

PANEL REVIEW

Unemployment in Newfoundland

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on

Building on Our Strengths: Report of the Royal Commission on Employment and Unemployment. St. John's: Queen's Printer, 1986.

BUILDING ON OUR STRENGTHS is an extremely well-written, enjoyable report that avoids most of the uncomfortable questions pertaining to unemployment in Newfoundland. Its approach can be characterized as utopian. It evinces a near-evangelical faith in job expansion through technical progress, attitudinal change and rural development. It is a joy to read, but for the economist it is a burden to analyze and contemplate.

The rug is pulled out from under the reader almost immediately. The first of the report's 242 recommendations enjoins the Newfoundland Statistics Agency to devise and implement an "adequate labour force survey for Newfoundland" (82). What is inadequate about the present survey? The Commission, we read, faced numerous interveners complaining that the "official" measures of unemployment are inappropriate for Newfoundland and its localities. The Corner Brook Labor Adjustment Program Committee reportedly questioned official unemployment figures and complained that "official rates did indeed underestimate the true level of joblessness in the area." The Gander Town Council insisted that "communities in

Gander's trading area will show that in certain instances the [unemployment] rate could be as high as 80 per cent."

Surely there is a serious misunderstanding about numbers here. It is as if a student claims the professor's calculator must be broken because his grade is lower than the class average. That localities have unemployment rates higher than the provincial average is neither surprising nor sufficient cause to implement a new labor force survey. Indeed, even in the richest provinces we can easily find unemployment rates of 80%. All we need do is (1) find a neighborhood where few workers have jobs, and (2) disaggregate to the neighborhood level. We would gain no new information by doing so, however. There are other problems with numbers throughout the report. With obvious satisfaction, for example, the Commission asserts that "the so-called 'ten week syndrome' is not as widespread as we are often led to believe" (80), and presents a table showing overwhelming evidence of a twenty-six week syndrome. The skeptic will hardly be impressed.

These are minor faults when compared with the report's most basic problem, an ignorance of markets and market considerations. The reader finds reference to the province's "vast" forest resources (146), only to wonder at the paragraphs that follow. Local sawmills are reported as suffering from poor quality and little access to good timber, thus coming off poorly when competing with imports. 80% of local woodworking's inputs are imported because high-quality local wood is unavailable. Forest regeneration is slow, which makes local timber expensive. In short, these paragraphs say that the province's forest resource is not what the *market* calls "vast." In the report's discussion of agriculture and food production, market considerations continue to be ignored. We find here an excellent discussion of past and present attitudes towards agriculture in Newfoundland, and flowcharts such as a "developed seal products component of an integrated animal products industry" (176), listing some twenty-five activities potentially associated with the sealing industry. The chart takes us from the processing of blood and viscera into animal feed, from oil processing into margarine, from abattoirs into fur, even from sealing generally to restaurants and tourism. As we dip and dive from primary to secondary to tertiary industries, however, we somehow miss most of the important questions. Perhaps Newfoundland seal waste can be processed into animal feed; but in a world of record wheat gluts and plunging feed prices, can it hope to be an *economic* source? The report says little here, calling only for further research. The question has been researched exhaustively, however. It has been researched by the market. Every year, billions of Canadian dollars

carry out research by vigorously seeking havens where they can profitably and safely rest for awhile. New installations to process Newfoundland seal waste into animal feed have not been identified as such a potential haven. What is it that new research will uncover that this sort of "research" has missed?

How much wisdom should we ascribe to this sort of market activity? Perhaps not much, but more than none whatsoever, which is the amount this report seems willing to yield. When the report tells the compelling story of Ivory Coast buyers unable to arrange a 12,000 tonnes per year purchase of Newfoundland fish products (134), the tale is presented as one of entrepreneurial failure. The report blames insufficient infrastructure, as well as lack of imagination on the part of local businessmen. Did local businessmen really miss a grand chance for profit by avoiding this opportunity? Perhaps they were worried about unreliability of delivery of fish products or difficulty in maintaining quality standards. Canadians—Newfoundland businessmen included—find hundreds of ways each year to make money by striking new trade deals. The Ivory Coast deal was not one of them. Perhaps the local businessmen correctly judged that there were better investment opportunities elsewhere. The story, in other words, may yield evidence of *good* business imagination, not its absence.

Building on Our Strengths ignores too much of the real economic world. It ignores markets, market judgments and market signals. Like a volunteer floating in a sensory deprivation tank who, lacking normal signals from the outside world, finds subjective thoughts and feelings parading as if they were real, the report virtually invents its own economic world. Urban industrialization it declares a failure, contending that "current thinking on post-industrial societies envisions a future of decentralized populations, appropriate technologies and sophisticated small communities" (365)—prime targets for regional economic development based on small business, new technology and modest levels of government support. This is a pleasant vision, but it is wrong. It is certainly not a majority opinion among economists that the world is headed for a post-industrial future of "sophisticated small communities." On the contrary, most would agree that cities and their continued growth are here to stay.

The report's stress on rural development also flies in the face of at least one major study of the Newfoundland economy, the 1980 Economic Council of Canada report, *Newfoundland: From Dependency to Self-Reliance*, which based its policy recommendations on a series of quantitative productivity studies at the level of the firm. These studies persuasively argued that

Newfoundland's unemployment is the result of a specific, measurable and potentially correctable phenomenon, namely, low productivity in virtually every industry. The policy prescription was to lower production costs in Newfoundland export industries by encouraging the normal, ongoing process of urbanization.

The most serious of the Royal Commission's mistakes is that it cannot see the economic distinction between a city like St. John's and a project like the Come-by-Chance oil refinery. The report classifies the Economic Council's recommendations on urbanization as belonging to a dusty past of resettlement, superports, refineries and "megaprojects." The urbanization approach has failed, it declares, without answering the question: how would we know if it had succeeded? There is a straightforward economist's answer to this question. To find evidence of economic success merely (1) find those places where people are employed in nonsubsidized jobs, and (2) identify what is going on in those places. That is success. *Building on Our Strengths*, on the other hand, defines a "successful" development strategy as a hazy amalgam of equality, community stability, sharing and new technology. It is uncomfortable with the cold, sad reality that a job means making or doing something for which someone, somewhere, is willing to pay. It judges Newfoundland's urbanization a failure, not because *no* employment was created, but because the quality of this employment is less attractive than that found in a world of "decentralized populations, appropriate technologies and sophisticated small communities." The economic development the report advocates is hardly what economists mean by the term. It is a logical possibility and a desideratum, not a real, identifiable event.

If the rural development advocated by the report were likely to succeed, would we not have seen some evidence of it by now? Thousands of Newfoundlanders have made a voluntary move from rural nonemployment to urban employment. Where, in contrast, are the hundreds of small businesses moving to rural areas in search of higher profits? To prove the point, try the following experiment. Interview someone on the street and ask this individual to comment on the meaning of the words "decentralized populations, appropriate technologies and sophisticated small communities" and the words "He moved to town and got a job." The urbanization called for by the Economic Council is a well-known and ongoing process. If government created jobs by encouraging this urbanization, as the Economic Council of Canada recommended, it would be pushing in the direction in which the economy is already moving.

Urbanization, like other aspects of the real world, is far from perfect. It is

usually an unpleasant process, marked by inequality, personal economic insecurity, and intergenerational rather than personal economic mobility. If we contrast urbanization with the rural economic development advocated by *Building on Our Strengths*, it truly suffers by comparison. The report's rural economic development is characterized by more equality, more personal economic security, and more personal economic mobility. Our policy choice would be clear if we were comparing two real phenomena. The comparison, however, is between a real event and a fantasy. (S.A.)

The Commissioners are concerned with the high dropout rate from the Newfoundland school system now and in the past, and with the low rates of participation in university, college and adult education. They recommend formal, academic, generic, university-type education; they recommend that the high school curriculum be tougher than it is today; they recommend that all fishermen pass tests before receiving licenses; they recommend that all fish plant owners, managers and workers receive formal training; and they recommend that farmers too be trained. They recommend courses for entrepreneurs, for those running small businesses and cooperatives, and for those involved in tourism and regional development, including government officials. They recommend training for those who plan to be involved in the oil and gas industry. They recommend that preschool children throughout Newfoundland and Labrador receive preacademic skills in day-care centres. They recommend strongly that all educational institutions—Memorial University, the community colleges and the schools—place much more emphasis on the economic development of the province. The Commissioners see education—largely formal, academic and institutionalized—as the principal engine in providing jobs for Newfoundlanders and Labradorians. I am in agreement with many, but not all, of their detailed recommendations. What I have now to say is meant, not to deny the overall thrust of the document, but to strengthen it by suggesting certain modifications and additions.

The Commissioners should have placed more emphasis on education to strengthen the household economy. Having identified the importance of household production, they ignore it in their detailed educational recommendations. The household economy will be of greatly increasing importance. Most futurists—Toffler (who calls it prosumption), Handy, Henderson, Robertson and others—regard the production of goods for home consumption rather than sale as a major worldwide trend. The Commissioners should have recommended skill development by schools and colleges in

areas such as home gardens and greenhouses, animal husbandry, as well as hunting and fishing for home consumption.

A significant part of the household economy is the building of a house. It is for most families the most significant capital accumulation of their lifetime, and traditionally in Newfoundland something that every man should provide for his family. What is needed is appropriate training to develop in these men and women without skills, and to improve in those with skills, the ability to build and maintain modern homes—skills related to carpentry, plastering, plumbing, heating and electricity.

By far the greatest contributor to the household economy is an economic role downplayed by the Commission, namely, the immeasurable financial contribution made by homemakers in preparing meals, making clothing, decorating interiors, providing health care, and providing both day-care and night-care for children in the home—vital economic roles usually performed by women, but increasingly shared by men. Instead of recommending that all young children be taken from the rural home and given institutionalized day-care at government expense, it would have been more appropriate to recommend, alternatively, courses to help homemakers provide appropriate preschool learning experiences for their own and neighborhood children. Similarly, they should have recommended courses in health care, nutrition, interior decorating and cooking. The Commissioners did not even recommend that home economics be taught in schools and community colleges. There should have been recommendations, not only to strengthen the skills of the homemaker, but to subsidize the homemaker financially. Subsidized homemaking is cheaper and more effective than institutionalized health care or child care, or restaurant eating. Until now, Newfoundland has been far ahead of all provinces of Canada, and of most countries, in its development of the household economy. We should use our educational system at all levels to augment and to strengthen traditional skills in this major sector of the economy.

The Commission oversells the link between more education and a stronger economy. Just as bigger boats for all fishermen will not guarantee a greater total catch, more education for all will not necessarily produce more jobs. More education and bigger boats increase the comparative advantage of those few who possess them. Never in this province have we been more highly educated; never have there been more unemployed. This is true of most industrial countries. American jobs are going to Hong Kong, South Korea and South America, where educational levels are lower. Moreover, formal education, like formal health care, is very costly, because the labour

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is both intensive and expensive. Providing preschooling for all children, operating half a dozen community colleges, and increasing university enrollments will take enormous sums of money and perhaps divert funds from sounder economic development strategies. This is not to deny the importance of education to economic development, but to inject notes of care and caution.

Again, people with higher levels of formal education often avoid manual labour. They want to be lawyers, doctors, teachers, computer operators and government officials. In our desire to go world-class and high-tech, we would do well not to become so sophisticated that we will not want to perform the economic tasks that are available and necessary. This is not to deny the need for more education. The Commission should, however, have placed somewhat less emphasis on formal, academic education and more on the development of practical, specific skills.

A serious weakness in the Royal Commission report is that it overlooks the moral issues underlying the economic system it proposes. Most futurists agree that automation and computerization will inevitably result in fewer and fewer jobs. The economic system proposed by the report and forecast by futurists is a dual system whereby a minority of people will have high-paying jobs in the bureaucracies, but the increasing majority will have seasonal jobs augmented by transfer payments and household production. The moral issue is income differential. Already in some communities annual incomes of some couples top \$100,000 a year, while many families have incomes of less than \$10,000. In the government bureaucracies, senior officials are sometimes paid five times the amounts paid clerks and others, who work at least as hard. Similarly unacceptable differentials exist in hospitals, universities, and large corporations, differentials not only in wages but in other privileges and benefits. Fishermen with lucrative licenses earn more than those without. This increasingly serious issue of fundamental social injustice is undermining the egalitarian fabric of Newfoundland society; it is one the Commission should have addressed and made strong recommendations about to government and to the educational authorities.

Another moral issue concerns the breakdown of the family, exacerbated by an economic system based on jobs. A homemaker should not be considered unequal to the career person. In developing an economic order based on sound moral values, I see the churches playing a very strong role. Their moral mission must in part be carried out through the school system. That is why it was so disappointing for the Commission, using grossly exaggerated financial data in making its case, to challenge the role of the church.

ches in education. The real challenges facing the churches and the denominational system are: to provide strong leadership, through precept and example, in developing and promulgating a sound modern value system to underlie our emerging economic system; to challenge the immorality, violence, alcoholism and vice emanating largely from American films and television; to insist on a fair economic share for all citizens; and to encourage all of us, especially those in positions of authority, to become appropriate role models for children. The Commissioners have taken too narrow a view of their mandate. They should have addressed the tough moral issues underlying the socioeconomic order they propose for us.

The report recommends toughening the high school curriculum, making it more challenging. I strongly disagree. Most students who drop out of school do so because they are not achieving. The report bases this recommendation on improperly interpreted data. Many Newfoundland youth are turned away, for example, by the science curriculum simply because it is too tough, just as many Newfoundlanders avoid science at Memorial University because of deliberately high failure rates. What we need in Newfoundland are well-taught courses geared to the development levels of students, so that success can be experienced and self-concepts raised in relation to these courses. This is not to deny that a small minority may profit from tougher courses. However, these are not usually the ones who are dropping out of school or not participating in post-secondary education.

I like especially those parts of the report advocating greater involvement by educational institutions in economic development. I like their urging the University to become more heavily involved with courses in fish plant management and fish marketing, with courses for those operating small businesses or running co-operatives. I like their urging the University to carry out research into developing technology appropriate for Newfoundland saw mills and other local manufacturing industries. I like their advocacy of courses in rural and economic development as a possible component in teacher training programs. Of all the major reports that have been written about the economic development of this province, this is the first that respects outport Newfoundland and Labrador. It recognizes and sometimes appreciates the intricate, ingenious, tripartite outport economy, consisting of seasonal jobs, transfer payments and household production. This is in sharp contrast with the works of Parzival Copes, the Economic Council of Canada or Michael Kirby. It is to a large extent a brilliant, sensitive document. I strongly support the need to reinstitute at Memorial University a strong program in rural development and to prescribe a more

vigorous role for field workers in the Extension Service. The University must become more heavily involved with people throughout this province and their present-day economic problems. Similarly, the other post-secondary institutions and indeed the entire educational system must be directed much more than at present to meeting the needs of Newfoundlanders and Labradorians now and in the future. (H.K.)

During the past few years, governments on both sides of the Atlantic have shown a marked reluctance to accept the fact that full employment of the kind we seemed to be moving towards in the 1960s and 70s has gone forever. This is hardly surprising because neither governments nor, it should be added, opposition parties know what to do about it. The causes of this major reversal in the fortunes of the industrialized countries are to some extent a matter of dispute—it is not clear what weight should be attached to the decline in international trade, to growing competition from newly industrialized countries, and to domestic anti-inflation and antiunion measures—but the underlying trend for technology to displace people is unmistakable. During the boom years of the 60s and 70s, when it was widely believed that the world had entered an era of limitless growth, the economy as a whole expanded so rapidly that people displaced by machinery were absorbed by other industries and services. Now that growth rates have slowed down, the trend towards labour-displacement by large-scale industry, accelerating as we strive to remain competitive in international markets, results in substantial and growing unemployment.

This upward trend in unemployment has taken place in a political-economic context of growing awareness of the deadly environmental effect of much modern industrialization. In short, we are discovering that conventional large-scale industry is often bad for the environment, bad for the world's resource base and bad for people, especially young people without work and families in poverty. The search for alternative lifestyles, more humane and sustainable ways of producing goods and services, and more democratic forms of ownership is now becoming a significant movement in Europe and North America. There is, for example, the work of the Rocky Mountain Institute, the Institute for Local Self-Reliance and the Schumacher Society on different aspects of the self-reliant community in the U.S.; and in Britain there are now more than 300 Local Enterprise organizations, 200 community businesses and 1,400 workers' cooperatives. In Canada, the Vancouver City Credit Union is pioneering the local financing of local enterprise and the Municipality of Sudbury has recently adopted

a comprehensive development plan based on local economic development and self-reliance. During the past few years the Ottawa-based Vanier Institute of the Family has held a series of seminars in different provinces on community self-reliance and the breakdown of the conventional systems of social security.

Until recently, Canada has tended to lag behind other industrial countries in its exploration, whether by public or private organizations, of alternatives to large-scale, urban-based industrialization and large-scale resource extraction. But this situation has been dramatically changed with the publication in 1986 of the report of the Royal Commission on Employment and Unemployment in Newfoundland. This is a report of outstanding quality. Appointed early in 1985 to investigate, report on and make recommendations about all aspects of employment and unemployment in the province, the Commission, chaired by Dr. J. D. House, held public hearings in no fewer than forty-two communities and received more than 200 briefs. It commissioned a wide-ranging series of research studies. The result is a report that covers every salient feature of Newfoundland's economic and social institutions and activities. It is also very well written, and the layman will have no difficulty in following its arguments. The evidence is competently marshalled and presented; and its conclusions, often unconventional, are thoroughly practical and convincing. There are some 240 specific recommendations on how to get the economy moving in a new direction. The new direction is in fact a strategy for stimulating new economic activity, increasing self-reliance and employment, and regenerating the economy of the outports. The Commission's central theme is that it is both necessary and feasible to get a fundamental shift in the province's approach to economic development, away from the notion of large-scale industrialization and towards a balanced distribution of economic activity in the form of small-scale enterprises and services of many kinds in the rural communities and small towns in which the majority of Newfoundlanders live.

In a brief historical review of Newfoundland's development, the report distinguishes four phases of development since the 1890s, all of which have had two features in common: their reliance on large-scale, externally dominated industries, and their neglect and erosion of the economy of the outports, the traditional life-support system of Newfoundland. Although these attempts represented the mainstream of official thought for nearly 100 years, other views occasionally surfaced. There was, in 1968, a conference at Memorial University on "Intermediate Adaptation in Newfoundland and the Arctic." It was supported by communities and individuals who had

recognized that, to avoid total dependence and impoverishment, the peripheral areas of rich metropolitan centres needed to furnish themselves with the technologies of self-reliance to become more stable, diverse and economically viable. The conference was memorable because it was the first-ever meeting on appropriate technology and small-scale development to be held in a rich country, and because it was nearly twenty years ahead of its time. Newfoundland had to suffer more industrial failures and increasingly severe unemployment before it became evident that a change of direction was overdue.

The Commission does not make the mistake of substituting one kind of imbalance for another. It does not suggest that all big industry be ignored. Where large-scale enterprise is appropriate for the development of the province's natural resources, the Commission argues for it. But in a particularly interesting section of the report it emphasizes that while the large-scale, capital-intensive approach is right for offshore fisheries, for example, it is singularly inappropriate for the inshore; and accordingly its recommendations here are for the small-scale, for diversity, and for specialized processing and marketing, supported by training programs and relevant research and development.

Any attempt to build up the economy of the outports, the Commission observes, must start with the recognition that wages and unemployment benefits play a special role in that economy: they provide the cash essential to support a subsistence level of household production. The cash income is really the start-up capital that enables people to live on far less cash than would be needed in urban areas and to develop their traditional skills and culture. And this feature of the outport economy leads to what is the pivotal recommendation of this report. There are many proposals that would help to create a more self-reliant economy: improvement in education and training; the creation of new bodies to strengthen local economic development; ways of securing more local control over, and maximizing local economic benefit from large-scale, resource-based industry; support systems for new agri-food and other small industries and services; and special programs for young people and women. But the keystone of the Commission's integrated strategy for employment is its recommendation to reform the income security system. The present system, the Commission argues, comprising Unemployment Insurance (UI) and Social Assistance payments, is not only inadequate in the sense that it is an inefficient and inhumane way of allocating funds to poor households; it is also self-defeating because of the variety of ways in which UI inhibits the willingness to work and runs counter

to local self-reliance (the report specifies no fewer than eleven ways in which it does so). Originally intended to maintain incomes during short periods of unemployment between jobs, UI in Newfoundland (and other parts of Canada) has become the chief supplement to low seasonal incomes. People depend on getting enough work to qualify for UI benefits, whether by logging, fishing, or make-work projects, and the effect—on individuals, bureaucrats, employers and community organizations—is to undermine any serious efforts aimed at sustainable economic development. A new income security system is a precondition of “building on our strengths.”

The Commission recommends a practical alternative: replacing the existing system with a Guaranteed Basic Income and an Earned Income Supplement (and Social Assistance for those incapable of work). The report shows how this system would encourage everyone capable of working to work, even for a low wage, and eliminate the disastrous consequences of the present system. It would have this effect even if payments under the proposed new system were set at a level which, in total, would cost no more than at present. A new income security system along these lines in Newfoundland would be a pilot project for the rest of Canada. It is a *sine qua non* of local economic self-reliance, not only in Canada but in all other industrial countries. The message of *Building on Our Strengths*, in this and many other respects, is accordingly a very important one internationally as well as for Canada. But most of all it should give new hope to the people of Newfoundland. (G.McR.)

The Commission’s findings are stated most succinctly at the outset of the concluding chapter. Its pessimistic view is that a continuation of present trends and policies will lead to continued unacceptably high rates of unemployment in Newfoundland. Its optimistic view is that, if fundamental changes in attitudes and policies that are necessary to stimulate and support enterprise and self-reliance can be effected, unemployment can be greatly reduced and the level of well-being improved.

Refreshingly, no single cure is advocated, but rather a great variety of actions over a broad spectrum. These explicitly take into account Newfoundland’s remoteness from large markets, its small and dispersed population, and the rural nature of its society. The emphasis is therefore on medium and small-scale enterprises, whether public, private, or cooperative, that take advantage of modern technology and communications. Recognizing that 60% of Newfoundlanders live in communities of 5,000 or less, the Commission envisages a major role for small but modern

communities inhabited by literate, well-educated and well-trained people.

The Commissioners made 242 specific recommendations, whose thrust is summarized in a "twenty point programme" in the concluding chapter. Persons familiar with specific economic sectors or problems of Newfoundland may find some of them familiar. That is not a criticism—rather it suggests that the Commissioners listened closely to a wide spectrum of opinion and evaluated it carefully. The real achievement of the Commission is in integrating these myriad ideas into an overall economic, social and educational plan for Newfoundland that reflects a comprehensive vision for the future.

The report's discussion of the rural economy is a major contribution. Although others have recognized its importance, none has presented as rigorous and comprehensive an analysis of it, or one that as effectively challenges both conventional and professional economic wisdom. Rural households are shown to act rationally as producers (contrary to the textbook view of them as simply consumers), but their effectiveness as such is seen as sharply limited by cash shortages. Household production is viewed as a widespread, strategic and effective adaptation to the contemporary economy, inextricably linked to wage employment and UI. For all its problems, the rural economy is seen, not as a weakness to be forcibly abandoned, but as a strength on which to build. Without minimizing the distinctive features of the Newfoundland economy, it is clear that the relevance of the Commission's analysis extends to much of northern Canada and to the marginal areas of every province. Many recognize (or pay lip service to) the importance of subsistence activity and household production, but few have a good grasp of how these really work. Injecting such an understanding into discussion of public policy is no small task or achievement.

For all the strengths of the Commission's report, one wonders about the prospects for its implementation. The Commissioners have tried to rise above political differences and to appeal to all interests in Newfoundland society: labour and capital, left and right, rural and urban. Certainly it is important to avoid being labelled and thus rejected out of hand. Presumably, however, there are some very powerful interests both within and outside Newfoundland which would not welcome any significant tampering with the present state of affairs and the benefits they derive from it. A South American military dictator recently characterized sound government as being based on "an understanding between those who work and those who give work." In a historically dependent society such as Newfoundland there is a widespread reluctance to challenge those who give

work, whether they be the major corporate actors in the province or the American military even after its departure. There is a major task of mental decolonization to be done, as the Commission recognizes, as well as that of persuasion of powerful external interests, including the federal government. Surely this is a profoundly political task that will require enormous energy and resources.

And speaking of our American friends, were not the Commissioners a little ingenuous in their neutrality on free trade? How is it possible to advocate local preference, distinctive social programs and an increased reliance on the service sector, when the objectives of our negotiating partners must necessarily include the removal of the first two and the penetration of the last?

Nonetheless, *Building on Our Strengths* is an important and timely document, not only for what it tells us about Newfoundland, but also for what it implies about vast reaches of Canada in which occupational pluralism is the norm, for that is indeed a useful indicator of being in the periphery as opposed to the centre. There is much to stimulate further analysis here. How, for example, do we measure not only output but success in a peripheral economy? The pluralistic rural economy, or the mixed economy as it is often called in the Canadian North, can be a crucial basis of stability in the face of uncontrollable external shocks. It must, however, rely not only on its labour inputs but also on the social organization and values of its labour force; not only on its cash inputs, but also on the viability of its resource base and on security of tenure and access to that resource base.

If one imagines this economy as a giant sponge which absorbs labour in the downturns and releases it in the upturns, then the chief measure of its health and viability is not its contribution to the gross domestic product in any year but its capacity in terms of the amount of labour it can absorb and the speed with which it can do so. Flexibility is therefore essential, as the Commission recognizes, for example, in its discussion of the inshore fishery. It must also be recognized that the objectives of the rural economy are different from the urban: not accumulation and growth, but the maintenance of the social system. Hence the importance of maintaining the values of generalized reciprocity and mutual aid. Enterprise is by no means absent in rural communities, but the measure of its success there is not necessarily the profitability or longevity of individual firms (or households) but the maintenance of the conditions under which such enterprises can continually come into being.

The reality of Newfoundland's future, like that of other parts of the Canadian periphery, is that economic strategy must be based on a balance

of three elements. One is the promotion of staple, export-based industries; another is increased local self-reliance and import substitution; and the third is a more creative approach to transfer payments from the heartland, in which there is greater emphasis on transfers to medium and small-scale productive enterprises (including households) rather than simply to individuals or governments. Ideological sloganeering about abandoning any one in favour of the others should simply be ignored. However fashionable it may seem to move to Toronto in search of high finance, high-tech and high consumption, if Canada is to survive as a nation rather than as a city-state, life must also be productive and rewarding in the periphery. *Building on Our Strengths* tells us much about how to make it so. (P.U.)