

Visiting Grandchildren: A Review Essay

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REVIEW ESSAYS/NOTES CRITIQUES

Visiting Grandchildren: A Review Essay

Donald Savoie has been Canada's pre-eminent scholarly authority on regional development policies for at least the last two decades. His *Regional Economic Development: Canada's Search for Solutions* ranks as the standard reference work in the field.¹ His many other contributions range from book-length studies of intergovernmental relations in this area,² to assessments and critiques of the design and functioning of particular programmes or agencies,³ to the economic development efforts of particular provinces and political actors,⁴ to comparative studies,⁵ to government-invited reports⁶ as well as articles and book chapters too numerous to catalogue here and, of course, his frequent political commentaries. Nor can one overlook the central role he has played as catalyst, overseer and generator of research in his capacity as director since its inception of the Canadian Institute for Research on Regional Development (created at the Université de Moncton in 1982, largely due to Savoie's efforts and political connections).

Savoie is now the Canada Research Chair in Public Administration and Governance at the Université de Moncton. He states in the introduction to *Visiting Grandchildren: Economic Development in the Maritimes* (Toronto: University of Toronto Press, 2006) that this will be his last work on the topic of regional development; henceforth he intends to devote his time and efforts to his other major area of scholarly interest and expertise within which he has earned an equally impressive and distinguished record – the broader field of public administration and governance. This makes *Visiting Grandchildren* more than simply the latest in a long list of works by Donald Savoie on economic development in the Maritimes. It is his “swan song” to the whole academic enterprise of attempting to record, analyze, explain and critique the subject for a variety of audiences (scholarly colleagues at

1 Donald Savoie, *Regional Economic Development: Canada's Search for Solutions* (Toronto, 1986; repr. 1992).

2 Donald Savoie, *Federal-Provincial Collaboration: The Canada/New Brunswick General Development Agreement* (Montreal, 1981).

3 Donald Savoie, *Community Economic Development in Atlantic Canada: False Hope or Panacea?* (Moncton, 2000).

4 Donald Savoie, *Pulling Against Gravity: Economic Development in New Brunswick during the McKenna Years* (Montreal, 2001).

5 Benjamin Higgins and Donald Savoie, *Regional Development Theories and Their Application* (New Brunswick, NJ, 1995); N. Hansen, B. Higgins and D. Savoie, *Regional Policy in a Changing World* (New York, 1990).

6 A brief sampling of the more than 50 reports authored by Savoie is as follows: *Lessons Learned from the Testimonies Before Gomery*, report prepared for the Commission of Inquiry into the Sponsorship Program and Advertising Activities (Ottawa, May, 2005); *Atlantic Canada: The Way Ahead*, report prepared for the Atlantic Canada Opportunities Agency (December, 2003); *ACOA: Transition to Maturity*, report prepared for the minister and the president of the Atlantic Canada Opportunities Agency (October, 1990); and *Establishing the Atlantic Canada Opportunities Agency*, report prepared for the prime minister of Canada (1987).

home and abroad, politicians, bureaucrats, journalists, students, the business community and the general public). Less a magnum opus than a revisiting and summation of his earlier published work, capped off with a sharpened focus on the inadequacies of Canadian political institutions, Savoie's farewell to regional development as a field of study places him firmly within the "fairer deal within Confederation" school of thought on the development history of the Maritimes.

Visiting Grandchildren, a title taken from Conservative leader Stephen Harper's 2004 comment that the Maritimes would some day be "less a place where you visit your grandparents and more a place where you visit your grandchildren", is organized into 11 chapters.⁷ In the first chapter Savoie sets out his objectives – to foster a greater understanding of the economic challenges facing the region, to promote greater public debate, to provide public policy prescriptions and to encourage new research – as well as providing an outline of his hypotheses and argument. He reviews regional economic history to the 1950s (when Ottawa supposedly "discovered" regional development) in the second chapter and provides a concise overview of regional development theories in the third chapter. The middle chapters of the book (four to seven) chronicle federal regional development policies and expenditures from the 1960 federal budget to the 2005 federal budget – territory for the most part already covered by the author in previous works. This is followed by a chapter entitled "Heal Thyself", where the focus of Savoie's attention turns to provincial efforts to promote economic development: political union proposals that have failed, mechanisms of interprovincial cooperation that have been both inadequate and frequently undermined, and initiatives aimed at growing the private sector and more "entrepreneurial" provincial societies (with mixed results).

It is in the last three chapters of the book that Savoie provides readers with his comprehensive "summing up" of the regional development efforts in the Maritimes of both levels of government: the economic impact these efforts have had, his reading of the primary obstacles that have frustrated regional agencies in the design and pursuit of their policy goals, and finally his proposed solutions for overcoming these obstacles and ending 45 years of frustration. Central to Savoie's thinking on the subject is a series of linked propositions. First, the key to explaining differences in regional economic performance is the degree of regional integration (economic, social, political) into national and global systems. This permits a long-run "ratchet effect" whereby regions take turns at high growth, with the slow-growth region of one period being the high-growth region of the next. *Inter alia*, to reduce disparities between the economy of the Maritimes and the already thriving economies of Central Canada and the northeastern United States, the Maritimes must be more integrated into the latter. Secondly, state policies are just as important as the market in determining both the degree and the various forms of regional integration into larger economic, social and political systems. Thirdly, the Canadian state for the past century or more has blocked or thwarted the full integration of the Maritimes into the national and global economy, primarily by imposing a policy framework and discrete economic and industrial policies perceived and defined as "national" by state elites (political and bureaucratic policy-makers), while in fact concerned almost exclusively with the vitality and competitiveness of

7 Stephen Harper, quoted in Savoie, *Visiting Grandchildren*, p. x.

Canada's dominant economic region (the Windsor-Quebec City corridor and more particularly the Toronto-Montreal-Ottawa nexus).

To explain and illustrate the reality and "working mechanisms" of this third proposition – how and why regionally discriminatory state policies became established, were allowed to persist and were systematically reinforced – Savoie puts forward a number of hypotheses along with some supporting evidence: 1) Canada's national political institutions were designed for a unitary state – not a federation – and these institutions have shaped national policies at a significant cost to Atlantic Canada; 2) the federal government has "misdiagnosed the patient" in developing economic prescriptions for the Maritimes; 3) the regional perspective has never been defined or pursued in national public policy and, as a result, national policy has been "blind" to the needs and interests of Atlantic Canada; 4) the national policy perspective and objectives adopted and pursued by Ottawa have been a code for the regional interests of Ontario and Quebec; and 5) historical "accidents" and events that have been central to determining the economic underdevelopment of the Maritimes (and the economic successes of Central Canada) have been shaped by national political institutions and policies.⁸ Combined, this set of hypotheses describe a political problem that is "fixable" only through systemic reforms, rather than the efforts (however well-intended) of particular or stand-alone agencies, policies and programmes.

That Savoie has arrived at this point, after a long career of studying, critiquing and recommending changes to regional development agencies, policies and programmes (even to the point of having significant personal influence over the design and ongoing modifications to Atlantic Canada's current regional development agency⁹), reveals a fairly profound level of frustration and disappointment with the limited impact of what Savoie's own analysis would suggest has been little more than programme tinkering. Accordingly, Savoie thinks more fundamental institutional reform is required to finally bring an end to the Canadian state's complicity in the historical pattern of uneven regional development. He also challenges the scale and composition of federal transfers to provincial governments and individuals in the region, broadly characterizing this transfer system as "guilt money", the negative impact of which is seen to be double-barreled. On the one hand, the compensatory effect of such transfers relieves the federal government of the need to justify and ultimately to rectify the centralist biases of its policies and distributive expenditures as well as the territorial concentration of its own massive bureaucracy. On the other hand, these transfers discourage adjustments within the region at both a governmental and individual level, as evidenced by a dependency mindset and an insufficiently entrepreneurial culture, the persistence of beggar-thy-neighbour, interprovincial competition within the region, and a wage structure that needs to be more "competitive" in order to lure inward investment and stimulate job creation in both the private and public sectors.

8 Savoie, *Visiting Grandchildren*, p. 14.

9 In 1987, Savoie was commissioned by Prime Minister Brian Mulroney to submit recommendations on what type of development agency was needed for Atlantic Canada. Savoie's report resulted in the creation of the Atlantic Canada Opportunities Agency. Also, at the very outset of *Visiting Grandchildren*, Savoie relates the story of an extended and "lively" phone conversation with then Finance Minister Paul Martin, with Martin seeking Savoie's advice on what would be the best "solution" to Atlantic Canada's economic "problem". See Savoie, *Visiting Grandchildren*, p. ix.

The core of Savoie's analysis, argument and expertise is clearly with questions of governance: political representation, the policy and decision-making process, institutional biases, and subsequent policy outcomes. Not surprisingly, discussion of these issues as they relate to the question of regional economic development is the real strength of the book. Savoie seems on less sure ground, however, when questions of social policy and fiscal federalism are introduced into the mix and this is evident in his apparent acceptance of the characterization of fiscal transfers and income supports as, to use Brian Crowley's phrase, "guilt money".¹⁰ Here Savoie exhibits a tendency to lapse into a too-easy reliance on the nostrums of free market economics, when arguably a more critical and skeptical position would be helpful and appropriate. A closer review of the book's final three chapters will serve to illustrate the foregoing points.

In "The Region Then and Now" Savoie provides readers with an overview of the Maritime region's economic progress over the past 40 years, based on a number of fairly standard indicators. It is a game attempt to "paint a detailed picture of the Maritime economy from a comparative perspective" and it raises the usual questions about how best to measure and comparatively evaluate regional economic performance. How valid are the type and range of indicators being used? What exactly is it that is being measured? What can be understood as cause and what as effect? As Savoie notes, the fact that there has been progress is not in question: "The level of public service, particularly in health care, social services and education, is infinitely better throughout the Maritime provinces today than it was forty years ago, and provincial bureaucracies are considerably stronger than they were in 1961. The visitor would see that small villages and hamlets still dotting the coast in all three provinces are much better off today than they were in 1961. . . . Halifax and Moncton, meanwhile, are doing very well, and their employment levels are not much different than other cities of similar size in Ontario".¹¹ The latter comment is especially pertinent here, as it casts a shadow over a number of comparisons made by Savoie later in the chapter. This has to do with one of the basic rules of comparison: similar things should be compared. Thus, should a region without a large metropolitan centre be compared with one that has one? Or should similarly sized urban centres be the basis of comparison? In short, what are the spatial economies that can be most usefully compared?

Comparing the Maritime region to Canada, or the Maritime Provinces to provinces with a large metropolitan centre, can create more confusion than clarity when it comes to gauging relative rates of economic development and progress. When comparing labour force composition, for example, it is less than helpful to say that Ontario has 12.4 per cent of its workforce comprised of "knowledge workers" while the Maritime provinces range from 5.1 per cent to 7.7 per cent when we know that knowledge-worker density is closely correlated to the presence of metropolitan conglomerates such as Toronto or Montreal. The same can be said of Savoie's use of Richard Florida's composite creativity index (comprised of talent, bohemian, mosaic and tech-pole indexes) to assess the growth prospects of Canada's city-regions. For the most part, Halifax and Saint John score poorly in this comparison while Toronto, Montreal, Ottawa-Gatineau, Vancouver

10 Savoie, *Visiting Grandchildren*, p. 11. Brian Crowley is the president of the Atlantic Institute of Market Studies, a Maritimes-based, right-wing think-tank.

11 Savoie, *Visiting Grandchildren*, pp. 234, 235.

and Calgary tend to dominate the rankings. Savoie takes all of this as evidence that “the Maritime provinces are not poised to experience strong economic growth when compared to other regions” rather than seeing it for what it actually is: a set of comparative measures that inherently and systematically reflect the characteristics of large metropolitan regions (or regions with large metropolitan areas), not the least perhaps because the indexes themselves tend to be constructed based on the economies of vibrant metropolitan centres. The same might be said about Savoie’s observation that “Toronto, Montreal, Vancouver and Ottawa dominate in the number of high-paying jobs in the service sector” as they do, along with Alberta, in various comparative measures of “creative activity in science and technology”.¹² But what is the point of comparisons such as these and what can they usefully tell us? The answer is, not much, really, other than what we already know: the Maritimes does not have a large metropolitan centre. This would seem to be a form of category error, with Maritime apples unhelpfully and unfairly compared to oranges elsewhere rather than to apples elsewhere.

Savoie’s analysis of the “people factor”, and the conclusions he draws from comparing such indices as population growth, migration and immigration statistics, can also be questioned. The Maritime region, Savoie says bluntly, “scores poorly on the people factor”. The region does not attract many new Canadians and loses population to other regions; as a result, its age structure is cause for concern along with outright population decline and degree of urbanization (both, in part, a product of the region’s age structure). Together these demographic facts guarantee that the region will register higher dependency ratios as well as other types of dependency measures than relatively “younger”, more urbanized regions. There is a high degree of circularity in such argumentation, of course, where all such measures are internally related to each other and very much a function of each other. The reciting and discrete discussion of each one, however, can easily overwhelm the reader with the impression of a long list of separate yet cumulative “negatives” that bedevil the region, when in fact they represent nothing more than a set of dependent variables all related to the same causal variable: regional economic growth rates that are insufficiently high to generate the obverse effect of a virtuous economic spiral of multiple and cumulative “positives”. As well, Savoie’s discussion fails to put the “people factor” into broader perspective: the “affliction” of an adverse demographic trend is hardly limited to the Maritimes, either within Canada or elsewhere in Organization for Economic Co-operation and Development (OECD) countries. Indeed, it is even more pronounced in much of Europe and Japan. So the economic meaning and import of this broad and generalized demographic trend is anything but clear.¹³

Demographic arguments about the Maritimes raise other objections. Savoie states that the Maritimes are “lousy at hanging onto the new foreigners who do come here . . . managing to keep only 40 percent of its immigrants”, and quotes approvingly journalist Harry Bruce’s advice that the region needs to “open up to newcomers”

12 Savoie, *Visiting Grandchildren*, pp. 246, 247, 261.

13 Savoie, *Visiting Grandchildren*, pp. 236, 255, 268. Moreover, how important or significant are other aspects of the “people factor” (earlier noted by Savoie) that counter to some extent the region’s negative demographics: “Maritimers work the longest hours, have the most unpaid overtime, take the most work home, yet have the lowest intent to change jobs or to leave for a more balanced lifestyle, and find more time to volunteer for community activities” (p. 235).

because “in the long run a closed society is a stupid society”.¹⁴ This outlandish observation and line of thinking should not be allowed to pass without being challenged on a number of different bases. First, to characterize the Maritime region in societal terms as significantly different from the rest of Canadian society in terms of being somehow less receptive or open to immigrants is a highly dubious proposition on empirical grounds – one that cannot be supported simply by pointing to the low percentage of immigrants in its population. Apart from this, the underlying premises of the observation amount to little more than a slavish acceptance and adoption of the immigrant-driven economic growth model that is most applicable to polyglot metropolises like Toronto as if there were no alternative routes to prosperity. For example, Ireland only began to attract immigrants to its shores after it had experienced an extended period of very high economic growth, and Iceland continues to succeed economically despite the absence of immigrants. These and other national and regional societies that could be cited are not now, nor have they ever been, “stupid societies” in need of a healthy dose of immigration.¹⁵ There is also the classical “chicken and egg” conundrum at work here: large metropolises everywhere attract most immigrants; immigrants today tend to be highly skilled and educated; this inflow further adds to the economic vibrancy of these metropolises. However, to take this model of metropolitan growth and posit it not only as the appropriate one for the Maritimes, but indeed the *only* one, is circular in its reasoning, irrelevant if not wrong-headed in its prescriptions and patently unfair in its implications. One final observation that could be made relates to the apparent equating of an “open” society with one that enjoys a strong influx of immigrants while those attracting relatively few immigrants are “closed”. While this may have been a valid observation in the past, it hardly seems apt in its application to the present globalized, information-rich environment where all societies exposed to and partaking in this environment are increasingly hybridized in their cultures.

Savoie’s treatment of Employment Insurance, and other federal transfers to individuals and provinces in the region, should also be deemed contentious given his apparent adoption of a neo-liberal understanding of national government transfers (whether to individuals or sub-governments) as “subsidies” and the presumed negative effect of the latter on “initiative” and economic growth. In his discussion “Looking to the Market” in the book’s concluding chapter, Savoie advocates greater “wage flexibility” in the region as a way to reallocate resources to “more productive, competitive and higher value activities”. He suggests federal transfers into the region (such as EI) should be reconsidered “to remove incentives to economic dependence” and that federal salaries and wages in the region, along with the salary scale in the rest of the public sector (e.g., health and education), should be reduced below national standards to make the region more “competitive”. Even equalization payments are tagged by Savoie for their market-distorting effect because they “can serve to prop up the salaries of provincial public servants in the Maritimes”. The motivation for Savoie’s thinking here is perhaps revealed by the fact that he twice mentions the loss

14 Savoie, *Visiting Grandchildren*, pp. 240-1.

15 On the contrary, both Ireland and Iceland are societies that traditionally have placed a high value on education, with high enrollment levels in postsecondary programmes.

of computer programming jobs from Moncton to India, “where people . . . were readily available at lower wages. This is a hard lesson, but it is reality”.¹⁶

This is a surprising if not astounding recommendation from Savoie, not the least because of its likely profound impact on the region if adopted as well as the fact that he makes no effective argument for it elsewhere in the book. On the contrary, it is a “solution” largely unrelated or contrary to the main “causes” of the Maritimes’ malaise as earlier identified by Savoie: insufficient integration of the region into the nation, a related bias of national political and administrative institutions (the design of which provides no effective checks on the “pull of the centre” in national decision-making), inadequate within-the-region cooperation and capacity-building, and, most grandly, “accidents of geography and history”. Moreover, earlier in his book Savoie cites evidence that undercuts the validity of his market-based solution for the Maritime region: the residents of all of the provinces became dependent on federal transfers as a percentage of personal income between 1961-2001, with the increase for the Maritimes less than it was for Ontario, Manitoba and Quebec; federal transfers as a percentage of provincial revenue dropped significantly for all provinces during the same period; Nova Scotia had EI and social assistance numbers not much different than Canada as a whole; and the equalization program was placed on a downward track in 1982, saving billions over the years for the federal treasury, while more recent changes (through the introduction of caps and per capita elements) clearly benefit Quebec while punishing the Maritimes. Even more befuddling is how a reduction of federal transfers and public sector salaries within the region can be expected to help the region generate, attract, nurture or hold onto the highly educated knowledge workers that virtually all economic analysts agree are the key to competing in the contemporary economy. In any event, suggesting wage flexibility as way for the Maritimes to deal with competitors such as India is clearly not a sound solution. All developed economies have lost jobs to India and China, and no amount of wage flexibility in the former is going to change this reality. This, it seems, is an even harder lesson to learn than the one Savoie suggests Moncton was taught by the migration of some of its jobs to India. One might also mention the nefarious effect that a generalized policy of cutting subsidies and lowering wages would have on the basic social equality Maritimers now enjoy with other Canadians – one of the bedrocks of post-war Canadian citizenship and a key mechanism for promoting national integration – the very thing Savoie thinks needs to be taken further.¹⁷

Having stated these objections, it would be a disservice to Donald Savoie and to *Visiting Grandchildren* to end this review on a negative tone. The heart and soul of Savoie’s book is his argument about the central Canadian bias of national political institutions and the federal public service (see chapter 10). As he notes at the outset of his book, “The machinery of government is not policy neutral, and how a government is organized will shape its policy response to various challenges”. And just how has the organization of Canadian government shaped Ottawa’s role in regional development?

16 Savoie, *Visiting Grandchildren*, pp. 251-5, 331-3.

17 Savoie, *Visiting Grandchildren*, pp. 308, 250, 252, 254-6, 6.

When decisions are made in Ottawa on where to locate a new research foundation, the space agency, or a government unit engaged in R&D, the debate nearly always turns on whether it should be located in Ottawa, other parts of southern Ontario, or Montreal. Only rarely will the Maritime Provinces get, in the words of a former clerk and secretary to the cabinet, a “breakaway” and draw the attention of Ottawa-based decision-makers. . . . The mindset of Canada’s national political and administrative institutions is to promote the country’s economic engine (here read southern Ontario) and to monitor national unity concerns (here read Quebec). . . . Our national political-administrative institutions by design give weight to these two appetites, appetites that are rarely satisfied.¹⁸

Savoie’s solution, that “the region needs to develop a cooperative mindset, be proactive, create new historical events, and embrace the market, if it is to prosper in the 21st century”, is shaped by his view that national institutions are unalterably biased against the region and so greater autonomy from the national policy makers who populate those institutions is necessary, including “resolutely breaking away from guilt money, once and for all”.¹⁹ Many will find his argument about the biased working of Canada’s national institutions compelling while disagreeing with at least some aspects of the rest of his analysis or his proposed solution. As noted by Robert Finbow in a perceptive comparative study of the redistributive aspects of Canadian and American federalism: “Canadian federalism is inequitable, with inadequate redistribution that fails to provide for comparable services at comparable tax burdens. . . . Equalization is a cheap alternative to a more equitable dispersion of national spending”. Finbow agrees with Savoie that, for poorer regions to flourish in Canada, federalism must change so that national policies reflect their interests. However, barring reform of intrastate institutions such as the Senate, Central Canada will continue to dominate the Canadian polity so that any diminution of federal cost-sharing and equalization will not be offset by a compensating dispersion of growth-inducing federal activities (as in the United States). As Finbow states, “Importation of a laissez-faire ideology about equalization and redistribution, without reformed national institutions to adjust distributive spending, would make Canada’s have-not regions less able to adjust to new economic challenges”.²⁰

Visiting Grandchildren: Economic Development in the Maritimes is a fitting bookend to Savoie’s unmatched scholarship in the field of regional development policy. His excellent academic reputation will not be diminished with its publication. At the same time, this book also demonstrates that the task of analyzing and providing prescriptions for regional economic development is, if anything, more difficult, complex and contentious than ever.

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18 *Visiting Grandchildren*, pp. 7, 268.

19 Savoie, *Visiting Grandchildren*, p. 17, 13.

20 Robert Finbow, “Institutions, Citizenship and Federalism: Contrasting Models of Redistribution in the Twenty-First Century”, in Gerald Kernerman and Philip Resnick, eds., *Insiders and Outsiders: Alan Cairns and the Reshaping of Canadian Citizenship* (Vancouver, 2005), pp. 98, 100.