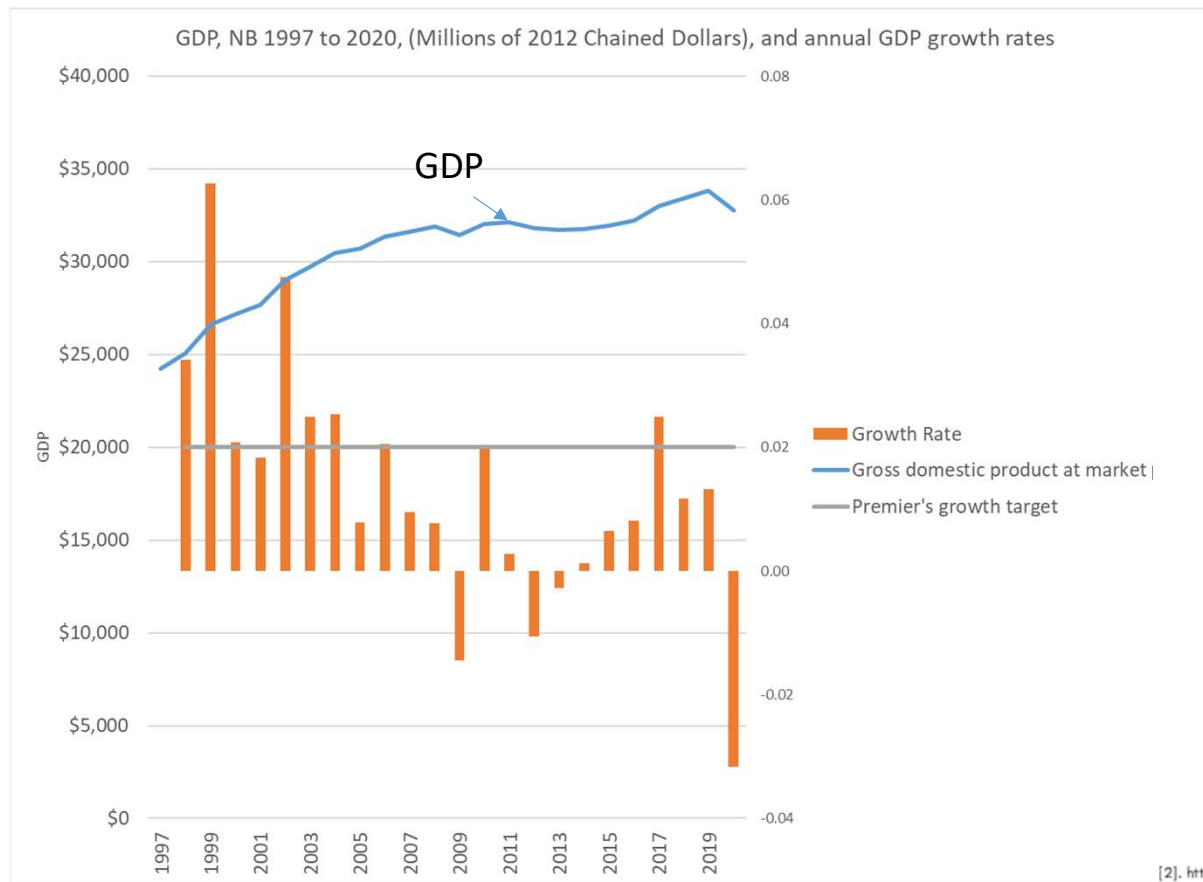


Back to the Future or the
End of History? Lessons
for the future of the New
Brunswick economy from
a century of government
economic development
strategies



Herb Emery,
Vaughan Chair in Regional
Economics

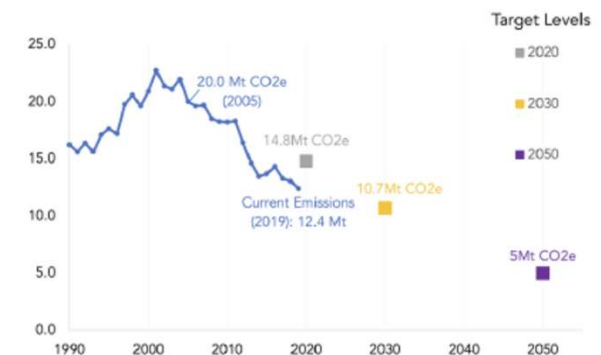
NB never recovered from the 2008 recession
 Since 2010, slow growth of the NB economy and de-industrialization...
 (but lowered GHG emissions)



Everything you want to know
 about the NB economy prior
 to 2020:

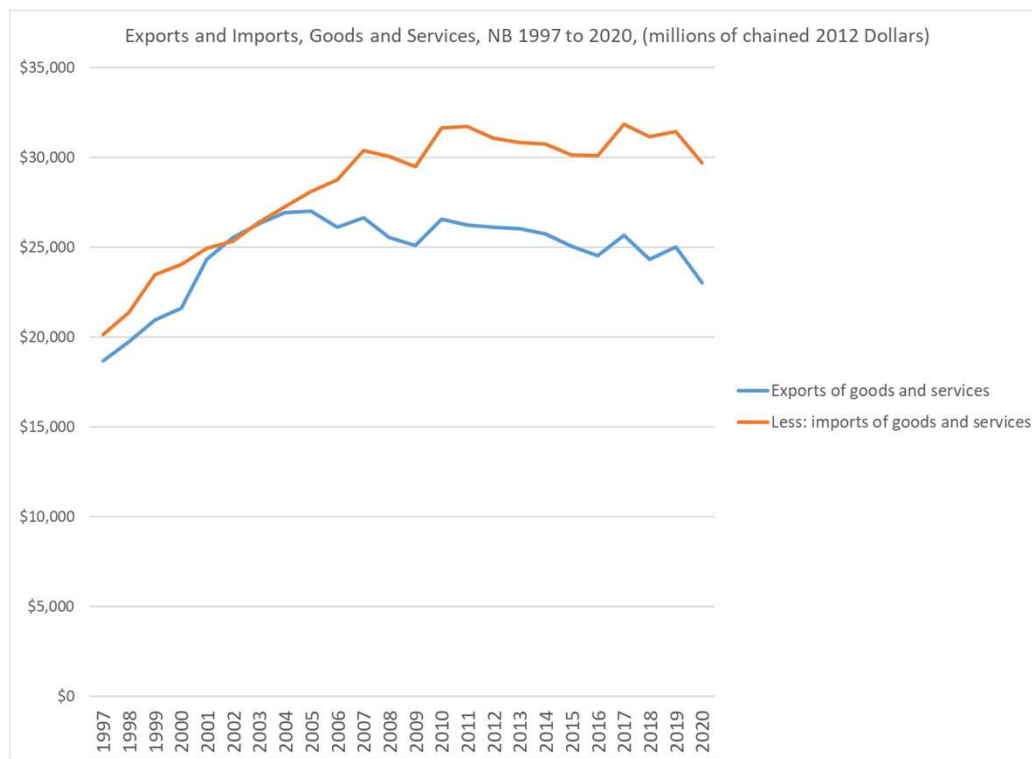
<http://www.boostnb.com/>

Figure 1: New Brunswick's GHG Emissions and Targets



[2]. https://www2.gnb.ca/content/gnb/en/departments/finance/news/news_release.2021.03.0207.html

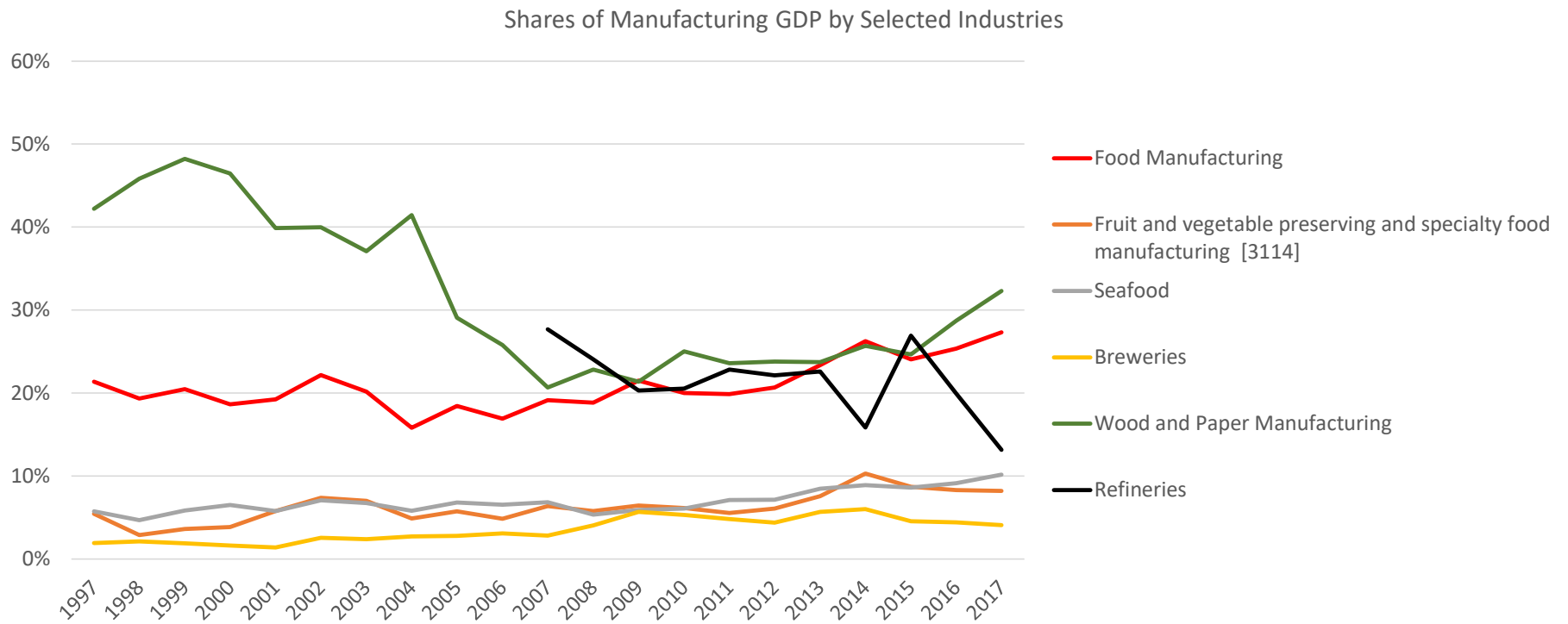
Exports stalled ...

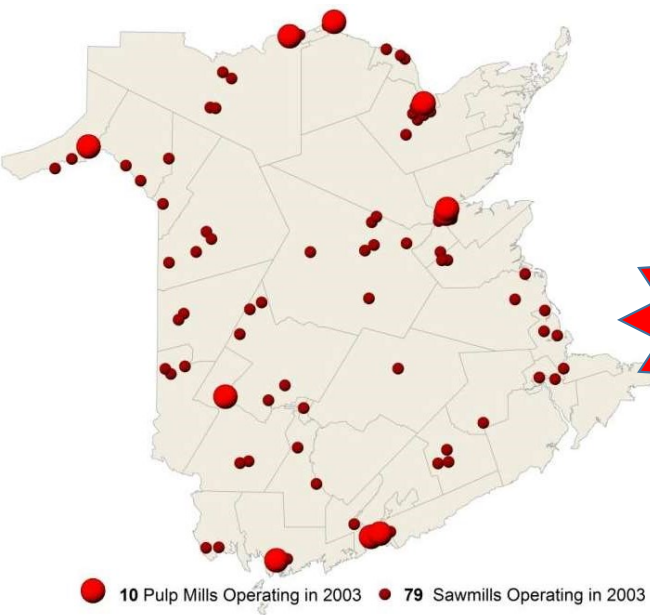


The export “shock”– wood and paper manufacturing after 2004

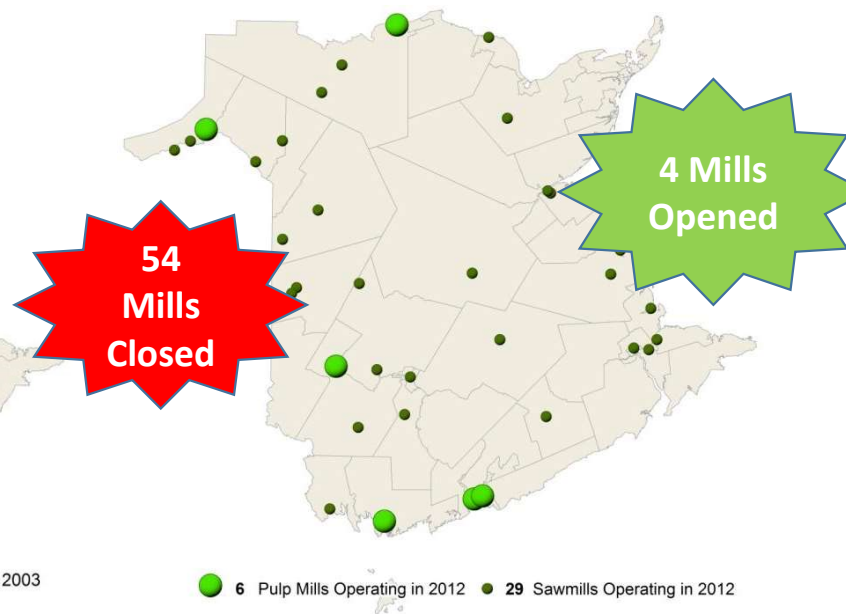
60% of Manufacturing is Food, Wood and Paper and Oil Refining

2/3 of Food is seafood and fruit and vegetable manufacturing

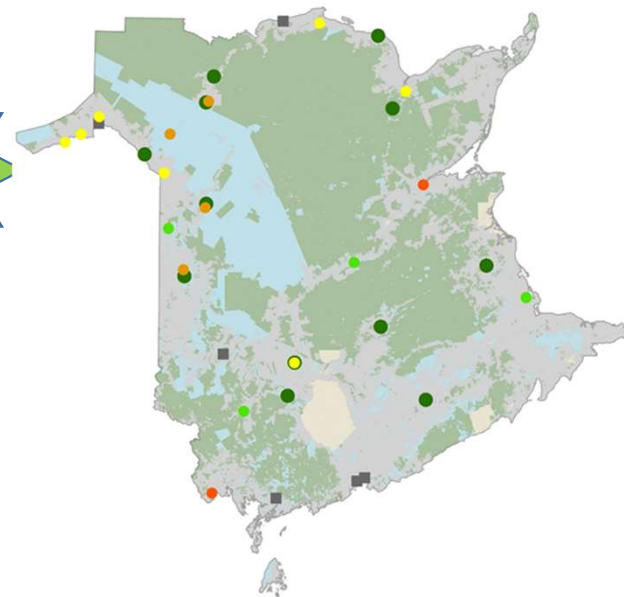




2003



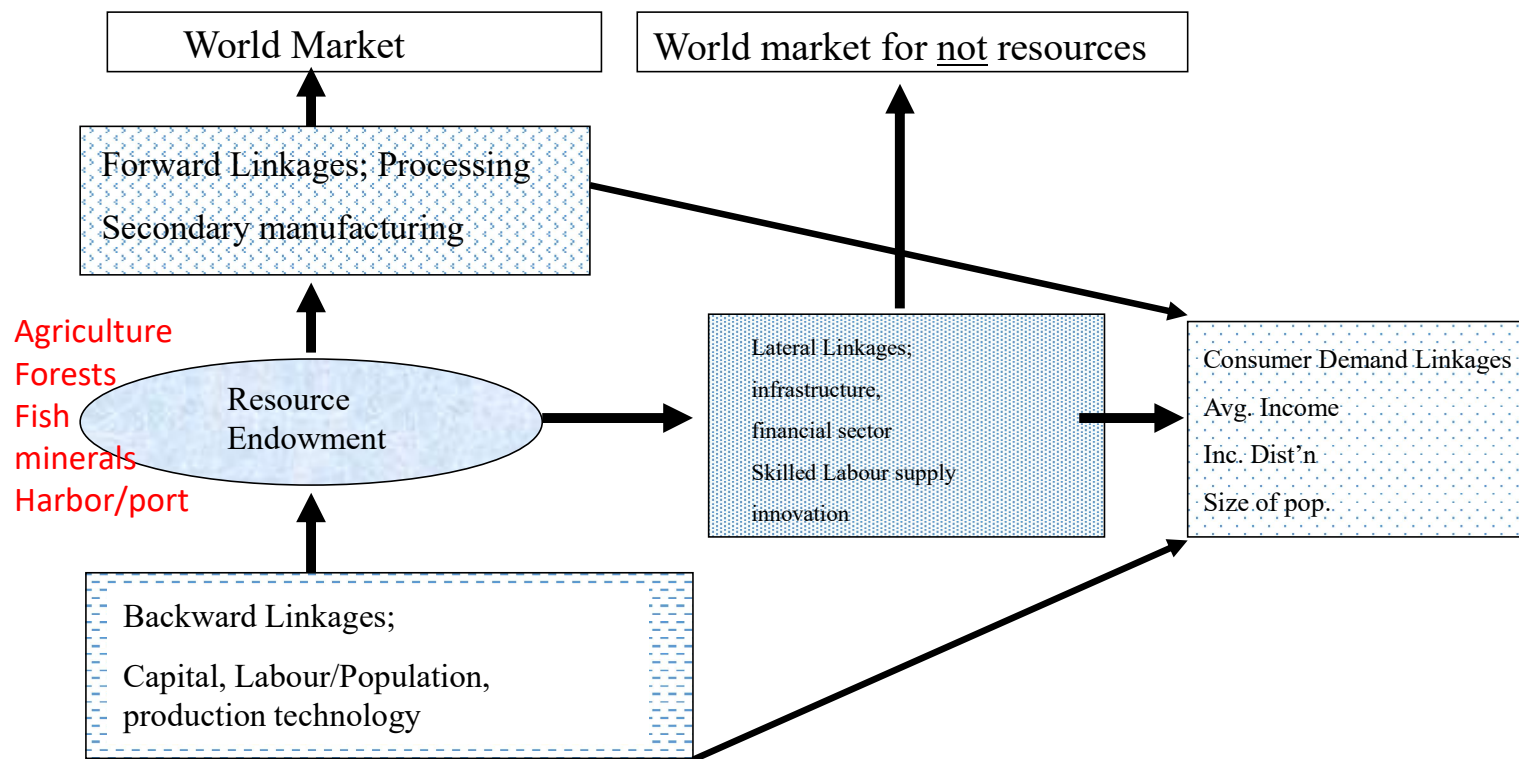
2012



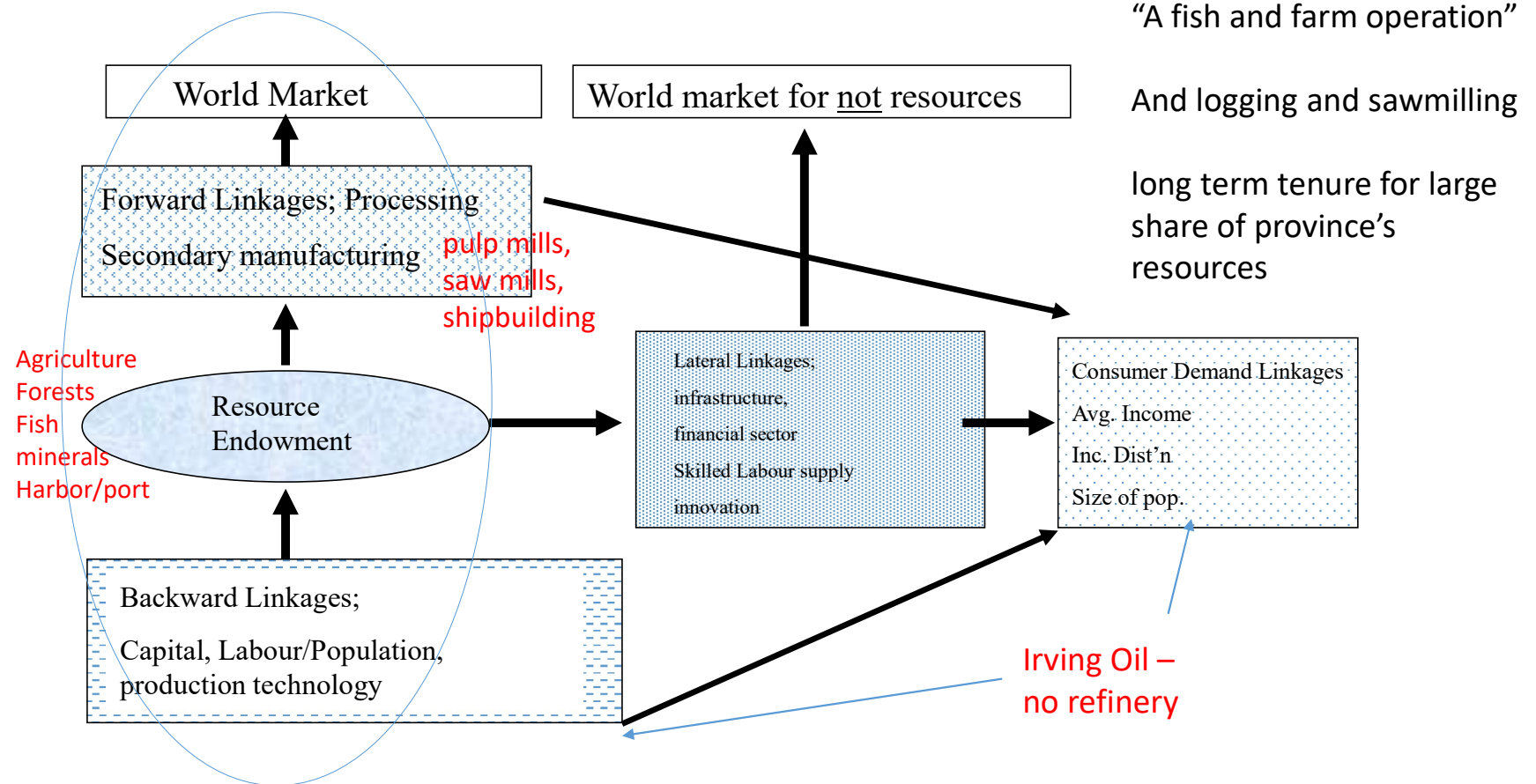
2019

How has NB generated its income?

Natural resource exports and the retention of “Linkages” (Spread effects)

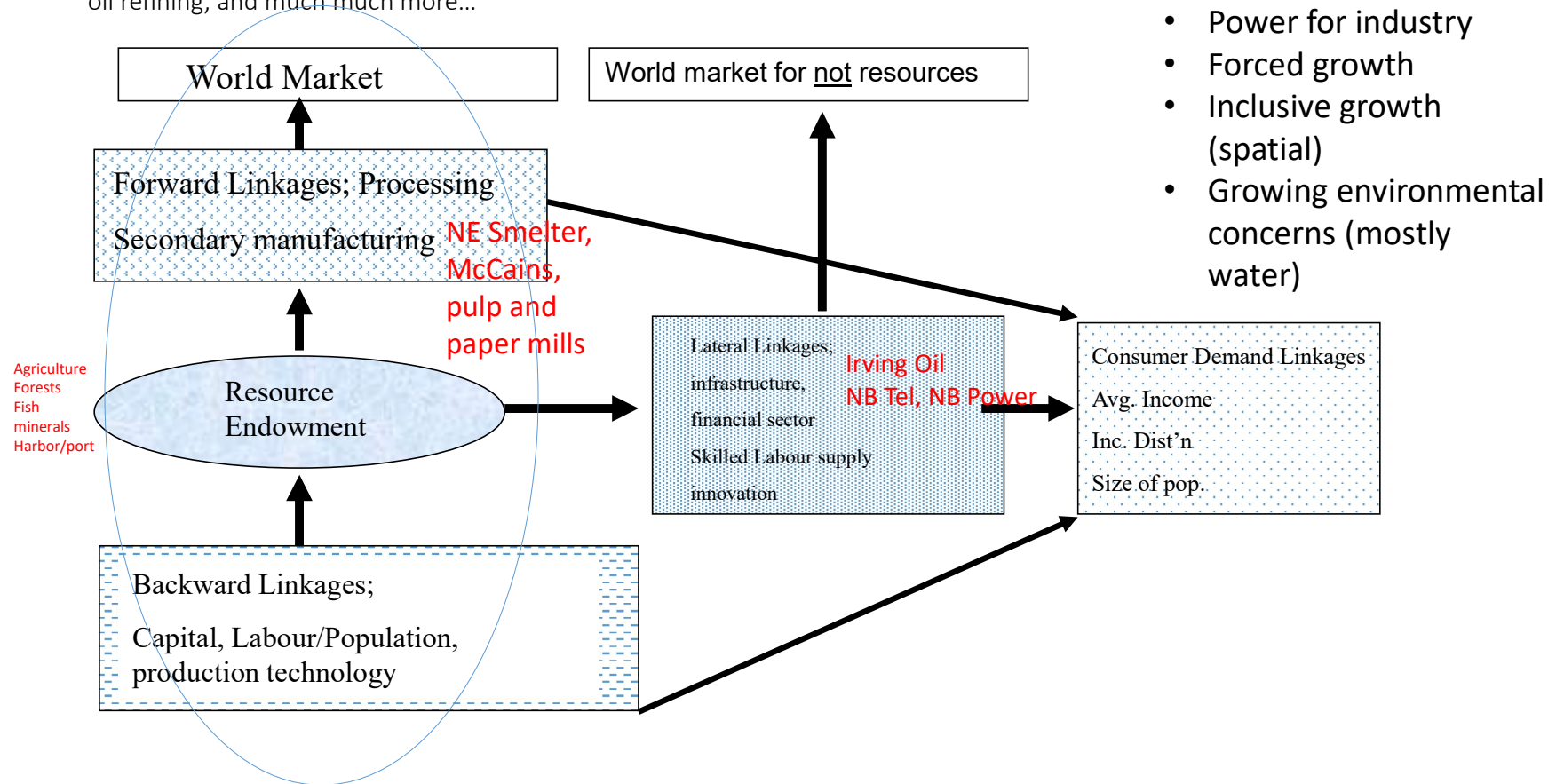


Pre-World War II NB – Market directs, focus on business conditions, “Manufacturing condition”



World War II to 1975 – value added manufacturing

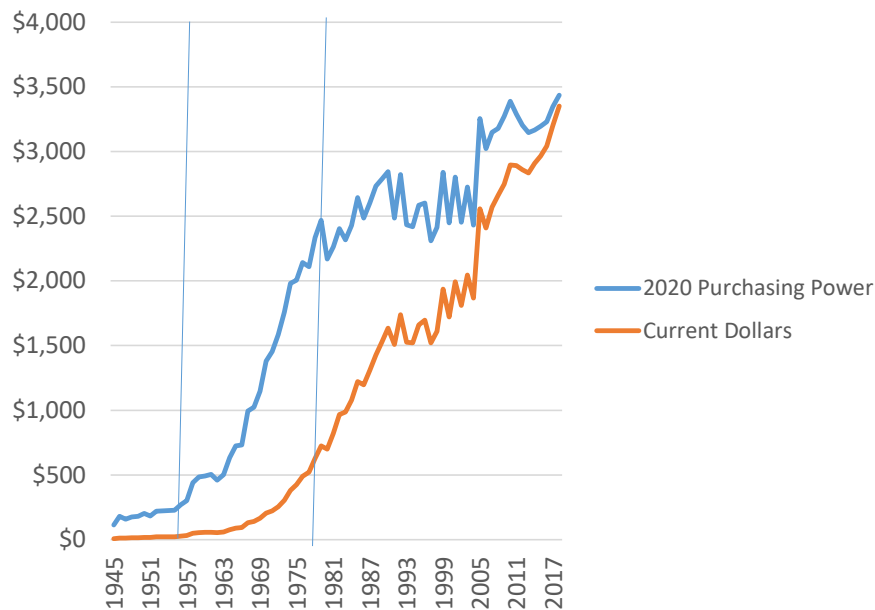
Federal money for power development, innovation and productivity to spur secondary manufacturing, develop mineral resources, McCains; KC Irving expands his forest operations, pulp and paper, ship building, oil refining, and much much more...



Growth spurred by growth of federal transfers and expectations they would continue

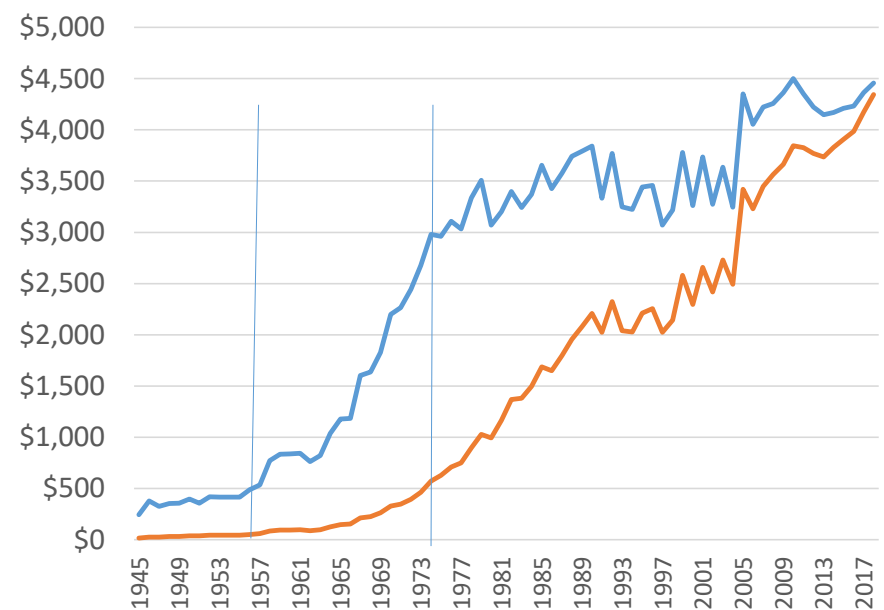
Aggregate Federal Transfers to New Brunswick, 1945 to 2018 (millions of dollars)

<https://financesofthenation.ca/historical-federal-transfers/>



Aggregate Federal Transfers Per Person to New Brunswick, 1945 to 2018

<https://financesofthenation.ca/historical-federal-transfers>



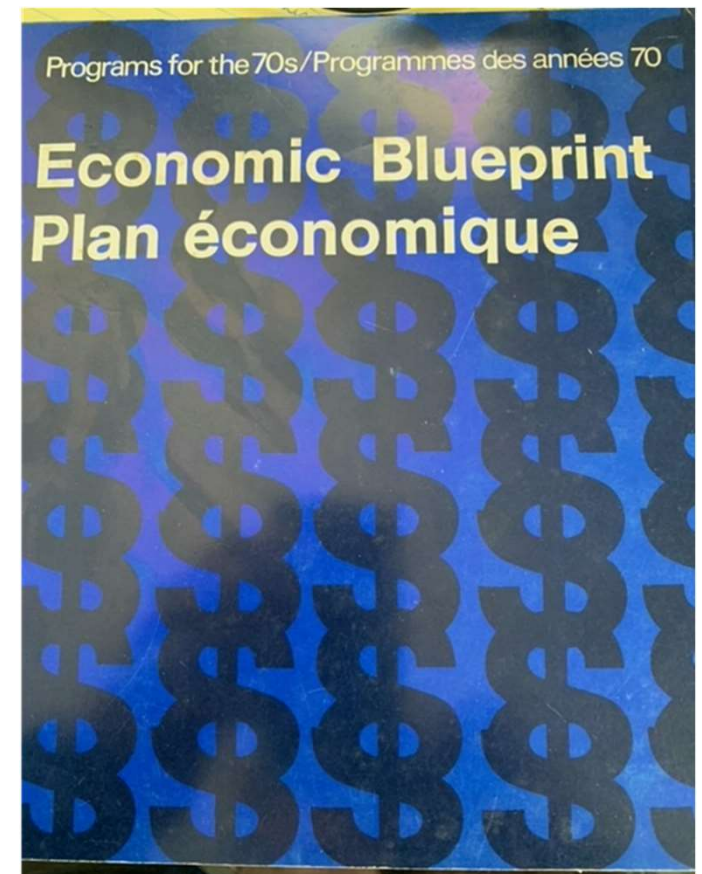
NB: Program for the 70s/Programmes des annees 70: Economic Blueprint/Plan Economique

- “Our aim is continued resource and industrial development and expansion... Service industries will expand with the economy. We saw this happen in the 1960’s. We shall see it to an even greater degree in the 1970’s” (page 8)



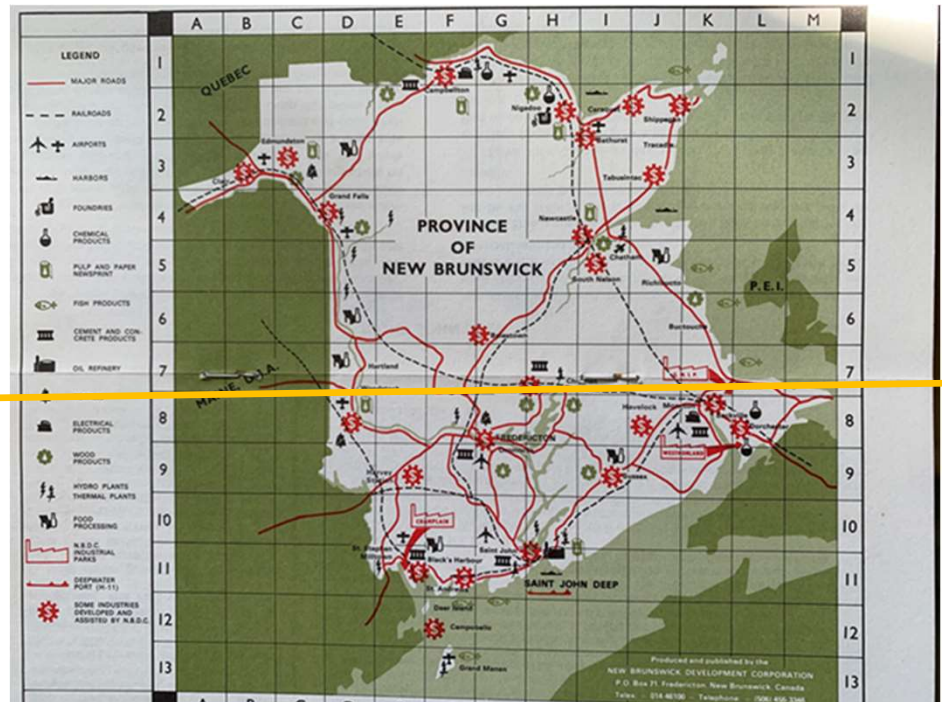
Louis Robichaud and the “Growth Poles”:

- “Saint John and Moncton have now been designated as two special areas for federal and provincial attention... because of their potential to draw in the type and number of industries we need in for New Brunswick. They can attract those industries that would normally go to... more medium sized cities such as Windsor, London, Peterborough and Sarnia”.
- “Attracting industry to these two centres will serve as a catalyst in attracting more industry to the entire province. By stimulating growth in Saint John and Moncton, we will therefore attract industries to the province which would otherwise never come at all.
 - attracting more industry to New Brunswick’s two major centres will mean industrial expansion in widespread areas throughout the province”
- Cluster development



By 1970, Post World War II agenda to build up secondary manufacturing from natural resource seen as hitting limits

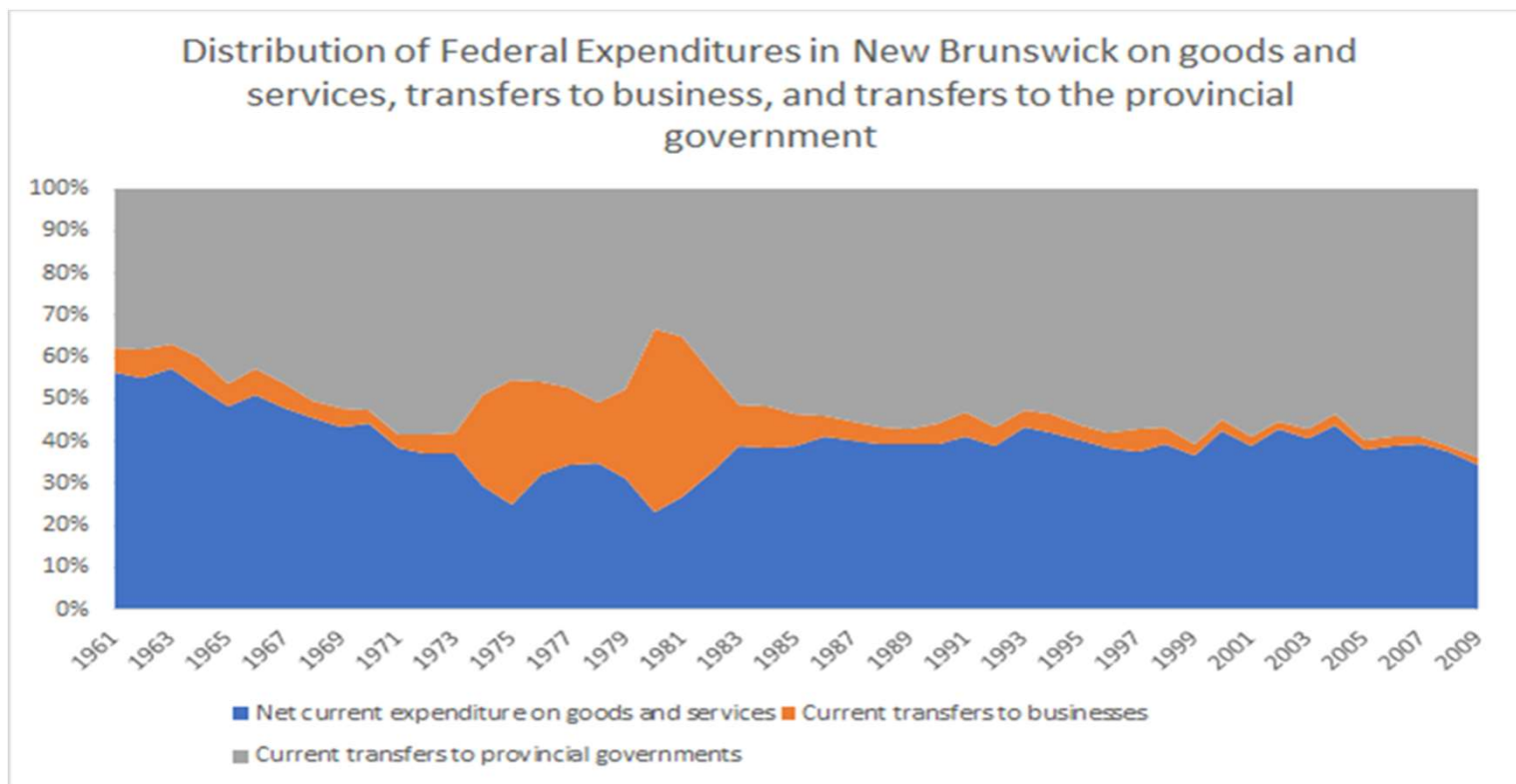
- pulp and paper, mining and food processing faced a limited future and one that created regional disparities within the province.
 - Pulp and paper had too many mills, too small to be competitive – 5 of 11 expected to close in 1973
 - “1971 in the south lay prosperity, especially in the old port city of Saint John.”
 - Saint John area was the brightest spot on the economic scene centred around the enterprises of K.C. Irving.” Wilbur (page 61)
 - “To the north lay sick and in some cases, dying pulp mills, retarded base metal mines and a declining fishing industry.”
 - (also concerns over environment, spraying forests and Pulp and Paper effluent in water)



Robichaud lost the 1970 election and in came Richard Hatfield...

- Premiers Robichaud and Hatfield used the power of federal spending to diversify the economy and alter the locations of industrialization
 - Put pulp mills in Saint George, Nackawic, and Miramichi, and sustained several other mills in financial trouble
 - “failed to bear much (sustainable) fruit beyond the rise of the public sector”

Transfers weren't growing but larger share to business in the 1970s

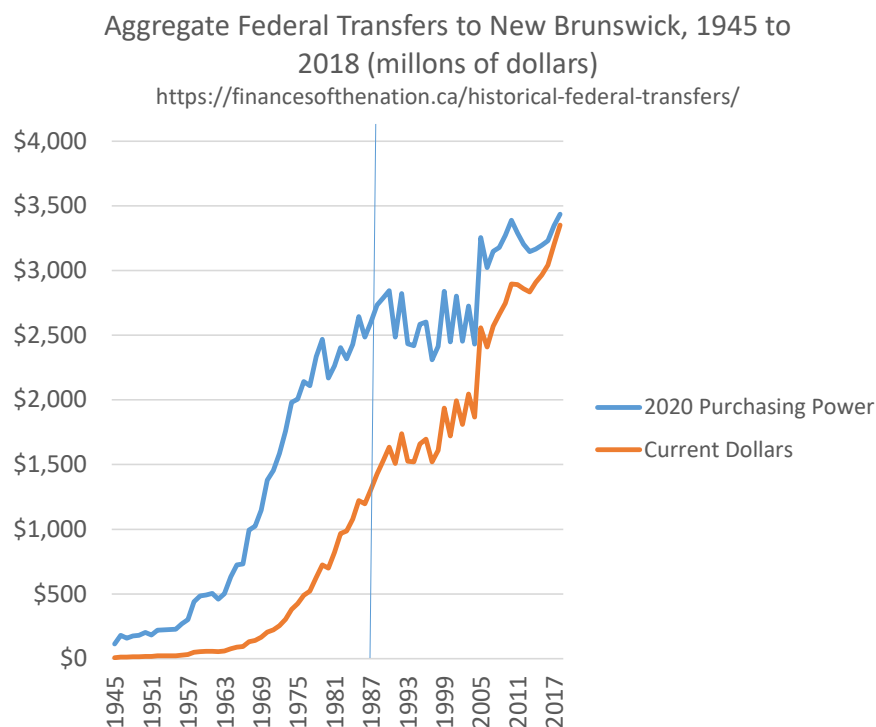


By the time Hatfield was done in 1987...

- “Four economic factors held the key to an accurate understanding of New Brunswick’s economy:
 - a large and well-paid public service sector,
 - a thriving forest-based industry,
 - the Irving empire, (Oil refining, gasoline retailing, integrated forest industries, transportation, ship building, construction and so much more
 - estimated that Irving businesses accounted for 15% of provincial employment
 - the hidden New Brunswick economy based on barter, self-help, and the use of non-taxable and largely unaccountable resources such as hunting and wood fuel.”
- “It was a sign of the times that environmental concerns were often mentioned in government announcements about plant expansions.”

The “McKenna Miracle” to transform the economy following “reduced” federal transfers

- “Few New Brunswick premiers had tried as hard to turn the old province away from its have-not image and lessen its economic dependency on the resource sector”.
 - the Chretien-Martin Budget in 1995
 - reduced federal transfers
 - “shut off the taps of industrial incentives” long used to attract investment to drive diversification
 - Premier McKenna was looking for bootstraps to pull the economy up out of fiscal necessity.



Frank McKenna in 1994 -- dependency on the resource sectors was laziness

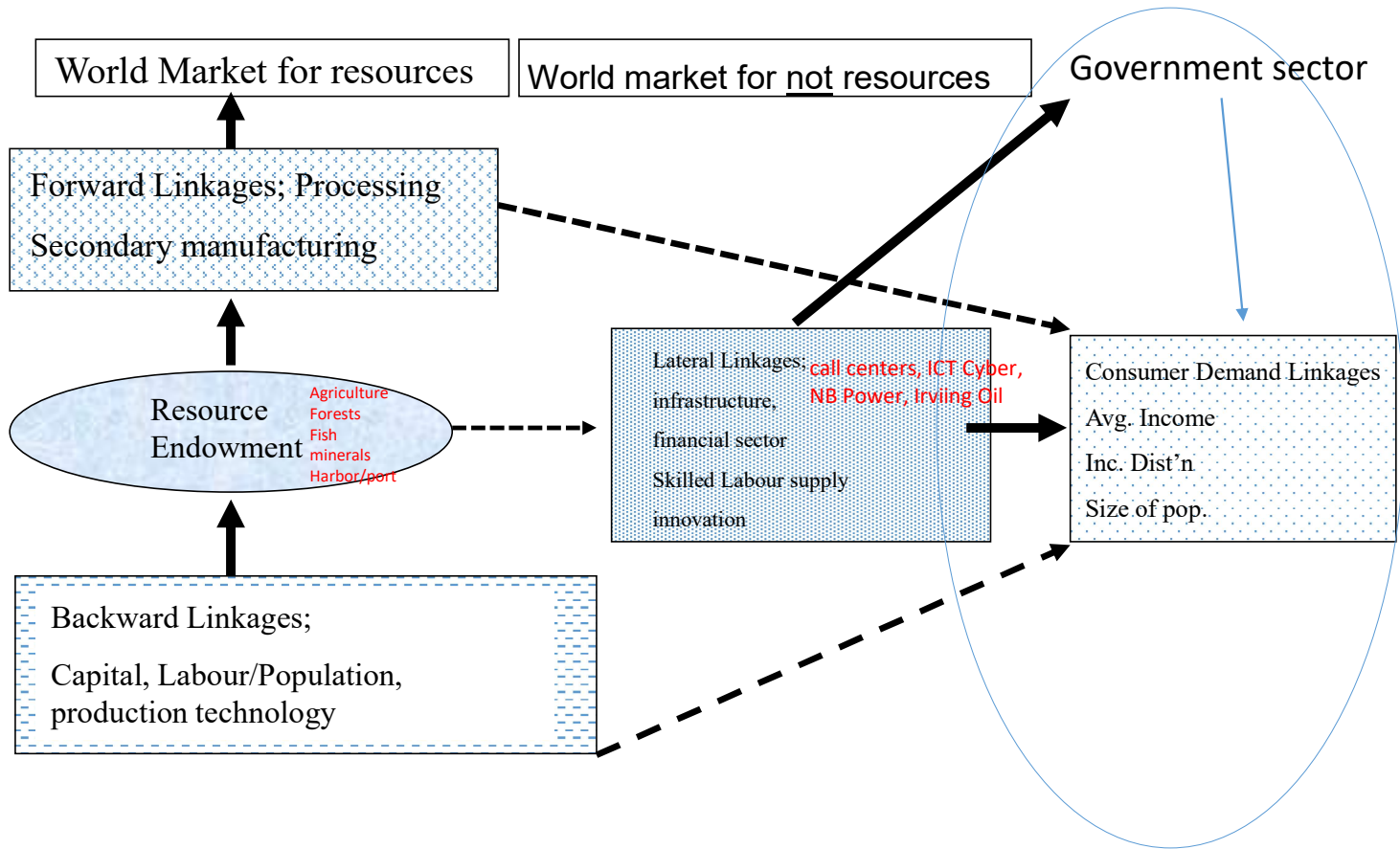
- “It's been too easy to cut trees, catch fish and plow land in this province. We've never had to think. Now it's time to be creative.”
 - McKenna “scolded” employers who had not upgraded workers' skills –
 - “It wasn't fair and it wasn't right.” Acknowledging that more than 120,000 New Brunswickers were already “sitting at home” on welfare or unemployment, the premier warned that companies “don't have to announce layoffs just so your shareholders are going to love you next day. Think long-term.”
 - Other parts of the McKenna agenda for the economy were surprisingly traditional for the province.
 - McKenna recognized that despite the attention paid to the new economy and the “information highway”, “these new factors would not replace the traditional industries such as forestry, farming, mining, and fishing.”
 - Premier McKenna in 1994 called for more secondary manufacturing particularly in the forest sector.

2008 to present –

De-industrialization, Government backfills for flagging exports as source of demand and income

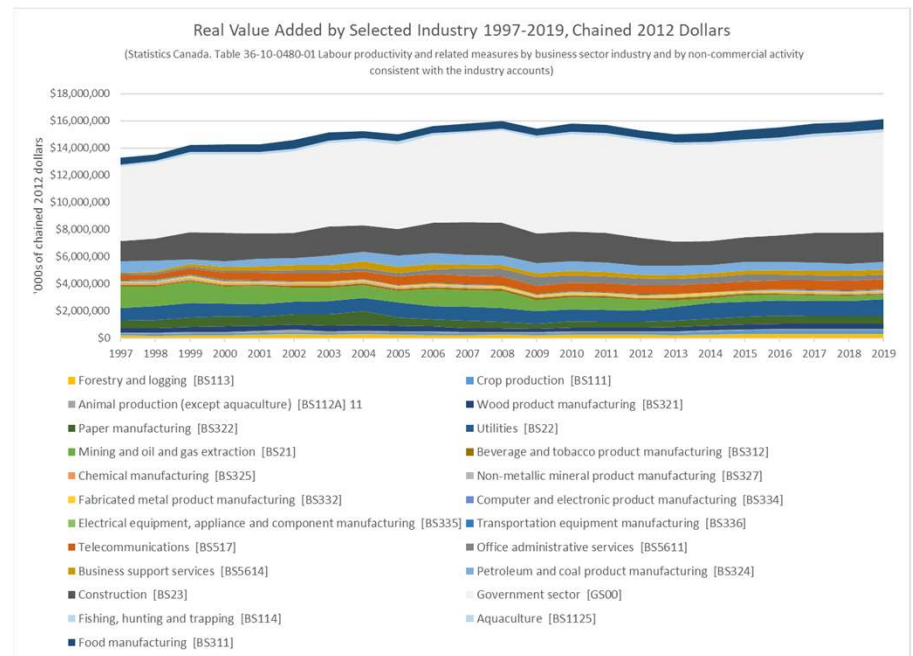
Federal money and provincial focus goes into employing directly and transferring monies for consumption;

High taxes, fair power rates, social license prioritize public spending on health care, education and non productive occupation of resource base. Imports rise,



What has stuck? What does that tell us?

- The Post WWII economy based on manufacturing of resources still the foundation of the economy
 - Mining has exited
 - Footloose manufacturing hasn't stayed
 - Multinational capital hasn't stayed, home teams have
 - The refinery in particular
- Forest sector integrated, scaled to sustainable output – no more cycle
 - Capital intensive, advanced manufacturing is present in large companies
 - Globally competitive – large for NB but minnows globally

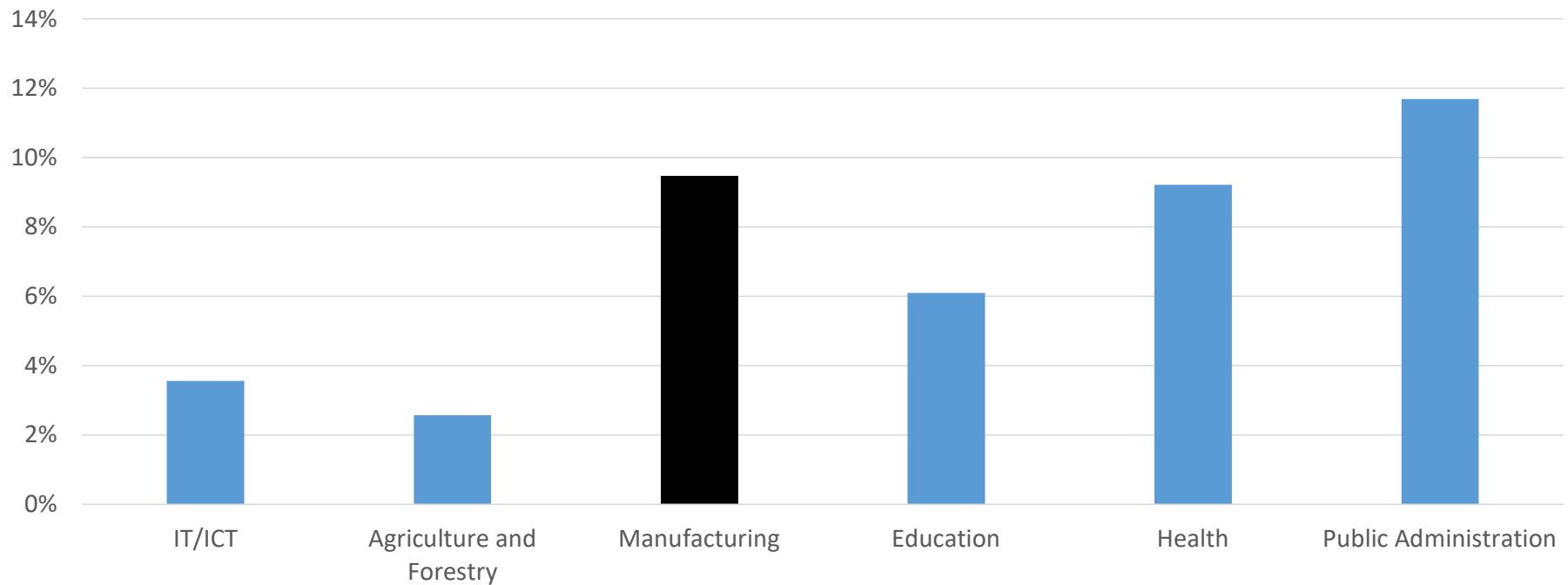


Manufacturing is a large wealth creating export sector in NB...

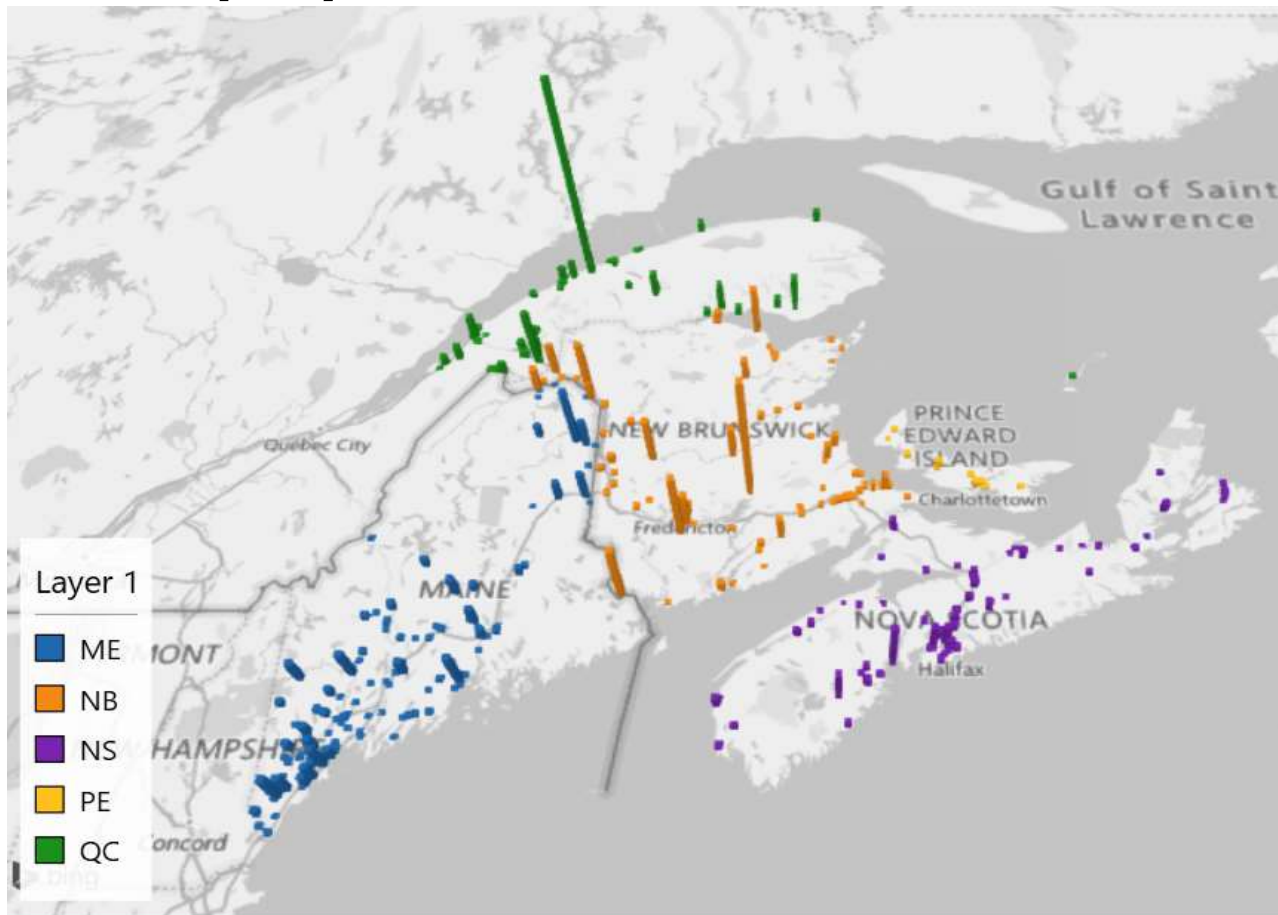
Manufacturing is 9% of total employment, and 13% of non-government employment

NB is 4th most manufacturing intensive province in Canada

Selected Sectors, Shares of NB 2017 GDP

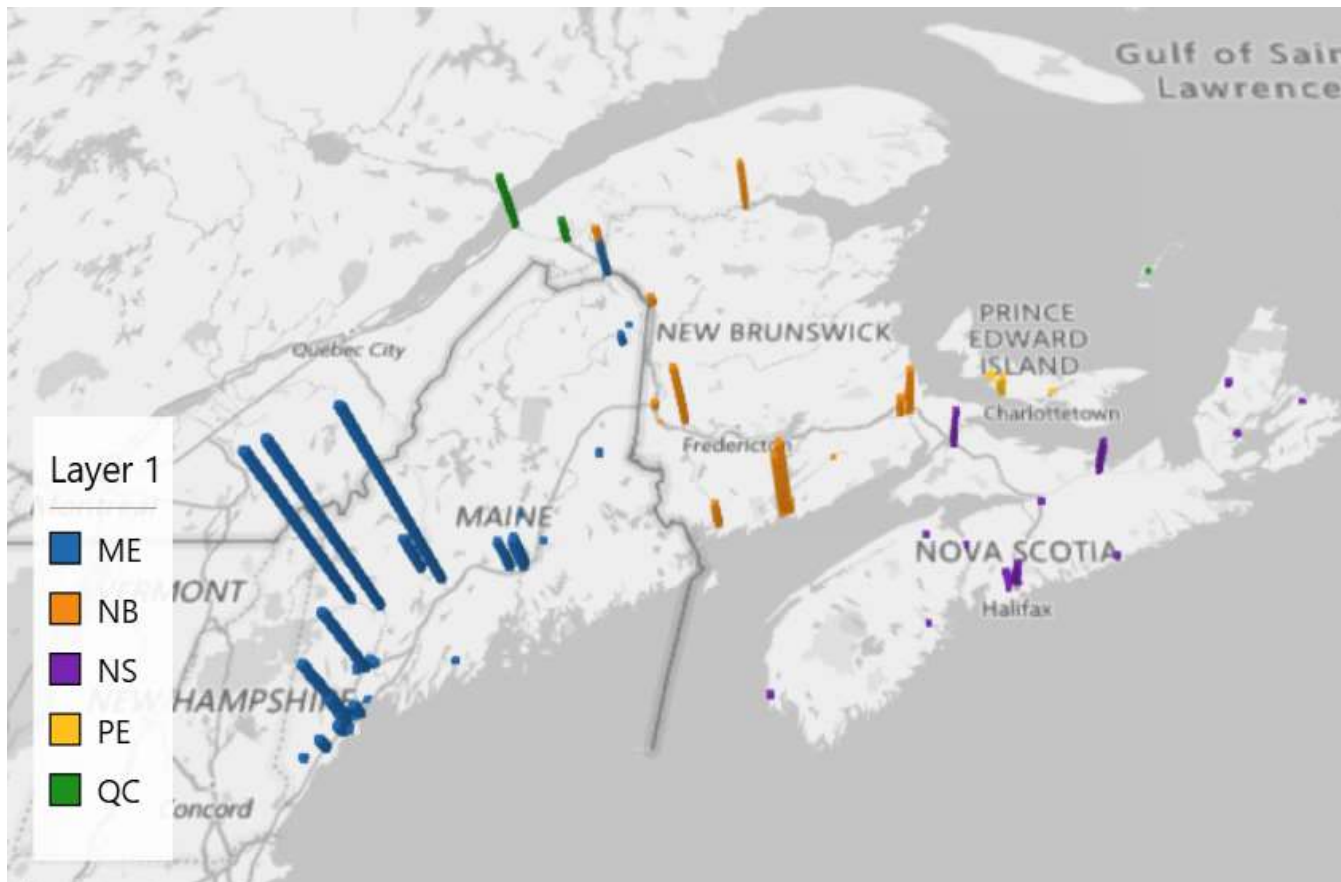


Geography of Wood Product Manufacturing Employment



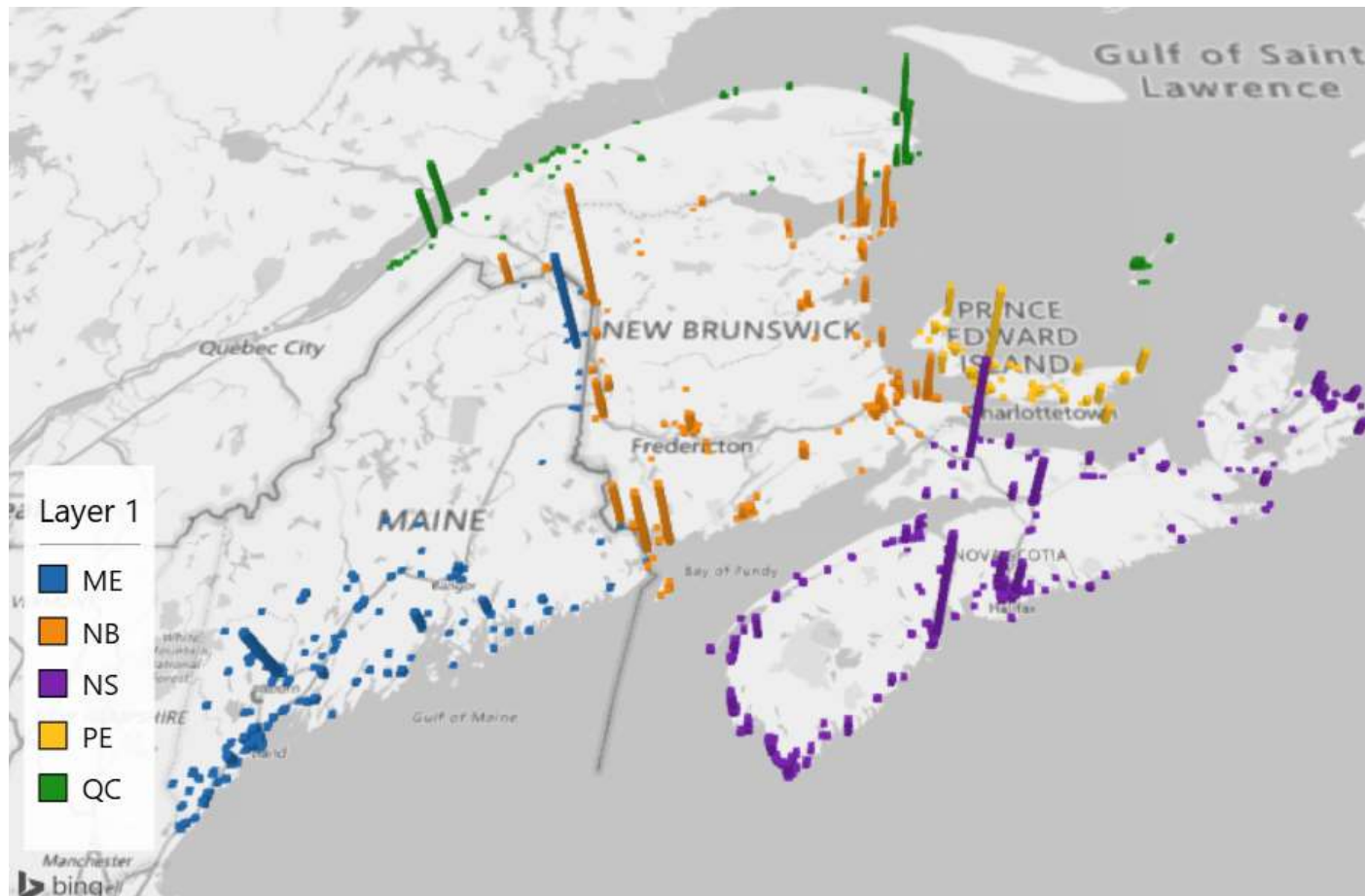
Line Height shows
employment count at
location

Geography of Paper Manufacturing Employment



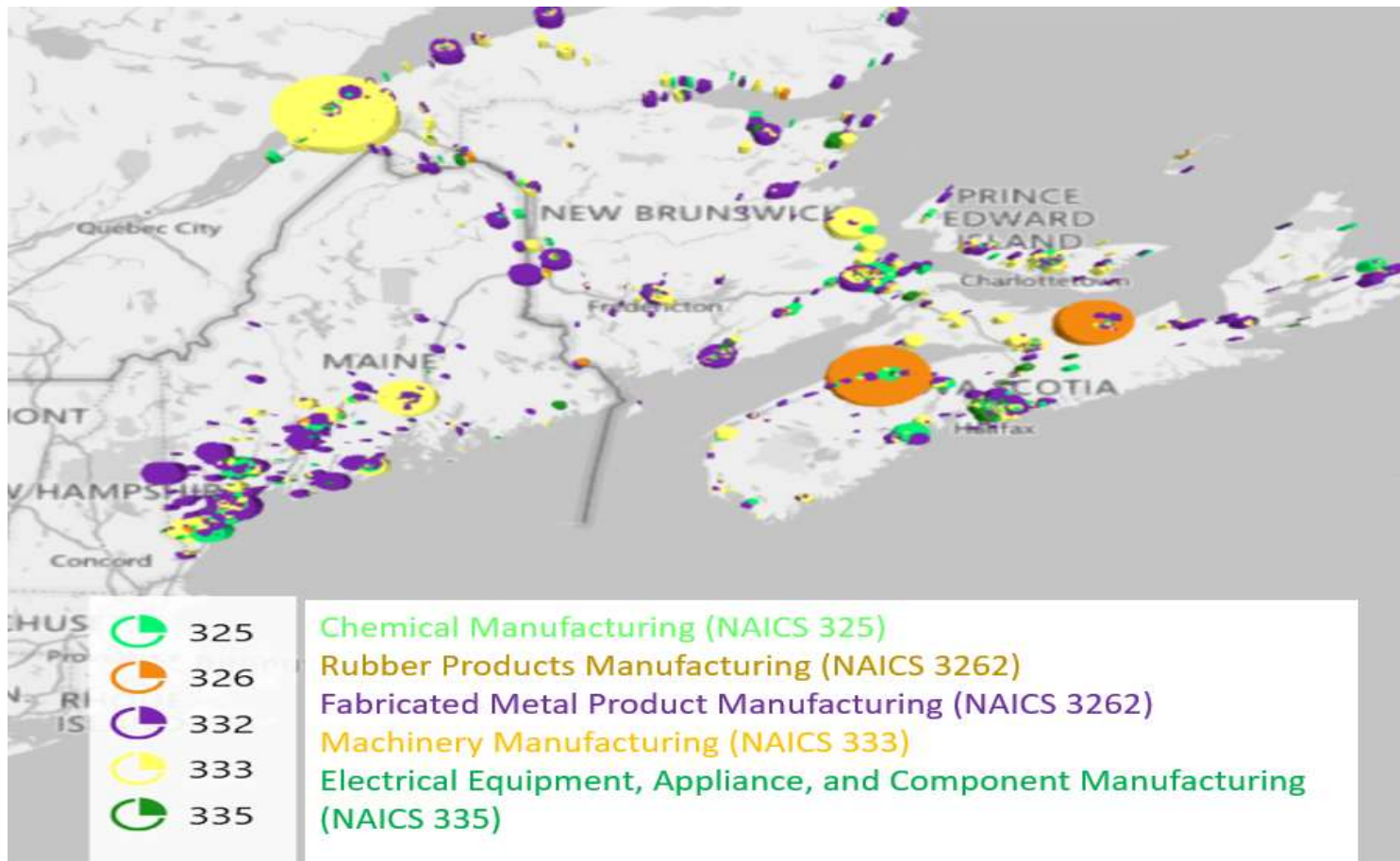
Line Height shows
employment count at
location

Geography of Food Manufacturing Employment



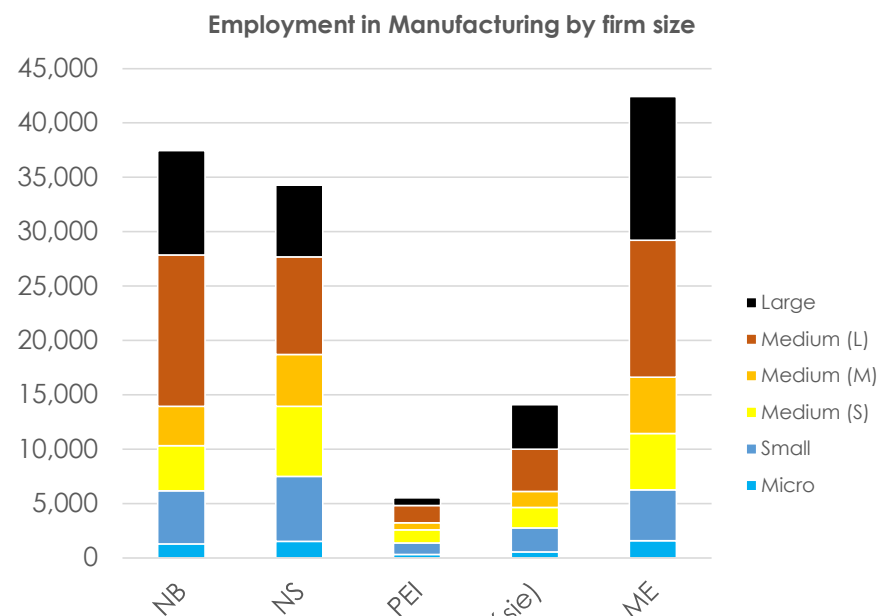
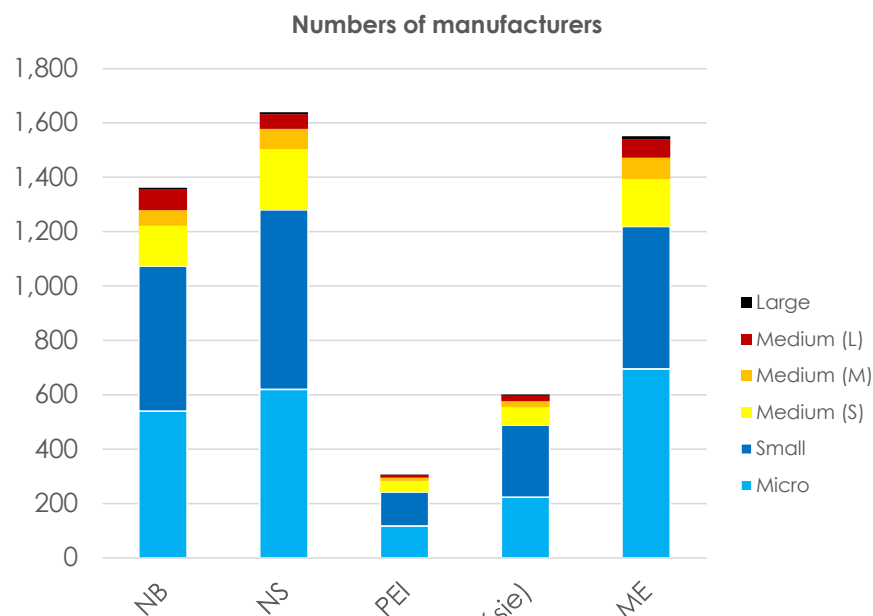
Line Height shows
employment count at
location

Geography Employment of Selected other Industries



- The sizes of the dots represent its employment number
- Different color represents different industry groups

Over 80% of manufacturers <20 employees,
but 85% of employment from manufacturers >20 employees...
 (56% of employment for 100 or more employees)



Label	Manufacturing Business Size	Employment Range
●	Micro	1 to 4
●	Small	5 to 19
●	Medium (Small)	20 to 49
●	Medium (Medium)	50 to 99
●	Medium (Large)	100 to 499
●	Large	500+

Future role of resource based industries not clear

- Ivany “Now or Never” 2014 for Nova Scotia...
- Traditionally, rural economies have been built on resource extraction and the capacities of the land and sea to support agriculture, fisheries, mining and forestry production.
 - Some participants emphasized the need to **renew, modernize and in some cases expand** these traditional sectors,
 - others described them as “sunset industries” with little room to develop them without unacceptable damage to eco-systems.
 - Others asserted that maintaining a pristine environment may be more economically beneficial over the longer term than pursuing growth in the mining, forestry or energy fields.
 - *“These participants expressed doubts that business operators will employ responsible practices and that governments will regulate resource exploitation effectively.”*

What about on the path to “net zero”?

Two competing answers in the affirmative... federal transfers expected

- Green our “old” industries and grow
 - E.g. we can grow fossil fuel exports and reduce GHG emissions.
- green energy
 - renewable and nuclear power generation, new technologies and strategies like carbon capture and storage can decarbonize our existing industries, purchase carbon offsets
- “Environmental Social and Governance”
 - (ESG) records of businesses will guide investments to firms creating a competitive advantage for firms that can continue to produce and grow and get us to net zero.
- Out with the old, in with the new strategy
 - “Just Transition” to green our economy
 - E.g. Restrain fossil fuel exports and grow green industries
 - SMRs as manufacturing export building of existing nuclear industry
 - transition away from traditional industries with high GHG emissions to new knowledge based industries, and green industries, to replace our resource based exports as our source of wealth creation.

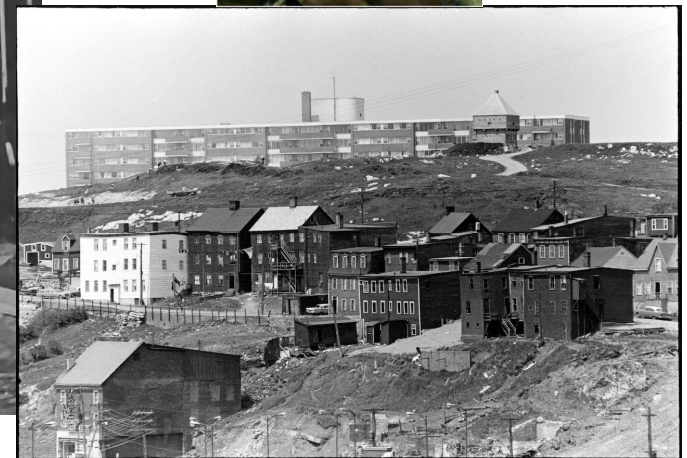
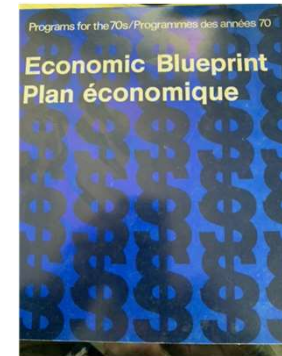
Do New Brunswickers want the economy to grow?

Is growth necessary or desirable?

Is Growth Necessary?

Louis Robichaud 1970: Economic Growth was for well-being

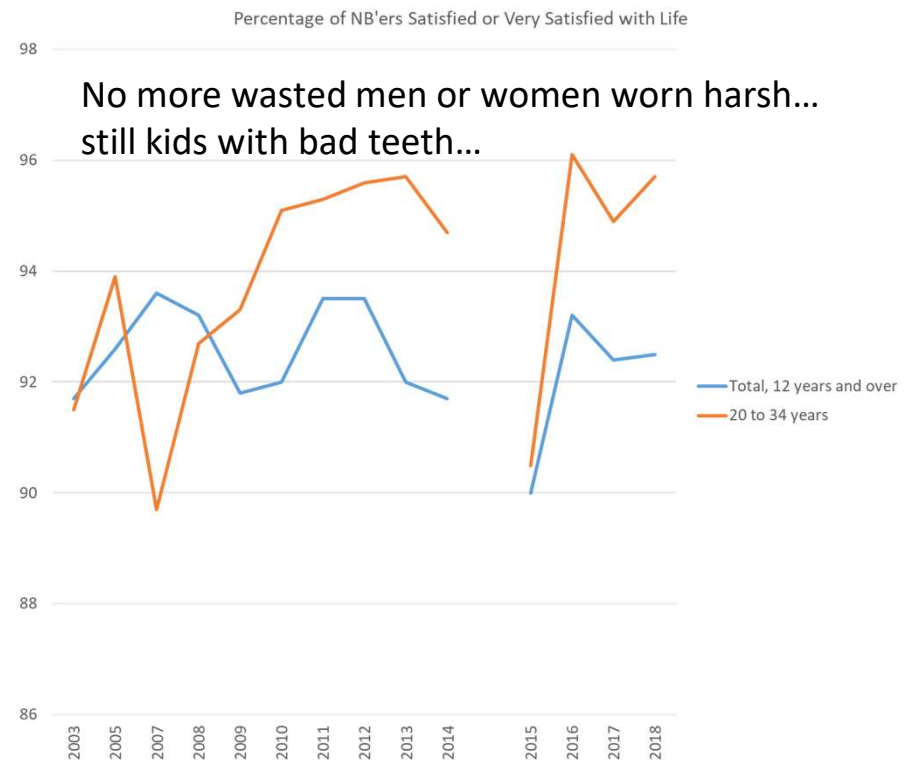
- “I would like to stress that although I have been talking about urbanization, improvement in quality of rural life, the need for economic growth, better transportation systems and the like, what I am really concerned about is people. After all, none of these programs or policies make any sense unless they improve the living conditions of our people, help them extend their horizons, and then confidence that their hopes for themselves and children are real and obtainable”



Is Growth Desirable?

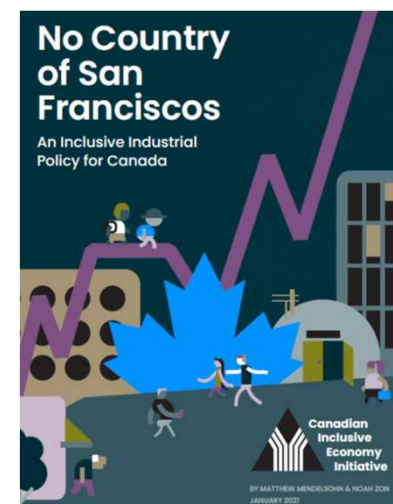
In affluent society costs of growth, inequality and environmental degradation, exceed the benefits

- Dalton Camp in the winter of 1949:
 - “the wasted men, the withering years upon them, bundled against the cold, resolutely cheerful as ever, asking nothing more from life than another day of it. Men consumed by idleness, their women worn by harsh routine bearing the pallor of self-neglect, the children with bad teeth, the early beginning of a life-cycle of decay; store windows displaying the hideous litter of cheap merchandise, malevolently designed for lives of quiet despair”



2021: “The goal should not simply be to support the growth of successful Canadian companies”.

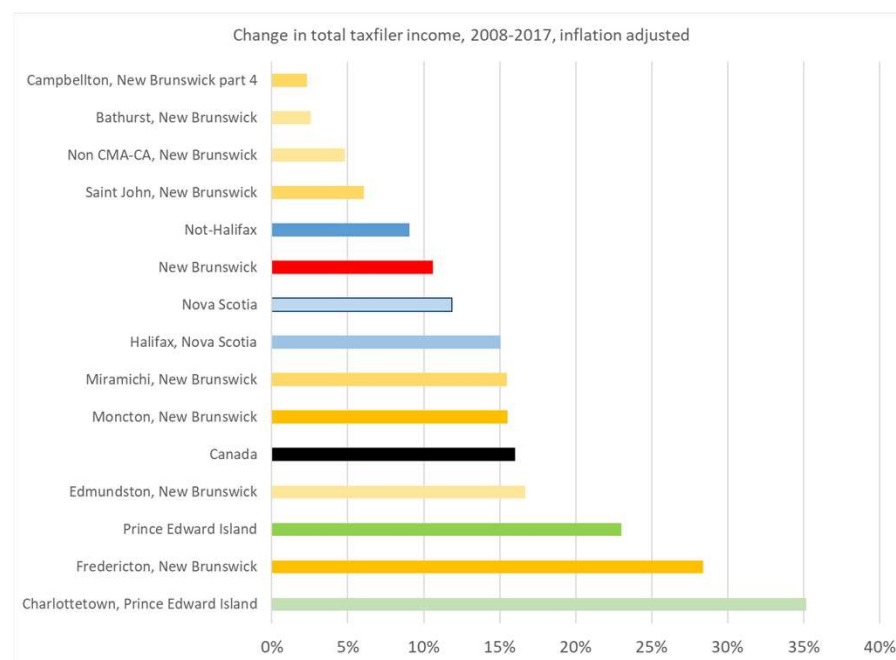
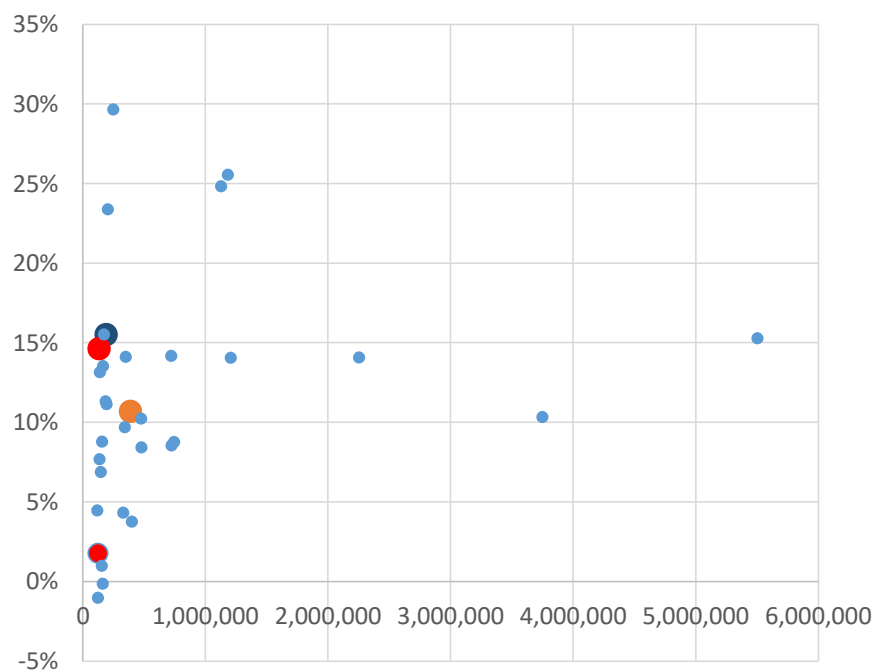
- “If our industrial policies build **great companies that contribute to inequality and wealth concentration**, they will have failed.”
 - Our industrial policy needs to support economic growth, innovation and successful firms in a way that delivers widely-shared economic, social and environmental value.
 - Around the world, governments are investing more in their industrial policies...building competitive advantages in emerging fields like AI, accelerating the shift to a low emission economy and supporting businesses that deliver social returns, like community wealth and good jobs.



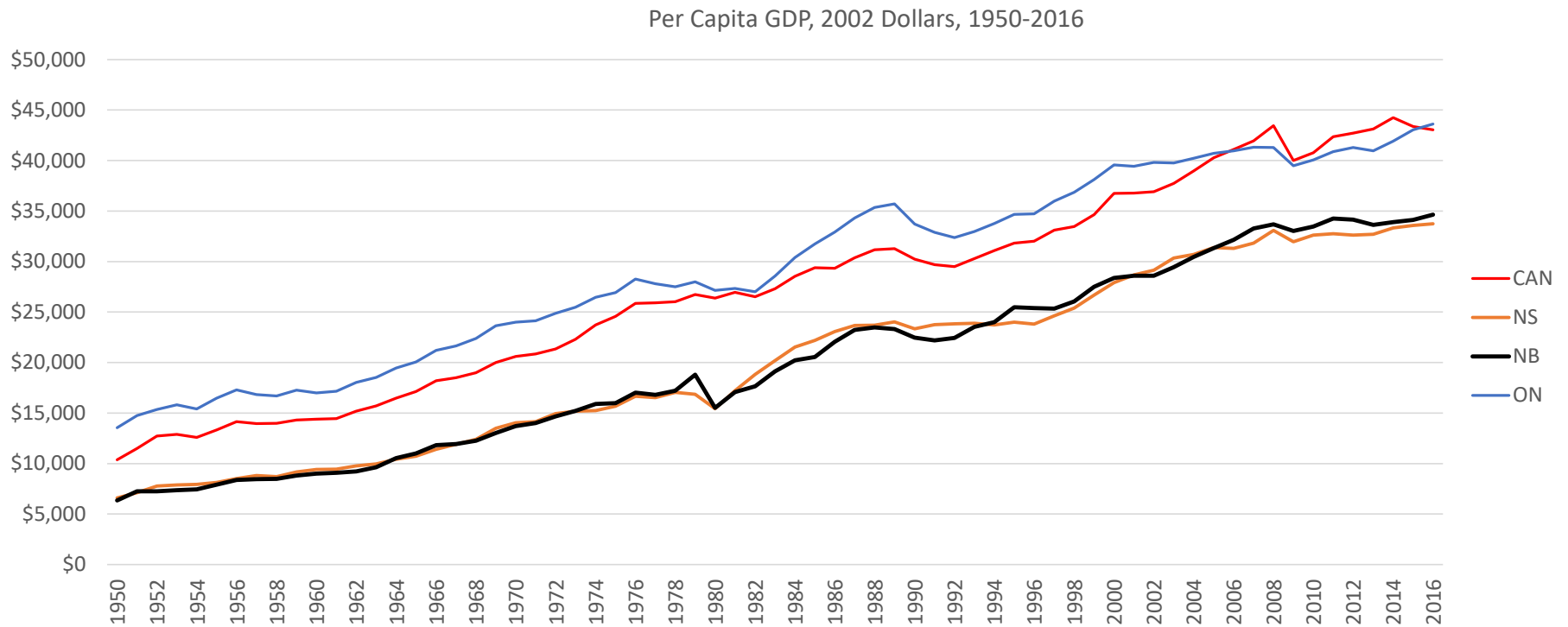
The Paradox? Despite the slow growth of the province, many NB'ers aren't living in a lagging economy

The Cities are growing as fast as anywhere in Canada

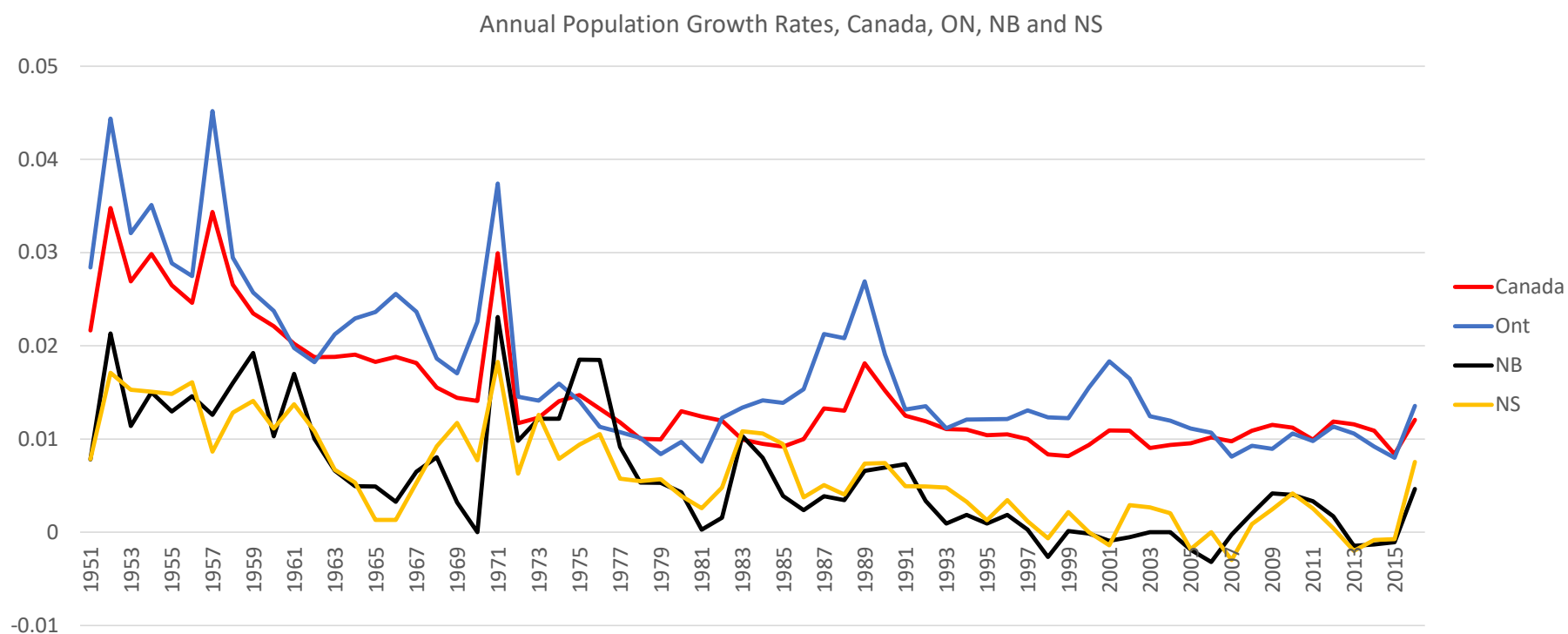
Total Population Growth By CMA 2008 to 2017



Per Capita GDP has grown at same rate as the rest of Canada and Ontario, but gap hasn't closed



Population growth never strong, but stalled after 1992



Today answer is not as clear

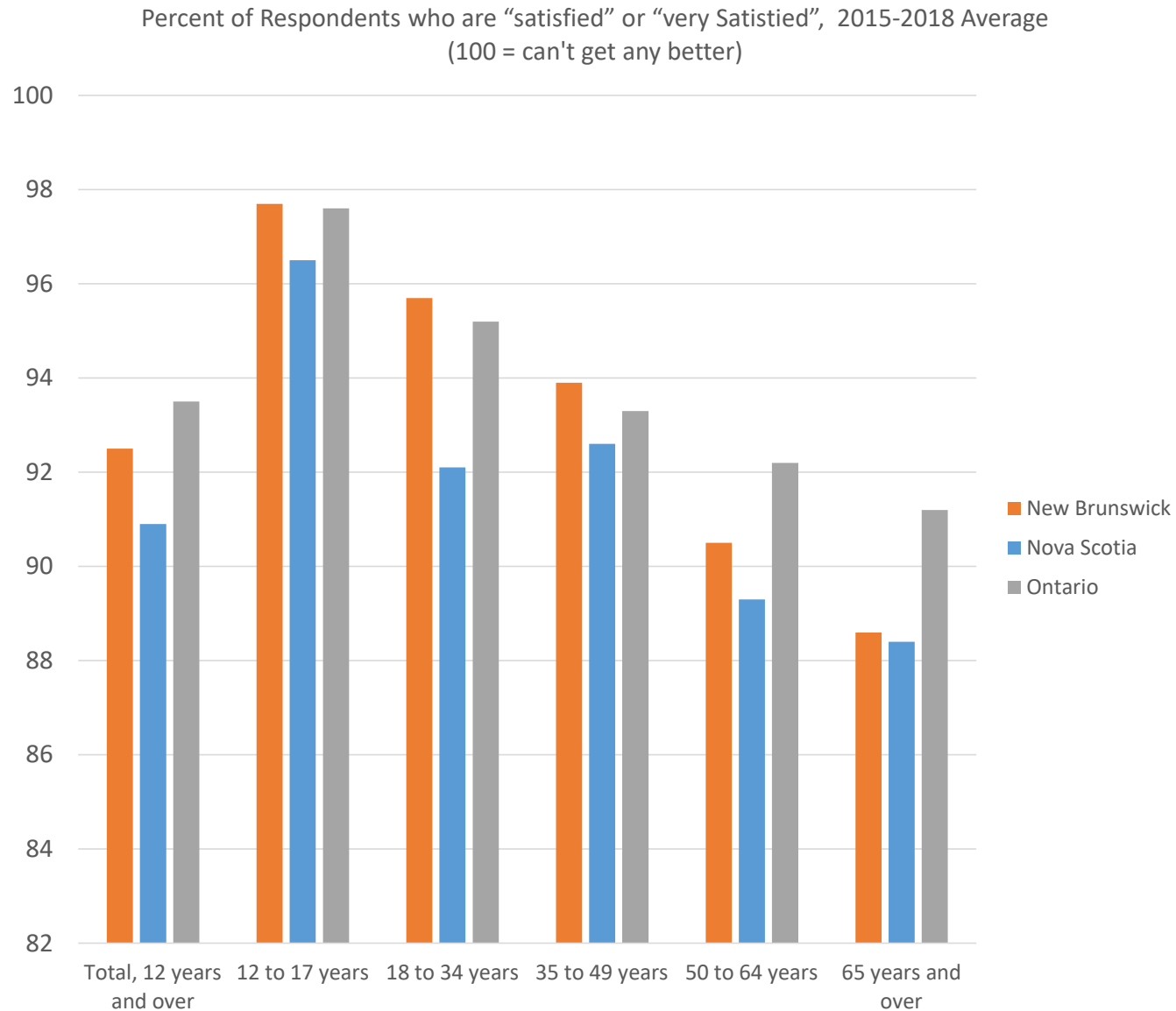
Diminishing returns to growth?

- View that the additional costs of continued economic growth in an affluent society exceed the additional benefits.
 - Inequality, environmental degradation
 - Many believe that the costs of continued growth could be managed and mitigated with redistributive policies and environmental regulations like pricing pollution and technological innovation.

What's the Challenge with getting back to growth?

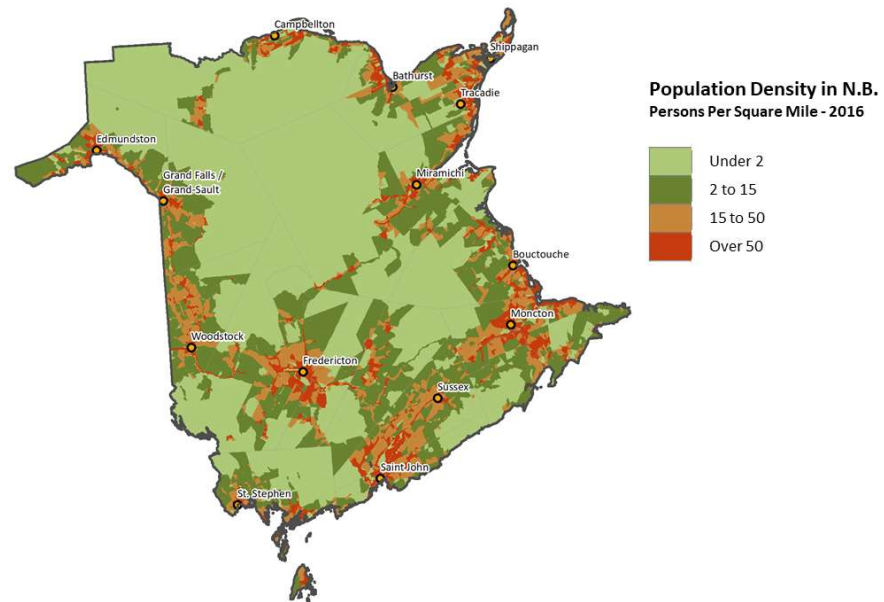
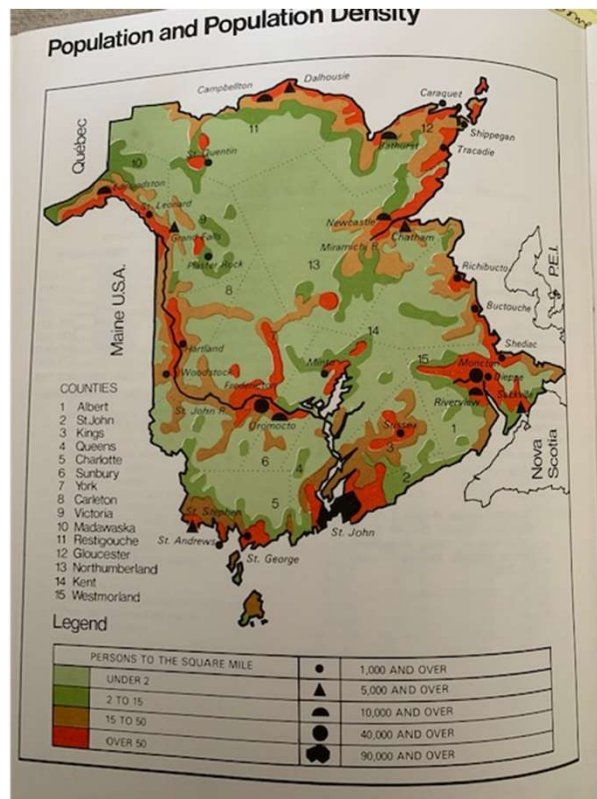
Everyone is Happy without growth

- As Happy as Ontarians when younger,
 - but over 50 we are as miserable as Nova Scotians



Population size stagnant since 1990s and concentrating in three largest urban areas

Population density 1976 and 2016



Clear cutting – from industrial advantage to an environmental travesty

- 1969

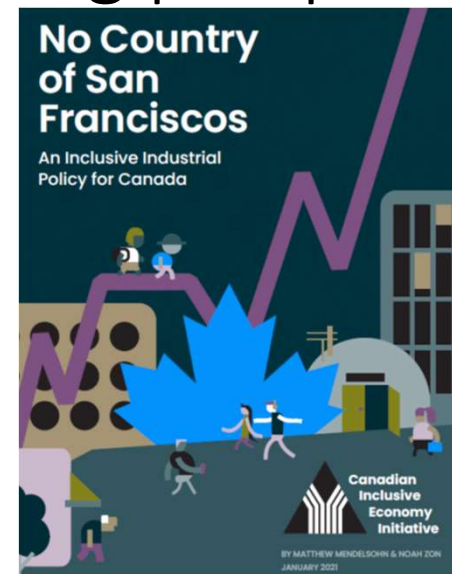
- “the forests of New Brunswick have a number of natural and other advantages ... mechanical harvesting methods allow for “clear-cutting” operations in mature softwood stands...”
 - GNB Dept of Economic Growth 1969 promotional brochure

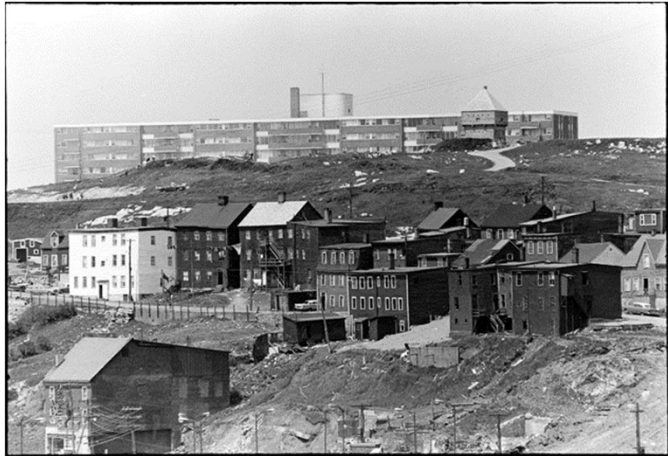
- 2017

- “Harvesting with axes and crosscut saws shifted to chainsaws in the 1950s and then to the large, heavily-financed machinery we see today. To quote Elizabeth May, woods employment went from “a bunch of fellers to a feller-buncher.” Today we are living the latest chapter; an unprecedented loss of N.S. forests at rapid rates; “forest liquidation” through clearcutting, where even the shrubs may be chipped. Like the cod’s demise, [this story of government-sanctioned, forest liquidation is made possible by new technology and fossil fuels.](#)”
 - Bob Bancroft, **“WHERE HAVE ALL THE GOOD FORESTS GONE?”** <http://www.rurallife.ca/eulogy>
- NOTE: Forest liquidation used to be considered a good thing due to risks of losses from fire, insects and disease, among other reasons.

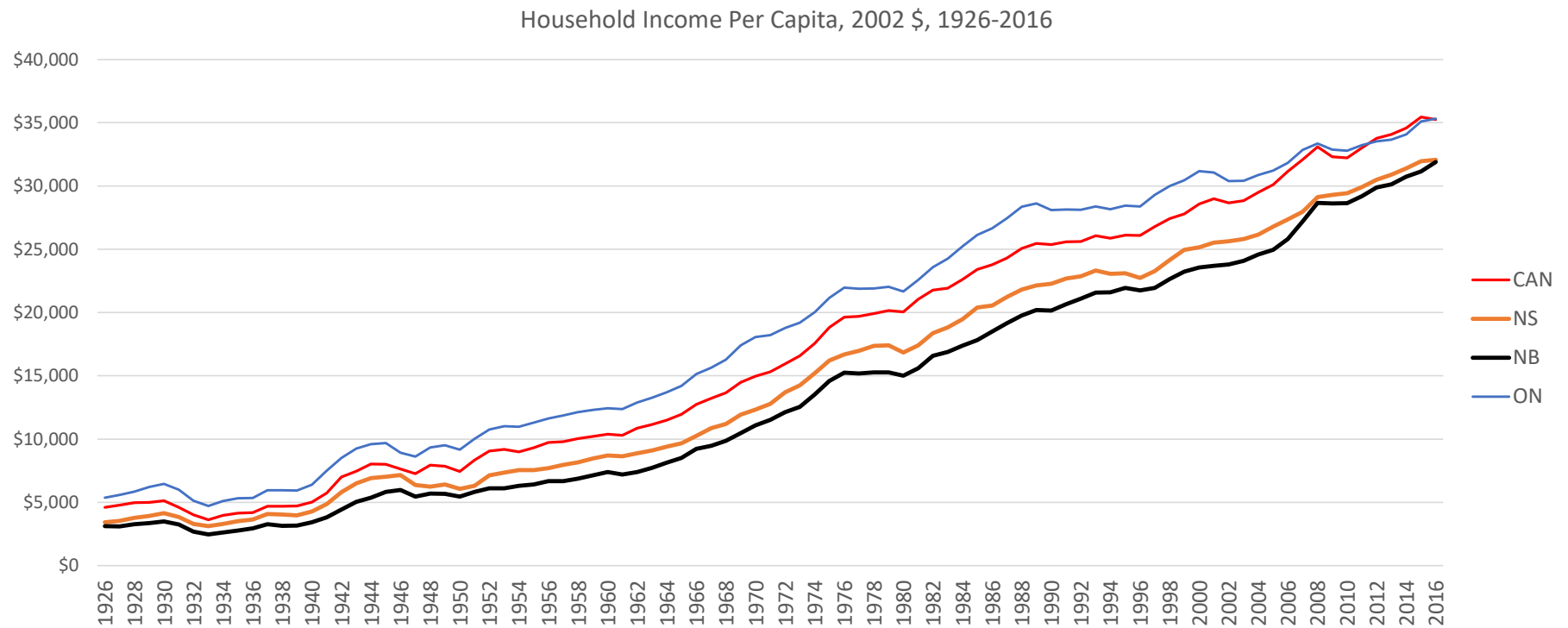
“This generational economic crisis demands a generational economic response to ensure a strong economic recovery and lasting prosperity”

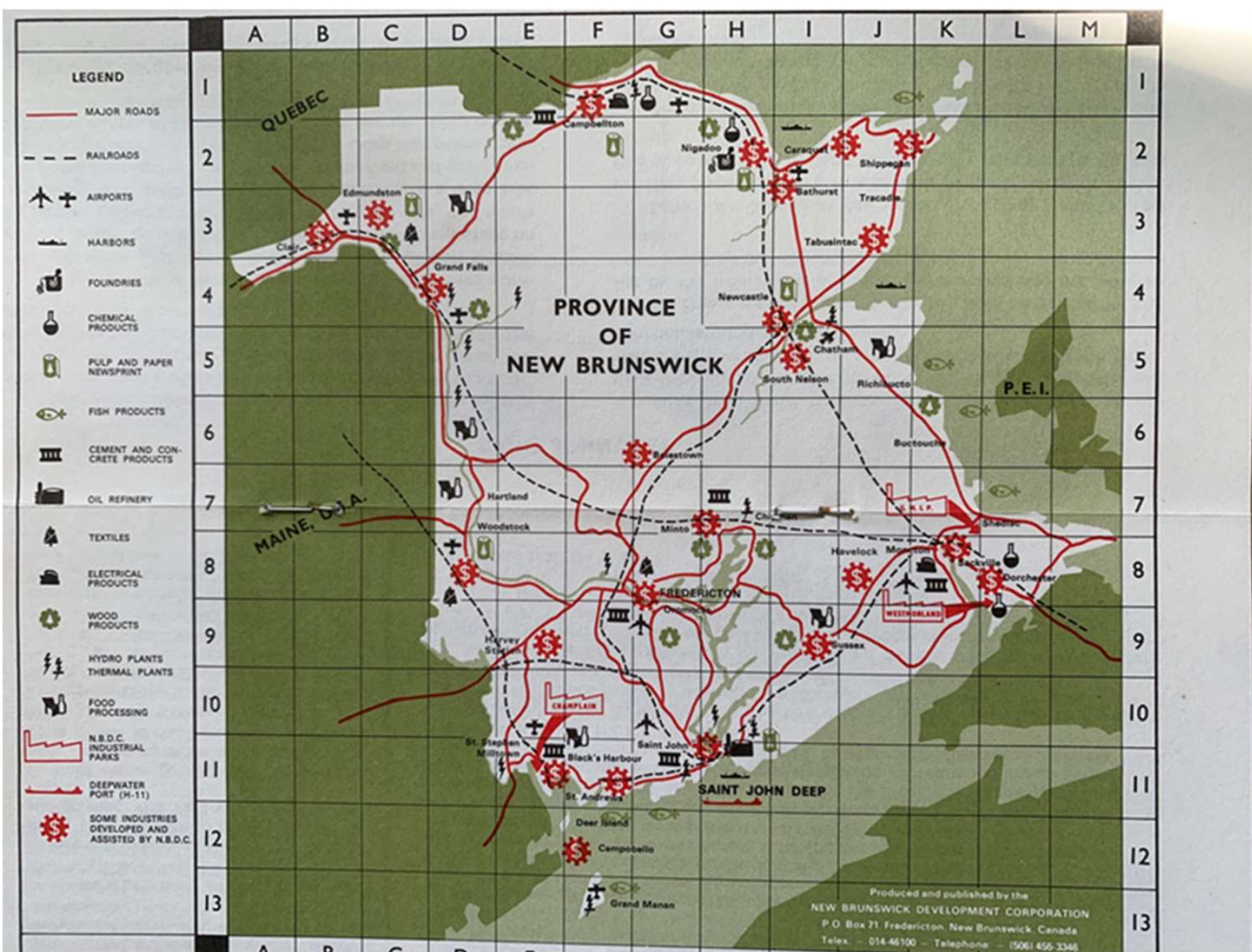
- “Strong macroeconomic fundamentals on their own are not enough to build prosperity in today’s environment.”
 - “Canada has arrived at the end of the policy paradigm shaped by the recommendations of the Macdonald Commission and the long tail of the Washington Consensus, including free trade agreements, deficit fighting and the rules-based multilateral trading system.”
 - The pandemic has revealed and exacerbated well-known problems, accelerated changes that were already underway and reminded us that effective government is absolutely essential to help Canadians and businesses through this period of unprecedented disruption.



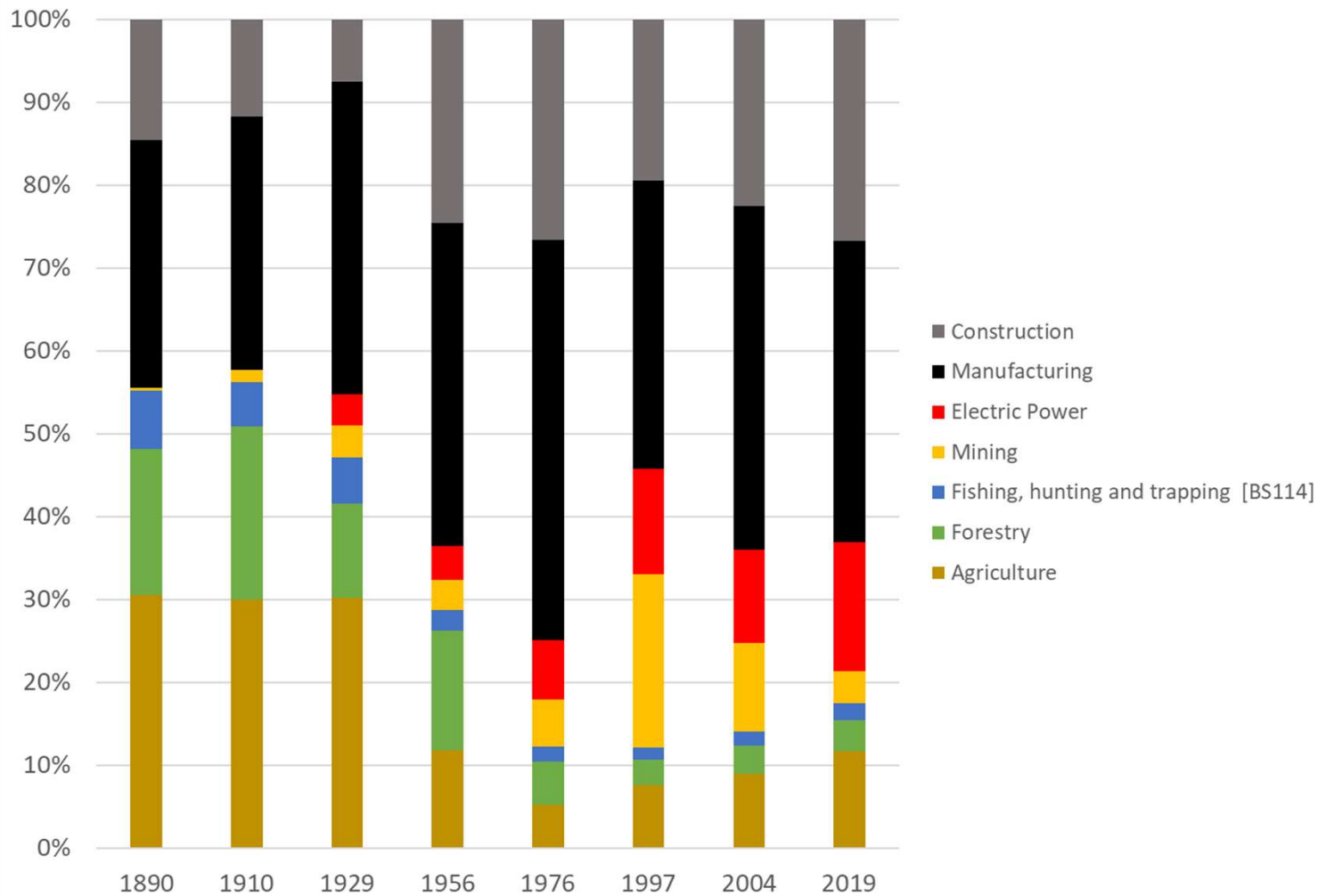


NB average household incomes low among provinces but growing at same rate





Value Added by Key Sectors, 1890 to 2019



Main changes in the economy:

- Loss of mining
- Growth of aquaculture
- Rationalization and integration of the forest sector