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GLOBAL COMPETITIVENESS AND ATLANTIC CANADA:  
ECONOMIC DEVELOPMENT STRATEGIES IN NOVA SCOTIA

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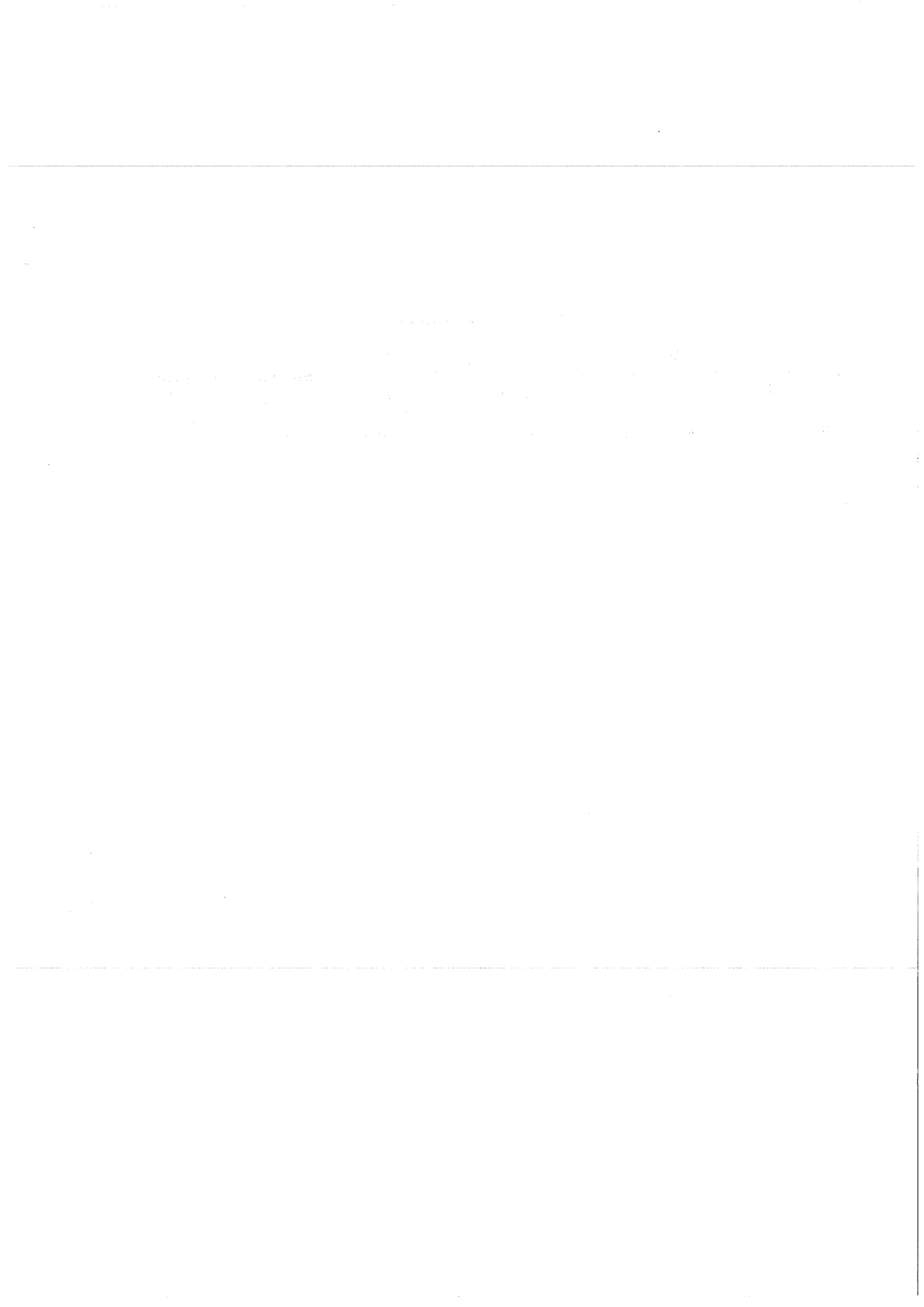
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## INTRODUCTION

The past decade has witnessed deindustrialization in many cores of North America coinciding with a deterioration of the "peripheral" regions globally and nationally, all in the context of economic "restructuring." In the western OECD countries these changes have been manifest most clearly in the persistently high unemployment levels and the erosion of social programmes. In Canada the central government initiatives which sought to address regional disparities, and in some cases regional development programmes, have come under strain if not disappeared entirely. In their place we find programmes which are oriented towards helping Canadian businesses take advantage of the opportunities provided by the restructuring and adapting to the global economy.

Gone too are the discussions of the institutional and structural factors of regional underdevelopment. These have been replaced by such notions as innovation, privatization, globalization, adaptation and niches. Restructuring in the current economic and political discourse refers to the re-orientation of the national, regional and local economies, to adapt to the changes in the global economy, and thereby increase the competitiveness of the economies.

In this context, restructuring means for some of the business sector opportunity, for others crisis and change followed by opportunity, and for still others it simply means crisis. For working people, organized labour, and community groups and local and regional governments it means crisis and disorientation, rarely prosperity.

This is particularly the case in the Atlantic region of Canada where economic and political activity has been dominated by, and dependent upon central government. The rules of the game have

effected, as the Canadian federal government seeks to cut its costs and pursue a national policy based on North American Free Trade. It sees this reorientation as a solution to the changes in the global economy and the current crisis of the development model which previously formed the basis of the national and regional economy.

This paper addresses these issues so as to gain a better understanding of the options and choices currently facing Atlantic Canadians, although the notion of choices already treads on controversial ground. The paper attempts to demystifying the claimed "globalization" of the international economy and the constraints which it is said to put on local, regional and national economic development, and on popular participation in the development of new strategies. This demystification is engaged through putting trends toward globalization in the context of the economic crisis of the 1970s and 1980s, following the "regulation school" approach which sees this as a crisis of a particular "model of development." The politics which accompany these changes play a crucial role in the articulation of a post-Fordist model of development.

These issues of restructuring have had a significant impact on the peripheral Atlantic region of Canada. Here too development strategies are shaped by perceptions of increasing globalization which is seen to require increased productivity to be globally competitive. In this paper I examine these changes and their implications for the region, with specific reference to the province of Nova Scotia. Given the present condition of the Nova Scotian economy, which can be described as dependent and underdeveloped, it is suggested that if this transition from Fordism is left to market forces there may be a tendency toward an economy based on low skills and wages, and price competitiveness. It is in the interest of Nova Scotians in general, particularly workers and communities, that this route be



challenged. It has been generally accepted that a characteristic of "successful" firms in this transition period is their utilization of "flexible" production techniques. I end the section discussing the situation in Nova Scotia by considering some possible alternative routes which would facilitate the transition to more flexible production through a more equitable distribution of the costs and benefits.

### **Outline of the Paper**

In the first chapter I describe the theoretical elements of my analysis which facilitate our understanding of the current juncture. The aim is to utilize the insights of political economy without succumbing to economic determinism and reductionism which seem inherent to some more orthodox versions and severely curtail their usefulness in informing the political aspects of development strategies. To this end I examine the regulation theory approach to political economy. But even this approach has been critiqued for its insufficient theorization of the political. I thus examine the insights of the neo-institutionalists on the role of ideas in resolving crises. This is followed by a more explicit examination of politics in an attempt to re-conceptualize politics and the space for the emergence of alternative models of development. A short discussion of regional development and underdevelopment follows.

The second chapter focuses on the phenomenon of globalization. The goal in this section is to conceptualize and thereby demystify this phenomenon which is increasingly being evoked as the reality which limits our development options, thereby closing the discourse on, and space for, alternative choices in development strategies and models.

The third chapter focuses on a particular peripheral region as it attempts to deal with underdevelopment in the context of global restructuring. This chapter seeks to better understand the

obstacles to economic development and utilizes insights gained from other economies coming to terms with post-Fordism.

## CHAPTER 1

### A FRAMEWORK OF ANALYSIS

History suggests that particular historical junctures are more conducive to societal change than others, and are more open to the political. In the following theoretical framework I examine political space in social dynamics. I attempt to integrate aspects of the non-material -- ideas, identities and politics -- with political economy analysis of social change, and thereby provide some useful insights into these periods of crisis and change.

#### The Regulation Approach

The crisis and political and economic responses to it have become topics of considerable debate. Theorization of these changes is important because our conceptualization of them effects our practice. Useful insights into the current juncture of crisis and restructuring have come from the "Regulation School"; they provide a basis for analyzing the space for alternative paths or models of development. The approach provides a systemic analysis while recognizing political space and avoiding the structuralist perspectives of many political economy analyses.<sup>1</sup> The contradictions and difficulties of national social relations and the relation with international factors are, according to this view, resolved over the long term through particular, historically specific "models of development" and must, according to Leborgne and Lipietz, be examined from three different angles: 1) as a "technological model"; 2) as a "regime of accumulation"

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<sup>1</sup> The "regulation school," Jenson claims, overcomes past shortcomings in theorizing state-society relations in that it allows for the recognition that politics does have a role to play, and does not reduce this to the "needs of capital" or the "system" (1989: 72).

and 3) as a mode of regulation" (1988: 264).<sup>2</sup> The development of capitalism is not seen as one long linear historical advance, but rather as inherently unstable and contradictory, with periods of stability and crisis. This instability emerges as periodic crises which are temporarily (20-30 years in the case of Fordism) resolved through particular social and political arrangements and compromises, facilitated through the state's regulation of civil society. This regulation allows capitalism to continue on in a modified form until the compromise is undermined by internal or external contradictions and social tensions. The regulation approach allows us to better examine the complexities of the processes involved in the institutionalization of particular social compromises in particular historical contexts. The current crisis of post-war Fordism is, from this perspective, the crisis of one such historical compromise.

This approach provides insights which are particularly relevant to our examination of globalization and economic development.<sup>3</sup>

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<sup>2</sup> 1) A "technological model" refers to "the general principles which govern the evolution of the organization of labour" but not confined to industry. 2) "Regime of accumulation" refers to the "macroeconomic principal which describes the compatibility over a prolonged period between the transformations in production conditions and in the uses of social output." The mode of regulation is the "combination of forms of adjustment of the expectations and contradictory behaviour of individual agents with the collective principles of the regime of accumulation." This may include cultural and institutional aspects (Leborgne and Lipietz, 1988: 264).

<sup>3</sup> It has been suggested that the regulation school's conception of politics has been limited by a tendency towards neo-structuralism (Jenson, 1990: 653-657). Jane Jenson's recent work has in a very stimulating manner sought to address this shortcoming (1989, 1990, 1991a and 1991b). This is not the place to go into detail; suffice it to say that, according to Jenson, at particular moments a crisis in a model of development is a greater opportunity for the emergence of various identities and "representations" which become new possibilities for articulating and mobilizing around new alternative visions of the future. The path or trajectory which becomes the model of development is one

The crisis is not just of an economic nature but, rather, of a societal nature; it effects the institutional arrangements which allowed capitalism, in spite of being based on unequal social relations, to prosper during the Fordist period. The rejuvenation of capitalism will require a restructuring such as the transition to Keynesian inspired policies of the 1940s. But the current restructuring will require the active participation or acquiescence of workers and other groups if the contradictory social relations are to be overcome. While the current juncture is one of relatively greater political openness, it is also a period during which a new institutional arrangement or compromise is being struggled over which stands to be imposed on the less powerful in society.

The regulation school has tended to focus more on the macro aspects of economic organization and even in doing this it has given relatively little attention to politics and the state. The state, according to Mahon, "enjoys an uncertain status in regulation theory....regulation is seen [by most theorists] to be achieved in various ways -- through law, social custom, or private or public compact -- and a variety of institutional sites" (1992: 128).<sup>4</sup> While the insights of the regulation school have been very influential and useful in informing analysis of the current crisis, particularly as related to the institutional aspects, they have been rather weak on theorizing the political processes which are involved in such regulation, stalling of contradictions and stability. The following sections of this framework are explicitly oriented toward addressing these aspects.

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that comes together almost by chance in the struggles of identities, representations and alternative visions, in a word politics (1990: 653-657).

<sup>4</sup> Both Jessop and Jenson have attempted to address the political aspect of regulation theory in their work (Mahon, 1992: 139).

### The State and Ideas

The 1980s saw the emergence of what can be called a state-centric interpretation of the state which sought to challenge the society-centered interpretations of the neo-Marxist state theory of the 1970s. Basing their views on the Weberian notion of bureaucracy, the neo-institutionalists claim that an interpretation of state activity reached through focusing on the social determinates is inappropriate in that it does not recognize the autonomy the state has due to its institutional attributes. Neo-Marxist theory tends, according to Skocpal, to be functionalist in that it assumes that the state has "both the knowledge and administrative capacity to identify and respond to the needs of capital/ the bourgeoisie" (Mahon, 1992: 123). State activities must be explained through an examination of the internal dynamics of state institutions, and through the state's need to balance society's activities and needs and the international activities and responsibilities in the national interest (cf. Evans et al., 1985).

In an effort to explain the changes in policies over time, a tendency within the state-centric perspective has turned to ideas.<sup>5</sup> "Ideas," according to Peter Hall in his study of the spread of Keynesian ideas, "are central to politics in two ways.... From the competing moral vision put forward by contenders for political power, a sense of collective purpose is forged; and out of the policy proposals generated by intellectuals and [state] officials alike, solutions to common problems are devised" (1989: 389).

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<sup>5</sup> This discussion which follows on ideas and the neo-institutionalists and the neo-marxists is based on Jenson's work (1991).

There has been a somewhat similar appreciation of ideas in neo-Marxist thought based on the Gramscian perspective of ideology (Jenson, 1991: 45). According to Stuart Hall, ideas provide the "mental frameworks -- the languages, the concepts, categories, imagery of thought, and the systems of representation -- which different classes and social groups deploy in order to make sense of, define, figure out and render intelligible the way society works" (1983: 59).

But the degree of openness to new or different ideas in politics is not the same at all times. For example, institutional modes of operation and pre-existing "forms of political mobilization and organization" in state-society relations constrain rather than invite new policy making styles (Bradford, 1991: 8). According to Bradford, the "challenges and changes driving the [Keynesian] 'revolution' emerged from the dynamic interplay of ideas and interests at this [1930s and 1940s] moment of openness" in a country's history (ibid., emphasis added).

### **Crisis and Ideas**

The insights of regulation theory and the recognition of ideas in social theory contribute to a better understanding of political space. Periodic crises in modes of accumulation require the emergence of a new "model of development." This crisis is not simply experienced as a crisis by a particular class, rather it is a crisis of a particular social and political arrangement. The resolution of the crisis requires a compromise and a new arrangement, but it must also reflect the social and political strengths or power of various interests in society.

The old model of development to some degree incorporated the interests of social groupings and thereby allowed for the continuance of capitalism in spite of its contradictions. This

would suggest that the opportunity or the openness of politics and the national political economy is not the same at all times. The crisis of the 1940s was, for example, a period of greater openness to ideas, the assertion of various groups and interests, and alternative models of development.

### Redefining Politics<sup>6</sup>

The past decade has witnessed renewed attention on the specifics of political practice and social change, partially stimulated by contemporary social movements. At the theoretical level, feminist thought has challenged the essentialist assumptions behind much orthodox Marxian political economy. With regards to economic underdevelopment, much of the political practice founded upon the assumptions of political economy have been undermined by a lack of sensitivity to political factors. In other cases the overemphasis on structural characteristics stifled political practice, particularly that of an innovative nature which sought to address the issues of political identity. It is in this context that it is important to re-evaluate the political.

"Politics," according to Jenson, "... is always identity politics"; and political analysis must address the "constitution of actors" (Jenson, 1991: 50). Politics can, according to

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<sup>6</sup> Much of the following section is taken from Jane Jenson's discussion of politics (1991: 49-56). Both Jessop (1990) and Jenson (1989, 1990, 1991) have been working on addressing the perceived weakness in the political aspects of regulation theory. Jessop's concepts, according to Mahon (1992), "draw attention to the structure and strategies embedded in the state." Jenson focuses "on the problem of the formation of collective actors... class remains important, but there are other progressive identities.... The question [for Jenson] is whether (and how) such social forces can be brought together to pose an effective challenge to the status quo" (Mahon, 1992: 139). My examination of the crisis of Fordism, as will be seen, is influenced by Jenson's analysis.



Jenson, be

seen as a process in which actors create their constituencies by generating support for their preferred formulation of their own collective identity (and often of their protagonists) and for the enumeration of interests which follows from that collective identity (ibid.).

Essential to this definition is a dual understanding of representation. In one sense representation involves the representation of self to others through, or related to, a collective identity such as nationality, gender, ethnicity, or class. On the other hand there is the meaning associated with traditional representative democracy, that of the representation of interests. "Both involve power, namely the power to give meaning to social relations, and thereby to represent and dispute interests" (ibid.).

Politics involves, then, the competition or struggle over representations, meanings and [visions of the future], which take place on the terrain of political discourse (ibid.: 52). Social movements and party politics are both aspects of, and participate in the universe of political discourse, in the context of a complex society which is based on a variety of contradictions as manifested by the conflicting identities and representations (Malluci, 1989: 184-7; Jenson, 1990).

#### **Actors and Social Relations**

All is not possible for collective actors even if we accept the premise of a complex society based on a variety of contradictory social relations. Certain conjunctures are more conducive to the emergence or increased importance of particular identities and interests due to the prevailing social relations at that particular time. Analysis must address the social relations and structures and at the same time the "everyday world" of various identities and actions of actors which is often ignored by social theorists, or at least political economists (Jenson, 1991: 50).

The structure/agency centred tensions, or what Mellucci calls the "dualistic thinking" which pervades much of the thinking on social movements (1989: 196-7), must be analytically addressed if we are to make use of the insights of political economy in informing strategy for social change and development.<sup>7</sup>

An analysis able to accommodate the insights from political economy can begin from two points: 1) social structure and forces exist even if they are not acknowledged or recognized by those whose lives and actions they limit and influence; and 2) that the stabilization and stalling of contradictory social relations can only be understood by "acknowledging space for agency and the choices following from it" (Jenson, 1991: 50). History from this perspective, "becomes a dialectical process -- the open-ended result of actors struggling to create their lives" (ibid.: 51). Both sides of this articulation or dialectic are essential for analysis, particularly when oriented to informing political practice and strategy. Thus representation (as defined above) becomes as important as the structures of social theory. "Politics consists of struggles to sustain or change the power of such representations" (ibid.).

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<sup>7</sup> Structure in society as I use it here is based on notions of contradiction and social relations. Social relations are fairly self explanatory. Contradiction refers to those institutionalized practices in for example politics, the home, the work place, which one encounters in every day life; that is, social relations where one's will and action are limited by another person's. Contradiction then refers to the contradictory practices and visions of the world, where the fulfilment of one's will would contradict the vision of another's will. These relations are institutionalized in practice and often in law. Hence, we have contradictory social relations. To the degree that these relations become institutionalized they are what can be called structures. One is, of course, reminded of Marx's claim that "Men [sic] make their own history but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past" (Tucker, 1978: 595).

The above discussion suggests a number of conclusions which will inform the investigations throughout the rest of the paper. The most important of these is that the political should not be reduced to actions determined by structural forces. Nor is there a basis for claiming that politics can be reduced to the contradictions between classes based in production relations. Rather we must recognize the numerous contradictions and identities in social and power relations as defined by the actors themselves -- those benefiting and those suffering from a particular situation, and those struggling for and those against such a situation or a path of action.

### **Regional Development and Underdevelopment**

#### **Capitalist Development and Locality**

Attempts to explain industrial location, dislocation and relocation have also been made by geographers explicitly integrating the spacial into political economy (Harvey, 1989; Storper & Walker, 1989; Scott, 1988). Industrial location and relocation is effected by, among other factors, investment decisions and the production input needs of the enterprise. Over time the production relations and the community politics change such that the locality puts increasing pressure on the enterprise through demands for increased input into the organization of production (through, for example, health and safety issues) and wage increases. Local politics also demand greater accountability of the industry through, for example, taxation. This amounts to "politics of place," that is, "a continually evolving system of localized collective human responses to the dynamics of daily work and life in the community" (Scott, 1988: 111).

With the politics of place and input needs, including skilled labour, limiting the manoeuvrability and autonomy of capital,

more specifically the firm, as workers and communities increase their demands and ability to extract concessions from industry, the profitability or return on investment is limited as well. Technological changes facilitate changes in the input needs, particularly with regard to labour. These changes enable capital to alter the organization of production and gain manoeuvrability so they can move to localities which are relatively accommodating.

### **Regional Underdevelopment**

The Maritime region which had prospered during the mid nineteenth century due to an economy based on staple production, an emerging manufacturing sector, and commerce and trade based on access to American, Canadian and British markets, reluctantly joined the Canadian Confederation in 1867. But after an initial period of growth (lasting until the mid 1880s; Frost et al. 1985), the regional economy was subsumed to national development policies which were oriented toward national development based on the westward expansion of the Canadian nation and economy, and were based in Montreal and Toronto. Explanations for this relocation of economic activity to central Canada have become a central concern in analyses of the regional political economy (Bickerton, 1990: 23).

Recently the focus of analysis of regional economic development literature has increasingly turned from an emphasis on the structural factors to an emphasis on political factors (Clow, 1984; Bickerton, 1990; Brodie, 1989). Attention is given to the specificity of actual historical and spacial developments rather than assuming structural constraints such as those suggested by an overly hasty imposition of dependency theory. Regional underdevelopment and development are seen as being strongly influenced by the outcome of economic growth strategies oriented toward achieving or maintaining capital accumulation. While the accumulating class are clearly one beneficiary of these policies,

the specific policies chosen are the outcomes of a "series of compromises between classes and class fractions, between national and international forces and concerns, between political optimality and political necessity" (Brodie, 1989: 67-8). "In other words, state accumulation strategies represent a condensation of what government is pressed to do to promote economic development under prevailing economic and social conditions and what it can do within the context of previous decisions and the balance of class and political forces" (ibid.: 68).

The goal here is not to explain uneven capitalist development (this is taken as a given), but to better understand why economic activity changes from one region or local to another, and the politics of these differences. Brodie draws our attention to the spacial nature of the Canadian economy as an important explanation of regional underdevelopment (1989: 69-77). Central government economic development policy takes the form of national policies which seek to achieve capital accumulation across a spatially differentiated territory. However, given the spatially differentiated nature of nations and the influences of uneven development, it is impossible for policies to be spatially neutral -- national policies will tend to benefit or suit some regions more than others. Part of this is due to the effects of previous policies; a layering of policies and the investment patterns encouraged by these policies influence the situation of the region in question. The previous layer may be compatible with the recent policy initiative, or ill served by it (Brodie, 1989: 75-7).



## CHAPTER 2

## CONCEPTUALIZING GLOBALIZATION

**Introduction**

This section of the paper contextualizes economic development in a period of international, national and regional economic "restructuring." The current round of restructuring is taking place during a prolonged economic crisis in the OECD countries which during the postwar period experienced unprecedented economic growth and prosperity. Increasingly the content of this restructuring has been influenced by tendencies within the international economy. Globalization, the new "buzzword," is evoked to explain tendencies within the international and the national economies, and to set the opportunities for and the limitations on public and private economic activities and political discourse. The 1980s also saw the ascendancy of the neo-conservative agenda in the G-7 countries propounding a return to the non-interventionist state which would return to its role as "night watchman" over the economy and society. This same agenda has gained ascendance within international organizations such as the IMF and World Bank.

These are fundamental changes indeed, and do not bode well for views which see the nation-state as the means, albeit not ideal, of fostering economic development, of addressing the costs of capitalist development and of intervening in the interests of overcoming the disparities which result from uneven development. The priorities over the last decade have been to roll back the state and to integrate national economies with international market forces. Local, regional and national development in this context means policies (or often the lack there of) oriented towards increasing the "competitiveness" of national economies, in the global economy through free trade inspired policies.

It is not surprising that globalization is increasingly portrayed by some of the economic elites, particularly those of an international orientation, as an irreversible fact of contemporary capitalism and as an opportunity for renewed growth. It is, on the other hand, perceived by working people, minorities and marginal communities as disruptive and disempowering. No longer is the nation-state the expression of national interest and the co-ordinating body for national development.<sup>8</sup> What is most disturbing is that globalization, as described by these elites, sets the parameters of discourse, often precluding regional and local self-determination and eroding the space for politics as a forum for discussing these issues, let alone the space for participating in, and influencing the restructuring process.

This section thus sets out to conceptualize globalization, specifically as it relates to politics and the prospects for influencing future models of development, in the post-fordist period. I do this through addressing changes in the international political economy and the nation-state, over the past 25 years. The focus in the paper is on the OECD countries in general and Canada specifically.<sup>9</sup> By situating the changes in the context of economic crisis it is suggested that what has been depicted as the only route forward is rather only one route possible and a route which must not only be challenged, but one to which an alternative must be articulated.

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<sup>8</sup> In Canada this is particularly the case as the Canadian postwar "model of development" and political discourse was based on issues of national unity in contrast to the greater class based discourse and "historic bloc" which informed European liberal-democratic politics and the postwar regime of accumulation (Jenson, 1989).

<sup>9</sup> While the explicit focus is on the western industrialized countries, many of the observations are relevant to the Third World.



### Defining Globalization

Giddens has described globalization as a historical tendency which is the consequence of the spread of modernity and the globalization of social activity which has been brought about by what can in some ways be seen as "genuine world-wide ties...such as the international division of labour and the global-nation-state system" (1992: 22). Globalization according to Giddens, "is best understood as expressing fundamental aspects of time-space distanciation" and must be,

understood as a dialectical phenomenon, in which events at one pole of a distanciated relation often produce divergent or even contradictory relations at another... the dialectic of the local and the global. Globalization means that, in respect of the consequences of at least some disembedding mechanisms, no one can 'opt out' of the transformation brought about by modernity: this is so, for example, in respect of the global risks of nuclear war or ecological catastrophe. (1992:22-3)

People are increasingly affected by forces that are global rather than local, regional and/or national. But this is not a one-way process; rather the effects and experiences of globalization are mediated by the locational experience, that is, where one experiences both locality and the effects of globalization.

Globalization can be used to describe the effects, or potential effects, of technological innovations in communication and transportation which have changed individual's and communities' perceptions of the world around them. These changes do and can provide increased possibilities for economic development and social change. The technologies are nonetheless articulated into social dynamics which clearly, in the context of unequal social and power relations, disenfranchise, marginalize and disempower the majority, preventing them from influencing these processes of change. This limits the prospects for these technologies being used to the benefit of it being used to the benefit of those who are currently marginalized.

"Globalization" has come into common usage over the last decade or so in the context of discussions on the restructuring of the Canadian economy. But the term is used more for its connotative than its denotative meaning, as described by Giddens above. The phenomenon has become a premise in political and economic arguments espousing appropriate policy and corporate strategies based on neo-classical trade theory of comparative advantage. Globalization is also used to signify the overwhelming non-national forces -- beyond the control of governments -- which are responsible for the devastating and unpredictable shifts in the national and international economies, and which have over the last decade had dramatic effects on individuals, communities, regions and countries.

#### **Globalization and the International Economy**

While the usage of the term may be imprecise, the effects on the global economy are all too real for the majority of peoples all over the world. For many it is experienced as the erosion of social programmes, a loss of employment or employment security, industrial shutdown or relocation. When employment does increase it is primarily low waged, unskilled and non-unionized, and often contributes to the marginalization of women and minorities within the work force (cf. Wood (ed.), 1989). These effects are often described as temporary costs which must be paid during the transition period as the economy is "restructured" to increase competitiveness, a prerequisite to future prosperity. This restructuring results, for example, in the downsizing or abandonment of "inefficient" industries, or the abandonment of what are now claimed to have been ill-founded economic interventions by government, such as, the subsidization of food production.

These reorientations within the economies can be categorized under "Structural Adjustment Programmes" (SAP) in "Third World" countries and/or what is often in the OECD countries described as the "restructuring of the economy". The national economies and societies are adjusted to the conditions and forces of the international economy through government policies, or the lack there of. Often the impetus, or the claimed impetus, for such adjustment is a government's deficit. In the Third World the adoption of such SAPs is usually made a condition of further loans and the rescheduling of previous debts. But the adoption of such policies is not just required to gain the repayment of loans, it is also portrayed by organizations such as the World Bank as a necessary condition in pursuing the only viable "model of development," thereby deligitimating any alternative model of development.

While the notion of a globalization of the international economy is used to suggest the apolitical and prudent nature of structural adjustment policies, the forces of globalization, or at least one interpretation of these forces, can be said to be institutionalized in the International Monetary Fund (IMF). Most Third World governments have experienced one manifestation of globalization unambiguously in the form of IMF sponsored SAP. The 'Standard Menu' of such policy adjustments "suggestions usually include:

- a) currency devaluation;
- b) high interest rates to fight inflation, promote savings and allocate investment capital to the highest bidders;
- c) strict control of the money supply and credit expansion;
- d) cuts to government spending;
- e) removal of trade and exchange controls;
- f) deregulation of prices of goods and services, including labour;
- g) privatization of public enterprises;
- h) indiscriminate export promotion." (ECEJ, 1990: 7)

In the industrialized countries the structural adjustment of

economies or restructuring takes on much the same form, except here the explicit co-ordination is done in the context of G-7 meetings. Debt repayment is once again the means of disciplining an "expansive" state economy and constraining "price distorting" economic and social policy and government spending, and thereby better enabling countries to adjust/conform to the forces of global economy. It is not, national governments claim, the governments or the international institutions which are responsible for the changes, rather the Canadian Finance Minister stated in his 1990 budget speech, "Let's be clear about the real source of pressure for change. It is not the government. It is the rapidly evolving and increasingly competitive world in which we must earn our way" and hence the minister's budget contains "structural reforms" designed "to allow our economy and Canadians to adjust to change" (Wilson, 1990: 4-5). At the Canadian provincial the province of Nova scotia development strategy is it explicitly claims is "part of an ongoing process designed to help Nova Scotians recognize and accept the inevitability of the changes taking place" (Voluntary Planning 1991: 18).

The discourse of national and regional governments, international institutions and corporations emphasizes that these changes are consistent with, indeed a necessary component of, the natural evolution of laissez-faire capitalism based on notions of "economic man", which is for the common good of all. There are, according to these views, no "special interest groups" acting as agents or perpetrators behind the current agenda, rather it is the various sources of opposition to these moves which are portrayed as being the disruptive "special interest groups." Much of the debate is couched in the jargon of economics further limiting the participation of the layperson.

It is this ideological perspective which has served to depoliticize this highly political process. As Kierns has claimed, this idea is premised on the assumption "that there

exists a one, true, efficient allocation of all the world's human and material resources..[and this idea of globalism] cannot tolerate politics, the system by which people express their preferences and determine their priorities as a community" (1984:53-4).

### The Political Economy of Globalization

Drache and Gertler claim that "the concept of globalization embraces three elements": larger markets, greater capital mobility, and greater specialization (1991: xi-xii). Cox has suggested that the major developments in the globalization thrust are: 1) the internationalization of production; 2) internationalization of the state; 3) the new international division of labour creating a new pattern of uneven development; 4) the effects of the "world economic crisis" in bringing about a new "economic conjuncture" 5) the global migration from south to north; and 6) "the rendering invalid of the intellectual framework" of the state managers of the postwar industrial economies (1991: 338-340).

Over the last decade or so corporations have sought to expand their markets beyond the confines of the territory of the nation-state. During the present period, which has been characterized as "Casino Capitalism" (Strange, 1986) and "flexible - accumulation" (Harvey, 1989) or by Cox as "hegemony of Financial Capital", capital investment has become increasingly "footloose" seeking out profitable investment with little regard for traditional territorial bases or long-term productive investment. Increased competitiveness has forced greater specialization in economies which have in the past sought to maintain a diversified economic base. In Canada, for example, this has re-oriented a large sector of the economy back to its previous basis as a provider of natural resources, away from the "branch plant"

economy which emerged out of previous "National Policies."

In the context globalization, the nation-states' primary foci change from protecting and ensuring the domestic welfare within the international economy, to "Free Trade Agreements" and "Economic Communities" where the state's role involves "adapting domestic economies to the **perceived exigencies** of the world economy" (emphasis added; Cox, 1991: 337). For the majority of people this is experienced as an erosion of their, often already precarious, position within society and a general sense of disempowerment as their situation is dictated by forces beyond their political influence. For others, specifically in the large national and transnational corporate sector, the forces of what is being described as globalization can mean tremendous opportunities and a fulfilment of their corporate aspirations.

This re-orientation of government towards relying on "trade rather than deepening domestic demand as the foundation of public policy for industrial societies signals the end of the" [postwar] fordist" model of development (Drache & Gertler, 1991: 7). The political and economic restructuring of the 1980s toward an adaptation to competition in global markets, and greater international free trade through, North American Free Trade and GATT, are strategies which seek to rejuvenate economies in the midst of a prolonged crisis.

### **The Economic Crisis Described**

The 1970s witnessed the advent of a crisis in western industrialized countries, the consequences and implications of which the international political economy is still attempting to come to terms with in the 1990s. It has been described as a "world economic crisis" (Cox, 1987), and "a major rupture in the history of capitalist development" (Holmes & Leys, 1987: 4). Its

ultimate causes are a matter of some speculation. Some have suggested that it is the consequence of shocks, accidents and mistakes in the context of changes of a more structural nature, that is the end of the Fordism (Poire & Sabel, 1984: 192). And others have placed "the relations between labour and capital" at the centre of an explanation for the "break-up of the long [post-war] boom" (Armstrong et al., 1991: 262).

The symptoms of crisis have been experienced by almost all of the OECD countries: "a drastic slowdown in productivity growth, declining industrial employment, stagnating industrial output, and sharply rising unit labour cost" (Holmes & Leys, 1987:4). "Between 1950 and 1973 the world economy grew at an average annual rate of between 5% - 6%, but only about 2% - 3% after 1973. In short, currently the world economy is growing each year at about half the rate it did in the earlier period" (Harrod, 1990: 3; Armstrong et al., 1991: 233).<sup>10</sup>

### **The Reorientation of Government**

As the crisis deepened so did the perceived bankruptcy of Keynesian inspired policies. Inflation was already at a high level, and governments were reluctant to utilize the postwar tools of stimulating economic growth and countering increasing unemployment through fiscal policy. The late 1970s and early 1980s saw the rise of monetarism and a neo-classical view of the economy. This orientation was accompanied by a neo-conservative (perhaps more accurately neo-liberal) conception of the role of the state was proposed by the right as the solution to the sustained economic crisis of western capitalism. The central

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<sup>10</sup> For a particularly good and detailed analysis, and data on the "The Great Slowdown" see Armstrong, Glyn and Harrison (1991: 233ff).

culprit of the current crisis was seen to be the Keynesian policies. Inflation was due, according to this view, to the full employment policies pursued through expansionary fiscal and monetary policy. The late 1970s and the 1980s saw the ascendancy of tight monetary and fiscal policy, aimed at decreasing inflation and the size and spending of government (Armstrong et al., 1991: 305ff). The emphasis changed from full employment through counter cyclical fiscal expenditures to fighting inflation and budget deficits.

Yet in spite of this propounded orientation, budget deficits continued to rise in the OECD and, indeed, almost all countries internationally (Harvey, 1989: 163-172). Governments were forced to maintain their spending obligations during the recessions and persistent decline in the rate of economic growth, and hence a decline in government income, leading to deficit spending. This can be seen as an indication that the crisis was not simply a matter of the appropriate monetary policy, but must be rooted in structural aspects of the national and international political economies.

#### **From Fordism to .....**

Interpretations of the crisis abound, but that proposed by the regulation school most adequately incorporates the insights of political economy and historical specificity. From this perspective the current economic turmoil can best be described as a crisis of Fordism as a model of development. The Fordist model, based on Taylorism on a mass production scale, was articulated with social relations so as to create a regime of accumulation based on a deepening of domestic mass markets for the primarily domestically mass produced goods. The mode of regulation was based on the extension of collective bargaining rights to stabilize production and facilitate worker's ability to



purchase the mass produced goods. It included substantial intervention of the state inspired by Keynesian demand management principles and the stabilization of the economy giving opportunity for somewhat more predictable long-term and capital-intensive investment opportunities. The macro regulatory policies were brought onto the state's agenda through class based politics by the social democratic parties gaining political power in Western Europe. In Canada the fordist mode of regulation was based more on national identities and relations between the federal and provincial governments rather than on class-based collective identities and politics (Jenson, 1989: 84).

The current regime has been described as one of "post-Fordism" or "flexible accumulation" and appears to operate on principles in sharp contrast to those of Fordism. Production, it is claimed, is based on more decentralized, often non-unionized small to medium-sized firms. Rather than the mass production of Fordism, firms now focus on production of smaller batches, for just-in-time delivery, based on more demand sensitive production for a more diversified market. Workplace production organization is based on relatively small "work teams" which are assigned a wider array of tasks and, it is claimed, have greater input into production and workplace decisions.

There is another less savory aspect to post-Fordism, that of decentralized sweat-shop production, home working and an increased reliance on part-time workers. Greater reliance on the gendered and racial division of labour are also aspects of un- or under regulated post-Fordism. Some critiques of post-Fordism have offered a disturbing scenario of the consolidation of the post-Fordist regime of "flexible accumulation" (Moulaert & Swyngedouw, 1991: 258-261; Mahon, 1987: 7-8). Technology will allow for the replacement of relatively unskilled factory workers by automation on the one hand and by a smaller core of flexible and highly skilled high waged employees. There will, on the

other hand, potentially be an increase in the service sector. The higher rates of unemployment will create a pool of surplus labour which will and does, keep wages low. The result will be a wage and skill polarized work force, conditions which are not conducive to an organized labour force and in the context of the crisis of welfare state in an increasingly stratified society.

Some important issues for post-fordist politics, thus, relate to the ability of workers to organize, in the context of production organization which is less oriented towards the large factories, particularly in the context of the Free trade agreement in Canada, given that the unionization rate is already lower in the United States<sup>11</sup> which will now be directly competing with Canadian enterprises. Another Issue is that of "skill polarization" between low paid unskilled labour and higher paid skilled labour.

While the current juncture, paradoxically given the perceived dominance by globalization, is one of relatively greater political openness, it is also a period during which a new institutional arrangement or compromise is being struggled over - one that stands to be imposed on the less powerful in society. For the left the current juncture necessitates articulating responses and strategies to counter the emerging vision of a global economy dominated by transnational corporations, and politically and ideologically based on what Cox has called "hyper-liberalism."<sup>12</sup>

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<sup>11</sup> In 1986 the union membership in Canada was 37.7% of non-agriculture workers, down from a high of 40% in 1983 between 1955 to 1986. IN the United States in 1986 it was 17.8% down from a high of 31.8% in 1955 between the years 1955-1986 (Panitch and Swartz, 1988: 98).

<sup>12</sup> Of Hyper-liberalism, Cox claims "the Thatcher-Reagan model can be treated ideologically as the anticipation of a hyper-liberal form of state, in the sense that it seems to envisage a return to nineteenth-century economic liberalism and a

### Transnational Capital's Responses to the Crisis of Fordism

In the context of the crisis, "falling profit rates and intensifying competition have forced many individual firms and in some cases whole industrial sectors, to undertake large scale restructuring of production" (Holmes & Leys, 1987: 3).

Transnational corporations have utilized various means to deal with the decline in productivity and the rate of profit. In some cases this is being addressed through increasing the concentration and centralization of capital through merging with or buying out other companies; and/or by "increasing relative surplus value and depreciating constant capital" (Jenkins, 1984: 41) by reducing labour costs rather than increasing productivity through technological change.

The rate of world trade growth in manufactured commodities has slowed down since 1973 to half the rate before the crisis, and with the slow down in growth of markets competition has intensified (Armstrong et al., 1991: 296). During the past decade restructuring has taken the form of an intensification of the internationalization of accumulation and, to a lesser degree, production, and a search for new markets globally.<sup>13</sup> The internationalization of production is, according to Cox, the

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rejection of the neo-liberal attempt to adapt economic liberalism to the socio-political reactions that classical liberalism produced" (1991: 342).

<sup>13</sup> This is not to conclude that the globalization was a consequence of the economic crisis of the 1970s and onward. Capital has had an international orientation for over the past two centuries (see for example Wallerstien, and the World Systems approach on this, although they, in my opinion, do not sufficiently recognize the space for politics and alternative possibilities). The specificities of the crisis made one accumulation strategy more attractive than another given the historical context, not because it was part of the natural unfolding of capitalism's inner dynamics.

beginning point for the analysis of globalization. "The internationalizing process results when capital considers the productive resources of the world as a whole and locates elements of complex globalized production systems at points of greatest cost advantage" (Cox, 1991: 336).

In competition to attract international capital states are under pressure to "harmonize" their policies to better facilitate "globalized production systems" and the transfer of capital, goods, and services, leading to what some have called the "entrepreneurial state." The pressure on states is to deregulate the labour market and thereby facilitate increased flexibility in wages and benefits: "[w]ages are no longer to be linked to productivity growth through collective bargaining, but allowed to drop to their so-called natural level" (Drache & Gertler, 1991: 3). Industry locates in places that are the most accommodating with regards to costs, including wages and workplace organization, low taxation and regulation. During the first two decades of the crisis this tended towards a move away from the traditional industrial cores where workers and communities were organized or politicized, to new locals, regions and countries (Storper & Walker, 1989).

The internationalization of accumulation has undermined labour organizations and communities, and given firms and corporations tremendous leverage in, for example, wage negotiations. In the United States "in 1982 38% of unionized workers took wage cuts and 15% had no increase," while the number of manufacturing jobs was reduced by 2.3 million between 1980 and 1985 (Kolko, 1988: 310). The labour costs have also been reduced by increasing the proportion of part-time employment (a 58% increase in the USA between 1980 and 1985 resulting in a quarter of those employed working part-time) where employers save benefit costs and workers are usually unorganized and wages often lower (Kolko, *ibid.*). Labour organization and militancy pose the greatest limits on the

freedom of operation of capital and hence limit capital investment (Storper & Walker, 1989: 220). In this period of restructuring the Canadian state has become directly involved in attempting to undermine organized labour's activity through increased restriction on trade union activity (Panitch and Swartz, 1985). "This re-formation of employment relations would have been unimaginable without the massive inter-regional and international movement of industry" (Storper & Walker, 1989: 220).

We are now in a position to better contextualize and conceptualize globalization as it relates to economic development. The crisis of the post-war model of development was due to declining rates of productivity growth, which ultimately led to a fall in profitability. The response, on the part of capital, has been to internationalize in an attempt to increase productivity, and states have responded with austerity measures (Lebourgne & Lipietz, 1988: 267) such as deregulation of the labour markets and generally creating a more accommodating environment for capital investment. These are fundamentally political choices, not routes dictated by objective conditions or "the logic of capital." Globalization as described by neo-conservatives and transnational corporations is a particular strategy to overcome economic crisis. A considerable component and effect of this strategy is to undermine the gains achieved through previous struggles and through the apparatuses of liberal-democracy.

Globalization also describes real changes in the global context which effect and limit economic development strategies for a more equitable social development, as shown by the experiences of the French and Swedish social democratic governments during the 1980s (cf. Armstrong et al. 1991: 322-39). These experiences suggest the limits of the left's traditional responses to managing capitalist development.

### Struggles for a New Model of Development

Much of the left's response to these changes has tended to be based upon the post-war model of development, and to see the issues as a matter of ideological debate and political strategy. But its attempts to deal with these issues at this level runs the risk of not recognizing the structural changes in the organization of production and the crisis of the "Fordist model of development" (Mahon, 1991: 316). The "left has...to retool intellectually and develop a new critical perspective on the relationship between global change and social power" (Cox, 1991: 341). To not recognize this leaves it ill prepared to put forth a viable alternative, to take advantage of the political space, and to participate in the struggles for a new model of development.

The corporate sector has, on the other hand, been vigorously adjusting, or "rationalizing," its activities, to the new situation and exerting pressure on national and regional governments to adjust the economic environment to better facilitate this corporate restructuring to adapt to the more competitive international economy. This has been done through the reorganization of production, allowing for greater flexibility and the "just-in-time" organization of production through decentralized suppliers. This facilitates greater flexibility for skilled workers and the intensification of work for unskilled labour particularly in the service sector (Armstrong, 1991: 342), in effect more output with fewer workers and often at lower labour input costs.

The orientation of the labour movement is important to the struggles for the "orientation of post-crisis capitalism" (Leborgne & Lipeitz, 1988: 278). Some analyses have indicated that the combination of production based on flexible

specialization "in countries where unions are strong and committed to solidarity, [skill and] income polarization...may be avoided" (Mahon, 1987: 51). But labour and other movements should not remain in an entirely adversarial position, the current juncture provides an opportunity for influencing the economic and political processes, to mitigate the social costs and perhaps push for a relatively more equitable alternative.

In the short to medium term the goal should be to gain greater control and input into the strategies through which regions and countries articulate with the forces of the global economy. The most immediate of these is the need to move back from notions of free trade and on to an orientation of more "strategic trade." An increase in productivity will require the participation of workers and increased job training and skills. Working people must push for greater input into the content and orientation of these programmes so that they create high skill and high income jobs through increasing the value added in production, so that competition in the global economy is based on quality competitiveness, and not only on price competitiveness.<sup>14</sup> Governments must be forced to ensure domestic research and development is nurtured by firms which seek to operate in Canada, and ensure such firms exercise greater responsiveness to the needs of economic and social development.

Organized labour must expand beyond the confines of shopfloor issues and collective bargaining based on a Fordist accumulation strategy, and work with social movements. This is particularly the case given the diverse identities which define collective

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<sup>14</sup> A focus on price competitiveness seeks to minimize input costs such as labour and uses little capital investment in technology to increase competitiveness. Competition in this area also entails competition with the Newly Industrialized Countries which rely to a considerable degree on low labour costs, thereby putting Canada at a competitive disadvantage and putting greater downward pressure on wages.

activity in the current juncture. It is also the case in the context of a world where international gender and racial inequalities must be addressed and overcome in a new model of development.

Given the decreased centrality of the nation-state in the context of increasingly decentralized production, strategies and struggles will have to be increasingly based on the local and regional experience, and at the same time utilize the technological advances to advance solidarity and strategies internationally to address issues such as ecological degradation, peace and human rights, and to regulate trans-national corporations.

### Conclusion

The technologies of globalization potentially provide opportunities for social development internationally. The current globalization tendencies within the international economy are, in reality, undermining the majority from participation in the articulation of development strategies. The problem is not so much globalization per se, but rather the particular strategy to deal with globalization being presented. It is a strategy based on a vision of what the post-crisis period should look like according to a neo-conservative agenda. This vision and strategy must be challenged. A focus on this version of globalization can blind us to the political space for influencing the struggle for a post-fordist model of development.



## CHAPTER 3

## THE CASE OF ATLANTIC CANADA: NOVA SCOTIA

This paper has sought to better understand the global context within which regional development must be articulated. It has suggested that the model of development offered up by official agencies and the Canadian Government must be challenged and reoriented. This chapter focuses on the situation in Nova Scotia as it is forced to come to terms with changes in the regional and national political economy.

**Nova Scotia**

Nova Scotian population, 1991: 899,942

Unemployment rates, average 1984-1991: 11.83% ; 1991, 12%

Canadian average 1984-1991: 9.21% ; 1991, 10.3%

Provincial Gross domestic product, 1991: Can \$15,685 million  
(Nova Scotia, 1992)

The Nova Scotian economy is characterized by: a dependence upon resource extraction and processing, much of which is in single industry communities that are vulnerable to increasing global competition; an unsophisticated SME [small and medium-size enterprises] sector that is tied to local markets; and an over-dependence on transfers from governments to support current spending by both governments and persons" (APEC, 1992: 6). "The small domestic market with incomes of only 80% of the national average, the need to become more internationally competitive, low level of R&D and product innovation, and excessive dependence on resource processing, continue to limit the manufacturing sector in Nova Scotia and Atlantic Canada in general" (O'Farrel, 1990: 26). The region also suffers from an out-migration of skilled and educated people, who seek employment outside of the region (Savoie, 1991: 16).

### Historical Responses to Regional Disparities

But regional disparities in personal per capita income decreased from 69 percent of the national average in 1961 to 78 percent in 1988 (Savoie, 1991: 12). However, this figure hides a structural component which continues to underlie the region's underdevelopment. The "unemployment rate is now much higher relative to the national average than it was in the 1960s and 70s" (Savoie, 1991:14). Per capita earned income (when government transfers to persons are deducted from personal income), has increased between 1961 and 1989 from 65 percent to 70 percent of the national average (Savoie, 1991: 12) -- almost half of the apparent increase is due to direct government transfers. "Federal transfer payments alone accounted for 21 percent of Atlantic Canada's improved income position...[and] federal expenditures equalled 41 percent of GDP for the Atlantic region in 1988, more than double the share in the rest of Canada," up from 33.8 percent in 1961 (ibid.).

The federal government has tended to respond to the region's situation by spending money -- much of which is transferred through regional development initiatives, equalization payments and social assistance programmes -- thereby limiting the costs of regional underdevelopment.<sup>15</sup> But, while these programmes have limited regional disparities, they have not led to self-sustaining development and have contributed to the political and economic dependence of the region. "80 percent of gross domestic expenditure in the region originates with government [federal and

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<sup>15</sup> Equalization payments are payments from the "have" provinces to the "have-not" provinces through the federal income tax system, aimed at providing all Canadians in all regions with comparable levels of public services, "without undue taxation." This programme was enshrined in the Canadian constitution in 1982 (Leslie, 1987: 31).

provincial].... The federal government has been spending some \$6 billion a year over and above total revenues in the region, and an estimated 60 cents of every transfer dollar immediately returns to central Canada via consumer spending" (Williams, 1987: 196; see also Savoie, 1991: 13). This is reflected, for example, in the large proportion of Nova Scotian firms which are directly or indirectly (as subcontractors) dependent upon provincial or public purchasing for their profitability or survival (O'Farrel, 1990: 24).

#### **The Profitability of Dependency and Underdevelopment**

Most analyses of Atlantic regional development, both mainstream and critical, have rightly blamed regional dependence on government as a major factor in the plight of the region (cf. Williams, 1987; O'Farrel, 1990). But a focus on this aspect tends to turn attention away from the more structural, political and economic changes which are needed in the transition to post-Fordism. Indeed, it could be surmised that the transfer of funds to the region which increased the per capita income, purchasing power and demand of the Atlantic region was completely compatible with the accumulation strategy of domestic, and regional capital in the context of a Fordist regime of accumulation.

While underdevelopment in the region has imposed hardship on some, it has meant large profits for Multinational, "national" and regional capital.<sup>16</sup> "Regional capitalists have adapted themselves to underdevelopment, making of it a source of wealth and local power, rather than organizing themselves and their communities to overcome it" (Williams, 1987: 194). The

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<sup>16</sup> A list of rather vibrant corporations which have prospered in the context of Atlantic underdevelopment includes, among the multinational corporations: Stora Kopparbergs, Shell Oil, Michelin, Hawker-Siddely, U.S. Gypsum; among the national "corporations": Noranda, Husky-Bow Valley, Alcan, the banks, Eaton's; and "regional" capital: the McCains, the Irvings, the Sobeys, and the Jodreys (Williams, 1987: 195).

government transfers not only decreased regional disparities, they also proved profitable for those who sought to regionally service the demand created by the governmental redistribution. Not surprisingly the service sector accounts "for 73 percent of Nova Scotia's output (1990) compared with 65 percent for the national economy" (Savoie, 1991: 23). It is in this context that we must examine the perceived need for change.

### **Changes in Production: The Need to be Competitive**

The international pressures for greater flexibility in production have also effected peripheral regions in Canada (Grude et al., 1991: 7-8) and are a testament to the influence of global trends on Canadian struggles to forge a new model of development. In those industries still responding to mass markets, and in sectors where competition is based to a considerable degree on cost rather than quality, the pervasive response has been to "rationalize" production through automation and shedding labour in, for example, coal, pulp and paper, fish processing and textiles (Grude et al. 1991: 6). Employment in the natural resource industries in Canada declined from 9.6 percent of full-time employment in 1981 to 7.8 percent of employment in 1986 (Myles et al., 1988: 41). But even here O'Farrel's study suggests that these sectors are, or will, in the context of global competitiveness be forced to be more quality sensitive in, for example, fish processing and textiles (1990).

This reality has made the themes of globalization and competitiveness frame the responses to the crisis of the post-war economy. The issue is less a question of if firms should make the transition to emphasizing flexibility, quality and continuous innovation, but how (ibid., 3). The changes in Canadian national policy are re-orienting the firms from competitiveness in the regional and national market to global competition. The future

prosperity of the Atlantic region is dependent upon its ability to develop an economy based on high-skilled and high-waged employment through the production of quality value-added products. A failure to do so could result in a reliance on an economy based on low skilled and waged service sector employment and on the declining resource sector.<sup>17</sup> The periferalization of the Atlantic region has left it ill prepared to make this transition.

The Atlantic region's productivity (measured as output per person) is 82 percent of the national average (Savoie, 1991: 11). For the region, the output per person in the manufacturing sector between 1975 and 1988 fell "from 81 percent of the [Canadian] national average to 64 percent" and in the service sector it fell from 92 percent to 87 percent of the national average (ibid: 12).<sup>18</sup> Canadian, and even more so Nova Scotian, productivity does not compare well with that of its competition in the G-7 countries, placing consistently lowest in productivity growth since 1979 (Donner, 1991: 38 chart). This suggests the seriousness of the challenge ahead for regional competitiveness as it attempts to develop an economic strategy in response to tendencies in the national and global economy.

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<sup>17</sup> Not all jobs in the service sector employment are low skilled or waged. The Economic Council of Canada has identified a sector of "dynamic services" such as "transportation/communication, wholesale trade, finance/insurance/real estate and business services on the grounds that these provide high value added services which are internationally tradeable" (Grude et al., 1991: 16). But jobs in these sectors also require considerable education and training.

<sup>18</sup> It must be added that these figures are for the region, and there are disparities between provinces. But the trends are generally the same, the difference being mostly a matter of degrees rather than a structural difference, except perhaps Newfoundland which changed from being a British colony to a Canadian province in 1949.

### Manufacturing in Nova Scotia

The declining position of the resource sectors and the need to focus on greater value added in production suggest that the manufacturing sector must be an important focus in provincial economic development strategies. I focus on the manufacturing sector as it is explicitly oriented towards value added production and provides the greatest prospects for high-skilled and high-waged employment based on quality competition.

A recent comparative study between firms in the New England region of the United States (Atlantic Canada's geographically closest international competitor) and Nova Scotia has indicated that Nova Scotian firms' competitiveness is severely limited by their weak productivity (O'Farrel, 1990). The productivity of Nova Scotian exporters is substantially less (from 30 percent to 90 percent) than comparable firms in the New England states in food and fish processing, precision engineering and clothing (O'Farrel, 1990: 4). These Nova Scotian firms are also much more tied to their regional markets than the American firms due largely, O'Farrel suggests, "to a lack of price and quality competitiveness" (1990: 8). Within Nova Scotian manufacturing the average value added per firm is only 85 percent of the Canadian national average, and much of the province's manufacturing relies on declining heavy industry (Savoie, 1991: 25).

The region's natural resource base in fisheries, forestry and agriculture would suggest a comparative advantage in the production of these primary commodities and a base for value added processing of these commodities. The lack of value added processing is of particular concern in the fish processing industry, given the importance of the industry to the regional economy. Much of this industry appears to be trapped in the mass processing of blocks of frozen fish typical of what Nies has

called "peripheral permeable fordism" (1991)<sup>19</sup> in contrast to the more specialized demand responsive processing of the eastern US (O'Farrel, 1990: 14). The Nova Scotian industry has failed to respond to the changes in the market, and even at the unprocessed stage Nova Scotian products far poorly. "The Nova Scotians" according to O'Farrel, "are selling a commodity and not a food preparation," and they are doing a poor job even at that (ibid.). Food processing has shown a greater degree of competitiveness which includes satisfying American, Japanese and European markets. But the industry is "characterized by conservatism in its range of products; its lack of research and development, limited product innovation or even adaptation for different market segments" (ibid:15).

#### Limitations to Productivity

The lack of productivity is, according to O'Farrel, not due to the degree of capitalization; indeed the Nova Scotian firms have newer machinery than in the US (ibid: 15) due to the "generous levels of [governmental] assistance available rather than to commercial success" (O'Farrel, 1990: 16). The American firms, on the other hand, tended to use more technologically advanced machines such as CNC machinery in precision engineering firms (ibid: 16).

The shortcomings in productivity have been attributed to the lack of investment in education, job skills and training (O'Farrel,

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<sup>19</sup> Nies (1991) has suggested that the mass production of this production orientation has pushed the industry up against the ecological limits contributing to the current crisis in the Atlantic Fisheries. Last Spring the Canadian Government imposed a moratorium for one and a half years on east coast cod fisheries in what was once one of the world's richest fishing grounds. This will no doubt further exacerbate the regional economic problems.

1990: 30-6; Grude et al. 1991: 13-21). This is further exacerbated by the lack of investment in research and development (R&D) to be carried out in Atlantic Canada (O'Farrel, 1990). R&D investment as a percentage of GNP is 35 percent of the national average, and of this amount 57 per cent is through the federal government, and only 13 percent is through the private sector (Savoie, 1991: 15;). Atlantic Canada had the "lowest levels of technological intensity over the 1980-85 period...during which only 66.7 percent of establishments introduced automation, compared to the national average of 75.5 percent" (Savoie, 1991: 15). The limitations on Nova Scotian productivity are also, according to O'Farrel's study, due to: workplace organization; management not prioritizing productivity; poor specialization in the division of labour in firms; a shorter work week and thus a lack of capacity use of machinery; lack of correspondence between productivity and pay (O'Farrel, 1990: 22).

Low productivity as a limitation to economic viability is of course not unique to Nova Scotia. We have already noted that a major factor behind the crisis of Fordism has been low productivity and that the drive by capital to increase productivity and thereby profitability is one of the major factors behind restructuring and globalization.<sup>20</sup>

Regional capital's drive to be competitive has been postponed by dependence upon federal transfers. Hence we are not surprised to find what O'Farrel has called the "Profitability and Productivity Paradox in Nova Scotia" (1990:23). "Nova Scotian firms are profitable despite lower productivity, and a lack of price and non-price competitiveness.... Public policy appears inadvertently to have reinforced market failure to some extent by cushioning

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<sup>20</sup> "The clearest symptom of the crisis" according to Lipietz "...is the general slowing down of productivity gains" (1984: 34; also see Armstrong et al., 1991: 241-3).



profits via grants, subsidies and preferential purchasing thereby reducing the incentive to change" (O'Farrel, 1990: 24).

However, Atlantic firms can no longer depend upon continued profitability of this sort. Restructuring is being forced upon the regional economy due to the emphasis on global and free trade; due to the connected orientation away from national policies based on the deepening of domestic demand; and due to the increased federal and provincial deficits. The only certainty, as the recent strategy adopted by the Nova Scotia government (see page 47ff) suggests, "is that the status quo is no longer an option" (Voluntary Planning: 1991: 1). The solution lies in adapting production to the emerging post-Fordist era (and having it all more regionally and locally based). This, as we have noted above, entails an emphasis on flexibility, innovation and quality in high value-added production.

### **Post-Fordist Models of Production**

#### **The Flexible Specialization/Production Model**

A characteristic of post-Fordism which is explicitly relevant to regional and local development strategies is the increasing dominance of what has been variously called flexible production (Storper & Walker, 1989) or flexible specialization (Piore and Sabel, 1984), such that it is claimed to be "hegemonic in the capitalist world economy" (Storper and Walker, 1989: 152). Flexible specialization is, according to Piore and Sabel, "a strategy of permanent innovation accommodation to ceaseless change, rather than an effort to control it. This strategy is based on flexible -- multi-use -- equipment; skilled workers; and the creation, through politics, of an industrial community that restricts the forms of competition to those favouring innovation" (1984: 17).

Flexible specialization is perceived by its proponents to have survived, even prospered during a period of economic downturn (ibid: 4). The advocates of flexible specialization see it as a laudable and viable means of reorganizing sectors of the economy. For the purposes of this paper what is particularly relevant is the notion that flexible specialization entails a spatial reorganization of production. The exponents of flexible specialization draw inspiration from the regional conglomeration or clustering of small firms with the organization of labour and production based on the "craft tradition" which has provided the basis for vibrant and innovative enterprises in regions of Germany, Italy and Japan (Poire and Sabel, 1984: 17).<sup>21</sup> A development of flexible specialization suggests the possibilities of production with a more spatially dispersed or decentralized mode of organization of industrial districts more integrated with localities.

Flexible specialization is also seen as an aspect of the activities of large firms. Examples are often taken from the recent experience of large Japanese firms in Japan (Best, 1990; Poire & Sabel, 1983). These firms, it is claimed, have benefitted from flexible specialization through "decentralized supplier networks," which enable large firms to take advantage of "just-in-time" production organization. A parent-supplier relationship emerges where innovation and quality control become the motivation for a closer working relationship between the parent company and the small to medium sized firm. This relationship, based on "vertical disintegration" could potentially contribute to the ability of the supplier firms to

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<sup>21</sup> The craft tradition of labour organization and production was the historical alternative to mass production (Poire and Sabel, 1984). One cost of the latter route to economic development and regulation, as contrasted with the craft tradition, according to Poire and Sabel, is the loss of links to communities, and the emergence of corporations linked to the macro aspects of society rather than the locality (ibid.: 6).

challenge the dominance of the larger firm due to an increasingly segmented and diversified market enabling smaller firms to take advantage of "niches" (Totterdill, 1989: 498). The relationship could of course go the other way wherein for example large firms pass on the costs of inventories etc. to the small firms.

### **Flexible Production and Nova Scotia**

In our consideration of development strategies relevant to a peripheral region it is important to recognize that flexible specialization is an "ideal-typical" model, that is, it is not a hard and fast methodology to be copied (Hirst & Zeitlin, 1989: 6). In this sense it describes successful strategies, but it also contains aspects of an ideal which will not be replicable even if that is the goal. In any economy we would expect to see considerable variations and possibilities for adaptation; an "ideal-typical" model is useful in analyzing the strengths and weaknesses of a strategy and a local and regional economy. It is thus used to a considerable degree in this paper as a heuristic device to contribute to attempts to articulate a regional development initiative which responds to the current conjuncture.

There are a number of factors or structural conditions which make flexible production methods a particularly relevant model to Nova Scotia. "The geographical foundations of industrial growth have been shifting in some cases quite radically. Many flexible production sectors have been locating in places that are often far removed from the old centers of Fordist Production" (Storper and Walker, 1989: 22). A major component of those production sectors is the existence of a flexible and adaptable workforce and an accommodating community. The traditional industrial areas had adapted to and were limiting the manouverability of firms and management through unionization and local government

regulations and taxation policies. Due to the underdeveloped state of capitalism, Nova Scotia does not have this strong industrial tradition and class homogeneity, although there are sections such as Cape Breton which do have this history. The still considerable role of rural-based industries and population, relative to the rest of Canada, suggest that the craft orientation in production, although fast disappearing, is more influential in Nova Scotia than in other areas of the country. There are also a number of obstacles as we shall see shortly.

### **Labour Market Issues**

Attempts to extend the flexible specialization model to underdeveloped regions raises the issue of labour market supply (Schmitz, 1990). The pressure on wages due to surplus labour increases the tendency for small firms to base their competitive position on increasing the exploitation of labour, or absolute surplus value, rather than increasing value through technological innovation. This could encourage the emergence of unskilled low-waged labour competition between firms rather than competition based on skilled, high technology, high wage, quality production and innovation (Schmitz, 1990: 24). Also at issue is the fact that the new, often high tech, industries often do not have a need for the amount of labour nor the existing skills of labour in regions of high unemployment as a result of restructuring (Hilpert, 1991: 294).

I have noted above that future prosperity, in the context of global competitiveness, must be oriented toward high quality competitiveness, based on high skills and wages through technologically advanced production. This examination of the Nova Scotian and Atlantic regional economies has also suggested an existing tendency within firms towards low levels of innovation, skills and the adaptation of advanced technologies (Savoie, 1991: 16). And, it is noted above that wages in the region are 80 percent of the national average (O'Farrel, 1990:

26). Unemployment rates are well above the national and the OECD average (Nova Scotia, 1992).

These factors suggest a need for caution, and indeed concern, as the region adjusts to, and debates, flexible production techniques. Flexible production on the one hand provides a possible strategy for local and regional development, allowing the region to gain, or regain, a competitive edge based on quality and innovation in the context of post-Fordism; it can also be articulated in the opposite direction -- one which emphasizes price competitiveness which is not viable given ascendancy of the NICs. The above observations suggest that if left to the market the tendency is to some degree, and may increasingly be toward the low-wage competitiveness route. The private short-term response of management in this context as it is confronted with the crisis in the traditional mode of profitable activity can be seen to rely on the intensification of work and decreasing wage costs. Some sectors of the Nova Scotian economy are already responding in this manner (through an intensification of work) with little compensation in increased wages. This approach tends to result in an emphasis on quantity rather than quality, and thereby hurting the competitiveness of the firms (Grude et al., 1991:11).

### **Solutions??**

The path to improving productivity would appear to be fairly straight forward. Increase the skills of workers through on-the-job training and through education at work and in the public school system. A more skilled workforce, and management aware of the need for, and capable of innovation, should be able to better incorporate technology into production and production organization. This process of innovation should be based on and create a need for R&D responsive to the regional and local economies' needs.

The reality of economic development is, of course, much more

complicated. In the following section I examine various responses to the need for innovation on the part of government and quasi-government economic development bodies.

### Official Development Strategies

#### The Atlantic Canada Opportunities Agency

The Canadian government's most recent attempt to stimulate regional development in the Atlantic region has been the creation of the Atlantic Canada Opportunities Agency (ACOA). ACOA's purpose when it was initiated in 1987 was "to 'kindle' the entrepreneurial spirit of Atlantic Canadians" (Savoie, 1991: 1). ACOA carries out its task of "improving the economies of [Atlantic] communities through the successful development of business and job opportunities," particularly small and medium sized enterprises (SAME) through:

- \* helping people set up new, and to expand existing businesses
- \* marketing Atlantic Canada, nationally and internationally
- \* working together with other federal departments, the provincial governments and the private sector within the four Atlantic provinces to ensure maximum benefit for the region. (ACOA, 1992: 1)

#### Nova Scotia's Voluntary Planning Strategy

This orientation at the federal level is complimented, to some degree, at the provincial level by the Nova Scotia government's adoption of the "Economic Strategy and Action Plan" developed by the Nova Scotia Voluntary Planning board (MacNeil, 1992: 18).<sup>22</sup>

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<sup>22</sup> Voluntary Planning is a self-proclaimed "independent advisory group made up of business, labor and community groups" (Voluntary Planning, 1991:7). It is funded by the Nova Scotia government.

The board's strategy, "Creating Our Own Future," takes a broader perspective than that of ACOA. Development will occur based on the efforts of the private sector with the government as "facilitator" within the private sector which according to the board includes labour. This in itself can be seen as a positive step given the need for restructuring of not only the economy but also the organization of production. However, the board's significance and influence should not be exaggerated given it has no power to implement or enforce, and its role is restricted to being advisory.

### **Entrepreneurialism**

Both of these governmental economic development strategies emphasize entrepreneurialism; indeed, this notion emerges as one of the "buzzwords" and is seen as the key to regional and provincial economic development in Atlantic Canada.<sup>23</sup>

This is -- not surprisingly, in the context of neo-conservative governments -- focused on limiting the government's role and depending on responses to market forces and signals. The goal is to push for the freeing of market forces and allow for the emergence of entrepreneurs who, it is felt, would build a strong regionally based economy and provide employment opportunities for

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<sup>23</sup> The perceived lack of entrepreneurial spirit in the region is seldom explicitly expressed in the literature. But the emphasis on the need for this clearly suggests a presumed shortcoming. The term has ascended to the status of another of the "buzzwords" in official discourse mentioned in all of the documents (ref.??s). Community Economic Development in this context is to be oriented to allow for the emergence of "entrepreneurial vigor" (Voluntary Planning, 1991: 46-8). One of ACOA's programmes is the "Entrepreneurship Development Initiative [which] helps keep entrepreneurship in the forefront of Atlantic Canadians' minds." This includes the establishment of the Atlantic Canada Entrepreneur Awards Association and the publication of "Atlantic Journal of Opportunity," a tri-annual publication "about entrepreneurs and their activities" and a 22 week television series called "Leading Edge" profiling entrepreneurs (ACOA, 1992a).

those lacking "entrepreneurial vigor." Success in this case is gauged by the number of businesses started and the number of jobs created in this manner. The continuance of this indiscriminate drive to build entrepreneurialism can be seen as encouraging new firms to take advantage of and depend upon the low wages and unskilled labour in the region, but contributing little to the future prosperity of the region.

### **The Need for A More Strategic Approach**

Savoie, in a report commissioned by and for ACOA, has claimed that what has been lacking in ACOA is a more strategic approach; he recommends an approach which focuses on "entrepreneurship and competitiveness," and must in the future be highly selective (1991: 58). O'Farrel's report, for the Nova Scotia Economic Development Department and also for ACOA, agrees but goes further, claiming that

grant awards appear to be insufficiently discretionary.... Measures do not correspond sufficiently with the major competitive weakness in Canadian enterprises.... If public resources are to be used most effectively (ie. to promote competitiveness), this system of spreading financial assistance across a vast number of projects -- many of them non-traded or commercially dubious -- will need to be changed. In short, the aid programmes need to be targeted more towards economic development issues -- productivity, quality, export marketing and training (1990: 26-7).

And he adds that grants should be restricted to traded businesses [export sector] rather than subsidizing ventures which solely serve the domestic market, which are already subsidized by the "friction of distance" (ibid: 26).<sup>24</sup>

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<sup>24</sup> The appropriateness of a more strategic approach to economic development is confirmed, to some degree, by the success of strategic intervention on the part of some of the G-7 competitors such as Japan, France, Germany and Italy (Martin, 1989: 45).



## The Politics of Development and Change

### The Role of Politics

I have thus far noted the need for economic restructuring in Nova Scotia and that this need is all the greater due to the provincial economy's reliance if not dependence on the federal government. This reliance has created a society which, in its adaptation to this dependency, has become insensitized or unresponsive to the competitiveness within the Canadian, let alone the global, economy. This is not to suggest that Nova Scotians have not been entrepreneurial in making the best of this situation.

The need for restructuring, if not internally generated, is being forced upon the region by the trends of globalization and the consequent increasing competitiveness across areas such as agriculture, manufacturing and the service sectors. This need is generally recognized by the various sectors, but how this restructuring should occur is a matter of some debate and disagreement (see for example the "Discussion Paper" prepared for the Atlantic Region Education Centre's 1992 Winter Symposium, (ARLEC, 1992)). The content of this discourse is influenced by and varies between sectors and between interests within these sectors: between large and small capital; between management and workers; between businesses and communities.

This impetus for transition is not unique to Nova Scotia. As noted earlier, most firms, regions and communities are being confronted by the need to adjust to post-Fordism. An important difference for Nova Scotia is that to a considerable degree it cannot be described as an area which was or is heavily dependent upon, and integrated into Fordist production and social division of labour, and accumulation. The co-existence of rural and urban society and the reliance upon the resource sector have continued

to play an important role in the regional and provincial economy. But, while the regional economy has not been based on traditional Fordist production and accumulation, it is being forced to adapt to the realities of post-Fordism. This suggests particular structural opportunities for and obstacles to development within the provincial political economy.

One development model which has adapted well to these changes is that of flexible specialization/production. But, while the model is useful in allowing some insights into general orientations in the organization of production within firms in the region, the most important aspects of the success of such a model are factors which are difficult to quantify or to integrate into the model -- specifically the politics of the development strategy. The specifics of the Nova Scotian economy suggest that these factors will have a decisive impact if the province successfully makes the transition to a vibrant and prosperous post-Fordist political economy.

### **Strategies, Transition and Politics**

Research into flexible production suggests that regional and local governments play an important role. This is particularly the case in underdeveloped regions (Schmitz, 1990: 29). The role of government cannot be restricted to encouraging and facilitating the clustering of firms, supporting job training and improved education, and encouraging research and development relevant to the local and regional economies. Governments also must represent the interests of other sectors of society.

Indications are that if left to the market the short-term interests of profitability will prevail over the long-term interests of the community, particularly in the case of small capital which is stimulated through government subsidies in the context low skilled and waged labour. Increased competitiveness will force companies to take advantage of existing options to

survive. Governments must ensure that there is a high value added and quality option, and steer firms so that they choose this route.

But there are also other issues of public concern crucial to the successful economic transition which must be addressed by government policy. The transition to a more competitive economy will be accompanied by considerable costs and few benefits in the short to medium term, and thus will be subject to political and social struggles. Government must ensure that the broader public interests are brought to the fore in the development of strategy and the sharing of the costs and benefits of restructuring. Government thus has an important role not only through economic policy but also in ensuring a successful political transition. Groups which have benefitted from underdevelopment and dominated development discourse in the past will tend to continue to disproportionately influence the formation and implementation of policy in their interests. Groups marginalized from this process, and forced to carry an inequitable share of the disruptions and costs of the restructuring, with few of the benefits, may become obstacles to change if their interests are not recognized and addressed. The effectiveness of the response of marginalized groups depends upon their effectiveness as organizations. In Nova Scotia, Public sector employees, for example, would have a disproportionate organizational capacity to resist and influence the restructuring as they are the largest sector of unionized labour.

In the context of capitalism it is hardly surprising that development strategies tend to prioritize the role of capital. But organized labour also must play a central role if the high wage route is to be pursued (Mahon, 1987, 1991). The existence of organized labour and collective bargaining pressures firms to choose increased productivity through innovation and capital

investment rather than through intensification of work.<sup>25</sup> There are other compelling reasons for the participation of organized labour particularly at this time of restructuring. Labour is, of course, an crucial component in production; any attempts to increase the skills and re-organize production will benefit from the participation of labour in the design and implementation of these programmes. Organized labour, if not a participant in these discussions, will resist the transition from a model of development which was responsible for its improved position in post-war capitalism. The spectre of industrial unrest and poor labour relations undermines the attractiveness of investment in the region by both non-regional and regional capital.

But while much of the political economy literature focuses on the need to bring organized labour into the discussion on the restructuring process, relatively little attention is given to other groups. The underdeveloped nature of capitalism in peripheral regions often results in a civil society which is of a more heterogeneous composition. There is a much greater incidence of, for example, unorganized labour, petty commodity producers in resources and agriculture, and small capital, and of course the unemployed. There are also strong ties to tradition and locality.

The rural economy is also being forced to re-organize production in response to increasing competition. This has resulted in decreasing employment opportunities and the out-migration of the middle class in rural Nova Scotia (Grude, 1991), leaving relatively low skilled and paid employment. Given the high proportion of Nova Scotians which live in the rural areas, this suggests poor development prospects and the potential of a

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<sup>25</sup> In other words, in the terms of political economy, firms maintain profitability through the extraction of relative surplus value rather than absolute surplus value.

suggests poor development prospects and the potential of a considerable social problem, one which could eventually result in an increased burden on social programmes and social disruption which would undermine the viability of any development strategy regardless of its orientation. The development strategy must address the mismatch between the decline in rural employment and the relatively high population in these areas. Governments must maintain social entitlements during this transition period and structure the provision of these entitlements such that they are compatible with the need to retrain workers and dispossessed sectors of the economy.

#### **Participation and Development Policy**

The above observations suggest the importance, indeed the centrality, of the participation of all sectors and interests in economic policy formation and implementation. The Nova Scotian strategy recognizes the need for consultation with "the labour movement" and local community economic development organizations. This raises a number of issues. The Voluntary Planning strategy, while it states the importance of labour as a "partner," does not address the power imbalances which exist in the context of capitalism and, more specifically, in a region with surplus labour and a low rate of unionization. If the consultation does not empower groups in such a way as to allow for equitable participation, its effectiveness in mobilizing and gaining the participation of these groups will be hindered. The limitation of the results of the Voluntary Planning strategy to a advisory role leaves little chance for its effectiveness in steering economic development in the province.

These observations regarding the power imbalance can also be applied to the need for participation of other not explicitly economic community interests. There is a need for a mechanism which enables the equitable participation of groups with limited economic power, such as, for example, indigenous peoples, women,

justice organizations.

The absence of such an orientation reflects the current neo-conservative policy environment in Canada. The market is seen as the ideal purveyor of not only goods and services but also the broader social and political decisions. The Nova Scotian Voluntary Planning strategy advocates that provincial government consult with those outside of government, but the priority of these consultations should be "to reduce and remove any regulatory barriers or other impediments to economic activity" (VP, 1990: 49).

Regulations are often there to protect society from the caprice of the market, and reflect the struggles to gain some control of capital through the state. In the context of "Free Trade" an argument can be made for strengthening, or adjusting particular regulations, at the sub-national level and at the extra-national level -- as the nation-state abandons this role -- to protect an economy increasingly dominated by forces of the global economy, and to nurture local and regional economic development.

### **The Importance of Co-operation**

The deregulation of the economy is an obstacle to the emergence of flexible production. According to Hirst and Zeitlin, the "regulatory requirements of flexible specialization are incompatible with a neo-liberal regime of unregulated markets and cut-throat competition" (1989: 7). A consistent emphasis in the analyses of flexible production is the centrality of co-operation and trust between firms, between workers and the management, between "firms and their external subcontractors" and between firms and local government (Best, 1990: 135ff).<sup>26</sup> The success of

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<sup>26</sup> Storper and Scott (1989) have related the importance of mutual trust in flexible production to transaction costs involved in Williamson's (1975) "impacted information" where either participant in a contract has unequal access to information

innovative flexible production cannot be reduced to a model as it is "dependent upon the broader political and economic environment" (Saxenian, 1989: 466).

The present neo-conservative orientation of both the federal and provincial governments is not conducive to co-operation. This is most evident in its emphasis on an individualist interpretation of entrepreneurialism, rather than one which focuses on broader initiatives between entrepreneurs and communities or entrepreneurs and co-operatives, thereby enabling firms to take advantage of, for example, internal economies of scale. There is a "need to dispense with the myth of the heroic lone entrepreneur" (Grude et al., 1992b:17). "Entrepreneurship is not" according to Storper & Walker,

as behaviouristic theories suggest, a purely atomistic phenomenon, but is rather a collectively-defined activity, dependent in both substance and form upon the existence of a business milieu with its system of structured opportunities. (1989: 31).

The emphasis on individualist entrepreneurism and the market tends to underestimate and undermine the "strong network of (formal and informal) linkages which in successful economies 'harness market forces, negotiate round market failures and in other ways serve many of the functions necessary for a complex economic system to work'" (cited in Robertson, 1991: 1).

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enabling her/him to benefit from it unbeknown to the other participant. In the context of place-bound business communities this sort of activity is more likely to be discovered. Communities of trust and the social construction of unwritten business norms are important foundations for the maintenance of an effective social division of labor," and these are maintained by the costs in business and reputation if a perpetrator were found out (Storper & Scott, 1989: 30).

### **The Role of Government**

The government has an important role to play in the fostering of economic development in the current period of restructuring. But the view of the provincial government as "being in competition with other governments in Canada and around the world" (Voluntary Planning, 1991: 51) is at odds with its role in fostering internally self-sustaining economic development and as representing the broader interests of workers, women, communities and minorities. This version of the entrepreneurial state competing to attract foreign investment has in the past been responsible in Nova Scotia for what has been dubbed as the "Michelin Bill,"<sup>27</sup> a bill which "effectively precludes the unionization of a company which operates more than two plants in the province" (Gilson, 1987: 194).

### **Changes in the Local State**

Recent changes in the orientation of the Canadian political economy suggest that regional development strategies will come, to a greater degree, to depend upon regional resource mobilization -- human and capital -- if there is to be regionally based economic development. This is suggested by a number of factors. The recent Free Trade Agreement is tending to emphasize continental integration. The conditions of the agreement limit state intervention which has historically played an important role in maintaining national political integration (Brodie, 1989; Leslie, 1987). The federal government's transfers to the Atlantic region have been steadily decreasing as a percentage of provincial government revenues (from 50.2 percent in 1979 to 39.8 in 1989; Maritime Premiers, 1991: 30) and cuts to further federal government expenditures appear to be inevitable given its financial situation (Savoie, 1991: 8). The organizational

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<sup>27</sup> The government, in its attempts to attract and retain three Michelin plants, changed its labour laws making it more difficult for the three plants to be unionized (APEC, 1992: 5; Riche, 1990: 81;).



demands of post-Fordism also suggest that the organizing of politics and the economy require more flexible regional and local state apparatuses (Mulgan, 1988). Moreover, the decline of the Fordist model of development and influences of globalization suggest that the role of the nation-state is declining. Given that the Canadian fordist compromise was based on national identities and notions of nation building, it is not surprising to find that the crisis of fordism is also giving rise to a discourse of regionalism and decentralization (Jenson, 1989). If current trends continue as described in this paper the central government will become less of a focus of regional politics.

This is particularly the case in the Atlantic region. While the suggestion is that this is and will be the case throughout Canada, it is more likely in Atlantic Canada as the central state abdicates its role in the economy to the market. The decline in federal transfers and the precarious financial position of the Atlantic provinces (the net Nova Scotian provincial debt as a percentage of GDP 27.3 percent is more than twice the average of Canadian provinces -- 13.1 percent; Savoie, 1991: 35), suggests that the role of government will be increasingly limited by and dependent upon activities in civil society. The crisis of fordism which is in more prosperous regions contributing to calls for greater decentralization, is leaving the Atlantic region in a more desperate situation as it fears a loss of the central basis of its accumulation strategy -- central government transfers to the region.

This reorientation is already apparent in the Nova Scotian provincial development strategy which claims that the "time has come to pool our capital, our hearts and our minds.... We [Nova Scotians] -- collectively and individually -- must all play our part in making" the development strategy work (ibid: 54). This suggests a greater role for civil society, and decreased autonomy of the state from civil society. It also suggests greater space

for politics in the regional political economy as the role of the federal government declines. Provincial politics is being forced to reorient itself toward the province. While the consequences of this reorientation will be strongly influenced by the power relations at the regional and local levels, it also provides possibilities for the insertion of a more equitable social development agenda.<sup>28</sup>

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<sup>28</sup> This is particularly the case in the current conjuncture during which a series of federal government initiatives, such as the Free Trade Agreement have succeeded more in mobilizing opposition than support. The most blatant example of this is the recent constitutional agreement which was claimed to present the values and priorities of Canadians as they entered the 21st century. The agreement was had the explicit support of all of the major federal political parties, including the current opposition, and was supported by all of the Nova Scotian provincial parties. The referendum on the Constitutional agreement, on the other hand, was rejected by a substantial majority of Canadians including Nova Scotians. This alludes to the current bankruptcy of liberal-democratic institutions and politicians in providing leadership and ideas in the context of the crisis. It also exemplifies the increasing intent of social movements and civil society in general to hold the central and local state more accountable (Breton & Jenson, 1991).

### Conclusion

This paper has set out to better understand the development prospects for Nova Scotia in the context of restructuring of the global political economy. While one can agree with the Nova Scotian government that "the status quo is no longer an option," it is quite another thing for the government to prioritize helping "Nova Scotians recognize and accept the inevitability of these changes taking place" (Voluntary Planning, 1991: 18). The content of these changes is not, and will not be, predetermined but is to a large degree a result of how people collectively and individually articulate at the micro level with macro influences, such as globalization. While the desire for future prosperity is shared by all, the nature of the mechanisms and the agents which should provide the impetus and drive strategies toward this end is a much more contentious issue.

The current development strategies espoused by economic and political elites tend to limit the micro space, or our sphere of influence, rendering us politically passive in the very political processes taking place before us. Official rhetoric explicitly attempts to depoliticize these processes and the choices involved in them. This is not surprising given that a central need in the restructuring of the economy is for greater participation and flexibility on the part of labour and civil society in general in the interests of reversing the decline in productivity and profitability characteristic of the crisis of Fordism.

In the current context of an increasingly global economy it is particularly important that this process of restructuring be politicized. A failure to expand the political space, through collective action, will limit our ability to articulate a self-sustaining, self-reliant and hence self-determining development strategy; it will result in the emergence of a model of development which is premised on and continues to be dependent

upon external resources and power. In the context of post-Fordism and globalization this will increasingly tend to be based upon the accumulation strategies of transnational corporations.

A prosperous future for Nova Scotia must be based on increased productivity within the regional economy. Economic elites, working people and communities have a shared interest in this project and it can form the basis of a common economic strategy. But, if both a prosperous and equitable future is to be achieved, it will require the active mobilization of communities and movements to influence, steer and control the process. These changes will not occur if left to the market or the state, nor will they occur if the transition is left to the political and economic elites. Central to this strategy is the equitable participation of labour in determining and controlling the contents of the restructuring.

The relatively weak position, as compared to western Europe, of organized labour in Nova Scotia (33.1 percent; Nova Scotia Labour, 1992: 150) and the heterogeneous nature of the regional economy, suggests that any attempt to steer the transition will depend upon the labour movement's ability to mobilize other sectors of the regional society. This cannot be accomplished if the labour movement focuses solely, or even primarily, on shop-floor and collective bargaining issues based on a Fordist accumulation strategy. It must work with other movements, community organizations and unorganized labour, and thereby give itself and these organizations and movements a broader base (which is also a prerequisite to a more equitable and just future). This is particularly the case given the diverse specificities and identities which define collective activity. It is also the case in the context of a world where inequality is not based solely in production relations: gender and racial inequalities, amongst many others, must be addressed and overcome in a new model of development. Strategies and struggles will

have to be increasingly based on the local and regional experience, and at the same time utilize the technological advances to further solidarity and strategies internationally to address issues such as ecological degradation, peace and human rights, and to regulate transnational corporations. A failure to do so will not only undermine the lives of Nova Scotians, but peoples and communities globally.

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