

# Underdevelopment and Economic Theory in Atlantic Canada

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Volume 11, Number 2, Spring 1982

URI: [https://id.erudit.org/iderudit/acad11\\_2rv06](https://id.erudit.org/iderudit/acad11_2rv06)

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## Publisher(s)

The Department of History of the University of New Brunswick

## ISSN

0044-5851 (print)

1712-7432 (digital)

[Explore this journal](#)

## Cite this document

McFarland, J. (1982). Underdevelopment and Economic Theory in Atlantic Canada. *Acadiensis*, 11(2), 135–140.

## Underdevelopment and Economic Theory in Atlantic Canada

It is often supposed that the problem of regional underdevelopment is a uniquely Canadian one emerging from the peculiarities of Canadian history and Canadian federalism. There is, however, a growing international body of literature examining underdevelopment, and the underlying assumptions of this work are apparent in recent research on underdevelopment in Atlantic Canada. Two recent collections of papers, Neil B. Ridler, ed., *Issues in Regional/Urban Development of Atlantic Canada* (Vol. II, Social Science Monograph Series, University of New Brunswick, Saint John Campus, 1977) and Robert J. Brym and R. James Sacouman, eds., *Underdevelopment and Social Movements in Atlantic Canada* (Toronto, New Hogtown Press, 1979), both contribute to our knowledge of the region. But it is also useful to consider how these books reflect the influence of two dominant approaches to economic development theory. For convenience these are often labelled the "traditional" and "dependency" schools.

The traditional approach is built upon the theoretical literature on underdeveloped nations which appeared in the 1950s and 1960s.<sup>1</sup> According to this literature, all countries were once underdeveloped, and the difference between the "advanced" and the "underdeveloped" countries is that the first underwent an industrial revolution and the second remained stagnant. The causes of underdevelopment are considered to be mainly internal ones. Underdevelopment is therefore analysed in terms of obstacles to growth, such as lack of capital, population pressures, and a poor endowment of natural resources. The capital shortage creates a vicious circle: low income leads to low savings, which causes low demand and low investment. Population pressure makes this situation worse, and a poor resource base is exacerbated by population pressures. In this approach underdevelopment is seen as a quantitative measure and is usually analysed in terms of a low per capita income. The difference between advanced and underdeveloped countries is regarded simply as a distance between two points on the same path. The advanced nation may help the underdeveloped one to "catch up" through trade, investment and aid; the partnership is advantageous for both, as the underdeveloped nation gains capital and technology while the advanced nation expands its market and economic sphere of influence.

In the 1960s the traditional approach was challenged by an alternative frame-

1 Some key works of this school are: Ragnar Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, (Oxford, 1953); Arthur Lewis, "Economic Development with Unlimited Supplies of Labour", *Manchester School*, XXII (May 1954), pp. 139-91; Albert Hirshman, *The Strategy of Economic Development*, (New Haven, 1958); and W. Rostow, *The Stages of Economic Growth*, (Cambridge University Press, 1960 and 1971). This is also the usual textbook approach. See, for example, Paul A. Samuelson, *Economics* (London, 1976) Chapter 38. The approach used here for comparing the two frameworks owes much to Rhys Jenkins, "Underdevelopment", in Francis Green and Petter Nore, eds., *Economics: An Anti-Text*, (London, 1977).

work for analysing the situation of underdeveloped or Third World countries. Where the traditional approach sees an essentially harmonious relationship between developed and underdeveloped regions, this work describes a pattern of dependency and conflict. The writings of André Gunder Frank were perhaps the most influential in starting this new trend.<sup>2</sup> This Marxist/dependency approach sees underdevelopment as a result of the process of capital accumulation in the advanced nations or regions. The starting point is Marx's basic model of capital accumulation, in which a falling rate of profit in the dominant geographic centres of capitalism leads to a search for new areas of investment. As accumulation proceeds, capital finds less and less lucrative opportunities for investment at the centre, and thus turns to other countries or regions for investments yielding higher rates of profit. These higher profits are available principally through the exploitation of raw materials and abundant cheap labour. The underdeveloped regions are at the receiving end of this process, a fate which has a decisive influence on their economic history. Within this framework, internal obstacles to development play a very secondary role.

Although there is no explicit theoretical discussion of these approaches in Neil Ridler's introduction to *Issues in Regional/Urban Development of Atlantic Canada*, it is clear that this collection relies mainly on the traditional approach to regional underdevelopment. The focus is on policy issues, with little attention to the prevailing economic system, but in this context of a search for appropriate policy alternatives, several interesting issues are examined. Ridler himself questions whether past government policies, in which the implicit model seems to have been the Russian one of large-scale industrialisation, were not mistaken. He seems to approve of a new trend in regional policy where the influence seems to be the Chinese model of smaller-scale agricultural and resource management.

In a comprehensive paper on development policies in Newfoundland, Ralph Matthews concludes that while the Smallwood government did provide many new services and facilities to Newfoundlanders, these were paid for at a tremendous cost; rural community development and small-scale, locally-based industries were neglected. Paula Felt provides a thoughtful look at several problems associated with the growth of national parks; she finds that governments have paid more attention to the role of parks in economic development programmes than to their effect on rural land values and former residents of

2 André Gunder Frank, *Capitalism and Underdevelopment in Latin America* (New York, 1967). A recent useful discussion of the dependency approach is Henry Veltmeyer, "A Central Issue in Dependency Theory", *Canadian Review of Sociology and Anthropology*, 17 (August 1980), pp. 198-213. He notes: "Strictly speaking, 'dependency' is not a theory but a model, a set of general propositions that direct analysis to a range of questions suggested by a Marxist theory of capitalist development but adapted to conditions not found in European history. As such, it is best treated as a frame of reference, a theoretical perspective on the situation of third world countries in a world economy."

park lands. In a study of the expanded power of the New Brunswick provincial government as a result of Robichaud's Programme of Equal Opportunity, Bob Garland suggests that while the programme has had obvious benefits in a more consistent level of services throughout the province, it has also imposed a greater tax burden on the residents of the province and it has reduced government efficiency through bureaucratic proliferation. Three short papers cover some remaining policy areas: regional transportation policies, urban planning experiences, and the problems posed by bureaucracy in government grant schemes (the author advocates direct participation by the chartered banks). Finally, two papers which do not focus on policy issues seem somewhat out of place in this collection, especially as both are written from non-traditional perspectives; one of these is a study of the history of the cooperative movement in the Maritimes, and the other is an examination of citizen participation in Nova Scotia communities. As a whole, this collection contains some interesting and useful discussion and information, especially for present and future policy-makers in the region. It is also a welcome change to find a strong emphasis on New Brunswick and Saint John, as much recent literature has been dominated by studies of Nova Scotia and Newfoundland.

In many ways, however, the contents of the second volume, Brym and Sacouman's *Underdevelopment and Social Movements in Atlantic Canada*, present a sharp contrast. Unlike Ridler, these editors are very explicit about the basic theoretical framework in their volume. In Ridler, the focus is on policy issues, and questions of conflict, class and history are largely ignored; but in Brym and Sacouman, conflict, class and history are major themes, and policy issues are hardly touched upon. Most of the studies in this volume look at how various social movements which have arisen in the region were rooted in the very process of underdevelopment itself. Thus structural factors are offered to explain the occurrence and nature of particular social movements. One of the principal themes is that the persistence of petty primary producers has shaped the character and impact of regional social movements. Because of the great variety of class relations in the underdeveloped region, "class conflict will be much more variegated and complex in underdeveloped regions than in developed ones" (p. 12).

On this theme, there are two papers by Sacouman exploring structural explanations of co-operative movements. He finds that structural factors explain the difference between Prairie and Maritime co-operative movements, and he also finds that structural factors explain the differing responses to underdevelopment found in the industrial centres, fisheries, and farming areas of eastern Nova Scotia in the early 20th century. A paper by Brym discusses the traditional weakness of third parties in the region in terms of such structural factors as size, organisation and resource control. A paper by L.G. Barrett looks at the social history of two fishermen's organisations in Nova Scotia — one

inshore and one offshore — in relation to the process of capitalist underdevelopment of that particular industry; it was only where the monopoly conditions in the industry were very clear that a real trade union response arose. Rick Williams concentrates on a different factor — the class experience of inshore fishermen in Nova Scotia — to understand the successes and failures of more recent attempts to organise trade unions. He sees contradictions in the nature of the fishermen's class position, as fishermen move in and out of various types of class relationships, but he suggests that this experience could play a positive role in future unionisation efforts. A paper by Jim Overton looks at the structural roots of a quite different social movement — the recent rise of neo-nationalism in Newfoundland; he argues that the movement arises from, and is an expression of, the new middle class in that province. Two papers also highlight certain examples of non-conservative social movements in the Maritimes. Examining the Fishermen's Protective Union in Newfoundland, Brym and Barbara Neis study regional variations in the strength of the FPU movement. And in a study of the early socialist organisations in the region, David Frank and Nolan Reilly suggest that this small but vigorous movement contradicts the traditional image of Maritimers as "innately conservative." The picture that emerges from the Brym and Sacouman volume is one of a region whose underdevelopment has been largely determined from outside. This determination is not so much the result of decisions taken by policy-makers at different junctures as it is the result of the process of capital accumulation itself. And yet, this is not a process of uni-directional causation. Rather, the history of underdevelopment has evoked an active response from the people of the region and this has led to the growth of social movements of different natures and varying strengths, which have themselves had an impact on the course of the region's development.

Within the general Marxist/dependency theoretical framework adopted in the Brym and Sacouman volume, some differences in theoretical approaches are apparent.<sup>3</sup> In Steven Antler's article on the capitalist underdevelopment of nineteenth century Newfoundland, for instance, the theoretical approach begins with Marx's theory of colonisation. Marx suggested that to ensure an adequate supply of labour in colonial societies, it was necessary to create a labouring class with no access to the means of production. According to Antler's reading of Marx, some form of monopoly makes this possible, and thus monopoly becomes an essential element of any theory of colonial exploitation. He then uses this model to trace the role of monopoly in the underdevelopment of Newfoundland. In another theoretical discussion, Henry Veltmeyer emphasises one aspect of the capital accumulation model, the creation of a reserve army of labour. Capital

3 For a more complete discussion of traditional and non-traditional frameworks as applied to Atlantic Canada, see L.G. Barrett, "Perspectives on Dependency and Underdevelopment in the Atlantic Region", *Canadian Review of Sociology and Anthropology*, 17 (August 1980), pp. 273-86.

accumulation in Marx is predicated on the “freeing” of workers to participate in the labour market as wage labourers. In Veltmeyer’s model, labour is “freed” in the region to migrate to the metropolitan centres. However, Veltmeyer suggests that, “capital being more mobile than labour”, at times capital may move to the periphery, thus diminishing the traditional outmigration of workers in search of employment. Although the article stresses the former trend, the latter has been the more evident one in the region during the 1970s.

A third theoretical approach is presented in the studies by Brym and Sacouman. With an appreciation of the diversity of economic lifestyles in Atlantic Canada, past and present, they suggest that three different forms of “capitalist underdevelopment” should be considered: (1) *Direct capitalist underdevelopment*: in this form, the dominant class relations are those between capitalist and worker. In Atlantic Canada, the classic example is the history of the coal and steel industries, but the same process is also apparent elsewhere, as is some parts of the fishing and forestry industries. (2) *Indirect subsistence capitalist underdevelopment*: here an independent producer is largely self-sufficient. This is most common among farmers, and Sacouman looks at agriculture in Nova Scotia as an example of this form of underdevelopment. It is from this subsistence group that the surplus pools of labour which make up the reserve army of labour come. (3) *Indirect commercial capitalist underdevelopment*: in this form, an independent producer sells to a monopolistic corporation. This would include most of the fishermen in Atlantic Canada as well as most woodlot owners. It is here that “unequal exchange” is said to occur: the monopolistic firms sell high (the means of production — gear, bait, etc.) and buy low (the output of the petty primary producer), allowing the former to skim off a surplus. The Brym and Sacouman theoretical approach will be an eye-opener to those who believe that Marxist models can be applied only to worker-capitalist relations. They have given the independent primary commodity producer a central place in the analysis, while at the same time distinguishing between two different types of independent primary commodity producers, those who are self-sufficient and those who sell to the capitalist sector.<sup>4</sup>

The theoretical contents of the Brym and Sacouman volume may be difficult for readers not familiar with the recent literature in this area, but given the sophisticated debates in the wider literature on underdevelopment, this difficulty seems inevitable.<sup>5</sup> The application of the Marxist/dependency framework to the

4 It is unfortunate, however, that the terminology used in referring to these forms is not always consistent. See pp. 24, 76, 151.

5 Three key articles in the international literature are Ernesto Laclau, “Feudalism and Capitalism in Latin America”, *New Left Review*, 61 (1971), pp. 19-38, Fernando Henrique Cardoso, “Dependency and Development in Latin America”, *New Left Review*, 74 (1972), pp. 83-95 and Aidan Foster-Carter, “The modes of production controversy”, *New Left Review*, 107 (1978), pp. 42-77. For further developments in the analysis of Atlantic Canada’s underdevelopment using the above basic theoretical approaches, see Henry Veltmeyer, “Dependency and Underdevelopment:

underdevelopment of Atlantic Canada is not only interesting and original, but also innovative and exciting. This pioneering work offers a promising alternative to traditional analysis of the region.

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some questions and problems", in J. Paul Grayson, ed., *Class, State, Ideology and Change: Marxist Perspectives on Canada* (Toronto, 1980), pp. 273-283, and R.J. Sacouman, "Semi-proletarianization and rural underdevelopment in the Maritimes", *Canadian Review of Sociology and Anthropology*, 17 (August 1980), pp. 232-45.

### Film and History in Atlantic Canada

Much has been said about the need to give history back to the people who made it. Both independent film-makers and the National Film Board of Canada have taken up this call with varying degrees of commitment and success. In the past five years film-makers have produced a number of useful documentaries focusing on the development of the Atlantic Region and the people who shaped it. These films reveal the essential component of regional popular culture, a deeply rooted populism which involves both antagonism towards the "big interests" and a concomitant belief in the possibilities of self-help and individualism. This populism is revealed as well in the ambivalent reaction on the part of many Maritimers to successful regional entrepreneurs and a suspicion of national politicians for their betrayal of regional interests. Finally, lest one think that popular culture involves only attitudes and not behaviour, these films also demonstrate the continuing resistance on the part of working people in the region to conditions that oppress them.

The most ambitious of these films is *Empty Harbours, Empty Dreams* (National Film Board, 1976), a visually exquisite hour-long documentary directed by Kent Martin. Unfortunately, however, the powerful visual imagery of *Empty Harbours, Empty Dreams* is marshalled in support of a highly romanticized analysis of the region's history. *Empty Harbours, Empty Dreams* reiterates the myth of the mid-19th century "Golden Age" of sail and the subsequent decline of the region. Film clips and still photographs document the bustling activity of the 19th century, the era of wooden shipbuilding and the prosperous international shipping trade. But when we are introduced to the 20th century the images are those of lonely seagulls standing vigil over empty fishing boats in empty harbours. The film also has its more original moments. A series of cartoons chronicling the loss of innocence of the Canadian nymph at the hands of her worldly suitor Uncle Sam reveals the ironic influence of a National Policy which at once purported to save us from Yankee domination and encouraged the origins of the branch plant. More useful still is the treatment of