 Federal-Provincial Conference: *Federal-Provincial Conference 1955: Preliminary Meeting* (Ottawa 1955), p. 29.

Department of Economics colleague P.A. Milligan, who travelled the province preaching the government's gospel of cheap power.<sup>66</sup> The linkage between cheap power and mineral development was created initially by the demands of the mining industry, but, once made, state officials accepted the connection without question. Here industry demands converged with the expansionist aspirations of N.B. Power officials and the Flemming administration's visions of prosperity.<sup>67</sup>

Despite its attempts to meet industry demands it would be wrong to view the New Brunswick government as completely subservient to the mining companies. There were times when the province was less accommodating to the industry. In 1954 Brunswick Mining and Smelting requested a smelting monopoly. Citing a planned expenditure of more than \$100 million dollars over 12 years (largely by St. Joseph's Lead), Boylen requested "exclusive rights to establish lead, zinc and copper smelters, elemental sulphur plants, sulphuric acid plants and fertilizer plants in the Province of New Brunswick for a period of twenty years". Not wanting to discourage other potential investors, the government denied this request. However, as consolation Flemming promised to pass legislation protecting the company from court actions arising from pollution produced by Brunswick's proposed smelter.<sup>68</sup>

Although unable to accommodate all of the mining companies' demands, the provincial government was extremely optimistic about the new industry's prospects. This confidence was informed in large part by the Paley Commission's predictions of future American demand for base metals. Provincial officials would regularly cite the report in presentations to federal authorities or before the legislature. As Flemming told the House in 1955, "the long term outlook for New Brunswick mineral development and production is excellent. This fact is borne out by the document *Resources for Freedom*".<sup>69</sup> These predictions prompted Norman Buchanan, Minister of Lands and Mines, to advise MLAs that they had a duty to

66 For example, see "Development of Cheap, Plentiful Power Key to N.B. Prosperity", "Power is Keynote to N.B. Prosperity", undated and unattributed newspaper clippings describing speech by Prof. Milligan to the Woodstock Rotary Club, File #3-333, Microfilm #595, NBEPAC; "UNB Professor to Address Joint Meeting", *Northern Light*, 28 January 1954, p. 1. Moreover, while employed with N.B. Power, Smith had been unofficially charged with the task of "educating the public" about the necessity of hydro development. "Minutes of NB Power Commission Meeting, 16 December 1953", p. 5, NBEPAC. The involvement of university experts in this promotion must surely have given the government's message legitimacy, but it also blurred the distinctions between the state and the academy; indeed the university appeared to be an arm of the state. For two very different examples of the state's use of university experts for legitimization purposes, see Miriam Wright, "The Smile of Modernity: The State and the Modernization of the Atlantic Canadian Fishery, 1945-1970", unpublished M.A. thesis, Queen's University, 1990, and Donald Clairmont and Dennis William Magill, *Africville: The Life and Death of a Canadian Black Community* (Toronto, 1987), chapter 5 especially.

67 On the "mythical" linkage between hydroelectricity and industrial development in Ontario, see Nelles, *The Politics of Development*, chapters 6 and 7.

68 Boylen to Flemming, 19 November 1954; W.J. West to Flemming, 24 November 1954, Flemming to Brunswick Mining and Smelting Corp. Ltd., 1 December 1954, Flemming Papers, RS415 F4e2, PANB.

69 *Assembly Reports* (1955), pp. 293-4. In later years W.Y. Smith recalled that the Paley Report was a "vital" influence in the Flemming government's mineral development policy. See Interview of W.Y. Smith by author, 23 September 1990, PANB.

"re-educate the people" about the province's mining potential. Speaking before the legislature's Natural Resources Committee in 1955, he proclaimed that "we must speculate to accumulate".<sup>70</sup> But this was not an appeal to local capital to invest in the province's mining industries. Rather, it was an appeal for MLAs to "re-educate the people" by "giving out inspiring information" about developments being carried out by what were largely American companies.

The major success story in the mining industry was the establishment in the Newcastle region of Heath Steele Mines by American Metal. By 1958 this company had constructed milling facilities and was producing lead-zinc and copper ore, albeit at a reduced rate. Another positive development was the establishment, in the Bathurst area, of Nigadoo Mines by the Dutch Billiton Corporation. It too had built a concentrator and commenced milling ore in 1958. But by the mid-1950s the province's mining industry was not progressing at the pace predicted earlier in the decade, and the failures outnumbered the successes. In 1956 Keymet Mines, citing a lack of ore, ceased operations. Tungsten mining at Burnt Hill was also "curtailed" in that year. Little work was done in Woodstock between 1955 and 1958 as Stratmat continued testing the Udy process in Niagara Falls. More importantly, development of the Brunswick properties was slow. A pilot concentrator was established but construction of the proposed smelter was continually postponed.<sup>71</sup>

The reason for the slow development of New Brunswick's mineral industry had little to do with any lack of power. Rather, it was the depressed state of the base metal market. American stockpiling, investment incentives and low import duties flooded the market with lead and zinc, thereby driving down prices in 1953 (See Table Two). Pressured by the American mining industry, Washington attempted to prop up base metal prices by expanding the lead-zinc stockpile in 1954. But this was only a temporary solution. Overflowing reserves of lead and zinc soon forced the United States government to slow its stockpiling effort in 1957, precipitating another collapse in lead-zinc prices. A growing protectionist movement led by the American mining industry eventually forced President Dwight Eisenhower, in 1958, to impose quotas on lead-zinc imports from all countries, including Canada.<sup>72</sup>

70 *Assembly Reports* (1955), p. 2.

71 New Brunswick, *Annual Reports of the Department of Lands and Mines* (1955-58).

72 See "Stockpile Stomach Ache", *The Northern Miner*, 31 October 1958, p. 6; "Ups and Downs of Lead and Zinc Reviewed by Metal Sales Expert", *The Northern Miner*, 25 September 1958, pp. 4, 15. Under terms of the quota, "countries exporting to the United States were limited to 80 per cent of their average annual imports during the 1953-57 period": Donald J. Patton, "The Evolution of Canadian Mineral Policies", p. 222. In 1955 Washington also eliminated tax deductions to American companies investing in foreign lead-zinc mines: "Tax Write-Offs Dropped in U.S.", *The Northern Miner*, 18 August 1955, p. 6.

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Table Two  
Average Yearly Prices for Zinc and Lead

Year	Zinc (cents/lb.)	Lead (cents/lb.)
1950	13.87	13.30
1951	18.00	17.50
1952	16.20	16.47
1953	10.86	13.49
1954	10.68	14.05
1955	12.30	15.14
1956	13.49	16.01
1957	11.40	14.66
1958	10.30	11.50

Source: *Interim Report of the Commissioner of Mines* (Fredericton, 1959), p. 9.

The unstable base metal market and the changing American trade policy had a substantial effect on New Brunswick's newest mineral resource. While eager to maintain their existing claims and leases, mining companies were reluctant to bring mines into production at a time when base metal prices were low and the threat of American protectionism was high. Such was the case with Brunswick Mining and Smelting. After months of teasing northern New Brunswickers with news of the imminent construction of a smelter, in the fall of 1957 Brunswick announced a slowdown in its development programme.<sup>73</sup> In a letter to Premier Flemming, Francis Cameron of St. Joseph's Lead explained that market factors "offered little inducement...to develop new production which could only add to the present unwanted world surplus".<sup>74</sup> Despite Cameron's assurances that Brunswick's leases would be developed eventually, the company shut down operations in April 1958, shortly after obtaining an extension of its tax concessions from the Gloucester Municipal Council.

The concerns raised by Gallant and Byrne, four years earlier, of the problems of American ownership of the province's mineral resources seemed remarkably accurate. St. Joseph's claimed that market conditions would not allow them to develop the New Brunswick ores immediately, yet they had been influential in shaping those conditions. Throughout the decade St. Joseph's Lead had played a key role in lobbying Washington for increased tariffs on foreign imports of base metals in order to drive up the price of domestic ores.<sup>75</sup> This was clearly not in the interests of New Brunswickers wanting to develop a new industry. Development might come — but on St. Joseph's' timetable, not that of New Brunswick. Increasingly it appeared that ownership of Brunswick was designed to ensure that

73 "Smelter Will Be Built Here", *Northern Light*, 30 May 1957, p. 1.

74 Cameron to Flemming, 25 November 1957, Flemming Papers, RS 415, F4e6, PANB.

75 St. Joseph's Lead Co., *Annual Reports* (1954-1958).

New Brunswick base metals were not put into competition with ores produced by other St. Joseph's companies. This point is reinforced by the fact that M.J. Boylen, the president of Brunswick Mining and Smelting, wanted to proceed with development of a zinc smelter. In a personal letter to Flemming in 1958 Boylen complained that, because of St. Joseph's foot-dragging, competing zinc deposits in Quebec could come into production "before we do, and perhaps with a zinc smelter....This would again put us away back where St. Joseph's would squawk about more zinc being on the market".<sup>76</sup> The next year Boylen tried unsuccessfully to buy the St. Joseph's share of Brunswick in order that he might begin operations in New Brunswick. The parent company explained that Boylen's request was not in their "best interests".<sup>77</sup>

The declining mineral industry, and the Brunswick shutdown in particular, was a substantial blow for residents of the Bathurst-Newcastle region, where unemployment reportedly hit 65 per cent in 1958.<sup>78</sup> Over the previous five years, great expectations had been created by the provincial government and the various mining companies. Claude Savoie, Liberal MLA for Gloucester County, complained: "Government speakers...[had] conjur[ed] up...visions of smelters — of harbours busy loading ore — of chemical industries — and of communities bursting at the seams with the beneficial effects of the base metals exploitation".<sup>79</sup> The only impediment to full development, the government had claimed, was a lack of power. It was a sad irony that the Brunswick slowdown was taking place just as the Beechwood project began operation in the spring of 1958. Local discontent with the mining companies was directed initially towards the export of unprocessed raw ore. The principal offender was Keymet Mines which, before it shut down operations in 1956, had exported significant quantities of raw lead-zinc to Belgium for processing. This action was condemned by the Miramichi District Trades and Labour Council and the provincial Opposition, which demanded government action to get the mines into production or at least retrieve some revenue in lieu of production. Liberal leader Taylor noted that "although the ore — our natural resource — is gone from the mine site, the people of New Brunswick...have received not one cent in royalties".<sup>80</sup>

To many local residents the shutdown of Brunswick and Heath Steele demonstrated the incongruity between corporate and community interests. They were not prepared to accept Brunswick's explanation for closing. Liberal MLA Claude Savoie reported that constituents were "not convinced that the market price is the sole reason for present inactivity. After all they were told so often that the ore

76 Boylen to Flemming, 6 February 1958, Flemming Papers, RS415 F4e2, PANB.

77 Boylen to Cameron 13 March 1959, Cameron to Boylen, 17 March 1959, Flemming Papers, RS415 F4e2, PANB.

78 *Assembly Reports* (1958), p. 170. In February 1959 the *Northern Light* reported that there were only 26 vacancies for the 6,971 people who had registered for work at the Employment Centre. As bad as that seemed, it was an improvement over the previous year. *Northern Light*, 19 February 1959, p. 1.

79 *Assembly Reports* (1958), p. 176.

80 "Score Shipping Raw Goods, No Industrial Use of Crown Lands", *North Shore Leader* (Newcastle), 13 April 1956, p. 1; *Assembly Reports* (1956), pp. 467-9.

was tremendously rich and the deposits vast".<sup>81</sup> Local prospectors expressed similar doubts. Alfred Harris, president of the New Brunswick Prospectors and Developers Association (and who had acted as Brunswick's lawyer earlier in the decade), complained that the market explanation was being "overplayed" by the American companies, noting that since St. Joseph's was a major proponent of U.S. protectionism "it [was] undoubtedly in their interest to 'sit on' new discoveries".<sup>82</sup> Moreover, Harris added in a letter to Flemming, there was resentment about the lack of public information about the state of the industry: "The people have been kept in darkness about their resources and as a result waves of optimism and pessimism sweep the people depending on what is said in public and passed along as gossip".<sup>83</sup>

A number of solutions were offered to the Flemming government. Harris insisted that "if these companies are not prepared to give our mining fields a chance then we should not hesitate to tax them as though they were in operation".<sup>84</sup> This position was also favoured by Gloucester County Liberal MLA J.E. Connolly, who noted that the government of British Columbia had similar legislation.<sup>85</sup> Fellow Liberal MLA Fred Young, also of Gloucester County, argued that since both the province and the municipality had offered every incentive possible to Brunswick the government should "demand that development work be actively continued to provide work for our people, who in fact are the real owners of these resources". This would ensure that the mine was ready for production when markets improved. Louis Robichaud, Taylor's successor to the Liberal leadership, suggested that the government should give aid to local entrepreneurs, such as K.C. Irving, to develop provincial resources. But the most radical solution came from Gallant, who demanded that all agreements with Brunswick be cancelled and that the "birth rights" of all New Brunswickers be "returned to the people". "Let us, the people of New Brunswick, operate it...".<sup>86</sup> At the core of these suggestions was a challenge to the notion that corporations were free to do as they pleased and the assertion that community interests must take precedence.

Premier Flemming rejected demands for increased state intervention in the mining industry as unrealistic. In 1956 he had told the legislature:

Personally, I cannot feel that the best way to attract capital investment in our mining industry is to cast doubts upon the methods of mining companies and to impose all kinds of complicated conditions upon the scope of their operations. Mining is a highly speculative venture, entailing great risks, there must necessarily be some compensating prospects or

81 *Assembly Reports* (1958), p. 176.

82 Harris to Flemming, 13 December 1957, Flemming Papers, RS415 F4e2, PANB.

83 Harris to Flemming, 16 December 1957, Flemming Papers, RS415 F4e2, PANB.

84 Harris to Flemming, 13 December 1957, Flemming Papers, RS415 F4e2, PANB.

85 "Speech by Connolly", *Northern Light*, 24 April 1958, pp. 11-12.

86 *Assembly Reports* (1958), pp. 123; 308; 320-1. Robichaud was especially critical of Boylen, whom he accused of being a "stock promoter".

advantages or the required risk capital will not be secured and our resources continue to lie fallow.<sup>87</sup>

Two years later, despite the closure of Brunswick and Heath Steele, Flemming's position remained unchanged. Although the province was annoyed with the actions of St. Joseph's Lead, it accepted the corporation's right to act in their own best interests. The market explanation for closure went unchallenged and Flemming saw little that his government could do to re-open the mines. As he explained to the legislature, he did not believe "that the wielding of a big stick is going to force the companies to operate at a loss".<sup>88</sup> While conservative ideology played a part in Flemming's explanation for non-intervention, his rhetoric was very much that of the mining industry. The emphasis on risky speculation mirrored the image that the mining companies were trying to create to increase their bargaining power with the state. It was also very similar to *The Northern Miner's* 1953 editorial warning against state intervention. By accepting the mining industry's self-image, Flemming allowed the mining industry to establish the ground rules and assumptions around which negotiations for the exploitation of the resource would take place. Flemming did, however, bow to growing political pressure to investigate the mining problem<sup>89</sup> by commissioning Tory stalwart Ewart Atkinson to carry out a study of the Mining Act and the Mining Tax Act "in order to obtain a clearer understanding of what changes in legislation are considered necessary to bring about the progressive development of the mining potential of the province in both the exploration and processing fields".<sup>90</sup> In the meantime Flemming advised New Brunswickers to wait for markets to improve.

Despite opposition to its inactivity, Brunswick requested an exemption, in July 1958, from a Mining Act requirement that mining developers invest a certain amount of work and money each year as a condition of claim and lease renewal.<sup>91</sup> The approval of this request increased the bitterness of local residents toward American investors in the province. This resentment may be observed in a story that circulated throughout the North Shore that year:

Several private individuals of Bathurst reportedly spent the night in the bush on these claims, without shelter, in order to be on the ground the following morning when the old lease expired. They proceeded to stake the middle claim of the three. But they were overrun by a group of men

87 *Assembly Reports* (1956), p. 493.

88 Flemming to Cameron, 28 November 1957, Flemming Papers, RS415 F4e6, PANB; *Assembly Reports* (1958), p. 235-8.

89 Pressure came from MLAs from the Gloucester-Northumberland counties, local prospectors and from Brunswick Mining and Smelting. The latter wanted the act revised so that a company did not have to work a claim each year in order to maintain the claim. See Boylen to Buchanan, 3 October 1957, New Brunswick Prospectors and Developers Association to Flemming, 16 December 1957, Flemming Papers, RS415 F4e2, PANB.

90 *Final Report of Commissioner of Mines of the Province of New Brunswick*, (Fredericton, 1960), p. 2.

91 Boylen to Flemming, 7 July 1958, Flemming Papers, RS415 F4e2, PANB.



employed by the large company, who were flown in to stake these three claims. The latter came by air, complete with a magistrate to hold affidavits as to the staking. They then flew out to be the first to record the claims. The private citizens were left holding the bag....<sup>92</sup>

This story cannot be substantiated, although it may refer to a dispute between a group of Bathurst prospectors and Nigadoo Mines Ltd.<sup>93</sup> Its significance, however, lies less in its accuracy than in its portrayal of the competing interests of the industrious "private individuals of Bathurst" and "the large company". This resentment was also exposed at a meeting in early 1959 between local prospectors and mining company officials, which degenerated into a "verbal battle" in which both groups "called each other names".<sup>94</sup>

Popular resentment against American mining companies can probably be best observed in the actions of the Northumberland Municipal Council. In the aftermath of the closure of Heath Steele Mines in the fall of 1958, with unemployment up 200 per cent over the year before and a revenue-starved treasury,<sup>95</sup> the council voted 23 to 5 to reject the company's request for a reduction of its property taxes, which had been doubled to about \$100,000. Frustrated by their lack of control in the development of these operations, they adopted a resolution, drafted in part by W.J. Gallant (who also sat on the municipal council), calling for government operation of the mines. The resolution cited the actions of "United States parent companies" which had requested and obtained "embargoes" against the importation of Canadian metals "so that they may exploit their own holdings in the USA and South America leaving our deposits in the ground". The resolution then declared a determination "that our mineral resources will not remain dormant and not productive while our people are unemployed, hungry, and unable to pay taxes and provide education for their children...". Accordingly, it was recommended that a provincial "Mining Commission be appointed and operate the mines and, if need be, stockpiled, thus having financial guarantees to finance such operation, by so doing people will be employed, other industries will be primed and the area regain some prosperity [sic]". Although this resolution was aimed at the mining industry, it was informed by the county's other "dormant natural resource, namely the forests on our Crown Lands...".<sup>96</sup> The similarities between the undeveloped forest and mineral resources in the midst of local poverty led the council to endorse a radical challenge to the mining companies' claims.<sup>97</sup>

92 This story was related by Louis Robichaud in *Assembly Reports* (1959), p. 630.

93 "Bathurst Prospectors Lose Case", *Northern Light*, 29 May 1958, p. 1.

94 "To Approach Premier to Reveal Area Mine Contents", *Northern Light*, 19 February 1959, p. 1.

95 "Discussed County Unemployment Fully", *North Shore Leader*, 19 December 1958, p. 1, 6. For a description of the problems faced by New Brunswick municipalities before Louis Robichaud's Equal Opportunity measures, see Della Stanley, *Louis Robichaud: A Decade in Power* (Halifax, 1984), especially chapters X-XII.

96 "County Council", *North Shore Leader*, 13 February 1959, pt. 2, p. 2.

97 The appeal to the state's responsibility as custodian of "the people's resources" was common in protests against forest capital throughout the 1930-60 period. Local residents had pressured the government to force pulp and paper companies to honour signed agreements obligating them to

Heath Steele protested the “excessive” taxation imposed by the council and defended itself against the charge of supporting American quotas and tariffs on imports. Indeed its parent company, American Metal, had publicly opposed protectionism at Senate hearings.<sup>98</sup> But to the residents of the Bathurst-Newcastle region what really mattered was that the mines were not operating. Consequently the sins of another American company, St. Joseph’s Lead, were assigned to American Metal. In letters to Flemming and the *North Shore Leader*, the president of Heath Steele Mines expressed dismay that this resolution “implies its [Heath Steele Mines] interests differ from that of its neighbours”.<sup>99</sup> But clearly that was the impression of many on the North Shore. Nor was this message lost on the president of Brunswick. In a letter to St. Joseph’s, Boylen noted that the increased pressure in New Brunswick to proceed with development made him fear that the government “will perhaps resort to something drastic”.<sup>100</sup>

The Northumberland Municipal Council’s resolution received support from one MLA only. W.J.A. Gallant, who in 1959 left the Liberal Party to sit as an independent (although he sometimes called himself leader of the “People’s Party”), argued that the threat of state ownership alone “will wake them up in the States or whoever operates the mines and they will ‘put up’ or ‘shut up’...”. Provincial stockpiling would allow the province to sell its base metals when the market was strong and to borrow against the potential value of the resource when the market was weak.<sup>101</sup> Liberal leader Robichaud was not willing to go that far. Noting that mining activity was being carried out elsewhere by St. Joseph’s, he called for a royalty to be charged on all ore, whether mined or not: “Such provisions could...be used to good advantage in the case of the irresponsible holder of base metal deposits whose primary interest is to hold reserves of ore for development and use in his own good time”.<sup>102</sup>

Flemming and Smith also received advice on establishing a modified stockpile programme from Eliot Janeway, a New York economist who was also a friend of the premier. Janeway suggested that the province establish a jointly-financed corporation with the metal companies by which the latter would receive “a previously agreed upon price” when the market was poor. The stockpiled metals could then be sold when market conditions were buoyant. According to Janeway, “Producers would thus be encouraged to expand their New Brunswick operations by

build mills along the Miramichi River in exchange for extensive Crown leases. By 1959 the companies had not only failed to meet those obligations but were also not cutting timber on their Crown leases. This experience informed the complaints against mining capital in the late 1950s. Although voiced largely by middle class business and political elites, the “people’s resources” protests reflected the sentiments of many of the region’s unemployed and underemployed. This is not to argue for a homogenous view of “community” but, rather, that a consensus existed around the general goal of putting the mines in operation. See Parenteau, “Forest and Society in New Brunswick”, chapter 4 and Kenny, “The ‘People’s Resources’”.

98 “Statement to the Senate Finance Committee in Connection with Sliding Scale Tariffs for Lead and Zinc Proposed Under S 2376”, Flemming Papers, RS415 F4e1, PANB.

99 Payne to Flemming, 10 February 1959, Flemming Papers, RS415 F4e1, PANB; “Protesting Valuation and Gov’t Operation”, *North Shore Leader*, 13 February 1959, p. 1.

100 Boylen to Cameron, 13 March, 1959, Flemming Papers, RS415 F4e2, PANB.

101 *Assembly Reports* (1959), p. 632.

102 *Assembly Reports* (1959), p. 487.

the fact of a continuous, assured market for their output".<sup>103</sup> Janeway proposed to do a feasibility study for the province, but his offer was not taken up. Interestingly the government never acknowledged publicly the suggestions for state ownership or a provincial stockpile.

Meanwhile the mining companies were lobbying Ewart Atkinson, who was in the process of completing his study of the province's Mining Acts, for greater freedom in developing claims. Brunswick Mining and Smelting opposed the annual investment requirements in the Mining Act.<sup>104</sup> They also requested that mining leases be granted in fee simple, a change that would have surely reduced state leverage in development negotiations. Heath Steele Mines and most other companies, concerned by the actions of the Northumberland Municipal Council, sought stability. They insisted that municipal taxation of mining interests be clearly defined in either the Mining Act or Municipal Tax Act. All companies also agreed that taxation should continue to take place on the basis of profits, not gross production.<sup>105</sup>

Atkinson's report, issued in 1960, continued to be optimistic about the future of mining in New Brunswick. Using the Paley Report's projections of rising demand for base metals, Atkinson predicted that prosperity would not be far away. The report's recommendations tried to address industry concerns by tacitly accepting the request that money invested in developing a claim or lease "be applicable for whatever number of years are required to use it up". Moreover, it recommended that municipal taxes be "stabilized" as an enticement to investors. Atkinson was not prepared to recommend grants in fee simple to mining companies but, as a compromise, recommended that long-term leases be granted. A recommendation was made that mining interests should be "asked to proceed with their mining development" but no penalty was suggested.<sup>106</sup> It was not surprising that Atkinson's report was so reflective of the mining industry's interests, as that industry was the only group formally consulted in the Commission's investigation. His interim report in 1959 had briefly mentioned some "New Brunswick people" who wanted the government to force mining companies to proceed with mineral development. These claims were dismissed, however, because "no Government can

103 Janeway to Smith, 13 March 1959, Flemming Papers, RS415 F4e4b, 14 January 1959, Flemming Papers, RS415 K1b1, PANB. Janeway was a classic Cold War economist. In his correspondence with Flemming and in his stock market bulletins he continuously raised the spectre of the Soviet threat and the need for the "free world" to be prepared. Moreover, there was a disturbing emphasis on the necessity of the threat of war to provide strong markets. In advising Smith of the potential for manganese development in the province, he noted that "a certain kind of war or war scare might provoke Washington to activate this project".

104 Boylen complained that "Under the present laws of the province it is possible for anyone with a \$10.00 prospectors license to re-stake claims upon which a company has spent thousands of dollars should the property go into default due to interruption of work for a period of one year". Boylen to Buchanan, 3 October 1957, Flemming Papers, RS415 F4e2, PANB.

105 Atkinson to Flemming, 29 December 1959, Flemming Papers, RS415 F4b, PANB; *Final Report of the Commissioner of Mines in New Brunswick* (Fredericton, 1960), pp. 7, 20-1.

106 *Final Report of the Commissioner of Mines in New Brunswick* (1960), pp. 7, 20-3.

force any company to go into and carry on a non-profitable business".<sup>107</sup>

Despite an improving base metal market all mines in the province remained inactive during 1960.<sup>108</sup> There was some optimistic news, though. In the spring of 1960 Boylen, on behalf of Brunswick, engineered a tentative agreement with Sogemines of Brussels, owned by la Société Générale des Minerais of Belgium, to bring the Brunswick mines into production. Under the agreement Sogemines, which had owned a small share of Brunswick since 1954, put up \$17.5 million to put the mine and a 2,000-tons-per-day lead-zinc concentrating mill into production. These concentrates would then be shipped to Belgium for smelting. But the agreement was far from perfect from the perspective of New Brunswickers who were hoping for full development of the province's base metal resources. While Sogemines did guarantee a market for the concentrates for 15 years, the arrangement also prohibited Brunswick from building a smelter in the province for a minimum of five years.<sup>109</sup> The Sogemines deal represented something of a compromise between Boylen and St. Joseph's. Boylen had become very frustrated with St. Joseph's inactivity, which not only deprived him of revenue from the actual Brunswick claims but also blocked development on other claims owned by his smaller companies (in which St. Joseph's had no stake) which he had hoped to finance through profits generated by Brunswick.<sup>110</sup> The Sogemines arrangement would produce some profits for Boylen's other operations. It was also a deal that the parent company could live with, for the New Brunswick base metals would not be competing in the American market with those produced by other St. Joseph's subsidiaries. Moreover, it would help the American corporation improve its public image on the North Shore. Yet the Sogemines-Brunswick arrangement did not meet the Flemming administration's visions of full base-metal development in New Brunswick. In fact, it contradicted the 1954 provision in the Mining Tax Act insisting on full mineral processing in the province; companies exporting minerals for processing elsewhere could be subject to a tripling of the mineral tax.<sup>111</sup> The Flemming government, again conscious of what it perceived to be a weak bargaining position, was not prepared to exercise this power.<sup>112</sup>

In theory the New Brunswick government should have had more freedom in

107 *Interim Report of the Commissioner of Mines for the Province of New Brunswick* (Fredericton, 23 February 1959), p. 21.

108 New Brunswick, *Annual Reports of the Department of Lands and Mines* (1960, 1961).

109 "Draft Press Release", Flemming Papers, RS415 F4e2, PANB; "Belgian Financial Group Will Put Up Funds For 2,000-ton Mill at Brunswick M. & S. Corp.", *The Northern Miner*, 18 February 1960, pp. 1, 5; "Signatures Soon on Brunswick Deal", *The Northern Miner*, 23 June 1960, p. 16.

110 "Jim Boylen — King of the Mine Makers", *The Northern Miner*, 24 November 1966, p. 61.

111 *New Brunswick, Statutes* (1954), p. 36.

112 Opposition Leader Louis Robichaud was more sceptical of the new deal. "When you take into account the past manipulations of Dr. M. J. Boylen, and his associations with the current news of the proposed reopening of the Brunswick property, the people of this province can be forgiven for the attitude 'I'm from Missouri'": *Assembly Reports* (1960), p. 26. Upon assuming power in 1960 Robichaud effectively scuttled the Brunswick-Sogemines deal by threatening to invoke the export tax. See Jim Kenny, "Visions of Prosperity: State, Business and Community and the Development of New Brunswick's Base Metal Industry, 1960-70", paper presented to the 1992 Atlantic Canada Studies Conference, May 1992, St. John's, Newfoundland.

planning its emergent mineral industry than it had had in directing the province's forest industries. Compared to the forest industry there were fewer established interests in mining with which the state had to deal. Because the province was overseeing the emergence of an industry from the ground-up, the Bathurst mineral discoveries offered a tremendous opportunity to shape an industry for the maximum benefit of its citizens. Flemming spoke of developing resources for the public good and was prepared to use the state to attract new capital investment, but ultimately he and his government found it impossible to challenge the mining industry's development timetable.

The Flemming government's "capacity" to intervene more forcefully in the province's mining industry was constrained by a number of factors.<sup>113</sup> The ideological and rhetorical climate of the Cold War was significant in this regard. The rhetoric that associated unfettered free enterprise with democracy and encouraged a hysterical fear of "socialist" state control limited the ability of states to intervene economically. Such was the case in Saskatchewan where Pratt and Richards have argued that, among other factors, "Cold War realities" forced Saskatchewan's CCF government, an ideological supporter of public intervention, to abandon plans to invest in the province's emergent oil and potash industries. In the end generous royalty and long-term leasing concessions were offered to American multinationals. But this experience was not universal. At the other end of the political spectrum, British Columbia's Social Credit government successfully introduced a number of measures throughout the period which challenged the mining companies' desire for a laissez-faire state. Most notably, in 1957 the W.A.C. Bennett government imposed a tax on undeveloped iron ore reserves controlled by mining companies.<sup>114</sup> The very different experiences of British Columbia and Saskatchewan suggest that, although the Cold War culture created obstacles, it did not necessarily preclude government intervention and rent-taking.

The provincial state was also constrained by its own lack of an interventionist history. Throughout the 20th century New Brunswick had proved reluctant to challenge the development plans of large capital in the province's crucial forest economy. When the Flemming government took office in 1952 the provincial state was fairly undeveloped; the bureaucracy was small and had no tradition of

113 On the concept of state "capacity", see Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research", in Peter Evans, *et al.*, eds., *Bringing the State Back In* (Cambridge, 1987), pp. 3-37.

114 Other than the tax on undeveloped minerals, the main legislation that irked the mining industry dealt primarily with royalty increases. In response to industry criticism Bennett stated that "if a company did not have the initiative to put a property into production, then the government would take it away from them and give it to somebody who would". This discussion has been gleaned through a survey of *The Northern Miner*: see "B.C. Mining Tax Draws Protest", 5 March 1953, p. 33; "Killing the Goose", 22 October 1953, p. 6; "B.C. Iron Miners Shocked By Confiscatory Taxation Bill", 4 April 1957, pp. 1, 9; "Confiscation in Canada", 4 April 1957, p. 6; "Socialists' Strange Plan of Sharing Wealth", 11 April 1957, p. 6; "B.C. Mining Hits Again", 6 February 1958, p. 6. The Bennett government did not always hold its ground with the mining companies. See "Protests Heard BC to Amend Mining Act", 13 March 1958, pp. 17, 21.

planning long-term development.<sup>115</sup> Under the Flemming administration the civil service began to play an increased role in formulating economic development policy. N.B. Power's planning arm became more activist, and the government looked increasingly to the university for expert advice from academics such as W.Y. Smith. But the priority for these new economic planners was to attract capital to the province, often with the help of federal funds, rather than to intervene directly in the operations of these investors.<sup>116</sup>

Finally, the Flemming government was limited by the very nature of the mining industry. Because mineral extraction and processing is so capital and technology intensive the world mineral market tends to be dominated by a few very large corporations. This puts host states in a weak bargaining position with these corporations. Unless it recognizes alternatives, such as locally-controlled development, the state has little leverage in shaping the development timetables of multinational mining corporations. While New Brunswick's weak financial position and lack of technical expertise made nationalization an unlikely option, at least one local capitalist of substantial means, K.C. Irving, was willing to invest in the province's new industry. Recognizing such possibilities might have given the province a stronger bargaining position with the American multinationals.<sup>117</sup>

Peter Evans has suggested that extensive investment in extractive industries by transnational capital can lead to increased economic intervention by the host state. This is particularly so in the 'developmentalist' state: "The behaviour of TNC's [transnational corporations] stands in the way of developmentalist goals, not always and everywhere, but in certain key instances that provide critical ammunition for those arguing that the state must move in. The most common examples are failure to pursue aggressively possibilities for forward integration locally.... Thus, extractive TNC's may force a 'developmentalist' elite to become 'statist' in order to pursue its developmental goals".<sup>118</sup> In New Brunswick during

115 Although the Resources Development Board had been in existence since 1945, it had little impact until the 1950s when it became more closely linked with N.B. Power.

116 Despite the limited nature of state intervention during the 1950s, the state-building of this decade would provide a foundation for the activist government of Louis Robichaud during the 1960s.

117 Flemming's successor, Louis Robichaud, did recognize these possibilities. In the early 1960s he pressured St. Joseph's to sell their interests in Brunswick Mining and Smelting to a coalition of investors including Irving and Boylen. Although Irving's involvement did accelerate development it created other problems for the provincial government. See Kenny, "Visions of Prosperity", Stanley, *Louis Robichaud*, pp. 67-9; John DeMont, *Citizens Irving: K.C. Irving and His Legacy, The Story of Canada's Wealthiest Family* (Toronto, 1991), chapter 5 and Russell Hunt and Robert Campbell, *K.C. Irving: The Art of the Industrialist* (Toronto, 1974), chapter 4. Also, Peter Evans' study of multinationals in Brazil suggests that the Flemming government might have had some success in dealing with the American mining companies. Evans concludes that it is in the natural resource sectors of the economy that an alliance of the state and local capital can exercise maximum leverage against, and autonomy from, multinational companies. This is because foreign capital lacks popular legitimacy in exploiting state-owned resources. See Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton, 1979), chapter 4.

118 Peter B. Evans, "Transnational Linkages and the Economic Role of the State: An Analysis of Developing and Industrialized Nations in the Post World War II Period", in Evans, *et al.*, eds., *Bringing the State Back In*, p. 199.

the 1950s the actions of extra-national capital clearly conflicted with the developmentalist goals of elites at the provincial and local level. However, because the Conservative government was constrained by the ideological climate of the Cold War, an underdeveloped state and a base metal market dominated by large multinational capital, it was both reluctant and unable to pursue the “statist” solutions favoured by many New Brunswickers. The 1960s would see a provincial government more willing, and also able (because of the state-building that did take place under the Flemming administration), to use the state to meet its development goals in the natural resource sector.<sup>119</sup>

119 See Kenny, “Visions of Prosperity”; Stanley, *Louis Robichaud*.