Back to the Future or the End of History? Lessons for the future of the New Brunswick economy from a century of government economic development strategies

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2020 has been a tough end to a lost decade of economic growth for New Brunswick. The province was already grappling with demographic challenges, a concerning sustained increase in its public debt, and a lack of export growth after 2008, which in turn has stalled GDP growth. With growing reliance on federal transfers, the province has shifted increasingly to public sector driven employment and income transfers in its economic base. Now the province is dealing with the repercussions of months of partial economic shut-down due to measures enacted to slow the spread of COVID-19 - with no end in sight for the new normal of a "90% economy."As the province looks at ways to rebuild its economy in the wake of its lost decade and COVID-19, what lessons can it take from previous governments' approaches to growing the economy? If New Brunswick decides to continue with the diversification agenda pursued by recent governments, how much federal help can it rely on, and what policy and financial levers does the province have to attract investors to the province?

The recurring tension for the province's economic development is between allowing the market to determine what (and where) the province will produce, versus the government attempting to alter what the province produces and where in the province it is produced. The main policy approaches for provincial economic development, broadly speaking, have been: 1) to rely on market forces to bring in new investment and to make policy decisions and infrastructure investments to foster a favourable business climate; or, 2) to actively guide the province towards new industries by targeting sectors that seem most promising and aggressively courting companies and/or financially supporting projects to bring new industry to the province. It is not, however, the case that governments need to decide on one of these approaches – in fact, it appears their best chance of success would be focusing on a combination of these approaches.

Introduction

In 1964, the government chose six artists to create the works that would be displayed in the new building that would become the centre of Government in the Province. The Centennial Building was set to open in March 1967 for Canada's 100th birthday and "The artists were all given direction by the Robichaud government to build pieces that showed the potential of New Brunswick's future." The six murals that went on public display in the building represented industrial opportunities for driving growth in New Brunswick, including the forestry, mining, fishing and farming industries, and celebrated the province's literature and history.[1] Today, the Centennial building has been sold to a private developer with government housed in the new Chancery Court building across the street from the Centennial Building on what was previously a park providing views of the Centennial Building from Queen Street. Jon Pederson who assisted with the creation of one of the murals suggests that "The Centennial Building, it was once a wonderful symbol of the future of New Brunswick and since the Higgs government took over, it's a dying symbol of the future of the province. I think it's a pretty good metaphor."

Pictured below, the Centennial Building, housing the offices of the New Brunswick Government.

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[1] Claude Roussel created a welded steel-rod mural depicting a forest with lumbermen hauling logs. Bruno Bobak painted and gauged a plywood mural that shows in chiselled lines three miners. Jack Humphrey did a coloured-glass mosaic tile mural of three fishermen walking onshore. Tom Forrestall welded a sheet of steel with a patina of farm animals, plants, barns and a tractor. Fred Ross painted a circular mural, with almost completely abstract curves. It celebrates New Brunswick writers like Charles G. D. Roberts. John Hooper's large bronze mural relief was inspired the history of the New Brunswick people. https://newsinteractives.cbc.ca/longform/centennial-building-art

Mr. Pederson's interpretation of the demise of the Centennial Building and its public art as a symbol for the future to being a threatened artifact representing the old province that many New Brunswickers aspire to leave behind. Where Louis Robichaud's government, and later Richard Hatfield's, looked to these traditional export sectors to drive the industrialization of the economy, after the economic devastation of the 1980s, the province sought new sectors for growth like IT/ICT and increasingly since 2010, the government itself.

If murals were to be commissioned for the building today to show the potential for the future of the province in 2020, then what sectors and industries, if any, would we depict? Where we stand today is at a crossroads for the future of the province. The celebrated resources that drove the economy in the past are still available but the public policy commitment to ensuring the competitiveness of exporters in the province is not. The voting public which once demanded government action to bring high wage jobs in first pulp and paper, then industrial food processing, then mining and smelting, and later adding aquaculture to lucrative fisheries, today is more likely to demand that the same industries be restrained with taxes, regulation and social license. We are left with a conundrum as to whether the last decade of sluggish growth reflects that the industries that were the future of the economy in 1967 are spent forces five decades later requiring a new vision.

It may be that Premier Blaine Higgs agrees with Jon Pederson that the Centennial Building is a dying symbol of the old future of the province. The November 2020 Throne Speech of the re-elected Higgs government had an intriguing theme – New Brunswick "re-invented."[2] Recognizing the high dependence of the provincial economy on public sector investment and spending, the Throne Speech called for "increasing private sector investment, increasing productivity, diversifying and growing exports, and increasing immigration and repatriation" to "create the foundation for economic recovery and growth which will culminate in an increase in GDP." The Throne Speech highlighted that government department and agencies will support the adoption of new cutting-edge technologies, investment and development of energy opportunities like Small Modular Nuclear Reactors, digital connections to international markets and the attraction of firms and investment from Europe and India. The province needs more firms engaged in exports and less based on commodities subject to market volatility. Thematically, the 2020 Throne Speech highlighted the Government's economic strategy, *Closing the Gap in One Generation*, which aims to close the prosperity gap between New Brunswick and the rest of Canada.

What was remarkable about the Higgs vision of re-invention is that it lacked the specificity of Premiers' aspirations and plans for re-inventing the province with industrial policy for driving economic growth before the economy stalled in 2010. In the past, re-invention has involved a focus on growing the economy with extracting more value from the province's abundant natural resources with secondary manufacturing and mineral development. Later, re-invention referred more to geographic sharing of the gains of growth and diversifying to the industrial base to grow the economy. Even later, as resource based industries seemed like sputtering engines, re-invention began to refer to replacing the reliance on

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[2] Adam Huras, "Time to reinvent New Brunswick: Throne speech promises municipal and health reform," Daily Gleaner Wednesday November 16, 2020, A1.
https://www2.gnb.ca/content/dam/gnb/Corporate/pdf/ThroneSpeech/2020/TS-2020.pdf pages 10 and 11

traditional economic strengths with "new industries" which in the case of Miramichi were called "replacement industries."[3] Call centres, IT/ICT and energy developments were a focus until 2010.

In 2020, following a decade of almost no economic growth, re-invention of New Brunswick has the broader business of government as the basis for the provincial actions. Quests for federal transfer dollars to pay for government employees and services and imports have displaced efforts to grow exports, find new markets and create jobs through businesses. The 2020 Throne Speech is really more of a call to a "return to the business sector driven economy" rather than a novel, "re-invention". What is not clear in 2020 is whether the province needs re-invention, or if the province needs to rediscover its economy and return to earlier proven strategies for growth that as late as 2010, had been closing the prosperity gap with the rest of Canada.

The question that New Brunswickers face in 2020 is whether we are at the end of the growth path based on traditional strengths in the resource industries, and thus faced with an urgent need to diversify and grow non-resource industries? Or have we lost sight of the opportunities that are still available from the province's traditional strengths, meaning we need to get back on track? Previous generations of New Brunswickers successfully developed a high standard of living, manufacturing-based economy rooted in an understanding of what it took to compete in export markets from New Brunswick. With a better understanding of how they accomplished what they did, then we can either learn what we can and need to do to get back on track, or determine if we are seeking a new growth path (including no growth).

The goal of our project

2020 has been a tough end to a lost decade of economic growth for New Brunswick. The province was already grappling with demographic challenges, a concerning sustained increase in its public debt, and a lack of export growth, which in turn has stalled GDP growth. With growing reliance on federal transfers, the province has shifted increasingly to public sector driven employment and income transfers in its economic base. Now the province is dealing with the repercussions of months of partial economic shut-down due to measures enacted to slow the spread of COVID-19 - with no end in sight for the new normal of a "90% economy."[4] The decisions made by government now will have important ramifications for how the province emerges from the COVID-19 recession.

As the province looks at ways to rebuild its economy in the wake of its lost decade and COVID-19, and uncertainty about the severity of the resulting global recession looms, what lessons can it take from previous governments' approaches to growing the economy? If New Brunswick decides to continue with the diversification agenda pursued by recent governments, how much federal help can it rely on, and what policy and financial levers does the province have to attract investors to the province?

This project examines case studies illustrating how New Brunswick governments have approached economic development over the past century. To identify some key themes to inform our understanding of the New Brunswick economy and what policies create opportunities for growth we revisit the rise,

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[3] Wilbur, Richard. "New Brunswick: An Annual Review, 1960-2006" 2008

[4] "The 90% economy that lockdowns will leave behind." April 30, 2020. *The Economist.* https://www.economist.com/briefing/2020/04/30/the-90-economy-that-lockdowns-will-leave-behind

decline and stabilization of the pulp and paper industry, as well as more recent projects aimed at economic diversification such as industrial parks, call centres, and an array of strategic sectors.

We highlight a shift, starting in the mid-20th century, that saw New Brunswick provincial governments move from economic planning based on traditional resource industries to a focus on promoting secondary manufacturing to capture more value added from resource exports. Later, the objective of economic development turned to diversification to lessen the province's reliance on resource exporting industries.

The recurring tension for the province's economic development is between allowing the market to determine what (and where) the province will produce, versus the government attempting to alter what the province produces and where in the province it is produced. The main policy approaches for provincial economic development, broadly speaking, have been: 1) to rely on market forces to bring in new investment and to make policy decisions and infrastructure investments to foster a favourable business climate;[5] or, 2) to actively guide the province towards new industries by targeting sectors that seem most promising and aggressively courting companies and/or financially supporting projects to bring new industry to the province. It is not, however, the case that governments need to decide on one of these approaches – in fact, it appears their best chance of success would be focusing on a combination of these approaches.

Why should we care about the growth of the New Brunswick economy?

This study takes a lens of growth as the objective but we recognize that since the turn of the last century there has been declining social acceptance of the primacy of growth as the objective of government actions and policies, both provincial and federal.

In a little remembered book from 1971 titled "Forced Growth", Philip Mathias asked "Why bother to develop the remote parts of Canada at all?" His answer for the Maritimes was that industrial development was needed "to end poverty and redress social disorders created by sweeping changes in the economic patterns of the country." In 1971 the greatest concern was balancing the need for economic growth and the reliance on foreign capital with undue influence on the economy and policy making. Today, while many of us are inclined to agree that Mathias's answer is still on point, many New Brunswickers do not see growth as the remedy for poverty or social upheaval associated with global economic shifts and rapid technological change. In many cases, some may see growth as the cause of the social disorders like inequality and lack of political empowerment of many.

Historically, growth of the economy was associated with employment, population increase, trade values and volumes (even unemployment is a relatively recent focus in society). Later, incomes, personal incomes, public revenues and "national expenditure" or "national income" were developed as measures for evaluating the state of the economy and its increase in size. After the 1930s Depression the two pressing problems of government were achieving full employment and keeping the public treasury

[5] A "passive rentier state" is willing to concede to private corporations economic rents accruing from natural resources in exchange for development. It is also reluctant to intervene in private development projects. See John Richards and Larry Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto: McClelland and Stewart 1979), 73-4; 319-29.

sustainable. Both goals were associated with investment and industrial production particularly at a time where primary, resource based industries and agriculture were large parts of the economy.

Opposition to many of the efforts of government to develop resources and attract producers has always existed to some degree in New Brunswick whether it was conservation groups opposing hydro development along the Saint John River in the 1950s, the Conservation Council of New Brunswick objecting to the deep water oil terminal in Lorneville, objection to effluent in the rivers from sulfite pulp mills from the Miramichi Salmon Association and other civil society groups downstream of the mills, and opposition of citizen groups to spraying forest lands to control spruce bud worm. Until the 1970s, it seems that the jobs imperative trumped the environmental and social concerns where more often the concern of government was under-utilization of timber rights and the slow growth of output from mining projects.

As the shipbuilding and tariff protected manufacturing of the nineteenth withered into the 20th century, and as local lumber barons faced catastrophic market conditions in the early 1920s, industrial production of natural resources for export depended increasingly on external, multi-national producers willing to locate production facilities in the province. Later, By the 1970s, the provincial economy had transformed from commodity exporting province to more of an exporter of secondary manufacturing from extractive resource industries. Growth of the economy and prosperity was associated with the output of those industries and government focused on ensuring that they were producing, but also after 1960, trying to direct the location of those industries.

Growth of the economy was also the target of government after 1970 when decisions were made to promote industries that were not dependent on the resource base and to focus growth in the two big cities of the province, Moncton and Saint John. While there was growing recognition of the need for regulation in resource based industries to address public concerns about the environment and labour concerns, jobs and income were goals of government along with diversification of industrial base. The new strategy did not challenge the importance of the forest sector, mining, agriculture or the fisheries but sought to add to that base.

If there is a turning point in the story around the growth objectives of New Brunswick, they are likely found in the aftermath of the tumultuous 1990s and created in the mid-2000s from an unlikely source – concerns over (economic) efficiency of industrial policy and concerns over fairness of industrial policy. Notably, in the mid-2000s New Brunswick, like many other provinces, abandoned its use of electricity supply as an industrial support. The massive investments in power generation and transmission of the 1950s and 1960s were aimed at providing low cost power to attract secondary manufacturing. The province's Crown Corporation, NB Power, would not have a mandate to promote industry with advantageous power pricing and over time would have business interests and financial needs at odds with the province's goal of using low cost power as a source of industrial competitiveness. After the 2006 the power industry regulator would deem that the public interest was to price power in the province according to a fairness criteria that large industry would pay a rate to cover the full cost of the power it used. Supports for industry going forward would need to come directly, and transparently, through government which was the body responsible for industrial development. The immediate aftermath of this change was a loss of pulp and paper mills in the Northeast and the tumble down impacts for the forest sector. The broad interpretation of this outcome was that the forest sector was done as an economic engine.

Following the 2008 recession, as the province lost its mining in the northeast, there seemed to be less interest in the public or on the part of government to re-invigorate the growth of resource based industries, despite having paid millions of dollars in direct support to keep several pulp and paper mills operating. Mining projects around shale gas, and other hard rock minerals, have been stopped with unresolved social license visibly associated with public protests at mine sites. Forest policies are more oriented toward environmental goals of conservation, aesthetics of the forest, fairness of royalties/stumpage for crown timber and the share of supply promoted from small woodlot owners. This contrasts with the historic forest policies of long term timber rights and public push to harvest and process at a faster rate to create jobs.

It is not appropriate for an economist to judge the objective of society so these observations are offered simply to highlight that societal objectives as defined by the government of the day have changed. Growth, or jobs, is no longer the primary objective for policy efforts and competes as one of several priorities that include the environment and re-distribution. Indeed, many in New Brunswick question whether growth should even be included as a goal.

What we believe comes from our overview of government growth agendas of the last century is that there are lessons for paths forward once New Brunswickers determine their social goals and objectives. Growth can still come from the resource based industries but that will require a re-focusing of policies on the competitiveness of producers. Or, growth can come from attempting to diversifying the economy into new industries like CyberSecurity, Digital Health and Small Modular Nuclear Reactors. But those industrial opportunities other than the Nuclear reactors have no obvious ties to the province other than the visions of local entrepreneurs and financial, regulatory and policy supports of government. A strong commitment and focus of government on business sector opportunities can carry considerable political risk and one shift in the politics of the province was a string of shortlived, mostly one term, governments. Or, New Brunswick can opt to do nothing and remain on its current path of no growth, and even negative growth, dependent on public employment and expenditures as a source of GDP. In this case, federal monies that in the past were used to drive resource based industries and secondary manufacturing exports to create jobs and incomes for New Brunswickers now just pay for the jobs directly or are simply transferred to households. We have replaced the volatility of resource industry GDP with a federally supported public sector which has introduced a different source of volatility for the economy more reflective of federal politics and economic growth of other provinces.

100 years of economic planning in New Brunswick

Before the 1960s, the government of New Brunswick followed an agenda of relying on natural resources to create wealth – specifically by attracting external capital, heavy industry, processing and secondary manufacturing based on its forests, minerals, agriculture and fisheries. The province sought to leverage its resource and labour abundance as a source of competitive advantage for exporters. Government intervention focused on creating competitive advantages of the locations in the province through credibly establishing long-term predictability of business conditions for investors, developing transportation subsidies and infrastructure and driving investment in low cost energy supply for producers. The location of investment and development was largely driven by the location of available resource endowments. The general approach was one of adapting policies to meet the demands of interests looking to locate and invest in the province. Early on this was with business-friendly resource policy such as long tenure timber rights, and later on with the use provincial and federal dollars to attract international producers to establish a presence in the province for their export-based industries. The establishment and growth of the pulp and paper sector in the province during this period provides an illustrative case study of this strategy.

From the early 19th century until confederation, New Brunswick was growing rapidly, largely due to its booming timber industry and shipyards. The colony grew from 20,000 people in 1803 to 252,000 in 1861 (Saillant 2015, p. 82-83). But the years following Confederation in 1867 saw the province's economic development shift course: railroad construction opened up the North American continent, turning trade routes inwards and lessening the province's geographic advantage. The "sea and sail" era was also coming to an end. As shipbuilding fell into decline and lessened the demand for timber, New Brunswick had little initial success in moving into the mass production manufacturing industries of the early 20th century. These industries were drawn to the Laurentian lowlands region, with its larger population and proximity to key markets. Instead, New Brunswick's economy remained dependent on natural resources. The province allowed the dominance of the lumber industry to die out by the 1920s and focused on encouraging the growth of pulp and paper manufacturing as the main driver of its economy.

As the pulp and paper industry was taking hold in New Brunswick in the 1920s, provincial governments experimented with different measures to get companies to begin producing, but they had little success until the Baxter government of the late 1920s focused on meeting producers' demands through generous concessions and policies around Crown land leasing.

Governments during the early-mid 20th century were also rushing to put adequate energy infrastructure in place to ensure a steady supply of cheap power to support the heavy industry they wanted to attract. We see this with the provincial government's "power for industry" quest in the 1950s, in which Hugh John Flemming's Conservatives pushed to get energy infrastructure in place and granted the requests of American mining interests to try to get mineral discoveries in the Northeast developed.

The Flemming government in the 1950s also sought to advance the processing of agricultural products of the province by developing frozen food processors. After failing to attract a US company to the province, the province supported the McCain brothers' foray into the industry, leading to the highest profile business success that emerged from this strategy (Savoie 2013).

After WW2 there were growing concerns that not all regions were sharing in the benefits of Canada's growing prosperity, fuelling a series of policies aimed at wealth redistribution, most notably the establishment of the federal equalization program in 1957. From the 1960s, numerous Federal programs tried to improve the economies of have-less provinces. As a result of this push, New Brunswick's economic development from around the mid-20th century became inextricably intertwined with what kind of federal assistance it could depend on.

In 1971, Philip Mathias used the term "forced growth" to describe how provincial governments and the Canadian government were becoming more involved in industrial development, particularly in "depressed regions" of the country. According the Mathias, in this context "Forcing" was "the process of hastening growth of plant by an artificial environment and the application of growth-promoting substances obtained from external sources". Mathias also proposed that "A forced plant tends to be less robust." The 1960s saw the emergence of federal and provincial loan guarantees, cash incentives, equity stakes, purchase contracts and other means to support the development of industrial projects in sites, and industries, that existing producers in Canada did not see as economic to develop in the absence of support. Governments seeking jobs and revenue for their provinces were frustrated at the (often remote and lower quality) forest resources that lay untouched, at hydroelectric potential distant from markets in time and space undeveloped, and with industrial investment passing over the places where jobs were desperately needed. The power of government to create the demand, or broker the contract, for the products, to de-risk the projects and to support the sales of shares and bonds to finance the project seemed like an obvious path for government to attract industry and direct its location.

Mathias' conclusion was that governments were out of their depth in getting involved in complex heavy industries like Pulp and Paper, or in novel processes like the production of heavy water, at a heavy cost to taxpayers. In an introduction to the book, University of Toronto economist Abraham Rotstein raised another concern with the Forced Growth approach of attracting foreign investors and developers to Canada was that control of the Canadian economy was ceded to foreign corporations. Failure to develop the role of Canadian corporations in regional development would result in a reliance on foreign firms or Crown Corporations. According to Rotstein, regaining control over the Canadian economy and the support of regional development must be seen as complementary initiatives.

As Canada moved toward Keynesian policies of injecting wealth into the economy, governments poured millions of dollars into incentives aimed at attracting new foreign investment. No longer content to rely on attractive business conditions and energy infrastructure to encourage companies to do business in the province, provincial governments would put money on the table to "force growth" by drawing investment to target regions that needed jobs. By the 1960s, the perceived role of government was not just to create wealth, but to redistribute it to depressed regions. For the federal government, the move towards redistributive policy in the 1960s encompassed more wealth transfers at the level of tax policy, as well as the rise of regional economic development programs such as the creation of the Department of Regional Economic Expansion (DREE) in 1969.

In the 1960s and 1970s, access to abundant federal dollars was an important part of the province's competitive advantage. By the time federal programs came into play, Louis J. Robichaud's Liberal government in New Brunswick was already focused on creating employment opportunities in disadvantaged regions in the North, and a central part of his strategy was attracting new mills and industry using generous concessions as well as funding, regardless of whether the market conditions of the time justified them.

During the 1960s and 1970s, provincial governments were also trying to move away from reliance on a few key resource industries – marking the beginning of the diversification agenda that would preoccupy ensuing governments. Federal and provincial funds were funnelled into attempts to diversify the province's industrial base while bringing jobs to disadvantaged regions. The main strategy was building industrial parks to try to attract manufacturers to locate in New Brunswick. We see an early example of this with the example of the (failed) Westmorland Chemical Park project in the 1960s.

In the 1970s, the era of the provincial government-driven "investment attraction" strategy and the state-sponsored industrial mega-projects reached its peak. A notable example from this period is Richard Hatfield's Conservative government's failed attempt to bring the automotive industry to the province in the 1970s with the Bricklin car, a project that received a sizable infusion of provincial and federal funds. After the failure of the Bricklin and the related Saint John Multiplex scheme, the Hatfield government retreated from its diversification agenda, pressed the brakes on large scale investment in industrial projects, and rode out the remainder of its mandate in the late-70s and early-80s focusing on support for small enterprises.

Federal regional economic development schemes fell to the wayside in the 1980s after going through multiple instantiations. In the 1990s, Frank McKenna's Liberal government picked up the diversification agenda again, but with less spending power than previous governments. Rather than focusing mega-projects, the McKenna government zeroed in on one industry, and aggressively worked to attract a slew of call centres to New Brunswick within a relatively short period of time. Although it could offer little in the way of cash incentives to convince companies to locate in the province, McKenna's pitches highlighted the province's key advantages at the time: NBTel's outstanding telecoms infrastructure and expertise, and the province's relatively cheap and abundant labour force. This economic strategy focused on administrative efficiency and the creation of strong business conditions, and particularly advantaged the province's largest cities.

Since the turn of the 21st century, the stated goal of provincial governments has repeatedly been to diversify the economy away from volatile resource exports and create a modern economy, with the government remaining a major actor in economic development. For the past two decades, successive governments have expressed worry about province's reliance on exports to the US in a few key sectors. The proposed solution has been to identify "strategic sectors" for investment in the hopes of diversifying and risk-proofing the economy. The emphasis has been on growing more diversified export-ready companies, creating value-added products, and expanding the province's export base with new knowledge-oriented products and services. Perhaps partly because the past few governments have been replaced after only one mandate, or because government have not narrowed their focus enough, the province in recent years has not seen the level of sustained effort to developing any one industry that it saw with call centres in the McKenna years. Meanwhile, the province's labour pool - the competitive advantage leveraged so successfully by the McKenna government – has evolved to be tighter in some sectors (such as manufacturing and processing), prompting demands for higher wages and hastening the need for accelerated immigration efforts.

Despite decades of efforts toward diversification, the province remains reliant on its traditional industries, and the government has not been successful in bringing in industries that could replace the wealth and employment historically supplied by its resource industries, particularly in the small communities that are often dependent on one large employer, such as a mine or a mill.[6] Another trend over the past two decades has been periodic attempts to grow or diversify the resource industry mix and boost the economy through proposed projects like shale gas extraction, the Energy East pipeline, Sisson mine, and most recently the proposed Maritime Iron project. These projects always seem to fall through or hit significant delays, with strong opposition from the public playing a major role.

[6] According to the 2008 Atlantic Provinces Economic Council (APEC) report entitled The New Brunswick Forest Industry: The Potential Economic Impact of Proposals to Increase the Wood Supply, "New Brunswick in particular has the most forest intensive economy of any province in Canada" (p.4)
https://www2.gnb.ca/content/dam/gnb/Departments/nr-rn/pdf/en/ForestsCrownLands/OurForestIndustry.pdf

What does the past 100 years of economic planning in New Brunswick have to teach us? Although we can glean insight from previous government strategies, copying any one tactic won't work, because the province is no longer playing with the hand it was dealt decades ago. New Brunswick's previous competitive advantages of abundant labour and cheap power are gone. The province doesn't offer a particularly enticing location for new industry in terms of business costs, transportation costs, and levels of taxation. Resource industries, the province's traditional strength, all face environmental, regulatory, social license challenges that offset advantage.

We examine the growth of the pulp and paper industry in New Brunswick in the early 20th century, as well as the decades of struggle and rationalization that followed. Through this case study, we gain insight into the impacts of different government approaches to growing and sustaining an industrial presence in the province: the first is creating conditions for growth through a focus on energy infrastructure, generous concessions, and stable policies around resource rights; the second is a "forced growth" model (Mathias 1971) in which government policies and spending aims to more directly influence the nature and location of investment to accomplish a political purpose (e.g. to bring jobs to a community in need or to bring more competitors into an industry). The development of the mining industry in the Northeast in the 1950s and 1960s also sheds light on these themes. In more recent years, the forced growth model for the pulp and paper industry has evolved into a "forced survival" model where government spends millions of dollars to ensure the mills left behind by exiting foreign investors remain in operation.

We look at what we have dubbed "the Petrie economy" after economist Joseph Petrie's 1944 vision of a post-war economy built on higher value added uses of primary resources through the establishment of a strong secondary-manufacturing sector. We trace the Flemming government's pursuit of "power for industry" and efforts to attract investment in the burgeoning mining industry shows that the strategy of putting favorable business conditions in place doesn't always yield immediate results – raising the question of whether "forced" growth should be the preferred course of action when development is slow. This section also examines the factors that contributed to the rise of McCain Foods in the 1950s, which was based on a combination of good timing, direct government investment, and public-sector R&D. It also raises the question – could our current system of entrepreneurial supports produce another success story on the scale of McCain foods?

We describe a shift beginning in the 1960s and 70s that saw provincial governments striving to diversify the province's export mix away from its main resource industries. We also examine the role and impact of federal regional development programs and the government's efforts to direct the location of towards areas most in need of jobs. As the federal funding dried up, governments could initially rely on competitive assets like labour abundance to attract investment. More recently, successive one-term governments have continued to emphasize a diversification agenda, but have struggled to tighten their focus and present a compelling business case to attract the desired industries/investment.

We ask "what's next?" We examine some of the major hurdles standing between present day New Brunswick and economic growth. The province is heavily indebted, reliant on uncertain federal transfers, and stands on the precipice of a "fiscal cliff" that could spell disaster. Its former competitive advantages of abundant, cheap labour and reliable, affordable energy for large industry have dried up due to demographic decline and policy shifts. The province is also seeing a shift in the ethos of its population that prioritizes environmentalist and distributional goals over the jobs and investment provided by resource-based heavy industry – can this matter of social license be resolved, or will the province have to shift its focus elsewhere for its economic growth?

After decades of economic development efforts aimed at diversifying its industries, New Brunswick remains a peripheral region dependent on natural resources and their downstream industries for its growth. One lesson we must take away from the history of economic development in New Brunswick is that most often our success comes from exports tied to resource and locational advantages. What we want to avoid is pouring resources into industries whose attachment to the region is tied to transient factors such as incentives and low labour costs, or whose viability is dependent on factors like high prices or a low Canadian dollar.

This does not mean we should dismiss the potential of emerging clusters in IT, energy, tourism, etc. Rather, we propose that a successful approach economic development for New Brunswick needs to balance diversification efforts with policies that support sustainable growth in the traditional pillars of the economy.