

Poverty, politics and profits in Smallwood's squid-jigging ground

Newfoundland presents an almost classic case of how not to modernize an underdeveloped region, only more so. The more so is Premier Joseph Smallwood.

It's been 20 years since Newfoundland staggered into confederation. That it did so at all is a tribute to Smallwood's ability and hard work.

Now, the province has an unemployment rate of 10 per cent, and the lowest per capita income and the highest per capita debt in the country. A report prepared for the Smallwood government (and subsequently ignored) indicated that the situation will get worse.

The province's debt will rise from about \$800-million last year to \$1.2-billion in 1972, the report said. It added that only the out-migration (as it is called here) of thousands of Newfoundlanders has kept the unemployment rate from topping 30 per cent.

St. John's reportedly has more millionaires per capita than any other city in Canada. And Newfoundland's potential wealth in fish, minerals and timber is enormous.

The Grand Banks, as a former Smallwood cabinet minister told 3,000 Memorial University students at a rally Oct. 31, is the greatest fishing ground in the world. Labrador is mineral-rich and the province's forests are worth millions in pulp, paper and timber.

"Newfoundland's 500,000 people are probably sitting on more wealth in natural resources than any other 500,000 people anywhere in the world," he said.

What's wrong? The student council at Memorial University, the province's only university, called the rally to coincide with the Liberal party's first-ever leadership and policy convention. The rally discussed what's wrong, and where Newfoundland is going.

The students' immediate reaction is to blame Joey, and they are not alone. The leadership battle revolved almost entirely around Joey's personality and the issues were buried in a landslide of mud. The convention was a leadership convention in name only, and Smallwood must have known that when he started his minor Cultural Revolution.

Joey had too many friends in Newfoundland, and could do too much damage to his enemies, to worry much about losing. But he was obviously worried about the failure of his efforts to bring Newfoundland into the 20th century, and no doubt looked to the convention as a way of demonstrating his "grass roots" support.

Looking at the record, it's easy to blame Joey. The record, as told to me anyway, indicated he has sold the province down the river for a mess of promises. In the process the province has spent millions in outright grants, and millions more in tax and other subsidies to incoming industries. The return in jobs and personal income has remained meagre. Some examples:

The Electric Reduction Company phosphorous plant on Placentia Bay was Joey's baby. And ERCO was happy to come. The company's pollution record and standards have made it an undesirable tenant in the other provinces.

ERCO, if you recall, was in the thick of a flouride poisoning uproar at Dunnville, Ont., two years ago, a controversy which has yet to die down. Keenly felt here is another ERCO pollution triumph—the virtual destruction of Placentia Bay as a source of fish through the dumping of phosphorous waste.

Although ERCO denies it, a pollution expert who spoke to the student rally estimated it would take 15 years for the bay to become fishable again. And meanwhile, as one of the Liberal leadership candidates remarked bitterly, Newfoundland fish must be marked as not from Placentia Bay to be acceptable as exports.

ERCO was supposed to bring a measure of prosperity to the region, providing jobs and income. In fact the company probably costs the government more each year than it brings in.

A speaker at the rally noted that the government had to spend millions setting up a special electricity generating plant to meet ERCO's needs. And ERCO gets a special deal on its electricity—only 2.5 mills per kilowatt hour.

By agreement, however, the government is committed to paying not less than 5 mills per kilowatt hour. The speaker estimated ERCO's subsidy at about \$2.5-million a year for electricity alone.

I was told that 12 or 13 companies own most of the province's mineral-producing areas. A few mines are operating, but in most cases the land lies untouched until it is more profitable for exploitation. The mines now worked are worth hundreds of millions of dollars, of which Joey's government gets about \$2-million a year.

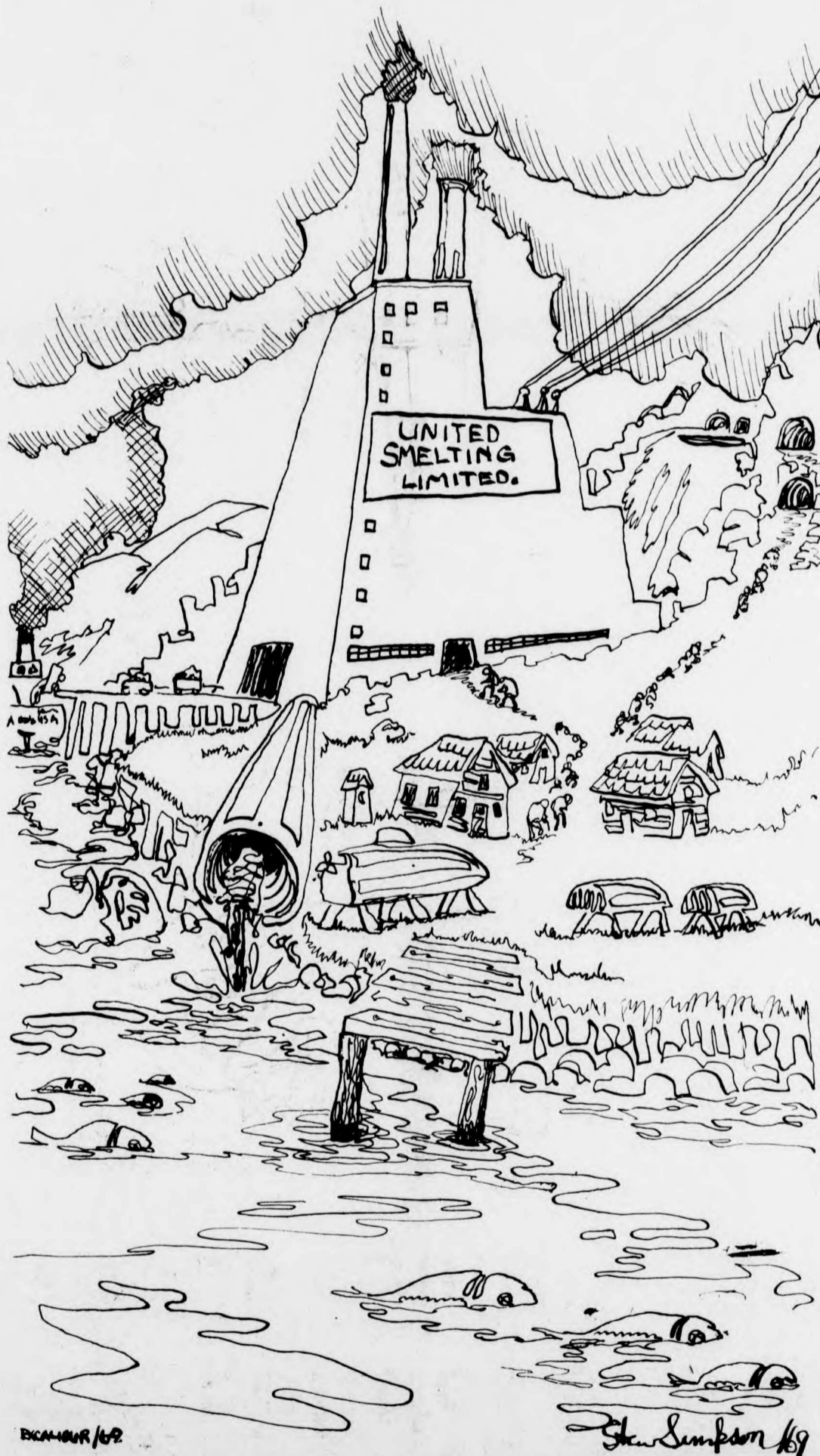
The Liberal government offered an attractive deal to one pulp and paper firm. The province put up about \$30-million against \$5-million by the company to set up a plant. No losses guaranteed, largely publically-financed, and entirely privately-owned.

Every year, I was told, this firm gives away a few hundred thousand dollars to "worthy" projects. The company can afford it—as part of the package, it pays no taxes.

These are all Joey's deals, and all are regarded with some anger by the Newfoundlanders I talked to. A student told me there are two widely-held opinions about Joey's efforts. The charitable view is that he doesn't know how to manage money and has been duped.

The other view is probably libelous. This feeling has colored Liberal leadership hopefuls John Crosbie's and Alex Hickman's approach to the leadership—"Give us the premiership and we'll do a lot better."

By Paul MacRae



But it is doubtful that the solutions are as simple as that. Newfoundland's problem seems more like that of the Third World countries than of any other model, and if the experience of these countries is an indication, bringing in more outside capital will only create more problems than it solves.

At the basis is the nature of capitalism itself. There are already fears here that industry will turn the province into a gigantic slagheap if the province makes it too easy for companies to get in. More important is the capitalist attitude toward people as sources of profit, labor as a commodity like any other commodity, and the distortion of priorities that the capitalist's search for profit brings into an economy.

In their fight to survive as unique economic units, many of the Third World countries have turned logically to socialism as an alternative to U.S. and European ownership of their economies. The countries that have followed the capitalist road find themselves still underdeveloped, and falling behind.

Newfoundland also resembles many countries of the Third World in the intense nationalism of its people. "We're Newfoundlanders first and Canadians second," explains one resident.

And their experience with the capitalists of Canada's mainland is not likely to tighten the bond.

Meanwhile, the Newfoundlander pays millions to bring in private industries, money which could be used to create publicly-owned industry. There are two advantages in following the second course: The profits will belong to the people, and the profits will cease to flow out of the province as they do now.

It would also mean that the needs of the Newfoundland people, and not international capital, came first in priorities.

There is no evidence that the three major leadership candidates are willing to tackle the problem from this angle, and no wonder. Both Crosbie and Hickman own businesses themselves, and Crosbie is one of St. John's millionaires.

Their platforms would simply sell the province at terms slightly more favorable than those Joey is getting. A fourth candidate, Thomas Spencer, said in his campaign speech that Newfoundland must be made more palatable for the "middle classes".

Only 'nuisance' candidate Randy Joyce, a fifth-year student at Memorial, cut through the personality fog to the issues. Reading in part from a weekly column he does for the student newspaper, The Muse, Joyce told the 1,700 convention delegates:

"... I am convinced it would be a disaster to develop Labrador as Mr. Smallwood has tried to develop Newfoundland. The number of jobs actually given to Newfoundlanders is small, and the royalties the Newfoundland government receives from the operations are ridiculously small.

"Most of the profits Newfoundland never sees—they go right out of the province. On top of this, Smallwood has wasted untold millions in promoting private industry of a dubious nature..."

"There appear to be two alternatives to this system of exploitation," Joyce continued. "One is letting private industry operate on a lease basis. The lease would be long enough to enable the company to make a profit; on its expiry the operations would then be run by the government and the profits could be applied to our province's urgent needs, such as education and health.

"The other alternative is complete socialization; that is, existing industries could be taken over by the government..."

The Smallwood delegates sat stoney-faced through Joyce's speech. The Crosbie and Hickman supporters applauded and cheered his attacks on Joey, were more subdued when it came to his concrete proposals.

And Smallwood's speech? Well, for a while, we wondered if he was even going to make one. Half his 30-minute allotment was taken up by a demonstration of support.

First, a Navy cadet band marched into the auditorium-cum-hockey rink, followed by an all-girl high school band, followed by a giggle of pre-pubescent cheerleaders, followed by... another cadet band. And then, of course, Smallwood's delegates flooded the floor.

The speech was pure Joey. No content, no discussion of the issues that had created the huge rift in the Liberal Party, just a flamboyant call for unity. "We are one family!" he cried, raising his arms; "The Liberal family!"

No one was surprised when he won in the voting Saturday. Joey controls Newfoundland. Buck Joey and the construction contracts may dry up. Vote Tory and you may lose your liquor license.

Joey's popularity is based largely on his history, and his power. But he cannot cope with the modern problems, nor will his successors. Following the pattern of Quebec, the province will pass over into the ownership of foreign corporations (and "foreign" to a Newfoundlander includes mainland Canada, just as "foreign" means "English" to a Quebecker).

But Newfoundland may be the only province in Canada where the people will make a break from the private enterprise ideology of their leaders.

Still lacking large industry, and thus without the powerful vested interests that cripple government action for the people in other parts of Canada, and in a situation where most of the people have nothing to lose, Newfoundland's political spectrum may shift left.

And following the pattern of Quebec and the underdeveloped Third World countries, Newfoundlanders may begin talking separatism or revolution to pull themselves out of the mess their leaders have created for them.

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