Welfare "preferable" to nationalization

of pollution control equipment sufficient to satisfy the not very rigorous standards set (if indeed there ary any at all) locally in the designated region. It is true that, in practice, DREE presents applicants with a fairly detailed questionnaire regarding pollution, but the only hard-and-fast guarantee required is of meeting or having met local standards. New Brunswick's attitude to the matter is perhaps best exemplified by a remarkably brief (but very cogent) statement in its de luxe folder hand-out for prospective corporate immigrants. After informing these gentlemen of the attractive legislation designed not only to not interfere with foreign corporations, but actually to make life sweet for them, it blandly continues:

"Exploitation of Natural Resources: Legislation exists in New Brunswick regulating the mining, forest, petroleum and most other natural resources in the Province. Such legislation is of a general effect . . ."

As far as DREE is concerned, of course, the exclusion of primary extractive industries means the absence, from its concern, of some of the worst polluters, such as pulp mills and mining.

It has to be pointed out, particularly in the light of the present situation on the North Shore, that the categories of eligible operations, being set under the Regulations (and not the Act), are alterable. While it would seem from the above that DREE could be of little relevance to an area where the industries threatened are almost all in the exclused category, it requires only an Order-in-Council to allow assistance to these industries, in a chosen area or areas, or indeed generally. When we recall that the whole of the northern Ontario-Quebec mining belt is included as a designated region (but not, of course, the northern Alberta oilfields), the possibilities and the flexibility of DREE as an instrument of political manipulation (apart from any other aspect) become evident.

Once a grant is forthcoming, the conditions attaching to its payment are fairly few and simple. Within the sort of thinking that generated the Act, they are quite logical. The recipient must register employment opportunities with Canada Manpower, and must give preference where possible to local labour. It is unlikely that this would be regarded, in the case of New Brunswick, as a very tricky condition. The government, at least, seems quite confident of the attractiveness (to prospective employers) of the labour situation, as it makes clear in another section of the same folder earlier quoted. Under the heading, LABOUR FORCE, it sets out the following golden statistics: Size of Labour Force: 212,000. Unemployment Rate ('66-'69): 7.4 per cent". (It's always nice to have an exact estimate of the strength of the industrial reserve army at one's disposal.) But there is more to follow; under "Unions", we find that "The CNTU has only one local in New Brunswick." (Sighs of relief that we don't have any of those bitchy frogs to worry about, even if 40 per cent of the population is French-speaking.) And then, "Secondary boycotts are relatively unknown and the attitude towards automation and technological change followsteh general union trend." Everything is put firmly and finally in perspective by a detailed listing of minimum wage legislation, which is not merely unlikely to cause employers any loss of sleep, but will undoubtedly seem to many like the Promised Land at last.

The only other conditions DREE attaches, with regard to labour, are that the recipient of an incentive must "discuss" with Canada Manpower, long-term plans for recruitment and training of employees, and participate in any Manpower programs for employment counselling, placement, adjustment or training. A fairly average amount of ingenuity is all that is required to get around this stipulation, if that should prove necessary. It is hardly the mots difficult thing in the world to discuss employment plans; should "prevailing market conditions" (pesky things!) rear their ugly head, one cannot envisage Manpower doing much else than standing politely aside while the layoffs are arranged, and then sitting sadly contemplating the scattered pieces of the latest Humpty-Dumpty.

Canadian manufacturers must be given reasonable opportunity to supply equipment subsidized by DREE -- but of course only where it is "competitive in performance, price and delivery". The provision is even more hollow than it sounds, when it is realized that in many cases, where specialized or sophisticated equipment is required, it most likely isn't made at all in Canada.

The only major requirement in the Act is that the recipient of the grant come up with the number of jobs promised at the time of application, and remain in operation for 36 months. Any other existing plants owned by the same firm in any designated area, must also be maintained in operation during the period. (Some of the more complex provisions regarding payment of installments of the grant – basically, up to 80 per cent down, and the rest over 36-42 months – would effectively bind the recipient to DREE supervision for up to the latter term. Nothing in the Act, however, extends beyond that period.)

The obvious opportunities for perfectly legal rip-off on a grand scale presented by the program, are fairly obvious. The least subtle version would run something like this. An established firm, whose financial record was beyond doubt, could move into a designated region, set up shop, fulfil all the undemanding requirements of the Act, sink the DREE grant in readily re-saleable and slowly-depreciating equipment, and then, after a safe four years, pull out either from that location, or from some other designated region, to concentrate operations in a better-developed (and thus more profitable) area, taking with it the entire DREE grant, either by selling or trading off the equipment, or indeed by simply moving it. Either way, the business is that much better off – and also free of any obligations. Of course, there are all sorts of less obvious variations. In the case of mining and pulp processing, for example, it might be even more profitable to use the incentive grant to finance processing equipment which could be run at far over capacity and without expensive maintenance for as long as was profitable. In such a case, one simply pulls out when the equipment is on its last legs, or a convenient forest area has been clear-cut, or the best ores extracted. The profit made in the interim could be a far more glittering prize than the amount of the DREE grant as such. Who cares, anyway, if it was a free gift to begin with ? (The practice described is common enough -- Consolidated-Bathurst's Bathurst mill is by all accounts at the end of this process -- but the availability of free money to finance such a frolic, adds a tantalizing new dimension to the whole thing, as the commercials might put it.)

In many ways, a DREE grant is even more desirable to a business than steady profits as such. It is not taxable. It is not even "earned" income, in the sense that term is used in business accounting -- i.e. no extra deployment of capital (in the way of increased labor, materials, plant or investment) has gone into its accumulation It simply pops up on the left-hand side of the balance sheet one day, as an increase in fixed assets, with no corresponding liability of any kind, or expense, to be set against it. Even share (equity) capital, although it is of course at risk, is invested on the understanding (or at least the hope) that dividends will flow forth from it back to the hand that supplied it. It is unlikely to remain there for ever, if this does not turn out to be the case. Debt financing (debentures, bonds, straight loans) has of course to be repaid within a set period of time, and at interest; its investment, therefore, must result not only in profit, but in a sufficiently rapid accumulation of it to allow for the sinking of the debt. And some over, of course. Nothing, however, can quite improve the health of any balance sheet, than a sudden influx of absolutely free capital. The old adage that money makes money takes on a new meaning, for the money DREE money makes is in an absolute sense owed to no-one, and can thus almost perform the feat of showing up in two places at once. Its presence makes the business an attractive proposition for further investment or lending; it will also, undoubtedly, be reflected in better dividends.

Certainly all this is fairly simple and obvious. The trouble is that, economic expansion being the declared aim of the DREE program, many people have been mesmerised into looking at the process through that end of the telescope, and are quite convinced that if this sort of price has to be paid, well, that's that. Although economic "expansion" of the type, and in the context envisaged by such legislation (and by the prevalling mode of economic thinking) can be questioned as any sort of sane or rational economic goal, such criticism lies outside the scope of this article.

But even at the level of solving regional economic disparity in propensity and employment, within the framework of such thinking, the DREE program has lo holes large enough to drive a twelve-lane highway through. Its effect can only be to accelerate the very imbalances it is cupposed to correct. Its ramifications extend further than outlined above. Why keep capital tied up in machinery and jobs, when it may be more profitable to put it in real estate or in running a loan company ? There's nothing to stop you, after three years. So much for job creation.

At the heart of DREE lies the great liberal dream. (small "l" -- its advocates range from Conservatives with technocratic notions, to New Democrats bemused by the glittering Keynesian machine with all those near little levers.) Somehow, with a little bit of carrot and a little bit of stick, we can nudge those in the business of making money, away from their serious concerns sufficiently to allow for "social adjustment", fuller employment, a rising standard of living (but not, of course, too rising), and the Millenium on the installment-buying plan.

It is beginning to become evident that perhaps reality does not work that way. Those seriously concerned with making money have always been aware of that fact; those at the other end of the stick -- as now, on the North Shore -- may well, out of sheer desperation, see DREE as some sort of immediate solution. It it to be expected, of course, that the firms concerned will jump at any such offer. **Welfare for the poor little rich guys is clearly preferable to dangerous notions such as nationalization, which might even secure all sorts of jobs. We can't have** any of that magic unemployment rate fading away, or how would we ever attract industry? In fact, one could argue that it would be much simpler to give out DREE grants, not in order to keep people employed but rather in return for laying them off. Can you think of any better way to contribute to a very real form of "social adjustment"?