

# Space and Capital in Industrial Decline: The Case of Nova Scotia Steel

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The Case of Nova Scotia Steel***

**L.D. McCann**

Geographical space as a source of explanation affects all historical realities, all spatially-defined phenomena."

Fernand Braudel, *The Perspective of the World*.

What role does geographical space play in shaping urban-industrial development in the Maritimes? Contrary to the argument I presented in a recent article in this journal, L. Anders Sandberg criticizes my research by dismissing outright its contextual focus on fragmentation, which he states "is not a useful concept onto itself;" and also by claiming that "resources and location cannot be held up as general and absolute factors of industrial decline." Sandberg, a dependency theorist and advocate, believes that geographical space has played little or no role in the region's development process, and that geographical factors hold minimal importance for critical analysis. For him, only people-based (that is, class) analyses of industrial decline—and in particular of those situations involving the interplay between capital and labour—offer meaningfully explanations of the specific "Scotia" case and, more broadly, of Maritime industrial decline.

My research objective was to examine whether "Scotia's" (the Nova Scotia Steel and Coal Company's) "long-developed spatial structure of integrated operations could remain economically feasible in a hinterland region characterized by considerable fragmentation."<sup>1</sup> Fragmentation, of course, comprises several dimensions, including social, political, economic, cultural and spatial or geographical factors.<sup>2</sup> The dimension of fragmentation I emphasized—the contextual or mediating influence of the space economy as an intervening agency (but not as a natural or physical, pre-determined, and direct causal factor as Sandberg inaccurately asserts)—provided the geographical arena, if you like, for my exami-

nation of "Scotia's" evolving 'sphere of operations.'

A space economy, of course, is socially-constructed and comprises such features as the urban settlement system with its interacting production and distribution facilities. It is usually distinguished by a core-periphery pattern where power and innovation associated with industrial capitalism typically reside at the centre. Subject to the dynamics of political, economic, technological and other forces, the space economy is constantly evolving. The space economy also includes basic and ever-changing geographical attributes that companies like "Scotia" were forced to re-evaluate continuously: location (of production), accessibility (to markets), interaction and integration (of material and product flows), and (quality of) resource endowments.<sup>3</sup>

Sandberg claims that I elevate the concept of fragmentation "to something inherent and timeless to the region." To support this assertion, he neither examines the evidence that I provided to illustrate how fragmentation characterized the space economy of both the Maritimes and Canada, nor the ways in which I showed how conditions of fragmentation changed constantly over time. There are no comments nor countering evidence to refute my discussion of how "Scotia" repeatedly ran into mining and manufacturing difficulties which increased production costs, first in the mid-1890s and later early in the 20th century, forcing "Scotia" to restructure its 'sphere of operations' and eventually to close some of its submarine coal mining operations and the blast and steel furnaces at Sydney Mines.<sup>4</sup>

Furthermore, Sandberg pays no attention to my analyses of data on "Scotia's" annual shipments of pig iron and steel from 1904 to 1910 which show, first, that the regional market for pig iron became increasingly smaller over time; and second, that Maritime iron and steel markets alone were insufficient to sustain "Scotia's" production capacity, efficiency, and type of output after 1907, when Hamilton iron and steel producers finally captured "Scotia's" significant Ontario markets, once the company's largest. Companies like STELCO, with newly-won market prominence in Ontario, Quebec and the emerging West and with savings from economies of scale and scope of production, could compete successfully against the limited product line of "Scotia," even in the Maritimes. Findings like these, which demonstrate the weakening locational advantages and increasing spatial fragmentation over time of "Scotia's" 'sphere of operations' within the Canadian space economy, do not support Sandberg's assertion that I consider fragmentation as "something inherent and timeless to the region." In fact, I never use the word "inherent" in my article.

Instead of evaluating evidence and conclusions like these, or of providing alternative evidence, Sandberg instead chose to criticize matters like my failure to consider the legacy of mercantile capitalism, stating that "[t]here was nothing in geography that pre-determined the Maritimes to this fate [of industrial decline]." This is a very curious statement for Sandberg to make, for it unwittingly refutes his own arguments. To stress the legacy of mercantile capitalism in "Scotia's" on-going policies of export-led growth and development, is to accept

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the premise that the geographical character of the Maritime space economy in the industrial era was in fact inherited and shaped, and quite substantially so, by people-made decisions from the mercantile past. The legacy of this fragmented spatial structure of externally-connected trading centres was never fully replaced by an integrated, urban-industrial space economy where companies like "Scotia" could benefit competitively from the advantages that agglomeration economies bring to an integrated region.<sup>5</sup>

As Fernand Braudel suggests, "geographical space as a source of explanation affects all historical realities, all spatially-defined phenomena [*Italics mine*]." <sup>6</sup> From this perspective, the geographical structure of the Maritimes in c. 1912—its fragmented and socially-constructed space economy that included the heritage of a mercantile settlement pattern, dispersed and limited regional markets, shifting resource quality, and a weakly-integrated urban system—clearly mediated, that is, affected, conditioned, or shaped decision-making in an ongoing and dynamic way, but it did not pre-determine, the economic viability of "Scotia's" strategy of vertical integration. I never argued, as Sandberg insists, that space/geography, however defined, pre-determined the fate nor caused the demise of "Scotia," let alone the course of Maritime industrial decline. Rather, the changing reality of spatial fragmentation mediated "Scotia's" decision to alter its management tactics after c. 1912.

On this issue, Sandberg seems concerned that I disagree with his interpretation of the processes of change that brought about the eventual demise of "Scotia" after the First World War, but a close examination of my comments reveals quite the opposite—I actually agree with much of his interpretation of the post-World War I period! "Scotia"

drastically revised its business strategy at this time to emphasize the following: alliances with the state (wartime and railway car contracts); limit the adoption of new technologies for making steel products; and the exploitation of a pluralistic work force which had traditionally divided its labour according to the seasonal rhythms and demand for farm and factory work.<sup>7</sup> These management decisions took particular effect towards the close of the First World War when local control was lost and American capital captured greater hold of the company, and especially after 1921 under the aegis of BESCO's corporate restructuring. It proved devastating for the company's viability.

What I did say in my paper, and what Sandberg chose not to mention, was that "the declining comparative advantage and quality of "Scotia's" coal and iron ore resources in the immediate pre-World War I era; technical difficulties that increased the cost of both mining and manufacturing; and loss of price setting dominance—all seriously eroded "Scotia's" profit margin and its ability to invest continuously after 1912 in the technological improvements that were essential—especially for the Trenton steel works—to stave-off external competition."<sup>8</sup> Given these shifting forces of fragmentation, that is, the mediating and ever-changing factor of space, "Scotia's" directors responded to the changing production and marketing structure of the Canadian space economy and implemented the particular course of action so perceptively outlined by Sandberg—state alliances, technological neglect, and labour exploitation—that he believes contributed to "Scotia's" eventual demise.

As his critique continues, Sandberg weaves a confusing array of threads into

his tapestry of complaints. He even concedes that the social dimension of the fragmentation concept has merit when considering the dependent development of the forest industry in the Maritimes. But his main intent seems directed at showing that I am a geographical determinist. With the possible exception of Sager and Panting's remarks, it is not really clear to me how the authors and examples he cites to refute my research findings are in any way connected to my research objectives. For example, to mention Japan, Sweden, Finland, and certainly the Antarctic, is misleading. Just as there are successful towns or regions in any resource-based economy, there are examples of towns and regions that have suffered decline directly from factors like resource depletion or resource substitution.<sup>9</sup> And, when a direct reference to the Maritimes is finally cited, it offers a wider perspective than Sandberg cares to acknowledge. For example, Sager and Panting support the fact that "the quality of local coal may have contributed to higher costs of certain inputs and relatively low productivity, as it appears to have done in the Nova Scotia steel industry."<sup>10</sup>

Colleagues have cautioned me that to reply to critiques like Sandberg's, where there is no attempt at consensus building, is to risk an exercise in futility. I disregarded this reasoned advice, mainly because I was troubled by Sandberg's concluding statement that the "McCann thesis has the most unfortunate implications for the present Maritimes" [because] "it suggests that the region is destined to perpetual industrial depression. ... [which] is somehow due to the concept of fragmentation." Sandberg's opining has serious implications for scholarly research on the Maritimes. It is one thing for Sandberg to evaluate my research findings from his dependency perspective, but quite another for him to

claim that "in this era of neo-conservatism, budget deficits and cost-cutting," my research will be used "to promote further deprivation of the Maritime region." Here, it seems to me, Sandberg is making unfounded judgements about what is 'politically correct' research. In my case, two possibilities come immediately to mind: at best, he is admonishing me for pursuing research questions and putting forth explanations that might be misconstrued and therefore misused by government policy-makers; at worst, he is dictating the agenda for research on the regional problem of the Maritimes' industrial decline to focus solely on issues surrounding class analyses of the social organization of production.

In reply to Sandberg's questionable, even irresponsible remarks, I will refer to an argument I recently made in a volume of essays where government policy-makers, academics and others came together to consider the potentially damaging effects of free trade, new information technologies, and other "shocks" on the future of the Maritime urban system. I wrote there that "if we accept the premise that a weakened Maritime urban system constitutes a serious impediment to prosperous regional development in the future, then it is important to understand the unfolding of some of the main structural weaknesses that have accompanied the process of urbanization in the region. ... This is not to say that ... difficulties in the urban system cannot be overcome, but it is to say that to do so, the processes by which they were created must be better understood [*Italics mine*]."

As researchers continue to examine the industrial development of the Maritimes, there is need for continuing dialogue and for complementary explanations, whether by dependency theorists who favour focussing on the social organization of production; by those interested in specific questions, including the dynamics and mediating influence of space; or by others with equally important hypotheses to test.

When the comprehensive story of Maritime industrialization is finally written, it should consider all possible factors of historical explanation equally, including political, cultural, social, economic, technological, and even the mediating factor of space. In the meantime, studies which examine particular factors will continue to lay the groundwork for that future synthesis.<sup>12</sup>

### Notes

1. McCann, "Fragmented Integration: The Nova Scotia Steel and Coal Company and the Anatomy of an Urban-Industrial Landscape, c.1912," *Urban History Review/Revue d'histoire urbaine*, 22 (1994), 139-58.
2. For a fuller interpretation of fragmentation as it shaped Maritime political, economic, social, and cultural development at a particular point in time, see Larry McCann, "The 1890s: Fragmentation and the New Social Order," in E. R. Forbes and D. A. Muike, eds., *The Atlantic Provinces in Confederation* (Toronto, 1993), 119-54.
3. The literature on the nature of the space economy is large, but for recent traditional and critical perspectives, see Immanuel Wallerstein, *The Capitalist World-Economy* (Cambridge, 1979); Eric Sheppard and Trevor J. Barnes, *The Capitalist Space Economy* (London, 1990); P. E. Lloyd and Peter Dicken, *Location in Space*, 2nd ed. (New York, 1977), 20-66; and Michael Storper and Richard Walker, *The Capitalist Imperative: Territory, Technology, and Industrial Growth* (Cambridge, Mass., 1989), esp. Ch. 3.
4. This is also the conclusion reached by K. Inwood, "Local Control, Resources and the Nova Scotia Steel and Coal Company," *Historical Papers of the Canadian Historical Association* (Ottawa, 1986), 29-64. Sandberg also dismisses it, not by presenting new or different evidence about resource quality, but only because this explanation is "external to the main social agents, capital and labour." L. Anders Sandberg, "Dependent Development, Labour and the Trenton Steel Works, Nova Scotia, c. 1900-1943," *Labour/Le Travail*, 27 (1991), 128.
5. One reason for not exploring the legacy of mercantile capitalism in "Fragmented Integration" was because it was something I had done in L. D. McCann, "Shock Waves in the Old Economy: The Maritime Urban System during the Great Transformation, c. 1867-1939," in G. de Benedetti and R. Lamarche, eds., *Shock Waves: The Maritime Urban System in the New Economy* (Moncton, 1994), 19-22.
6. Fernand Braudel, *The Perspective of the World*, translated by Sian Reynolds in vol. III of *Civilization and Capitalism, 15th-18th Century* (New York, 1984), 21ff. For another interpretation of the shaping power of space, see Henri Lefebvre, *The Production of Space*, translated by Donald Nicholson-Smith (Oxford, 1991).
7. I have examined the general character of occupational pluralism and its association with certain aspects of industrialization in Larry McCann, "Living a Double Life: Town and Country in the Industrialization of Maritimes," in D. Day, ed., *Geographical Perspectives on the Maritime Provinces* (Halifax, 1988), 93-113. In his "Dependent Development" article, op. cit., fn. 4, Sandberg dismisses off-hand my cultural interpretation of occupational pluralism, but for a contrasting evaluation, see Catherine Anne Wilson, "Outstanding in the Field: Recent Rural History in Canada," *Acadiensis*, 20 (1981), 188; and Graham Taylor and Peter Baskerville, *A Concise History of Business in Canada* (Toronto, 1994), 121.
8. McCann, "Fragmented Integration," op. cit., fn. 1, 156.
9. For Canada, this point has been made theoretically by M. H. Watkins, a Marxist scholar, in his "A Staple Theory of Economic Growth," *Canadian Journal of Economics and Political Science*, 29 (1963), 141-58. The classic consideration of the links between resource depletion and the rise and fall of mining settlements is Harold A. Innis, "Settlement and the Mining Frontier," in W. A. Mackintosh and W. L. G. Joerg, eds., *Canadian Frontiers of Settlement*, vol. 9 (Toronto, 1936), 167-412. One of the many resource-based regions in Canada that has suffered from resource decline is the Kootenay region of British Columbia. See, for example, R. C. Harris, "Industry and the Good Life around Idaho Peak," *The Canadian Historical Review*, 66 (1985), 315-43.
10. Eric Sager with Gerald Panting, *Maritime Capital: The Shipping Industry in Atlantic Canada, 1820-1914* (Montreal and Kingston, 1990), 15.
11. McCann, "Shock Waves," op. cit., fn. 5, 2.
12. Readers who might wish to examine my other writings on various factors and contexts affecting urban-industrial development in the Maritimes are referred to the following works: L. D. McCann, "Staples and the New Industrialism in the Growth of Post-Confederation Halifax," *Acadiensis*, 8 (Spring), 17-79; idem, "The Mercantile-Industrial Transition in the Metals Towns of Pictou County, 1857-1931," *Acadiensis*, 10 (Spring 1981), 29-64; idem, "Metropolitanism and Branch Businesses in the Maritimes, 1881-1931," *Acadiensis*, 12 (Autumn 1983), 112-125; idem, "Heartland and Hinterland: A Framework for Regional Analysis," in idem, ed., *Heartland and Hinterland: A Geography of Canada*, 2nd ed. (Scarborough, 1987), 3-32; idem and J. Burnett, "Social Mobility and the Ironmasters of Late Nineteenth Century New Glasgow," in idem, ed., *People and Place: Studies of Small Town Life in the Maritimes* (Fredericton, 1987), 59-78; idem, "Industrialization and the Maritimes," Plate 24 in D. Kerr, D. Holdsworth, and S. Laskin, eds., *Historical Atlas of Canada: Addressing the Twentieth Century*, vol. III (Toronto, 1990); idem and P. J. Smith, "Canada Becomes Urban: Cities and Urbanization in Historical Perspective," in T. Bunting and P. Filion, eds., *Canadian Cities in Transition* (Toronto, 1991), 69-99. See also my essays referenced in footnotes 1, 2, 5, and 7.