Chasing the New Economy Dream: New Brunswick and Ireland, 1988-2000

by

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A thesis submitted in conformity with the requirements for the degree of Master of Arts
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Abstract
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This thesis constitutes a study of public policy efforts in Ireland and New Brunswick to increase economic development in the area of information and communications technologies. The thesis considers the two polities as peripheral regions due to their sparse populations and geographic locations on the outskirts of Europe and North America. The public policy efforts are framed within the context of ‘glocalization’, a term used by numerous authors to describe a process whereby local and international institutions gain increased influence while the relevance of national institutions wanes. The differing rates of unemployment and economic growth in both places, combined with the differing types of employment that the two places have succeeded in attracting suggest that regional development policy in the so-called ‘new economy’ is plagued by many of the same problems as in previous decades.
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Chapter One

Introduction

For quite some time the subject of 'glocalization' - the increasing importance of local communities in a period of globalization - has animated the disciplines of political science, regional science, geography, and economics. Technological advances and political developments have altered traditional ontological notions of time and space, with the result that considerable energy has been dedicated toward analyzing the significant and altered nature of place. While some observers continue to characterize place within a traditional geographical context, others have emphasized the emergence and importance of extra-geographical places, such as the space of flows of Castells (376) or the "third nature" described by Luke (616) where communities gain legitimacy through a variety of means. Numerous works attempt to account for an increased tendency of people to identify with local institutions of varying types, and at the same time find themselves increasingly affected by supranational or global institutions. The subjects of this comparative study, the nation state of Ireland and the Canadian province of New Brunswick, may find themselves in such a situation. Both have experienced significant changes to their economic and trade positions. In the case of New Brunswick, the changed perspective is due to the new economic arrangements created by the Free Trade Agreement (FTA) between the United States and Canada, as well as the North American Free Trade Agreement (NAFTA). For Ireland the altered international position is the result of both the economic and political changes contained in the European Community arrangements and the European Union/European Monetary Union arrangements. The results for both places have been changes to their internal and external
trade efforts and economic development strategies. Ireland has participated in Europe since the country’s entry into the European Community in the early 1970s. New Brunswick, as a province of Canada, gained entry into the Free Trade Agreement (FTA) in 1989, and then the North American Free Trade Agreement (NAFTA) in 1992. Both jurisdictions have looked outward and attempted to access the global economy by aggressively courting foreign investment in various telecommunications and knowledge economy sectors. They have looked to these industries as a means of overcoming the disadvantages of their peripheral identities: Ireland on the outside of Europe, New Brunswick on the eastern edge of Canada and north of the American northeastern states.

For these reasons it seems appropriate that the glocalization literature act as a framework for the comparative study. The explanations offered for the glocalization phenomenon, especially the identification of dependent and independent variables, rest upon several factors: the field or research area of the author, the definition and understanding of globalization that is used, and finally, the political motivation or policy options that the author promulgates. An analysis of several views of the 'glocalization' phenomenon reveals that they can be ordered along categorical lines.

Theories of Globalization

Glocalization, of course, cannot be considered without reference to the term 'globalization'. Although acceptance of the popular account of globalization is not a necessary precursor for considering glocalization (Cox, 1997a, 1997b), glocalization research is inseparable from some discussion of the economic changes to the world economy since the late 1970s. Separating myth from reality in a discussion of globalization is a difficult task and not an objective of this paper. Authors such as Hirst
(1997) have attempted to counter the common assertion that the state has been rendered impotent by structural changes to the global economy. In particular, he challenges the idea that states have been reduced to providers of basic services that are acceptable to the business community and that any attempts at regulation can be easily foiled by marauding transnational corporations. Contributors to glocalization literature accept or discount the popular account to varying degrees and can be loosely situated on a continuum. There are those, such as Ohmae (1990, 1995), who reject outright the use of the nation state as the unit of analysis when considering the economic process. At the other end, there are more skeptical accounts, such as those of Cox (1997a) and Hirst. The relevance of the nation state represents to a great degree the source of confrontation. The factors that are considered as evidence for either side often include recent technological innovations, particularly in communications (Castells; Ohmae 1990, 1995). Security issues arising from geopolitical changes are considered also (Rosenau), or linked to technological advances. Finally, changes to political socialization patterns (Lake), and political changes such as economic integration that alter not only trade patterns but also political relationships--depending upon the degree of shallow or deep integration that results—are also considered.

The common denominator, however, in almost all of the literature, is a discussion of the presence and degree of capital mobility and the extent to which this has affected the ability of nation states to regulate economic and social matters. The creation of supranational agreements and structures signals a political shift upward to try to match the mobility of transnational corporations. The question that glocalization considers,
however, is how strong a corresponding downward shift of political power has occurred, and for what reasons.

Technology

Clearly there have been significant technological advances in the past twenty years, particularly in the realm of communications and transportation. These have greatly altered the dynamics of time and space in economics by reducing or eliminating transaction costs. As Courchene notes, technology has altered access to information and resulted in a "democratization" of the availability of information (Courchene, 3).

Whereas nation states previously enjoyed a monopoly in the control of information, many have heralded the opportunity for citizens to trade, manipulate, and access information through a variety of means. This access to information, largely through technological advances, has been offset, however, by a decrease of citizen in-put, particularly in the decision making processes of supranational organizations. The demonstrations that occurred in Seattle in November of 1999 stand as a testament to the increasing concerns of many that World Trade Organization decisions, as well as other multilateral decisions, are increasingly made without regard for transparency or democratic participation.

Interestingly, in a further characterization of the global/local dichotomy, the organizing methods for the demonstrations were conducted largely through the use of information technologies such as electronic mail.

Technological innovation can be seen as a mechanism whereby local entities solidify their place in the global economy and transcend the national sphere. As Graham notes, in the post-war period, the intangibility of telecommunications policy and development as well as national monopolies meant that a national "hegemony" in this
area existed (1994, 416). In recent times, however, cities and regions have increasingly used telecommunications projects as a catalyst for the "...economic and social development agendas of local policy-makers within cities" (Graham 1994, 416). Local areas see their fortunes increasingly tied to telecommunications, a sector which itself has gained increasing importance in the global economy as it is combined with computer technologies to create "telematics" (416). Telematics systems combine voice, data, and image to create virtual organizations that cut across space and time and also permit "...corporate capital to address the limits of fordist styles of corporate development. It allows the construction of ever more sophisticated divisions of labour and linking diverse localities into coherent corporate entities operating in 'real time'" (418). Advances in communication then provide a critical track with which to access the global economy and circumvent national authorities. As will be discussed later, Courchene cites New Brunswick's investments in telecommunications infrastructure as an example of a region attempting to assert itself in the global economy, thereby shifting its economic emphasis away from natural resource transfers to Central Canada onto information exchanges with the United States (Courchene 1994, 15). Similarly, a portion of the structural funds dedicated toward physical infrastructure developments in Ireland was dedicated to telecommunications investments with the purpose of reducing business costs in the private sector (Barry et al 1999, 109).

If telecommunications investments in digitization and fibre optics provide a link to the global economy—Courchene describes them as part of his Regional/International Interface—then how exactly do the local and global connect? For Castells, the global economy that is discussed should not be misconstrued as a planetary economy (1996,
All humans are clearly affected by the workings of the global economy. However, not everyone actually participates in it. As he puts it “...the actual operation and structure concern only segments of economic structures, countries, and regions in proportions that vary according to the particular position of a country or region in the international division of labour (102). For Castells this global economy occupies what he calls a “space of flows” that are organized by certain centres that are able to coordinate the “intertwined activities of networks of firms” (378). Despite the fact that telecommunications advances should allow such service sector activities to be located anywhere in the globe, for Castells there remains a spatial concentration of such centres in a few “nodal centres” of a few countries (378). Certainly these centres in urban areas serve to gain political and economic strength then from their participation in a networked society. However, the degree to which peripheral areas can benefit from this remains uncertain. New Brunswick's success at attracting call centres, for instance, can only be sustained to the extent that it can maintain a competitive advantage in a fiercely competitive marketplace. The spatial concentration of these industries should provide some comfort to governments concerned about capital flight; however, the problem of ensuring some degree of equality between regions, citizens, and communities seems threatened by this competitive focus. The potential for major urban areas and regions to gain influence, however, seems quite apparent.

Castells cites several factors as critical for a region to participate in the global economy. Relevant to examining the glocalization phenomenon is Castell's claim that there must be a technological capacity to participate that includes what he calls an “STIS system” (science-technology-industry-society) (Castells 104). This represents the
existence of a technological capacity to nurture production systems that is a combination of scientific research, education, and management skill. Success of one particular firm in a region is not enough to foster this technological capacity; instead, it can be achieved through ‘production complexes’ that foster cooperation on a territorial basis, but also interact globally through the use of telecommunication and transportation networks. According to Castells this technological capacity must be complete; the existence of one but not all of the necessary components is not sufficient to ensure access to the global economy. Similarly, Wolfe discusses the fact that the globalization paradigm is highly dependent upon localized or regionally based innovation. Regions occupy a prominent role in the new paradigm since technological advances occur in a climate of uncertainty where social interaction becomes very important. Since this interaction is dependent upon a certain level of trust and common interests, knowledge tends to be traded between public and private entities on a regional basis (Wolfe, 1996, 224). This can involve various forms of inter-regional networks such as “…user-producer relationships, strategic alliances, R&D consortia, collaborative training and marketing schemes, and supportive public infrastructure, such as educational institutions (Wolfe, 1996, 224).

The second component of the STIS system that Castells describes is access to a large, integrated, and affluent market. (104). Clearly, the United States and Mexico have become a large potential market for New Brunswick as a result of the North American Free Trade Agreement, whereas access to the European market has been a critical factor for Ireland as a result of the European Community and subsequently the European Union. The third factor that Castells describes as playing an important role in the global market is that of “…the differential between production costs at the production site and prices at
the market of destination…” (104). This particular requirement may in fact be the most difficult for a peripheral economy such as Ireland or New Brunswick to maintain. The increased costs of transportation, smaller population size, and smaller labour force experienced by peripheral regions makes it very difficult to establish comparative advantages in many sectors or industries. Information technology and communications type sectors—both locales have targeted them for growth—are chosen partly in the hope that they transcend the peripheral barriers such as distance. Whether or not this sector is really capable of transcending the difficulties imposed by peripheral status is a question that will be discussed below.

The final factor defined is the capacity of political institutions to steer the growth of the countries or areas under their jurisdictions. (105) Here, Castells ascribes an important role to political authorities in investing in the infrastructure that helps position firms in the global economy. He proceeds to cite the example of the efforts of Japanese and South Korean governments to enhance the competitiveness of their firms as well as the role of European governments in creating self-sufficiency in the commercial aviation industry (105). In an interesting related statement, Courchene makes the point that increasingly, social policy cannot be distinguished from economic policy (1994, 7). This notion is in keeping with the STIS system of Castells, an educated workforce—a necessary component of human capital—has become an integral part of a regional area’s efforts to increase its comparative advantage.

Storper frames the discussion about glocalization as a debate between two schools of thought. On one side are those that contend that globalization is a process whereby influence is being transferred from ‘territorialized institutions’ such as states to markets
that are not restricted to a particular place. This view is generally found in the economic literature (Storper, 19). The other focus, mainly found in the political science literature, studies the continued territorial emphasis in economic development by considering the options left to nation-states to maneuver in a globalized economy (Storper, 20). Storper believes that both schools have failed to measure the actual mobility of capital, and he considers what the consequences of the accuracy of either school would entail if correct.

In the case of what he calls the “pure flow-substitution economy”, a title similar to the ‘space of flows of Castells, resources would flow between firms across borders without any particular dependence on a place. Firms are not bound by any territorial consideration when conducting business. Production does indeed occur in a particular place; however, there is nothing that prevents that production from being shifted to another place if necessary. A perfect market of places is created for global firms. Bound by none of the transportation costs, communications difficulties or market distorting trade barriers and other state regulations, these firms can extend production quite rapidly. This could occur as the result of either of two occurrences according to Storper: either the access to such a variety of localities eliminates the need for any territorial dependence, or firm organization changes eliminate the need for any locally concentrated assets (Storper, 28-29).

That such a forecast represents a menacing notion for territories should not come as a surprise. Clearly, the ‘pure flow-substitution’ economy does seem to provide the possibility of effective resource utilization. However, the abilities of any institutions that are tied to a territory and not able to counter the flows of global firms would see their powers and policy options severely constrained. Governments would see their number of
choices reduced commensurately with the increased options of global firms. Storper does admit that such a system does not exist anywhere in true form. However, certain manufacturing industries that are not tied to regions by sunk-costs and whose production facilities can be replicated with ease elsewhere provide some evidence for the possibility of this trend. Similarly, service industries “…where centralized production combined with local delivery” seem to operate in such a climate as well (Storper, 29). The New Brunswick call centres, with their minimal start-up costs and low-skilled labour seem to fall into the latter category.

The opposite to the pure flow-substitution scenario presented by Storper is economic activity characterized by a very strong dependence on territorially based resources, whether they be natural resources, scientific knowledge, technological capacity, or labour availability. Storper acknowledges the emphasis on the labour aspect of this type of economy and the technology component as particularly relevant. He notes that there are many instances where successful firms depend upon non-routine decisions taken in a climate of uncertainty, and upon actions and inputs that are based upon certain traditions of production that are not easily translatable or mobile (Storper, 30). These types of conditions are the same kinds of regional aspects to development that Wolfe describes as an important component of innovation. For Storper, this process leads over time to certain interdependencies between firms, institutions, and territories as long as they are efficient in that they reduce costs or contribute to the innovation process. Firms can be attracted to an area either by the availability of labour or technology, become established, and as a result, the resources of other geographical areas become less suitable for substitution (Storper, 31). The firms are characterized either as supplying a specific
region with particular tastes that is close to the production site, or can be local producers that serve a larger national or global market.

The tension between territorialization and deterritorialization that Storper discussed does, of course, have ramifications for public institutions. Storper contends that industries that participate in production processes that are easily moveable to other places contribute to a downward pressure on territorially defined regions. The result is a bidding war between competing jurisdictions that results in a transfer of resources from public authorities to private actors (Storper, 39). He cites the example of the United States where he says that this competitive trend has resulted from federalism as well as the Taft-Hartley Act that permitted states to make institutional alterations rendering unionization more difficult (39). For those firms that are linked to a territory, particularly technology companies, the possibility for territory substitution is lessened due to the fact that the firm may depend on the region for knowledge and labour abilities. Storper warns, however, that firms do not necessarily scan the whole world seeking one particular location for their operations, and often rely on multiple centres (39). Furthermore, he predicts that firms whose technological focus is not ‘cutting-edge’ may develop parallel territories of production, as did mass-production firms in the 1970s (39).

Ohmae positions himself strongly on the deterritorialization side of the debate and presents the process as a favourable trend (Ohmae, 1990, 1995). For Ohmae, as discussed, the nation-state no longer represents an appropriate unit with which to structure or analyze economic debates, and this paradigmatic shift offers certain rewards for those regions that respond wisely. For Ohmae, region states represent the ‘ports to the global economy’ (Ohmae 1995, 100). Those that are beholden to central national
governments for funding and protection, such as Route 148, are doomed to fail; those that align themselves with a free market non-interventionist approach, such as Silicon Valley, will succeed (Ohmae 1995, 94). Interestingly, region states are the effective venue for economic development not because of what they can do, but rather for what they are not obliged to do. For Ohmae, region states shed many of the inefficiencies that nation-states are plagued with. They do not have to satisfy or create large blocs of voters, they do not have to placate ‘special interests’, they are not obliged to consider the outdated notion of sovereignty, and they do not fall victim to calls to maintain the ‘civil minimum’ ¹ (Ohmae 1996, 96-100). In short, region states seem highly regarded for their ability to circumvent the Keynesian welfare state type considerations of nation states. Region states, according to Ohmae, should not fill in the gap left be nation-states precisely because their advantage lies in being able to flout these considerations.

The substantive characteristics that Ohmae ascribes to region states, as opposed to the freedom-from type list above, are somewhat vague. The region should have a population of between 5 and 20 million people. This range ensures that the inhabitants are small enough in number to ‘share interests as consumers’, but large enough to provide the Castells STS type infrastructure necessary to compete effectively. New Brunswick, with its population of 760,000 (Connect NB) and Ireland, with its 3, 704, 900 (OECD, 1999a) citizens are both, well below Ohmae’s lower threshold. For Ohmae, this size makes them particularly suited to modern marketing techniques; however, this point is not elaborated upon. Their suitability as actors in economic development has to do with their openness to foreign investment as well as to products. In fact, Ohmae contends that

¹ Neither special interests nor the term ‘civil minimum’ are elaborated. The latter presumably represents social policy efforts.
region states are more willing than nation states to do anything that will bring prosperity to their communities (1995, 89). As for the role of public institutions in this age of the region state, Ohmae says that they do have a limited role, but this is vaguely defined as "creating flexible communities of interest though local networks" (1995, 96).

Bourne, on the other hand, while admitting that there have been significant changes to dynamics of regional and national relations warns that for many regional analysts, much of the debate is "not new". Rather, it is viewed as part of the historically evolving nature of relations (Bourne, 30). He cites Canada as an example of a country faced with two sets of parallel pressures. On the one hand, as a nation state, it is faced with increasing pressure to integrate economically and abandon macroeconomic controls. On the other hand, there is pressure to maintain the social contract between regions that defines Canada and to conduct some degree of regional balancing (perhaps part of Ohmae's civil minimum) (Bourne, 29). The result of this is the second set of pressures whereby the state faces pressure from regional movements and political decentralization. For Bourne, the result is not necessarily the preponderance of regional economies, but rather an enhancement of the powers of the provinces (30). Much of this has to do with the circumstances that have led to the threat of Quebec's secession from the federation, but he argues that other regions of the country, such as Alberta and British Columbia, may find that their best interests lie in some sort of north-south political arrangement with the northwestern American states. To separate the provinces from the regional areas involved in the north-south trade patterns, as Bourne does, seems somewhat unnatural. Clearly, it is the regional economies of the provinces that are involved in this pattern, such as Vancouver and Seattle, or Toronto and Buffalo that are leading their respective
provinces down this path. Nevertheless, the fact that provinces have become more important as political units, contrary to the wishes of the designers of the British North America Act, is important for considering in what manner the glocalization process has been experienced in Canada. The McKenna government distinguished itself from previous provincial governments by its efforts to devise its own economic development strategies, with or without the cooperation of federal economic development agencies. In this sense the province displayed one of the aspects of the glocalization phenomenon, the increased importance of local institutions, even in international matters such as global trade.

**New Brunswick**

The degree to which Canada’s relevance as a nation state has been challenged is not entirely the result of global economic developments in the abstract. It is rather the result of the market forces unleashed by the North American Free Trade Agreement (NAFTA). As Bourne notes, NAFTA, unlike Confederation, or the European Union, does not provide a mechanism for inter-regional transfers or labour migration as compensation for structural adjustments to the economy (Bourne, 27). It, unlike the European Community/Union, is an economic arrangement in the strictest sense, not a political arrangement. Regions in the FTA and NAFTA framework that are adversely affected by adjustments to their economies cannot rely upon financial support from a central political body, as European regions rely upon structural funds and other measures. Instead, they are left with the hope that greater access to the North American market will stimulate industry, and, at least in Canada, may rely upon traditional national economic development programs and national equalization funding. Despite some concerns that the
FTA and NAFTA threatened these types of national programs, they have remained unchallenged. Industry Canada's Technology Transfer Program was successfully challenged by Brazil in a World Trade Organization dispute panel. However, Brazil won the case because of the panel's finding that Canada's account debt financing for the development of regional aircraft (Bombardier) as well as the Technology Partnerships constituted export subsidies. As such, the panel found that they were inconsistent with Article[s] 3.1(a) and 3.2 of the Agreement on Subsidies and Countervailing Measures. Thus the FTA, NAFTA and WTO have not directly precluded inter-regional transfers within Canada and regionally targeted regional development programs. Whether the federal government has invested as heavily in such programs as prior to the trade agreements, however, is a question that must be considered. The agreements may have the informal effect of altering the preferences and incentives on the part of the Canadian government in the regional development area.

Higgins applies the 'infant industry' argument to regional development and cautions that a certain degree of intervention is as important to regional economic development as it was to national development in Canada historically. Consequently, he advocates a significant role for the Canadian government in ensuring adequate access to capital, managerial skills, and information technology (Higgins, 263). The Canadian federal system has had a significant impact upon the types of regional aid programs that the federal government has undertaken. The sheer number of regional development efforts created during the course of the second half of the twentieth century in Canada represents a wide variety of views on the most appropriate method of encouraging regional economic development. Whether the theoretical view underpinning the strategies
is specific aid for infrastructure for a geographic region, or grants to businesses that create employment, or growth centre efforts, the final structure of the policy is likely to reflect, to some degree, a balance between different regions of the country. The strong voice of provinces in Canada makes any program targeted at a particular region difficult to maintain politically; competing provinces may be enticed to reject any initiatives that threaten their own economic development.\footnote{John Turner demonstrated the competitive nature of regional development funding in Canada by promising during the 1988 election campaigning to expand the Northern Ontario development agency to} It is conceivable that unitary states may be better equipped to implement such programs since there are fewer "veto points" to challenge them or demand equal treatment. Although there have been programs in the history of Canadian regional development that aimed to develop the Atlantic provinces, such as ARDA or the Atlantic Development Board, in most cases, similar programs and agreements have been established with other provinces. As a consequence, the ability of the geographically specific programs to reduce disparities is reduced (Skogstad).

Over time, there has been an evolution in the very objectives of Canadian regional development programs (RDPs). RDPs have evolved from a means of generating economic growth through a variety of means, to acting as "business support programs" to promote the development of the whole country (Rowlands, 392). Federalism can certainly be implicated in this evolution; business support programs can easily transcend regions in order to satisfy provincial interests. Also, business support programs in the form of lower interest financing are more amenable to cost-cutting measures and fiscal austerity programs. However, such programs may be more likely to aid well-established firms in highly developed regions, such as Quebec and Ontario, rather than investing in slower growth regions that lack the same proportion of established industries. The fiscal
austerity measures that have dominated federal politics during the Liberals' terms in office have led to reductions in certain transfers such as the Canadian Health and Social Transfer (CHST) which means that individual provinces have less to spend in their budgets on their own development programs. Also, as Donald Savoie notes, Industry Canada maintains numerous programs for investment in research and development; however, rather than aiding slow-growth regions, these programs have tended to aid the wealthier regions of Canada (Savoie, 1999). Savoie responds by concluding that Atlantic Canada will have to do more on their own to 'make their way' in the new economy, and that the provinces of the region should take a more prominent role in economic development in the future (Savoie, 1999).

Rowlands (392) has described an absence of any new thinking concerning regional development strategy. The global economy has changed significantly since the advent of Canadian regional development programs. However, the competitive paradigm of today does seem to share similarities with the growth pole theories that influenced many early regional development programs. The problem, however, when a national government adheres to either framework, is that any efforts at influencing regional development may tend to aid already established areas rather than encouraging active intervention in geographic regions. The competitive paradigm, coupled with dissatisfaction with and suspicion of previous programs may constrain the federal government in all areas of infrastructure development, research and development, and specifically targeting certain sectors for development (Banting, Hoberg, and Simeon, 392). The resulting approach seems to be in line with neo-classical thought and its laissez-faire approach to disparate regions.
If there is an opening for activist regional development with a geographic and perhaps sectoral focus in this age, then the appropriate venue to undertake it seems to be the provincial level of government in Canada. For this reason, an examination of New Brunswick in the past thirteen or so years should be illuminating. Numerous commentators have remarked that the decreasing influence of the nation state in the global economy may create a heightened significance for the regional or sub-national level of governance (Wolfe, 1996, 217). There are several explanations for this. To some degree, national governments have seen some of their policy-making capacity subsumed by trade agreements and international market forces beyond their control. Furthermore, the very nature of the dynamics of the information economy, seem to lend themselves to regions rather than nations. Also, information technologies, the very economic sector that New Brunswick has focussed on, may depend on resources that are regionally specific (Wolfe, 1996, 218). The emphasis on the spatial organization of inter-organizational relationships is very similar to such concepts in past growth centre theories. Regional industries such as Silicon Valley in California depend upon certain structures that can be only found in a certain area, and produce economic benefits that in turn are diffused throughout the area (Wolfe, 1996, 219).

The abandonment of Keynesian policies by national governments, a phenomenon that has been experienced in Canada in the form of increased adherence to the competitive paradigm, seems to create a vacuum within which provincial governments may be able to assert themselves. The broad arena of the nation state, with its propensity for fairness in the system and universal programs, may be ill prepared to address the spatial characteristics and requirements of new technologies. For this reason, the
argument of Donald Savoie, that the Atlantic provinces should integrate themselves as a
group and take over much of the responsibility for economic development in the region,
is compelling (Savoie, 1999). Entrusting control of economic development in the hands
of the region that understands most effectively the dynamics of the region and the best
means of asserting itself in the new economy seems to be a plausible strategy. Such a
policy would re-introduce the geographic emphasis in regional development that is
lacking in current federal programs. It might also help stem the concentration of funding
in industries located in already well-established areas. Savoie contends that Industry
Canada’s investments in information technology development have been almost entirely
centred in the Ottawa valley. As such development is crucial for success in today’s
growth industries, continued under-funding in the Atlantic region could act as an
institutional impediment of growth for some time. Such a situation not only creates
obvious disparities, but the differences are further exasperated by the drain of talent from
the regions to other parts of the nation.

A study of the province of New Brunswick in the glocalization context should
then be centred upon several questions. Has a gap been left by the retreat of the federal
government and in what ways has the province supplanted the role of the federal
government? The regional development debate seems to indicate that from the federal
government’s standpoint, local areas are not more important as glocalization would
suggest, but rather subsidization of the appropriate companies is necessary. The efforts of
New Brunswick since 1987 to encourage economic development itself, however, suggest
that the provincial government has acknowledged an increased salience of local
initiatives. Have trade patterns differed as a result of glocalization forces and has the
province's economy changed as a result? How have the province's investments in information technology been implemented and what have been their effects? Has this altered the nature of the region's place in the world economy and led to the benefits that commentators such as Ohmae predict. How do the region's levels of employment, education, and wages compare with other Canadian provinces under this competitive paradigm? The combined answers to such questions should lead to a better understanding of the presence of a glocalization trend in Canada and the implications of it.

**Why the Effort to Increase Investment in the Telecommunications/High Technology Sector?**

The telecommunications and high technology sector is a largely service oriented business. As such, it is unlike previous regional development efforts in the province. Most importantly, the decision to target this niche is in response to an altered political and economic climate: reportedly decreased financial transfers from the Canadian federal government¹, a global economy, and particularly an American economy that has seen enormous growth in the sector. In addition there is the notion that a sophisticated high technology sector, coupled with an efficient telecommunications network might permit peripheral regions to transcend traditional barriers to economic development such as distance from the markets they are selling to (Courchene, Lamarche 1990). If nothing else, investment in this sector may be motivated by the belief that it can, in the least, limit the increasing concentration of wealth and economic strength in central urban areas as opposed to peripheral regions. The fact that telecommunications technology is a rapidly

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¹ A recent First Ministers conference has highlighted how the trend of dwindling federal transfers is entrenched and may worsen. The conference, concerning federal health care funding, saw the “have” provinces, Ontario and Alberta, resist the request of the Atlantic provinces to implement an equalization clause within the Canada Health and Social Transfer. The conference produced reports of serious confrontations between Alberta and Ontario premiers Ralph Klein and Mike Harris against Atlantic premiers over the question of continued regional development funding (Ibbitson).
developing sector may provide peripheral areas with an opportunity to compete with core areas, as long as they can be the first to implement innovations. This was the strategy employed by the New Brunswick Telephone company in New Brunswick.

The threat of decreasing federal transfers from the federal government was at the centre of Premier McKenna’s public relations and self-reliance pitch. While figure 1 demonstrates the decreasing amount of money the Canadian federal government has contributed to regional development programs since the 1960s, the revenues of Canadian provinces have suffered from other cuts as well. Prior to 1996, the federal government distributed funds to provinces under three major programs: equalization, Established Programs Financing (EPF), and the Canada Assistance Plan (CAP). These programs were replaced by the 1995 Canada Health and Social Transfer, to take effect in the 1997-98 budget year. The EPF, established in 1977 involved a cash transfer to provinces combined with the transfer of 13.5 personal income tax points along with one corporate

Source: Canadian Socio-economic and Management Database (CANSEM) Matrix 05082, Series D43020.
income tax point from the federal to provincial governments (Snoddon, 51). The cash portion of the EPF was to increase from that point forward at an escalation rate based on the rate of growth in national Gross National Product (GNP) per capita. The Mulroney government’s cuts to the EPF from 1986 to 1993 have been the source of considerable consternation on the part of provincial governments. The process of decreasing the growth of EPF began in 1986-87 by limiting the escalator rate by the rate of growth of the gross domestic product instead of GNP. This was followed by limits on the increase in EPF in subsequent years. By 1990 the federal government announced that the per capita EPF entitlement would be frozen at 1989-1990 levels, a freeze that was eventually extended until 1995. The cuts in EPF prompted New Brunswick’s Conservative Minister of Finance, John Baxter, to blame half of his 1987 $422 million budget deficit on Federal Finance Minister Michael Wilson. According to Baxter, had the federal payments continued at the same rate as in the 1970s under the federal Liberals, “New Brunswick would have had about $200 million more in revenue…” (Toronto Star, 1987, A9).

The McKenna government’s late 1980s and early 1990s description of decreasing ‘federal transfers’ are somewhat misleading. Cuts to transfers to individuals such as Unemployment, and then Employment Insurance are reflected in figure 2. While the rate of growth in EPF and the CAP, and the CHST that replaced them has decreased since the early 1980s, the actual EPF entitlement (including associated equalization) that New Brunswick has received increased from $491 million in 1987-88 to $561 million in 1995-96 (Snoddon, Table A.1). When considered on its own, the associated equalization decreased from $85.4 million in 1990-91 to $79.4 million in 1995-96, however, it

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4 The EPF arrangement was slightly different for the province of Quebec than for the other provinces.
rebounced up to $90 million by 1998-99 (Snoddon, Table A.2). New Brunswick’s receipt of CAP funding also increased during the 1987-1995 period. As for the CHST, New Brunswick has indeed seen its entitlements decrease from $690 million in 1996-97 to $667 million in 2000-01. The cash portion of the CHST has decreased from $407 million to $328 million during the same period (Snoddon, Table A.6). The CHST funding decreases were the source of contention at the 2000 First Ministers Conference described above (footnote 1).

![Federal Transfers to New Brunswick (Figure 2)](source: CANSEM, Matrix 05082, Data series D43004.)

Lamarche (1987, 88-89) cites “telematics”, defined as the combination of data processing and telecommunications facilities, as a means by which peripheral areas can aim to tie themselves into the main informational networks of larger urban centres. In other words, in the context of a restructured economy with a heavy concentration in
information based activities, economic development can potentially extend to outlying regions (medium sized cities, such as Moncton) provided that these regions establish the necessary telecommunications infrastructure to satisfy the efficient flow of information. In this sense, telematics are to the information economy as transportation infrastructure is to traditional industry. Economic development then will tend to favour areas that have implemented telematics infrastructures, whereas those that are not able to do so will be by-passed. The problem for medium sized cities, however, lies in the sheer cost of implementing telematics infrastructures.

In a separate work, Lamarche (1989, 45-46) charts the evolution of the information economy. He credits Bell with the notion in the early 1970s that the basis of all economic and social development in the future will reside in the ability to create and manage information. The first sector of the economy to be affected by this information paradigm was the manufacturing sector, whereby production processes were automated and a significant amount of research was dedicated to increasing productivity in this area. The second area to be affected was business administration and management, which saw the values of some American companies' administrative and information capacities outpace the profits of their traditional production (45). The third area is the provision of services directly to consumers. The success of this area rests upon the ability of telecommunications networks to carry vast amounts of information through digitalization and the capacity of computers to manage large networks of information.

Lamarche's information model of regional development sets out instruments of policy as the first component of regional development (1987, 96-98). He notes a particular role for government in establishing telematics networks, especially in
peripheral areas where private industry will be unlikely to do so. He also warns, however, that creating regional development policy is especially difficult in an information economy. For example, telematics networks that increase productivity in production processes tend to centralize management and financial administration away from intermediate areas, thus exacerbating the difficulties of regional areas. He finds potential in other areas, however, such as managing the relations between producers and clients in regions (97). Lamarche adds the caveat that this can only work if the region has a large enough city (500,000). Clearly, New Brunswick's efforts to attract call centres to the province have attempted to capitalize on this dimension of production, with an aim to cover internal as well as external North American networks.

For Lamarche, the existence of research and development (R&D) funding for high tech companies is absolutely essential. Consequently, peripheral cities attempt to attract R&D facilities in order to attract private investment (97). Unfortunately, attracting R&D facilities has never been easy in the Atlantic provinces. Over 82% of all money allocated for research is spent in Ontario and Quebec. Also, whereas most of the research in these central provinces is conducted by business, the majority in the Atlantic region, 62% is undertaken by the federal government, followed by institutions of higher learning.
Furthermore, as Donald Savoie (1999) notes, the bulk of Ottawa's spending under the Department of Industry's Technology Partnership Program in 1997 and 1998 was earmarked for Ontario and Quebec, while Atlantic Canada secured only 2% of the money. Even in the essential area of federal research spending, Atlantic Canada has not fared well since the publication of Lamarche's conceptual model.
Confounding the difficulties of regions facing the new technological paradigm is the probability that the information revolution may lead to job losses in traditional service sectors (Lamarche 1990, 84). This is particularly dangerous for regions such as New Brunswick with such high employment levels in food and wood processing. Thus, for Lamarche, an onus is placed upon regional developers in the Atlantic region to create employment in new sectors. He sets out five possible categories for new information services: health care services, primary and secondary education services, university and research services, business services to households as opposed to services to industry, and recreational and other services to consumers” (Lamarche, 1990, 87). He calls upon provincial governments to implement these types of policies with the cooperation of telecommunications, cable and computer firms. Lamarche proceeds to discuss the innovative capabilities of information technology in these areas, but fails to explain the way in which innovations can outpace job losses through increased productivity, and how to address the needs of traditional industry during this period of change.

Ireland

The Irish case is an interesting study because it is often touted as a nation, as well as a region of Europe, that has enjoyed significant success under an economic integration regime and in the new economy. A 1999 Organization for Economic Co-operation and Development publication on Ireland speaks glowingly about the nation’s economic performance, particularly during the 1990s. The OECD notes that output growth has been substantial in the period, averaging 9 per cent per year during the 1994-1998 period. The historical out-migration of people has been reversed as many are moving to Ireland to seek employment opportunities, and even long-term unemployment problems are easing
Ireland has clearly dramatically overcome the burden of its peripheral location in Europe. It is enjoying the fruits of the new economy at a level similar to the projections of even the most bullish advocates of the globalization paradigm.

The reasons offered for the turnaround in Ireland are numerous and no commentator seems willing to identify a single factor as the most important influence. The OECD report discusses several contributing factors, including favourable labour force characteristics brought on by higher education levels, favourable demographic conditions, and the reversal in outbound migration; membership in the European Union, and the massive influx of foreign direct investment that has been a reality during the decade as Ireland has become the preferred European host country for American investment (OECD, 10-12). For the purpose of considering glocalization, the EU membership experience could provide an interesting perspective. As the OECD survey notes, membership has resulted in tremendous support for the agricultural sector, as well as the transfer of structural funds under the Community Support Framework that have contributed to considerable improvements in infrastructure and human capital (OECD 11).

Since Ireland’s entry into the European Community in 1973, structural assistance has been received from the Regional Development and Social Funds (ERDF and ESF) as well from the guidance section of the Agricultural Guidance and Guarantee Fund (FEOGAO) (Barry et al, 1999, 107). By 1988, however, these programs were reformed and expanded to form the Community Support Frameworks: multi-year agreements between Commission authorities and the national governments of ‘cohesion countries’
such as Ireland. Over time, the amount of these investments, as a proportion of gross national product, has increased quite steadily (Barry et al, figure 5.1, 101).

Following the reforms of the EU structural funds undertaken in 1988, the Irish government created a four-year strategy called the National Development Plan (NDP). The objective of this plan was to increase efficiency by tackling the problems experienced as a regional economy, inadequate infrastructure, and low population density (O’Donnell and Walsh, 214). The official account of the EU funding allocated toward the NDP was detailed in the Community Support Framework (CDF) in 1989. This agreement described the sectors to be assisted as: agriculture, fisheries, forestry, and tourism; industry and services; measures to offset the effects of peripherality; and human resources measures (O’Donnell and Walsh, 214). O’Donnell and Walsh warn that it is difficult to tell over the short term the effects that these investments have had on the Irish economy. They note that while several studies have concluded that the program has had a positive macro-economic effect, others, such as the Community Workers Cooperative, have criticized it for encouraging an unsustainable economic approach and creating a deterioration in the quality of life (O’Donnell and Walsh, 215). In sum, the structural fund payments over this period have amounted to about 9.5 billion Irish Pounds, of which 860 million was allocated toward energy and telecommunications projects.

One of the notable undertakings of this period for the glocalization question has been Ireland’s experiment in corporatist exchange (O’Donnell and Walsh 219). The idea underpinning these efforts has been that Ireland’s economic and social conditions could be improved through an enhanced system of social consensus. Although many contended
that Ireland did not have an adequate basis for tripartite arrangements, it appears thus far that successful corporatist exchange cannot be ruled out (O’Donnel and Walsh, 220).

The fact that Ireland is both a region and a state within the European Union means that it has certain macro-economic controls at its disposal that other regions of Europe and New Brunswick do not enjoy. O’Donnel and Walsh however, argue that problems of public finance, health provision, and welfare systems can so dominate the agendas of states that Ireland has had some difficulty focusing on the ‘supply-side’ policies that would be most effective at enhancing its economic performance (224). They conclude that recent policy research seems to agree that Ireland falls in between Storper’s completely territorial analysis of economic systems and the completely deterritorialized perspective; their view is that “…despite the openness of the Irish economy and society; the effect is mediated by indigenous social, economic, and political factors” (224).

A further analysis of the phenomenon of globalization would involve an in-depth study of the policy efforts of Ireland and New Brunswick, particularly in the last thirteen years. Initial evidence seems to suggest that despite the early enthusiasm of some for a ‘borderless world’, local institutions and areas do seem to be experiencing newfound relevance in the global economy. If this is a result of an increased role for the nation state in the Irish example, or the province usurping the role of the nation state in the New Brunswick case, then the analysis should also consider the distributional effects of the process on the well being of people in these areas.

In order to examine the two countries in a comparative context, Castell’s guidelines for success in the global economy will be considered. Variables that will be analyzed for both countries include the existence of a technological capacity to
participate in the new economy, the existence of management expertise, scientific research and development, and an educated workforce. A second consideration is the degree of trade access that the subject area has achieved with surrounding markets. Also taken into consideration will be the competitive advantages enjoyed by the two areas vis-à-vis their trading partners. The final question is to what degree political authorities have attempted to steer the growth of their jurisdictions, and if so, how much success have these efforts had. In the New Brunswick example, the province's efforts to lure call centres to the province will be considered. For Ireland, the efforts of tripartite arrangements such as the National Economic and Social Forum and the institutionalization of the tripartite arrangement will be examined. These comparisons will not cover all of the possible variables in the equation; however, they will permit some conclusions to be drawn about the differences between these similar cases.

**Why Compare Ireland and New Brunswick?**

At first glance, a comparison of a Canadian province and a nation state belonging to the European Union seems to be an odd undertaking. Given the way in which the economic relationships of the two polities have been altered in the past fifteen years, the comparison gains legitimacy. Ireland has relinquished to a significant degree its control over macro-economic policy, making it similar in many ways to a Canadian province beholden to the federal government for responsibility in those areas. Although Ireland has maintained significant control in the area of social policy, European Union directives on work regulations have usurped some of the role of nation states. At any rate, social policy is a realm where Canadian provinces have considerable autonomy, and recent policy
discussions such as the Social Union Framework suggest that if anything their influence in this area will grow.

Given the fact that education levels and labour force statistics play such an important role in the glocalization literature, and rhetoric, the fact that education is a responsibility of provincial governments in Canada and nation states in Europe makes the two countries appropriate subjects for comparison. Also, the two locales share the trait that politicians in both locales have sought to modernize their peripheral jurisdictions to allow them to capitalize on a ‘borderless economy’. The question that requires attention is specifically, why Ireland has so successfully overcome its peripheral location and New Brunswick has had only limited success, if not serious difficulties. This is an important task, due especially to the increasing tendency of politicians and pundits to cite the economic miracle of Ireland, followed by a singular prescriptive recommendation for all of Canada, such as significant corporate or income tax cuts. The New Brunswick/Ireland comparison should reveal the awkwardness of this Canada/Ireland comparison, but also the important nuances in a comparing a province to a nation state in Ireland. Ireland and New Brunswick are both participants in multi-tiered levels of governance, the former in Europe, the latter in Canada. The question then is how these factors affect the respective economic and political circumstances of the respective places.
Chapter Two

New Brunswick and the McKenna Revolution

The well-publicized and often controversial effort of the Liberal government of Frank McKenna to attract industry and investment to the province of New Brunswick will be the major focus of this chapter. The Liberal Party of New Brunswick was swept to power in October 1987, deposing the Progressive Conservative government of Richard Hatfield, who had held power for seventeen years. At the time of the election there were a total of 282,300 people employed. The total number of registered unemployed was 42,700, making the unemployment rate 13.1%. These numbers resulted in an eighth place ranking for the province vis-à-vis the other ten provinces, while the unemployment rate was 47.2% above the national average (Report of the Auditor General, 1998, 51) The 1987 provincial election awarded all 58 seats in the legislature to McKenna’s Liberals. No government in Canada since the Liberal government of Prince Edward Island in 1935 had won all of the seats in a legislature. This strong mandate makes this period in New Brunswick’s history a particularly interesting one to study.

Bolstered by this overwhelming mandate, the government proceeded to implement a broad scope of policy initiatives, dubbed the ‘McKenna Revolution’ in the popular press. Whereas the job creation focus of the Liberal government was highlighted in its first Throne Speech in 1988, its second Throne Speech made the pro-business outlook particularly evident. A report in the Toronto Star on March 15, 1989 asserted that business had clearly taken “centre-stage” and that reforms urged by a task force on housing whose members claimed that many New Brunswickers live in hovels, were ignored. One telling phrase in the speech proclaimed that “[u]ltimately, it’s us, our own
entrepreneurs, our own business people who need support and who will provide jobs and economic activity..." (Toronto Star, March 15, 1989, A8).

The allusions to self-reliance in the Throne Speech represent an important theme in what would eventually come to be characterized as the New Brunswick project: that decades of reliance upon central (federal government transfers) for economic development had not succeeded and that self reliance would be a more desirable goal.

I think it was Karl Marx who said that religion is the opiate of the masses. Well, I can tell you that federal dependency is the opiate of this region. Atlantic Canada. Dependency, unemployment insurance, welfare, cheques, transfer payments – all have become a narcotic to us...it shaped everything that we are. We know it to be true, we know it better than everybody else in Canada. But times, they are a-changin’. Those people who stand up and say that Atlantic Canada wants more unemployment insurance money are not speaking for Atlantic Canada. That is not the way we feel. Now there are those, I think quite justifiably, who criticize aspects of reform that do not put the incentives in the right place and still create disincentives to work. That’s fair criticism. But to suggest that what we want in Atlantic Canada is more of the same is dead wrong. That’s not what we want and that’s not what we need (McKenna, 1997).

To a great extent, the public relations effort of the McKenna government was psychological in nature, intended to create a renewed spirit of optimism within the province and to foster the growth of an enterprise spirit. This psychological project, however, was not only aimed at the citizens of the province, but also targeted toward creating a new image of the province in the mind of the outside world. Government officials and bureaucrats went to great ends to expound the virtues and the excitement of "New Brunswick Inc." or the "New Brunswick advantage". New Brunswick was depicted as a place that had not resigned itself to suffering the ill effects of decreasing
transfer payments from the federal government and the rigorous demands of a globalizing economy. Instead, provincial boosters attempted to project an image of a small, yet hard working jurisdiction that was seeking to turn these problems into advantages. Premier Frank McKenna took on the lead role in this effort, invoking public relations efforts such as the 1 800 McKenna toll free phone line for businesses interested in investing or locating to the province.

The question of how the province has succeeded on this rhetorical level is not an easy one to answer. As far as attracting considerable media attention to the province’s effort to restructure the economy, the McKenna team has fared quite well. Perusal of the popular press during the governing period reveals numerous articles concerning the province’s efforts to restructure its economy and society: from coverage of its efforts to strengthen the telecommunications sector, to social program reforms, and particularly to programs aimed at increasing New Brunswickers’ access to the information highway. The changes have been largely interpreted as sometimes harsh, but necessary and innovative. Dissent, however, has been evident and has come from several angles of the ideological spectrum. A 1997 article in Canadian Business chided the Premier whom so many others had described as an economic visionary, for having failed to have any significant effect upon employment levels (Canadian Business, 1997, 15-16). Trade unions, environmentalists, and poverty activists have echoed the concern of provincial New Democratic Party leader Elizabeth Weir, that as a result of the McKenna reforms “[y]ou end up with a whole province of people who aren’t making the wages that used to support our communities, our health-care system, our education system” (Toronto Star, 1995, E2).
Scholarly attention to the matter has been more sparse, but equally divided on the success of the reforms. Courchene (1994, 15), a neo-classically oriented economist, describes McKenna’s New Brunswick as a “clear leader in terms of social and industrial restructuring”. For Courchene, its investments in telecommunications infrastructure and fibre-optics permit the province to shift its economic orientation away from Ottawa and toward the United States and other global markets. Milne, in an assessment of the reforms titled The McKenna Miracle: Myth or Reality?, concludes that while the effort to compete in the high technology sector is necessary given increasing natural resource depletion, the McKenna government’s success at enticing firms to invest in the province and its success at creating regional economic development are dubious (105-107). Milne does affirm, however, that the Premier’s success at improving the image of the province, both internally and externally, cannot be overstated (106).

Milne describes the reforms in the economic development area. Under the Liberal governments between 1987 and 1999, regional economic development was the responsibility of the Department of Economic Development and Tourism (39). It had numerous programs at its disposal to encourage business growth, which were not unlike programs in other provinces. One such program, the Self Start Program, provided first time entrepreneurs with funds, up to a maximum of $10,000 (39). This program and others were backed by a massive public relations effort, primarily through advertisements in the Globe and Mail. The Premier offered to meet with Chief Executive Officers whose firms might have some interest in re-locating to New Brunswick. Also, government officials where charged with undertaking cost benefit analyses of potential aid to interested firms, including loan guarantees, tax breaks, and power rate reductions (39).
The aid packages to industry included an obligation to ensure that the financial incentives offered would result in sufficient job creation and tax revenues to offset the cost to the treasury. The strategy has attempted to attract investment in specific sectors, specifically the telecommunications/high tech sector, the tourism sector, and traditional resource based industries. This paper will deal specifically with the telecommunications/ high technology efforts.

**Types of Regional Development Aid Available to New Brunswick**

An ongoing debate among Canadian public policy analysts has centred upon the appropriate means for creating sustainable economic growth in peripheral regions in Canada, such as New Brunswick. In some respects, the debate has pitted neo-classical economists against those seeking greater government intervention in economic development and management. The former group warns that business subsidies prevent “natural economic adjustment” in the market: that they artificially raise wages above their natural level and discourage people from leaving high unemployment areas to seek work in more prosperous regions. Courchene contends that because New Brunswick is not a part of the five province standard for equalization purposes, any increases in New Brunswick’s provincial revenues will always be offset by a decrease in equalization transfers. The result, he concludes is a lack of incentive to increase economic output (Courchene, 1994). Opponents of this view note that markets, especially those in the United States, are replete with unnatural advantages, and that peripheral regions must compensate and be compensated by offering certain subsidies (Higgins, 1990). This thesis, however, does not address this debate, but instead focuses on efforts that have been made.
The federal regional development programs that have been implemented in the course of the twentieth century in Canada represent a wide variety of theories on the most appropriate method of encouraging regional economic expansion. Whether the theoretical view underpinning the strategies is specific aid for infrastructure for a geographic region, or grants to businesses that create employment, or growth centre efforts, the final structure of the policy is likely to reflect, to some degree, a balance between different regions of the country. Milne notes that when the federal Conservatives came to power in 1984 that seventy per cent of the Department of Regional Industrial Expansion’s (DRIE)\(^1\) customers were from Ontario and Quebec (Milne, 35). At any rate, policymakers in the McKenna government were faced with the reality that federal regional development spending to New Brunswick had reached its peak in the early 1980s and would not be restored (Figure 1, Chapter 1, p.21).

The New Brunswick Response to Regional Development

It is difficult to discern at which point the McKenna government decided to target the information sector for growth. As one former senior member of Cabinet remarked in an interview, although the Liberals knew that economic development would be their main priority before election, the realization of how important this sector was to the province came after the election in 1987. This former minister of finance contends that the real driver of the strategy was the Premier Frank McKenna, whom he says realized that “...there was something there to capitalize upon” (Maher Interview). While McKenna has taken a good degree of the credit for this approach, Lino Celeste, the president of NBTel from 1986 until 1994, has been popularly regarded as the person who particularly pushed
the telecommunications/ high technology strategy by investing heavily in information
technology infrastructure (Brehl). Celeste led the effort to make the NBTel system fully
digital with maximum use of fibre-optic cable. The latter was subsequently regarded by
the McKenna government as a comparative advantage over other regions, despite the
province’s continuing reliance upon the natural resource sector. Although NBTel was the
first telephone company to become completely digitalized, Saskatchewan and Quebec
followed soon after, as did others (Brehl). The former minister noted NBTel’s strong
intention to work with the Liberal government after the election. It was in NBTel’s own
interest, and NBTel can safely be identified as a significant ally, if not catalyst in its own
right, of the telecommunications agenda.

As the New Brunswick Liberals were fond of mentioning in the press, and
continue to remark, in 1994 the province created the Information Highway Secretariat as
part of their economic development agenda. They were also the first to appoint a Minister
of State specifically responsible for the Information Highway (Training & Development,
3). The same year, in cooperation with Industry Canada, the province launched the
“Community Access Program,” CAP. A publication of the Information Highway
Secretariat explains the motivation of the program as creating “a new growth industry
that would not be contained geographically” (Connect NB). The CAP, with the
participation of the New Brunswick Telephone Company (NBTel), initially created six
school-based community access centres. The publication contends that despite the fact
that by the middle of the 1990s New Brunswick was wired by a network of fibre-optic
cable, the majority of citizens, primarily in rural communities were not enjoying the

1 The Department of Regional Economic Expansion was replaced by the Ministry of State for Economic

benefits of the new technology (Connect NB, 2). This problem is compounded by the fact that, according to the government’s numbers, the rural household percentage is 51% compared to 22% nationally in Canada (Connect NB, 1).

The creation and subsequent increase in size of the CAP and its implementation into urban areas represents an effort to tackle the business-to-consumers and government-to-consumers components of the economic development strategy described above by Lamarche. The stated goal of the program is to “create new and exciting opportunities for growth and jobs by providing these communities with the ability to communicate with each other, conduct business, enhance job skills and exchange information and ideas” (Connect NB, 1). The aim is to move people away from traditional resources such as fishing, forestry and agriculture with the assumption that the community access ramp can provide a means of information technology training and even social transformation. Apart from allowing citizens a convenient means of communication and perhaps skills training, the government’s empowerment literature does not address exactly how these will aid economic growth and encourage a move away from traditional industries. Theoretically, they do seem to provide an improved means of acquiring services, both governmental and private; however, there seems to be no indication of how they are to be used as engines of economic growth in their own right, in the communities in which they are situated. The publication does describe the ability of the CAP, and information technologies for that matter, to “bring the global marketplace” to rural communities. This rhetoric is seemingly in keeping with glocalization literature. Where the strategy seems to break down is in explaining just how the local region gains increased power, especially if the region is
empowered to purchase services elsewhere rather than at home. At the time of the CAP's creation, however, it did provide a valuable public relations tool in the government's advertising campaign.

The communications/information technology economic development strategy in New Brunswick has focussed heavily upon education as a means of stimulating growth and creating a comparative advantage for this peripheral region. This is a reminder of Courchene's social policy as economic policy illustration. A government publication printed in Training & Development highlights the importance placed upon education in the development strategy. Even so, information technology development, which had previously been handled by the Education department, was moved to the Ministry of Economic Development in 1995. The reason for the transfer derives from a historic pattern of outward migration in New Brunswick, particularly of highly skilled graduates. As a potential antidote, part of the Information Highway Secretariat's strategy involved ensuring that all schools in the province were equipped with Internet access. As well, computer literacy was made a requirement for graduation from high school, the Department of Education created an accredited online grade twelve program, and community colleges shifted their focus from vocational education to information technology (Rural Electronification, 5). Former Finance Minister Allan Maher focussed heavily on this latter aspect as being one of the government’s most valuable tools in implementing this development strategy (Maher Interview).

Education levels and capacity have been cited as an important factor in nurturing the information technology sector of an economy. As mentioned above, Castells includes
education in on of his four necessary factors. He notes that there must be a combination of scientific research, management skill and education in order for a region to benefit from the high technology sector (Castells, 104). According to the New Brunswick government, working with the province’s community colleges in order to supply workers with the necessary skill sets has been a major priority. New Brunswick College-Miramichi, for example, has attempted to implement such a strategy by reducing the number of vocational courses and implementing instead programs such as the “Learning Technology Centre of Excellence” (Rural Electronification, 5). Students in some programs are divided into teams that are registered as legal entities for the purpose of identifying business opportunities. Once established, the companies are able to use the services of Miratech, an advanced technology entrepreneurial incubator not far from the college that opened in 1996. The site is intended to provide financial, technical, and management assistance to interested parties with the aim of providing the sorts of business infrastructure that Castells describes as necessary in his book. The strategy is also designed to provide the type of regional cooperation and interaction that Wolfe has described as necessary in this sector.

New Brunswick frequently advertises its highly skilled population when seeking outside investment. However, apart from specific community college and university programs, it is difficult to discern exactly what a highly skilled population is, in the context of the information technology sector. Judging by the reforms in the education sector insisting upon computer literacy as a prerequisite for high school graduation, and the CAP, then basic computer skills combined with literacy seem to be the emphasis. In
terms of level of education in the province, measured by grade level attained or post-secondary level reached, a comparison with Ireland may prove interesting.

**Comparison of Education Levels in Ireland and New Brunswick-1996-Percentages (Table 1)**

<table>
<thead>
<tr>
<th>Level of Education*</th>
<th>New Brunswick</th>
<th>Ireland</th>
<th>OECD Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELOW UPPER SECONDARY</td>
<td>42</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>UPPER SECONDARY</td>
<td>22</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>NON-UNIVERSITY TERTIARY</td>
<td>23</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>UNIVERSITY LEVEL</td>
<td>12</td>
<td>11</td>
<td>13</td>
</tr>
</tbody>
</table>

* Education level of total population over the age of 15 in New Brunswick and between the ages of 25 and 65 for Ireland and OECD average, including all of Canada.

Sources: Statistics Canada 1996 survey and OECD 1999 Economic Survey: Ireland, drawing from 1996 Irish Office of Statistics Data. The categories have been reduced in number and combined into broader categories in both circumstances.

The New Brunswick data include everyone over the age of fifteen, whereas the Ireland and OECD numbers include those 25 and over in their respective populations. In most of the categories, New Brunswick holds its own, even fairing better in the non-university tertiary sector. This is surprising, given that many observers have credited Ireland’s highly educated population with much of the economic growth that has occurred there. Where the data are insufficient is in describing exactly how these education levels have
prepared citizens for work in the new economy, whatever those skills may be, and
whether or not education levels are higher among the youth in the population or among
older generations. As Milne notes, it is the younger, better-educated residents of the
province that tend to out-migrate (Milne, 19). In fact, a Statistics Canada survey of
outward migration from New Brunswick found that 58.1% of migrants held either a non-
university degree, some university, or a university degree (Milne, 20). This proportion is
much higher than the group’s overall representation in the province. This may be an
indication that those who possess higher education levels and still live in the province
may not necessarily compose a group that is ready to benefit or participate in the
information technology sector.

In order to have a better idea of the skills that are necessary in the so-called
knowledge based economy, reference to an Atlantic Canada Opportunities conference
report may be illuminating (ACOA, 1999). In their conference summary, the participants
attempted to define the essential skills that citizens must possess in a global economy
where the “acquisition and application of knowledge is the driving force” for new
processes, businesses and industries. They note that technical and “soft skills” are
important components of such a structured economy. They define the former skill set as
“...skill definitions conformed to ready and existing models, including facility with
language and/or literacy, numeracy and familiarity with technological—particularly
information technology—systems and processes” (ACOA, 1999, iii). Soft skills are
identified as communication abilities, creativity, analytical thinking, cognitive ability,
adaptability and flexibility and judgement (ACOA, 1999, iii). The participants
strenuously express the importance of the latter skills, despite their innocuous and vague
definition. Despite this, however, the group notes that, particularly in Atlantic Canada, employers are unwilling or unable to employ all skilled candidates, fuelling the drain of talented individuals that has so much characterized the Atlantic provinces, New Brunswick included, for most of the last century. Thus even the greatest proponents of a knowledge-based economy admit to the limitations of attempting to train a population within the confines of this nebulous regimen. Michael Holden, of the Atlantic Province Economic Council, notes similarly that challenges faced in the region include the low level of research and development activities (a problem discussed by Lamarche and Savoie above), an unwillingness of some Atlantic firms to use certain types of productive technologies, and especially a net migration of young and well educated workers from the area to other parts of Canada and the United States (ACOA, 1999, 15).

The common refrain found in the New Brunswick about an emphasis on life long learning is also found here (ACOA, 1999, iv). However, there is no detailed explanation of the types of courses that should be followed or whether or not they should be publicly provided, offered by private industry, or offered by private institutions. In canvassing the different presenters to the knowledge economy conference, one particular pattern becomes obvious. Most begin by posing the question of what skills will be required in this new economy, then respond to their own question with an answer similar to the question above, combining some degree of communication skills, inter-personal skills, and perhaps problem-solving abilities (ACOA, 1999, 1, 4, 8). There is, unfortunately, little discussion of the education system itself in Atlantic Canada, funding for post-secondary education, and ways in which more citizens can enjoy the benefits of higher education. There is an acknowledgement from Carmelita Boivin-Cole, of the Maritime
Provinces Higher Education Commission, that a study of students in the regions between 1993 and 1996 revealed that average debt had increased by $4,000. There is, however, no qualitative judgement about this situation, nor is a policy prescription provided. The absence of any discussion of student debt issues is noticeable given the province of New Brunswick’s efforts to instil an enterprise spirit in its citizens and the fact that this theme, along with innovation, is a common one in the ACOA document. Students graduating with high debt loads would seem unlikely to take the risk of starting a business when the security of well paying employment can be found elsewhere in the country or in the United States. Gilbert, of the University of Guelph, poses the question of what universities should do to encourage student preparation for the global economy, but responds only by saying that universities have acknowledged the importance of this sector and are addressing the concern (ACOA, 1999, 19).

Apart from the question of providing skilled employees for the telecommunications/information sector, Milne (1994) raises the problem of the size of the overall labour force in New Brunswick. He cites projections taken from Foot and Milne that predict the labour force growth rate for New Brunswick males between 1995 and 2000 to be 0.45 per cent (there are actually negative growth rates for men under the age of 34) compared with 1.37 per cent for the nation. The growth rate for New Brunswick women is 0.30 per cent compared with 1.29 per cent for Canada. The numbers become even more grim when the projections are for 2000-2010. Here the male growth rate is a negative 0.09 per cent compared with negative 0.31 per cent for women in the same period.
According to Statistics Canada (Figure 3), New Brunswick’s labour force has increased from 354,000 in 1995 to 369,000 in 1998. These data put the growth rate at 0.96%, slightly above Foot and Milne’s predictions, but still below the increase for the entire country. Notably, from 1995 to 1996, the size of the labour force did not increase at all, according to Statistics Canada.

In order to reverse this slow growth, and potentially no growth, in the New Brunswick labour force, the government included in its overall public relations campaign an effort to encourage immigration to the province. As immigration is a federal responsibility, the province can do little more than advertise the safe environment that the province provides, the relaxed pace of life compared to large urban areas, the natural resources available, and potential economic opportunities. A brochure published by the New Brunswick Department of Agriculture and Rural Development encourages interested parties to visit the province and perhaps even meet with officials with the Departments of Agriculture and/or Economic Development, Tourism and Culture (NB Department of Agriculture & Rural Development). This publication, however, seems to
target those interested in employment in agricultural fields rather than potential
immigrants interested in the knowledge-based economy. Apart from advertising, the real
thrust of immigration policy is left to be handled by the federal government. This lack of
control over immigration policies may be something that is to the detriment of the
province. However, there is little evidence that greater control over immigration would
allow New Brunswick to convince new immigrants to Canada to relocate to the province
instead of the common urban centres for location. The possibility of repopulating rural
New Brunswick in this manner seems even more remote.

New Brunswick and Trade

In studying the province's foray into the knowledge-based economy, or the
telecommunications/information technology sector, it is interesting to consider the
province's trade record, especially during the 1990s. The former Premier, Frank
McKenna was an enthusiastic supporter of the Canada-U.S. Free Trade agreement in the
1980s, even while his federal Liberal counterpart, John Turner, campaigned vigourously
against the accord, particularly during the 1988 federal election campaign. When asked
why he had taken Mulroney's, the Conservative Prime Minister's, word on free trade,
rather than Turner's, McKenna responded that he was counting on commitments from the
Prime Minister that regional development programs would not be affected by the
agreement (*Toronto Star*, 1988). McKenna assumed the Free Trade deal would open up
the American market to exports from New Brunswick. Castells signifies access to an
open market as one of the key prerequisites for success in the global economy. The
glocalization literature emphasizes the ability of local areas, through the use of
communications and other technologies, to reach previously inaccessible markets.
How have the knowledge industries in which the province has invested so much money performed in the international context? Much of the New Brunswick economic development literature also stresses that opening up foreign markets is a key component in their communications/information technology investments. As figure 4 demonstrates, financial service international exports, a sector that weighs heavily in a knowledge-based economy, has remained almost unchanged from before the signing of the 1988 free trade agreement until the present. As the chart demonstrates, while the province has increased inter-provincial trade in this area, likely the result of liberalized inter-provincial trade agreements, New Brunswick's imports of financial services from other provinces have consistently outpaced exports to other provinces. While New Brunswick has attracted significant call centre investment from the Canadian banks, it has not been able to lure major administrative functions away from larger urban centres in Canada. This was a potential problem highlighted by Lamarche earlier on and has not been eradicated by the province's aggressive reforms. This factor may particularly confound economic development efforts across all sectors. In terms of New Brunswick's
interprovincial imports overall, wholesaling services, at 13 per cent, was the commodity most imported from other provinces over the twelve year period between 1984 and 1996 (Interprovincial Trade in Canada). By 1994, services represented 44 per cent of New Brunswick’s imports from other provinces, up from one third in 1984 (Interprovincial Trade in Canada). Reason suggests that investments in information technology ought to reduce the service requirements of the provincial economy and fuel economic growth in the province. However, the trend is the reverse and shows no signs of abating. In fact, New Brunswick’s provincial deficit in services increased every year from 1984 until 1996.

In the area of interprovincial communications services exports, New Brunswick has performed quite well (Figure 5). By the early 1990s the province’s industries in this
sector had turned a trade deficit into a trade surplus with the other provinces. This is largely the result of the NBTel investments in telecommunications infrastructure that have allowed for the creation of numerous call centres and customer service centres in the province (Interprovincial Trade in Canada). Were the figures available post 1998, it is likely that interprovincial exports would have increased even more here. While the province has

Source: Statistics Canada: *Interprovincial Trade.*

done well interprovincially, it does not seem to have capitalized on any international export markets in this sector. While the region has strengthened its position within the Canadian economy in this sector, it does not seem to have reaped any of the advantages of global markets that seem to be promised by some in the glocalization school and certainly in the New Brunswick public relations campaign. There seems to be much more
benefit in shoring up inter-regional trade in the Atlantic provinces in the future than seeking to penetrate American markets. As figure 6 demonstrates, despite some increases in service exports to the international market, New Brunswick has failed to capitalize in this area the way pro-globalization theorists such as Ohmae might have predicted.

**NB International Exports (Figure 6)**

![Graph showing NB International Exports from 1984 to 1996](image)

Source: Statistics Canada: *Interprovincial Trade.*

Similar findings have been made in the software sector, an industry that has been described as a major catalyst for economic development in Ireland. According to a 1996 Atlantic Political and Economic Council (APEC) survey of the software industry in Atlantic Canada, while the software sector was worth a reported $242.8 million to the regional economy and its profits per worker are more than twice that of its Canadian counterpart, its foreign revenues accounted for a mere 3.3 per cent of the total revenues (Atlantic Report, 1996, 16). Although the Atlantic Canada software industry was found to be more profitable than the Canadian sector, the latter managed to produce foreign sales of over 12 per cent of total revenues. The Atlantic software sector was much more likely to sell to government than industry buyers; in fact, more than 50 per cent of its revenues...
came from provincial and federal governments (*Atlantic Report*, 1996, 17). This inability to penetrate the American market has been attributed to several factors, but perhaps most prominently has been the assertion of the Boston-based Concord corporation that there is a cultural timidity to aggressive marketing (in this case in New Brunswick specifically). According to Concord president Richard Barno "many of the firms surveyed were far too shy about taking chances in the marketplace" (Canadian Press Newswire, 1995).

As a response to the Atlantic region’s difficulty in expanding exports to the United States, and, in order to shore up electoral support in Eastern Canada, the federal Liberal government announced on June 29, 2000 what it called a “fresh approach to regional economic development”. The *Atlantic Investment Partnership* is described as a “balanced mix of strategic investments and initiatives designed to build new partnerships that will strengthen the capacity of all Atlantic Canadians to innovate and compete in the global, knowledge-based economy” (Chrétien). The program commits $700 million to be spent over five years to create an innovation fund, expand the capacity of the National Research Council facilities, and provide funding for community economic development planning. A major part of the latter strategy will be to advertise the region as a prime area for American investment. Also, the announcement committed funding to knowledge-based skills training (Chrétien). Many of the components of this platform address problems experienced in these regions. However, if New Brunswick receives one quarter of the allocated funds over a five year period, this will only increase federal regional development payments to the early 1970s levels (see Figure 2).

**The Success of the Communications/Information Technology Approach**
New Brunswick’s success in using the information technology sector to stimulate economic growth in the province and restructure the nature of the provincial economy has not been as successful as Ireland’s similar ventures. For some critics, New Brunswick’s efforts have yielded no reportable successes whatsoever. As mentioned in the report of the New Brunswick Auditor General in 1998, the province’s unemployment rate was 13.1% in 1987 (47.2% over the national average), compared with a still high 12.6% (37.0% above the national average) in 1997 (Report of the Auditor General, 51). They do not represent a dramatic success story by any means and are not enough to turn the tide of outward migration in the province, an accomplishment that Ireland has experienced.

The growth in New Brunswick’s economy has been steady during the 1990s, but when compared with the rest of the country it appears less robust (Figure 7). The 1994 to 1998 period should be the point at which the McKenna policies begin to demonstrate some effect. These lacklustre economic performance measures make the funds spent on assistance to business by the province since the early 1990s somewhat questionable given the corresponding cuts to social services and other areas of provincial spending. As the Auditor General notes, the assistance to business costs between 1990 and 1997 peaked in 1996 at $40,566,997. The amount spent in 1997 was considerable, as well, at just over $30 million (49). Milne (105) and others have questioned the use of tax incentives and
Growth in GDP at 1992 Prices (Figure 7)


Outright grants to attract businesses to the province, especially given the uncertain benefits of such schemes, beyond providing captivating headlines. There is also the concern that the province's traditional industries have missed opportunities to add value to their production. The investments in the telecommunications and information sectors are particularly important given the small portion of the population that will necessarily benefit from them, while the wider gains are somewhat diffuse. Despite growth in the software design sector in New Brunswick and other provinces, it still represents a small portion of the economy that is heavily dependent on government projects rather than foreign exports. Also, information technology and information management sectors aim to make traditional industries more efficient; as a result, investments in these areas run the risk of potentially displacing workers rather than creating more employment. The
potential for the new economy to create a set of well-paid knowledge workers and another group of displaced or underemployed workers is also a danger that must be addressed with these types of policies.

With respect to the employment and companies that New Brunswick has attracted, it is clear that the government's high-tech emphasis has generated significant public relations coups, as well as attracting investments from notable firms such as Xerox, the United Parcel Service and the Canadian Imperial Bank of Commerce. As figure 8 demonstrates as well, the province has succeeded in increasing employment in the technical services sector at a rate that is comparable to the rest of Ontario. The latter is no small feat for a province so heavily dependent upon traditional industry in the primary sector. By and large, however, the major announcements and interest from external firms have been in the area of customer service call centre operations. This section of the information sector was not looked upon by the Liberal government, nor by
the present Conservative government judging by its websites focussing on call centres, as a bottom of the barrel type industry. Rather, as the former minister of finance described it, it was a cornerstone in the economic development arena (Maher interview). Government officials have worked relentlessly in the past ten years to try and lure large firms’ call centre operations to the province in order to take advantage of the bilingual workforce, the lowest long distance rates in the country, the low cost of establishing a work site, very low wages compared with other Canadian jurisdictions and a fairly loose labour market. The wage factor is especially favourable to firms when compared with other Canadian jurisdictions and particularly the United States when the low Canadian dollar is factored in.

The drive to make New Brunswick a telecommunications hub for business in North America has a fairly long history of acrimonious competition with other Canadian provinces. In 1986 the Maritime provinces were battered by a bidding war to attract a Litton Systems Canada low-level air systems plant. Nova Scotia eventually won the contract by promising the company a $5.8 million grant, $12,500 for each job created and a further $800,000 payment for training outside the province. This bid only beat out a higher $9 million offer from Prince Edward Island after Premier Joe Ghiz sought assurance from Litton that it would extend its operations beyond the five year contract period, a commitment that it refused to make (Camp, A15). The competition for call centres among the provinces has been no less aggressive, and the number of competitors has included Ontario, Quebec and several western provinces. New Brunswick was accused on numerous occasions of “poaching jobs” from the rest of the country. One of the earliest examples of a firm moving its employees to New Brunswick occurred in early
January 1995, when United Parcel Service (UPS) announced it was moving 870 jobs from Ontario to the maritime province (Bragg, A6). Critics of the deal contended that an offer of $6 million in forgivable loans to facilitate the relocation went beyond the bounds of fair competition (Toronto Star editorial, 1995b) The Premier of British Columbia, Glen Clark, requested that the federal Industry Minister, John Manley, convene a meeting of trade ministers to discuss what appeared to by a contravention of an internal trade agreement signed during the summer of 1994. Manley responded that he was powerless to do anything about New Brunswick’s move since the agreement would not come into effect until July 1995 (McIntosh, 1995, A10). McKenna responded to the complaints by vowing to decrease business costs even further in order to attract further relocations. The New Brunswick provincial New Democratic Party leader, Elizabeth Weir, criticized the strategy for further driving down wages in the region (Toronto Star, 1995a). Only one month later Premier Frank McKenna was forced to apologize for having accidentally sent a letter wooing the crown-owned Insurance Corporation of British Columbia (Toronto Star, 1995c). McKenna was rewarded for his job-creation quest seven months later with re-election to his third term in September of 1995.
As figure 9 demonstrates, the assertion that call centre wages were dragging down incomes in the province is somewhat difficult to prove. Clearly the average weekly earnings of workers in the business services industry, in which call centre workers would be located, has converged with the overall weekly average for workers in all industries. Another interesting finding is that the Canadian figures are the inverse of the New Brunswick numbers in two ways. First, the difference between business services wages and overall wages is growing larger rather than becoming smaller, and the business services average is higher than the cross-industry wage throughout. While it is not easy to prove that call centre wages are driving down wages in New Brunswick, it does seem that workers in the sector are very poorly remunerated in comparison to workers in the same sector in the rest of Canada.
Figure 10 shows that while the percentage of families living in poverty increased in the early 1990s, it seems to now have reverted back to the 1980s levels. A similar trend appears in the rest of Canada. This does not given any reason to suggest the a society of "information haves" and "information have-nots" is being created due to the changes to the provincial economy and the government's economic development strategy. The GINI coefficient for the province of New Brunswick; however, does show that the level of income equality between families has decreased since the beginning of the 1990s. There is not enough data to conclude that this is the result of the economic strategy of the McKenna and Lord governments, especially since this is a trend that is mirrored in the rest of Canada. It does suggest that the economic development strategy has done nothing to abate the trend, contrary to the rhetoric about thrusting the population of New Brunswick into the new economy.

The call centre investment effort is clearly situated within the glocalization theme.

To its supporters, the industry is a pragmatic attempt to lure investment and employment to a region without a sizeable manufacturing sector, on the periphery of the North American trading network, and sparsely populated. Call centres do not require any natural endowments, and seemingly only require an adequate telecommunications system and a relatively skilled and eager workforce. In the New Brunswick example, bilingualism is an added natural endowment. The telecommunications network affords the opportunity of conducting business seamlessly across geographical and time barriers.

![GINI Coefficient comparison New Brunswick and Canada (Figure 11)](image)


Courchene has described it within the glocalization context as a "powerless place obtaining placeless power" (Courchene, 1994).

Detractors of the strategy to attract call centres to the province point out that 'placeless power' can be very elusive, and that there are a lot of powerless places clamouring to achieve it. There is, of course, a danger that in a competitive market, such
as the call centre market, firms may just as easily relocate to any other jurisdiction in North America once the government relocation incentives dry up, wages increase, or another region provides the necessary tax incentives or loan packages that make investment elsewhere more attractive. Literature on the call centre industry does confirm the cut-throat nature of the business. Omaha Nebraska, regarded by many as the birthplace of the call centre movement, has seen many companies leave the area for the South Western United States over the course of the 1990s due to increased labour costs (Geffert). The South-West now is experiencing similar problems as tight labour markets have discouraged companies from adding to their operations. The Chamber of Commerce in Mobile, Alabama even agreed to a one year moratorium on new centres in the region in order to convince one seven hundred employee operation to locate there, as well as to prevent others from leaving. North Carolina has seen growth industry frozen as well as had some companies leave due to upward pressure on wages (Geffert). New Brunswick government officials have responded to the American firms' difficulties by advertising the comparatively high unemployment rate in Atlantic Canada as an incentive for companies to invest.

The New Brunswick marketers have gone to great pains to stress that the average starting wage in a Canadian setting is $6.14 US compared with $9 in the United States (Greenberg). Although some American companies have stressed the quality of the New Brunswick call centre force, noting that it is particularly stressful work and that not all people are able to work in such a setting (Greenberg), the overriding consideration for such companies and the basis for their location decisions is labour costs. A report by the Boyd Company that is posted on the New Brunswick Trade and Investment website
compares the cost of setting up call centre installations across a wide range of American jurisdictions and New Brunswick. The report states unequivocally that “...labour costs are the single-largest [sic] geographically variable operating cost factor in the site selection process for the new center” (Boyd Group, 5). What is particularly incredible is the number of regions that are in competition for the centres. The report lists over fifty cities or regions on its comparative list (Boyd Group).

Despite the assurances of the former Liberal government that the call centre jobs are well paying—even though the data in figure 9 demonstrate that they are not as well remunerated as the average wage—there are other potential problems with using call centre jobs as the engine of economic development in New Brunswick. Apart from the difficult and stressful nature of working in a call centre environment, other work quality issues have been raised. On September 1996, 20 ex-employees of MLHL complained to Premier Frank McKenna that over five hundred employees had been fired for not meeting very ill-defined quotas (Toronto Star, 1996). The group referred to the workplace as a ‘sweatshop’. MLHL had been lured to the province with the help of $150,000 in start up loans from the government. Unions in general have been critical of the low wages paid by the call centre operations and poor working conditions.

These factors must be considered in light of Courchene’s powerless place/placeless power illustration, and seem to suggest that the process is not as simple as described. The call centres are faced with the reality that upward pressure on wages will lead companies to relocate to more favourable climates. There are certain regional endowments that suggest that firms might be willing to allow for some movement in wages, such as the bilingual nature of a significant portion of the population and the
competitive long distance rates. However, the experience of the Southwest United States reaffirms the ‘placeless’ nature of the industry that can be both a tremendous boon to peripheral areas, and a curse at the same time. There is no doubt that even if there continues to be expansion in this area, call centre employment will not be sufficient to put a dent in the outward migration of the province’s most talented graduates.
From the beginning of the 1980s until the middle of the 1990s, Ireland suffered many of the same effects of peripheral status as New Brunswick and other Atlantic Canadian provinces. The lack of a land link to Europe is a problem similar to New Brunswick’s peripheral location and isolation from the North American continent. The Irish economy has been characterized by a high level of public debt, high unemployment and a high dependence on agriculture, similar to New Brunswick. Accounting for only one percent of the European Union’s economic output (Walsh, 193), Ireland is smaller geographically than most of the regions of the larger European nations. Its population of 3,661,000, while larger than that of New Brunswick, represents a small proportion of the total European Union population of 373,536,000 at 0.98 per cent of the total (OECD, 1999b, 154). During the 1980s, when the Irish economy performed very poorly, outward migration from the country became a salient issue. In this period the average annual net emigration amounted to a damaging 0.75 per cent of the population and from 1986-91 emigration claimed 20 per cent of those aged 15-19 in 1986 (Walsh, 193). According to Walsh, the poor performance of the Irish economy in the 1980s left the country with the lowest employment/population ratio and the highest emigration rate in the Organization for Economic Cooperation and Development (OECD) and the second highest unemployment rate after Spain (195). The problem of unemployment during the 1980s was made worse by the high proportion of long term unemployed among the
unemployed. In some ways, this is a problem that has not been completely alleviated, even in the midst of the mid 1990s tremendous economic boom (Walsh).

Ireland in the European Union

Ireland was involved in the creation of several post-war European organizations such as the Organization for Economic Cooperation (OEEC) and the Council of Europe. The country did not, however, join the 1951 European Coal and Steel Community (ECSC), regarded as the first major agreement on the road to European integration. Ireland did not participate in the European Economic Community and the European Atomic Energy Community when they were established in 1957 either (Ireland, Department of Foreign Affairs, 2.) Since the mid-1930s, Ireland’s economic policy had been highly protectionist and wary of foreign investment. From 1958 onward, however, policy was redirected towards the internationalization of the economy. This policy has taken such a firm hold today that the OECD regards Ireland as one of the most favourable nations in Europe towards Foreign Direct Investment (OECD, 61).

Ireland’s decision in the early 1960s to seek membership into the European Community (EC) and its accession into the EC in 1973, therefore, represent important policy decisions. New Brunswick’s entry into the FTA and NAFTA as a sub-national unit of Canada resulted in its inclusion in an almost entirely economic arrangement. The dispute mechanism panels of the trade accords do not qualify the accords as new political structures. The EC, and its replacement, the European Union, on the other hand, are economic and political arrangements. By joining the EEC in 1973 and participating since in European integration, Ireland has included itself in a new political structure.
According to O’Donnell and Walsh, four European Union policy areas have dominated the country’s experience: the internal market policy; agricultural policy; monetary policy; and regional policy (201). For the purposes of this thesis, the regional policy aspect is the most important.

The need to equalize regional differences in order to improve overall economic performance in Europe has been acknowledged rhetorically since the Treaty of Rome. The creation of the European Regional Development Fund (ERDF) in 1975, under the direction of Directorate-General XVI of the European Commission, marked the first formal position on regional development in Europe (North American Policy Group (NAPG), 9) In 1988 the ERDF was completely restructured. Three types of “problem regions” were defined: regions whose development was lagging behind; areas where declining industrial activities were dominant and areas where agriculture dominates (NAPG, 9). The indicators used to determine which regions were in the ‘problem’ category included having a per capita GDP below the Community average, the rate and growth of unemployment and indications of population migration. The goal of preventing outward migration from regions is counter to the prescriptions given by neoclassical economists that encourage workers to go to where the jobs are. Given Ireland’s economic turmoil of the 1980s, it qualified on all three indicators.

The four structural funds available to the European Commission pursue numerous policy objectives. Several of the policy objectives are available only to regions that qualify, such as the economic adjustment of regions whose development is lagging behind (Objective 1) or the social and economic conversion of declining industrial areas (Objective 2). Other objectives such as the adaptation of workers to industrial change (4)
are available to all members of the community (NAPG, 10). The regional specificity of certain objectives is in contrast to Canadian regional development programs that cover a substantial portion of Canadian territory. Whereas all four European Structural Funds cover 50 per cent of the EU’s population, 70 per cent of the funds are designated for regions eligible for assistance under Objective 1 (NAPG, 11).

For the periods of the first two Community Support Frameworks (CSF), the entire area of Ireland was eligible for Objective 1 funding. Due to successful job creation and economic growth in the Southern and Eastern regions of the country, those areas qualified only for transitional aid in the 2000-06 CSF period. The Border, Midland and Western areas have qualified for continued Objective One funding in this period (National Development Plan). The principal Structural Fund for regional development is the ERDF and its mandate is broad. Various financing measures are available as well as grants that can be invested in infrastructure or other investments for the creation of maintenance of permanent employment. This can include supporting projects that enhance “…the development of local potential and SMEs [small to medium-sized enterprises], particularly in the area of enterprise services, transfer of technology, capital markets and direct aid to investment; education and health; research and development, and environmental protection” (NAPG, 11).

Structural Fund projects are meant to complement, not supercede national regional development programs. However, Ireland’s earlier designation as an Objective 1 country led the national government to concentrate on industrial policy rather than regional policy. In terms of regional development policy, it is difficult to discern whether or not there has been a glocalization effect in Ireland. The EU Common Agricultural
Policy funding and the Structural Funds have amounted to between 5 and 8 per cent of Irish Gross National Product (GNP) during the 1990s. Also, the Structural Funds as a portion of these transfers have amounted to about one third of the total (O’Donnell and Walsh, 209).

The Structural and Cohesion Funds may have taken some of the influence away from the national government. The Irish system of governance, a highly centralized structure, consists of a central government with all sub-national powers delegated by the national power. Sub-national governments do exist at the county level, but are highly beholden to the national government in the way that municipal governments are in Canada to provincial authorities. Interestingly, regional organizations do exist and, according to some, have been able to play an increasingly important role in delivering development policies (NAPG, 14). In fact, eight Regional Development Authorities were established in 1994 with the express purpose of promoting and coordinating public services and reviewing and advising on the implementation of the European Structural Funds and Cohesion Fund programs. O’Donnell and Walsh, however, contend that in practice, most Structural Funds continue to be channeled through the Department of Finance in a top-down fashion. The result, for these authors, has been the persistence of regional and social inequalities and “insufficient coordination of activities at different geographical scales” (223).

It is not easy to conclude that there is or is not a downward trend of power toward local areas. The national government abandoned significant macroeconomic controls, such as the ability to determine interest rates, by joining the European Economic and Monetary Union (EMU). The Irish government has taken a different stance, however,
contending that its power to influence European political events has increased dramatically. It cites the example of its European Community Presidency in 1990 when it presided over EU discussions that saw the reunification of Germany. It also points to its presidency in 1996 when it oversaw reviews of the Maastricht Treaty, not to mention its involvement in the 1970s to strengthen links to African countries through the Lomé Conventions (Department of Foreign Affairs, 3). Perhaps most importantly, the Department of Foreign Affairs asserts that Ireland has played a constructive role in influencing the development and design of EU policies such as the CAP and the structural and cohesion funding. So, while the national government seems, on the one hand, to have ceded power to Europe on these matters, it can at least claim, on the other hand, to have played a strong role in designing them. This may be described as a muted glocalization pattern. New Brunswick, on the other hand, can lobby the federal government as well participate in policy planning, however, it is not a part of the federal level of government. The McKenna government responded by implementing various innovative provincial policies and defined the glocalization pattern in a somewhat different manner.

Economic Development in Ireland

The reform of the EU Structural Funds in 1988 forced the Irish government to prepare a four year National Development Plan (NDP). Similar development plans were undertaken for the Community Support Frameworks CSFs that followed in 1994-99 and 2000-06. The primary objective of the first NDP was to achieve improved efficiency and competitiveness by tackling the problems arising from Ireland’s peripheral geographic location. The problems experienced there are similar to those in New Brunswick:
inadequate infrastructure, an economy heavily dependent upon agriculture, and the existence of many sparsely populated and isolated regions. Interestingly, specific regional development within Ireland was not mentioned in the priorities of the first NDP. O’Donnell and Walsh note that the only mention of local regional development occurred in the section on industry. While the other sectors described do relate to regional development, there is no other specific recognition in the document of where development activities are likely to occur (214). This seems to be in contrast to the efforts of the New Brunswick government to introduce information technologies to remote rural communities. The fact that Ireland has more and larger cities (Dublin’s population is much larger than any of New Brunswick’s cities at 1,058,264 and contains one third of the population) (U.S. Department of State, Bureau of European Affairs) and that such a large proportion of New Brunswick’s population live in rural areas may have influenced this policy difference. Also, Ireland’s receipt of EU funding though the CAP associated programs may have allowed it to skirt the issue of regional development in the NDP.

The official agreement on the amount and form of the EC assistance was finalized toward the end of 1989 in the form of a Community Support Framework. The four major priorities were: agriculture, fisheries, forestry, tourism and rural development; industry and services; measures to offset the effects of peripherality; and human resource measures. The total expenditure between 1989 and 1993 was estimated to be about IRE 9.5 billion (O’Donnell and Walsh, 214). The largest share of the funding was allocated to industry and services, followed by physical infrastructure. Taken together, these spending priorities occupy 50-55 per cent of the total expenditure. Of the total, IRE860 million was spent on energy and communications projects that were part of the National Development
Plan, put outside the scope of the CSF (O'Donnell and Walsh, 215). Investment in telecommunications has been assigned an important priority in Ireland as in New Brunswick. In fact, a government website boasts that over $5 billion (US) has been spent over the course of the 1990s modernizing the telecommunications system in the same manner as NBTel (Industrial Development Authority). Reaction to the CSF at the end of the funding period was mixed. A report commissioned by the Department of Finance questioned the economic validity of some of the measures adopted, but was favourable overall. Others criticized the Structural Funds for contributing to a deterioration of the quality of life and encouraging a development approach that is environmentally unsustainable in the long term (Community Workers Co-operative, 1992).

The second CSF for Ireland, submitted in 1993 for the 1994-99 period, did acknowledge to a greater extent development in the regions of Ireland. The section on industry discussed the implications for local development and the chapter on infrastructure discussed the need to strengthen sub-regional networks (O'Donnell and Walsh, 218). There was also a commitment to environmental sustainability for the first time.

The third CSF for Ireland seems to go the farthest in discussing local development concerns, perhaps due to the increasing lack of balance in development in the country. The NDP submitted in this instance begins by discussing the unequal rates of growth in Ireland during the previous CSFs: the Southern and Eastern region of the country went from a GDP per capita of 83% of the EU average in 1988 to 105% in 1996. In contrast, the rate in the Border, Midland and Western region has increased more modestly, from 60% of the EU average to 74% in the same period (NDP, 1). These figures are
responsible for the latter regions maintaining Objective One status, while the more prosperous South and East are awarded less valuable transitional funding. Due to the very successful levels of employment growth during the first two CSF periods, the priorities of the third NDP have changed from unemployment prevention to "labour market activation and mobilisation strategies" in order to ensure that the country can continue to supply a sufficiently trained workforce (NDP, 3). The 2000-06 NDP emphasizes strongly the need for balanced regional development. It encourages the use of ‘Gateways’ for development, larger urban centres, as a means of creating development in surrounding areas. This position seems strikingly similar to earlier growth pole development strategies. Whether or not these Gateways can strongly promote development within their zones of influence is another question. It seems likely that rural areas in Ireland, much like those in New Brunswick, run the risk of continuing economic isolation while urban areas prosper.

**Economic Development in Ireland and the High Technology Sector**

Important changes to Ireland’s industrial development policies were undertaken in 1993 as a result of the Industrial Development Act. This legislation divided the Industrial Development Authority (IDA) into three separate groups: IDA-Ireland, Forfas and Forbairt. Forfas has been delegated legal powers to act as the policy advisory and co-ordination board for industrial and technological development (OECD, 1999, 140). Also, it acts independently of the state bureaucracy. Forfas delegates powers to Forbairt and IDA-Ireland for the actual policy implementations (NAPG, 14). IDA-Ireland is in charge of courting inward investment in the country. This agency employs 280 employees and has 15 offices overseas. The comparable institution in New Brunswick would have been
the Ministry of Economic Development and Trade during the Liberal governments since the late 1980s, and the Business New Brunswick Ministry of the Lord government.

Over time, much like the McKenna government, IDA has put an increasing emphasis on the service sector. It began in the 1980s by focusing on the computer software sector. This was followed by business services, and marked especially by the creation of the International Financial Services Centre in Dublin. By the early 1990s, Ireland began to penetrate the teleservices sector, much like the province of New Brunswick. In recent years, Ireland has begun to focus upon "shared services"—corporate overhead services such as personnel, accountancy and sales support (OECD, 1999, 50). The existence of 15 overseas offices to encourage foreign investment shows that Ireland has been just as diligent as New Brunswick, if not more, at emphasizing the high technology telecommunications sector. The IDA-Ireland website is remarkably similar to its New Brunswick counterpart. Both have tables highlighting the low cost of wages in both jurisdictions, and both highlight the low cost of long distance telephone rates for the purpose of international teleservices. Ireland even emphasizes the fact that many of its workers are skilled in other languages, as the New Brunswick line goes. These strategies represent the very competitive nature of the telecommunications sector, and in both cases demonstrate the attempts of small, peripheral economies to establish comparative advantages in niche sectors. Differences seem to lie in the fact that Ireland promotes the other components of the knowledge economy, such as the software and hardware industries more heavily than New Brunswick. The call centre industry is targeted for growth, however, it is one of numerous targets, as well as manufacturing industries.
Industrial support has been provided to subsidize investment, to provide employment and training grants, to invest in Irish start-ups and to assist in R&D activity, management development and to conduct market research (OECD, 1999, 50). Direct aid to industry overall has amounted to several hundred million pounds a year out of the government’s budget (OECD, 1999, 50). The justification behind these payments has been that private industry will be unlikely to absorb their costs, but that they are necessary due to the spillover effects such as higher unemployment and also the undertaking of innovative activity by small, entrepreneurial businesses. As in New Brunswick, aid to business has been undertaken using cost-benefit criteria, and similarly, the methodology has been challenged as not being rigorous enough (OECD, 1999, 50). The former finance minister of New Brunswick described the problem in his province that the government often became the lender of last resort. Many of the industries that the province was courting were not well established, yet the province wanted to encourage their investment.

Ireland has responded in several other manners to the desire to attract foreign investment. Most notably, it established a pattern of using tax incentives to lure manufacturing investment in the 1950s and encourage exports. In 1981, the government instituted an across the board 10 per cent corporate tax rate on the profits of manufacturing firms as well as internationally traded service operations (OECD, 1999, 140). The low corporate tax policy measure is likely the initiative that has gained the most international attention. When the Canadian Prime Minister Jean Chrétien visited Ireland in 1999, the opposition Reform Party focussed upon lower corporate taxation rates as an ideal policy option for Canada. The flat rate, however, can be somewhat
misleading. According to the OECD, because of the fact that corporate taxes are applied in a very broad manner in Ireland, the proportion of corporate tax in overall tax revenues is higher than many OECD countries such as France, Germany, Sweden, Spain, and Canada. Also, Ireland’s share of corporate tax in GDP is higher than the same countries, including Canada (OECD, 1999, 51). The reduced corporate taxation rate for Ireland is, nonetheless, perhaps the strongest element of difference in the New Brunswick and Irish approaches to economic development. While New Brunswick does have a low small business corporate tax rate of 4.5%—the lowest in Eastern Canada—its full rate is similar to the Atlantic provinces, and higher than Quebec’s rate (Milne, 58). Milne suggests that the province should collect the tax itself as Ontario, Alberta and Quebec do (Milne, 58).

The corporate tax policy in Ireland, apart from drawing criticism from competing countries, underscores most strongly the globalization thesis that global capital is increasingly able to operate unhindered and that polities will compete for their share by reducing any resistance to capital. In response to various pressures, Ireland has agreed with the European Commission to raise its manufacturing and financial services rate to 12.5 per cent in order to merge it with the declining rate in other sectors (OECD, 140).

Another policy development that distinguishes the Irish case from the New Brunswick example, has been the existence in Ireland of corporatist exchange in Ireland. The National Economic and Social Council led the way in the early 1990s by proposing greater social consensus in order to improve economic and social performance (O’Donnell and Walsh, 219). While industrial relations observers initially doubted the possibility of implementing tri-partite arrangements where the institutional frameworks were lacking, these groups have met with some success in managing economic affairs in
a consultative process. In 1996 government, business and labour organization groups announced Partnership for Inclusion, Employment and Competitiveness. The three year agreement contained provisions for income tax cuts that saw the top marginal tax rate decline from 47.8 to 46.8 per cent, while the lowest marginal rate decreased from 34.8 to 32.8 per cent. The pact also allowed wages to rise by 7.25 per cent between 1997 and 1999, but there is also a "local bargaining clause" that permits unions to negotiate an additional 2 per cent wage increase depending on the circumstances of the firm (OECD, 1997, 109). The government and its social partners have arranged a new agreement on taxation and wages called Partnership 2000. Many observers credit these central wage negotiations with keeping inflation in check in Ireland and also aiding economic growth. The OECD has expressed fears that the breakdown of centralized wage setting may harm the country's competitiveness and slow economic growth, however, the process is still in place. It is questionable to what degree such an arrangement could benefit the province of New Brunswick. Since the province advertises its low labour costs as a marketing tool, it is unlikely that there is any concern about rapidly increasing wages.

The Irish government has also undertaken certain projects in order to foster growth in electronic commerce. The Information Society Commission was established in 1997 to advise and monitor the role of government and other key actors to promote the advancement of the 'knowledge economy' in Ireland (Wolfe, 1999, 9). The Forfas agency plays a significant role in the promotion of electronic commerce, as mentioned above. The agency published a report in 1999, the Report on e-Commerce: The Policy Requirements. The report is interesting for its discussion of the threats to the Irish software industry posed by the move to the digital distribution of software over networks.
Such a change in the delivery system could harm an industry that is heavily dominated by large, overseas companies from the United States, and also Canada. Considerations such as this take some of the luster away from the heavily foreign controlled technological services sector. Another notable section deals with the indigenous software industry. While software exports have contributed the most to growth in the value of Irish exports in the past decade, 46 per cent of indigenous companies still earn less than thirty per cent of their income from export sales (Forfas). The problems of small software producers may be universal since similar small outfits in New Brunswick had similar problems and even have difficulty finding domestic, private buyers for their products (APEC, 1996).

The report is an extensive one, and discusses the implications of electronic commerce development for a wide range of industries and sectors including: music; media; intellectual property management services; electronics and hardware; education establishments; tourism; and banking and finance. The report also examines the relevant business-to-business and business-to-consumer markets that could be created through electronic commerce (Forfas). The Forfas report attempts to be precise on questions of what exactly the digital economy may mean for Ireland. Reports from Connect NB in New Brunswick are generally vague and rhetorical on the same issues.

Factors Explaining Ireland’s Success

Several of the factors that may explain the economic strength of Ireland during the 1990s and into the next century have already been mentioned above: generous EU development and infrastructure spending and generous incentives to business through outright grants, loans and other incentives as well as generous corporate taxation rates. There have also been cuts to income personal income tax rates. While some Canadian
observers as contributing to economic growth have cited these factors, they have not been highlighted as particularly important factors in the country's recent success (OECD, 1999; Barry).

The other possible factors that have led to significant economy growth in the republic are of a more indirect variety, or, not the result of any government program (favourable demographics). First of all, Ireland's access to a large open, integrated economy, Europe, has been a tremendous boon to encourage outside economic investment, particularly from the United States. The fact that English is the language of business, combined with a generally favourable attitude toward foreign direct investment and the generous tax climate has made Ireland a popular choice as a platform for investment into the European Union. As Castells notes, access to a large trading area is essential for the success of a region in the global economy. Ireland has been able to use this to its advantage. New Brunswick has generally been unsuccessful at infiltrating the American market, despite its best efforts.

A second factor that many have emphasized is the high level of education of Irish graduates and workers in general. The creation of a means-tested third level (post-secondary) grant system allowed numerous Irish youth access to the university system who would previously been unable. This was complemented by the development of Regional Technical Colleges, which offered sub-degree courses in engineering, the sciences and business studies (Durkan et al, 120). Durkan et al. demonstrate, in the context of human capital theories how much better educated graduates have fared compared with those that left school early or completed only the lowest levels. Table 1 above, however, demonstrated that New Brunswick actually compares favourably to
Ireland in terms of education levels. The fact remains that education is an important component in economic development, however, there have to be opportunities for employing the skills of talented graduates and preventing outward migration. The establishment of an educated workforce is a necessary condition for success in economic development, but not a sufficient condition. Castells, of course, would describe all of the components of the STIS system this way.

The fact that Ireland is three times the size of New Brunswick in population has already been mentioned. However, the two polities differ in their demographic characteristics as well. While New Brunswick possesses an aging population, like many countries in the world, Ireland is somewhat unusual in the fact that it experienced a baby boom during the 1970s. As Table 2 demonstrates, the lowest two age groups, when combined account for a very high proportion of the overall population: 40 per cent. Whereas New Brunswick is forced to deal with a slowly growing workforce¹ and

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Total Persons (thousands)</th>
<th>Percentage of overall population</th>
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<tbody>
<tr>
<td>00-14</td>
<td>829.3</td>
<td>22%</td>
</tr>
<tr>
<td>15-24</td>
<td>657.9</td>
<td>18%</td>
</tr>
<tr>
<td>25-44</td>
<td>1073.1</td>
<td>29%</td>
</tr>
<tr>
<td>45+</td>
<td>1,184.4</td>
<td>31%</td>
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¹ See Figure 3 above.
potentially stagnant workforce growth in the next few years, Ireland can rely upon significant labour force growth over the next ten to twenty years. The fact that Ireland’s traditional outward migration of citizens has been reversed and that such a significant portion of the population are below the age of 24 may mean that economic development strategies as well as job creation programs will have to ensure that there are enough workers available to take the positions.

In terms of unemployment, Ireland has succeeded at narrowing the gap between its level and the European average level of unemployment. As figure 11 demonstrates,

![Graph showing unemployment rates in Ireland and EU 15 countries](image)

Source: OECD (1999b), p.137. EU 15 countries include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

the gap is almost non-existent, and the Irish rate may, in fact, now be lower as the country’s unemployment rate has dropped to near the 5 per cent level. The
unemployment reduction results of the country are the types of results that early McKenna governments discussed in the late 1980s, however, New Brunswick's success at reducing unemployment levels has been far less successful (Report of the Auditor General).

Despite Ireland's success at reducing the unemployment rate, several problems persist. According to the OECD (1997, 112) and Walsh (1999), long term unemployment remains a problem. A large share of the unemployed have been out of work for more than one year and many have effectively withdrawn from the labour force, a fact that is demonstrated by a very low employment-to-population ratio. Another contributor to the ratio is a low participation of women in the workforce. If the fact that more women are among the ranks of the unemployed is an indication that more women are entering the
work force, then Figure 12 may suggest that women are gradually participating more in the workforce.

Another potential social problem that Ireland experiences is income inequality. According to Callan and Nolan, between 1987 and 1994 the distribution of earnings among employees in Ireland became a good deal more unequal. The effect on disposable income of families was lessened, however, by the effects of a redistributive tax system (Callan and Nolan, 183). The authors note that income inequality has become an increasing problem in the United States and the United Kingdom; however, Ireland, with its centralized wage bargaining and steady supply of highly skilled workers ought to have been shielded from increasing disparities in wealth (183). The authors concluded that centralized wage setting may not be sufficient to slow income inequality in a small open economy that aggressively targets foreign investment and export markets for trade in the information technology sector (184). The fact that New Brunswick is experiencing similar income inequalities may indicate that this is a reality facing formerly agrarian or resource based polities attempting to diversify their economies. Each polity must address the fact, however, that students who do not complete secondary or post-secondary education will be particularly at risk of social exclusion as the traditional industries in these places give way to new industries in the knowledge-based economy.

The goal of Ireland and New Brunswick has been the same, to reduce unemployment. Both polities have focused upon information and communications technologies as engines of economic growth. The high profile success of Ireland is in contrast to the experience of New Brunswick, but the underlying problems such as rising income equality and nagging long-term unemployment are lessons for any political
jurisdiction. Unfortunately, the descriptions of the political efforts to achieve economic
growth also demonstrate the complex combination of policy prescriptions, economic
framework and good fortune that is required for a small, peripheral political unit to share
in the profits of the information sectors of the global economy.
Chapter 4
Conclusions

A study of Ireland and New Brunswick since 1987 is an examination of two peripheral polities attempting to harness the knowledge-based economy as a tool of regional development. That Ireland constituted a peripheral identity, at least until the 1990s, seems beyond question. It is separated by water from the United Kingdom, its greatest trading partner, as well as from Europe, to which the small, open economy dedicates a considerable proportion of its exports. The country’s reliance on agriculture historically as well as its sparsely populated regions were considerable obstacles to development. Unemployment rates and poverty levels, particularly during the 1980s, are evidence of its under-development. Similarly, New Brunswick makes up a small fraction of the population of Canada, is heavily reliant upon natural resource processing economically, and has a heavily rural population. The lack of a large sized city like Dublin, with significant international cultural and financial links, is even more burdensome. Also, New Brunswick has less than one third the number of people of Ireland.

The contexts in which the two polities have undertaken their similar regional development strategies are somewhat different. Canada’s entry into the FTA and NAFTA provided New Brunswick, theoretically at least, with access to two large open economies, the United States and Mexico. That these trade agreements are economic in nature and thus do not represent new political arrangements is important. It is possible, however, that market pressures from these trade agreements have influenced Canadian domestic policies and realities, thus influencing the glocalization effect for New Brunswick.
Ireland, on the other hand, joined a political and economic union. Changes to the country’s political status have been directly affected by membership in the European Union. In particular, the country’s access to Agricultural, Structural and Cohesion funds have meant tremendous political and policy changes for the island nation/region of Europe.

The phenomenon of glocalization has been experienced in both polities, however, differently. The Canadian federal government has reduced its regional development funding to provinces such as New Brunswick, but the decrease in transfer payments to the provinces has not been as great as Premier McKenna and others would have people believe. In fact, there have really only been cuts to the growth of these transfers, the Canada Health and Social Transfer after 1995 being the exception. It does appear that some international market forces have changed the role of the federal government. The federal Liberal government, in particular, was heavily focussed on decreasing its budget deficits and then eliminating them all together. In this fiscally austere climate, federal grants and loans to well-established industry, such as the Bombardier company in Quebec and other firms in already developed regions, may have been a more appealing policy option. In the sense that the provincial government was left more to its own devices to encourage economic development, then there has been a glocalization transformation.

The local area has become more important in the direction of its economic affairs. This is one important component of glocalization.

The question of whether or not other local institutions or organizations have gained power since the late 1980s reveals a different answer. Wolfe (1997, forthcoming) has discussed the importance of the local arena in creating the necessary climate for the
diffusion of new information and communications technologies (ICTs). For Wolfe, economic geographers have identified a specific spatial aspect to innovative technological research. In other words, there are certain factors that can tie global firms into a region. This can be due to the existence of similar industries in a cluster, the diffusion of helpful university level research knowledge and ties with public sector institutions and/or the availability of a highly skilled workforce. Also, innovative research occurs more easily in a spatially restricted area because there are greater opportunities for establishing trusting relationships between firms as well as a means of communicating messages that are often difficult to codify (Wolfe, forthcoming, 5). If the innovation process really does exhibit this spatial characteristic, then the consequences for politics and economics are significant. If the configurations of research, education, training and management can be tied to a certain area, then polities achieve a means of combating deterritorialization in the global economy. The emergence of powerful regions and city-states in recent years indicates that certain local areas have been in ascendance: Silicon Valley in California; Kanata, Ontario; and even the Greater Toronto Area (Wolfe, forthcoming, 14-15).

Ireland and New Brunswick then are polities that have attempted to take advantage of similar economic dynamics and have been encouraged to do so by evidence of the important spatial component of the new information and communications technologies. This factor, combined with the way in which ICTs or telematics offer the promise of eliminating time and space barriers makes them appealing to marginalized regions. The problem that Wolfe acknowledges, however, is that the spatial characteristics of successful technologically advanced localities take time to develop and

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1 These regional endowments are very much the same as Castells’ STIS system.
are path dependent. This fact, first and foremost, has been the failing in New Brunswick. In other words, the province has experienced many of the same problems with economic development within the new paradigm as it did previously in the industrial economy: a lack of research and development funding (Savoie); a small consumer market; the inability of local firms to hire well-educated graduates; and the subsequent, perennial exodus of the same graduates to core North American cities. It takes some time to build up an innovative region with the necessary characteristics to attract significant investment. New Brunswick and Ireland have not had much time to work on this project. New Brunswick’s efforts to ensure that the province’s community colleges work with the private sector constitute an intelligent strategy in order to increase high skilled employment. However, the absence of the costs of post-secondary education suggests that policymakers have ignored social problems in their drive to solve regional problems.

Why the Success of Ireland and the Status Quo in New Brunswick?

Ireland has succeeded in creating a broad information and communications technology sector in order to supplement the employment provided by agriculture and manufacturing. Glocalization has played a part in this success in several ways. Ireland’s entry into Europe has made it a portal for international investment into the continent, and its importance as a local area has been increased in this important manner. Altered political arrangements have enhanced the country’s powers in some ways, and weakened them in others. The country has been able to provide the necessary research and education infrastructure to ensure that there is a territorial aspect to the high technology sector. In other words, firms have a variety of reasons to invest in the country, other than simply the low labour costs and the eager public officials that are common to most
Peripheral or marginalized areas. This may be the result of a strong sense of common purpose in the country or the ease with which a small jurisdiction with access to European management guidance can adapt itself to a new sector. The rapidly expanding workforce, which is fairly unique among western democracies, is a boon to economic growth and investment also. The result is a broad approach to investment in the ICT sector that has succeeded in bringing both the lower paying call centre employment and the much more lucrative high-skilled type employment.

New Brunswick’s foray into the ICT sector has been far more niche oriented, the call centres playing a major part. Significant efforts have been made to establish the type of academic and business setting to encourage innovative and entrepreneurial business. However, these value-added areas have had a more difficult time taking hold. The province has succeeded in the call centre industry, however, this field is not a solid enough one upon which to centre a truly transformative economic development strategy. The former Liberal provincial government did not attempt to hide the fact that teleservices were the centrepiece of their strategy (Maher interview). The present Conservative government has taken a quieter approach, however, there is not evidence that it has dramatically altered course. The jobs that the province has succeeded in attracting are typically the lower-paying, low-skilled variety as opposed to the well-remunerated positions at the other end of the high technology sector continuum. By having to focus so narrowly on a very competitive niche in the ICT sector, New Brunswick is, in effect, finding itself on the periphery of the global knowledge-based economy.
The lesson for other economically deprived regions in the world is important. There is a significant spatial aspect to certain industries in the new economy. The endowments that can enforce some degree of territorialization are, however, complex and cannot be assembled overnight. There are, of course, sub-sectors within the knowledge-based economy that are, for most purposes, deterritorialized, such as teleservices. These sub-sectors, however, have the benefit of locating anywhere, which is especially important for areas that are isolated geographically and lack a history of strong industrial and financial development. ICTs are able to transcend time and space, however, they are unable to overcome decades of economic realities. The problem is that there are many such regions and the competition that results reduces significantly the value-added nature of the industry. The argument of the former provincial Liberal government contends that call center employment does lead to higher paying work within the sector and has an offshoot effect. Whether or not this industry will have the effect of helping establish the necessary components of Castell’s STIS is another question.

A further lesson is that the economic and/or political configuration in which an aspiring region finds itself can affect dramatically its success in the global knowledge-based economy. Access to a large open market is important, however, not a sufficient factor for success. Also, a certain degree of targeted aid from an external source has been shown to be helpful in the Irish case. The Canadian government’s new Atlantic Investment Partnership is partly a response to the maritime region’s difficulty in maintaining important research and development spending. It will be interesting to see the effects of this program in the future.
The new economy contains many, if not more, of the pitfalls for peripheral regions as the 'old economy'. Under-developed regions attempting to use this sector as a primary economic strategy should be careful, as its use in such a manner is less than guaranteed to succeed. Under certain conditions, as in Ireland, dramatic economic results can occur. However, these exact conditions are more difficult to replicate than many policymakers contend or it would appear on the surface. More modest results are to be expected, as in the New Brunswick case.
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