

Chapter 7

Rural Development and the Fishing Industry

[T]he ideas of development economics were too often used as justification for policies that in retrospect impeded growth rather than helping it along.

Economist Paul R. Krugman

The Atlantic provinces were the first parts of English Canada to know European settlement. The dream of that bucolic past dies hard. Lives based on farming and fishing were often brutally hard, but many people remain attached to their sentimentalized vision of it. Thus, one can perhaps understand the policies Canadian governments have adopted for rural areas and the fisheries. This chapter considers the two in turn, first with an overview of the challenges of rural development and then with a specific look at Atlantic Canada's fishing industry.

RURAL DEVELOPMENT

The effort to boost rural economic activity gained momentum after World War II. Developed nations were enjoying unprecedented economic growth. Employment and income soared. But this success hid another, less-talked-about reality: rural populations were shrinking. Once-prosperous communities were losing their young people, usually the most skilled and best educated. And rural incomes were rising much less quickly than urban incomes.

Rural residents, not surprisingly, wanted to share in the new wealth, and they wanted to share it in their communities, not by moving to the city. The problem was that the new wealth was in significant measure created by the very factors that were suppressing rural development and shifting population to urban areas and higher productivity jobs.

Technological advances meant fewer people were needed to hew the wood, draw the water, plough the fields, or fish the seas. And fewer people were needed for primary processing. All these activities had been concentrated in rural areas and small towns (often company towns). The changes led to a population shift, but the new technology also meant that raw materials were becoming increasingly abundant and less costly while, at the same time, more people were available to work in secondary industries that created a plethora of goods and services. Thus, population shifts and rural decline were both a reflection and cause of growing prosperity.

The Rural–Urban Shift

The population shift from rural to urban was a key mechanism driving the massive increases in post-war prosperity. Between 1945 and the early 1970s, across the developed world, millions of people moved from rural to urban areas, from low-productivity primary jobs to high-productivity industrial and urban jobs. These individual gains in productivity, multiplied many millions of times, hugely boosted the economy's overall productivity and led to the surge of affluence in developed countries. This is one of the key reasons for the tremendous growth of productivity in developed nations after the end of World War II.

The migration from rural areas had another effect. The movement of people to the cities, seeking work and new opportunities, effectively held down wages there and thus kept profits higher than they otherwise would have been. Strong profits continued to fuel further investment, helping to maintain the ongoing increases in productivity and prosperity. Moses Abramovitz, of Stanford University, describes this process:

The redundant work force in farming and self-employment...inhibited the rise of nonfarm wages and so sustained the rates of return to investment in the face of large expansions of capital stock [in the 1950s and 1960s]. By permitting large productivity gains to be achieved in both the industrial and agricultural sectors without provoking an unduly rapid rise in wages, it encouraged the expansion of industry and enlarged the scope for capital investment. The level of investment was raised and the investment boom prolonged instead of being cut short by falling profits. (1994, 105)

This view of post-war growth is nearly universally accepted—though with dramatically different spins—across the political and economic spectrums. Marxists talk about rural emigrants providing a surplus army of labour rural emigrants for capitalists to exploit. Mainstream economists speak of the efficient allocation of labour and capital.

The Slowdown

The rural–urban shift boosted wealth creation and drove society-wide increases in affluence across the developed world. But productivity growth slowed in the early 1970s. The overall causes are still not fully understood. But one factor is known: the migration from rural to urban areas slowed. The population had largely established new equilibrium. The army of surplus labour had been absorbed, or, depending on your view, labour had been more or less efficiently allocated and further gains from reallocation were limited.

This leads to the question of the impact of trying to lock-in rural populations and activities. Of course, a significant part of rural economic activity will remain in place and be self-sustaining without government intervention. People opt to remain in rural communities at the going rate of pay and businesses for the going rate of return, both of which are likely to be somewhat lower in rural areas than in urban settings. In other words, people and firms may voluntarily trade off the potentially greater affluence and opportunity of urban centres for the considerable pleasures of a rural lifestyle.

In contrast, governments may step in and subsidize rural income—in effect, bribing people to remain in rural settings. But to the extent that subsidies sustain low-productivity activities, the regional economy is weakened by maintaining the allocation of resources to loss-making activities and by lack of population adjustment to new opportunities. This increases pressure on wages, weakening profits and growth.

Even rural areas are likely to suffer fundamentally from such programs. Typically, the subsidized activities attract workers away from lower-paid but self-sustaining rural activities. This process forces up wages and puts heavy pressure on existing, often marginal businesses. It weakens indigenous activity while creating more dependence. Another detrimental effect can occur if employment is maintained by restrictions on new labour-saving technology. Rural industries become

less efficient, more dependent, and less able to compete or to generate employment on their own. This further weakens the ability of rural communities to generate self-sustaining economic activity.

A further problem may develop. New technology is often designed in part to improve product quality. Prohibitions on new technology may be detrimental to the quality of rural products in relation to products produced elsewhere.

Heavy subsidization may reinforce the quality problem. When the pay of rural producers depends on the market, they have strong incentives to produce the highest-return product possible. If it depends on subsidization, their incentives change entirely, becoming detached from the marketplace and thus from the quality of the product they produce. (See the preceding chapter.) For example, even when whole fish fillets were increasingly valuable, Atlantic Canadian fishers often resisted efforts to stop them unloading their catch with pitchforks.

Some people say these concerns about the impact of rural policies, even if correct, reflect the wrong way of looking at the matter. Principles of equity should be more important. If people have family and social roots in rural communities, they have the right to stay if they so wish. Market wages and productive activity should not be deciding factors in maintaining a way of life.

There's something to be said for this argument, but individuals are quite capable of weighing these tradeoffs for themselves. Even in the absence of government intervention, many rural residents decide to remain rural residents, and many one-time urban dwellers opt to move to rural areas. As noted, they chose to accept the lower wages and returns prevalent in rural communities. Other rural residents decide to move away to seek greater opportunities elsewhere. People should be allowed to make their own personal decisions, particularly about where to live, without government's financially rewarding those who make the "right" decision from its point of view.

Even from an equity point of view it is far from clear that rural intervention policies produce desirable results. Such policies may simply lock future generations into low-productivity, low-opportunity work. One of the more unfortunate effects of policy in Atlantic Canada has been its turning young people away from training and education. This result is particularly obvious in studies of the unemployment

insurance (UI) system (see, for example, May and Hollett 1995).

Government-subsidized activities, makework projects, and employment insurance (EI) payments don't depend on skills, education, or productivity, so workers have no reason to enhance them. Unfortunately, such perverse incentives create long-term problems for individuals, especially the young. Pay typically moves upward over a lifetime as a worker enhances his or her skills and develops experience. Individuals who are enticed into artificial activity, where the pay may be high initially, tend to get stuck where they start. Where there is little productive activity, improvements in productivity are neither encouraged nor rewarded. The time horizons of young people tend to be short, rather than long, so higher levels of initial pay can trump opportunity-enhancing activities. How can a rural policy mix that can have such unfortunate results promote the principles of equity?

Rural Dislocation

The rural population shift has led to tragedies of dislocation. Some communities have disappeared. Others cannot provide work for those who remain. But more typically, the adjustment has been relatively painless, though sad. Children leave the family farm for greater opportunities in the city. At retirement, the parents sell to a more successful or larger farm interest. The many productive and successful rural communities through Ontario and Quebec are testimonials to this adjustment process.¹

No jurisdiction in the world, however, has all the answers to resolving the imbalance in growth between urban and rural areas. Some aspects of new technology now allow more dispersion of economic activity to rural areas, but the impact in most nations has been small. It still makes more sense in most cases to locate secondary processing or office activity in a large population centre, where services, needed products, secondary resources, and, most important, a pool of skilled, educated workers are available.

1. The agricultural sector remains bloated in the developed world because of huge agricultural subsidies, which penalize third world producers. This has created great pains of dislocation in agricultural areas that do not receive similar subsidies and will create increased hardship down the road across the developed world as governments remove these subsidies, as they have pledged to do. A gradual adjustment process would have better served everyone's interests.

Even economies that have overcome immense problems have not been able to restore dynamism to their rural areas. The U.S. southern states have escaped from years of economic stagnation, but the rural South hasn't fully shared in that prosperity. Even in Georgia, the most successful southern state, many rural areas remain relatively poor. Out of Michigan's rust-belt economy has grown a dynamic new industrial structure, but northern Michigan is as depressed as ever. Unemployment has virtually disappeared in prosperous southern Maine, but northern rural Maine hasn't fully shared the wealth. Massachusetts is booming, but much of rural Massachusetts has been left behind.

Rural Ireland has done better because of two special factors, both largely outside the control of Irish policymakers. The first is tourism, driven largely by millions of people of Irish descent living abroad, particularly in the United States. The second is European Union agricultural subsidies. But these are income-support subsidies, unrelated to gains in rural economic activity. And these subsidies face an uncertain future. The adjustment problem could grow in the years ahead as the cost of maintaining activities that cannot sustain themselves becomes ever greater, eventually forcing governments to abandon them. And, despite these special factors, incomes continue to stagnate in rural Ireland today. The rural population continues to decline, and Ireland is becoming increasingly urban.

Overall

Urbanization is both a reflection and a cause powerful economic growth in the Emerald Isle and other jurisdictions. This combination points to a problem—in fact, a potential contradiction—between rural-development strategies and regional development. As noted, the very factors that created today's great wealth led to the shift of economic activity away from rural areas. And the reverse also holds in a case of circular causation: the shift of rural population to urban areas and more productive work helped to create the great wealth enjoyed today in developed countries. Thus, attempts to stall rural adjustment are likely to weaken a region's overall prosperity.

RURAL POLICY AND THE FISHING INDUSTRY IN ATLANTIC CANADA

The situation rural Atlantic Canada faces is not sanguine. If interventionist policy had merely held the old activities in place, the region would probably have experienced stronger economic growth than it has in the past three decades. The problem is that policy didn't merely maintain such activities. It inflated them beyond all reason. This was done through generous income-support subsidies and by turning the fishing industry into a social program.

Indeed, the greatest distortion of Atlantic Canada's economic sectors was created in the fishery. Political commentators and regional policymakers often argue about the necessity and fairness of supporting Atlantic Canada's "traditional" way of life in the fishery. In fact, the fishing industry has become a political artifice, constructed with billions of dollars of public money, that has little to do with the region's traditional fishery.

The Expansion of the Fishing Industry

The normal adjustment process between rural and urban population was halted and reversed in Atlantic Canada. The numbers are dramatic (see Box 7-1). Between 1961 and 1973, overall agricultural employment across Canada declined by a third, but employment in the Atlantic fisheries grew by 60 per cent. Then, with the extension of the offshore fishing zone to 200 miles in the late 1970s, policymakers threw away all constraints—economic, social, and environmental—to build a political fishery, not one based on economic or environmental realities. By the early 1990s, about two and a half people were working in the fishery for every one in 1961. Policymakers weren't maintaining a traditional rural way of life; they were creating a fiction about the past, encouraging dependence and halting adjustment. Income-support subsidies and use of the fishing industry as a social program suppressed other economic activities, increasing the dependence of the region's rural communities.

Chart 7-1 shows the decline in agricultural workers across Canada and the surprising escalation in the number of fish-product workers in Newfoundland, Nova Scotia, and New Brunswick.² Although the fish-

2. The figures are not available for Prince Edward Island for the full period.

Box 7-1: Fish Harvesters and Fish-Plant Workers

The statistics on employment in Atlantic Canada's fisheries can be confusing.

The reason is the twofold structure of the industry. It comprises

- *fish harvesting*, which is the actual catching of fish by fishers. Many of them are self-employed or work for "shares" on someone else's boat. Nevertheless, they can qualify for UI/EI under a special fishing program. And in recent years, many have qualified for various income-replacement programs designed to offset the impact of cutbacks and closings of the northern cod fishery.
- *fish processing*. Although some of this work is done on large, modern boats, most occurs onshore in fish plants. The workers—many of them women—are employees and eligible for UI/EI and for other income-replacement programs.

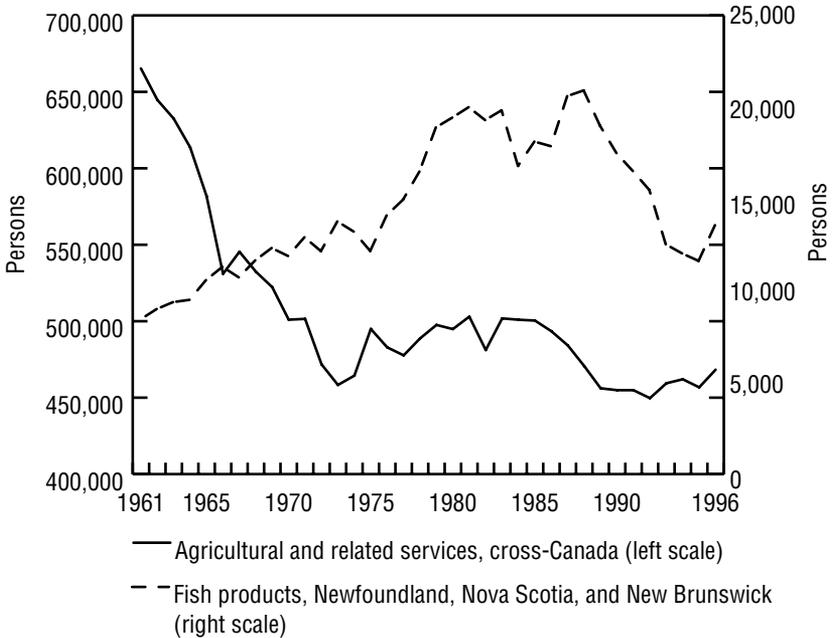
eries on both coasts of Canada were politicized, the distortions were much greater on the east coast (see Chart 7-2).

The fishing industry of the 1980s, with its bloated work force, looked nothing like Atlantic Canada's traditional self-sustaining fishery. Normal economic forces should have increased productivity and slowly reduced employment, allowing for a gradual adjustment to changing population patterns. But government refused to allow that to happen.

Chart 7-3 shows the yearly patterns of employment in the fish-products industry of the Atlantic provinces, while Chart 7-4 show the monthly patterns. Although the yearly patterns are based on monthly averages, the peaks in the latter better represent the actual employment size. This is because the vast, artificial structure of the fishery in Atlantic Canada was built on the foundation of the UI system. Ten weeks of work meant "full employment" and year-round remuneration for those employed at the seasonal peaks.

The charts also understate the bloating of the fishing industry because the CANSIM database captures fish-product workers but not the many thousands of fishers and others involved in the industry directly and indirectly (Halifax Daily News, March 17, 1997). For example, the database shows the number of fish-products workers in Newfoundland growing on a yearly average, from just under 3200, in 1961 to nearly 11,000 at the peak in 1987.

Chart 7-1: Agricultural Employment in Canada, and Fish Products Employment in Three Atlantic Provinces



Source: CANSIM.

The growth in the number of fishers was considerably greater. Harris (1998, 69) reports 13,736 registered inshore fishers in Newfoundland in 1975; by 1980, there were 33,640. The number of plant workers grew much more slowly in the period Harris discusses, barely doubling, from 7240 in the peak month of 1975 (a yearly average of 5200) to 14,440 in the peak month of 1980 (a yearly average of just under 11,000).

The expansion of the fisheries was boosted by Canada's unilateral extension of its territorial fishing zone from the traditional 3-mile limit to 12 miles in 1964 and 200 miles in 1977. In a rational world, these events might have helped to stabilize what otherwise would have been declining employment in a resource-based industry. But the number of fisheries-product workers grew, more or less steadily, from 1961 to the late 1980s. The extension of the fishing zone provided only an excuse for further expansion—one that was economically and

Chart 7-2: Fish Products Employment, British Columbia and Atlantic Canada

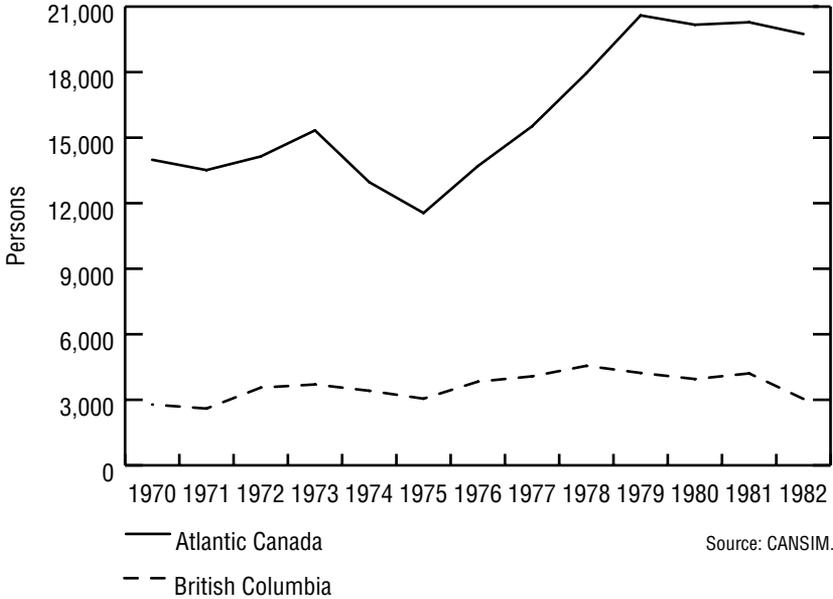


Chart 7-3: Yearly Fish Products Employment in Newfoundland, Nova Scotia, and New Brunswick

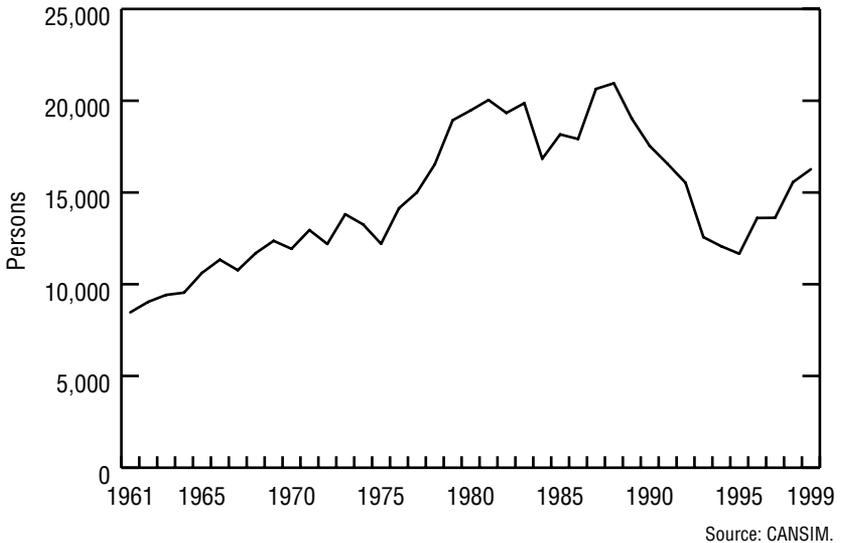
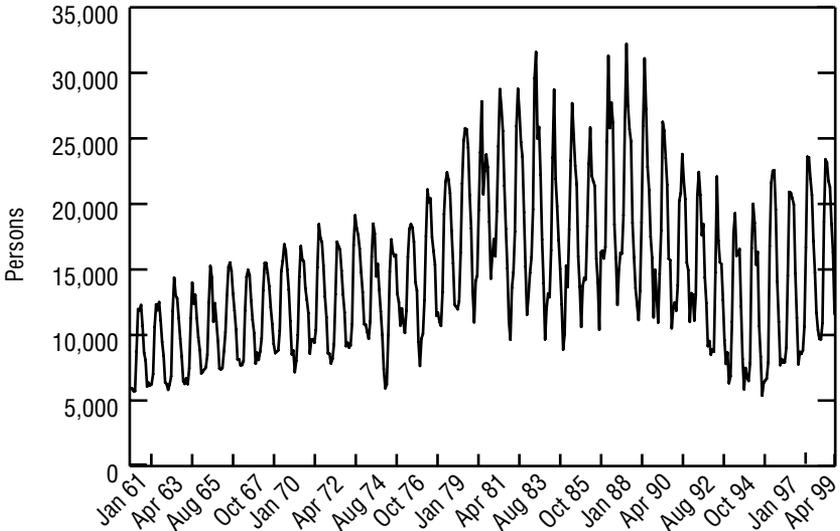


Chart 7-4: Monthly Fish Products Employment in Newfoundland, Nova Scotia, and New Brunswick

Source: CANSIM.

environmentally suicidal, as the collapse of the cod stocks in the early 1990s demonstrated.

The tools powering this expansion were a wide array of subsidies for fish plants and boat construction, plus income support for fishers and fish-plant workers. Employment subsidies primarily came through the regionally extended UI system. Regulations were also used to limit technology, maximize employment, and intimidate industry players.³

Such policy devices drew tens of thousands of people into the fishery, people who otherwise might have furthered their education and training. This created a population dependent on low-skill work in the fisheries. It also inhibited other economic development in their communities by driving up the cost of labour and making it difficult for year-round employers to compete with seasonal industries. In any

3. I was a fisheries reporter in the early 1980s, and fish-company officials, who would often talk privately about what they saw happening in the industry, refused to discuss the issue publicly. They believed federal and provincial bureaucrats and politicians would penalize any company that publicly objected to the management system.

event, most employers, particularly in the fishery, were expected to rotate people through 10-week jobs, hardly a recipe for developing a high-quality, skilled workforce.

In fact, the system was reformed again in 1976 to increase the amount fishers could draw. By 1986, the average Newfoundland fishing family earned less than a quarter of its income from fishing; 41 per cent came from UI and the rest from other types of employment (Harris 1998, 117).

Politicization

Powerful politicians competed with each other and with their counterparts at other levels of government to provide their fiefdoms with even more subsidies and more fish plants. The politicization of the fishery is well examined in other publications (notably Harris 1998 and Brubaker 1995), but a brief look at what they report may be enlightening:

Ottawa was expected to make turkeys fly. Regardless of how inefficient an operation might be, it was always a major political issue to close a plant... Weak businesses were routinely saved from what would be normal bankruptcy in any other industry. Subsidies were paid to open new plants and then paid again whenever overexpansion threatened to close them. There was 50 per cent overcapacity in frozen fish plants in Newfoundland, 45 per cent in the Maritimes [Nova Scotia, PEI, and New Brunswick]. (Harris 1998, 87)

Common sense was defeated on a whim. For instance, the Department of Regional Economic Expansion (DREE) refused in 1979 to finance a second fish plant in Jackson's Arm, Newfoundland. The community already had one DREE-financed plant, and the Department of Fisheries argued there simply weren't enough fish to justify a second plant. It was built anyway. It operated at 12 per cent capacity in 1980 and at just more than double that in 1981 before closing for good (see *Ibid.*, 88).

This sort of absurdity has a history dating back to at least the 1960s, when regional-development programs began their ascendancy. Mathias describes an incident near the beginning of this period:

Georgetown Seafoods must be the most costly fish plant of its size ever constructed. When Nickerson took it over in the summer of 1969, new equipment had to be installed throughout the plant. By that time, the government of Prince Edward Island had already paid out more than \$9.3 million [in 1960s dollars] to help build Gulf Garden Foods [the original name of Georgetown Seafoods] and a small shipyard nearby, Bathurst Marine Ltd. The federal government had also contributed shipbuilding subsidies. The value of the two companies after they were placed in bankruptcy in 1967 was assessed at about \$3.1 million—one third the value of government assistance. (1971, 16)

This tale highlights both the perversity of fisheries management and the absurd consequences of government-development efforts.

Mathias also details the recommendations of a commission set up to study the Georgetown fiasco. It made a number of recommendations to ensure that such a waste of government funds would never recur (*Ibid.*, 41–42). The recommendations were ignored.

In fact, exact parallels of the story occurred many times through the following years—all the way through to the beginning of the 1990s, when the cod stocks collapsed. (Harris 1998 provides a number of such examples.) Even after Georgetown and any number of other fiascoes, the subsidies continued and grew in the coming years despite the early warnings.

Harris explains one of the political perversities governing the fisheries—the fact that Ottawa governs fish stocks but the provinces have jurisdiction over fish processing:

Since both levels of government use the fisheries for political advantage, the industry frequently comes down to a game of political blackmail. If the province, for example, licenses new fish plants in outport Newfoundland, as it did in expectation of a fishing boom after Canada declared its 200-mile zone in 1977, Ottawa comes under great pressure to supply the plants with fish. If the minister refuses to allocate more fish, the result is a vote shortage at the next federal election; if he submits to the blackmail, the stock suffers. (1998, 70)

Ministers, as it turns out, are far more interested in their stock of votes than in the stock of fish. Both Harris (1998) and Brubaker (1995) show how politics trumped conservation measures at every turn. Many fishers themselves warned of the coming problems. Officials and scientists frequently raised alarms in the Department of Fisheries. These warnings were ignored, and the whistle blowers silenced. As Harris puts it, the Department of Fisheries “became a specialized social welfare department in which the biology of fish and the conservation of stocks were often afterthoughts” (1998, 71). The cod stocks collapsed in the early 1990s, throwing out of work tens of thousands of people who had come to depend on an artificial industry.

The Results

Today, although more people still work in the fisheries than in 1961, the myth persists that we are seeing a traditional way of life eroded. Yet the massive fishery structure created by government subsidies through the 1970s and 1980s was far more bloated than the traditional fishery that existed before government’s involvement in the sector. That this is so is, of course, no consolation to the many thousands of people who, over the last two generations, decided to forgo other opportunities or further education and training because of the government-funded attractions of the fishing industry. Nor does it build the thousands of jobs that could have been grown indigenously had not other activity been crowded out by this artificial government structure. Nor does it offset the consequences for the reputation of Atlantic Canadian fish and for the economy of the entire region.

Fish Quality

Policy had a dramatically detrimental effect on the quality of Canadian fish and did long-term damage to Atlantic Canada’s reputation for fine fish. Regulations that kept old technology in place to protect jobs limited quality improvements. The vast flow of government money reduced or eliminated incentives to produce high-quality product, and sometimes it created disincentives to improve quality by rewarding time worked, rather than the value of the product.

While Iceland was building a worldwide reputation for fine whole fish, Atlantic Canadian fishers were leaving fish on boat decks

instead of freezing them immediately, and often unloading them with pitch forks, breaking the valuable whole fillets into little chunks. Fishers complained that fisheries officials were unfairly attacking a traditional way of life when they tried to encourage better ways to handle the product.

The problem was that the rewards for most workers in producing a high-quality product were entirely dwarfed by the sums handed out by government. As recently as 1991, productivity in Atlantic Canadian primary industries was only one-third the Canadian average (DRI Canada, APEC, and Canmac Economics 1994, 2–40).

What happened in Atlantic Canada is the mirror opposite of what needs to be done to foster rural development.

During the era of the big fisheries buildup, the quality of Atlantic Canadian fish was so low that the plants produced mostly frozen blocks of fish. More recently, as government money has declined, producers have moved into higher-end products, and the fishing industry has enjoyed something of a renaissance, despite the collapse of the cod stocks.

Nothing better highlights the perversity of past policy than a comparison of today's efficient, high-quality, money-making fishery in Atlantic Canada with the money-losing, highly subsidized, poor-quality, ecologically destructive fishery of the past, dominated by government and absorbing billions of tax dollars. The withdrawal of government support and the lessening of the politicization of the sector do make things better.

CONCLUSION

It took the federal government's fiscal muscle to power the distortions in the fishery. Had the fishing industry been an indigenous source of revenue for the region, rather than a device used to draw in federal subsidies, then regional governments would never (and could never) have financed an overbuilding that was economically and environmentally suicidal. Policymakers would have had to concentrate on building a sustainable fishery with a focus on quality and added value, just as Iceland managed its fishery. But what could have been a source of economic growth and opportunity for Atlantic Canada instead "became a specialized social welfare" program, to use Harris's phrase,

and it undermined growth elsewhere in the economy.⁴

One cannot condemn only federal politicians in their management of the fishing industry. Politicians at all levels bear responsibility. Provincial and federal politicians alike wanted more money to hand out vote-enticing favours, as Harris (1998) documents. (This activity also reflects a problem discussed in an earlier chapter of this book—the problems created for sensible policy when the people who spend the money are politically disconnected from the taxpayers who pick up the bill.)

The fisheries are a microcosm—albeit an extreme one—of the Atlantic economy. For decades, the industry has featured intense government intervention, large subsidies, regulations designed to preserve low-productivity jobs, a bloating of outmoded activities, the creation of a bizarre incentive structure, and a level of politicization so high that politics trumped economics and the environment at almost every turn.

This situation has devastated a key sector of Atlantic Canada, one in which the region could have developed a reputation for excellence instead of mediocrity, and it had negative consequences for the whole economy. Direct and indirect government subsidies diverted private-sector resources away from more productive sectors. The freezing in place of old population patterns tightened the urban labour market and inhibited the development of the larger urban centres that are key to growth.

It also had damaging social consequences. By halting gradual population adjustment, it has made the more abrupt adjustment now needed even more painful. And it has had a devastating effect on many lives. Young people throughout Atlantic Canada have forgone opportunities to enhance their education and skills because of the offer of year-round income in the fisheries and the incentives in the UI/EI system to avoid education and skill-enhancement incentives. The fishing sector, as built by government policy, was never sustainable environ-

4. Although this chapter deals only with the economic consequences of Canada's fisheries management, it also led to an environmental disaster. The fisheries only work as a political tool while people are fishing. So, despite loud warnings of disappearing stocks in the late 1980s, fishing continued until northern cod off Newfoundland—once one of the world's richest fishing grounds—virtually disappeared.

mentally or economically. With governments' building huge debts, the subsidies were bound to run out one day.

The individuals who came into the fisheries through the late 1960s onward are now entering the last years of their working lives or are in middle age. Policymakers in Atlantic Canada frequently talk, at least behind closed doors, about the need to warehouse a whole generation or two of workers—to provide them with some sort of government income—because they have neither the skills nor the discipline needed to enter other occupations and find productive jobs.

This is the result of government policy. Billions of dollars has been spent to keep people in low-skill, unsustainable jobs. No part of the political spectrum could find this a useful policy, but it was defended in Atlantic Canada as preserving a traditional way of life, even though the government-dependent fishery of the 1970s and 1980s looked little like the traditional fishery which had gone before.

Chapter 6 ended with a ray of light about the increasing productivity of Atlantic firms. And there is reason for optimism in the fisheries, though it is of little comfort to older workers who, as young people, spurned skill enhancement and education because government was willing to provide large subsidies if they went into the fishery.

Today, government supports have fallen, regulations have been eased, and political control has weakened. The fishing industry is rebounding with vigour. In the future (unless government shifts course again), the fishery will likely become both a sustainable industry in Atlantic Canada and a source of pride as the region's fish products continue to regain their reputation for excellence. But this success only highlights the failure of policy when governments were devoting billions of dollars to "help" the fishing industry.

Although no comprehensive fix has been found for rural development, lessons from successful regional development can be applied to rural communities. For sustainable growth to take place, the economy must be depoliticized. Success should be allowed to go to the best rural entrepreneurs and businesses, not those that are best at lobbying governments for subsidies and contracts. Distortions must be removed from product and labour markets. A renewed emphasis must be placed on education and skills improvement. Crucially, a focus should be on costs, particularly tax levels throughout the region.

As Rosenberg notes, the new “rural development paradigm” has little to do with past government-directed efforts to increase rural prosperity:

The features of the [new] paradigm are constant innovation and improvement, adoption of the appropriate technology, access to information, increased flexibility, sectoral concentration, participatory management, and, perhaps most important, strategic alliances and networks and a highly skilled workforce. (1992, 312)

Sadly, this area is another where Atlantic Canada policy could serve as a work-case study. Instead of allowing a gradual population adjustment, which would have freed resources for the once strongly growing Atlantic economy, government blocked adjustment and even reversed the process. Instead of developing a high-quality, self-sustaining fishery, like Iceland’s, Atlantic policy devastated quality and created a dependent fishery with an ever-greater appetite for government money.

Personal tragedies were even greater. Government’s fiscal muscle actively encouraged people to stay in dead-end activities and discouraged them from furthering their education and enhancing their skills. The sad end product is the warehousing of people on government support.