Regional Economic Development in Ontario: The Problems of Both Federal and Provincial Government Involvement

John Brandon Lander
Wilfrid Laurier University

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REGIONAL ECONOMIC DEVELOPMENT IN ONTARIO:
THE PROBLEMS OF BOTH FEDERAL AND
PROVINCIAL GOVERNMENT INVOLVEMENT

By

JOHN BRANDON LANDER

B.A. Wilfrid Laurier University, 1976

THESIS

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The Problems of Both Federal and 
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John Brandon Lander

ABSTRACT

Regional economic disparities have always been a topic of concern for the geographer as has the alleviation of this problem. In examining government efforts in this area, one must be aware of the parameters placed on such action by the established system of government.

Federalism, in the same way as other major forms of government, is supported by a voluminous amount of theoretical material. This literature discusses the foundations of this system of government but also delves into some of its inherent problems. Such problems have led many political scientists to advocate co-operative federalism, a more contemporary form of this government, and to abandon, to a certain degree, the older dualistic notion characterized by its strict hierarchical division of powers.
The dualistic character of the Canadian British North America Act of 1867 has created a situation of unclear jurisdiction over regional development within the Canadian system of government. With arguments and motives for both senior levels of Canadian government to become involved, Ontario has witnessed, over the past decades, a significant effort to battle regional disparities within its borders. The result has been a large number of both provincial and federal programs with ultimately similar goals and yet with varying emphasis and varying efforts for intergovernmental co-operation. The appearance of the General Development Agreement between Canada and Ontario signalled the revitalized intention of the two governments to continue in their efforts to work together.

However, with equal vigor, the two bodies also continue to conduct unilateral regional industrial development programs. Each pours large sums of money into portions of the province. Although they are both working within the same geographic region of the country, the two programs vary as do their actions. The elimination of any costly administrative duplication in the field of regional economic development is hampered by the political system of the country.
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I. INTRODUCTION

In his book Regional Planning in Canada, L. O. Gertler described regional development as being:

...divisible into a number of component concepts. As an 'economic concept' it is concerned with the problems of disparities in income, employment, welfare and rates of growth among regions. As a 'concept in geography' it deals with the spatial structure of a country as expressed in the distribution of people, economic activities and communities, and flows within and between regions. As an 'environmental concept', regional development is concerned with releasing the potential of the natural and man-made environment for the enhancement of the quality of life.

(Gertler, 1972, p. 71)

Finally, Gertler (1972, p.71) admits that regional development can be "viewed as a 'political concept'". As such it relates to the tensions created between the have and the have-not regions within an individual country. These four
basic components are so complexly interwoven that all are involved to some degree in all regional development research. To attempt to provide comprehensive coverage of all four aspects of regional economic development in any particular piece of research would be an overwhelming task. Geographers, for the most part, have been interested in regional development since its inception because of the spatial connotation of the term itself. Political scientists have also had an interest. This would appear to be natural because of the major role which government now plays in regional development. Government is perceived as having a more conscientious long-run view of economic development than does the myopic private sector. Government is also in a position where it can concentrate on the quality as well as the quantity of economic growth. With intervention in the free market justified, governments in Canada have, for a number of years now, taken initiative in regards to regional economic development. The government seems to realize that a:
...broad general attack will be less useful now than they have been in the past. Accordingly... plans and policies are increasingly designed to meet the special needs of areas of the country or groups of the population confronted with special difficulties and problems.

(Gordon, 1964, p.791-2)

Unfortunately, due perhaps to academic specialization, studies of regional development tend to be conducted from one academic perspective at a time. The problems which can arise from such an approach are obvious. To bridge the resultant gap in a modest way, this thesis will research the political or administrative aspects of regional development from a geographer's perspective.

Regardless of background or qualifications, "anyone embarking upon a study of Canadian economic policies encounters certain difficulties" (Brewis, 1969, p.xi). Several such problems can be mentioned:

In the first place, there is the size of the problem. As in other Western countries, a far greater degree of governmental intervention in economic affairs is politically acceptable now than would have been a generation ago.

(Brewis, 1969, p.xi)
Certainly government's involvement in the economy is a gigantic and multi-faceted phenomenon. The scope of regional development itself is of such a magnitude and varied character that a comprehensive study of it presents an impossible task. The formidability of the task at hand has been reduced by the concentration of this research on a certain aspect of regional economic development.

Brewis continues to outline regional development research problems:

A second difficulty concerns the availability of data. There is a paucity of published material on certain aspects of the subject...

(Brewis, 1969, p.xi)

Despite a plethora of available government publications too often vital areas of interest are given only scant coverage. This problem is applicable to regional economic development research. Too often the available information is in a public relations format. Too often the data uncovered are not applicable to the subject at
hand. In addition, when it comes to government's more 'sensitive' areas, there is the problem of confidentiality. Fortunately, data for the empirical portion of the thesis, once rumoured to be unattainable, were made available.

Brewis states a third problem:

In addition, the policies themselves are subject to constant reassessment and change in light of developing circumstances and change.

(Brewis, 1969, p.xi)

This statement assumes, of course, that 'policies' do exist. It is not uncommon for programs to precede written and clearcut policy. The inference of policy from the existence of programs may appear to be easy step to take and one must be wary. The problem becomes, thus, not only one of the evolution of policies, but also the changes in government programs themselves. To overcome this problem of change to a tolerable degree a limited period of study must be designated.

 Appropriately, the final research-oriented problem mentioned by Brewis is the most relevant:
These problems discussed above are related to a ... more fundamental difficulty. Government officials have an opportunity to co-ordinate economic policy to a certain extent... Nevertheless, the diverse interests of different departments and different political leaders, superimposed on the built-in jurisdictional conflicts between federal and provincial governments, ensure that economic as well as other policies are imperfectly co-ordinated and that they sometimes work at cross purposes.  

(Brewis, 1969, p.xii)

It is this problem, so well expressed, which is the central concern of this research thesis.

Of course, at the time of Confederation in 1867 'regional economic development' was an unknown field of study. The politicians of the time were acutely aware of the regional diversities in their struggle to unite the original provinces to form a federal state. Government's increased role in the economy as outlined in Keynesian (1935) economics was not to emerge until the next century. Specific and organized programs to stimulate economic expansion in depressed regions in an organized fashion were not to be formulated for nearly a century.

The past one hundred and ten years have seen Canada grow from four provinces to a nation
covering half a continent. Even more amazing have been the economic and technological changes over the same period. Large government expenditures in the name of regional development are now commonplace. However, the discipline of regional economic development, in both academic and practical terms, is still in its infancy.

In 1955 A.H. Birch remarked that "the guiding principle of mid-twentieth century federalism is the need for co-operation between state and federal authorities" (Birch, 1955, p.305). 'Co-operation' is the key word in this sentence and is a term which will be used frequently throughout the thesis. A second significant word and one which will be used just as often is a word which can be closely aligned with co-operation and that is co-ordination. As they relate to intergovernmental practices they very often go hand in hand.

Co-ordination and co-operation carry the connotation that certain components of a system are in some way interrelated. Boiser suggests that:
...there seems to have been a tendency in recent years to conceive of national development and regional planning as an indivisible and vital part of the more general process of development and national planning. This involves a systematic approach in which each of the planning regions is envisaged as a component of the national system of regions. Such an approach calls for the recognition of 'relationships' between the components of the system and between the part and the whole.

(Boiser, 1975, p.99)

The role of regional development in a country's overall economic development plan is an important one. It serves to spread wealth and opportunities for economic advancement. Therefore, as with any economic development tool, regional development must be administered in a co-ordinated fashion. Its relationships to the overall picture of economic development must be clearly understood.

'Co-operation' is a vague and loose word that is typically associated with other words such as 'communication' and 'consultation'. It basically means working or acting together. It also implies a certain degree of freedom on the part of those who are working together.
Co-operation thus implies a voluntary, working together type of relationship.

According to Lindblom "a set of decisions is co-ordinated if adjustments have been made in them such that the adverse consequences of any one decision for other decisions are to a degree and in some frequency avoided, reduced and counterbalanced or overweighed" (Lindblom, 1965, p.154). The eradication or minimization of externalities is the crux of this definition. Despite the claim by Scitovsky (1954, p.143) that definitions of externalities "are few and unsatisfactory" there are operational definitions available. One such definition states that "generally effects on persons not directly privy to the decision leading to an activity are termed 'externalities' or 'third party effects'" (Heller and Starrett, 1976, p.1). Another straightforward and acceptable explanation appears in a 1972 doctoral dissertation from the Economics Department of Columbia University. It expressed the following:
A technological externality exists when some activity of party A imposes a cost or benefit on party B for which A is not charged or compensated by the price system of a market economy.

(Whitcomb, 1972, p. 6)

When externalities created by one level of government affecting the other level of government are avoided or minimized a state of co-ordination has been achieved. As far as applying these thoughts to the dilemma of regional economic development is concerned, C.P. Honey states that:

...it must be clear that each level of government has an obligation or a duty to plan within its legitimate area of jurisdiction and concern, while at the same time respecting the purposes and plans of other levels of government.

(Honey, 1976, p. 10)

When this is not the case and externalities which are uncompensated for do exist in unsatisfactory amounts then co-ordination has not been attained. Such a situation may have been brought on by a lack of co-operation and the result may be an externality of either a negative or positive nature. A negative externality may
result in a 'conflict' situation. Boisier (1975, p.100) suggests that the type of conflict which arises is dependent on the "way in which the 'decision-making power' is distributed within the system and the way in which those powers are employed.

Naturally, the federal system of Canada is not void of such problems. More specifically the administration of regional economic development seems to have the potential to fall prey to these problems. Brewis describes it as follows:

Indeed, all provincial governments are now taking steps to attract industry within their own boundaries and in the process are displaying little or no regard for the effects of such development on the prospects and efforts of other provinces. (Brewis, 1965, p.324)

This indicates the existence of interprovincial competition or conflict. More relevant to this thesis than interprovincial tensions is the existence of conflicting federal and provincial policies and programs. Gertler points out, "it is scarcely possible in the highly federalized Canadian state to consider the national aspects of
regional development without getting involved in the relationship with the provincial policies, and vice versa" (Gertler, 1972, p.72).

Such intergovernmental externalities can take primarily two forms. In the first situation, the programs of one level of government may negate or retard the effectiveness of the programs of the other. A degree of co-ordination is necessary for the policies of either level to be both effectively and efficiently managed:

Absence of a clearer picture of an agreed, federal-provincial development direction and set of priorities for each province has meant that various key federal programs have shown few signs of being influenced in practice by systematic regional concerns. Yet really to have an impact regional policy -- for rich as well as for poor provinces -- must obviously extend far beyond the operational responsibilities of any ... one level of government.

(McAllister, 1972, p. 214 - 215)

Apparently the actions of the provincial governments need to be more closely aligned with those of the federal government. It is difficult for either government to take a rational or
logical approach to development without common goals.

The federal government also plays a role in influencing the effectiveness of provincial programs:

Many of the programs of the federal government profoundly affect the provincial government's planning program and objectives. These include -- to mention some of the most important -- regional economic expansion... Failure on the part of the Government of Canada to respect and support provincial policies could largely frustrate them.

(Ontario, 1976A, p.52)

Federal action can have an influence on provincial programs. Obviously such action could complement provincial programs but, on the other hand, it could also hinder them. Conflicting approaches could also limit the courses of action open to the provinces. The Government of Ontario (1976A) states that programs of a piecemeal nature on behalf of either level of government can lead to a situation of conflicts and frustrations. Unrelated programs will be more costly and less effective.

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The second form which intergovernmental conflict may take is along the lines of killing one bird with two stones. Where jurisdictional overlap permits comparable fiscal policies on behalf of both levels of government the problem at hand may receive a double dose of medicine. Too much medicine can often do more harm than good. It may bring about unanticipated side-effects or may lead to addiction. G.L. Reuben views this as one of the problems currently being faced in governments' efforts to stimulate regional industrialization. He declares that "the co-ordination between federal and provincial policies needs to be improved to avoid duplication and other wasteful activity" (Reuben, 1976, p.51).

Recognizing increased co-operation and co-ordination as the solution to the problem of conflict, externalities and waste and seeing the immediate need for such action has not been an observation of this author alone. The International Information Centre for Local Credit states that "it can be seen that there should be a high degree of co-ordination between the activities of the central government and those of
the municipalities with regard to regional development" (International, 1964, p.11). Simeon in a more theoretical vein reiterates this recommendation:

...Another important form of adjustment is one in which governments try to co-ordinate their policies, resolve disagreements and reach mutually desired goals through direct relations with each other.

(Simeon, 1968, p.2)

Richard Rohmer takes this general concept of co-ordination one step further to a more specific solution -- integration. He believes that in order to promote economic development and derive longer range policies integration of the relevant government bodies is necessary. (Rohmer, 1975, p.90) Rondinelli, on the other hand, believes in 'rationalization' as opposed to 'integration' and states that "federal and state development agencies must be organized into rationally ordered, centrally co-ordinated hierarchical units from which emerge clear lines of authority, central control over 'subordinate' decision-making units and comprehensive plans" (Rondinelli, 1969, p.271).
McAllister (1972) explains how regional economic development fits into such schemes. He recommends that the two levels of government meet regularly to deal effectively with the problem of regional economic development. Problems could be dealt with on a region by region basis. This formal degree of co-operation would serve to reduce the level of conflict and confusion which now exists between the two levels of government involved in this field.

It can be seen that the problem of intergovernmental conflicts as they relate to regional economic development in Canada has been recognized and that some writers have gone so far as to propose possible solutions. However, other than generalized statements which allege that problems have arisen from this situation little supportive evidence that conflicts exist has been displayed. To understand the problem in greater depth, it is necessary to investigate several topics. First, one must have a basic understanding of the federal system of government particularly as it relates to Canada and regional economic development in Canada. With this
knowledge, one can review the evolution of regional economic development programs in Canada, or more specifically, within Ontario. Understanding the degree of co-operation which has existed between the federal government and the government of Ontario in these programs gives the reader the proper perspective on the unilateral regional industrial development incentives programs which the two levels of government currently operate. An analysis of their activities over a seven year period in Ontario gives the reader insights into the priorities of the two governments and the hurdles yet to be overcome in the co-operation among the governments in Canada's federal system.
II METHODOLOGY

An outline of the approach to be taken in this study has been provided in the previous chapter. This chapter will provide some details relevant to the structure of the thesis.

The thesis is essentially divided into two major sections. Although the first can be interpreted as providing a background to the second the two must be accepted as being individual entities contributing to the overall picture being conveyed in this thesis.

The first major section is descriptive. It incorporates a review of the relevant literature dealing with the topics of federalism and regional development both individually and as they relate to each other. This is elaborated upon to present the reader with a more complete picture of the co-ordination between the two levels of government as it relates to regional economic development.
The second section focuses upon two specific programs, one operated by each of the two senior levels of government to promote regional industrialization. This section concludes with an analysis of some data relevant to these programs. The analysis serves to exemplify some of the problems which continue to persist in the Canadian federal system as it relates to regional development.

These two general categories will now be presented in greater detail. To understand the status of intergovernmental co-operation or the negative externalities created by the lack of such relationships, a basic understanding of the federal concept is required. Chapter III takes a look at this topic. Federalism will be examined from several perspectives. First the impact of space on the federal system will be investigated. This will be followed by a closer look at federalism per se and the basic concepts involved in this system of government. This discussion reveals one of the present problem areas of federalism. This point of contention is the
division of power among the various levels of government. As will be seen this particular area has an important role to play in the way in which the Canadian federal and provincial governments can attack regional disparities. Political science theory, along with some practical applications, has helped to evolve a more contemporary form of federalism -- co-operative federalism. A discussion of the relevance of the preceding discussions to the Canadian political environment closes the chapter.

With the reader now armed with the knowledge of the constraints imposed by the federal political system, thoughts in Chapter IV turn to the more specific field of regional development. Some of the general problems of inter-governmental co-ordination and co-operation in a federal setting as they relate to regional development in Canada are discussed. Federal regional economic development programs are first to be viewed. The beginnings of federal involvement in this field in the first portion of this century led to the more specific programs of
the late 1960's and into the 1970's. Such programs were of either a unilateral and bilateral nature. The Ontario government also has an interesting history of involvement with regional development; this is also presented. An understanding of these programs along with those of the federal government gives the reader a greater appreciation of the significance of the General Development Agreement (GDA) between the two senior levels of government.

Chapter V contrasts the co-operative effort of the GDA with the unilateral approaches of the two governments' regional industrial development incentives programs. The evolution into the federal government's Regional Development Incentives Program of supplying grants to new or expanding firms in depressed regions of the country is outlined. The province's comparable Ontario Development Corporation loans funds to promote industrial development throughout its jurisdiction.

In the final portion of the thesis, Chapter VI, the activities of the above two organizations
throughout Ontario and during the 1970 - 1977 period are compared. This empirical section tries to illustrate the value of the lengthy discussion which precedes it. It attempts to reveal the varying priorities of the two governments and any conflicts which may appear in their actions.

Ontario was selected as the study area for a number of reasons. Government regional development programs have emerged over the past 20 years. Residents of Ontario have had the opportunity to see two governments, federal and provincial, become involved in this phenomenon. Thus, in Ontario, in addition to federal actions one has been able to see comparable activity on behalf of Canada's wealthiest province.

There are additional reasons for the selection of the province of Ontario as the study area. From the national perspective, regional economic disparities have become blatantly obvious. Yet there has often been a tendency to "ignore rather substantial regional differences within the Province of Ontario itself -
differences in rates of growth, income per capita, the availability of employment opportunities and so on" (Lawrence, 1974, p.3). The provinces size and geographic variation are also factors. Kenyon (1974, p.52) cites Ontario as being a "particularly opportune area to study in terms of the impact of distance on industry since the province runs the entire length of the Great Lakes and along the St. Lawrence system in the south and reaches deep into remote and empty country to the north." Gilmore and Murricane (1973, p.3), in their study of the Canadian manufacturing belt, refer to Dales' (1960) conclusion that Ontario comes close to the epitome of an 'industrial region'. As well as this wide range of activity level, the factors leading to different areal rates of growth have shown a "remarkable degree of consistency" and are "generally applicable throughout the province" (Dulmage, 1970, p.2).

An appropriate study period must also be selected. This thesis will cover, in varying degrees of detail, a large portion of our nation's history. Naturally greater attention will be
given to the period commencing in the early 1950's when regional economic development made its transition from academic theory and piecemeal action to organized and routine governmental practice. Finally greatest attention will focus on the 1970's. It was during this last period that both the federal and provincial governments were actively engaged in making available large sums of money in the name of regional economic development. The Department of Regional Economic Expansion (DREE) acts on behalf of the federal government and the Ontario, Eastern Ontario and Northern Ontario Development Corporations take action for the province in the field of regional industrial development. Also during the latter period of time the two levels of government have sought each other's co-operation in the area of regional development. The General Development Agreements (GDA) between Canada and the Province of Ontario are most notable in this respect. However, it should be kept in mind that their respective loan and/or grant programs have continued to function independently. The 1970's
are thus probably the most significant period in the evolution of unilateral and bilateral government regional development action.

As indicated above the focus of attention will be on government sourced financial incentives directed towards the stimulation of industrial activities. The overt nature of such expenditures, a characteristic uncommon to many government programs, permits accurate empirical study. Funds directly applied to firms in the private sector provide clearcut data for analysis.

Of course, a region can be aided or developed in a number of ways. Numerous writers have stressed the important role industry, especially manufacturing, can play in regional economic development. Wheat has stated that there are several sources of economic growth "yet as a practical matter, the best opportunities for economic development lie with manufacturing" (Wheat, 1973, p.1). Harris and Hopkins support this notion. They believe that "the most important income-generating factor in our economy is manufacturing activity" (Harris and Hopkins,
Hunker feels that "the extension of manufacturing activity is a prime means whereby an economy can be stimulated to provide for growth" (Hunker, 1974, p.4). However, it is Estall and Buchanan who best verbalize this concept:

Manufacturing is very important in all modern economies as a 'growth-generating' sector having a profound influence on jobs and incomes, not only in the actual manufacturing of goods, but also in other branches of economic activity which provide manufacturers with materials and other supplies and with services. Thus, national, regional and local interests are concerned with its development. Differences between areas in income and economic growth rates can often, although not simply, be associated with differences in manufacturing activity.

(Estall and Buchanan, 1961, p.16)
III. THE POLITICAL SETTING: FEDERALISM

The concern for co-ordinated / co-operative government activities outlined in the previous section necessitates a review of the institutional aspects of the federal political system. Some of the problems of the federal system have been alluded to in a general manner. Further, such a review is a prerequisite to later chapters dealing with specific regional development programs. It is also relevant to a more complete understanding of the final empirical investigation. The political setting acts as a road along which the vehicle of government development action has moved.

1. The Geographic Input

The division of governmental powers on a geographical and/or hierarchical basis is common. Muir suggests that "all but the smallest states
are internally subdivided for reasons of administrative convenience" (Muir, 1975, p.211). He recognizes the almost universal principle that such a division of powers is made on a combined hierarchical/ geographical basis. Thus, Muir explains, most political systems share a common feature of responsibilities divided between larger and smaller areas and between higher and lower administrative levels (Muir, 1975, p.212).

This widespread dualistic basis for national political organization is well exemplified by the system of government to be discussed at this time. "Federalism, like most institutional forms, is a solution, or an attempt to solve, a certain kind of problem of political organization" (Livingston, 1952, p.34). Its raison d'être can be explained or justified in several ways, each from a different perspective. Livingston takes the sociological point of view:

The essence of federalism lies not in the institutional or constitutional structure
but in the society itself. Federal
government is a device by which the federal
qualities of society are articulated and
protected.  
(Livingston, 1952, p.31)

Others, such as Head, take the economic
efficiency argument. Head believes that variation
in the demand for public goods can only be
satisfied when the political decision-making
process is decentralized. He concludes that a
more federal and less central government will
present the optimum structure (Head, 1973, p.25).

Despite attempts, such as those above, to
attribute the need for federalism to certain
variables or factors, there is one element common
to all federations. This common factor is
geographic in nature and it is this spatial
characteristic which appears to be the very
essence of the federal system. This fact is well
recognized: "No government has ever been called
federal that has been organized on any but a
territorial basis" (Livingston, 1952, p.35).
Simeon (1972, p.2) also uses the term "territorial" to describe the basis on which a federal system of government is decentralized. In fact a federation has been described as being "the most geographically expressive of all political systems" (Robinson, 1951, p.2). Therefore, a review of federalism conducted by a geographer does not appear to be all that far-fetched.

Muir suggests that a geographical analysis of federalism is made possible by the division of the nation into political regions (Muir, 1975, p.211). Robinson looks beyond these states themselves to the implications which they have for human behaviour. He states that "the regulation of human conduct within a defined political area can be geographically significant" (Robinson, 1951, p.19).

The potential for geographic research and study in the area of federalism is apparent. However, Dikshit has criticized geographers for their lack of interest in this field, a situation
which some investigation would tend to substantiate:

Geographers have paid little attention to the study of federalism despite the fact that ... the spatial interactions in the functioning of the federal states are most easily recognized... Although some geographers now agree that federalism is the most geographically expressive of all such governmental systems, their published work... does not show a keen awareness of this fact.

(Dikshit, 1971, p. 97)

Dikshit cites two reasons for the geographic significance of federalism. One is similar to that mentioned above by Muir and it deals with the political sub-units of a nation being clearly and easily recognized. The other, and probably more relevant reason, is the existence of regional differences (Dikshit, 1971, p. 103) The key word is 'regional'. This is the reason for Muir's insistence that "the aspects of diversity" must be "spatially grouped and not distributed on a class or intralocal fashion" for

Livingston concurs stating that a society can be called federal only if its diversities are "grouped territorially, that is, geographically" (Livingston, 1952, p. 35).

That a federal state is or must be divided into component spatial units is a more obvious fact than the basis for such divisions. Naturally all factors which can vary over space will not adhere to the drawing of specific boundaries. "Federalism embraces not merely a diversity of opinion on one issue but a whole pattern of diversities on a number of issues" (Livingston, 1952, p. 35). One cannot expect all differences to coincide with boundary lines.

Some of the general criteria which are used as a basis for intra-national divisions are psychological, social, political and economic in nature (Dikshit, 1972, p. 107). With a number of different criteria which can be used as a basis for provincial boundaries it becomes more obvious
that complete homogeneity within boundaries is impossible. One such variable may be the spatial pattern of regional economic development. One cannot expect uniform development across Canada, within a province such as Ontario or even within a politically designated economic region within a province. The result is the spatial variation in such development within both Canada and its individual provinces.

2. Definitional Examination

Up to this point the thesis has fallen prey to a criticism made by Wheare who suggests that often "the term 'federal government' is used very loosely" (Wheare, 1953, p.1) A more rigid understanding of this term may avoid confusion later in the thesis and will give a better understanding of the dilemma of Canadian political institutions as they relate to regional development.
It is not an uncommon practice to avoid the definitional issue completely because "federalism is not easy to define" (Dikshit, 1971, p.93). This situation arises because "there is no accepted theory of federalism" and there is no "agreement as to what federalism is exactly" (Duchacek, 1970, p.139). Perhaps this is one of the reasons why so much has been written about federalism per se. Of course, an in-depth investigation is not warranted in a paper such as this, however, a discussion of some of the conceptual components of federalism, as they relate to regional development, is deemed useful.

a) Association of States

A basic concept centres around the phrase "an association of states which has been formed for certain common purposes" (Wheare, 1953, p.1). Livingston takes this notion and becomes more specific. He labels the 'states' as being
'Distinct political and constitutional entities'. He also expands upon this basic concept by adding that this association creates a new body "above and different from those that have come together" (Livingston, 1952, p.31). Dikshit identifies this 'new body' as being a "single sovereign central government" (Dikshit, 1971, p.93).

b) Autonomy

The second basic idea relevant to an understanding of the term federal deals with the concept of autonomy or independence. This need has arisen from the problem of regional diversity discussed earlier. Dikshit states that after union the individual political units do hold on to a certain degree of their original regional autonomy (Dikshit, 1971, p.99). Wheare (1953, p.1) concurs and Livingston eloquently declares that "the component states retain their identity, sacrificing to the collectivity only such powers
and functions as are necessary for the implementation of the purposes for which the association is formed" (Livingston, 1952, p.31).

c) Division of Power

The idea of autonomy is closely linked to a third concept, that of the 'division of power'. This concept is so basic that it forms the root of what Wheare (1953) refers to as the 'federal principle'. It simply represents the notion that one level of government has a certain set of powers or authority and another level of government another set. However, Wheare adds another condition. Such governmental powers are divided in such a way "that the general and regional governments are each, within a sphere, co-ordinate and independent" (Wheare, 1953, p.11). Thus, there is on the one hand, the desire for the individual regions to maintain their character through autonomy and the use of certain powers.
On the other hand there has been mention made of the more practical and less politically ideal need for co-ordination. A situation thus exists where each level of government has its own powers and autonomy. Considering that the diversities which form the basis of a federal state are spatially grouped then the appropriate division of power will maintain these diversities. Livingston introduces a further element. Once the powers and functions have been delegated to their respective levels:

...neither can be deprived by the other. This is to say that the central government's functions cannot be assumed by local governments or the local government's by the central. Each is placed in relation to the other in a position of autonomy; neither is subordinate and each may exercise within its sphere the full extent of its powers.

(Livingston, 1952, p.81)
3. The Problem: The Division of Power

This final concept which has been discussed as it relates to federalism warrants further inquiry because of its relevance to the topic at hand. It is, in fact, this division of power of the federal system which has brought on the need for this particular piece of research. As will be seen, this aspect of federalism has a great deal of influence on government programs for regional economic development.

Certainly attempts have been made, primarily by political scientists, to construct the 'ideal' division of powers within a federation. Unfortunately, because of the complex nature of this task, "federal states and federal constitutions have resulted from political bargaining and not from ideal models" (Molgat, 1972, p.43).
a) Methods of Division

At this point it may be wise to examine some of the rules or criteria used to divide political powers between the nation and its component states. The most general principle or guideline to achieve this end is set up by Molgat who suggests that the division of powers should "reflect the political will and political reality" (Molgat, 1972, p.43). Another vague premise is forwarded by Bounds who considers such factors as geographic conditions and local feelings (Bounds, 1953, p.34).

Aside from these broad considerations there is a general rule of thumb which applies to the assignment of political authority. Two examples which illustrate this common principle are:

The division of power in the model federal system is such that the state, i.e., national government, has responsibility for matters affecting the federation as a whole, such as foreign policy and tariff and immigration control, while the state
governments manage affairs particular to their states.  
(Muir, 1975, p.105)

...The central government has jurisdiction over all matters that bear on the development and security of the nation as a whole, and the unit governments have the right to regulate matters of local and more immediate importance to their respective peoples.  
(Dikshit, 1971, p.03)

This notion would seem to be nothing more than common sense. Molgat is one of the few who becomes more specific in dealing with this issue. He draws up what he sees as the 'competing criteria' in determining the allotment of powers. They appear here as a list:

- economic prosperity and efficiency
- national and uniform standards
- the need for collective action
- increased strength and power
- the threat of foreign or external domination
- greater mobility
- cultural survival
- individualism
- the right to self-determination of national groups and peoples
- power to the people
- the need for more personal government
-the need for less bureaucracy
(Molgat, 1972, p.43)

b) The Problems

Despite this and other attempts to outline solutions to the ideal division of power, no specifically applicable answer has yet been attained. This shortcoming in the fundamental theory of federalism appears to be the source of many real-life federal government problems. The problem boils down to one of the delineation of powers to the respective governments within a federal nation. Writing almost a century ago, Hart recognized this problem. "The division of power between central and state government is a constant source of difficulty and ill-feeling" (Hart, 1931, p.25).

Most authors on the subject agree that the problem exists. As one reads their works one cannot but be reminded of the current dilemma in Canada relating to regional economic development.
Bowie and Friedrich state that "there is a considerable overlapping of powers so that some exist both in the central government and in the member states" (Bowie and Friedrich, 1954, p.314). Watts (1970, p.67) confirms this frequent coincidence of strong central and state interests. A consequence of this could be a situation where there are too many cooks in the kitchen. The result would be waste. Watts explains:

> The dual polity inherent in a federal political system composed of central and state governments would appear to imply the need for dual sets of administrative services to serve the two levels of government. (Watts, 1970, p.25)

In a system of clearly divided powers this problem would be minimized. However, in Canada, particularly in reference to regional development where there is no such clear division, there is undoubtedly wasteful duplication.

Waste, one symptom of 'maladministration', is "unavoidable, inescapable and nobody's fault"
(Wheare, 1973, p. 15). However, such problems are undoubtedly accentuated beyond a minimum acceptable level in a federal state with a non-ideal division of powers. Duchacek expresses this concept as follows:

Of course, no system in the world is or can be immune to wasteful duplication of governmental activities and equally wasteful jurisdictional conflicts. But these wastes in a federal system seem inevitable.

(Duchacek, 1970, p. 313)

Carnell agrees and suggests that the additional red tape necessitated by federalism has led to the high level of overlap and duplication (Carnell, 1961, p. 45).

The inappropriate division of power can create still another dilemma. This could be described as inter-governmental conflict and/or competition. "Federal governments and provincial governments compete to gain credit, status and importance and to avoid discredit and blame"
(Simeon, 1972, p.185). The manipulation of regional economic development programs for political credit is a prime example. It can even lead to the ironic situation where parallel or comparable departments of different levels of government can exist and develop programs which have conflicting goals or priorities (Parizeau, 1955, p.45).

Watts (1970) states that the division of responsibilities with economic significance has been very difficult and the result has been for the levels of government to share these powers. Sastri has preferred to explain this sharing as being more the result of economic necessity. The level of economic planning and the philosophy of equal economic opportunity even in the capitalist federations has brought on the need for economic intervention at all levels of government (Sastri, 1973, p.209). "Muir (1975) believes that our society's complex economic structure and increased government intervention in the economy has
severely handicapped the abilities of the traditional federal framework. That is, a complex society and a federation whose powers have been divided into black and white are not likely to co-exist. Therefore Parizeau (1955) suggests that for economic policies to be effective they must be based on observable facts and not upon "the letter of the constitution". Unfortunately the allotment of government responsibilities in such an effectual manner has never been achieved according to Dikshit (1971).

Bowie and Friedrich cite one of the most important explanations for the 'unworkability' of following 'the letter of the constitution' as being "the impossibility of finding a verbal formula which will solve the question" (Bowie and Friedrich, 1954, p.342). In a traditional federal system it is believed that "only a written constitution ... could precisely assign powers and functions in the necessary manner" (Livingston, 1952, p.32). Apparently, in practical terms, this
has not worked. Robinson puts the blame, in part, on the passage of time and change. "Constitutions," he explains, are "a reflection of the attitudes and conditions of the time in which they were written" (Robinson, 1951, p.3). Thus a rigidly worded constitution is bound to become outmoded in the society for which it was originally created. Livingston (1952, p.84) explains that changes in social patterns over time will necessarily lead to changes in the way in which old institutions are operated.

What impact will this have on a federal state? Robinson states that "the working of the constitution and rigid advances in technology create new situations to which a rigid constitution is ill suited" (Robinson, 1951, p.2). Using such an argument Carnell attacks old style federalism:

...it might be argued that federal states are relics of the horse - and - buggy days. Federalism may well have been
suited to a particular phase of unification of large continental states with small populations and poor communications, but today, by the very rigidity of their constitutions and the obsolescence of the economic philosophies underlying them, federal states are seriously handicapped in undertaking expeditiously and efficiently the tasks of modern government.

(Carnell, 1951, p.13)

This would appear to be a custom made description of the Canadian situation. Birch in his 1955 examination of pre- and post - World War II federations takes a stand similar to that of Carnell. The strict division of power in older constitutions, including Canada, has not been adopted by countries with newer constitutions (Birch, 1955, p. 304). Because of such problems, the theory of federalism has gone through a process of evolution and change (Dikshit, 1971, p.37). As one writer puts it: "Under the heat and pressure generated by social and economic change in the twentieth century, the distinct strata of the older federalisms have begun to melt and flow
into one another" (Corry, 1953, p.122).

4. The Evolution into Co-operative Federalism

It is not merely the creation of a federal structure but the particular form that structure takes which has a vital bearing on the capacity to promote economic development. (Watts, 1970, p.113)

The previous examination of federalism and the problems created by its necessary division of power revealed the pressure for changes in the structure of this political institution. Accompanying any changes in the form of government will be changes in roles which the individual governments assume. Thus the way in which federalism has changed may have a direct impact on the potential for inter-governmental problems relating to regional economic development.
a) The Transition

Dikshit (1971) gives a brief but valuable account of the transition from the older 'dualistic' form of federalism to a more contemporary form. In the eighteenth and nineteenth centuries the dualistic form of a strict division of powers prevailed. This model may well have been suited to the times. However, with increased government intervention in the economy and a more complex social system, the role of the federal system of government has changed. Now "co-operation, interdependence and interpenetration of national and state agencies is inevitable" in government (Dikshit, 1971, p.102).

The manner in which modifications are being made to old constitutions in order to adapt to the new circumstances and the characteristics of newer constitutions support the above notion. "Everywhere, in varying degrees, the old 'dualistic' federalism has given way to
'co-operative' federalism" (Carnell, 1961, p.17). Both Birch (1958) and Dikshit (1971) describe in a similar manner the appearance of this new phase appropriately labelled 'co-operative federalism'.

Ideally, almost all federalisms should make the shift from dualistic to co-operative federalism (Muir, 1975). Even Wheare (1953), a proponent of dualistic federalism, stresses the importance of co-ordination between national and regional governments.

b) Its advantages

There are, in all likelihood, almost as many arguments in favour of co-operative federalism as there are writers about it. Watts falls back on the traditional problem of the division of responsibilities and the "inevitable overlaps and interrelations between the administrative responsibilities of different levels of government" (Watts, 1970, p.57). He
contends that to isolate their activities from each other is impossible. Beck continues this line of thought criticizing worshippers of the "sacred cow of federalism" by claiming that it is "not only unrealistic but foolish" (Beck, 1955, p.225). He suggests that different levels of government are no longer completely independent but instead have become mutually interdependent. Simeon suggests that the term 'interdependent' "implies that ... what one government does will have implications for others". He goes on to say that governments must adjust to the spillovers of other levels (Simeon, 1972, p.3). Economic theory suggests that the existence of such externalities can lead to very definite problems. One economist explains that even under a system of optimal boundaries the existence of significant spillovers will create the need for the co-ordination of governments (Head, 1973, p.33). Co-ordination is necessary not only to prevent one government's policies from frustrating the other
but also permit the formulation of policies for the nation as a whole (Simeon, 1972, p.4). If this is not the case the efficiency of federal policies will be reduced (Parizeau, 1965, p.50). It would also permit the "uneconomic duplication of administrative agencies" (Watts, 1970, p.25). Joint as well as independent action is needed on behalf of the two major levels of government to provide the optimum level of social services (Birch, 1955, p. 147). There are several advantages to the sharing of the administration of services. One is a smaller size of the civil service and thus, perhaps, a better staffed civil service (Watts, 1970, p.25). Such intergovernmental co-operation also avoids the necessity of a constitutional redistribution of political responsibilities. This difficult process is painfully obvious to Canadians who observe the frequent conferences aimed at constitutional reform.
The acclaim for co-operative federalism appears to be widespread. It may thus be wise to examine this term more carefully. Corry suggests that this new phase of federal government "has arisen because several separate governments share a divided responsibility for regulating a single economic and social structure (Corry, 1953, p.121). The result of such a situation is an unrealistic alignment of responsibilities and the interpenetration of the two governments (Corry, 1953, p.122). Birch therefore suggests that "the definition of federalism should be reworded so not as to suggest that intergovernmental co-operation ... is an exception to the federal principle" (Birch, 1955, p.291). He goes on to state that "the following definition may now appear adequate: a federal system of government is one in which there is a division of powers between one general and several regional authorities, each of which, in its own sphere, is co-ordinate with the other, and each of which acts directly on the people"
through its own administrative agencies" (Birch, 1955, p.305). Dikshit (1971) sees the difference between the two federal systems as primarily one of emphasis. "Dual federalism", he believes, "views the two sets of governments as equal rivals whereas 'co-operative federalism' views them as equal partners" (Dikshit, 1971, p.104). Watts (1970) maintains that a certain measure of the two components, co-operation and rivalry, are still present in such a system. He agrees that the federal form of government involves a degree of co-operation but contends that, at the same time, it also incorporates elements of bargaining, rivalry and even conflict (Watts, 1970, p.7). He therefore defines a more realistic federal organization as "a political system characterized by two subsystems, one of central government and the other of state governments, in which the component governments are co-ordinate in the sense that neither is politically subordinate to the other, but which interact with each other at many
points both co-operatively and competitively" (Watts, 1970, p.8). Watts thus feels that the term 'interdependent federalism' is more realistic than the more common phrase 'co-operative federalism'. This phrase is more descriptive of "the simultaneous co-operation and rivalry' in the system (Watts, 1970, p.7).

Much of the conflict or rivalry which does exist between levels of government is politically based. Birch (1955) claims that political relations between the two levels of governments can influence not only the co-operation between them, but ultimately the type of legislation which is passed. Watts (1970) believes that co-operation can be impeded by having different political parties in power in the two levels of government. Such a situation can give way to a feeling of distrust. Simeon (1972) also supports the notion of political competition giving rise to conflict.
c) Its Problems

Despite the praise which the new phase of federalism has received such discussions have not been void of criticism. One criticism in particular conveys the idea that co-operative federalism deviates from the 'theoretical ideal' of federalism. It has also been noted by Watts (1970) in a more practical vein that the integration of any government activities would be frowned upon by their respective civil servants. He points out that individual career prospects may appear to be inhibited by the integration or sharing of administrative duties between government levels. Public servants may, therefore, try to resist any steps toward co-operative government.

There are other problems which seem to inhibit the practical implementation of this new phase of federalism. One is the inability to resolve disputes relating to intergovernmental
administration. Should any conflicts arise there is in a federal system no superior body which has the authority to resolve them (Watts, 1970, p.75). A final problem deals with the different perspectives of the national and provincial governments. Simeon suggests that "each government has a set of interests and priorities it is committed to, and each, not surprisingly, feels that its priorities are the most important ones". He goes on to say that "each has a different electorate it must appeal to and a different set of groups it must be responsive to" (Simeon, 1972, p.189).

\(d\) The Continued Need for Intergovernmental Co-operation

Thus, there are difficulties to be overcome in this newer form of federalism. Yet, ironically, it will only be through co-operation and consultation that these obstacles can be overcome.
Watts (1970) provides one of the better discussions dealing with the characteristics and functioning of co-operative federalism. First, he classifies the forms of co-operative administrative relations which exist. Basically there are two:

1) joint action
2) consultation

'Joint action' involves the "establishment of joint programs or activities in which the decision-making powers and financial responsibilities are shared by the governments involved" (Watts, 1970, p.73). Consultation, on the other hand, "is required where extensive financial and administrative responsibility for particular matters rest with one government or the other, but where the interests of both governments will be affected by the decision taken" (Watts, 1970, p.73). The relevance of these two schemes will become apparent in later chapters dealing with government's administrative responses to regional economic development.
Watts also classifies intergovernmental co-operation based on the type of friction which had to be overcome. There are four such types:

1) those matters where the Constitution assigns to the central government exclusive or concurrent legislative powers but where, in the interest of decentralized administration, the central government finds desirable to use the states as its administrative agents in part of the field.

2) where neither the central constitutional powers alone nor the state constitutional powers alone are clearly sufficient.

3) where the central government has no clear power, the states have, but because of territorial limitations cannot proceed singly.

4) those matters which, though constitutionally state concerns, are ones in which the central government especially wishes to promote development. (Watts, 1970, p.78-79)

There seems to be one category which Watts neglects. It is the situation where friction arises out of the absence of the delegation of a particular power to either level of government. As in the case of regional economic development
both levels have assumed this specifically unassigned responsibility. The implications of this will soon be realized.

5. Federalism and Canada

It is a generally accepted fact that the political system of Canada is federal in nature. Canada seems well suited to that form of government. In fact Lawson goes so far as to say that "the federal principle is not merely suitable for Canada, it is a necessity" (Lawson, 1971, p.15). However, Lawson also notes that "the very reasons that federalism is needed in this country, namely differences in population, wealth, resources and religion, are also reasons why the distribution of power is difficult" (Lawson, 1971, p.15).
The problem of the division of powers was probably first encountered in the formulation of the British North America Act of 1867 which acts as the Canadian Constitution. It was formulated primarily to state the conditions of the union of the original four provinces of the Dominion. However, as such "it contains almost nothing on the important question of how the Dominion and provincial governments are to operate" in practical terms (Lawson, 1971, p.11). Nonetheless it did attempt to divide the political powers between the central and provincial governments. In the style of traditional dualistic federalism it even went so far as to enumerate the powers over which the provinces would have exclusive control. The federal government was given the residual powers and these too were listed.
The BNA Act is characterized by vagueness. Bowie and Friedrich (1954) believe that the general nature of the document has led to the difficulty of trying to assign certain powers to one level of government or the other. Lawson (1971) explains this as a symptom of the times. Apparently in 1357 much of the workings of the federal system was based on convention and practice and the form of government preceding Confederation seemed to be running smoothly.

A second characteristic of Canada's Constitution is federal dominance. Molgat (1972) supports the contention that the federal government, by receiving a greater share of the powers than its provincial counterparts, was given dominant authority. Lawson (1971) also explains this characteristic in terms of its point in history. Appreciation of the dangers of strong state powers which became visible in the American Civil War and the need for a strong defence of the colonies are two possible explanations.
b) The Influence of a Changing Society

Despite the attempt for clarity relating to the division of powers in the BNA Act, problems have arisen. Lawson (1971) explains that most of the problems have been created by changing conditions over time. These would be matters unforeseen by the Fathers of Confederation.

One of the effects of time and change has been the creation of a see-saw battle for political dominance between Canada and the provinces. Roughly speaking, the period from Confederation to the late 1930's finds the provinces closer to the people and more active than the federal government. In pre-Keynesian times the federal government found it difficult to acquire widespread support for its economic actions. Keynes (1935) had, of course, made a case for greater government intervention in the economy. However during World War II there seemed to come a turning point. At this time and for
about the next decade the Dominion government was to receive a greater share of the balance of power. Coming out of the war it planned to maintain its position of authority. Smiley (1972) contends that the provinces had never fully recovered from the problems of depression and war. Canadians had also grown accustomed to looking towards the federal government for the supply of services during times of hardship. Jewett (1953) suggests that, in addition, during World War II Canada had learned much about economic matters and, with accepted Keynesian theory as its tool, had confidence to continue its role as leader. He also notes that people were now turning toward the federal government and away from business and industry to pull them out of the wartime economy.

However, in the late 1950's there came the beginnings of another change. Jewett (1953) claims that both levels of government were discontented. The federal government was unhappy in its position of tax collector and fund supplier.
for provincial spending. The provinces were upset with being forced to abide by federal grant arrangements. According to Smiley (1972) it was also at this time that most of the matters which required government action seemed to fall under provincial jurisdiction. The people started to look towards the provincial authorities for social and economic actions. Smiley (1972) attributes the loss of confidence in Ottawa to its inability to handle the problems of the stagflation during the 1950's, a problem which even now Keynesian economics cannot handle.

And so the tug-of-war continued through the late 1950's and into the 1970's when "after 105 years of judicial interpretation an' of legislative an' administrative practice, we now have a Constitution where the legislative power is about equally divided between the Provincial legislatures and the Federal Parliament" (Molgat, 1972, p.43). Safarian adds that both levels of government also have "major economic roles to play" (Safarian, 1974, p.iii).
c) The Problems in Canada

This practical division of powers has led to a number of problems and criticisms. Some of the public submissions received by the Special Joint Committee of the Senate and of the House of Commons on the Constitution of Canada illustrate this situation:

1) The Federal Parliament does not have sufficient power to manage and plan the economy.

5) The present Federal role in social legislation (particularly in shared cost programs) interferes with or prevents the Provinces from varying the programs in accordance with Provincial needs, resources and priorities. It also leads to a poor allocation of public funds and an excessive bureaucracy.

3) The present division of power is too rigid to allow for varying Provincial and Federal needs. The Constitution requires greater flexibility.

9) The present division of powers is unclear and imprecise, giving rise to much litigation and judicial interpretation. It is also incomplete and does not provide for jurisdiction over modern technology and its resulting
problems. The division of powers must be more functional.
(Molgat, 1972, p.42-43)

Birch (1954) believes that such problems have brought on a situation where there is a considerable overlap of jurisdiction between the two levels of government. Thus one can begin to visualize some of the potential political problems which may face regional economic development strategies at both levels of administration.

Among the common recommendations for change is the call for increased intergovernmental co-operation and co-ordination. Lawson (1971) states that federalism, particularly Canadian federalism, requires this same co-operation - 'a certain amount of give and take'. This type of working arrangement is particularly important, as Smiley (1972) suggests, when it concerns matters of economics.

The Victoria Charter, a document of recommendations from the Canadian Constitutional
Conference of June, 1971, contained specific reference to increased consultation between federal and provincial governments. It recommended an annual meeting of the Prime Minister and Provincial Premiers. The Joint Committee dealing with the Constitution used the Victoria Charter as the basis for many of its recommendations (Molgat, 1972). Although the Committee recommended the continued use of exclusive powers delegated to one level or the other, they also advocated the increased use of concurrent powers. Their ultimate recommendation dealing with intergovernmental relations read as follows:

"More communication and fuller co-operation among all levels of government are imperative needs. The achievement of these ends involves the improvement and simplification of the means of liaison, and, where necessary, the creation of new mechanisms."

(Molgat, 1972, p.44)
The provinces have given a considerable degree of support to such recommendations (Simeon, 1972) and Watts states that there has already been a distinct move towards joint programs.

Jewett (1953) outlines the beginning of these changes. The year 1953 is the point in time Jewett selects as the turning point in federal-provincial relations. This new philosophy she describes as 'co-operative federalism'. Symptoms of this evolution have been an increase in federal-provincial consultations, recognition of the expansion of provincial spending needs, increased equalization payments and the resultant decreased significance of shared cost programs (Jewett, 1953, p.342). Simeon (1972) also sees 1953 as being an important date. It was at this time that Prime Minister Pearson outlined the elements of co-operative federalism. He stated that it "includes mutual respect for each other's jurisdiction, close consultation as a basis for co-ordination, equitable tax-sharing and equalization" (Simeon, 1972, p.172-3).
Despite this apparent change of attitude, problems do exist for the Canadian brand of co-operative federalism. Some believe that conflict within the system is simply inevitable. As one author puts it:

It is wildly improbable that federal-provincial conflict in respect to economic matters will be ended through either a new constitutional settlement or through those governments giving up their freedom of independent action to some kind of joint executive authority. Such conflict is inherent in the Canadian federal system. (Smiley, 1972, p. 107)

Simeon (1972) agrees that the different perspectives of the two levels of government create a built-in source of conflict. Smiley continues this argument and relates closely to the topic at hand. He is writing about the 1971 Ontario Budget Paper:

Thus, according to the Ontario analysis, the net effect of federal policies was permanently 'contractionary' in Ontario and Ottawa's attempts to instigate interprovincial disparities had frustrated full employment and economic growth in the
province. From the Ontario perspective, provincial and municipal fiscal policies were necessary to counter the effect of federal action.

(Smiley, 1972, p.119)

There are a multitude of other difficulties which exist. Simeon (1972) criticizes the provinces for the jealousy with which they guard their powers. Corry (1953) concurs, noting that the provinces prefer to live off the system rather than become partners with the system.

There are also the traditional political problems. These usually boil down to 'who-pays, who-gets-credit'. Simeon reported in 1972 the results of a number of surveys with government officials which substantiate the existence of just such a situation. He found that a common complaint among federal authorities was the fact that they supplied the funds for certain provincial programs and yet received no credit. He also uncovered one further problem which deals with political credit and political prestige. Simeon states that this is "simply ... the fact
that two levels of government are competing for
the support and taxation dollars of the same
people" (Simeon, 1972, p.3).

The Constitutional problems which Canada
faces are more apparent now than ever before. The
specific problems faced by those in government
administering regional programs are symptomatic of
those faced by the country as a whole.
IV. REGIONAL ECONOMIC DEVELOPMENT: IT'S STATUS IN A FEDERAL COUNTRY AND THE EVOLUTION OF PROGRAMS

1. Regional Development in the Canadian Federal Setting

Canada is a land of great diversity - diversity in a multitude of phenomena. Physically rich farmlands give way to barren rock and cattle graze within the view of skyscrapers. Similarly, the economic landscape is not uniform.

Unfortunately, as is frequently pointed out, "geographic diversities may not always follow the boundary lines of the component units" within a federal country (Livingstone, 1952, p.85). To the frustration of many economic geographers and concerned politicians most boundaries have been "determined historically with little regard for economic considerations" (Head, 1973, p.28). Head adds that this situation is of greatest
significance in a multi-level governmental system.

Economic activities tend to ignore provincial boundaries. This results in two particular problems according to Watts (1970). One is the problem of distinguishing between activities of national versus provincial interest and the other is the existence of interaction among activities at both levels. The relevance of this becomes apparent when one realizes that "economic development and the location of industry has almost always been of interest to both central and state governments" (Watts, 1970, p. 68).

The Fathers of Confederation were unable to create a constitution which could stand the test of time and weather all changes in society. In particular, they must have had little idea that regional economic disparities would be perceived as a problem of great significance and that governments would take such an active role in their alleviation. As Molgat sees it:

Canadians are becoming aware of the problem of regional disparities and have been asking their governments for an
increasingly greater redistribution of wealth. Unfortunately, the Canadian Constitution did not explicitly assign the role to any government.

(Molgat, 1972, p.26)

a) Economic Policy and Federalism

The result of constitutional failure has been the creation of a stumbling block in the fight against regional disparities. The "inherent difficulty in the field of regional development policy is the overlapping jurisdictional responsibilities of different levels of government in terms of both functions and geographic areas" (Lipnowski, 1969, p.ii).

The existence of this situation leads Watts (1970) to believe that it would be difficult to delegate government responsibility for regional development to any one level. Corry (1958) suggests that there will never be a constitution created where the various economic functions of governments do not overlap. Duchacek (1970) recounts how politicians, both past and present, have been unable to properly assign authority in the area of economic policy. Even in more
recently created federations this has not been achieved. In such governmental systems there are frequently a number of concurrent powers "including such important subjects as industrial development" (Birch, 1955, p.304).

In all cases what must be realized is the inevitable interaction between governments operations. Safarian (1974) points out that there are some types of policies which are very interdependent. Duchacek (1970) specifically mentions the interdependence of economic policies between the two senior levels of government.

The constitutional predicament combined with government interest in regional economic development has led to a number of obvious problems. Watts observes that federations "appear to be inefficient, slow and costly, especially in such critical areas as economic planning" (Watts, 1970, p.8). Others have similar comments concerning the more specific topic of regional development. In this respect Bacon notes the apparent "interdepartmental rivalry and lack of
co-ordination" (1969, p.18). A study by the Organization for Economic Co-operation and Development (OECD) makes a similar remark with reference to Canada. It states that "in some instances, a large number of different agencies may be operating in a region and there are latent, if not apparent, co-ordination difficulties" (OECD, 1970, p.57).

Describing the scene in 1968, Brewis and Paquet make a strong indictment of government practices regarding regional development:

Therefore, what we have in Canada is a combination of miscellaneous goals defined by a number of agencies informally working in a somewhat complementary way but with an almost nonexistent unifying and overall direction. No clear and coherent plan of development is reflected in the regional policies. There is information gathering, much of it only tenuously related to specific action, but there is little or no indication of how the system is supposed to work, how one region is related to another in the national context, or what should be the timing of specific steps.

(Brewis and Paquet, 1968, p.135)

And they continue:
The lack of integration between the elaboration of regional policies and the broader policy framework of the larger units explains and illustrates the extent of the chaos on regional issues. Very little is done to guide the elaboration of a sound regional policy based on national and provincial priorities. This lack of planning leaves all sorts of freedom for many agencies at all levels of government to pursue contradictory policies.

(Brewis and Paquet, 1968, p.136)

Writing four years later, Brewis states that "such a lack of integration is common" (Brewis, 1972, pages not numbered). He illustrates his point by stating that "an individual province may subsidize the establishment of a plant within its boundaries, even though there may be excess capacity in the industry as a whole" (Brewis, 1972, pages not numbered).

b) The Problem

Although "it has seemed reasonable to expect each government within a federation to have
its own services" (Watts, 1970, p.8), it does not seem reasonable (let alone economical or efficient) to have unnecessary duplication. Such duplication may prove costly to the tax-payer. It is unlikely that a nation could support two separate political administrations with the concomitant possibility of duplication and conflicts (Duchacek, 1970, p.313).

A problem which may arise out of this could be labelled 'competition'. Provinces which participate unilaterally in regional economic development programs are, in fact, competing for development with other provinces. It may also have a bearing on the effectiveness of national policies:

Such competition for industry at the provincial level has important implications for the nation as a whole. If there is to be a national policy of regional development, the actions of individual provinces cannot be a matter of indifference.

(Brewis, 1969, p.324)

Three years later Brewis continued his
For the most part, provincial governments attach little importance to the possible repercussions of their actions on other provinces, or the implications of their policies on national objectives...

From the national point of view, little is to be gained by this type of competition. (Brewis, 1972, pages not numbered)

From the perspective of the provincial politician it is easy to understand the rationale behind provincial interest in development programs. Unfortunately and too frequently provincial borders do not represent economic regions. It is simply coincidental if they do. However, as Brewis (1964) points out, when provinces take actions which appear to be based on a 'economic region' rationale, their actions may hinder rather than help the economic growth of the nation. A "preoccupation with provincial boundaries can lead to an inefficient allocation of resources at the national level" (Brewis, 1969, p. 325).
c) The Arguments for Federal Control

The outline of the above problems provides a good starting point for the presentation of arguments which advocate national, or rather, federal control over regional economic development. One of the cases most frequently used by federalists is the unity argument. In Lipnowski's M.A. thesis the following line of reasoning is presented:

... a pre-eminent national political goal is the fostering of national unity... In fact, the impetus for a regional development programme at the federal level might derive largely from the need to instill in all regions of the country a sense of belonging and participation in the mainstream of economic life.

(Lipnowski, 1969, p.2)

Gertler reports that Jean Marchand, the first Minister of the Department of Regional Economic Expansion (DREE), made an emotional plea at a conference for businessmen to help the government solve "the problem of regional
disparities for the sake of Canadian unity". Gertler goes on to recount how at a similar engagement Tom Kent, a former Deputy Minister under Marchand, stated that one of the "major motivations for current policy was nationalism" (Gertler, 1972, p.72-73).

A second argument which federalists are quick to put forward could be classified as the 'economic efficiency argument'. The concept of centralized control seems to be of paramount significance to this line of reasoning. For planning of any matters, particularly those economic, at the national level, centralization is necessary. (Carnell, 1961) Duchacek states this more specifically:

To speed up economic progress, to eliminate territorially uneven social and economic development, and to ensure national security, it seems imperative to provide for centralization of economic and political powers on which a nationally unified policy and action may be based. (Duchacek, 1970, p.348)

Hood concurs with the centralist arguments
Policies to defend the national economy against unemployment, inflation and inadequate growth must be national policies, having national support and the active co-operation of all governments which have responsibility for their implementation. (Hood, 1964, p.76)

Hood has thus introduced the idea of inter-governmental co-operation. This facilitates discussion of a third line of reasoning which federalists put forth and might appropriately be labelled the 'central co-ordinator' argument. It basically states that because the federal government should be responsible for economic policy in the nation it should thus act as the 'watch-dog' co-ordinator of the provincial implementation of the national policy. Bacon incorporates the idea of planning into this argument:

Planning can only be carried out from the top down. A national framework is essential for provincial action, and for successful regional action, a form of
comprehensive provincial policy is unquestionably necessary.  
(Bacon, 1969, p.18-19)

Before the creation of DREE, Kristjanson (1965) criticized the federal government for failing to provide the provinces with a framework for national development which could be used to assess their individual positions. Because of this situation, he contends that short-run programs had to be implemented. Watts (1970) observes that in federal nations with centralized planning in order to fully implement effective programs for development it is often necessary for the central government to co-ordinate state action.

Such co-operation between federal and state governments in tackling the regional development problem would seem to be a realistic approach for Canada to take, particularly in light of the constitutional dilemma discussed previously (pp. 38 - 48). There is, of course, a need for provincial input to regional growth policies
especially because natural resources and education fall within their jurisdiction (Kristjanson, 1965). Richards explains this situation more concisely:

National planning relating to regional development is difficult under the Canadian system of confederation where control of natural resources, education, and other sectors is the prerogative of the individual provinces. Except during periods of national emergency, national objectives involving these sectors may be achieved only through co-operation with the individual province; it is the province which assumes the planning function and, theoretically at least, deals with the problems and decides on the solutions and objectives.

(Richards, 1968, p.19)

Yet the residual nature of the Canadian Constitution should permit federal control of regional development. However, "this is of no great comfort in practical political terms today" (Burns, 1967, p.21).
d) The Arguments for Provincial Control

Despite the constitutional assignment of power, and due to some of the problems discussed above, some writers advocate provincial jurisdiction over regional economic development. Indeed, the provinces have taken a keen interest in activities centred around regional economic development (Gertler, 1972). The result has been "a proliferation of industrial incentive programs across the country" (Brewis, 1972, pages not numbered).

Arguments which advocate provincial authority can be grouped into several rough classes. One has already been mentioned. It deals with the Constitutional division of powers and could be labelled the 'provincial jurisdiction' argument. Gertler (1972) argues that the major structural economic problem in Canada is its dependence on the primary resource industries and that this problem is felt most conspicuously at the provincial level. Thus some
of the most critical changes in the economy must deal with resource use. Because natural resources falls under the jurisdiction of the provinces these units must be responsible for some of the major structural changes in the economy (Gertler, 1972). A second major area over which the provinces have jurisdiction is the environment, a responsibility which may also have an impact on regional policies. Gertler defines this term as "the qualitative element in our standard of living (Gertler, 1972, p.50).

The concept of the 'quality of life' expressed above allows a smooth transition into the next argument in favour of provincial control over regional economic development. More specifically it is the existance of intra-provincial disparities. There exist within the provinces "substantial economic and general cultural disparities" (Gertler, 1972, p.51). Gertler continues:

In fact, because of the intra-provincial centralization of growth, the disparities tend to be sharpest in the more prosperous
provinces. This is illustrated by a recent ranking of the ten economic regions of Ontario.

(Gertler, 1972. p.51)

The final argument frequently voiced could be called the 'fiscal power argument'. One "factor of considerable consequence shaping provincial development policies is the fact that they are, as a group, becoming fiscally more important" (Gertler, 1972, p.51). However, Paquet and Lithwick (1967) suggest that, more importantly, it is the increased role of the provinces in the area of public policy relative to that of the federal government. There seems to be both increased "opportunity and concomitant responsibility for policies affecting the level of economic activity" (Gertler, 1972, p.5). The results of this trend are described in the following passage:

The developments have led to a new self-awareness on the part of all provinces and an acute desire on the part of the have-not provinces to achieve economic and social standards equivalent to their richest sisters ... The first phase of the
emergence of regional consciousness then has proceeded at the provincial level. (Paquet and Lithwick, 1967, p.64)

Naturally, politicians are going to take either a pro-federal or a pro-provincial stance depending on their respective positions. However, all of the arguments must be weighed objectively. Certainly trade-offs in political power and prestige may have to be made but many realize that a more efficient and effective battle against disparities can only be waged in an environment of co-operation and co-ordination. Such governmental interaction is vital to the effective allocation of resources for policy purposes (Gertler, 1972). More specifically, Brewis (1969) and Lipnowski (1969) stress the need for co-operation and co-ordination in effective regional development policies. Smiley (1972) believes that the most effective measures for economic stabilization are those which are carried out co-operatively by all levels of government. Pullen states:
For regional economic development policies to be fully effective it has been argued that there is a need for development of three levels of planning and of co-ordination between these levels. (Pullen, 1966, p.39)

It is highly unlikely that one level of government will give up its power in one area to the other level of government. Therefore, attempts to revamp the Canadian Constitution must move in the direction of co-operation and co-ordination. Watts (1970) illustrates the success of this approach in India particularly in the area of development planning.
2. Federal Regional Economic Development Programs

To study existing federal programs, particularly as they relate to provincial programs, it is necessary to survey their evolution. "In the opinion of some, there is no possibility of dealing with the problem of regional development in Canada without sketching the economic and political structure of the country since 1867" (Brewis and Paquet, 1968, p.134). This detailed exercise is not necessary for this thesis. Most action taken in the field of regional development has taken place in the past 20 years. Nonetheless, it may be beneficial to provide some details of earlier times in order to see more recent events in their proper perspective. It might be wise to begin in 1867, the time of Confederation.
a) Background Developments

As Brewis (1964) points out and as has been discussed before, even where, as in Canada, a constitution has been drawn up which delegates specific powers to provincial and federal governments, there will always be residual powers which have not been directly ascribed to either level. In order to overcome this dilemma and allocate these powers the British North America Act includes a section which delegates these remaining powers to the Dominion government.

Bowie (1954) goes on and states that this situation "simplifies the federal handling of economic matters" (Bowie, 1954, p.317). Despite this apparent 'simplified' solution, "the conflict for power and authority in some aspects dates back to Confederation" (Burns, 1967, p.22).

Most historical reviews of the evolution of regional development in Canada start after the turn of the twentieth century. Many seem to agree with Gertler that "the dominant fact in the
The evolution of regional development was the Depression" (Gertler, 1972, p.77). Perry (1974) alligns its beginning more closely with the early conservation movement, associated with this same period. Gertler (1972) provides an account of the regional nature of the reports of the Commission of Conservation between 1909 and 1921 in that the reports showed little concern for regional 'economic' development. The boom of the 1920's helped to "paper over the cracks in the Canadian economy" which were of a regional nature (Gertler, 1972, p.77). Yet despite the general well-being at this time Springate (1973) points out that in 1927 the Maritime Freight Rates Act was enacted to stimulate development by reducing transportation rates in the Maritime provinces for the purpose of attracting industry.

One of the more relevant results of the Depression and the concurrent drought in the Western provinces was the adoption of the Prairie Farm Rehabilitation Act (PFRA) in 1935. This program still exists today and, as such, is the oldest running regional development program in
Canada. The introduction and acceptance of Keynesian economic theory also associated with this period was another significant development. Keynes' call for greater government intervention to smooth out the business cycles in the economy was an event which was to change governments' attitude toward regional economic development in the years to come (Keynes, 1935). Also interesting to note are the recommendations of the Rowell-Sirois Report which appeared at the end of the Depression decade in 1940. The one in particular which stands out was the denouncement of "joint arrangements between federal and provincial governments which came to be known, with considerable accuracy, as 'co-operative federalism'" (Smiley, 1972, p.108). Fortunately such recommendations were never given serious consideration.

By this time the battles of World War II were being waged. To many writers this was another important stage in the evolution of regional development in Canada:
The war was a great turning-point in the Canadian federal system, involving a marked shift in the balance of power between the two levels of government. Even before the war was over, Ottawa had begun to make plans for the continued assertion of federal authority in the economic and other spheres.

(Jewett, 1968, p.339)

It was also a time when there appeared what are considered to be "the first steps towards a really explicit policy of regional development" (Springate, 1973, p.11). Springate goes on to explain that this was:

...the adoption of a system of fiscal policy equalization arrangements. These grew out of the fiscal weakness of the poorer provinces which was exposed during the 1930's and in the report of the Rowell-Sirois Commission (1939). The report suggested that public services should be roughly of the same quality and quantity across the country without the imposition of heavier than average tax burdens...

(Springate, 1973, p.11)

Two other major and direct regional development programs were initiated before 1960. The first, appearing in 1948, was the Maritime Marshland Rehabilitation Act (MMRA). Under this
agreement the federal government paid for the turning of marshland into productive agricultural land. The other was a program to help develop power generating facilities thus reduce the cost of power in the Maritimes. The Atlantic Provinces Power Development Act (APPDA) came into existence in 1958 with federal assistance taking the form of loans for the capital costs of construction of generating stations and transmission lines or in the form of coal subvention payments.

The year previous to the implementation of this program, 1957, seems to be another crucial date in the evolution of federal involvement in regional development. "Until 1957 the regional distribution of growth, the rate of expansion in different sectors, were not a federal responsibility" (Parizeau, 1965, p.51). Smiley also sees this date as an important point in time:

From the coming to power of the Diefenbaker government in 1957 there has been a steadily increasing recognition of the special needs of depressed areas of Canada. Special Atlantic Provinces Adjustment Grants above the regular equalization payments were made to the Atlantic provinces from 1957-58 onward and in the same year was enacted legislation
providing for federal assistance to those provinces for hydro electric development. (Smiley, 1972, p.125)

Springate suggests two possible explanations for this increase in federal concerns for regional development:

The recession that occurred in Canada from 1957 to 1961 demonstrated again that regional imbalances still existed. The high unemployment rates, in eastern Canada especially, combined with the recommendations of the Royal Commission on Canada's Economic Prospects (1957), resulted in a spate of new programs designed to attack certain aspects of the regional disparity problem. (Springate, 1973, p.12)

The actions taken by the federal government may have been spurred on, in part, by other events of the day. Gertler points to the 'Resources for Tomorrow Conference' associated with the years 1959-61. He states that this was a "period of philosophical research" and led to a renewed interest in and actions towards regional development (Gertler, 1972, p.78).
Gertler also points to the Cairncross report released in February, 1961. Undertaken to study the economic situation of the Atlantic provinces, "the Cairncross report explicitly calls on the Federal government to assume responsibility for regional development in Canada" (Gertler, 1972, p.14). Brewis states that even "several provinces were urging the federal government to participate more fully and more directly" (Brewis, 1962, p.41).

Despite the existence of such forces, the federal government was neither eager nor swift to take action in this area. Parizeau (1965) cites two explanations for this. One was the lack of tools required for such action. Second, and more importantly, was that taking such action would represent a radical change in the role of the central government as well as a similar change in its approach to economic development. Brewis (1962) explains the 'inertia' on the part of the federal government as being a result of past constitutionally forced compromises and provincial rivalries. The entrance of the federal government
to this arena was slow and replete with misgivings (Brewis, 1969).

The cautious interest generated by the federal government in regional development did lead, however, to the creation of several important programs. For the most part, these do not require a detailed analysis here. However, a cursory review of them is necessary to appreciate better the evolution of Canadian regional development programs.

a) ARDA

(i) Its Evolution

During the beginning of the 1960's many farmers were in serious economic trouble and struggled with low incomes. Many farms were perceived as being "redundant, in the sense that they could leave agriculture to the benefit of themselves as well as the remaining farm community and the national economy" (Brewis, 1969, p.98).
Brewis (1969) points out that some of the problems of the small scale farmer were poor quality land, an inability to keep pace with modern farm technology and inadequate skills and education. So, as a result of the Senate Committee's investigation into this phenomenon, ARDA was enacted. On June 22, 1961 assent was given to 'an Act to Provide for the Rehabilitation of Agricultural Lands and the Development of Rural Areas in Canada' which is more commonly known as the 'Agricultural Rehabilitation and Development Act' or ARDA. It was to be administered by the Department of Agriculture. However, in 1964 it was shifted to the Ministry of Forestry and then, less than three weeks later, back to Agriculture only to once again be given to Forestry. Brewis (1969) points out that no explanation was ever given by the government for this juggling act.

Projects began in 1963 and the emphasis was on the improvement of land use. One of the products of this early program of particular interest to geographers was the Canada Land Inventory which was undertaken in 1963.
(ii) Efforts for Intergovernmental Co-operation

At the same time as the federal ARDA legislation was passed similar legislation was being enacted at the provincial level. Such complementary laws at two levels of government permitted the signing of the first 'General Agreements' in 1962. Buckley and Tihanyi quote the first General Agreement to explain that the purpose of this federal - provincial action was one:

... of facilitating the economic adjustment of rural areas and of increasing the incomes and employment opportunities and improving the standard of living of people in rural areas.

(Buckley and Tihanyi, 1967, p.93)

Brewis (1969) sees the aim of this co-operative venture more specifically as one of aiding 'sub-marginal' farms particularly through
the improved use of conservation techniques and research. The programs created via the bi-lateral Agreements to achieve the objectives were not undertaken until 1963 and were due to expire in 1965. A second General Agreement came into effect in 1965 which was to endure for the next five years. This Agreement saw ARDA's name change to the 'Agriculture and Rural Development Act' and its administration now fell under the Department of Forestry and Rural Development. The new Agreements also saw a major change in policy. According to Brewis the emphasis was shifted from soil and water conservation and land use to a more comprehensive approach "directed towards the development of human resources in rural areas" (Brewis, 1969, p.111). The government began to encourage the exodus of farmers from uneconomical farms. Farms were often consolidated and occupational training was encouraged. These were now the important elements of ARDA (Lloyd and Dicken, 1972, p.257).

Also appearing in 1965 was FRED which is considered to be one of the more important
features of the ARDA program (Brewis, 1969). FRED was the 'Fund for Rural Economic Development'. This program was undertaken "to permit the implementation of comprehensive rural development programs in specifically designated rural areas characterized by widespread low incomes and major problems of adjustment, but considered to have development potential" (Brewis, 1969, p.108-9).

This new program and the new Agreements also brought a change in the amount of money allocated to ARDA. The federal government had made $50 million available to be used under the first Ageeements (1961-1965). Of this approximately two-thirds was used. However, under the second General Agreements the federal government made a total of $125 million available over the five year period at a rate of $25 million per year. FRED was allocated $50 million, a figure which was soon after increased six fold (Brewis, 1969).

An important feature of the ARDA program was its formally co-operative and cost-sharing nature. The agreements between the federal and
provincial governments laid down the types of projects which could be undertaken. The provinces were free to choose from among these and were to initiate, conduct and administer them. "The main functions of the federal government were ... cost-sharing, policy co-ordination, technical advice and assistance with specialist services" (Buckley and Tihanyi, 1967, p.96). These authors conclude that "ARDA is essentially a collection of provincial programmes" co-ordinated and partly financed by the federal government.

The amount of money available to a particular province was based on a formula. It took into account the rural population and the number of low-income farms. In the Second Agreement the number of poor rural, non-farm families was also included (Buckley and Tihanyi, 1967, p.97).

(iii) The Problems Encountered

Although this co-operative, cost-sharing program sounds effective, one particular problem
was realized:

As it happens, it is the richer rather than the poorer provinces that seem to benefit most from the ARDA program, one reason for this being that the former are more able to pay their share of the costs which are required to be borne jointly by the federal government.

(Brewis, 1968, p.325)

However, Lloyd and Dicken (1972) also note that, particularly during the first General Agreement, some of the wealthier provinces did not participate fully and that most of the projects were scattered. Buckley and Tihanyi (1967) concur and note that this "underutilization is ... most conspicuous in Ontario" (Buckley and Tihanyi, 1967, p.104). On the other hand they also comment upon a 'breakthrough' by Ontario under the Second Agreement when it undertook a number of major projects requiring greater federal financing.

Despite such problems, the development of mechanisms for co-operation which allowed ARDA to function was significant. The federal government set up regional ARDA administration offices in
each of the major Canadian regions. In addition, 'Joint Advisory Committees' were formed with levels of government to "review progress reports and work out mutually acceptable criteria for ARDA policies in each province" (Buckley and Tihanyi, 1967, p.96). As new and as progressive as the participatory nature of this operation appears, it is, in reality, "what it takes to carry through fundamental economic and social changes within Canadian society and within a federal state" (Gertler, 1972, p.80). Unfortunately a number of problems were encountered. Naturally there was a problem of priority and direction. With two levels of government involved, differences in opinion arose as to where the main emphasis of the program should lie (Brewis, 1969). Secondly, because of the shared-cost nature of the program there was often little regard by the provinces for the complete picture of costs and benefits (Brewis, 1969). The provinces were, in fact, reaping the full benefits for half the cost.

A third problem area was that of inter-governmental co-ordination. Brewis provides
a general outline:

The number of bodies involved in the fulfilment of the ARDA objectives is almost certain to lead to complex problems of co-ordination and overlapping powers, and to recommendations for coherent plans of development. This, in fact, is very largely what has happened. What started with a concern over the poverty of the marginal farmer has already developed into a broad network of programs extending widely over the economic problems of rural communities and has led ... to the introduction of specific plans for certain areas. Co-ordination of efforts is clearly necessary. Agriculture, power, lands and forests, fisheries, roads, health and welfare, manpower, labour, housing and municipal affairs are among the various bodies responsible for individual aspects of development; and not infrequently rivalries and differences of opinion arise. These differences exist not only between governments but also within governments. The broader the program envisaged under ARDA, the more serious the problems of co-operation are likely to be. One of the main difficulties is the lack of common purpose with the Department of Industry. (Brewis, 1969, p.113)

However, even with the encounter of such problems, the attempts by the two levels of government to work together were encouraging. "To be acceptable and effective, regional planning must be a joint effort" (Brewis, 1969, p.132).
The joint preparation of plans under ARDA may have been a very important education for both levels of government.

c) ADB

(i) Its Evolution

Everyone involved in Canadian regional development is keenly aware of the plight of the Atlantic provinces. The term 'disparities' when applied to this area becomes a very powerful and meaningful word. Both the Royal Commission on Canada's Economic Prospects (1957) and the Atlantic Provinces Economic Council (APEC) had called on federal aid to strengthen the Atlantic provinces' faltering economy in the late 1950's. On December 20, 1963, perhaps as a result of these pleas, royal assent was given to 'the Atlantic
Development Board Act (ADB). It was set up "to enquire into and report ... upon measures and projects for the fostering of economic growth and development of the Atlantic Region of Canada" (DREE, 1970, p.18). The region referred to is the four Atlantic provinces, roughly an area of 193,000 square miles (Lloyd and Dicken, 1972, p.257). The Board originally had five federally appointed members but this was to increase to eleven in 1963 "to change the political complexion of the Board" (Brewis, 1969, p.176).

The Board was to have worked in only an advisory capacity. However, to show that the government was serious, the Board was empowered in 1963 to administer the Atlantic Development Fund with a federal purse of $100 million. The Fund was increased to $150 million in 1966. The total federal spending exceeded $208 million before all its commitments were met.

The Board's attention was focussed upon weaknesses in infrastructure and social capital of the region, "especially those aspects likely to contribute to long-term improvements in the
economy" (Brewis and Paquet, 1968, p.149). The projects to which funds were devoted were water supply, sewer systems, industrial parks, transportation (primarily highways), power developments and facilities for industrial related research activities. The Board also conducted studies of various sector's of the region's economy and "devised input-output tables, which enabled the sectors of the regional economy to be analyzed in terms of their inter-relationships" (Springate, 1973, p.12).

There were numerous criticisms of the ADB. Its stress on improving the infrastructure was one. "The provision of infrastructure may be a pre-condition of growth but it is unlikely to be a sufficient condition" (Brewis, 1969, p.180). While concentrating on individual projects, little attention was given to planning. Certainly a number of studies were undertaken but a comprehensive regional plan was never to appear. In all fairness to the ADB it should be mentioned that in 1968 work on such a plan had begun. Unfortunately the Board was dissolved before its
completion and implementation.

(ii) Intergovernmental Co-operation and Program Problems

The ADB was financed by the federal government but did seek cost-sharing arrangements with the provinces for various projects using a formula which took into account the needs of the province involved. As well, the projects for which a grant application was made did not automatically receive government funding. This was left to the discretion of the Board. Despite the problems, Brewis and Paquet (1968) and Lloyd and Dicken (1972) claim that the ADB did have an impact in certain problem areas.

The ADB was "unique in Canadian experience" in as much as it was a 'super-provincial' agency having jurisdiction over the whole of four provinces (Lloyd and Dicken, 1972). However, there were problems of a political nature which arose in its attempts to spread spending or benefits evenly over the four provinces. Each had varying needs
and, therefore, would require different types of projects to attain the common, desired goals. Naturally, the Board could not appear to favour one province more than any other. An agreement was reached to restrain favouritism. Brewis and Paquet (1968) point out that this formal constraint had little influence on the Board's ability to recognize economic merit rather than respond to political pressure. The need for a binding agreement was a formality to soothe the provinces or, rather, the competitive or jealous nature of the provinces.

The ADB was not dependent on formal federal-provincial agreement as was the ARDA program. Thus one obstacle to progress was removed. The Board could reach agreement with provinces regarding specific projects if they would not otherwise be undertaken or if alternative modes of financing were lacking (Brewis, 1969).

In a passage related to the concepts of co-ordination and co-operation, Brewis continues:

In the fulfilment of its objectives the Board is required to consult and co-operate with the Economic Council of Canada and
with those departments and agencies having duties and objectives related to those of the Board. The main agencies and departments concerned would be ARDA, ADA, and the departments of Fisheries, Manpower, Energy, Mines and Resources, and Public Works. The provincial governments are consulted before action is taken on specific projects, whether or not they contribute to the cost, and Treasury Board or Cabinet approval is required for all expenditures.

(Brewis, 1969, p.177)

Unfortunately, there appears to be nothing in the literature which discusses the impact of this particular arrangement. From the tone of Brewis' (1969) concluding paragraph concerning the ADB the particular brand of co-operation and co-ordination employed by the Board does not appear to have been a success. In it he calls for "a comprehensive development plan for the whole region ... jointly approved by the provinces and federal government and in which the efforts of numerous government departments would be integrated" (Brewis, 1969, p.192).
d) ADA

In 1963 the third major regional development program of the 1960's was initiated. It was the Area Development Act which was administered by the Area Development Agency (ADA) under the auspices of the simultaneously created Department of Industry. It was to encourage economic development in designated regions across the country. The means selected to accomplish this task was a system of tax-break incentives for manufacturing industries locating in the designated areas.

In 1965 the Area Development Act was replaced by the Area Development Incentives Act (ADIA). The criteria for selecting those areas which could receive aid were changed and as a result a greater portion of the country was included. In addition the tax-break scheme was slowly phased out and was replaced by a system of capital grants. This program ran with only minor changes until 1969 when it was replaced by the Regional Development Incentives Act (RDIA), a
program of the Department of Regional Economic Expansion. A more detailed discussion of ADA, ADIA and RDIA will be presented at a later in this study This will allow the details of the program to be more closely associated with the empirical analysis of its actions.

Other Programs

In addition to those discussed above and those such as the Prairie Farm Rehabilitation Act (PFRA), the Maritime Marshland Rehabilitation Act (MMRA) and the Atlantic Provinces Power Development Act (APPDA), mentioned previously, there are other programs with which the federal government had become involved. The Cape Breton Development Corporation (DEVCO) was one of these. Originally set up to smooth the transition from the coal industry to a more diversified economy, DEVCO now aims to stabilize the coal industry.

The Canada Newstart Program was created to develop the human and social resources of the country. Six autonomous, provincially
incorporated bodies concerned themselves with adult training and education and job counselling and placement.

The Newfoundland Resettlement Program was administered by that province under the guidance of a joint federal–provincial committee. It had been created to aid households in their move from isolated and poorly serviced settlements to larger and better serviced settlements with greater job opportunities.

In 1969 the administration of all these programs would observe a significant change in federal government structure.
The creation of the Department of Regional Economic Expansion (DREE) on April 1, 1969 "marked the beginning of the present phase of federal regional policy in Canada (Francis, 1974, p.193). Its creation seemed to stem from two basic factors. First, as Husband (1971, p.538) points out, the federal regional development policies of the 1960's seemed to have done little in the "narrowing of the gap in income and employment opportunities between the provinces and regions." The Monetary Times ("Is He.." , 1969, p. 39) agreed. It suggested that the pre-DREE programs were a mess and that through the creation of DREE the government acknowledged that "its high-priced policies have been poorly conceived, under-researched, badly-oriented and totally unco-ordinated" ("Is He ... " , 1969, p. 39). Arguments by Springate (1973) and Francis (1974) further substantiate this point.

The second factor involved was one of
government priority. "Regional disparity was now thought by many in government to have become an important national problem" (Springate, 1973, p.16). This notion was initiated by the Pearson government and carried over into the 'Just Society' platform of the Trudeau government "The underlying themes remained those of equity and preservation of national unity" (Springate, 1973, p.16). Thus a realization that regional economic disparities continued to persist and that a stronger more co-ordinated attack was necessary lead to the creation of DREE.

On April 1, 1969 The Government Organization Act, 1969 came into force. It created five new departments and three crown corporations. Under Part IV of the said Act, the Department of Regional Economic Expansion came into being. It was to have power over "all matters...relating to economic expansion and social adjustment in areas requiring special measures to improve opportunities for productive employment and access to those opportunities" (Statutes of Canada, 1968-1969, p.594).
(i) Its Objectives and Component Programs

In the literature, the purpose or goals of DREE vary with each author. Generally, however, its purpose seems to be one of forming a comprehensive, planned and co-ordinated attack on regional disparities. Its approach seems to be one of reducing underemployment and unemployment in certain pockets and thus allow all areas of the country to realize their full potential and enjoy the nation's wealth. Springate (1973) cites three more specific objectives of the program as stated by the first Deputy Minister of DREE, Tom Kent, in a 1970 speech. Basically they are:

1) to assist the process of rural adjustment
2) to improve industrial and community infrastructures
3) to encourage private investment in certain regions of the country that lag economically

(Springate, 1973 p.17)

In order to conduct the co-ordinated attack that was necessary many of the regional development programs of the 1960's had to be consolidated under a single administration. These included ARDA and FRED, PFRA, MMRA, ADB, the
At the time DREE was formed, the Atlantic Development Board had been criticized for the spending of millions of dollars without ever producing a master plan of its intentions in the Atlantic provinces ("Is He ... ", 1969, p.40). It was dissolved upon the establishment of DREE and replaced by an Atlantic Development Council. It was to serve only in an advisory capacity ("Is He ... ", 1969, p. 41).

The FRED Act was repealed by the Government Organization Act of 1969. Between its inception in 1966 and its demise in 1969, five FRED projects were undertaken - one in each of Manitoba, Quebec and P.E.I. with two in New Brunswick. Although the FRED Act itself was repealed its commitments have been honoured by DREE throughout the 1970's. Some of the reasons it may have been disbanded are given by Brewis:

The substantial sums of money involved were a source of concern, the areas were too small to permit effective development planning, and there was a feeling
that the plans were inadequately conceived and their administration should be in other hands.

(Brewis, 1972, pages not numbered)

However, FRED was significant in that it represented an effort on behalf of both the federal government and the four provinces involved to co-operate with each other. This was accomplished by means of bodies known as 'Joint Advisory Committees'. Technical representatives from the two levels of government were responsible for plan implementation and general management (Perry, 1974, p.86). Perry continues:

A senior technician from each government is appointed Plan Co-ordinator, and the two co-ordinators form a management group that reports to the Joint Advisory Board. The management team co-ordinates the programmes operated by the various agencies within the two administrators. The effective implementation and periodic review of the programme is the responsibility of the two co-ordinators.

(Perry, 1974, p.86)

The ARDA program, really a partner of FRED, has been continued. Although it was "basically sound", ARDA was criticized for its 50/50 federal-provincial payment arrangement which favoured wealthy provinces and for its effectiveness particularly in terms of encouraging the

Although the Monetary Times in 1969 predicted an overhaul or deletion of the PFRA because of its program conflicts with ARDA it has continued to function with programs affecting both land use and water distribution in the three prairie provinces.

The ADIA (formerly ADA) program was transferred from the Department of Forestry and Rural Development on April 1, 1969. The final date for applications under the old program was December 31, 1969. The RDIA (Regional Development Incentives Act) had become effective July 1, 1969.
It continued along the path of ADIA offering grants to new, modernizing or expanding industries in certain "designated regions" across the country.

(ii) The Role of Intergovernmental Co-operation

One of the most significant characteristics of the legislation establishing DREE was its frequent mention of co-operation and consultation with the provinces. It gave the Minister of the Department power to "undertake in co-operation with ... the provincial governments, the preparation and implementation of development plans and programs designed to meet the special needs of slow growth areas" (Perry, 1974, p.85) As the OECD interprets it,

The federal programmes for regional development...operate in conjunction with the programs of the provincial governments, and it is intended that they complement each other. Thus, for example, the "designated regions" and "special areas", where the new federal regional policies provide a wide variety of special assistance , are selected as a result of federal-provincial consultations, and the "development plans for special areas" will be formulated jointly by the federal government and the provincial government concerned. (OECD, 1970, p.113)
Gertler (1972, p.76) suggests that this aspect of DREE is one of its more significant features. The legislation states that such consultation and co-operation must take place and the Monetary Times ("Is He ... ", 1969, p. 42) suggests that the close relationship which would have to develop between the two levels of government is "absolutely necessary to the success of the new department." Don Jamieson (1973, p.1) a former Minister of DREE stated that "the great bulk of its activity has been carried out under federal - provincial agreements, providing it with a unique and challenging experience with co-operative working arrangements between the two senior levels of Canadian government."

Perry suggest three possible reasons for the active participation of the provincial governments in the joint planning process. The first was that they could not refuse the offer for funding. This financial lure, he notes, may have caused provincial governments to adjust their priorities in order to attain greater congruity with federal objectives and thus be eligible for funding. The second factor leading to provincial
partnership was the use of the federal governments technical know-how and greater resources and facilities. Finally, Perry believes that the provinces, with smaller bureaucracies, were not afraid of any problems in communications and additional bureaucracy brought on by inter-governmental actions. (Perry, 1974, p.93)

(iii) Its Programs

This new co-operative power of the federal government lead to the development of two programs in DREE. One was the negotiation of General Development Agreements (GDA) in the mid-1970's. The GDA's were drawn up between the federal government and the provinces individually. Associated with them are a number of Subsidiary Development Agreements (SDA) in which the two governments involved jointly finance specific projects.

The other, which was really the forerunner of the GDA's, was the Special Area program (SA). The creation of this particular program was of significance because it meant that, at last, part
of the federal regional development program was to have an urban emphasis. More specifically the Special Area program will make use of the 'growth centre' concept. Thus "the notion of growth centres has finally exerted an impact on federal policy" (Brewis, 1972, pages not numbered). Thus most of the centres listed are seen as potential focal points of growth. "A 'Special Area' may therefore, be defined as one where special action is needed to promote economic expansion and social adjustment because employment opportunities are exceptionally inadequate within the area itself, or in the larger region of which the area constitutes (or has the capacity to develop into) the major activity centre" (Canada, 1972, p. 55).

To tackle this problem a "two-pronged thrust" ("Experiment... ", 1970, p.50) was utilized. First, the Special Areas' infrastructure were given a boost. Concentration was on transportation (eg. roads and bridges) and communication facilities, essential services and utilities (eg. sewage and water systems), education and training, port facilities, the assembly of serviced residential land and
industrial parks, and other programs of 'social adjustment'. This it was believed would make these centres more attractive to business.

To be teamed up with this instrument was the RDIA program which would grant funds to secondary manufacturing firms locating, expanding or modernizing in the Special Areas. However, in these areas the program was to be expanded:

Under the Special Area Legislation primary industries, including primary processing activities such as oil refining, mineral concentrating and pulp and newspring production are eligible for assistance and so are service industries.

(Brewis, 1972, pages not numbered)

(iv) The Results of Provincial Co-operation

In addition, in some special areas extra help was available "in the form of loan guarantees, grants and loans for capital costs, and grants to cover location-related operating or starting costs incurred within three years of the start of commercial production" (Springate, 1973, p.18).

As well as its growth centre orientation, the Special Area program had another significant characteristic. "The federal and provincial
governments will be working together to promote the industrial and commercial growth of urban centres" ("Experiment ...", 1970, p.55) in what Perry (1974, p.85) described as a "planning partnership".

Perry (1974) also provides a valuable picture of the co-operative machinery which was constructed. In a similar process to that under which the FRED agreements were negotiated, the federal and individual provincial governments carried on the Special Areas joint planning. The Joint Planning Committees (JPC's) "were the main mechanism of federal/provincial consultation" (Perry, 1974, p.93). They comprised civil servants from both levels of government with a majority of its members from the federal government. Most of their discussions were of a technical nature. The JPC was responsible for both negotiation and plan formulation. Discussions at the Ministerial level were usually formal and infrequent being used primarily for the signing of final agreements. Perry (1974) believes that this process taxed more heavily the limited resources of the provinces and that it was
the federal government which determined the degree of 'jointness'. "As a result joint planning became a middle-management and negotiation tool for specific programs (the J.P.C.'s power was limited to the Special Areas program) as opposed to a means for developing strategy, the J.P.C.'s often taking on the role of approval boards for the financing of projects" (Perry, 1974, p.94).

"The J.P.C.'s were supported by working groups that developed sector strategies (for example, secondary manufacturing, service industries and social development)" (Perry, 1974, p.89). In addition Joint Liaison Committees were created. These technically orientated groups "approved and monitored all stages of project implementation and managed details of program implementation" (Perry, 1974, p.89).

Under this co-operative administrative system twenty-three Special Areas in 8 of the 10 provinces were selected between 1969 and 1972. Eighteen of these were to receive infrastructure assistance as well as be eligible for consideration under the RDIA (Economic Council of Canada, 1977, p.148). The first federal -
provincial Special Area agreement ran from 1970 to 1972. During that time some agreements were negotiated and extended to 1973 or 1975. After 1972 DREE dropped the Special Area approach.

The only Special Area designated in Ontario was the Renfrew-Pembroke area. However, it was designated for incentive (i.e. RDIA) assistance only and not for infrastructure development. It was made eligible for special sector grants. Francis and Pillai identify these sectors in the Renfrew-Pembroke area:

the improvement of employment and incomes depends particularly on the development of wood-based industries. The special program for these areas are thus to help these and other related industries.

(Francis and Pillas, 1972, p.59)

(v) Program Review and Decentralization

In its first few years of operation DREE ran into some problems created primarily by its organization. It was very centrally orientated (Ottawa) with field offices that "were strictly a geographic dilution of programme management" (Perry, 1974, p.94). In addition to this, problems of both intra and inter-departmental co-ordination existed. As a result an "extensive programme and
policy review" (Perry, 1974, p. 94) was undertaken by DREE. Perry (1974) describes the review's approach:

The intent, throughout the review, has been to achieve a more productive relationship with each of the provinces, and other federal agencies. There are two basic guidelines for new direction: an emphasis on the recognition and promotion of the development opportunities unique to various regions; and direct support for development planning for these opportunities at the local, provincial and regional level. The approach was to be accompanied by more effective interdepartmental and intergovernmental co-ordination and liaison. (Perry, 1974, p.94-95)

The review resulted in two significant changes. One was the use of the General Development Agreement (GDA) approach and the other was a massive decentralization program. (Perry, 1974, p. 95). The latter task was undertaken and completed in the 1973-74 fiscal year. It was a process "in which staff, administration and decision-making authority were moved to selected points across Canada" (Canada, 1976, p. 6). This process would delegate more authority down the line. In fact the 1974-75 Annual Report of DREE states that the staff in the field has doubled from 30% to 60% of the total staff. In 1974 it
was also projected that 80% of the RDIA applications would be handled in the field. ("DREE's Move ..., 1974, p.3). This report expressed the idea that the new organization had almost been broken in at the time it was written.

The new administrative arrangement is composed of four primary levels. At the top of the ladder is the national office in Ottawa. Its main responsibilities are "general policy formulation, co-ordination and support" (Canada, DREE, Annual Report, 1974-75, p. 3). It also has the responsibility of examining and assessing applications for incentives over a certain dollar limit. The Financial Post (Rolfe, 1975, p.5) estimated this limit to be above $400,000 or $500,000.

The second level of the organization consists of four regional offices. These were allocated to each of the four traditional regions of Canada: Western Canada (Saskatoon); Ontario (Toronto); Quebec (Montreal); and the Atlantic Region (Moncton). Each is headed by an Assistant Deputy Minister. These offices analyze applications for medium-sized incentives as well as
provide analysis and recommendations on larger requests both of which are forwarded to Ottawa for final decision. The offices are also responsible for "the planning, implementation and administration of all departmental policies and activities within the region" (Canada, DREE, Annual Report, 1974-75, p. 23). This includes co-ordinated efforts with the region's provincial counterparts in joint action efforts.

The provincial DREE offices, with one in each provincial capital formerly had roles restricted simply to the implementation of programmes. This role has been considerably strengthened. Each is now headed by a Director-General. They deal with "small cases under the incentives program ie. RDIA and have a basic planning and implementation capacity" (Perry, 1974, p. 95).

At the bottom of the totem pole are the branch offices. These are located in major project areas. The two in Ontario are at Thunder Bay and Sudbury.

Perry provides a brief synopsis of the functioning of the major levels of the
Common to all offices, four major functions are to be undertaken: planning, implementation, incentives and administration. On the planning side, all levels will have a planning staff. The provincial office planners will work with provincial government staff in identifying priorities and in plan preparations; the regional office planners will have a co-ordinate role and will provide provincial office staffs with expertise not locally available; and the national office will have the capability for overall planning review and co-ordination.

(Perry, 1974, p. 97)

There appear to be a number of specific reasons for the decentralization, or more particularly a number of results which it was hoped could be achieved through decentralization. Some of these are listed:

- greater federal presence in the regions
- better integration of department functions
- better administrative capacity
- greater ability to enter into subsidiary development agreements (SDA's) with the provinces
- greater co-operation and co-ordination with other federal departments and the provinces
- provinces will receive a bigger say in policy
- may quicken and streamline administrative processes

(Canada, 1976, p.6)

(Lewington, 1973, p.5)
However, also expressed at the time of decentralization were fears that the exercise would merely create more layers of bureaucracy which would have to be penetrated. This would apply not only to industries seeking incentives but also to the provinces seeking federal liaison. Alex Campbell stated that the step would be a backwards one if it was to create another level of red tape between the federal and provincial governments ("DREE Decentralization ..., 1973, p.E7). It was also feared that the processing of applications for large incentives would be slowed because they would have to penetrate the provincial, regional and ultimately the national offices before the final word was given ("DREE's Move ..., 1974, p.3)

This fear was to be substantiated in the findings of a Financial Post survey. (Rolfe, 1973, p.5). It stated that although the processing of applications for small incentives may have been stepped up, that of the large incentive applications is as slow, if not slower, than before. However, none of the provinces wanted to
abandon the scheme.

Decentralizing in an attempt to secure greater provincial / regional input is a realistic and plausible move on behalf of the federal government. It appears to be a step towards assigning a greater value to the sentiments of the individual provinces. In the long run, one may hope, this attitude or, rather, this change in attitude will result in a more comprehensive and integrated approach to regional economic development in Ontario.
3. Ontario's Regional Economic Development Programs

a) Background Developments

(i) The Rationale for Programs at the Provincial Level

The provinces have not been idle observers while the federal government single-handedly attacked the problems of regional economic disparities. Ontario, in particular, has shown an interest in this area and displayed a commitment to the spreading of economic benefits throughout the provinces (Magladry, 1967, p. 74). As Gertler suggested in a paper in 1965, Ontario was not in a position where its economy, measured in the aggregate, must 'catch up' with other provinces. Rather, it was in a position where it could begin to look into its own internal problems. One of the factors which has been responsible for this phenomenon was the increased fiscal power of the
For example, between 1950 and 1963 the net expenditures of the government of Ontario increased from $282 million to $1,107 million (Gilles and Richmond, 1974, p.82). By about 1965 the provinces in Canada made 3/4 of all public capital expenditures and accounted for 4/5 of all public purchases of non-defence goods and services (Parizeau, 1965, p.50). Thus the power of the provinces had increased considerably and their efforts as economic agents had significant results.

While the federal government had hesitated to enter the field of regional economic development the provinces had already shown some interest in this area. The provinces had been moving in this direction since the 1940's and 1950's. The federal government had dragged its feet and did not really start to get involved until the 1960's (Parizeau, 1965, p.53). Kristjanson (1965) felt that the increased provincial participation in the economy, referred to as 'the revolt of the provinces', was due to
the federal government's lack of planning and its outmoded and ineffective institutions. By the time the federal government did take action the provincial governments were unwilling to forfeit either their powers or their fiscal tools (Parizeau, 1965, p.53). Added to this situation of financial power was the fact that the provinces, as political units, were in close contact with regional problems (Parizeau, 1965, p.52)

Before venturing into the labyrinth of Ontario's regional development efforts, one characteristic of this area of research should be noted. Scollie, a professor of library technology, suggests that the literature dealing with this subject is "technical, highly professional, and difficult of access" (Scollie, 1973, p.5). The last characteristic is particularly valid. Gilles and Richmond describe "the evolution of regional economic development policies in Ontario" as being "tortuous" and go on to say that:

Indeed, anyone without a reasonable knowledge of the organization of the
Ontario government and the changes that have taken place in the government through the years finds it almost impossible to sort out the various pieces of legislation which have influenced the development of policy.

(Gilles and Richmond, 1974, p.181)

(ii) The Evolution of Programs

The sorting-out process, as a result, is a very slow and complex one. Most accounts of Ontario's regional development efforts do not start prior to the creation of the Department of Planning and Development in 1944. Gilles and Richmond (1974, p.181) interpret its creation as a reaction to the post-war adjustment problems facing Ontario. 'The Department of Planning and Development Act, 1944' stated that its function was to formulate "plans to create, assist, develop and maintain productive employment and develop the human and material resources of the Province" (Statutes of Ontario, 1944, p.51). It was also given powers to collaborate with other departments in the Ontario government as well as with the
federal and other provincial governments. Thoman (1971, p.33), the creator of the Design for Development program, (1971, p.33) suggests that this concept of 'co-ordination' has been carried over into more recent government programs. He also notes that although the Department of Planning and Development did not really have a regional orientation, that, in practice, it did try "to attract manufacturing activities into various parts of the province" (Thoman, 1971, p.34). However, Gilles and Richmond point out that it was more concerned with encouraging "the development of the province as a single economic entity" (Gilles and Richmond, 1974, p.181). Krueger (1965, p.30) also notes that the department was never able to carry out its co-ordinating responsibilities.

In 1947 a 19 economic region system was devised and accepted by Ontario and in 1949 the government began to publish the annual Economic Survey of Ontario using those same 19 regions as the basis for its data collection. In 1953 and
1954 a series of Conferences and documents created a 68-region system for Canada. Ontario was divided into 10 regions and in 1956 this system replaced the older 19 region system as the basis for economic data collections.

Also in 1953 a regional development section within the Trade and Industry Branch of the Department of Planning and Development was created. It made possible the formation of Regional Development Associations. They were to be set up in the 10 regions of Ontario funded equally by the provinces and the member municipalities. Scollie (1973, p.6) points out that they were to be set up "to develop their own regional plans and to set their own priorities". However, instead of planning they tended to serve more as industrial development promoters. In 1954 the first was set up. It was Eastern Ontario Development Association. Williams points out that with elections just over a year away this was merely a device to appease the voters in the more depressed regions of the province (Williams, 1971,
p.67). Between 1954 and 1966 both Thoman (1971, p.34) and Scollie (1973, p.6) state that all 10 economic regions of the province formed such associations.

Competition for industry between municipalities had been possible until a section of the Municipal Act was repealed in 1962. Williams (1971, p.68) believes that by the formation of the Regional Development Associations intermunicipal competition had been replaced by competition between the Associations. He also notes that the Associations had no legislated power to direct industry to certain locations within their areas.

Krueger, another critic of the Associations, states that there was never any official government document which outlined the specific terms of reference for the associations (Krueger, 1965, p.36). They therefore had no legislated powers. One also notes that the boundaries of the associations coincided with the 10 data collection regions. However, no claim had
ever been made that these data collection regions could be deemed to constitute a region in terms of planning for economic development. (Krueger, 1965, p.40 and Scollie, 1973, p.6).

Because membership by municipalities was voluntary and required payment, Krueger points out that a great deal of effort by the associations was directed to selling themselves to potential member municipalities. (Krueger, 1965, p.40) Krueger's statistics show membership in the associations varied. In 1964 for example, less than one third of the possible municipalities had memberships in the 10 associations. (Krueger, 1965, 39).

In 1966 the associations went through a number of changes. They were given greater financial assistance, recognized by legislation and their names were changed to Regional Development Councils (Thoman, 1971, p.40). Although they were also asked to advise the government on later regional planning, Scollie claims that they did not live up to the
governments' expectations and merely became "clearing houses for regional social and economic data" (Scollie, 1973, p.6).

Although the 1960's was the decade of change in the orientation of Ontario's economic towards more regional concerns, at its outset the government was still primarily concerned with aggregate economic growth. The speech from the throne in 1962 called for the creation of more jobs to keep up with the increasing population. The Ontario Development Agency was to be created for this purpose (Ontario Legislative, 1962, p.4). The Financial Post of May 4, 1963 (Baxter, 1963, p.24) detailed the province's plans to create 300,000 new jobs during the next five years by stimulating secondary manufacturing. To this end the Ontario Development Agency was to both advise and financially assist new endeavours in industry.
(iii) Indications of a New Approach

However, there also appeared signs of change in the development orientation of Ontario. In 1966 the Ontario government initiated work on the Metropolitan Toronto and Region Transportation Study (MTARTS). It was really the first attempt at a planning study which involved co-operative efforts on behalf of several government departments as well as Toronto and the Canadian National Railway (Gilles and Richmond, 1974, p.183) It was raising questions "which could be answered only by a different approach to regional development" than had been taken in the past (Scollie, 1973, p.8). Those involved found that even in this specific study factors other than transportation per se were involved and required definite consideration.

There had also been some changes in government organization in the early 1960's. In 1961 the Department of Planning and Development became the Department of Commerce and Development

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In 1962 it was merged with the Department of Economics and thus created the Department of Economics and Development. Gilles and Richmond describe the results of this move:

This brought together the economic advisory function, industrial development and regional development under one Minister. For the first time there was a link between economic planning and regional development. Even at this stage, however, there was little recognition of regional development as something other than industrial development.

(Krueger, 1965, p.32-33)

Krueger adds that the Regional Development Division of the new Department had not been established by formal legislation, had insufficient manpower particularly among specialists, and, most significantly, was unsuccessful at intra-governmental liaison and co-ordination. (Krueger, 1965, p.32-33).

An interesting piece of legislation was passed by the Government of Ontario in 1965 which seems to have received very little academic scrutiny. Information regarding it appeared in the August 1965 volume of Canadian Business. In
an article entitled "What the Provinces Do to Attract New Industry" it was stated that:

"Ontario Corporation Act has been amended to match federal corporation tax incentives for... establishment of new manufacturing or processing enterprises in designated areas... (p.82)

A search through the Statutes of Ontario for the first half of the 1960's showed no such amendment to 'The Corporations Act'. However, 'The Corporations Tax Act' was amended in such a manner on June 22, 1965. This legislation had been amended several times before and was again changed in 1968. It permitted an income tax holiday for new manufacturing or processing firms which began production after Dec. 4, 1963 and before as late as (in certain cases) April 1, 1968 and which were located in ADA designated areas. Thus in terms of supporting regional economic development efforts of ADA, there could be said to be perfect co-ordination between the two levels of government. The Ontario legislation matched the federal legislation.
Of course, it was only a little over a week after the Ontario legislation received assent that the federal ADIA program came into effect. It was not until over one year later, July 8, 1966, that the Ontario government again amended 'The Corporations Tax Act'. This time the amendment was to restrict new manufacturing or processing firms who received grants (as opposed to a tax incentive) from the ADIA program from being eligible for tax relief in Ontario. However, if the firm should take the option of receiving the ADIA tax incentive in lieu of the grant the Ontario government did not disqualify them from receiving provincial taxation assistance. Therefore, when the federal government changed its approach to regional development, it lost the co-ordinated effort of Ontario.

In and around 1965 there were a number of other events which have resulted in 1965 being called "the turning point in the history of regional development policy in Ontario" (Gilles and Richmond, 1974, p.183).
suggests that one final idea emerged from the conference:

The enormity of the challenge would require complex administrative machinery and excellent co-ordination not only of Provincial departments and agencies, but also involving the Federal Government...

(Thoman, 1971, p.35)
b) Design for Development

(i) Its Beginnings and Objectives

The recognition of both the "existence and persistance" (Lawrence, 1974, p.3) of Ontario's regional disparities and that its government's efforts to put an end to them were inadequate (made clear at the conferences of 1965) led the government to bring together a new venture. It was to be a completely revamped regional development program. When John Robarts, the Premier of Ontario, announced in the Legislature on April 5, 1966 the Design for Development program it was "the first senior government policy commitment to a regional planning program in Canada" (Perry, 1974, p.30).

When Robarts rose in the Legislature he stated:
In the first place, this government accepts the responsibility of guiding, encouraging and assisting the orderly and rational development of the province.

In the second place, we believe that our efforts should be complementary to the private sector of the economy in helping to create an atmosphere for growth and development.

In the third place, we believe that policies must be cast in the mould of Ontario's conditions and not simply borrowed from other jurisdictions where fundamental characteristics and institutions may differ.

(Ontario Legislative, 5 April 1966, p.2254)

He realized that "appropriate regional development requires comprehensive planning" (Ontario Legislative, 5 April 1966, p.2255).

Equally important, he recognized the significance of intergovernmental relations:

Recognizing the interrelationships among the three levels of government, federal, provincial and municipal, Ontario must continue in its efforts to maintain close co-ordination, not only among its own departments and programmes but also, where possible, with relevant programmes and activities at other levels.

(Ontario Legislative, 5 April 1966, p.2255)
Although one could list the objectives of Design for Development as, for example, Thoman (1971, p.38-39) has done, a summary of these goals is sufficient. Basically, the "overriding objective ... was to encourage each region of the Province to realize its full potential, in harmony with the social and economic development of the Province as a whole" (Lawrence, 1974, p. 4). Lawrence also points out that in contrast with traditional regional development programs which have focussed on alleviating disparities, the new Design for Development would, in addition to this, guide growth in the wealthier urbanized areas. Scollie (1973, p. 8) adds the "wise use of the natural environment" and the improved effectiveness of provincial services to the list of summarized objectives.

With the decision to create a challenging program such as Design for Development must come the comcomitant alterations in government structure. First the Regional Development
Associations were to be changed. Although Robarts contended that they had "performed creditably" (Ontario Legislative, 5 April 1966, p. 2257) he did admit that they had encountered some difficulties. They were to be strengthened both by statutory and financial means and renamed Regional Development Councils. "These bodies were expected to provide advice and participation from local citizens and municipalities and to assist in the preparation of five year economic development plans for their region" (Tindal, 1973, p. 111). Two other organizations composed of civil servants were formed. The Advisory Committee on Regional Development which consisted of the Deputy Ministers of several departments was to advise the cabinet. The second, the Regional Advisory Boards, comprised senior field civil servants from various departments was to both build and react to regional development proposals and create interdepartmental liaison.
(ii) Its Structure

The Regional Development Branch (created in 1966) of the Department of Economics and Development was the body of government handling Design for Development. In early 1968 it was transferred to the Department of Treasury and Economics. In a massive reorganization of the public service of Ontario in April, 1972 this department became the Ministry of Treasury, Economics and Intergovernmental Affairs (TEIGA) and continues to exist as such today.

As it was originally set up the Design for Development program was to proceed for the ten economic regions of Ontario as follows:

Stage
1. Inventory
2. Evaluation
3. Plan - Phase 1 Analysis
   Phase 2 Policy Recommendations
   Phase 3 Policy Implementation

The year 1967 was scheduled to be the year in which the first stage, Inventory, would be
completed. It was to gather information concerning all government activities in the province. The province would then know what programs could be manipulated to achieve its regional development goals.

The following year, 1968, was to be the Evaluation year. This stage would study socio-economic trends and try to determine the needs and resources of the province.

The next year, 1969 was to see "the initiation of full-scale development planning" (Thoman, 1971, p. 45). At this time there would be an analysis of specific problems for each region, priorities set and policy recommendations made (Scollie, 1973, p. 10).

The first phase of this planning stage was to be known as 'Analysis'. Using the research conducted in the two previous stages the needs and problems of the regions would be determined. The potential of the region would also be specified and thus priorities determined and goals stated.
The second phase, 'Policy Recommendation', would follow a review of the findings of the previous phase and would project a series of alternative policies and one would be recommended. The third and final phase, 'Policy Implementation', would consist of only brief statements from the government accepting, and usually modifying, the second phase recommendations after "a period of reaction from the areas affected" (Scollie, 1973, p. 11).

(iii) Its Results

By the end of 1972 all ten economic regions had published the Phase 1: Analysis reports. The Central Ontario region and some of the surrounding regions had been incorporated in a study entitled the 'Toronto-Centered Region'. This areal approach was encouraged by the existence of the MTARTS research, the findings of which were released in June 1968. The Toronto-Centered
Region and the Northwestern Ontario region were selected as pilot regions for which the third, or planning stage, was to rapidly evolve. Thus, by 1971 both had, in effect, proceeded to the third phase of the planning stage. They were to represent the far ends of Ontario's regional economic spectrum. The challenge in the Toronto-Centered region would be to channel growth while in the Northwest portion of the province it would be to stimulate economic development.

However, changes in the attitude of the government had already taken place and more were brewing. Before discussing these changes one must return to 1966 and the Design for Development statement by John Robarts of which Scollie cites:

It must be emphasized that this statement is concerned with regional development and not regional government. Any regional development structures created by this government will be such that they will not disturb the existing power and authority of the existing municipal and county councils within the regions. Great caution has been exercised to avoid the imposition of new forms of government.

(Scollie, 1973, p.9)
However, Scollie (1973, p. 9) also cites three Ontario government reports between 1965 and 1968 all of which, in their own way called for "a drastic overhaul of regional boundaries."

Thus in a complete reversal of Robart's statement in December, 1968 Design of Development: Phase II was introduced by both the Minister of Municipal Affairs and the Premier. "This document reiterated the provincial commitment to continue developing its regional planning programme, and stressed its close association with a new programme to bring regional government to the province" (Perry, 1974, p.34). Ten pilot regional governments were created by 1973 and all had regional plans under preparation (Perry, 1974, p. 45). Tindal has interpreted Phase II not as a change in orientation but rather as "as a single policy statement which simply continued the initiative begun in 1966" (Tindal, 1973, p. 114). Thoman (1971, p. 91) points out that regional development and regional government are different,
although they do overlap or as MacNaughton (1969, p.8) expressed it, they are "hand-in-glove". Thoman suggests that only strengthened local government can plan effectively.

In June, 1972 another major policy statement was made - this one predictably entitled Design for Development: Phase III. It re-emphasized the implementation of regional government as proposed by its predecessor, Phase II, and "called for increased provincial initiative in the reform of local government" (Tindal, 1973, p.114). The government was to accelerate its program of municipal reform in attempts to financially strengthen these local units. In addition it called for a closer relationship between regional development and the reformed local governments and co-operation between the various ministeries involved. The creation of TEIGA two months earlier would probably facilitate the former objective in that it brought together the Department of Treasury and
Economics and Department of Municipal Affairs. To reflect this new local government orientation the senior Advisory Committee on Regional Development was adjusted and renamed the Advisory Committee on Urban and Regional Planning (ACURP).

Another significant change announced in the statement was the introduction of new planning regions. The previous 10, which had been adopted in the 1950's, were found to be inadequate and were reduced to five. Basically the Toronto-Centred Region was retained and labelled Central Ontario. The others are Southwestern Ontario, Eastern Ontario, Northeastern Ontario and Northwestern Ontario. This new delination became effective January 1, 1973.

Despite the fact that the government had, up to this point, praised the efforts of the Regional Development Councils, it was decided that they were inadequate and an unnecessary duplication (Tindal, 1973, p.115). On June 22, 1973 The Regional Development Councils Repeal Act,
1973 officially liquidated them. To complement this move the ten Regional Advisory Boards were disbanded and replaced by five new Public Service Advisory Boards.

(iv) Its Evaluation

Shortly after the presentation of Design for Development: Phase III a number of papers appeared reviewing the entire program and making some evaluation of it. Scollie (1973), a library technologist, reviewed the available literature and used such terms as "sensible", "realistic" and "well thought out" to describe the program. Allan Lawrence (1974), a member of Ontario's Conservative government at the time, called it "people-oriented". Gilles and Richmond (1974) also made some positive statements concerning the Design for Development program:

The Ontario approach to regional economic development... embraces total planning of the environment... It is a far cry from
the concept of regional development as a plan to provide more jobs.

It is an organized effort to achieve continuing economic growth aiming at the highest possible standard of living attainable for all residents. (Gilles and Richmond, 1974, p.185-186)

However, most of the discussions concerning the program have not dealt with its aims but rather with its practical achievements. Tindal's (1973) main criticism was the slowness of the program to develop specific plans and policies. Also, "the program has involved the establishment of extensive administrative machinery, only some of which has proven effective" (Tindal, 1973, p.116). Even Lawrence (1974) agrees that some of this structure may have been established prematurely but as MacNaughton explains, "one can not launch a total development program from a superficial base or from the seat of one's pants" (MacNaughton, 1969, p.5).

Another criticism which Tindal (1973) has made was the necessity of having to change one's
course in mid-stream by reducing the number of planning regions from ten to five. Lawrence (1974) expresses a similar opinion. The regions should have been delineated more selectively in the beginning. The fact that Ontario admitted that these ten federally established regions "were never intended to be units for the development and implementation of plans" (Davis and McKeough, 1972, p.18) is disheartening. Tindal asks the question:

If this is the case, one can only ask why they were used for this purpose by Ontario for more than six years. (Tindal, 1973, p.119)

In selecting such regions the province should have tied them in with an overall provincial plan, a plan which, in terms of economic development and local government reform, was conspicuously lacking.

Tindal (1973) was also displeased with both the ineffective performance of the Regional
Development Councils (p.116-117) and the lack of integration between regional development and regional government (p.113). Therefore he was pleased when Phase III announced the elimination of the RDC's. He suggested that local views should be expressed through local and regional government (Tindal, 1973, p.120).

In June, 1973 the Ontario Planning and Development Act was given assent. It was the first legislation to outline the planning process. Perry (1974, p.39-42) provides a informative summary of the steps in the planning process.

Between this time and 1976 little seems to have taken place in Ontario in terms of policy change or government actions. However, in March of 1976 a new round of major Regional Development Branch publications appeared. These numbered no fewer than seven. A regional strategy was released for Northeastern Ontario and an updated Toronto-Centred Region strategy also appeared. Two subregional strategies were also unfolded as
were more general publications dealing with Ontario as a whole. These latter were perhaps in response to criticisms levelled at the absence of an overall study.

(v) The Role of Intergovernmental Co-operation

Probably one of the most significant documents to appear under the name of Design for Development was one which was dated September, 1977. It was entitled *Northwestern Ontario Initiatives and Achievements*. Released jointly by TEIGA and Northern Affairs it evaluates the Northwestern Ontario Strategy. This was done by a simple matching of goals and actual development or government actions in regards to these goals. The objectives are taken directly from *Design for Development: Northwestern Ontario, Phase 2* and are organized under seven main headings. Of course, in such a report it is difficult to separate government intervention forces, which claim
success wherever possible, from natural market forces. A case in point would be the number of jobs created in the region. Can government action claim full credit? Regardless, it is satisfying to see that some actions have been taken with regards to specifically recommended plans.

Federal participation in this respect is notable. Thoman (1971) in reviewing the role of regional development from the national perspective concludes that the federal government has not yet come to the "full realization that development is a total process involving... all geographic and sectoral parts of the economy - fast growth, intermediate growth and slow growth" (Thoman, 1971, p.26). Thus he deems the federal approach to be inferior to the provincial approach of Ontario. Thoman is also aware of the confusion created by the participation of several levels of government in regional development - a confusion which must be reduced or, better still, eliminated. To this end he states that liason was
established with the federal government for the purpose of Design for Development. The federal government was noted to have contributed both financially and in terms of 'fact finding' (Thoman, 1971, p.43 & 51). However, this was only mentioned briefly despite its great significance. Political rivalry may be the explanation. On the other hand, both speeches (Honey, 1976, p.10) on behalf of the Ontario government and its publications (Ontario, 1976A, p.52) express the opinion that federal policies were having a profound influence on the effectiveness of provincial programs. In fact in Ontario's Future: Trends and Options the following statement was made:

Ontario is firmly committed to the opinion that ... federal programs and policies applying to Ontario should invariably be guided and supportive of Ontario's planning policies and objectives and integrated with Ontario's own corresponding programs.

(Ontario, 1976A, p.52)
Thus, Ontario believed that it should be the federal government which should conform to Ontario's policies. This belief has been pressed for so strongly by Ontario that it has been carried through to the GDA negotiations which will be discussed later.

In the Phase 2 report concerning Northwestern Ontario, the recommended actions frequently recorded the province's desire to secure the co-operative efforts of the federal government. The Initiatives and Achievements publication of September, 1977 confirms that this, to some extent, had been achieved. It states that of the $70 million directed to Northwestern Ontario over the four year period a little over 30% was the contribution of the federal government through DREE (Ontario, 1977, p. 6). As well, Northwestern Ontario continued to qualify as a designated area under DREE's Regional Development Incentives Act program. Over $7 million worth of grants had been contributed. Although its
contribution has been significant, the credit given the federal government by Ontario has been quite limited. Usually it is restricted to brief mention or is footnoted. One can interpret this situation as one where the Ontario government has attempted to retain the maximum amount of credit and glory for itself.
4. The GDA: A Step Toward Co-operation

As indicated earlier, the Department of Regional Economic Expansion initiated a major internal review during the 1972-1973 fiscal year. Although generally satisfied with the functioning of the Department, the review "also made clear that the existing programs, each of which attacked primarily a single factor in the total problem of regional disparities, were not in themselves sufficient to enable full realization of the development opportunities identified in the various regions" (Canada, DREE, Annual Report, 1972-73, p. 2). The following conclusion was reached:

A new multidimensional approach was required one that would bring to bear on the problems of disparities not only the programs of the department i.e. DREE but also a wide range of public policies and programs involving other federal and provincial agencies. The essence of this approach would be the co-operative identification of major opportunities for
development in the various provinces or regions and their realization through the co-ordinated application of federal and provincial efforts together ...

(Canada, DREE, Annual Report, 1972-73, p. 2)

a) The Goal of Intergovernmental Co-operation

Thus the General Development Agreement (GDA) approach to regional development was conceived. As can be seen, one of the major reasons for this was DREE's desire to secure greater provincial co-operation. In a recent interview with David Dallimore of the Toronto DREE office the following explanation for the creation of the GDA approach was given:

Well the realization, I think ... that we i.e. DREE needed more federal-provincial co-operation ... to try to rationalize the problem of working against each other ... led to the GDA approach.

I think it was realized that you had to work very closely with each province to maximize the effectiveness of regional development. If you didn't do that you would come across this resentment of the provinces of the federal government working against them ...

(Dallimore, 21 Feb. 1978)
Curtin (1975, p.189) hoped that this co-operative atmosphere between the two senior levels of government might facilitate a move toward a more comprehensive national regional planning policy from which the provinces could take their planning cues and priorities. However, Dallimore discounts the possibility of such a plan:

> I think politically it just would be impossible ... In theory, that is the way to do it - you start with the plan for the whole and you go down the political or administrative hierarchy. But in practical terms, I don't think it would ever work. That is why you start the other way around. As illogical in planning terms as it may be it works ... You have to live with the political realities.

(Dallimore, 21 Feb. 1978)

The GDA approach was also foreseen to have the advantage of approaching each province as having its "own unique set of economic and social circumstances and development opportunities" (Canada, DREE, *Annual Report, 1974-75*, p.2). DREE wanted to develop each region to its potential and:
Also, I think DREE ... hadn't looked at each province in totality and this approach would enable us to do just that. That may help to compromise the situation between looking at Canada as a whole and then working out a strategy and then taking it for each region or bits of a region ...

(Dallimore, 1978)

The GDA approach would replace the co-operative Special Areas effort and thus the orientation would change from infrastructure development to "development potential" (Perry, 1974, p.97)

Thus, in the 1972-1973 fiscal year, General Development Agreement negotiations began between the provinces (individually) and the federal government. Within two years Agreements had been drawn up between all of them with the exception of P.E.I. which already had a 15 year comprehensive plan signed with Ottawa. The GDA's with each province have several general characteristics. These are listed below:

- provides a general framework or "umbrella" agreement
- permits and encourages federal - provincial co-operation
- runs for a 10 year period
-are a formal declaration
-outlines general objectives and broad strategies (based on socio-economic analysis of individual Province's circumstances)
-provides for the signing of subsidiary agreements which are more specific and well defined action projects
-does not call for commitment of any resources - this will be the job of the subsidiary agreements

b) The Subsidiary General Agreements

The Subsidiary Development Agreements (SDA's) mentioned were to be negotiated under the authority of the GDA's. They were to define more specifically the co-operative action to be taken. They would run for specific periods of time (from 1 to 5 years) and would explicitly state the resources to be allocated by the respective governments. New projects would be jointly initiated or existing programs co-ordinated to support agreed development opportunities. Such agreements would involve key industries. Some would involve forestry and fishing. Others would deal with community services and infrastructure
development (Canada, 1976, p. 10). By the fiscal year 1974-1975 twenty-nine SDA's had been signed with more than $533 million contributed by the federal and a total input of over $1 billion by the two levels of government and the private sector (Canada, DREE, Annual Report, 1974-75, p. 5). By 1976 the number rose to 43 SDA's with a total combined government investment of $1.3 billion (Cook, 1976, p.62).

To complement this move toward greater co-operation and co-ordination was the concurrent decentralization of DREE following its 1972-1973 internal review:

It is also basic to the new concept that the federal officials responsible for administering the efforts of the department i.e. DREE should be physically located in the areas of the country where they can be most accessible and responsive ... to provincial governments ...

(Canada, DREE, Annual Report, 1972-73, p. 2)

Thus, four regional offices were established and the provincial offices strengthened. Has this step facilitated greater federal - provincial co-operation?:

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I think it probably has ... I think from the provincial point of view they are not having laid on them a preconceived, across Canada notion ... It means we i.e. DREE are not trying to play off one region against another ... We are trying to develop each region according to its potential.

(Dallimore, 21 Feb. 1978)

c) The Canada / Ontario GDA

On Feb. 26, 1974 a ten year General Development Agreement was signed between the Government of Ontario and the Government of Canada. Its purpose was "to facilitate joint federal - provincial co-operation in initiatives undertaken in respect of economic and socio-economic development in Ontario" (Canada, 1974, p.2). The three basic objectives of the document are:

1) To improve opportunities for productive employment and access to those opportunities, and to sustain existing employment in economically-depressed parts of Ontario;

2) To encourage residents in these areas to participate to a greater degree in the benefits of economic growth; and

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3) To reinforce the policies and priorities of Ontario for regional development.  
(Canada, 1974, p.1)

The first objective appears to be rather weak, setting out only to 'sustain' the levels of employment in the poorer parts of the province. The second one is so general that it can be considered no more than good political public relations. The third objective implies that the federal government had some idea of what Ontario was doing. Certainly these objectives can be criticized for their broad and general nature, however, one must keep in mind that in signing this document neither level of government wanted to commit itself to anything specific. Instead they wanted to leave all avenues open, thus the term, 'General' Agreement.

This last objective is indicative of the federal government's new policy to approach each province as a unique situation. In fact, as Curtin (1975, p.125) points out, according to the GDA, the federal government must recognize the province's Design for Development strategy.

It seems odd that the mere recognition of
the priorities and policies of the other level of government is interpreted as an important step. Of course, each government had to tread wearily not giving in to the other but instead trying to meet the other half way. For one government to simply follow the other's priorities and policies would certainly mark the end of that government's jurisdiction over regional economic development.

The Canada / Ontario GDA's strategy is to identify and support development opportunities and to analyze Ontario's socio-economic situation in the nation. The power to enter into SDA's is outlined as are co-ordination, finance and other matters. The Agreement is due to expire March 31, 1984.

'Schedule A' of the document describes Ontario's present circumstances and again lists the objectives of the Agreement. However, it is the last section of 'Schedule A' which becomes more specific. It states that Ontario's socio-economic circumstances shall be subject to continuous review and a process of identifying possible development opportunities under both
federal and provincial criteria should be introduced. The importance of the objectives of the Design for Development program are again stressed (Canada, 1974, p.18-19). At the time the GDA was signed it already included a number of priority areas which were to be considered for subsidiary agreements. They were:

1) Cornwall area of Eastern Ontario
2) Northwestern Ontario
3) Forest-based Industries
4) Single-Industry Communities
5) Industrial Incentive Program
6) Special Project Initiatives
7) Transportation and Communication
8) Rural Development
9) Ontario Northlands

(Canada, 1974, p.19-24)

Each of these headings is described briefly in the document and reasons presented as to why it should receive attention for development. It is interesting to compare some of these priority areas with a discussion which took place in 1969. According to a confidential government document,
Federal-Provincial Ministerial Committee on Regional Disparities (June 10, 1969) some of these topics are by no means new to federal-provincial discussions. On page 1 of this document:

Ontario suggested that it would be impossible to attract secondary industries to northern areas unless resource-based industries were first attracted to serve as a catalyst.

Under heading 'f. Special Projects Initiative' the GDA states:

Special projects initiatives will probably relate largely to the tourism and manufacturing fields with particular emphasis being given to resource processing and similar activities.

(Canada, 1974, p.22)

Heading 'c. Forest-based Industries' of the GDA stressed the problems of these industries in Ontario, particularly in reference to the strength of U.S. competition. In the 1969 document "Ontario ... referred specifically to the difficulties of attracting new pulp and paper operations in the face of competition from the southern United States" (Federal-Provincial, 1969, p.3). A similar correspondence exists in the area of transportation, particularly with reference to
roads in Northern Ontario. Ontario's concern for its northern areas was repeatedly expressed in 1969, and the GDA demonstrated that these sentiments had been carried along into the 1974 Agreement as exemplified by the discussions under 'b. Northwestern Ontario' and 'i. Ontario Northlands'. Although the efforts on behalf of both governments to get together must be commended, it is frustrating to know that many areas of discussion had begun five years in advance of the signing of the GDA, a document which itself took no specific action on these problems. Added to this five year period was the time before the signing of the individual SDA's.

is curious as to why a wealthy province like Ontario, expressing such concern over its sectoral and geographical problem areas, should have to wait for a federally initiated joint venture to take action. It is even more peculiar for a province which is so jealous of its planning and development position. One must conclude that, despite the concern which it expressed, its actions in response to the problems had been
either inadequate, ineffective or non-existant.

d) The Canada / Ontario SDA's

Some of the general strategies discussed under the various headings in 'Schedule A' of the GDA have been transformed into action-oriented agreements, SDA's. A note should be made here that all Ontario's SDA's are financed on a 50/50 basis between the two senior levels of government. By December, 1977 seven such documents had been agreed upon. The most recent is the Upper Ottawa Valley SDA in the Pembroke - Renfrew area. No literature is available concerning it at this time, however it was discovered that:

It's basically a study exercise, at this stage, to identify potential industrial activity in the area and also to help with the establishing of an industrial development commission. It's a first part and there will be a second part which will be more specifically industrially-oriented.

(Dallimore, 21 Feb. 1978)
The other Subsidiary Development Agreements are as follows:

<table>
<thead>
<tr>
<th>TITLE</th>
<th>TOTAL VALUE</th>
<th>AGREEMENT DURATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cornwall</td>
<td>$ 16,330,000</td>
<td>26/02/74 to 31/03/77</td>
</tr>
<tr>
<td>Northwestern Ontario</td>
<td>$ 47,344,000</td>
<td>23/05/74 to 31/03/78</td>
</tr>
<tr>
<td>Dryden Development Infrastructure</td>
<td>$ 3,201,000</td>
<td>24/03/75 to 31/03/77</td>
</tr>
<tr>
<td>Interim Northlands</td>
<td>$ 427,500</td>
<td>07/07/75 to 31/03/78</td>
</tr>
<tr>
<td>Northeastern Ontario</td>
<td>$ 17,128,650</td>
<td>25/03/76 to 31/12/79</td>
</tr>
<tr>
<td>Single-Industry Resource Communities</td>
<td>$ 15,755,000</td>
<td>18/10/76 to 31/03/80</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$100,185,150</td>
<td></td>
</tr>
</tbody>
</table>

(Canada, 1977, p.3)

Each Subsidiary Agreement varies in its objectives and projects and each can be quite detailed. The following is a list of the SDA's and with each SDA title are the major projects which have been or are to be undertaken. Each has been abstracted from 'Schedule A' of their respective SDA:

CORNWALL 1) Eastern Industrial Park
   a) internal services-
      eg. sanitary sewers and watermains
   b) local roads
2) Canal Lands Development
   a) civic complex - athletic and cultural events
   b) trunk services - storm sewers and watermains
   c) arterial roads and sidewalks
   d) landscaping civic complex
3) West-End Single Industry Site
   a) trunk services - sewers, watermains
   b) internal services
4) Tourist and Recreation Area
   a) landscaping and internal services
   b) local roads

NORTHWESTERN ONTARIO
I. Community Infrastructure Program
   1) Thunder Bay sewage system improvements
   2) New town site in Lake St. Joseph area
   3) Ignace sewage treatment plant expansion

II. Road Construction Program
   1) Resource access roads
   2) Upgrading Highway 599

III. Study Program
   1) Study Thunder Bay infrastructure needs
   2) Study of harvesting of wild rice

DRYDEN DEVELOPMENT INFRASTRUCTURE
   1) Dryden water system improvements
   2) Dryden sewage system improvements

INTERIM NORTHLANDS
   1) Life skills - improve social functioning
   2) Teach homemaker skills
   3) Recreation area - develop camping and canoeing
   4) Manpower adjustment study
   5) Evaluation of SDA

NOTE: This SDA covers numerous areas of Northern Ontario characterized by severe poverty

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NORTHEASTERN
ONTARIO

I. Sudbury Area
1) Industrial park -
   water and sewage service
   and access roads

II. Parry Sound Area
1) Carling Township Industrial
   Park - water source and
   distribution system,
   sanitary sewer system
2) Assessment of industrial
   development activity

SINGLE- 1) Community infrastructure program
INDUSTRY a) wells, pumps, etc. in Nakina
RESOURCE b) water treatment in Longlac
COMMUNITIES c) water system improvements
   in Geraldton

2) Transportation development program
   a) Geraldton airport
   b) airport access

Although such a brief account of the
individual programs does not do justice to the
objectives or strategies involved, it does give
some idea of the type of projects being activated.
The fact that the provincial and federal
governments have hammered out an agreement and
have been able to match priorities is an important
step in itself.
e) Its Evaluation and Prospects

A recent joint review of the above six SDA's states that:

the implementation and administration of the subsidiary agreements signed to date has proceeded satisfactorily.

(Canada, 1977, p. 1)

Out of the Agreements and actions taken, very few problems have arisen. There seems to be a problem of underestimating costs, a problem apparent in the Northwestern agreement. This has been overcome by the use of an existing contingency fund and the deletion of two projects through a bilateral amendment. Additional funds have been allocated to the existing projects from federal and provincial as well as municipal (i.e. Thunder Bay) sources. This seems to serve as an indication of the ongoing co-operative effort. As far as a solution to the underestimation problem is concerned, the joint review states:

Hopefully, better analysis and control of estimates in subsequent subagreements is bringing this problem within manageable limits.

(Canada, 1977, p.1)
A second problem which has arisen deals with some accounting problems. However, a current review with respect to this matter has been undertaken (Canada, 1977, p. 1).

One of the provisions made by the GDA is for the joint evaluation of each SDA upon its completion. Only one such document is available at this time and it is the evaluation of the Cornwall Subagreement. The program was scheduled to be completed at the end of March, 1977 and its evaluation appeared in July, 1977. An immediate review of this experimental approach is justified in order to apply the knowledge gained through the functioning of this first program to those Subsidiary Agreements which were to follow. However, one must also take into consideration the fact that infrastructure-oriented projects may not produce any immediate or short-run results. What is necessary is a number of longer run standardized evaluations or reviews repeated over certain time periods to gain further insight to the results of such development efforts. This problem has been recognized:
Although it is premature at this time to measure the full impact of the Agreement on Cornwall's economic prospects, this report provides a preliminary evaluation of the experience encountered during the implementation phase and the immediate ascertainable effects on Cornwall's development.

(Canada, 1977, p.1)

As this was the first SDA to be completed the value of the evaluation exercise is obvious. However, formal agreement should be made between Ontario and Canada to undertake the later additional evaluations. At this time no plans for such an amendment to the Canada/Ontario GDA exist (Dallimore, 21 Feb. 1978) Despite the problem of cost over-runs the Cornwall evaluation sees the implementation of the plan as being generally successful. In addition, the short-run tax assessment base of the area has "increased significantly ... since 1973" (Canada, 1977, p.2). The Subsidiary Agreement has also helped to create construction employment in the short-run when the Cornwall economy was suffering. There have also been indications of the attraction of new industry to the area and tourism may also be on the rise. The separation of natural market
forces, of course, has not been possible. The government written evaluation is satisfied that it has achieved its government set objectives.

The joint effort for drawing up an SDA does not seem to be a complex one. Basically it runs as follows:

1) Each year the Ontario government draws up its regional priority budget. It is a number of projects listed in terms of Ontario's priorities.

2) It is presented to the Ontario DREE office, which has its own priorities.

3) The two sides meet to discuss and agree upon mutually desireable projects.

4) The various offices of the two governments then meet to thrash out the details.

5) Analyses pass between the two governments and on the basis of these an agreement will be drawn up and signed.

(Dallimore, 21 Feb. 1978)

Thus, in terms of initiative, it is usually the Ontario government which starts the ball rolling with the presentation of its regional priority budget. However, on occasion, DREE, seeing the need for a particular action to be taken, might approach the province. However,
Dallimore of DREE points out:

They i.e. Ontario are very jealous of us getting into the planning area. They don't want us to get into it. You have to realize the political context. Because the province is so involved in planning they don't want us involved in it. (Dallimore, 21 Feb. 1978)

McIntyre (1976) suggests that this is a problem. The federal government must attempt to reinforce the province's priorities as expressed primarily in its Design for Development program. Thus, Ottawa is unable to take any action in areas where Ontario has not completed or revised its plans. Apparently DREE has offered to assist in the planning effort, offers which have been accepted by other provinces, in order to speed up the process, but Ontario has turned them down:

I would like to suggest that DREE could bring to bear a unique and useful national perspective to the field of regional planning should Ontario be prepared to modify its existing stance. (McIntyre, 1976, p. 58)

Another political problem deals with the priorities of the two governments. Dallimore (1978) points out that some of the programs
suggested in "the province's regional priority budget are more politically oriented than others". He suggests that DREE tries to weed these out and look for those with a sound socio-economic base. Most certainly many of DREE's priorities are politically motivated as well, merely an accepted symptom of a democratic system.

A final political problem, the kind which one would naturally associate with intergovernmental co-operation, deals with political credit. The GDA states that there is to be credit given to both levels of government for the joint projects which are undertaken. Nevertheless, is there still some competition for political credit?

It's true. Obviously one never likes to think that the other side is getting more credit than you are when it's a joint funded project. (Dallimore, 21 Feb. 1978)

Despite its verbal source, the use of the phrase 'the other side' serves as an indicator of the intergovernmental tensions which still exist.
The future of co-operative action seems assured via the GDA. More projects are currently under discussion and those signed thus far seemed to have helped the spirit of federal-provincial relations. At this time, however, the GDA would appear to be the upper limit in the state of the art of federal-provincial regional development action. The GDA approach will be the principle medium of co-operation at least until its 1984 expiration date (Dallimore, 21 Feb. 1978). The development of the GDA seems to be a step in the proper direction with an eventual goal of minimizing intergovernmental conflicts. To this end is a more formal integration of the two administrations of the two governments foreseen?

I can't see us i.e. DREE ever working completely with TEIGA like that. It means it takes away from the federal government their interest in trying to ensure that there is less regional disparity across the country. And I suppose that although we are looking at each region separately, at least when you are in an organization like DREE you are conscious of what is happening in other areas of the country. You try to bring to bear some of the benefits and some of the problems you have incurred across the country. You can learn a lot from the national thing. You try to keep this national perspective in focus.

(Dallimore, 21 Feb. 1978)
Discussions with provincial authorities also cast a shadow on any further integration of federal-provincial regional concerns. As far as they are concerned any move in this direction would only mean the loss of power and potential political credit.
V. FEDERAL AND ONTARIO INDUSTRIAL DEVELOPMENT INCENTIVE PROGRAMS

The development of the GDA approach for use in the battle against regional economic disparities appears to be a step in the proper direction according to the discussions of the theoretical material in Chapter III. Yet the projects of the Subsidiary Agreements resulting from this approach are only one of the efforts being put forward by the two senior levels of government. The two governments also operate independent industrial development types of promotions. Fortunately, with this kind of program, government efforts can be easily scrutinized. This is due to the direct nature of the government effort involved. Such effort usually involves some type of direct monetary incentive provided to a firm or an individual.
Typically they are in the form of a loan or a grant. This allows the researcher to observe exactly where the money has gone.

Another advantage provided by the study of this type of programs is the possibility of making comparisons. Certainly there will be differences in the programs. As will be seen, the most obvious example is the loan versus grant type of incentive. One may argue that such a difference may result in varying economic impacts. Nevertheless direct comparison of the distribution of the funds involved remains possible. As it turns out, the terms of the loan program are generous enough in nature to make inter-program comparison valid.

Finally, these programs are of interest because of their value in light of the preceding research and theory. This is brought about by their independent or unilateral character. Just as the GDA approach can be said to reflect the newer co-operative federalism, so too do the development incentive programs correspond to the older, dualistic form of federalism. Such
unilateral programs may tend to reflect the priorities of the federal and provincial governments individually.

However, before the industrial development incentive type of regional development programs are analyzed, it would be wise to review the evolution of the two major programs involved. Such a review should in itself illustrate certain priorities of the two governments.

The significance of the two programs to be presented is considerable. Although some data could be obtained for the federal program, facts and figures relevant to its provincial counterpart are held somewhat more secretively. The functioning of the Regional Development Incentives Act accounted for 17.4% of DREE's expenditures in 1976-77 (Canada, DREE, Annual Report, 1976-77, p.4). This figure declined in 1977-78 to 12.9% (Canada, DREE, Annual Report, 1977-78, p.3). It is interesting to note that over that same two year period the share of DREE's expenditures going to Subsidiary Development Agreements rose from 41.8% to 56.7%.
1. ADA, ADIA and RDIA

In Canada, federal governments have hesitated in the past to become involved in the issue of industrial location, but ... recently there has been a change in attitude.

(Brewis, 1968, p. 320)

a) Its Beginnings: ADA

This change in attitude became visible in 1963. It was in that year that the federal government proposed the creation of the Department of Industry. It would have the responsibility of implementing suggestions made by the Economic Council of Canada also formed at that time. "The Department of Industry was to be for manufacturers what the Department of Agriculture was to farmers", the Department of Fisheries was to fisherman, and so on (Brewis, 1969, p.134). The Area Development Agency (ADA) was designed within
the realm of the Department of Industry to relieve the heavy unemployment problem in certain areas of the country. It would aid manufacturers in setting up operation in such problem areas and in this way complement "the ARDA legislation on the rural front" (Brewis, 1972, pages not numbered). The Department of Industry in its first Annual Report gave justification for the ADA program:

While broad national policies help to moderate regional economic problems, it is recognized that a program of special measures is also required to foster development in certain regions of Canada. (Canada, 1964, p.18)

"Although there had been numerous measures in the past to assist certain areas of the country, this was the first time that the federal government had made provision for a specialized organization to concentrate on area problems in all regions of Canada" (Brewis, 1969, p.136-7).

On July 22, 1963 the Department of Industry became a legal entity receiving particular support from those members of the House of Commons whose constituencies would benefit from the ADA program (Brewis, 1969). One of the provisions of the Act
was the creation of the Area Development Agency (ADA). According to the Department of Industry Act, Part II, Section 10 the function of the ADA was expressed as the following:

The powers and duties of the Minister in relation to the Agency ... shall include

a) the undertaking of research and making of investigations respecting the means of increasing employment and income in designated areas; and

b) the preparing and carrying out of such programs and projects to improve the economic development of designated areas as may be appropriate to the purposes of this Part and that cannot be suitably undertaken by other departments, branches or agencies of the Government of Canada. (Canada, 1963, p.61)

In early September, 1963 the first list of areas designated to receive assistance under the ADA program was released. Thirty-five such areas across Canada were selected involving seven provinces. "The areas have been so designated because they are experiencing high levels of unemployment and slow rates of growth" ("35 Designated ..., 1963, p.864). Brewis lists the four general guidelines which the federal
government had employed in the selection of the designated regions:

1) unemployment is very severe;
2) there has been a large and persistent decline in the number of people employed;
3) Unemployment is substantially above the national average and the rate of increase in employment is substantially slower than the national average;
4) Unemployment is reflected in income levels below the national average.

(Brewis, 1969, p.139)

Naturally, more specific criteria were used by the government.

The 'areas' referred to were local office areas of the National Employment Service. They later became Canada Manpower Centre areas. Such areas provided the best available data and "administrative simplicity" (Brewis and Paquet, 1968, p.145). In such designated areas manufacturing and processing industries would be induced to settle by means of tax concessions. It was a three-part tax incentive program:
1) A three year exemption from federal income tax for new enterprises;

2) Accelerated capital cost allowances on new machinery and equipment acquired for use in certified new manufacturing and processing enterprises at a rate of 50 per cent on a straight line basis, instead of the usual 20% on a diminishing balance basis;

3) An accelerated capital cost allowance on new buildings acquired in designated areas, at a rate of 20 per cent on a straight line basis, instead of the normal 5 per cent on a diminishing balance basis ...

("35 Designated ..., 1963, p.864)

Shortly after the second anniversary of the creation of ADA, it was to undergo some radical changes.

The most significant was the switch from a tax incentive program to a system of grants. Brewis (1968) stated that the tax incentives would have had little influence on the location of industry. The problem was that the original plan would benefit "companies only after their projects were in operation and not companies who needed cash to begin with" (Bergeron, 1976, p.46). Brewis and Paquet (1968) point out that profits
made by successful firms in their first years of operation were likely to be 'quite nominal'.

Burpee, a chartered accountant, sees another disadvantage of the tax incentive scheme:

Added to this was the suspicion that the Department of National Revenue was not a real promoter of these incentives which were economic in nature and not related to the collection of taxes. It was realized that under the tax incentive programmes that the tax-payers' gain was the Revenue's losses ... Linked to this problem was the fact that the Department of Revenue would receive little credit ... if the designated areas programme proved successful.

(Burpee, 1967, p.54)

He then goes on to detail the advantages of the use of grants by ADA:

The main advantage of grants as a fiscal measure is the control given to the government. Not only do grants produce an immediate effect but they can be directed to a select group of recipients who must submit all plans for approval. Moreover, the cost appear on the expenditure side of the government accounts where they can be scrutinized and weighed, rather than on the revenue side where the costs are invisible and not subject to any scrutiny or judgement.

(Burpee, 1967, p.55)
In addition to this the Department of Industry was now in the open position where it could receive direct credit or blame depending on the success of its programmes.

b) From Tax Savings to Grants: ADIA

For reasons such as those above the 'Area Development Incentives Act' (ADIA) received Royal Assent on June 30, 1965 and came into force the following day. It was set to run until March 30, 1971.

It was through this legislation that firms would now receive grants for settling in designated areas rather than a tax incentive. The grants applied to both new manufacturing and processing activities and the expansion of existing ones, although the formula for determining the two differed. In each case an upper ceiling of $5 million was set. The grant, determined according to a specific formula, could be received by a particular firm either as cash under a standard payment schedule or in an amount
equivalent to the grant deducted from its federal income tax. Companies applying as late as March 31, 1967 could also apply under the tax exemption scheme of the ADA of 1963.

As well as changes in the form of the incentive, there were also considerable changes in the criteria used to designate qualifying areas. In the list of criteria provided by the Labour Gazette ("The War ..., 1965, p. 795) one notes the inclusion of the traditional unemployment and employment criteria as well as certain average annual family income considerations again using National Employment Service areas. However, along with the NES areas, county and Census districts could also be used. They would be included if they met the criteria and were contiguous to a NES area which was also designated and together they formed an 'economic region' (Brewis, 1969, p.140). Continuing along this 'economic region' line of thinking, groups of NES centres would be designated if, when taken as a whole, they qualified. Also notable is that the sparsely populated northern areas of the country would not
qualify ("The War ..., 1965, p. 795). Under the new criteria 65 NES areas and 16 counties or Census divisions were designated as being eligible for ADIA assistance. All 10 provinces were involved and effected portion of the labour force more than doubled from 7 1/2% under ADA to 16% under ADIA ("The War ..., 1965, p.794).

c) Its Problems

Despite the radical changes brought about by the new legislation, criticisms of the industrial incentive type of regional economic development programme under the guise of ADIA continued. The major criticism, and the one around which most of the others revolve, lies in the fact that these programs had not been particularly concerned with planned regional development but rather with the alleviation of local unemployment. Brewis and Paquet (1968) explain that this approach was symptomatic of many of the programs established in the same era. It was a time when the primary concern of the federal
government was unemployment:

The Program was designed to encourage industrial development to take place in areas of chronic and severe unemployment, but there was no intention to provide for a comprehensive program of regional development as such (Brewis and Paquet, 1968, p.141)

However, to attack regional unemployment per se is to attack only a symptom of the problem and not its underlying causes. Some believe "that to achieve regional prosperity calls for major changes in the structure of the economy" (Brewis, 1969, p.145). The program, therefore, may have served only to spread growth by acting as an 'Industrial Location Agency' or, according to some, a "Misallocation Agency" (Brewis and Paquet, 1968, p.141). It has thus been "branded by the critics as being more of a welfare scheme than a regional development project" ("Is HE ... , 1969, p. 39).

A glance through the Annual Reports of the Department of Industry shows the commitment of ADA to conduct research in the area of regional
development. However "ADA has done the least of ARDA, ADB and ADA in the way of investigation, being uncommitted to plans of development" (Brewis and Paquet, 1968, p.152). Such research which would be required to handle the problems related to regional disparities and industrial location is lacking if one uses the number of publications as a measure.

The areas designated in which industry would receive financial assistance to settle were based primarily on unemployment and income measures. This too has been criticized. No account of development potential was made. The interest generated within the past decade in the 'growth pole' or 'growth centre' concepts is indicative of the recent awareness of the development potential concept.

Despite the objective nature of the area designation criteria, problems in their selection are apparent. "Equal incentives have not given rise to equal results ... and ... the most depressed areas are not likely to benefit as much as the less depressed ones" (Brewis, 1969, p.143).
Naturally, some of the designated areas will be perceived by the entrepreneur as being more attractive to entrepreneurs than others. Brewis (1969) illustrates this point using the example of southern Ontario versus north-eastern Quebec. The ADA program attracted more industrial investment to Ontario than any other province except Quebec and, despite this, the lesser investment in Ontario relative to Quebec created more jobs. "Ontario's designated areas had ... a more sophisticated infrastructure, easier access to markets and a ready-made labour force" and thus had an obvious advantage over less fortunate regions such as the Maritimes ("Is He ..., 1969, p. 39). In fact, George (1970) found that:

Most of the the new plants were built in the poorer parts of the prosperous provinces rather than in the depressed regions of the country. About 60 per cent of these new jobs were in Quebec and Ontario -- which corresponds closely with the proportion of new firms which went to those provinces before the ADA grants. (George, 1970, p.149)

This statement would seem to support
Springate's (1973, p. 14) claim that the ADA program was of very limited use. Its inefficiency is further exemplified by the cost per job. The Monetary Times ("Is He ..., 1969, p. 40) reports that the average cost per job created across the country was $36,959 of which the federal government paid approximately 25%.

(i) A Lack of Provincial Co-ordination

The other major area of criticism which has been directed toward the Agency is in the area of co-operation and co-ordination. During its formative years this was not foreseen to be a source of difficulty. In a statement in the House of Commons in 1963 concerning the creation of the Department of Industry and the Area Development Agency, Prime Minister Pearson made this point clear. Both intra- and inter-governmental matters of co-ordination and co-operation were discussed:

...I believe the new Department of Industry will make it easier for provincial departments of industry to do their work. Therefore, far from being hampered or interfered with, provincial
action in support of industry will be, we hope, assisted by this development. Opportunities for fruitful federal-provincial co-operation will be improved.

Various departments of the federal government can be helpful in different ways to such designated areas.

It i.e. ADA will create in Ottawa a small group of people whose special responsibility, on behalf of the minister of industry, will be to make sure that various public policies are conceived and co-ordinated in ways which will be of maximum help to the areas of maximum need. ... In this sense the area development agency will be more co-ordinating than executive. In this way it will not interfere with provincial action to the same end. Quite the contrary. If the co-ordination and effectiveness of federal action are improved, actions by the provinces in their areas of responsibility will become easier to take and will be made more fruitful.

(Canada, 1963, p.803)

The actions of the new Department of Industry, and, more specifically, those of the Area Development Agency were to be co-ordinated with both provincial and other federal government actions. In fact within the Act provision was made whereby other departments could be directed to take action to aid the efforts of the Agency. However, the government seems to have failed to
use this option and the Agency became "an executive rather than a co-ordinating body" (Brewis, 1969, p.138). ARDA, which, through FRED, was to tackle the problem of rural development, could do little towards this end without ADA co-operation. Brewis and Paquet (1968, p.155) suggest that ARDA and ADA should have "come under one overall direction, an interlocking of action being needed." Indeed ADA should have been integrated with a number of other similar efforts by the federal government.

While discussing the relationship of ADA to other development programs, one other facet of its character should be mentioned. "ADA provide[d] assistance directly to firms independently of other provincial governments, whereas ARDA and the ADB operated in co-operation with the provincial governments and to some extent in response to them" (Brewis and Paquet, 1968, p.153). Joint programs seem to be generally more acceptable to the provinces and give them less grounds on which to complain. This is particularly valid in the case where regional development which has
traditionally remained within the domain of the provinces. It is interesting to note that while before the Standing Committee on Industry Research and Energy Development the Minister of Industry said in reference to the tackling of the problem of uneveness in regional economic development:

This, however, can only be done under the terms of our constitution as a joint federal-provincial program.

(Canada, 1966, p.293)

In an attempt "to secure the goodwill of the provinces" they were consulted during the formulation of ADIA designation criteria and to appease the provinces it worked out such that each province had qualified areas. Despite these efforts, the Monetary Times ("Is He ..., p. 40) claims that the Atlantic provinces were particularly unhappy with the lack of their consultation in this area. In addition, claims made by the federal government that their actions in regional development would compliment those of the provinces were never justified (Brewis, 1969). In fact he states that "a number of provincial governments do not regard the ADA program as
complementary to their own but as one that is apt to work at cross purposes" (Brewis, 1969, p.153). While some provinces may have taken the 'development potential' approach to their regional disparity problems, the federal government countered by trying to attract new activity to the most depressed areas. This weakened the effectiveness of the actions of both governments. Should a province have wished to achieve a certain type of development or perhaps a degree of regional out-migration, ADA efforts may have foiled them (Brewis and Paquet, 1968, p.159). The Minister of the Department of Industry was aware that such efforts by the provinces could lead to provincial competition. However, he stated that the federal government would not become involved in such competition (Canada, 1966, p. 266). According to the charges of Brewis (1969), the federal government has failed to do this. Nevertheless, the Minister went on to say that:

This larger question of differential regional incomes and growth rates in Canada has always been and will continue to be a major federal preoccupation.  
(Canada, 1966, p.266)
d) More Modifications: RDIA

To this end on April 1, 1969 the functions of ADIA were taken over by DREE under the authority of the Regional Development Incentives Act (RDIA). It was to continue to function in basically the same way. With provincial consultation, areas across Canada were to be designated as being eligible for grants. There were two types of grants -- a primary grant to expand and modernize existing facilities (20% of costs) and a secondary grant for new facilities (5% of costs plus $5000/created job). Thus the federal government was giving some incentive to more labour intensive activities by directly trying to stimulate job creation. By the 1970-71 fiscal year a portion of south-eastern Ontario had been added to the list of designated regions. The degree of assistance also varied with the degree of depression in a region thus making this portion of Ontario eligible for a primary grant up to 10% of costs and a secondary grant of up to 10% of capital costs and $2,000/job. By the 1971-72
fiscal year the secondary grant of the originally
designated section of northern Ontario had been
raised from 5% to 25% of capital costs with no
change in the $5,000/job (Canada, DREE, Annual
Report, 1971-72, p. 4). In 1974 south-eastern
Ontario was no longer eligible leaving the
northern portion of the province as Ontario’s only
RDIA designated area.

With the 1974 review of DREE came several
modifications to the RDIA program. One
significant one was the use of a standard formula
to determine incentive amounts for small and
medium sized firms by the DREE field offices.
This was to speed up the processing of
applications. Also mentioned was the "frequent
consultation with provincial governments who are
advised of applications received" (Canada, DREE,
Annual Report, 1974-75, p. 5).

In addition to the 'standard formula'
approach to grants there was also a provision made
for the guaranteeing of loans. These are available
to manufacturing and processing enterprises as
well as certain new service industries. However,
this tool has been used only to a limited degree, a point substantiated by Dallimore (1978).

2. ODA and ODC

The government of Ontario has also taken on the role of providing industrial development incentives. Unfortunately, these provincial programs seemed to have received very little scrutiny from the academic world. This is
probably due to the fact that Ontario publishes very little about such programs except in the form of brief reports or pamphlets. In addition to this, whereas the funds spent by the federal government under the RDIA are published monthly, comparable provincial information becomes available only to the aggressive researcher. The reason for this is the criticism which the Ontario government received concerning this program upon its initiation. Since that time it has maintained a low profile.

a) Its Beginnings: ODA

The industrial incentive portion of the regional development program of Ontario has an interesting history. It did not start out with a regional development goal. Rather it started out as part of a five year economic program to stimulate the industrial development of the
province as a whole. It was particularly concerned with the secondary manufacturing sector. The Ontario Development Agency was first mentioned in the speech from the throne in 1962. At that time its purpose was to:

provide the job opportunities that will be required in Ontario in the coming years for a growing labour force and, at the same time, increase our incomes and living standards.

(Ontario Legislative, 1962, p.4)

Thus on December 19, 1962 The Economic Development Loans Guarantee Act, 1962-63 was given assent. No mention of "regional" economic development was made. Under the authority of the Act the Ontario Development Agency was to operate as a branch of the Department of Economics and Development. It guaranteed bank loans to existing firms which were running into difficulty and later took on the role of a business management consultant. The two services were directed primarily at small and medium sized businesses. By 1965 it had worked with more than 3000 companies ("Two Simple ..., 1965, p.5).
Williams (1971, p.72) describes the problems of the ODA's first actions -- the ones which caused the ODA to withdraw from the public eye. The first company which the Agency helped was the H.J. Fairfield Company of Owen Sound. This sock and yarn manufacturer was originally set up in Preston in 1959 and had gone bankrupt. With the help of the Jamaica Industrial Development Corporation it re-established in that country but again went bankrupt. It returned to Canada settling in Owen Sound only to go bankrupt a third time, this time to be bailed out by the ODA. It had supported by ODA funds until September 23, 1963 -- just two days after a provincial election. Fairchild's losses during the period of assistance were over $100,000.

Williams (1971) also outlines the geographic distribution of ODA funds. By May 1966 almost $4 1/2 million had been loaned. Only 15% of this was used in eastern Ontario. On the other hand, over 45% was employed within a 50 mile radius of Toronto.

In the section dealing with the 'Design for
Development' concept mention was made of the 1965 turning point in regional development attitudes in Ontario. Apparently, this also had an influence on the ODA for by then it had come to be described as a tool for "regional" economic development:

We have been carefully studying the ways and means by which the programme of the Ontario Development Agency may be expanded and sharpened into a more comprehensive tool for regional development.

(Ontario Legislative, 1965, p.2309)

b) With Modifications: ODC

On the same day that the Design for Development programme was announced so was a bill concerning the ODA. This bill was to "do much to increase ODA's effectiveness in the regional context" (Robarts, 1966, p.2257). This bill would create a new crown corporation which would assume and extend the duties of the ODA. This new body was the Ontario Development Corporation. It would have the power to lend funds not only to existing
companies but also to new firms. This development support was to be directed towards small and medium-sized firms. Service activities and tourist operations were now also eligible for assistance. The government money could be applied to buildings, both new or expanded, as well as to the purchase of new equipment. The loaning of funds was seen as being justified because of the tight money situation in 1966. By creating a more even distribution of the availability of capital in the province it was hoped that eastern and northern development would be encouraged. Assent was given to The Ontario Development Corporation Act, 1966 on May 18, 1966. It is interesting to note that this potentially powerful tool for regional economic development has remained in the control of the Ministry of Industry and Tourism. The Design for Development program, responsible for the comprehensive planning and development of the province, is under the jurisdiction of the Ministry of Treasury, Economics and Intergovernmental Affairs. There thus exists the situation where the ODC, a primary influence on
regional industrial development, is operately seperately from the province's 'comprehensive' Design for Development program.

In late 1967 the ODC announced the Equalization of Industrial Opportunities program. Its objectives were:

- to equalize industrial growth opportunities in the lesser developed areas of Ontario
- to expand industry and employment particularly in areas of slow growth
- to encourage the decentralization of industry
- to provide jobs for young people in small centres
- to help Ontario's exports and import replacement program
- to establish a wider base for industrial assessment in smaller municipalities (ODC, 1968, p.6)

The program designated a number of municipalities throughout Ontario which appeared to be less well developed than the main industrial regions. Firms setting up or expanding in these areas would be eligible for forgivable loans under the EIO program. The 'loan' would be interest -

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free for the first six years of the companies production. If at the end of that time the company is still functioning satisfactorily, the full amount of the loan would have been forgiven. Thus, in effect, the ODC was employing a grant system similar to that of the federal government. Notably, companies receiving funds from the ADIA program were not eligible for EIO loans. By providing this forgivable loan incentive to depressed areas Ontario was now in the business of regional economic development. By the end of 1968 some 95 companies had received over $15 million. The geographic breakdown was as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th># of Loans</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern Ontario</td>
<td>45</td>
<td>$6,200,000</td>
</tr>
<tr>
<td>Eastern Ontario</td>
<td>39</td>
<td>$7,300,000</td>
</tr>
<tr>
<td>Northern Ontario</td>
<td>11</td>
<td>$1,700,000</td>
</tr>
</tbody>
</table>

(ODC, 1968, p.3)

To try to encourage development in northern and eastern regions of Ontario loans to a maximum of $500,000 were available while firms in southern Ontario were eligible for only one half that amount.
In 1970 the Northern Ontario Development Corporation (NODC) was founded to function in Northern Ontario in the same way the ODC operated in the remainder of the province. The ODC would remain the parent organization. Another change in the laws regarding these corporations in 1973 created a third body -- the Eastern Ontario Development Corporation (EODC). The aims of this body paralleled those of its predecessors. Again it was to supply capital to manufacturing and tourist operations having difficulty acquiring funds from other sources. The maximum loan for any eligible company would be 90%, 75% and 50% of costs in northern, eastern and southern Ontario respectively to a limit of $500,000. (Ontario, 1974, p. 42).

One can speculate on a number of reasons why these 'branch' corporations were created. They may have been an expression of true concern by the Government of Ontario for regional development. Both eastern and northern areas of the province present special problems and therefore require special attention.
They could also be interpreted as a popular political move. The residents of the affected areas must perceive the provincial government as putting forward a special effort to aid their economic development.

The creation of NODC and EODC could be seen as a move towards more efficient administration. As such it could perhaps be compared to the decentralization of DREE as an effort to obtain more regional input.

c) Its Problems

By 1970 the program appeared to be successful. On page 03 of the April 25, 1970 Financial Post an article applauded the efforts of the EIO. The program seemed to have created more jobs and more investment than had been anticipated. However, there had also been criticisms. Greer (1969, p.17) in a brief article exemplified what appeared to be some of the not so deserving recipients of forgivable loans. On the top of the list were some American-owned,
multi-million dollar profiting firms which had received $500,000 from the Ontario government. The throne speech of 1971 indicated a change in the government's policy suggesting that Canadian firms would be given preference for the loans and grants (Financial Post, April 24, 1971, p.8).

Other criticisms also appeared. John Calvert (1971) provides several good arguments in this respect. First, he cites that 200 of the 271 loans made by the ODC by February of 1971 had gone to companies in Conservative constituencies. He also emphasized the "Americanization of the Canadian economy" aspect of the problem (Calvert, 1971, p.25). A third argument presents the lack of a cost-benefit analysis or even a follow up of the loan recipient's books to assess its success.

(i) A Lack of Federal Co-ordination

Calvert also makes a strong argument emphasizing the lack of co-operation which existed at that time between the federal and provincial governments. The Ontario government did not seem
to be aware of which companies were receiving federal grants. Also mentioned was the fact that Ontario was competing for industry not only against federal programs but also against other poorer provinces. With respect to federal policies Stanley Randall (Minister of Industry) is noted to have said:

Now my responsibility is to bring industry into Ontario. I do not give a damn what happens in the rest of Canada ...  
(Ontario Legislative, 1969, p.9605)

Even co-operation within the Ontario government was lacking. In designating eligible municipalities the ODC's EIO program ignored the growth centre approach advocated by Design for Development. Calvert (1971, p.25) also illustrates a case where the ODC took action contrary to the plans of a Regional Development Council.

The EIO program terminated June 30, 1973 to be replaced by the Ontario Business Incentive Program. The loans were no longer forgivable but rather they became long term and often interest -
free for five years. In order to re-emphasize the need for development in the less economically healthy areas of the province, relatively larger loans were made available to them. In northern Ontario up to 90% of approved costs could be received in the form of a provincial government loan to a maximum of $1 million. Up to 75% and $1 million are the figures applicable to eastern Ontario. These apply to both new and expanding businesses. New projects in the remainder of the province are eligible for loans up to 50% of approved costs to a total of $1/2 million.

Lacroix (1976) criticizes the ODC for its "lack of clearly defined economic strategies" (Lacroix, 1976, p.70), a comment which has also been directed against the federal RDIA program. He also suggests (p.67) that the NODC in particular should become more aggressive in its investments rather than wait for applications. Rohmer (1976) agrees. The corporation should actively seek out investment opportunities. He also cites the need for longer range policies and the integration of all bodies involved in the
promotion of economic development" (Rohmer, 1976, p. 90). In a more realistic vein, he suggests that the corporations should be given increased power. Particularly, they should be able to "launch out into many more fields in concert with other agencies" (Rohmer, 1976, p. 90).
VI. RDIV vs. ODC: ANALYSIS OF POTENTIAL CONFLICT

In this section a brief comparative analysis will be made of the regional industrial development programs of the two senior governments. This will be done to determine the degree to which the independent programs involved work in harmony. Data for each was obtained for the seven fiscal years 1970-71, to 1976-77. The data for these years was then disaggregated by counties and districts (geographically), by economic sector and by urban centres. This disaggregation made manipulation for the purpose of analysis possible.

After a short perusal of the figures mentioned above, the observer can derive general impression of the pattern of the geographic distribution of funds. Throughout the time period
involved both the federal and Ontario governments have operated their respective programs in the northern portion of the province. The Ontario government has also been active in southeast Ontario while its federal counterpart was involved for only a limited period and in a limited segment of this region. The federal government did not enter south central or southwestern Ontario during the period involved. On the other hand the provincial government has been more active in this region than in any other. Thus one sees the following picture: the Ontario government promoting activity throughout the province with the federal government very active in the north and to a lesser degree in the southeast. This pattern can be seen in Map 1.

From these general observations it would seem reasonable to approach a closer look at the distribution of government's development incentive funding using the three basic regions identified - northern Ontario, southeastern Ontario and the southwestern/south central region of Ontario. These parallel the areas which fall within the jurisdiction of the provincial Development Corporations - the Northern Ontario, Eastern
MAP 1
AREAS OF FEDERAL AND PROVINCIAL GOVERNMENTS REGIONAL INDUSTRIAL DEVELOPMENT INCENTIVE PROGRAMS; 1970 - 77

- Regional Development Incentives Act (Federal Government)
- Ontario Development Corporation (Provincial Government)
Ontario and Ontario Development Corporations. These regions are identified in Map 2.

Southwestern and South-central Ontario

In a search for direct evidence indicating intergovernmental policy or program conflicts one naturally expects to find the actions of one government negating those of the other. However, in the case of southwestern/south central Ontario this is not so. The type of conflict illustrated in this particular region consists of action taken on behalf of one government with the other choosing to remain totally passive. As such it is a more subtle form of intergovernmental conflicting priorities.

For this region, then, it is not possible to directly compare the actions of the two governments. It must suffice, therefore, to examine briefly the distribution of the funds by the provincial Ontario Development Corporation in this area. It may be worthwhile at first to present a statistic employed in the previous

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MAP 2

PLANNING REGIONS OF ONTARIO

Northern Ontario

THUNDER BAY

SAULT STE. MARIE

SUDBURY

NORTH BAY

South/Central Ontario

TORONTO

South/Eastern Ontario

Note: Areas not to scale

section which relates to an earlier time period. It expresses the concentration of funds loaned within a 50 mile radius of Toronto. Figure 1 indicates that during the seven fiscal year period from 1970-71 to 1976-77 the ODC injected about 50% of the regions funding into the Toronto area. The corresponding figures for the individual years are rather inconsistent ranging from a low of 16% to a high of 63%. Williams (1971) pointed out that by May 1966 about 45% of all ODA funds had been dispersed within the same area.

A pattern becomes obvious. Millions of provincial dollars continue to be poured into what is commonly seen as the most developed area not only of the province but of the country as a whole. It is a situation of subsidized development within the 'Golden Horseshoe'. This would appear to contradict the general principles of the Design for Development concept where development was to be encouraged in depressed regions and controlled in the heavily urbanized areas. The federal government takes a similar approach by aiding only those regions showing greatest need. The federal government has thereby avoided involvement in southern Ontario during the
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Funds Loaned ($000)</th>
<th>% within 50 mile Radius of Toronto</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-71</td>
<td>4,452.7</td>
<td>16.0</td>
</tr>
<tr>
<td>71-72</td>
<td>10,825.9</td>
<td>42.0</td>
</tr>
<tr>
<td>72-73</td>
<td>22,835.9</td>
<td>62.9</td>
</tr>
<tr>
<td>73-74</td>
<td>32,257.5</td>
<td>54.6</td>
</tr>
<tr>
<td>74-75</td>
<td>43,058.6</td>
<td>48.3</td>
</tr>
<tr>
<td>75-76</td>
<td>10842.3</td>
<td>48.1</td>
</tr>
<tr>
<td>76-77</td>
<td>17,866.3</td>
<td>45.4</td>
</tr>
<tr>
<td>TOTAL 70-77</td>
<td>142,139.1</td>
<td>50.6</td>
</tr>
</tbody>
</table>
study period. In contrast to the provincial government it has managed to basically set a policy to which it has adhered.

To substantiate further the point that Ontario continues to help the most developed regions of the province two more statistics were employed. In both cases a particular measurement of development was correlated with the geographic distribution of ODC funds in south central and southwestern Ontario. In one case, the population of the urban centres was correlated with the dollar value of loans going to firms receiving ODC funds. In the second case a similar operation was undertaken this time correlating ODC loans with the manufacturing employment density of the 26 counties of this study area. A density measure was used to overcome variations in the areas of the counties involved.

The values appearing in Figure 2 show that for the entire study period there was a significant relationship between the dollars invested and the size of the urban place in which they were invested. Thus, the larger the urban centre the greater the investment made for industrialization by the Ontario Development Corporation.
Table 2.1.1: Correlation of Dollar Value of ODC Loans with Population of Urban Places in which Firms Received Funds

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-71</td>
<td>.18 **</td>
</tr>
<tr>
<td>71-72</td>
<td>.72 **</td>
</tr>
<tr>
<td>72-73</td>
<td>.97 **</td>
</tr>
<tr>
<td>73-74</td>
<td>.98 **</td>
</tr>
<tr>
<td>74-75</td>
<td>.93 **</td>
</tr>
<tr>
<td>75-76</td>
<td>.55 **</td>
</tr>
<tr>
<td>76-77</td>
<td>.31 **</td>
</tr>
<tr>
<td>Total 70-77</td>
<td>.89 **</td>
</tr>
</tbody>
</table>

** - r-value statistically significant at both .05 and .01 level of confidence
The second statistic generated confirms these observations. Figure 3 shows how the distribution of ODC funds relates to the distribution of industrial activity as measured by the manufacturing densities of the counties of the regions. For six years of the seven year study period there was a significant positive relationship between the amount of funds allocated to any given county and the degree of development already present in that county. This correlation was also relevant to the study period as a whole. Therefore, in south central and southwestern Ontario the nature of the development investment activities of the provincial government seem to be one of reinforcing the existing pattern of industrialization. This would imply an acceptance of growth centre theory on the part of Ontario. They must be relying in part on 'spread' effects to achieve their goal of equal economic opportunities across the province.
Figure 3

Dollar Value of ODC Loans Correlated with Manufacturing Employment Density of Counties in which Firms Received Funds

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-71</td>
<td>.04</td>
</tr>
<tr>
<td>71-72</td>
<td>.66 **</td>
</tr>
<tr>
<td>72-73</td>
<td>.85 **</td>
</tr>
<tr>
<td>73-74</td>
<td>.76 **</td>
</tr>
<tr>
<td>74-75</td>
<td>.85 **</td>
</tr>
<tr>
<td>75-76</td>
<td>.83 **</td>
</tr>
<tr>
<td>76-77</td>
<td>.82 **</td>
</tr>
<tr>
<td>Total 70-77</td>
<td>.87 **</td>
</tr>
</tbody>
</table>

** - r-value statistically significant at both .05 and .01 level of confidence
South Eastern Ontario

Southeastern Ontario refers to the portion of the province over which the Eastern Ontario Development Corporation has jurisdiction. The pattern of governments' industrial development activity here parallels quite closely the pattern displayed in the southwestern and south central region. This has resulted from the far greater provincial interest in the area relative to that of the federal government. In Map 3 the general distribution of funds from two sources is presented. One can see that, except in the case of Renfrew county, federal participation in regional industrial development under the RDIA scheme has been of both a minor and transitory nature. Renfrew is the exception because of its northerly position in the region.

The county of Hastings received only one federal grant which was in the first year of the study period. The three most easterly counties received federal development funds but only in the early years of the study period. On the other hand there was provincial participation in all the counties of the region throughout the study period. Most of the southeastern counties have
MAP 3
GEOGRAPHIC AND TEMPORAL DISTRIBUTION OF EODC AND RDIA FUNDS
1970 to 1977

Years Represented
1 1970 - 71
2 1971 - 72
3 1972 - 73
4 1973 - 74
5 1974 - 75
6 1975 - 76
7 1976 - 77

EODC (Eastern Ontario Development Corporation)
RDIA (Regional Development Incentive Act)
been excluded from RDIA financial assistance. This is due, in part, to the fact that DREE designates certain specific areas which qualify for RDIA assistance. According to the criteria employed only a portion of southeastern Ontario qualified for such aid and only for a limited period of time. This designation criterion seems to be one of the major differences between the federal and provincial programs. The federal government must have perceived southeastern Ontario as a region which could achieve an appropriate level of development through free market forces. On the other hand, lacking a similar type of designation criterion, the provincial government perceives the whole province as requiring industrial development assistance. Once again there are apparent conflicts in terms of the priorities of the two governments.

Some statistical comparisons have also been drawn to determine differences in policies and priorities of the two governments in this region. From Figure 4 one notes that for the most part provincial industrial development money provided by the Eastern Ontario Development Corporation was highly correlated with the population of the urban
Figure 4

Dollar Value of EODC Loans Correlated with Population of Urban Places in which Firms Received Funds

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-71</td>
<td>.20</td>
</tr>
<tr>
<td>71-72</td>
<td>.35 **</td>
</tr>
<tr>
<td>72-73</td>
<td>.46 **</td>
</tr>
<tr>
<td>73-74</td>
<td>.86 **</td>
</tr>
<tr>
<td>74-75</td>
<td>.67 **</td>
</tr>
<tr>
<td>75-76</td>
<td>.26 *</td>
</tr>
<tr>
<td>76-77</td>
<td>.39 **</td>
</tr>
<tr>
<td>total 70-77</td>
<td>.73 **</td>
</tr>
</tbody>
</table>

* - statistically significant at .05 level of confidence
** - statistically significant at .01 level of confidence
places in southeastern Ontario. This parallels the pattern observed in south central and southwestern Ontario created by the Ontario Development Corporation. Again the provincial government is reinforcing the present pattern of industrial development.

Figure 5 indicates that for the study period as a whole the federal government created a similar pattern of investments in the region. There is a high correlation between dollars invested by DREE and the population of the urban centres in which those funds were invested. On an annual basis a different pattern appears for the federal government in Figure 5. This wide variation in coefficients was brought on by the seemingly haphazard pattern of RDIA investment both chronologically and geographically.

Because of the great differences in the degree of activity between the two levels of government a comparative analysis of the economic sectors receiving funds would be of little value. However, in the singular case of the county of Renfrew the two governments were about equally active. The provincial government loaned $7,691,859 while the federal government granted

248
Figure 5

Dollar Value of RDIA Grants Correlated with Population of Urban Places in which Firms Received Funds — Southeastern Ontario

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-71</td>
<td>.11</td>
</tr>
<tr>
<td>71-72</td>
<td>.88 **</td>
</tr>
<tr>
<td>72-73</td>
<td>.92 **</td>
</tr>
<tr>
<td>73-74</td>
<td>.29</td>
</tr>
<tr>
<td>74-75</td>
<td>.04</td>
</tr>
<tr>
<td>75-76</td>
<td>.13</td>
</tr>
<tr>
<td>76-77</td>
<td>.06</td>
</tr>
<tr>
<td>Total 70-77</td>
<td>.77 **</td>
</tr>
</tbody>
</table>

* - statistically significant at .05 level of confidence
** - statistically significant at .01 level of confidence
$8,723,275 over the same 1970-77 period. These amounts were disaggregated according to a 22 sector economic classification. The results of this can be seen in Figure 6. A list of the 22 economic sectors appears in Appendix 1. In Figure 6 the dollar values have been converted into percent values to allow for easier comparison. When these figures were correlated a coefficient of .322 was computed but found to be statistically insignificant at both the .05 and .01 levels of confidence. There was, therefore, a significant difference in the economic sectors which the two governments were promoting in this region.

Particularly notable with respect to the latter notion is the heavy emphasis on the tourist industry (23) in Renfrew by the provincial government. The federal government on the other hand confined themselves to helping manufacturing industries, especially the primary metal industry (12). Closely related to this would be the provincial government's stress placed on the metal fabricating industry (13). However, one also notes similar priorities of the two governments in their aid to the wood industries (8) of Renfrew county.
### Figure 6

Recipients of EODC and RDIA Funds by Sector in Renfrew County

<table>
<thead>
<tr>
<th>EODC $</th>
<th>% sector</th>
<th>$</th>
<th>RDIA $</th>
</tr>
</thead>
<tbody>
<tr>
<td>414,000</td>
<td>5.4</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>2</td>
<td>.0</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>3</td>
<td>.3</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>4</td>
<td>2.2</td>
</tr>
<tr>
<td>675,000</td>
<td>8.8</td>
<td>5</td>
<td>2.0</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>6</td>
<td>.0</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>7</td>
<td>4.3</td>
</tr>
<tr>
<td>1,187,575</td>
<td>15.4</td>
<td>8</td>
<td>24.7</td>
</tr>
<tr>
<td>156,091</td>
<td>2.0</td>
<td>9</td>
<td>6.7</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>10</td>
<td>.6</td>
</tr>
<tr>
<td>36,875</td>
<td>.5</td>
<td>11</td>
<td>1.3</td>
</tr>
<tr>
<td>442,000</td>
<td>5.7</td>
<td>12</td>
<td>33.1</td>
</tr>
<tr>
<td>1,215,250</td>
<td>15.8</td>
<td>13</td>
<td>1.5</td>
</tr>
<tr>
<td>705,000</td>
<td>9.2</td>
<td>14</td>
<td>10.6</td>
</tr>
<tr>
<td>50,000</td>
<td>.7</td>
<td>15</td>
<td>6.0</td>
</tr>
<tr>
<td>570,000</td>
<td>7.5</td>
<td>16</td>
<td>1.6</td>
</tr>
<tr>
<td>537,940</td>
<td>7.0</td>
<td>17</td>
<td>.8</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>19</td>
<td>.0</td>
</tr>
<tr>
<td>---</td>
<td>.0</td>
<td>20</td>
<td>.8</td>
</tr>
<tr>
<td>46,538</td>
<td>.6</td>
<td>21</td>
<td>.0</td>
</tr>
<tr>
<td>1,578,590</td>
<td>20.5</td>
<td>22</td>
<td>.0</td>
</tr>
<tr>
<td>7,691,859</td>
<td>100.0</td>
<td>100.0</td>
<td>8,723,275</td>
</tr>
</tbody>
</table>

\[
r = .322 \\
\text{r-value not significant at } .05 \text{ or } .01 \text{ level of confidence}
\]
One can thus see important differences in the approaches of the two governments in this area. The Ontario government was quite active while the federal government was relatively passive. They obviously look at this area from different perspectives and naturally have different priorities. The latter point is confirmed by the analysis of the governments' respective sectoral support. There appears to be little correspondence in the sectors which the two governments were promoting.

Northern Ontario

The region referred to as northern Ontario includes the counties/districts of Parry Sound, Nipissing, Sudbury, Manitoulin, Timiskaming, Cochrane, Algoma, Thunder Bay, Rainy River and Kenora. It is also the area over which the Northern Ontario Development Corporation (NODC) has jurisdiction. It is an area of considerable relevance to this thesis because of the comparably high levels of industrial development activity.
carried on by both the federal and provincial governments.

The geographic and temporal distribution of these funds can be seen in Map 4. Perhaps the most striking characteristic of this map is the lack of consistency in the actions of the two governments over both space and time. Neither level of government provides the same level of aid in any one district over the period involved. For example, RDIA (federal) grants in Algoma ranged from a high of over $12 million in 1972-73 to a low of just over $62,000 in 1975-76.

In a similar fashion NODC loans in Kenora ranged from over $7,000,000 in 1973-74 to less than $300,000 in 1971-1972. There seems to be no paralleled action between the two levels of government. Such variations in the activities of each program are due in part to a reliance on the private sector for the initiation of development action. Under both programs firms from the private sector must approach the government to apply for funding. Thus, fluctuations in economic conditions and the attitudes of entrepreneurs may influence both the temporal and geographic distribution pattern of funds.
MAP 4
GEOGRAPHIC AND TEMPORAL DISTRIBUTION OF NODC AND RDIA FUNDS, 1970 to 1977

GEOGRAPHIC AND TEMPORAL DISTRIBUTION OF NODC AND RDIA FUNDS, 1970 to 1977

NODC (Northern Ontario Development Corporation)
RDIA (Regional Development Incentive Act)
In terms of the spatial distribution of incentive funding no true pattern seems to emerge. This may result from the variations in the sub-regional priorities of the federal and provincial governments. Federal action through RDIA is somewhat limited in the west (Rainy River, Kenora) and the southeast portion (Manitoulin Island, Parry Sound) of the region. Greatest emphasis has been placed on the eastern and central areas. However, more than a visual impression is necessary. One must consider the varying sizes of the districts. A certain amount of funding spread over a large district should be viewed differently than that same amount of money injected into a small district. It is therefore wise to consider the use of a density figure representing funding dollars per square mile. In Figure 7 the districts have been ranked according to their 'development incentive funding density'. One notes that three of the four districts cited above as having received proportionally less funding than the others appear at the bottom of the RDIA list.

A different pattern was produced when a similar ranking operation was undertaken with the
Figure 7

Districts of Northern Ontario Ranked According to Development Incentive Density ($/sq. mi.)

<table>
<thead>
<tr>
<th>RDIA</th>
<th>NODC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nipissing</td>
<td>1</td>
</tr>
<tr>
<td>Algoma</td>
<td>2</td>
</tr>
<tr>
<td>Parry Sound</td>
<td>3</td>
</tr>
<tr>
<td>Timiskaming</td>
<td>4</td>
</tr>
<tr>
<td>Cochrane</td>
<td>5</td>
</tr>
<tr>
<td>Sudbury</td>
<td>6</td>
</tr>
<tr>
<td>Thunder Bay</td>
<td>7</td>
</tr>
<tr>
<td>Rainy River</td>
<td>8</td>
</tr>
<tr>
<td>Manitoulin</td>
<td>9</td>
</tr>
<tr>
<td>Kenora</td>
<td>10</td>
</tr>
</tbody>
</table>
NODC data. The results of this also appear in Figure 7. A comparison of the two lists reveals a number of discrepancies. Algoma, Rainy River and Manitoulin are probably the most obvious. Variations in the regional priorities of the two governments becomes apparent.

Another aspect of spatial distribution which must be considered relates to the urban orientation of the two programs. One notes from Figures 8 and 9 that both programs have a statistically significant urban orientation. The statistically significant positive correlation coefficient indicates that there was a relationship between the dollars invested and the population of the urban centre in which they were invested. In the case of Ontario particularly an almost perfect correlation exists between urban population and NODC loans for the study period as a whole. Looked at individually, one observes significant r-values for 6 of the 7 years in the case of Ontario but for only 4 of the 7 years for the federal government. A greater and more consistent urban emphasis on the part of the Ontario government thus appears.
Figure 8

Dollar Value of NODC Loans Correlated with Population of Urban Places in which Firms Received Funds

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>.166</td>
</tr>
<tr>
<td>1971-72</td>
<td>.617 **</td>
</tr>
<tr>
<td>1972-73</td>
<td>.741 **</td>
</tr>
<tr>
<td>1973-74</td>
<td>.637 **</td>
</tr>
<tr>
<td>1974-75</td>
<td>.750 **</td>
</tr>
<tr>
<td>1975-76</td>
<td>.707 **</td>
</tr>
<tr>
<td>1976-77</td>
<td>.843 **</td>
</tr>
<tr>
<td>Total 70-77</td>
<td>.935 **</td>
</tr>
</tbody>
</table>

* - statistically significant at .05 level of confidence
** - statistically significant at .01 level of confidence
Figure 9

Dollar Value of RDIA Grants Correlated with Population of Urban Places in which Firms Received Funds — Northern Ontario

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>n/a</td>
</tr>
<tr>
<td>1971-72</td>
<td>.187</td>
</tr>
<tr>
<td>1972-73</td>
<td>.456 **</td>
</tr>
<tr>
<td>1973-74</td>
<td>.111</td>
</tr>
<tr>
<td>1974-75</td>
<td>.703 **</td>
</tr>
<tr>
<td>1975-76</td>
<td>.785 **</td>
</tr>
<tr>
<td>1976-77</td>
<td>.594 **</td>
</tr>
<tr>
<td>Total 70-77</td>
<td>.613 **</td>
</tr>
</tbody>
</table>

* - statistically significant at .05 level of confidence
** - statistically significant at .01 level of confidence
In addition to the varying spatial patterns in the distribution of industrial development funds, the sectoral distribution of these funds should also be examined. Such an analysis has been completed for both the individual districts and for northern Ontario as a whole. As in the previous section dealing with southeastern Ontario the economy was divided into 22 relevant sectors. This list was drawn up from the 20 basic S.I.C. categories with the addition of service industries and tourism. Such a list covers all the development activities of the two programs involved. This numbered list appears in Appendix 1.

When disaggregated on a sectoral basis the financial incentives from the two governmental sources were compared. The results of the comparison on a district basis appear in Figures 12 through 21. These are contained in Appendix 2. In Figure 10 the results of a similar test for northern Ontario as a whole appear. A summary table of the results of all these comparisons is presented in Figure 11. From this last illustration, one can see that the two governments have some very obvious differences in their
### Figure 10:

**Sectoral Distribution of RDIA and NODC Funds in Northern Ontario, 1970-71 to 1976-77**

<table>
<thead>
<tr>
<th>SIC Code</th>
<th>$NODC Funds</th>
<th>Per Cent</th>
<th>$RDIA Funds</th>
<th>Per Cent</th>
</tr>
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<td>1 Food and Beverage</td>
<td>1,540,508</td>
<td>2.28</td>
<td>787,406</td>
<td>1.56</td>
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<td>2 Tobacco Products</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3 Rubber and Plastic</td>
<td>1,078,388</td>
<td>1.60</td>
<td>628,300</td>
<td>1.24</td>
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<td>4 Leather Industries</td>
<td>-</td>
<td>-</td>
<td>22,000</td>
<td>.04</td>
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<td>5 Textile Industries</td>
<td>100,000</td>
<td>.15</td>
<td>891,690</td>
<td>1.76</td>
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<tr>
<td>6 Knitting Mills</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7 Clothing Industries</td>
<td>-</td>
<td>-</td>
<td>1,215,038</td>
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<tr>
<td>8 Wood Industries</td>
<td>10,931,660</td>
<td>16.19</td>
<td>13,509,720</td>
<td>26.72</td>
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<tr>
<td>9 Furniture and Fixtures</td>
<td>2,694,300</td>
<td>3.99</td>
<td>1,216,507</td>
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<tr>
<td>10 Paper and Allied</td>
<td>99,000</td>
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<td>Industries</td>
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<td></td>
</tr>
<tr>
<td>11 Printing, Publishing</td>
<td>789,814</td>
<td>1.17</td>
<td>272,568</td>
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<tr>
<td>and Allied Industries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Primary Metal Industries</td>
<td>1,600,119</td>
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<td>14,124,324</td>
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<td>13 Metal Fabricating</td>
<td>6,803,312</td>
<td>10.07</td>
<td>9,439,676</td>
<td>18.67</td>
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<tr>
<td>Industries</td>
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<td>14 Machinery Industries</td>
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<tr>
<td>18 Petroleum and Coal</td>
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<tr>
<td>Products</td>
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<tr>
<td>Manufacturing</td>
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<td></td>
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<td>21 Service Industries</td>
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<td>22 Tourism</td>
<td>29,305,321</td>
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<td>333,500</td>
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<td><strong>Total</strong></td>
<td><strong>67,529,321</strong></td>
<td><strong>100</strong></td>
<td><strong>50,561,161</strong></td>
<td><strong>100</strong></td>
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Figure 11

Sectoral Comparison of Funding Supplied by NODC and RDIA

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<td>Timiskaming</td>
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<tr>
<td>Nipissing</td>
<td>.412  *</td>
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<td>Sudbury</td>
<td>.290</td>
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<tr>
<td>Cochrane</td>
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<td>Thunder Bay</td>
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<tr>
<td>Algoma</td>
<td>.071</td>
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<tr>
<td>Parry Sound</td>
<td>.063</td>
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<tr>
<td>Kenora</td>
<td>.041</td>
</tr>
<tr>
<td>Manitoulin</td>
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</tr>
<tr>
<td>Rainy River</td>
<td>n/a</td>
</tr>
<tr>
<td>N. Ontario</td>
<td>.216</td>
</tr>
</tbody>
</table>

* - statistical significance at .05 level of confidence
** - statistical significance at .01 level of confidence
sectoral priorities for regional development. Only Nipissing and Timiskaming had statistically significant correlations in this respect. This indicates that in these districts the provincial and federal governments had similar patterns of investment in sectoral terms. Insignificant coefficients indicate no similarity in the sectoral pattern of incentive investment. For both Manitoulin and Rainy River the data was such that the r-values could not be calculated. The overall picture of Northern Ontario with a correlation coefficient of .216 (Fig. 21) demonstrates no overall similarity in the sectoral priorities of the governments of Ontario and Canada.

Closer examination of the sectoral distribution of funds in northern Ontario as a whole reveal some interesting findings. Most notable in this respect is the provincial emphasis on tourism (23). Over 40% of its development funds found their way into this sector. For the federal government the comparable figure was less than 1%. For the service sector (21) a similar although less severe difference between the two governments is noted. The primary metal industry
sector (12) provides another contrast in government priorities. This time the stronger emphasis is on behalf of the federal government. This particular contrast can be explained in part by a $12 million RDIA grant to Algoma Steel in the 1972-73 fiscal year. If this disproportionate sum were to be removed from the data the figures for the two governments would have been more closely aligned.

There were two notable cases where sectoral emphases were quite similar. One case was the wood industries (8) and the other was the metal fabricating industries (13). In both situations, however, the federal government supplied both a larger absolute amount of capital and a larger portion of its total outlay. To the wood industries the RDIA program supplied $13.5 million or about 27% of its spending compared to $10.9 million or 16% of NODC funds. For the metal fabricating industries in northern Ontario similar figures of $9.4 million or 19% of RDIA funds and $6.8 million or 10% of provincial funds are observed.

Thus even in Northern Ontario where both levels of government operate active industrial
development schemes there are still differences in priorities. The two governments also concentrate their energies on different portions of the region. Even within the same district there tends to be little correspondence between the areas of the economy they try to promote.
VII. CONCLUSION

The future of Canada as a federal nation is a topic of concern to many Canadians at the present time. This interest has created an increased awareness of some of the problems inherent in all federal states. This thesis is both timely and relevant in that it examines one aspect of the many facets of the federal system. Regional development and the bi-level government concern for it are no different than any other aspect of the dilemma. The roles which both the federal and provincial governments assume must be understood. Each has an impact on the overall process of governing Canada. Their roles are all interconnected and face similar problems. In this light, the study of the politically important topic of regional development has proven to be of value.
Admittedly no system of government nor any form of federalism will be without administrative problems. Yet the fact that so much effort has been devoted to the study of co-operative federalism is indicative of the number of problems which have been observed in the older dualistic form of federalism. The realistic ideas of reducing waste and duplication through co-operative federalism run into opposition from politicians unwilling to see their present powers reduced. Such obstacles must be overcome if government is to keep in tune with the new economic reality which both Canada and the world now face. It is obvious that pressures for change within the Canadian political system are now being felt.

Only through intergovernmental co-operation will the goal of economic efficiency be realized. Under such conditions even social goals could be reached, and waste and duplication minimized. Canada's geography obviously demands some form of federal government. Canada must consider the economically practical aspects of co-operative federalism.
In the field of regional development it is apparent that some attitudes are changing. The agreements made under the early programs such as ARDA and ADB made it clear that intergovernmental co-operation had a great deal of potential. The GDA's have confirmed this point and expanded upon it. They represent a plateau reached in the climb towards greater federal-provincial co-operation in the area of regional economic development.

Contrasting with the GDA's are the unilateral programs which have existed and continue to exist. Both levels of government have expressed their realization that their programs are inevitably influenced by actions at the other level. Yet each continues to operate within its own sphere. The discussion of the RDIA and ODC and their forerunners have made this clear. There is obviously room for greater co-operation and a potential for success in such interactions. Whether for reasons of political credit or political power, each level runs its program almost as if the other did not exist.
The statistical portion of the thesis illustrates some of the above points. Although they are working on problems within Ontario, the federal and provincial governments take different approaches and set different priorities. The government of Ontario planning the province's development through the Design for Development program of TEIGA also operates the ODC as a strong fiscal tool but under the Ministry of Industry and Tourism. The loaning policy of the ODC is such that it should favour development in the northern and eastern regions of the province and yet it continues to pour funds into the prosperous southern portion of Ontario. On the other hand, concerned only with regional development, DREE, through the RDIA program, has been involved with only northern Ontario and, for a brief period, eastern Ontario. There is, therefore, an apparent difference in the 'regional' orientation of the two governments' development programs. Yet even where, as in northern Ontario, both governments are active, differences do appear. There seems to be no common strategy or goals for developing that
portion of the province. As the programs presently operate, the two governments attempt to develop different sectors of the economy in most districts in that region and for the region as a whole.

It is difficult to make a judgement as to whether or not either level of government is taking the proper approach. It is also difficult to determine whether or not having the two approaches operating together are beneficial or wasteful. The fact that both governments are actively promoting development in northern Ontario indicates their awareness of the problem. However, their varied approaches to solving it show that each perceives the problem and/or solution differently. The question which must be asked is this: Are two sets of administration (supported by public taxes) operating two separate programs really necessary? From the point of view of the taxpayer this duplication is probably unnecessary. However, for politicians who are aware of the potential political credit involved with such activities and who wish their powers to
remain steadfast, the answer is probably no. They might suggest that it is necessary for each level of government to set its own priorities from its own perspective. At some point in time a trade-off will have to be made between the high costs of duplicated administrations and political vanity.

It is obvious that a problem does exist in this area. There is an evident lack of leadership or guidelines to be followed. The federal government should be assuming the role of initiator of regional economic development planning. It should set forth a general yet clear policy or plan for Canadian development. The federal government would then act within the context of this plan with each of its programs contributing to some aspect of the plan.

Such an overall plan would also provide a framework within which the individual provinces could formulate specific strategies for action. Provincial regional development actions would thereby complement federal policy. Provincial priorities would reflect national priorities.
However, the provinces would not be bound by such priorities. Allowances must be made for the unique development requirements of the individual provinces. Therefore, the provinces must be permitted to implement fiscal policies which, although they may not follow, must not conflict with national objectives.

This arrangement would provide a comprehensive system of development. There would be a hierarchical division of responsibilities while at the same time a similar set of objectives would be shared. The result would be a rationalized and co-ordinated attack on regional development disparities.
APPENDIX 1

Economic Classifications

1. Food and Beverages
2. Tobacco Products
3. Rubber and Plastic Products
4. Leather Industries
5. Textile Industries
6. Knitting Mills
7. Clothing Industries
8. Wood Industries
9. Furniture and Fixtures
10. Paper and Allied Industries
11. Printing, Publishing and Allied Industries
12. Primary Metal Industries
13. Metal Fabricating Industries
14. Machinery Industries
15. Transportation Equipment
16. Electrical Products, Electronics
17. Non-Metallic Mineral Industries
18. Petroleum and Coal Products
19. Chemical Products
20. Misc. Manufacturing
21. Service Industries
22. Tourism
Figure 12

Recipients of NODC and RDIA Funds by Sector
in the District of Cochrane

<table>
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<tr>
<th>NODC</th>
<th>%</th>
<th>sector</th>
<th>%</th>
<th>RDIA</th>
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\[ r = 0.242 \quad n = 22 \]

r-value not significant at .05 or .01 level of confidence
Figure 13  
Recipients of NODC and RDIA Funds by Sector  
in the District of Parry Sound

<table>
<thead>
<tr>
<th>NODC</th>
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<th>sector</th>
<th>%</th>
<th>$</th>
<th>RDIA</th>
<th>%</th>
<th>sector</th>
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\( r = .063 \) \quad n = 22

r-value not significant at .05 or .01 level of confidence
Figure 14

Recipients of NODC and RDIA Funds by Sector in the District of Timiskaming

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\[ r = 0.851^{**} \]
\[ n = 22 \]

r-value is significant at both .05 and .01 level of confidence
Figure 15
Recipients of NODC and RDIA Funds by Sector
in the District of Rainy River

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<td>sector %</td>
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<tr>
<td>total</td>
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<td>100.0%</td>
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</tr>
<tr>
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<td><strong>total</strong></td>
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<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
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<tr>
<td><strong>r = N/A</strong></td>
<td><strong>n = 22</strong></td>
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</table>

Insufficient data to calculate r-value
Figure 16
Recipients of NODC and RDIA Funds by Sector in the District of Manitoulin

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<th>%</th>
<th>RDIA</th>
<th>$</th>
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<td>sector</td>
<td>%</td>
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<td>.0</td>
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<td>.0</td>
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</tr>
<tr>
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<td>18</td>
<td>.0</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>---</td>
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<td>19</td>
<td>.0</td>
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</tr>
<tr>
<td>---</td>
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<td>.0</td>
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\[ r = \text{N/A} \quad n = 22 \]

Insufficient data to calculate r-value
Figure 17
Recipients of NODC and RDIA Funds by Sector in the District of Sudbury

<table>
<thead>
<tr>
<th>NODC</th>
<th>%</th>
<th>sector</th>
<th>%</th>
<th>RDIA</th>
<th>$</th>
</tr>
</thead>
<tbody>
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<td>$</td>
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<td>sector</td>
<td>%</td>
<td>$</td>
<td></td>
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<tr>
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<td>1</td>
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<td>163,660</td>
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<td>0.65</td>
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<tr>
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<td>4</td>
<td></td>
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<tr>
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<td></td>
<td>---</td>
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<td>2.96</td>
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\[ r = \frac{290}{n} = 22 \]

r-value not significant at .05 or .01 level of confidence
Figure 18

Recipient of NODC and RDIA Funds by Sector in the District of Nipissing

<table>
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<th>$</th>
<th>RDIA $</th>
<th>%</th>
<th>sector</th>
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r = .412*  n = 22
r-value is significant at .05 level of confidence
Figure 19

Recipients of NODC and RDIA Funds by Sector in the District of Algoma

<table>
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<th>NODC $</th>
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<th>sector %</th>
<th>RDIA $</th>
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<tbody>
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<td>161,697</td>
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<tr>
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<td>18,285</td>
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<td>540,529</td>
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<td>.0</td>
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<tr>
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<td>.0</td>
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<td>8,903,482</td>
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\[ r = .071 \quad n = 22 \]

r-value not significant at .05 or .01 level of confidence
Figure 20
Recipients of NODC and RDIA Funds by Sector in the District of Thunder Bay

<table>
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<th>$</th>
<th>RDIA</th>
<th>$</th>
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</thead>
<tbody>
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r-value not significant at .05 or .01 level of confidence
Figure 21

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r-value not significant at .05 or .01 level of confidence
### APPENDIX 3

**GLOSSARY OF ABBREVIATIONS**

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<td>DREE</td>
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ODC  Ontario Development Corporation (P)  1966

OECD  Organization for Economic Co-operation and Development (I)

PFRA  Prairie Farm Rehabilitation Act (F)  1935

RDA  Regional Development Association (P)  1953

RDC  Regional Development Council (P)  1966

RDIA  Regional Development Incentives Act (F)  1969

SA  Special Area (F,J)  1969

SDA  Subsidiary Development Agreement (J)  1972

TEIGA  Ministry of Treasury, Economics, and Intergovernmental Affairs (P)  1972

F  - Federal
P  - Provincial
J  - Joint Federal Provincial
I  - International
F,J  - Federally Initiated, Joint Action
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