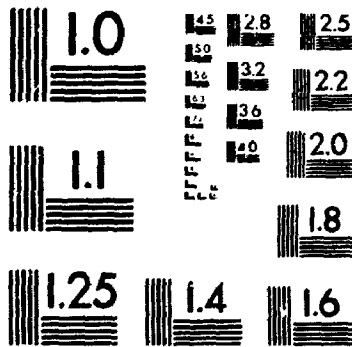


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**Getting the Lead Out:
State, Capital and Society and the Development
of New Brunswick's Base Metal Industry, 1952-1972**

by

James Lawrence Kenny, B.A. (Hons.), M.A.

**A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of**

Doctor of Philosophy

Department of History

**Carleton University
Ottawa, Ontario
July 1994**

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Zoology	0472

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Medical	0760

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Operations Research	0796
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Textile Technology	0994

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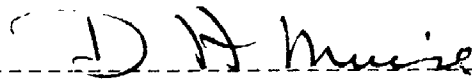
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James Lawrence Kenny, B.A., M.A.,


in partial fulfilment of the requirements
for the degree of Doctor of Philosophy



Chair, Department of History



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Carleton University

16 September 1994

Abstract

Through a multi-layered examination of the provincial and federal states, foreign and local capital, local communities, and the Cold War political economy, this dissertation traces the development of New Brunswick's base metal industry during the 1952-72 period. The discovery of large base metal deposits on the province's North Shore in the midst of the Cold War drew American multinationals to New Brunswick and raised expectations of prosperity among local residents who lived in the poorest region of one of the poorest provinces in Canada. Over the next twenty years the promise of this new industry informed the regional economic development strategies of the provincial and federal governments. The thesis charts and explains the evolution of the province's mineral development strategy from passive intervention and promotion under the Flemming Conservative government in the 1950s to the more managerial approach of the Robichaud Liberals in the 1960s.

The study shows how the province mediated between the often competing interests of mining capital and local residents. These conflicts resulted from local discontent with the pace of mining development and the distribution of economic benefits. Drawing on an unhappy local history of corporate exploitation of Crown forests, many northern New Brunswickers demanded that the state ensure the accountability of corporations wishing to develop "the people's resources". Constrained by ideology, the lack of a history of state intervention and a dependent mindset, the Flemming administration refused to take action against American mining capital. More committed to state economic management and under the leadership of the Acadian populist, Robichaud, the Liberal administration took a more activist approach during the 1960s. Both American and local capitalists were forced out of the provincial mining industry when their involvement was judged by the state as hazardous to the industry's overall health. There were, however, limits to this activism. The Liberal government continued the promotional and bonusing practices of its predecessors, although the process became more formalised and bureaucratised. While there were moments of seeming state autonomy during the 1960s, provincial development strategies always operated under the assumption that resource exploitation would be carried out by private capital only.

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This thesis owes much to my supervisors, Del Muise and Carman Bickerton. They asked all the right questions and delivered advice, encouragement, and gentle pushes in always the right measure and at always the right time. Their friendship and support are very much appreciated. I would also like to acknowledge all members of Carleton's History Department who collectively have made my doctoral experience as painless as possible. In particular, I thank Dominique Marshall, Duncan McDowall and Robert Goheen for their support. The always helpful secretarial and administrative staff, especially Joan Curtis, are also gratefully acknowledged.

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I am also appreciative of the support -- both financial and moral -- given to me by my parents, Bert and Jim Kenny, throughout my rather long tenure in Canada's educational system. Their many sacrifices and unconditional love have sustained both me and my siblings over the years. I am truly grateful. I would also like to thank my brother, Paul, my sister, Lynn, and my in-laws, Bert and Betty Morin who came to my rescue with babysitting help at crucial moments.

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Table of Contents

	Page
Acceptance Sheet	ii
Abstract	iii
Acknowledgements	iv
Table of Contents	v
List of Tables	vi
List of Maps	vii
Abbreviations	viii
Chapter 1	
State, Society and Mineral Development in Post-War New Brunswick	1
Chapter 2	
Great Expectations: The Cold War and the Bathurst Boom, 1953-1955	31
Chapter 3	
"Unlocking the Treasure": Creating a Favourable Investment Climate for Mining Capital	79
Chapter 4	
Arrested Development: The Struggle for the "People's Resources", 1956-60	122
Chapter 5	
Resource Populism: Louis Robichaud and the Development of Crown Resources, 1960-63	165
Chapter 6	
Managed Mineral Development: State, Capital and the Modernisation of Northeastern New Brunswick	212
Chapter 7	
Development Unrealised, 1970-72	281
Bibliography	305

List of Tables

Table	Description	Page
2.1	Personal Income Per Capita, 1946-54	34
2.2	Unemployment in New Brunswick, 1950-54	35
2.3	New Brunswick's Employment by Industry, 1941-61	36
2.4	Location of Claim Staking in New Brunswick, 1953-57	56
2.5	Origin of Stakers, 1953-57	61
2.6	Occupation of New Brunswick Claim Stakers, 1953-57	64
2.7	Claims Staked for Owner, 1953-57	65
2.8	Major Mining Claim Holders in New Brunswick, 1955	69
4.1	Average Yearly Prices for Zinc and Lead, 1950-58	125
5.1	Provincial Election Results for Northeastern New Brunswick, 1956 and 1960	166
5.2	U.S. Government Stockpile of Zinc, 1945-65	169
6.1	Irving Companies Filing Writs Against Brunswick Mining and Smelting, 1967	274
7.1	Production and Value of Principal New Brunswick Minerals, 1962-70	283
7.2	Number of Workers Employed in New Brunswick Base Metal Industry, 1963-71	284
7.3	Unemployment Rates for Provinces, Regions and Canada, 1965-70	285

List of Maps

Map	Description	Page
2.1	New Brunswick Counties	39
2.2	Detailed Map of Northeastern New Brunswick	40
2.3	General Location of Claims Staked, 1953	57
2.4	Claims Staked in the Bathurst Region, 1953-55	58
6.1	Map Showing the Proposed Bathurst-Plaster Rock and Newcastle-Campbellton Highways	230
6.2	The FRED Northeast Region	250

Abbreviations

ADA	Area Development Agency
ADB	Atlantic Development Board
ADIA	Area Development Incentives Act
ARDA	Agriculture Rehabilitation and Development Act (later changed to Agriculture and Rural Development Act)
COMINCO	Consolidated Mining and Smelting Company
DREE	Department of Regional Economic Expansion
CCF	Cooperative Commonwealth Federation
CIC	Community Improvement Corporation
CRAN	Conseil Régional d'Aménagement
FRED	Fund for Regional Economic Development
GATT	General Agreement on Trade and Tariffs
INCO	International Nickel Company
MLA	Member of the Legislative Assembly
MP	Member of Parliament
NAC	National Archives of Canada
NBFL	New Brunswick Federation of Labour
NB Power	New Brunswick Electric Power Commission
NDP	New Democratic Party
NRDC	Northern Regional Development Council
PANB	Provincial Archives of New Brunswick
UMW	United Mine Workers of America
UNB	University of New Brunswick
USW	United Steelworkers of America

Chapter 1 State, Society and Mineral Development in Post-War New Brunswick

Writing in *Macleans* in 1965, Alan Phillips painted a very depressing picture of rural life in northeastern New Brunswick. He described "mile after mile of scrubby clearings in which squat [overcrowded] tarpaper shacks, their chinks plugged with rags". These shacks often lacked running water and were inhabited by a rural population that was underemployed, undereducated and often undernourished. More menacing, Phillips explained, this grinding poverty created "an endless cycle of hopelessness" which caused people to challenge the social values of modern industrial society.

[They] lapse in time into...a subculture, an underworld of mores subtly opposed to those of the overworld... indifference to, or subversion of, society....They set fire to woodland...work just long enough to get their winter's unemployment stamps...sell their welfare food for cash to buy beer...their votes for a few drinks and some promises...a world of hunger and delinquency where poverty continues to breed poverty.¹

Phillips was not alone in his concern. During the 1960s northeastern New Brunswick's depressed economy became the focus of national attention. CBC documentaries, newspapers and magazines showcased the region as one of the country's worst examples of perpetual rural poverty.

Northeastern New Brunswick also attracted the attention of increasingly interventionist governments both in Fredericton and Ottawa during the 1960s. Under the aegis of the emerging regional development policy field, the region had been

¹"Our Invisible Poor", *Macleans*, 20 February 1965, pp.7-10.

targetted for re-development. Federal and provincial studies during the mid-1960s had concluded that the population was undereducated and the economy sorely in need of modernisation. The provincial government of Louis Robichaud responded with the Equal Opportunity initiatives designed to increase the quality of educational, health and social services in poorer regions by transferring responsibility for them from municipal governments to the province. The federal government made northeastern New Brunswick the target of the Fund for Regional Economic Development (FRED) which was supposed to re-develop the social resources of the region. Over the next five years many millions of dollars were pumped into the region in an attempt to modernise the local population through education and urbanisation, thereby preparing them for the modern industrial world.

Informing these state initiatives was an understanding that the region was on the cusp of a new era of industrialisation based on mineral exploitation and processing. Rich deposits of non-ferrous base metal ores², first discovered in 1953 in the Bathurst area, were on the verge of being developed. Not only were a number of mines and concentrators coming into production but, more importantly, a large smelting complex was being built at Belledune on the Baie de Chaleur. State planners predicted that the local economy -- until then dominated by the under-productive forest and fishing industries -- would be transformed as thousands of high-paying,

²The principal non-ferrous base metals are copper, lead, zinc and nickel. They "share similar technology of extraction, separation and further processing and are also alike in the normally advanced technological, or prestige consumer, uses to which they are directed." See Alexander C. Dow, "The Canadian Base Metal Mining Industry (Non-ferrous) and Its Impact on Economic Development in Canada, 1918-55", PhD. thesis, University of Manitoba, 1980.

year-round jobs would be created both directly and indirectly by the new industry. This optimism was not new. For more than a decade northern New Brunswickers had heard similar predictions of prosperity from politicians, bureaucrats, and mining company officials. Throughout that period the provincial state struggled to find the best way to encourage private development of an industry fraught with unstable international markets. Under the Conservative administration of Hugh John Flemming during the 1950s, the state pursued a "rentier" approach, limiting their interventions to the creation of a favourable investment climate for American-based multinational corporations. When this strategy failed due to the mining companies' reluctance to develop the Crown-owned deposits during a market downturn, many northern New Brunswickers identified a conflict between their interests and those of the multinationals. Local pressures and its own commitment to state planning generally saw the Liberal government, which succeeded the Conservatives in 1960, pursue a more aggressive and interventionist approach to development. After pushing one multinational out of the industry, the new government used financial incentives to convince a new syndicate -- that included the province's leading industrialist, K.C. Irving -- to expedite mineral development. Later in the decade, the government would again act when it became apparent that the mining developments were being poorly managed, this time taking the unprecedented step of engineering the overthrow of Irving, the only New Brunswick partner in the project, by the Ontario-based multinational, Noranda.

This thesis is about how a have-not province manages a new economic

opportunity at a time of increasing interest in state planning. Although, as a Crown resource, the new base metal staple was a good candidate for managed development, the state was forced to mediate between the competing demands of mining capital and local residents throughout the 1952-72 period. Viewing Crown leases as private property, the mining corporations insisted that they alone would determine the pace and form of mineral development. Many northern New Brunswickers, drawing on a local history of rural protest against corporate resource management, challenged this assumption, arguing that corporations had an obligation to develop the resource in the best interests of the local community. The state's mediation of these competing interests and its capacity to manage the base metal industry was shaped by a number of factors, both internal and external to New Brunswick during the 1952-72 period. These included fluctuating base metal markets, changing American Cold War policies, the federal state's growing interest in planned development, the influence of domestic capital, the ideological predisposition towards intervention of provincial politicians, and the state's inexperience regarding the base metal industry and lack of an interventionist history. Although local and corporate discontent would continue to manifest itself periodically, the province eventually fashioned an uneasy compromise between the various interests.

This study allows us to observe two important transformations in the politics and economy of New Brunswick during the 1952-72 period. First, northern New Brunswick's economy changed from one almost completely dominated by the forests to one in which mineral resources played a key part. Although the base metal

industry never transformed the economy in the manner predicted by state planners, it was well-established by 1970, employing nearly 3,000 northern New Brunswickers. Second, the thesis also shows the arrival of a political culture of state management that would dominate political discourse not only locally but in Atlantic Canada generally. While there had been a long local tradition of looking to the state to ensure an equitable distribution of economic benefits accruing from the province's resource industries, both the provincial government and capital had, for many years, viewed the state's role as one of providing a favourable investment climate only. By the end of our time period there was a fairly broad consensus among government, business, and local residents regarding the state's responsibility for ensuring the economic development of poor regions. There would not be agreement, however, regarding the definition of development or the means by it would be achieved. In these matters business proved to be the dominant influence on state policy.

Very little is known about New Brunswick's mining industries. While there exists a rich historiography of the mining staple in other parts of Canada, particularly northern Ontario³ and Nova Scotia⁴, New Brunswick's mines have received scant

³The first major study of mining in Canada was undertaken by Harold Innis in 1936. Placing the industry within the context of his famous staples thesis, he emphasised how the character of the modern mining staple shaped state transportation and hydro-electric policies. While of some interest, his study deals primarily with precious metals located in the north and northern Ontario. See *Settlement and the Mining Frontier. Canadian Frontiers of Settlement* (Toronto, 1936); and Innis, "The Canadian Mining Industry" in Mary Q. Innis, ed., *Essays in Canadian Economic History* (Toronto, 1956), 309-20. For a critique of Innis' preoccupation with the staple's character and failure to account for the importance of class relations, see Wallace Clement, "Transformations in Mining: A Critique of H.A. Innis", in *Class, Power and Property: Essays on Canadian Society* (Toronto, 1983), pp.172-93. Important studies of Ontario's mining industries include H.V. Nelles, *The Politics of Development: Forests, Mines and Hydro-Electricity in Ontario, 1849-1941* (Toronto, 1975); Wallace Clement, *Hardrock Mining: Industrial Relations and*

attention from both scholars and popular historians. Indeed there is only one published academic study of the province's coal industry, centred in the Minto area of central New Brunswick. In "Minto, New Brunswick: A Study in Class Relations Between the Wars" Allen Seager examines the patterns of class accommodation and conflict within the New Brunswick mining community during the 1930s, a period when traditional social relations based on paternalism and clientelism were being transformed into those more characteristic of an industrial society.⁵ Undoubtedly this lack of academic interest reflects the relatively limited contribution of coal, which was the province's main mining resource throughout the first half of the twentieth century, to New Brunswick's forest-driven economy. During the post-war period coal was usurped in economic importance by the development of the province's promising lead and zinc deposits. Staples of the "new industrialism"⁶, these base metals presented a

Technological Change at INCO (Toronto, 1981); Robert S. Robson, "The Politics of Resource Town Development: Ontario's Resource Communities, 1883-1970", Ph.D. Thesis, University of Guelph, 1986; and a recent collection of essays, Matt Bray and Ashley Thompson, eds., *At the End of the Shift: Mines and Single Industry Towns in Northern Ontario* (Toronto, 1992).

⁴For example, see David Frank, "The Cape Breton Coal Industry and the Rise and Fall of the British Empire Steel Corporation", *Acadiensis* VII, 1 (Autumn 1977), pp.3-34; Ian McKay, "The Realm of Uncertainty: The Experience of Work in the Cumberland Coal Fields", *Acadiensis* XVI, 2 (Autumn 1986), 3-57; McKay, "Industry, Work and Community in the Cumberland Coalfields, 1848-1927", Ph.D Thesis, Dalhousie University, 1983; D.A. Muise, "The Making of an Industrial Community", in Don MacGillivray and Brian Tennyson, eds., *Cape Breton Historical Essays* (Sydney 1980); Michael Earle, "'Down With Hitler and Silby Barrett': The Cape Breton Miners' Slowdown Strike of 1941," *Workers and the State in Twentieth Century Nova Scotia*. Edited by Michael Earle. (Fredericton 1989), 109-43; and Daniel Samson, "Dependency and Rural Industry: Inverness, Nova Scotia, 1899-1915", in Daniel Samson, ed., *Contested Countryside: Rural Workers and Modern Society in Atlantic Canada, 1800-1930* (Fredericton 1994), pp.105-49.

⁵Allen Seager, "Minto, New Brunswick: A Study in Class Relations Between the Wars", *Labour/Le Travailleur* 5 (Spring 1980), 81-132.

⁶Innis, "The Canadian Mining Industry", pp.309-20.

tremendous economic opportunity for New Brunswick and played a crucial role in the province's development plans throughout the 1950s and 1960s. Despite this fact, the new industry has been largely ignored by scholars, attracting only background attention.

The provincial government's interest in promoting mining development during the 1960s is discussed in Della Stanley's biography of Louis Robichaud, *Louis Robichaud: A Decade in Power*.⁷ While useful, this study offers only a brief outline of the industry's development. The mining industry has also drawn the interest of a number of popular biographers of New Brunswick industrialist K.C. Irving, who was a major participant in the base metal industry during the 1960s.⁸ Here again, however, the mining industry provides background for a larger story, namely the growing personal conflict between Irving and Robichaud that climaxed in the late 1960s. While all of these studies provide useful details and perspectives on the personalities and moments of conflict involved, the story of the development of New Brunswick's base metal industry remains largely untold.

A study by economist Alexander Dow on the development of Canada's non-ferrous base metal industry, however, does provide some context for an examination of New Brunswick's new industry. Throughout the 1918-55 period control of

⁷Della Stanley, *Louis Robichaud: A Decade in Power* (Halifax, 1984).

⁸The best of these popular biographies is John DeMont, *Citizens Irving, K.C. Irving and His Legacy: The Story of Canada's Wealthiest Family* (Toronto, 1991). See also Russell Hunt and Robert Campbell, *K.C. Irving: The Art of the Industrialist* (Toronto, 1973); John Edward Belliveau, *Little Louis and the Giant K.C.* (Hantsport, 1980). A sympathetic biography commissioned by the Irving family has been recently published. See Douglas How and Ralph Costello, *K.C.: The Biography of K.C. Irving* (Toronto, 1993).

Canadian base metal resources switched from the hands of British to American capital, a process that accelerated during the post World War II period. Despite considerable investment in these resources, Dow argues that the industry was largely unsuccessful as an engine of industrial diversification and contributed little to Canada's "social welfare". This failure is attributed to the fact that the Canadian state allowed private capital to export much of the surplus value generated by the resource. "Canada would have benefitted more had the Canadian state been prepared to intervene by taxation or by direct production to secure the surplus from extractive industry and re-direct it into the form of manufacturing capital".⁹ Dow's emphasis on the state's lack of "supervision" of what was increasingly American investment provides a good point of departure for this present study. Beginning chronologically at the point where Dow's study ends, this thesis is an historical exploration of how the provincial and federal states "supervised" private exploitation of the base metal staple during an era dominated by the discourse of economic planning.¹⁰

This thesis, then, is also about the role of the modern state in managing the development of natural resources and mediating between various interests competing for the benefits of that development. On New Brunswick there is a growing

⁹Dow, "The Canadian Base Metal Mining Industry", p.2. See also, Dow, "Finance and Foreign Control in Canadian Base Metal Mining", in Douglas McCalla, ed., *Perspectives on Canadian Economic History* (Toronto, 1987), pp.270-83; and Dow, "Prometheus in Canada: The Expansion of Metal Mining, 1900-1950", in Duncan Cameron, ed. *Explorations in Economic History: Essays in Honour of Irene M. Spry* (Ottawa, 1985), pp.211-28.

¹⁰A brief discussion of the Ontario government's management of its emerging zinc industry during the 1950s and 1960s can be found in K.J. Rea, *The Prosperous Years: The Economic History of Ontario, 1939-1975* (Toronto, 1985), ch.8. See also, Philip Smith, *Harvest From the Rock: A History of Mining in Ontario* (Toronto, 1986), chapter 20.

historiography surrounding this broad issue, much of it concentrated on the early twentieth century when governments in the Maritime provinces generally were forced to confront the region's de-industrialisation.¹¹ Christopher Beach has examined the rise and fall during the early twentieth century of the New Brunswick government's industrial development strategy based on publicly generated hydroelectricity. In "Electrification and Underdevelopment in New Brunswick: The Grand Falls Project, 1896-1930", Beach shows how a Liberal government plan to develop power at Grand Falls -- the most promising hydroelectric site in the province -- was eventually scuttled by the election of the Conservatives in 1925. The new government, consumed with concern for the province's poor finances, opted to leave the development of industrial power in the hands of private pulp and paper companies. Beach argues that this decision cost the province a major economic development opportunity and increased its dependency on pulp and paper capital, for "the province [now] possessed no economic agency or business class capable of effective strategic resistance" against the economic and political domination of the paper companies.¹²

¹¹On Maritime de-industrialisation, see T.W. Acheson, "The National Policy and the Industrialization of the Maritimes", *Acadiensis* 1, 2 (Spring 1972), pp.3-28; Ernest R. Forbes, *Maritime Rights: The Maritime Rights Movement, A Study in Canadian Regionalism, 1919-1927* (Kingston-Montreal, 1979); Ian McKay "The 1910s: The Stillborn Triumph of Progressive Reform" and David Frank, "The 1920s: Class and Region, Resistance and Accommodation", in E.R. Forbes and D.A. Muise, eds., *The Atlantic Provinces in Confederation* (Toronto, 1993), pp.192-229 and 233-71 respectively; Eric Sager, "Dependency, Underdevelopment and the Economic History of the Atlantic Provinces", *Acadiensis* XVII, 1 (Autumn 1987), pp.117-37; and Kris Inwood, "Maritime Industrialization from 1870-1910: A Review of the Evidence and its Interpretation", in Inwood, ed., *Farm, Factory and Fortune: New Studies in the Economic History of the Atlantic Provinces* (Fredericton, 1993), pp.149-70.

¹²Christopher S. Beach, "Electrification and Underdevelopment in New Brunswick: The Grand Falls Project, 1896-1930", *Acadiensis* XXIII, 1 (Autumn 1993), pp.60-85. This issue has also been discussed in Paul McIntyre, "The Development of Hydro-Electric Power at Grand Falls, New Brunswick: An Issue in Provincial Politics, 1920-1926", M.A. Thesis, University of New Brunswick, 1973. On the relationship

The emergence of the pulp and paper industry and its impact on the formation of the modern state¹³ has been charted by William Parenteau in his important study of the province's crucial forest industries during the interwar years.¹⁴ The transformation of the provincial forest economy from sawmilling to pulp and paper -- New Brunswick's "second industrial revolution" -- provides the context for an examination of the complex relationship between state, capital and society. In particular, Parenteau shows how the state mediated the competing interests of the declining local lumber barons, the emergent multinational pulp and paper corporations, and the various forest entrepreneurs and workers. He concludes that the arrival of the pulp and paper industry and multinational capital "marked the genesis of modern state industrial policies". In an effort to attract capital the state sought to facilitate the interests of the pulp and paper companies "in an almost mechanistic manner", granting concessions such as long-term leases of Crown forests and generous stumpage rates. More important, to meet the requirements of the modern

between the absence of public electrification and deindustrialization in the region generally, see Peter J. Wylie, "When Markets Fail: Electrification and Maritime Decline in the 1920s", *Acadiensis*, XVII, 1 (Autumn 1987), pp.74-96.

¹³On the growth of the modern administrative state outside of New Brunswick, see Tom Traves, *The State and Enterprise: Canadian Manufacturers and the Federal Government* (Toronto, 1979); Paul Craven, *"An Impartial Umpire": Industrial Relations and the Canadian State 1900-1911* (Toronto, 1980); Mark Cox, "The Limits of Reform: Industrial Regulation and Management Rights in Ontario, 1930-7", *Canadian Historical Review*, LXVIII, 4 (1987), pp.552-575; Ken Cruikshank, *Close Ties: Railways, Government, and the Board of Railway Commissioners, 1851-1933* (Montreal-Kingston, 1991).

¹⁴William Parenteau, "Forest and Society in New Brunswick: The Political Economy of the Forest Industries, 1918-1939", PhD. thesis, University of New Brunswick, 1994. Two of the studies contained in the thesis have been published elsewhere. See Parenteau, "The Woods Transformed: The Emergence of the Pulp and Paper Industry in New Brunswick, 1919-1931", *Acadiensis* XXII, 1 (Autumn, 1992), pp.5-43; and "Settlement and the Forest Frontier Revisited: Class Politics and the Administration of the New Brunswick Labor Act, 1919-1929", in Samson, ed., *Contested Countryside*, pp.180-224.

corporation for long-term investment security, the state began a modernisation process; an understanding of "corporate strategies" was cultivated amongst the political elite and an administrative apparatus was created that "was free from political interference and staffed by people with the technical training to support modern principles of resource use". Parenteau shows, however, that modern state policies reflecting corporate desires for restricted access to Crown forest resources were often resisted at the level of administration. There, the modern state clashed with traditional understandings of resource access as local forest workers and entrepreneurs exploited traditional political clientelist networks to challenge and shape state policy in a de facto manner.¹⁵ Despite declining influence within the economy and the state, lumber operators continued to play their traditional role as local patrons, acting as spokesmen for community demands to share in the province's forest wealth.¹⁶

Parenteau's conceptualisation of the forest as a "contested resource" and of the central role of local politics in shaping state policy and administration help us better

¹⁵The importance of communities and local politics in the promotion of forest development is also found in: Nancy Colpitts "Sawmills to National Park: Alma, New Brunswick, 1921-1947", in L. Anders Sandberg, ed., *Trouble in the Woods: Forest Policy and Social Conflict in Nova Scotia and New Brunswick* (Fredericton, 1992) pp.90-109; and Catherine Johnson, "The Search for Industry in Newcastle, New Brunswick, 1899-1914", *Acadiensis*, XIII, 1 (Autumn 1983), pp.93-111.

¹⁶While Parenteau's work has been highlighted because of its focus on the modern state's management of the forest resource, there is a growing historiography on the province's forest industries. For the nineteenth century, see Graeme Wynn, *Timber Colony: A Historical Geography of Nineteenth Century New Brunswick* (Toronto, 1981); A.R.M. Lower, *The North American Assault on the Canadian Forest: A History of the Lumber Trade Between Canada and the United States* (Toronto, 1938); and Raymond Léger, "L'impact de l'industrie du bois sur le territoire et la main-d'oeuvre de la Péninsule acadienne, Nouveau-Brunswick, 1875-1900", in Sandberg, ed., *Trouble in the Woods*, pp.22-39. For the twentieth century, see Serge Côté, "Naissance de l'industrie papetière et mainmise sur le forêt: Le cas de Bathurst"; and Parenteau, "'In Good Faith': The Development of Pulpwood Marketing for Independent Producers in New Brunswick, 1960-1975", also in Sandberg, ed., *Trouble in the Woods*, pp.43-64 and pp.110-41 respectively.

to understand the management of mineral development during the post-war period. While the capital and technology-intensive nature of mining meant that few local entrepreneurs could participate in the exploitation of the Crown resource in the same way that forest entrepreneurs and workers utilised the Crown forests, local residents did challenge mining corporations in other ways. In particular, they tried to shape state policy -- quite often with the help of local political elites -- to make mining corporations accountable to the needs of the wider community. This popular understanding dated back to the patron-client relationships of the sawmilling economy, an era when many local forest capitalists recognised an obligation to the communities in which they lived. Expressions of this understanding more than a generation after the emergence of the pulp and paper industry reflected northern New Brunswick's unhappy historical experience of corporate resource exploitation.

Important context for this study is also found in a growing body of studies on the interventionist state in New Brunswick and Atlantic Canada generally during the post-World War II period. In two articles on regional political and economic developments during the 1950s, Margaret Conrad has characterised the period as Atlantic Canada's "decade of development". Atlantic Canadians and their political and business leaders, inspired by state interventions elsewhere in Canada and the world¹⁷, came to accept "state planning as the only alternative to economic

¹⁷The body of academic literature on state planning in post-war Canada is large. On the growth of the personnel and ideas of the federal mandarinat see J.L. Granatstein, *The Ottawa Men: The Civil Service Mandarins 1935-1957* (Toronto, 1982); and Douglas Owram, *The Government Generation: Canadian Intellectuals and the State, 1900-1945* (Toronto, 1986). There has also been some debate as to whether

backwardness, and that federal aid was the necessary condition for the success of such planning." Provincial governments began to use the state more aggressively to promote economic development and formed a united front with regional business leaders -- coined the "Atlantic Revolution" -- to have regional development incorporated into the emerging federal welfare state. New Brunswick's Conservative administration during this period, led by Premier Hugh John Flemming, appears as a relentless and influential force in winning federal aid, as well as a champion of the general concept of state economic intervention.¹⁸ This study changes the focus and examines the actions of the Flemming administration at the provincial, rather than the federal level, as it explores how the New Brunswick state managed development of the base metal industry in the 1950s. To change the focus is to discern a "face" of the Flemming government quite different from that displayed in federal-provincial

or not Canada had a "Keynesian experience". See David Wolfe, "The Rise and Demise of the Keynesian Era in Canada: Economic Policy, 1930-1982", in Michael Cross and Gregory Kealey, eds., *Readings in Canadian Social History, Vol.5: Modern Canada: 1930-1980s* (Toronto, 1985), pp.46-78; Robert Campbell, *Grand Illusions: The Politics of the Keynesian Experience in Canada 1945-1975* (Peterborough, 1987); and Alvin Finkel. "Paradise Postponed: A Re-examination of the Green Book Proposals of 1945", *Journal of the Canadian Historical Association* Vol.4 (1993), pp.120-42. On the growth of planning in Nova Scotia, see James Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development* (Toronto, 1990); and Danny Samson, "Learning to Plan: State, Class, and Intellectuals in the Nova Scotia Economic Inquiry, 1933-1937", unpublished paper, Queen's University, 1989.

¹⁸Margaret Conrad, "The 1950s: The Decade of Development", in Forbes and Muise, *The Atlantic Provinces in Confederation*, pp.382-420; and "The Atlantic Revolution of the 1950s", in Berkeley Fleming, ed. *Beyond Anger and Longing: Community and Development in Atlantic Canada* (Fredericton, 1988), pp.55-96. See also Conrad, *George Nowlan: Maritime Conservative in National Politics* (Toronto 1986), especially chapter 8; and James L. Kenny, "Seeking Power: The Quest for Beechwood Financing", paper presented to the 1989 Atlantic Canada Workshop, Halifax, N.S.; and Kenny, "Politics and Persistence: New Brunswick's Hugh John Flemming and the 'Atlantic Revolution', 1952-1960", M.A thesis, University of New Brunswick, 1988.

relations.¹⁹ Here, intervention was limited to accommodating many of the infrastructure and legislative demands of outside mining capital -- intervention did not include challenging the mining industry's timetable when it conflicted with the province's own needs. This limited intervention reflected a number of factors including the conservative ideological climate of the Cold War, the absence of a tradition of state intervention provincially, and the province's acceptance of its traditional dependence on "outside" capital for development.

The increasingly interventionist role of the federal state in regional economic development during the 1960s also provides important background for this thesis. This topic has been the subject of a number of scholarly studies -- carried out largely by economists, political scientists, and public policy scholars -- which concentrate on explaining the emergence and subsequent failure of federal regional development policies.²⁰ While useful, the principal focus of many of these inquiries is the federal

¹⁹Theda Skocpol has argued that seemingly contradictory state actions can be understood by recognizing that states have two "faces", one which confronts relations with other states and the other which deals with their internal "class-divided socioeconomic structures". Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia, and China* (Cambridge, 1984), pp.29-33. Although New Brunswick is not an independent state, it seems fair to make a distinction between its external dealings with other provinces and Ottawa, and "internal" socio-economic realities.

²⁰Early contributors to the study of regional development focused on the impact of federal development policies on federalism, arguing that, although the policies as a whole have been incoherent, they have allowed Ottawa to increase its economic powers. See Anthony Careless, *Initiative and Response: The Adaptation of Canadian Federalism to Regional Economic Development* (Montreal, 1977); and T.N. Brewis, *Regional Economic Policies in Canada* (Toronto, 1969). Historian Margaret Conrad has tried to redress this imbalance by highlighting the crucial role of the united movement of regional politicians and businessmen in putting regional development on the federal agenda. Conrad, "The Atlantic Revolution of the 1950s", and "The 1950s: Decade of Development". T.W. Acheson has placed regional development in the broader pattern of regional domination in "The Maritimes and Empire Canada", in David Bercuson, ed., *Canada and the Burden of Unity* (Toronto, 1977), pp.87-114.

state, and the role of the provincial state as an agent of economic development is either ignored or written off as dependent on federal initiative.²¹

The regional development studies of economist Donald Savoie and political scientist James Bickerton are of particular interest to the present study. In a number of publications Savoie has focused on analysing and assessing federal development programmes in New Brunswick, in particular, and the region, generally, during the 1960-80 period, and prescribing solutions for the future.²² Although these economic studies are, for the most part, macro analyses rather than detailed historical accounts of policy development and implementation, they do outline the broad pattern of regional development policies in New Brunswick during the 1960s. The orientation of these policies changed over the decade from "re-developing" the province's rural economy through resource rationalisation; to social modernisation through education and urbanisation; to, eventually, a growth pole strategy designed to generate economic growth in the province generally rather than in individual slow-growth regions.

Savoie also notes that the promise of the new base metal industry was the key to these

²¹These scholars generally agree that the goal of federal development policies was the reduction in regional disparities in per capita income and unemployment (although there are disagreements over how best to measure success in attaining these goals). Donald Savoie, *Regional Economic Development: Canada's Search for Solutions* (Toronto, 1986), chapters 9 and 10.

²²Donald Savoie et Maurice Beaudin, *La Lutte Pour Le Développement: Le Cas Du Nord-Est* (Sillery, P.Q., 1988); Savoie, *Federal-Provincial Collaboration: The Canada-New Brunswick General Development Agreement* (Montreal, 1981); Savoie, *Regional Economic Development: Canada's Search for Solutions* (Toronto, 1986). Savoie and André Raynauld, eds. *Essais Sur Le Développement Régional* (Montréal, 1986); Savoie, ed., *The Canadian Economy: A Regional Perspective* (Toronto, 1986); and Savoie, "The Atlantic Region: The Politics of Dependency", in R.D. Olling and M.W. Westmacott, eds., *Perspectives on Canadian Federalism* (Scarborough, Ont., 1988), pp.291-303.

policies; planners believed that many of the workers displaced due to the rationalisation of other resource industries would find better industrial jobs in the mining sector. These policies, which Savoie describes as "un dédale de contradictions" due to their incoherence over the years, were ultimately ineffective because they were subject to political expediency.²³ Although regional disparities in per capita income declined over the regional development period, unemployment disparities remained the same.²⁴

Bickerton offers a more critical assessment of the failure of regional development policies in Nova Scotia in *Nova Scotia, Ottawa, and the Politics of Regional Development*.²⁵ Like Savoie, he notes the absence of a coherent development plan coming out of Ottawa. Although he recognises the importance of political expediency -- indeed, a principal goal of his study is to show the importance of politics, both formal and informal, in defining the regional development policy field -- he attributes this incoherence to a conservative federal bureaucracy which was hostile to comprehensive state intervention to reduce regional disparities. More important to the ultimate failure of regional development policies, Bickerton argues, was the insistence of provincial and federal governments to develop the regional

²³Savoie, "Le développement régional au Canada: un aperçu historique", in Savoie and Raynauld, eds., *Essais Sur Le Développement Régional* (Montréal, 1986), p.231-234.

²⁴The improved performance in per capita income, Savoie argues, is attributable to federal transfer payments rather than development policies. Savoie, *Regional Economic Development: Canada's Search for Solutions* (Toronto, 1986), pp.139-151.

²⁵James P. Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development* (Toronto, 1990). For a critique see, Jim Kenny, "The Political Does Matter", *New Maritimes* (March/ April 1991), pp.24-28.

economy through private capital alone, a strategy that reflected the regional business community's influence in defining state development policies. Public funds were given to businesses but the state refused to control the location of investment or the kinds of jobs created, something that Bickerton sees as essential due to the large number of workers displaced by resource rationalisation. The business community was able to maintain a popular consensus supporting their development agenda so long as they supported the continued subsidisation of these displaced workers through transfer payments. Bickerton's vision of consensus is suspect, though, because he never looks to the community and industry level to understand how Nova Scotian workers viewed their predicament, and how they tried to shape solutions. This study of New Brunswick's base metal mining industry suggests that dissent among and between social groups regarding development policy can be found at the local level.

The principal studies of post-war economic development in New Brunswick have been undertaken by political scientist R.A. Young in a series of published articles drawn from his doctoral dissertation, "Development, Planning and Participation in New Brunswick: 1945-1975".²⁶ Using historical case studies from the 1940-70 period, Young argues that popular participation was largely absent from both provincial and federal economic planning. Moreover, he contends that development programmes have always been limited and generally ineffective. Young argues that economic planning and state intervention to promote economic growth did not become a priority for the New Brunswick state until the 1950s. During the 1940s

²⁶R.A. Young, "Development, Planning and Participation in New Brunswick, 1945-1975", Ph.D. thesis, Linacre College, Oxford University, 1979.

the state had ignored its Royal Commission on Reconstruction, which had recommended state initiatives to promote secondary manufacturing and the rational development of primary resources. Instead, the Liberal government of John B. McNair chose to spend post-war treasury surpluses on public works and infrastructure that supported traditional political and economic clientele networks throughout the province and which posed no threat to established business interests. Consequently, Young argues, an opportunity to develop the provincial economy at a crucial moment was lost. "For the short-term security of local elites, and for the easy political benefits of visible expenditures, a chance to accelerate economic growth in New Brunswick was sacrificed."²⁷ Although E.R. Forbes has persuasively argued that the McNair government did not have as many options as Young claims, the point remains that state economic interventions were limited.²⁸

In another study Young shows that economic planning was considerably more important to the Conservative Flemming administration, which held power during the 1952-60 period. In "Planning for Power: The New Brunswick Electric Power Commission in the 1950s", Young has argued that the principal impetus for economic planning during the decade came from the province's publicly owned electrical utility

²⁷R.A. Young, "'and the people will sink into despair': Reconstruction Policy in New Brunswick, 1942-52" *Canadian Historical Review* LXIX, 2 (June 1988), pp.127-66.

²⁸Forbes argues that because New Brunswick had fallen so far behind the rest of Canada during the war, there were strong demands for the province to spend budget surpluses on roads, electricity, and social services. "The aspirations for such conveniences extended far beyond the elite. No provincial government could easily deny to its citizens such services after they were conspicuously available in nearby provinces. E.R. Forbes, "Free Trade and the Canadian Constitution", in Forbes, *Challenging the Regional Stereotype: Essays on the 20th Century Maritimes* (Fredericton, 1989), pp.205-206.

rather than the Progressive Conservative government of Hugh John Flemming.²⁹ During the late 1940s and early 1950s the New Brunswick Electric Power Commission (NB Power) was in the process of transforming itself from a small, patronage-driven utility into a professional and autonomous organization. Professional engineers, taking advantage of Flemming's desire to attract secondary industry to the province, successfully promoted "power for industry" as the province's development policy. The "rub", according to Young, was that NB Power's real agenda could more aptly be described as "industry for power", for the increasingly autonomous utility was ultimately most interested in expanding its own operations. Because Young's focus is NB Power, his treatment of the emergent base metal industry is rather superficial. He does note that the new industry was a factor in influencing the strategy of NB Power and the government, particularly as a negotiator for power. But, on the whole, he has de-emphasised the importance of the industry. This present study will argue that the promise of mineral development, a point constantly reinforced by the rhetoric of politicians and businessmen throughout the 1950s, allowed NB Power to put its development strategy into action and, in the long run, to achieve the autonomy described by Young. In order to more fully understand the development thrust of the decade it is necessary to explore the base metal industry that lay behind the "power for industry" strategy.

Young's final historical studies focus on provincial and federal planning in

²⁹R.A. Young, "Planning for Power: The New Brunswick Electric Power Commission in the 1950s", *Acadiensis*, XII, 1 (Autumn, 1982), pp.73-99.

New Brunswick during the 1960s.³⁰ He outlines the growth of the provincial state under the Robichaud administration, highlighting the Liberal government's Equal Opportunity legislation. While this legislation, which transferred responsibility for educational and social services from local government to the province, was promoted as a means of equalising access to these services in poorer regions, Young argues that the measure was also designed to enhance efficiency and remove local obstacles to centralised planning.³¹ However, the ideology of equality that accompanied these reform measures permeated northern New Brunswick and would play a role in the ultimate failure of federal-provincial initiatives to modernise that region. Local residents, empowered by this ideology and unhappy that their input was not seriously considered, resisted relocation and urbanisation efforts carried out by state planners.³² Young's discussion of regional development in northern New Brunswick clearly shows how federal and provincial policies were informed by the ideology of modernisation; through urbanisation and education it was hoped that the region would be transformed into a modern industrial society.³³ As mentioned earlier, it was

³⁰R.A. Young, "Remembering Equal Opportunities: Clearing the Undergrowth in New Brunswick", *Canadian Public Administration* (Spring 1987); and "L'édification de l'état provincial et le développement régional au Nouveau-Brunswick", *égalité* 13/14 (automne 1984/ hiver 1985), pp.125-52.

³¹A good overview of Equal Opportunity is also found in Stanley, *Louis Robichaud*, chapters XI, XII.

³²On local resistance, see also Greg Allain et Serge Côté, "Le développement régional, l'État et la participation de la population: la vie courte et mouvementée des conseils régionaux d'aménagement du Nouveau-Brunswick (1964-1980)", *égalité* 13/14 (automne 1984/hiver 1985), pp.187-215.

³³For critical examinations of federal-provincial modernisation policies in Newfoundland and Prince Edward Island during the same period, see Ralph Matthews, *The Creation of Regional Dependence* (Toronto, 1983); and Judith Alder, "Tourism and Pastoral: A Decade of Debate", and Verner Smitheram, "Development and the Debate Over School Consolidation" in Smitheram, David Milne and Satadal Dasgupta, eds., *The Garden Transformed: Prince Edward Island, 1945-1980* (Charlottetown, 1982),

hoped that the new mining industry was to be the economic engine of this transformation.

A central argument of Young is that, throughout the post-war period, the state tried to limit popular participation in the planning process to "involvement" alone. During the 1940s and 1950s participation came in the form of Royal Commissions, elections, and, in the 1960s, local economic planning committees. However, Young concludes, popular input, particularly that coming from working class and Acadian New Brunswickers, was generally ignored by the state in favour of the advice of dominant economic interests. Participation was encouraged by the state to generate popular compliance with economic plans, but, ultimately, it was "ineffective". Although Young's general assessment of the influence of dominant economic fractions of capital is largely well-taken, his historical analysis of local participation is limited to formal political structures such as Royal Commissions and community planning groups. This present study explores the ways in which northern New Brunswickers sought to shape mining development policy through both formal and informal participation. It shows that this participation was not uncommon and could sometimes be effective. Moreover, it argues that the community resistance to modernisation policies in the 1960s, described by Young, can be seen as part of a longer local tradition of defending rural values against those of modern corporate capitalism dating back to the 1920s.

pp.131-54 and pp.177-202 respectively. On the implications of state-sponsored modernisation for women, see Miriam Wright "The Smile of Modernity: The State and the Modernization of the Newfoundland Fishery, 1945-1970", M.A. thesis, Queen's University, 1990.

New Brunswick's mineral developments of the post-war period took place in the environment of Cold War and a Canadian resource economy dominated increasingly by American multinational corporations. Although the patterns and implications of Canada's post-war continentalist orientation have been explored by a number of political economists³⁴, the work of Melissa Clark-Jones is particularly important to this thesis. In *A Staple State: Canadian Industrial Resources in Cold War*, Clark-Jones shows how, during the late 1940s and early 1950s, American Cold War policies encouraged investment in "free world", and especially Canadian, industrial resources by American multinationals.³⁵ Fearing an imminent nuclear war with the Soviet Union, Washington accelerated its stockpiling of "strategic resources", using subsidies, tax concessions, and favourable tariff policies with "friendly" countries such as Canada to stimulate corporate investment in foreign resources. Understanding the American and Canadian national interests to be one in the same and seeking privileged access in American markets for a few large Canadian corporations, federal politicians and civil servants eagerly welcomed this investment in the mining, energy and forest sectors. These actions, she argues, solidified

³⁴For instance, see Wallace Clement, *The Canadian Corporate Elite: An Analysis of Economic Power* (Toronto, 1975) and *Continental Corporate Power: Economic Linkages Between Canada and the United States* (Toronto, 1977); Patricia Marchak, *In Whose Interests: An Essay on Multinational Corporations in the Canadian Context* (Toronto, 1979); Keri Levitt, *Silent Surrender: The Multinational Corporation in Canada* (Toronto, 1970); Paul Phillips and Stephen Watson, "From Mobilization to Continentalism: The Canadian Economy in the Post-Depression Period", in Cross and Kealey, eds., *Modern Canada*, pp.20-45; R.D. Cuff and J.L. Granatstein, *American Dollars, Canadian Prosperity: Canadian-American Relations, 1945-1950* (Toronto, 1978). For a more sympathetic view of increasing American investment in Canada, see H.G.J. Aitken, *American Capital and Canadian Resources* (Cambridge, 1961).

³⁵Melissa Clark-Jones, *A Staple State: Canadian Industrial Resources in Cold War* (Toronto, 1987). See Cuff and Granatstein, *American Dollars, Canadian Prosperity*, chapter 5 especially; and Dow, "Finance and Foreign Control in Canadian Base Metal Mining".

Canada's dependence on American capital and encouraged the export of unprocessed resources southward. Clark-Jones' study is of great relevance to the New Brunswick case. The discoveries of lead and zinc -- both of which were considered strategic by the American government -- came at the height of the Cold War in 1953. The size of these finds combined with favourable investment policies attracted many American mining companies to northern New Brunswick in 1953. This thesis which examines the reaction of a provincial government to multinational investment during the Cold War period complements Clark-Jones' study of the federal state's acquiescence.

This study also fits into the wider debates surrounding the relative autonomy of the modern capitalist state. Over the last 25 years political economists in Canada and around the world have tried to understand the degree to which the state can act independently of dominant business interests.³⁶ Although in Canada, these debates have centred primarily around the role of the federal state there have been some notable contributions focusing on the provinces. In his classic *The Politics of*

³⁶On the international debates in state theory, see Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research", in Peter B. Evans, Dietrich Rueschemeyer, and Skocpol, eds. *Bring the State Back In* (Cambridge, 1985); Martin Carnoy, *The State and Political Theory* (Princeton, 1984); and Bob Jessop, *State Theory: Putting Capitalist States in Their Place* (University Park, PA., 1990). On the debate in Canada, see Gregory Albo and Jane Jenson, "A Contested Concept: The Relative Autonomy of the State", in Wallace Clement and Glen Williams, eds., *The New Canadian Political Economy* (Montreal-Kingston, 1989). Generally, there are three dominant schools in this debate. Instrumentalists, drawing their theoretical inspiration from Ralph Milliband, argue that the state has little autonomy because it is captive of the dominant capitalist class. See Milliband, *The State in Capitalist Society: The Analysis of the Western System of Power* (London, 1969). Structuralists, informed by state theorist Nicos Poulantzas, contend that the state sometimes acts against the interests of dominant classes in order to facilitate legitimacy amongst subordinate classes, thereby ensuring the long-term health of the capital accumulation process. See especially Nicos Poulantzas' later contributions to this debate. *State, Power, Socialism* (London, 1980). Finally, a broad neo-institutionalist or state autonomy school has also emerged over the last 15 years. Theda Skocpol, the most prominent practitioner of this approach, argues that the state is a relatively autonomous institution that operates quite often in its own interests. See Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia and China* (Cambridge, 1984).

Development: Forests, Mines and Hydro-Electric Power in Ontario, 1849-1941, H.V.

Nelles carefully explores the Ontario government's province-building activities in three natural resource sectors.³⁷ He concludes that the provincial industrialisation policy was heavily influenced by dominant fractions of capital -- both domestic and American -- in the various resource industries. More closely related to the New Brunswick case is John Richards' and Larry Pratt's study of the Alberta and Saskatchewan government's successful diversification strategies, based on newly-discovered mineral and energy resources, during the post-war period. In *Prairie Capitalism: Power and Influence in the New West*, they argue that states need not be "captive dependencies or instruments of international capital" and that, over time, they can act more or less autonomously to shape economic development.³⁸ They show that multinational corporations wanting to exploit the provinces' new-found resources were initially in a strong bargaining position with the provincial states, due to the latter's lack of expertise and technology. This dependent position was eventually overcome as politicians and bureaucrats "move[d] up a learning curve of skills, information and expertise", thereby allowing the province to extract a larger share of the economic benefits accruing from the resources. Moreover, although the provinces pursued very different strategies -- nationalisation in Saskatchewan and the creation of a new domestic capitalist class in Alberta -- they were both able to reduce

³⁷Nelles, *The Politics of Development*.

³⁸John Richards and Larry Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto, 1979). Although Richards and Pratt were writing too early to be informed explicitly by the state autonomy school, their work fits very clearly in that tradition.

economic "leakages" and generate a significant multiplier effect in the provincial economy.

Prairie Capitalism is instructive in understanding the New Brunswick state's dealings with mining capital. Between 1952-72 the provincial state clearly progressed along a "learning curve" during which it strengthened its negotiating position with capital. However, while there were moments when the province challenged capital, both multinational and domestic, it would be difficult to describe its role as autonomous. State challenges were always circumscribed by the understanding that private capital would be the principal vehicle through which resource development would take place. This meant that the "rentier state" practice of encouraging private investment through bonusing continued throughout the whole period under study.

This thesis draws on a number of federal, provincial and local sources in order to piece together the respective roles of the mining companies, local residents, and the provincial and federal states. Of particular use were the political papers of Premiers Flemming and Robichaud, the departmental papers of the provincial Department of Lands and Mines and the federal Department of Regional Economic Expansion, various government publications, and oral interviews, carried out by the author and by others, with some of the important actors. *The Northern Miner*, trade newspaper for the Canadian mining industry, also proved an invaluable source; it allows one to not only trace the history of New Brunswick development but to gain important perspective on the broader patterns of mineral development in Canada during the

period. While all of these sources presented a fairly clear picture of the actions of the mining corporations and the provincial and federal states, it was somewhat more difficult to hear the voices of the underclass of workers and unemployed. Although not always explicit, these voices can sometimes be found in local newspapers through letters, reports of actions, and inference. Bathurst's *Northern Light*, Newcastle's *North Shore Leader*, and, to a lesser extent, Moncton's *L'Évangéline* were all helpful in this regard. Political sources were also fruitful. Although many dismiss legislative debates as an elite forum, they too can reveal much about the opinions of "ordinary" people both explicitly and implicitly. The local municipal council is perhaps the best source for understanding the political position of non-elites. Although quite often composed of local businessmen, these councils are also often the most responsive to local demands because, quite simply, they are the most accessible government body, particularly in a rural area. Even if they are not acted upon, non-elite views are more likely to show up in the council minutes. Through these various sources it is possible to understand the ways in which local residents, as well as corporations and politicians, tried to shape the development of New Brunswick's base metal industry.

This thesis seeks to understand the development of New Brunswick's mineral industry through a multi-level analysis of the many forces and actors involved -- the international political economy, mining capital in both its multinational and domestic forms, the provincial state, the federal state, and various local groups. Chapter 2 establishes the context of the development of the base metal industry during the 1952-72 period. It describes the declining provincial and local economies, as well as the

international political economic situation, showing why the base metal discoveries meant so much to both northern New Brunswickers and to mining capital. The claim staking boom that took place in the province throughout the 1953-5 period is then examined in some detail. The influx of mining companies eager to get in on the action was immense and this interest, as well as a good deal of local participation in the boom, served to generate expectations of prosperity throughout the region and province. Chapter 3 examines how the various levels of the state tried to facilitate development of the new industry in the early years. The Flemming government and the province's power utility, eager to take advantage of this economic opportunity but with little experience in the mining industry, ultimately acceded to most of the demands of the mining multinationals. The fourth chapter outlines the local discontent generated by the decision of the multinationals to suspend development and "sit" on Crown mining leases after American Cold War policies eventually drove down the base metal markets. Drawing on a local history of rural protest based on the ideology of "the people's resources", many northern New Brunswickers tried unsuccessfully to convince the Flemming government to take action against the mining companies.

Chapter 5 deals with the early interventions into the base metal industry by Flemming's Liberal successor, Louis Robichaud. The Robichaud government's role in forcing one of the American multinationals out of the province's base metal industry in favour of a local investor, K.C. Irving, is placed in the context of the new Premier's "resource populism". Once the government won a commitment for quick

development, including the construction of a lead-zinc smelter, however, it is shown that the Liberal government accepted almost all of the new syndicate's demands in a manner similar to that of his predecessor. The sixth chapter highlights the growing managerial role of the provincial and federal states in the mineral developments. It shows how the mining industry fit into the growing list of federal regional development programmes, especially the comprehensive FRED plan. Recognising the crucial nature of the project to these broader state development initiatives, the private investors increased both the scope of the smelter complex and their demands of both the provincial and federal states. As the project progressed, however, there was a growing concern both locally and among the province's growing civil service regarding Irving's management of the project. These factors, combined with a growing animosity between the two men, eventually resulted in Robichaud's dramatic step of arranging a corporate takeover that would leave the local industrialist as a minority shareholder.

The final chapter briefly examines the impact of the new base metal industry on the provincial and local economy. While the industry was well-established by 1972, it did not produce the spinoff jobs predicted by state planners throughout the previous decade. This fact accounted, in part, for the ultimate failure of the federal-provincial modernisation plan under FRED. The chapter then discusses how dissatisfaction arising from FRED's unrealised promises and a 1972 downturn in the local resource economy, including the base metal industry, resulted in the Bathurst Day of Concern. This demonstration which drew thousands of people and many

prominent national political leaders to Bathurst was designed to draw attention to the region's economic plight. While there would be no agreement on the solution to northeastern New Brunswick's problems, the event did mark a continuation of the local tradition of trying to shape development policy and showed clearly the hegemony of the political culture of state management. The chapter ends with a brief conclusion.

Finally, a few words about the parameters of this study. This thesis is about the ways in which state and society sought to promote development of this new staple. The establishment of the base metal industry would have a significant impact on the region's working class both in terms of work and organisation. Not only would many northern New Brunswickers experience an industrial workplace, with its particular disciplines and problems, for the first time, but the arrival of international unions such as the United Steelworkers of America, the United Mineworkers of America, and the International Union of Mine Mill and Smelter Workers increased the presence of organised labour, which until that time was rather limited. Although issues surrounding labour organisation, industrial conflicts, and the labour process are important topics for future research, space limitations do not permit a full discussion of them here.³⁹ Likewise, it is not possible to explore the hidden history of women and families in mining communities, one which has only recently been uncovered by

³⁹For a brief examination of contemporary industrial relations at the smelter and mines, see J. Michel Roy, "Law, Class and State: A Critical Analysis of the Labour Relations Regime in New Brunswick", B.A. thesis, Interdisciplinary Studies, Carleton University, 1992.

historians.⁴⁰

⁴⁰On the gendered aspects of mining and mining communities, see Nancy Forestell, "All That Glitters is Not Gold: The Gendered Dimensions of Work, Family and Community Life in the Northern Ontario Goldmining Town of Timmins, 1919-1950", Ph.D. Thesis, University of Toronto, 1993; and Steven Penfold, "'Have You No Manhood In You?': Gender and Class in the Cape Breton Coal Towns, 1920-1926" *Acadiensis* XXIII, 2 (Spring 1994), pp.21-44. On the relationship between family, class and mining, see McKay, "The Realm of Uncertainty"; and Robert McIntosh, "'Grotesque Faces and Figures': Boy Labour in the Canadian Coalfields", Ph.D. thesis, Carleton University, 1990.

Chapter 2
Great Expectations:
The Cold War and the Bathurst Boom, 1953-1955

"Lumbering used to be the thing, but it looks like mining will take over."¹

Gloucester County trolley operator
Lincoln Lebreton to a local reporter.
27 August 1953

Lincoln Lebreton's analysis of the changing economy of New Brunswick's North Shore reflected a common optimism in the region during the early 1950s. The discovery of valuable lead-zinc-copper deposits by Toronto mining promoter Matthew James (Jim) Boylen in January 1953 set off a staking rush that led many to believe that the region was, to use Lebreton's words, "on the threshold of its greatest era of prosperity". As the operator of a rail trolley between Bathurst and the principal mining sites, Lebreton was well-positioned to observe these new developments. For almost six months his passengers had included prospectors, promoters, politicians, and mining executives from some of the largest mining companies in the world. Throughout this period he also saw a great increase in local business activity -- outfitters were realising a steady business and hotels were constantly filled with prospectors and mining officials. Moreover, national and local newspapers carried stories describing the Bathurst boom as the largest in Canadian history. And, in all likelihood, Lebreton would also have heard or read about promises of prosperity for

¹"Mining Program Not Boom and Bust", *Northern Light* (Bathurst), 27 August 1953, pp.1, 10.

the region by provincial politicians and the mining executives. Mines, smelters and, eventually, heavy industry would be built, they predicted, providing jobs for thousands of the citizens of the North Shore. It is little wonder that local residents, such as Lincoln Lebreton, came to believe that mining would soon overtake the forest industry as the dominant force in the regional economy.

This chapter explores the boom years, 1953-5, of New Brunswick's base metal industry, identifying the factors that fuelled the boom itself as well as local expectations. National and international interest in the Bathurst discoveries was stimulated both by their size and American Cold War policies that created an artificially strong market for base metals. The staking boom that resulted saw the participation of not only outside mining companies but many local individuals as well. This local participation reflected an optimism in the future of this new resource, an optimism created by the influx of outside mining interests to the area and the statements of politicians, mining promoters, and the national media. But for most northern New Brunswickers, many of whom struggled to make ends meet through a variety of seasonal jobs, the promise of the boom was not speculation in claims. Rather, it was the possibility of stable, high paying employment that a fully developed mining industry presented. Indeed, mining was seen as the cure for the economic woes of the North Shore and the province generally.

The New Brunswick Economy in 1951

The post World War II period has been portrayed by some national historians

as a period of national economic prosperity.² In terms of national aggregate statistics, there is much truth in this characterisation. But examination of the regional dimensions of economic growth during this period reveals a different picture.³ While personal per capita income in New Brunswick, and Atlantic Canada generally, increased steadily throughout the post-war period, it declined significantly compared to the national average [See Table 2.1]. Compared to the country's most prosperous province, the disparity was even more striking; New Brunswick's average per capita income amounted to only 55 per cent of Ontario's in 1951.⁴

²On the New Brunswick economy during the pre-World War II period, see J.R. Petrie, *Regional Economy of New Brunswick* (Fredericton, 1944).

³For an example of such a national history, see Robert Bothwell, Ian Drummond, and John English, *Canada Since 1945: Power, Politics, and Provincialism* (Toronto, 1981). The interpretation has been challenged in recent years by scholars of Atlantic Canada. See for example, E.R. Forbes, "Consolidating Disparity: The Maritimes and the Industrialisation of Canada During the Second World War", *Acadiensis* XV, 2 (Spring 1986), pp.3-27; Carman Miller, "The 1940s: War and Rehabilitation" and Margaret Conrad, "The 1950s: The Decade of Development", both in Forbes and Muise, eds., *The Atlantic Provinces in Confederation* (Toronto, 1993), pp.306-45 and pp.382-420 respectively; David Alexander, *The Decay of Trade: An Economic History of the Newfoundland Saltfish Trade* (Toronto, 1977); and Kenny, "Politics and Persistence".

⁴R.D. Howland, *Some Regional Aspects of Canada's Economic Development* (Ottawa, 1957), p.157.

Table 2.1
Personal Income Per Capita, 1946-54

Year	Canada	New Brunswick	N.B. as a % of National Average
1946	\$794	\$575	72.4
1947	\$828	\$592	71.5
1948	\$931	\$633	68.0
1949	\$949	\$620	65.3
1950	\$978	\$643	65.7
1951	\$1,120	\$729	65.1
1952	\$1,187	\$766	64.5
1953	\$1,224	\$757	61.8
1954	\$1,193	\$795	66.6

Source: New Brunswick, *The New Brunswick Economy: Past, Present and Future Prospects*, brief presented by the Government of the Province of New Brunswick to the Royal Commission on Canada's Economic Prospects, (Fredericton 1955), p.22.

Unemployment rates provide another measure of the poor performance of the economy of New Brunswick and the Atlantic region. Table 2.2 compares unemployment rates in New Brunswick with those of other regions. It should be noted that the rates were calculated on the basis of applications for unemployment insurance and, thus, account for only those individuals who were insured. In the early 1950s independent commodity producers, such as loggers and fishers, were not covered by unemployment insurance. While these figures do not give us a true reflection of the numbers of unemployed individuals, they do suggest that employment levels in New Brunswick were consistently lower than the national average throughout the post-1945 period.

Table 2.2
Unemployment in New Brunswick 1950-1954
 Active applications as a per cent of the labour force

	1950		1952		1954	
	March	Sept.	March	Sept.	March	Sept.
N.B.....	10.5	4.3	9.4	4.8	19.2	6.6
Atlantic..	11.7	4.4	9.8	3.6	16.5	5.0
Quebec...	8.0	3.1	7.8	3.1	12.4	4.5
Ontario...	5.2	2.2	6.2	2.4	7.9	5.2
Prairies..	5.5	2.2	4.9	1.5	8.1	2.5
Pacific...	13.9	4.6	11.6	7.0	16.0	5.4
Canada....	7.4	2.9	7.2	2.9	10.6	4.5

Source: New Brunswick, *The New Brunswick Economy: Past, Present and Future Prospects*, p.89.

New Brunswick's consistently high unemployment rates reflected structural economic problems. Employment in the province was dominated by primary industries and the manufacturing sector was in a state of decline that had begun during the depression that followed World War I.⁵ During the post 1945 period New Brunswick's share of gross national production never rose above 2 per cent and by the early 1950s was on the downslide.⁶ The province's declining manufacturing sector can be seen in Table 2.3 which compares employment by industry in New Brunswick

⁵On the post-World War I depression, see Forbes, *Maritime Rights: The Maritime Rights Movement, A Study in Canadian Regionalism*, chapter 4; McKay, "The 1910s: The Stillborn Triumph of Progressive Reform"; and Frank, "The 1920s: Class and Region, Resistance and Accommodation". Explaining the decline of the region's secondary industrial sector has dominated Maritime historiography since the early 1970s. For good overviews, see Sager, "Dependency, Underdevelopment, and the Economic History of the Atlantic Provinces"; and Inwood, "Maritime Industrialization from 1870 to 1910: A Review of the Evidence and its Interpretation".

⁶New Brunswick, *The New Brunswick Economy: Past, Present and Future Prospects* (Fredericton, 1955), p.43.

during the 1941-61 period.

Table 2.3
New Brunswick's Employment by Industry, 1941-61

Industry	Per Cent All Employed '41	Per cent '51	Per cent '61
Primary Industries: Agriculture	27	15.9	7
Forestry/ Logging	9.1	9.5	5.9
Fishing/ Trapping	2.8	2.6	2
Mining/ Quarrying	1.2	0.7	0.9
Manufacturing: Food/Beverage	5.9	4.2	4.9
Textiles	1.4	1.2	0.2
Wood Products	3.3	3.9	2.6
Paper Products	2.3	3.0	3.1
Iron/Steel Products	3.7	0.9	--
Transportation Equipment	--	2.6	1.6
Construction	4.7	6.0	6.1
Transportation/ Communication	8.2	8.9	12.2
Trade	9.3	13.1	16.4
Finance/Insurance/ Real Estate	1.1	1.6	2.2
Service	16.5	19.5	19.4
Other	3.5	5.9	15.5

Source: Calculated from *Census of Canada (1941-61)*.

The percentage of New Brunswickers earning their living through manufacturing enterprises declined from 16.6 in 1941, to 15.8 per cent in 1951, to 12.4 in 1961.

Perhaps the most striking feature of the provincial economy in 1951 is its

dependence on primary industries, and the forest industry in particular. The provincial mining industry was small and dominated by the Minto coal mines located in central New Brunswick. Small fishing industries were located along the Northumberland Strait and Bay of Fundy. But the principal and most abundant staple was the province's forests.⁷ Nine and one-half per cent of provincial workers listed their principal occupation as loggers or forest workers, and another 6.9 per cent were employed in wood processing or paper industries. However, even these statistics do not do justice to the centrality of the forest industry to the New Brunswick economy. Although the 1951 census suggests a significant farming sector, between 1951-5 fewer than 30 per cent of all New Brunswick farms made the \$1200 in gross sales necessary to be considered a "full-scale" farm.⁸ Increasingly, agricultural production was becoming dominated by larger, more specialised and mechanised farms during the post 1945 period. As Table 2.3 shows the number of New Brunswickers employed in the farming sector declined drastically during the 1941-61 period. And many of those who remained in the industry became increasingly dependent on the cutting and sale

⁷New Brunswick's dependence on the forest staple dates back to the early nineteenth century when it functioned largely as a "timber colony", exporting unprocessed timber to Great Britain. As markets, technology, and the geography of exploitation changed throughout the century, forest entrepreneurs built sawmills to process the timber into lumber before export. Because of the centrality of the forest to the provincial economy, these sawmill owners came to occupy an influential position in the political and economic life throughout the late nineteenth and early twentieth centuries. See Graeme Wynn, *Timber Colony*. The structure of the forest economy would again change during the period between 1915 and 1930. Parenteau's study charts the transformation of the provincial forest economy, during the early twentieth century, from one based in lumbering, and financed by local capital, to one dominated by the pulp and paper industry, financed by outside capital. Parenteau argues that this economic transformation marked the beginning of the New Brunswick state's dependence on outside capital for development. See Parenteau, "The Woods Transformed".

⁸Howland, *Some Regional Aspects of the Canadian Economy*, p.176.

of pulpwood to supplement their income. Parenteau has shown that "the average percentage of total farm income generated from the sale of forest products in New Brunswick climbed from 16.2 per cent in the years 1941-45 to 25.9 per cent in 1951-55..."⁹ The forest industry, then, played a crucial role in the economic lives of many New Brunswickers.

This lack of industrial diversification and dependence on declining primary industries for employment had a detrimental effect on the provincial economy. Employment in the forest and fishing industries tended to be more seasonal and less productive than in other provinces. A 1957 study noted that the net value of primary goods produced in Ontario was significantly more than those produced in the Atlantic provinces. For example, in 1953 the net value of production per worker in New Brunswick's agriculture, forest, and fishing products represented only 55.6 per cent of the Ontario level.¹⁰ Moreover, with increased mechanisation and the increasing domination of resource industries by large scale capital, employment in primary industries decreased drastically during the post-war period [See Table 2.3].¹¹

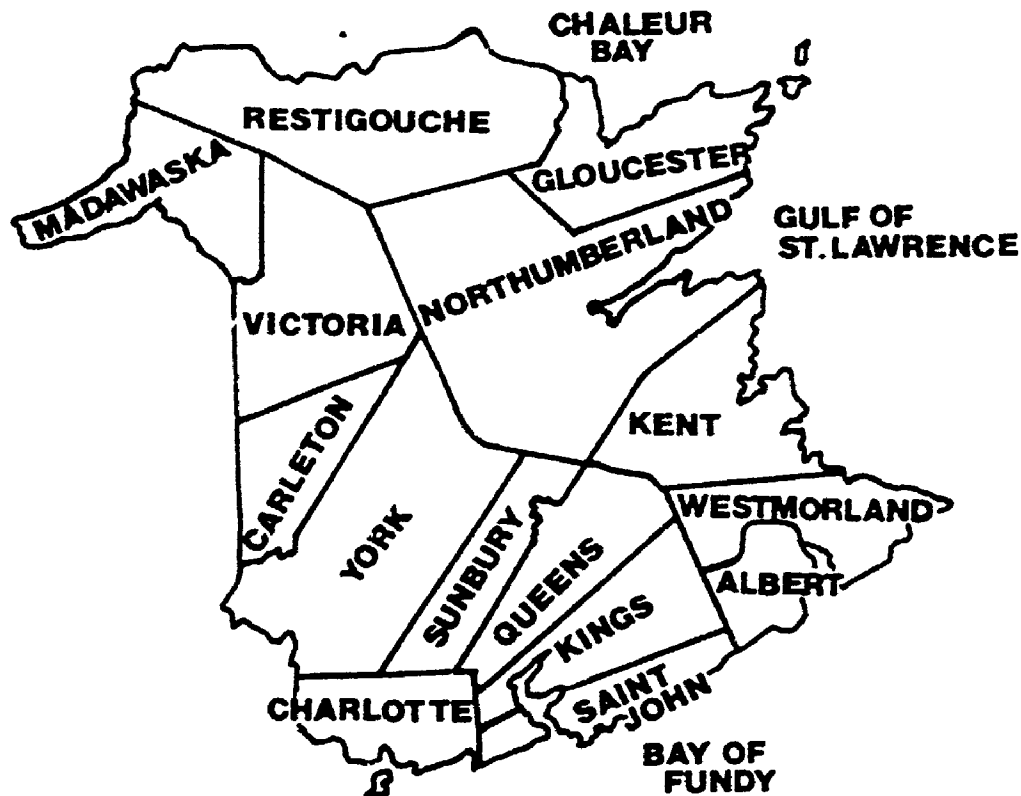
⁹The number of farms in New Brunswick declined from 31,889 to 18,331 between 1941-61. Bill Parenteau, "In Good Faith": The Development of Pulpwood Marketing for Independent Producers in New Brunswick, 1960-1975", pp.111-112. Parenteau has explored occupational pluralism among farmers during the 1920s in "Settlement and the Forest Frontier Revisited".

¹⁰R. D. Howland argues that this disparity reflected the "inherent quality" of particular commodities (i.e Ontario hardwoods will fetch a higher price than Maritime spruce), higher transportation costs to market faced by Maritime producers, and lower productivity rates among Maritime producers due to the small-scale, and under-capitalised nature of primary operations. See Howland, *Some Regional Aspects of Canada's Economic Development*, pp.171-3.

¹¹See Thomas R. Murphy, "From Family Farming to Capitalist Agriculture: Food Production, Agribusiness and the State", in Bryant Fairly, Colin Leys, and James Sacouman, eds., *Restructuring and Resistance: Perspectives from Atlantic Canada* (Toronto, 1991) and "Potato Capitalism: McCains and Industrial Farming in New Brunswick", in Gary Burrill and Ian McKay, eds., *People, Resources and Power: Critical Perspectives on Underdevelopment and Primary Industries in the Atlantic Region*

The provincial predicament was accentuated in the rural and largely Acadian northeastern region encompassing Gloucester, Northumberland and Restigouche counties [See Maps 2.1 and 2.2]¹² Although Restigouche County -- which contained

Map 2.1
New Brunswick Counties

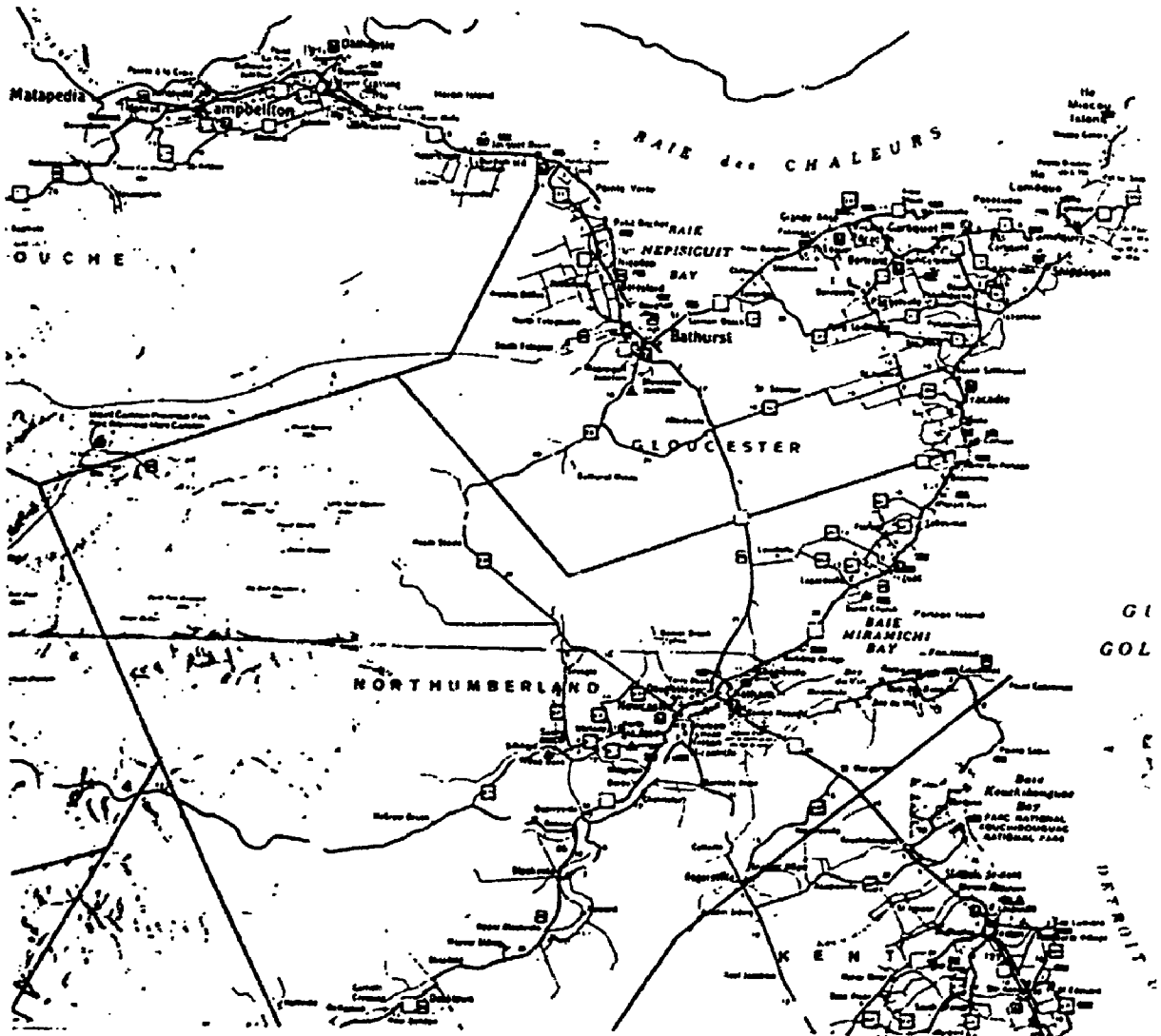


Source: Della Stanley, *Louis Robichaud*, Appendix 1.

(Fredericton, 1987), pp.19-29; Parenteau, "In Good Faith": The Development of Pulpwood Marketing for Independent Producers in New Brunswick, 1960-1975"; Henry Veltmeyer, "The Capitalist Underdevelopment of Atlantic Canada", in Robert J. Brym and R. James Sacouman, *Underdevelopment and Social Movements in Atlantic Canada* (Toronto, 1979), pp.17-35; and Wallace Clement, "Property and Proletarianization: Transformation of Simple Commodity Producers in Canadian Farming and Fishing", in *Class, Power and Property* (Toronto, 1983), pp.225-43.

¹²In 1961, residents of French origin composed a large majority in both Gloucester (85 per cent) and Restigouche Counties (68 per cent) and a significant minority in Northumberland (31 per cent). Stanley, *Louis Robichaud*, p.249.

Map 2.2
Detailed Map of Northeastern
New Brunswick



the two significant urban centres of Dalhousie and Campbellton -- had a lower than average rate of rural residency, the percentage of residents living in rural areas in Gloucester and Northumberland Counties in 1951 was 89 and 73 per cent

respectively, compared to the provincial rate of 55 per cent.¹³ The forest dominated both the landscape and the economy of this rural region. There was some fishing along the Northumberland Strait and the Baie de Chaleur and some potato farming in Restigouche County, but the principal cash crops were pulp and lumber. Other than a few fish plants along the coast, most notably at Caraquet in Gloucester County, and some lumber mills located throughout all three counties, the major secondary industries in the region were pulp and paper mills located in Bathurst, Dalhousie, Campbellton and Newcastle, the region's principal urban centres. With the exception of Restigouche County, which matched the provincial average, rates of unemployment in northeastern New Brunswick tended to be higher than the provincial average. The 1951 census shows that the counties of Gloucester and Northumberland had the second and fourth highest unemployment rates respectively in the province.¹⁴ But these calculations are based on a summertime census. Had the questions been asked in the winter, rates for the whole province, and especially northern New Brunswick, would have been much higher. For example, in 1958 the Newcastle Unemployment Insurance office estimated that mid-winter unemployment rates in Northumberland County had reached levels of between 60 and 70 per cent.¹⁵ These rates reflect the dependence of the region on seasonal work in the forests and on the land and sea.

After years of dependence on the forest industries as the principal economic

¹³Calculated from *Census of Canada (1951), Vol. V, The Labour Force*, pp.2-9 - 2-11. Restigouche County's rural residency rate was 52 per cent.

¹⁴Canada, *Census of Canada: Vol.5 The Labour Force* (1951) pp.2.9-2.12.

¹⁵*North Shore Leader* (Newcastle), 19 December 1958, p.1.

staple, an opportunity was presented to diversify both the local and provincial economies with the development of a mineral staple that had considerable potential for industrialising the region. It is in this context of economic dependence and decline that the base metal discoveries of 1953 must be understood.

Cold War, Continentalism and the Rush for New Brunswick Base Metals

The North Shore discoveries of lead, zinc and copper took place in the background of an international climate encouraging mineral exploration and production. Of particular importance were American Cold War policies that promoted economic integration and were based on anti-communism. During the post-war period American foreign policy became directed increasingly towards establishing an integrated free world economy, one which encouraged the importation of foreign raw materials and the export of domestic capital and consumer goods to other countries.¹⁶ This policy orientation in the United States, according to Richard Barnet, represented a move away from a domestic goal of self-sufficiency and a recognition of the need to ensure supplies of raw materials for American capital and for national security purposes. It was during this post-war period that the concept of scarcity became a central concern for policy-makers, which, Barnet argues, was informed by two factors. First, as Cold War tensions mounted during the late 1940s and early 1950s, the American state became increasingly worried about the number of

¹⁶See Joyce and Gabriel Kolko, *The Limits of Power: The World and United States Foreign Policy, 1945-1954* (New York, 1972); and Richard J. Barnet, *The Lean Years: Politics in the Age of Scarcity* (New York, 1980).

"strategic" resources under Soviet control. Second, the United States, which had emerged from the war as the dominant world power wanted to consolidate its economic hegemony internationally during the reconstruction period.¹⁷ Ensuring a steady supply of strategic raw materials for both security and domestic consumption therefore became an important component of American foreign policy during this time.¹⁸

The most visible sign of this increasing concern for "scarce" materials was state-sponsored stockpiling, a programme by which the American government would purchase and store strategic materials in preparation for war. The Strategic Materials Act of 1939 had established the first National Stockpile of important resources, but it was superseded in 1941 by the national mobilisation programme that marked the United States' entry into World War II. Shortages of critical materials experienced during the war convinced government officials to embark on a much more ambitious stockpiling programme in the post-war period, particularly as fears of a war with the Soviet Union began to materialise. The stockpile was increased through the Stockpiling Act of 1946, and in 1950 the Defence Materials Procurement Agency/Inventory, whose purpose was to "stimulat[e] expansion of productive capacity of

¹⁷Barnet, *The Lean Years*, chapter 5 especially.

¹⁸Identifying the actors responsible for American foreign policy during the post-war period has been the matter of some debate. Joyce and Gabriel Kolko have adopted a Marxist-informed instrumentalist approach, arguing that American-based multinationals determined the foreign policy orientation. See *The Limits of Power*, and Gabriel Kolko, *The Roots of American Foreign Policy: An Analysis of Power and Purpose* (Boston, 1969). This interpretation has been challenged in recent years by scholars who argue that post-war foreign policy was the product of a relatively autonomous state. See Stephen Krasner, *Defending the National Interest* (Princeton, 1978); and Barnet, *The Lean Years*.

strategic and critical materials through incentives", was established. Moreover, the Barter Program of the Commodity Credit Corporation allowed for the exchange of strategic materials from Third World countries for American agricultural surpluses.¹⁹

American concern for scarcity and stockpiling was most clearly defined in 1952 when the Report of the President's Materials Commission was released. Commissioned in the midst of Korean War and authored by William Paley, Chairman of the Columbia Broadcasting System, this report was a classic product of the Cold War. Tellingly titled *Resources for Freedom*, the Report's introduction clearly reflected the milieu of the early 1950s and the relationship between ideology and economic policy:

The United States, once criticized as the creator of a crassly materialistic order of things, is today throwing its might into the task of keeping alive the spirit of Man, and helping beat back from the frontiers of the free world everywhere the threats of force and of a new Dark Age which rise from the Communist nations. In defeating this barbarian violence, moral values will count most, but an ample materials base must support them. Indeed the interdependence of moral and material values has never been so completely demonstrated as today²⁰

But the fears of an impending Soviet-American conflict were only part of the Commission's concerns. The United States' "Gargantuan" appetite for materials, which the Report celebrated as the sign of a mature and progressive economy,

¹⁹A good overview of American stockpiling strategy during the 1946-64 period can be found in Glenn H. Snyder, *Stockpiling Strategic Materials: Politics and National Defence* (San Francisco, 1966). See also Clark-Jones, *A Staple State*, p.239; and Satyadev Gupta, *The World Zinc Industry* (Toronto, 1982), pp.32-33.

²⁰*Resources for Freedom: President's Materials Policy Commission Report -- Summary of Vol. I Foundations for Growth and Security* (Washington, D.C., 1952), p.1.

required a foreign policy that would maintain a steadily increasing level of imported raw materials for domestic use. The Report identified twenty-two strategic resources crucial to the long range requirements of American defence and domestic consumption. It recommended increased stockpiling of these resources, subsidisation of resource exploration by private American companies and the lowering of tariffs with resource-rich countries. Moreover, American companies were encouraged to invest heavily in foreign companies through tax concessions.²¹

Although some scholars have emphasised the importance of the Paley Report as a defining moment in American foreign policy, it was more a public statement of a de facto policy in effect since 1946.²² Subsidisation and loan guarantees for mineral exploration by American multinationals had been initiated by the Economic Cooperation Act of 1948.²³ Tariff agreements were already being negotiated with foreign countries including Canada; and increased stockpiling had been underway since 1946. While a Supplemental Stockpile was created after the publication of the Paley Report, it had less to do with the commission's recommendations, Stephen Krasner has argued, than with the demands of the American mining industry to shore

²¹*Resources for Freedom: Summary of Volume I Foundations for Growth and Security*, pp.6-8; 61-68; Clark-Jones, *A Staple State*, pp.12-16.

²²Donald Patton has argued that the Paley Report "changed public and official attitudes toward the need of assured sources of strategic and critical raw materials...." Patton, "The Evolution of Canadian Mineral Policies", in Carl E. Beigie and Alfred O. Hero, Jr., eds., *Natural Resources in U.S.-Canadian Relations: Vol. I The Evolution of Policies and Issues* (Boulder, Colorado, 1980), pp.222. For another example see Clark-Jones, *A Staple State*.

²³*Resources for Freedom: Vol V -- Selected Reports to the Commission*, Reports 12 and 15, pp.110-113; 125-128.

up depressed lead and zinc markets.²⁴ Where the Paley Report was unique was in its judgment that the United States could not be self-sufficient in the modern industrial world, a conclusion that would later draw plenty of criticism from American mining companies and their supporters in Congress.²⁵

American stockpiling and the Paley Report had great relevance for New Brunswick. All of the base metals discovered in northern New Brunswick were designated as strategic resources. Of particular interest were zinc, used in die castings and to galvanize other metal products; lead, used in batteries as cable covering; nickel, used as an alloying element in armorplate, and therefore found in most war materials; and copper, found in many electrical products. The Report predicted that American military and consumer demand for these base metals would rise substantially between 1950 and 1975.²⁶ Accordingly, Canadian exports of these metals, in the form of raw ore and concentrates, were admitted to the United States at reduced tariff levels. Under the terms of the 1951 Torquay trade agreement between

²⁴Krasner notes that the Joint Chiefs opposed the Supplemental Stockpile, arguing that it was not needed. Krasner, *Defending the National Interest*, pp.50-51. Reg Whitaker has argued that, since the 1970s, the American state has adopted a similar system of support for the arms market, something Whitaker describes as "military Keynesianism". "What is the Cold War About and Why is it Still With Us?", *Studies in Political Economy* 19, (Spring 1986), p.22.

²⁵Ian Lesser, *Resources and Strategy* (London, 1989), pp.105-11. The major Congressional attack on this new vision of dependence on foreign resources came from Senate hearings into American stockpiling strategy in 1953-4. See United States, *Stockpile and Accessibility of Strategic and Critical Materials to the United States in Time of War: Hearings Before the Special Subcommittee on Minerals, Materials, and Fuel Economics of the Committee on Interior and Insular Affairs of the United States Senate* (1953-4), vols. 1-12.

²⁶Demand for zinc and lead was predicted to rise by 38 and 61 per cent respectively. Copper and nickel, also found in the Bathurst area, but in lesser quantities, were also expected to experience increased demand (45 and 100 per cent respectively) over the 1950-75 period. See *Paley Report: Summary of Volume II: The Outlook for Key Commodities* (1952), pp.118.

Canada and the United States, Canadian zinc and lead were admitted at a reduced rate of 0.6 cents per pound and 0.75 cents per pound respectively.²⁷ Moreover, the demand created by the American stockpiling effort maintained artificially high price levels for these base metals. The Bathurst ores were also favourably located for the American market. Situated near the Baie de Chaleur, they could easily be transported by sea to American markets on the eastern seaboard as well as by the soon-to-be-constructed St. Lawrence Seaway to the country's interior.²⁸

Clark-Jones and other Canadian political economists have suggested that the American stockpiling effort, and the Paley Report in particular, can be seen as a major factor in the increasing ownership of Canadian resources by American multinationals during the decade following World War II. Thirteen of the twenty-two "strategic" resources listed by the Report were found in Canada. The unusually high demand created by American stockpiling efforts combined with lowered duties made Canada an attractive investment.²⁹ Indeed, the decade between 1945-55 was a

²⁷Under the terms of the Torquay trade deal of 1950-1, Canada revoked preferential tariffs given to British tinplate in exchange for lower American tariffs on a number of Canadian minerals and metals, most notably lead and zinc. Refined or smelted base metals were subject to higher duties. See Donald J. Patton, "The Evolution of Canadian Federal Mineral Policies", pp.219-220; United States Tariff Commission, *U.S Import Duties* (1958-1960).

²⁸Interestingly, the Paley Commission also recommended that the United States participate in the construction of the St. Lawrence Seaway to facilitate quicker and safer shipping of Labrador iron ore to the American interior. *Resources for Freedom: Summary of Vol.1 Foundations of Growth and Security*, p.74.

²⁹Clark-Jones, *A Staple State*, pp.2-21; Clement, *Hardrock Mining: Industrial Relations and Technological Changes at INCO*, pp.70-75; Dow, "The Canadian Base Metal Industry (Non-ferrous) and Its Impact on Economic Development in Canada, 1918-55", chapter 6; and Cuff and Granatstein, *American Dollars, Canadian Prosperity*, chapter 5. For a more general interpretation of the growing American influence in Canada during the Cold War years, see J.L. Granatstein and Norman Hillmer, *For Better or For Worse: Canada and the United States to the 1990s* (Toronto, 1991), especially chapter 6.

watershed in the increasing ownership and control of the Canadian base metal industry by American capital. Between 1948 and 1955 American control of the Canadian mining and smelting industry increased from 37 to 55 per cent; by 1957 foreign control reached 70 per cent.³⁰ Moreover, according to Clark-Jones, federal officials in the Department of Trade and Commerce welcomed this new investment with open arms. This point is further illustrated by a statement made during the 1950s by Kenneth Taylor, Canada's Deputy Minister of Finance, to W.Y. Smith, New Brunswick's economic advisor. Referring to the Paley Report, Taylor reportedly told Smith: "I keep it in my desk, and every time I get depressed about the future, I take it out and read it". The report was also well known to Smith and the Flemming government and "crucial" in influencing provincial mining policy.³¹

The Boom Begins

The mining industry played a small part in New Brunswick's economy in 1950, composing a very small percentage of the province's gross product. The major mining products were fuels, structural products (sand, gravel, limestones and clay) and non-metallics such as gypsum and peat moss. Coal, mined primarily in the Minto area, accounted for the largest portion of revenues and employment.³² But its

³⁰Dow, "The Canadian Base Metal Industry (Non-ferrous) and Its Impact on Economic Development in Canada, 1918-55", p.153; Clement, *Hardrock Mining*, pp.71-72.

³¹Transcript of interview of W.Y. Smith by author, 23 September 1990, Fredericton, N.B., p.10, PANB.

³²In 1951 New Brunswick mines produced 656,791 tons of coal valued at \$4,891,308 and employed a total of 432 on the surface and 517 underground. New Brunswick, *Annual Report of the Department of Lands and Mines* (1951), pp.82-85. See also Seager, "Minto, New Brunswick: A Study in Canadian Class

prospects were at best unstable as it was of lower quality than that produced in Nova Scotia. Although the base metal industry was practically non-existent in the province in 1950, there had been some activity earlier in the century in the Bathurst region. Between 1902 and 1915, and again for a few years in the 1940s iron ore was mined by Bathurst Iron Mines (also known as Drummond Mines). Some minor discoveries of gold, pyrite and zinc had sparked some interest in the region in the 1930s but little came of them. In later years, commentators would observe that the development of a base metal industry in the province was impeded by lack of information regarding the actual inventory of these resources and poor inland transportation.³³

These impediments were overcome in the post-1945 period. As pulp and paper companies expanded into the province's interior the number of inland roads increased. And in the early 1950s the government increased its knowledge of the province's mineral potential through a number of studies. In 1950 and 1951 an aeromagnetic survey of the province was commissioned by H.J. Rowley, chairman of the New Brunswick Resources Development Board.³⁴ This survey, carried out both by the Provincial Geologist and the Geological Survey of Canada, identified magnetic

Relations Between the Wars", pp.81-132.

³³G.S. MacKenzie, "History of Mining Exploration in the Bathurst-Newcastle District, New Brunswick", paper presented to the Annual General Meeting of the Canadian Institute of Mining and Metallurgy, Ottawa, 23 April, 1957.

³⁴The provincial government established the New Brunswick Resources Development Board in 1945 in response to the recommendations of the province's Commission on Reconstruction. See Young, "and the people will sink into despair", p.148; and New Brunswick, *Final Report of the Committee on Reconstruction* (Fredericton, 1944).

anomalies indicative of base metal deposits in the Bathurst-Newcastle region.³⁵

Copies of these maps were then distributed by the Geological Survey and Rowley to prominent mining companies in the hopes of attracting interest in the region.³⁶

Interest in the region was piqued when, in the spring of 1952, a University of New Brunswick geology student, A. Bennett Baldwin, and his supervisor, Professor Graham S. MacKenzie discovered sulphides indicating the presence of lead, zinc, silver and copper in the Bathurst area.³⁷ At the same time three local prospectors, P.W. Meahan, E. Comeau, and W. de Grace, were busy staking claims on abandoned mine sites in the region. It did not take long for them to find buyers for their claims; an increased interest in the "geologically similar regions" of the Gaspé and Quebec's eastern townships and the distribution of the promising survey results attracted national mining companies such as M.J. O'Brien Ltd. and Noranda to the region. By the summer of 1952 these companies and a handful of local prospectors had begun serious exploration work.

The most prominent of these companies was a prospecting syndicate headed by Toronto mineral developer Matthew James (Jim) Boylen. A short, stocky man of humble beginnings, Boylen constantly cast himself in the mythic tradition of the "self-

³⁵New Brunswick, *Annual Report of the Department of Lands and Mines* (1950), p.6

³⁶ It is unclear whether it was the federal body or Rowley who took the initiative in distributing the maps. A 1953 newspaper report suggests that the Geological Survey was in charge of distribution but a senior civil servant during the 1950s would later recount that Rowley had taken the initiative. "N.B. Mining Maps Distribution Here Is Hit in Committee", *The Daily Gleaner* (Fredericton), 6 March 1953; Interview with John A. Paterson in *Contributors to the Development of Commercial and Industrial Relations Systems in New Brunswick and Other Atlantic Provinces*, transcripts of taped interviews, 1975-1977, MC81 #8, p.10, PANB.

³⁷"Mining Developments Show Value of University Research", *Northern Light*, 26 February 1953, p.9.

made, self-sufficient" individualistic prospector. A prospector and promoter in northern Ontario and Quebec since the 1920s, he was fond of telling people that he had been a millionaire at the age of 19, only to go broke a few years later, and then became a millionaire again at the age of 29. The accuracy of these stories is unknown but it is clear that he made a lot of money in 1948 when he purchased the abandoned Anacon Lead Mines in Quebec only to discover new ore deposits. His increasing profile within the Canadian mining fraternity helped him attract speculative money for prospecting ventures in Quebec and New Brunswick from a group of wealthy American investors including Garard Winston, a former Under Secretary of State.³⁸

In the summer of 1952 Boylen's syndicate, hearing of promising anomalies in the region, optioned the Bathurst Iron Mines. After months of unsuccessful diamond drilling and an airborne survey commissioned by Boylen, the group discovered a large deposit of zinc, lead, copper, nickel, and silver metals in October 1952. Boylen quickly formed a company, Brunswick Mining and Smelting, to oversee the exploration. Over the next two months Boylen's organisation, employing as many as 60 prospectors at one time, quietly staked nearly 1000 claims along a 25 mile belt in the vicinity of Bathurst Iron Mines. (The fact that this could be done without attracting attention at a time when a number of other mining companies were busy in

³⁸"Prospector With The Midas Touch", *Northern Light*, 22 November 1956, Sec.3, p.1; "Jim Boylen - The King of the Mine Makers", *The Northern Miner* (Toronto), 24 November 1966, p.57; Interview of Robichaud by author, 16 May 1994, Ottawa, Ontario. On the "myth of the prospector" in northern Ontario at the turn of the century, see Nelles, *The Politics of Development*, pp.108-10.

the area was surprising to many, including *The Northern Miner*.)³⁹ Finally, on 15 January 1953, Boylen announced his discovery of base metals; although the ore was of only average grade the deposits were enormous, amounting to an estimated 28 million tons. *The Northern Miner*, which reported the news exclusively, described the discovery as "among the biggest in Canadian history."⁴⁰ The provincial Mines Director bragged that "seldom... in Canadian mining history has such a vast tonnage of ore been proven in such short time."⁴¹ The New Brunswick mining rush had begun.

Boylen's announcement touched off a claim staking boom in northern New Brunswick. Within days Bathurst was deluged with prospectors and mining company representatives from Canada and the United States. *The Moncton Daily Times* reported that mining people were "[t]hronging into the town by train, car and bus....staking claims over a wide area of Gloucester County in a race to cash in on an ore strike reputed to be of promising dimensions.... [N]ewcomers were arriving here almost hourly to tax hotel accommodation in this town of 5,000." Other newspapers noted that newly arrived prospectors were sleeping in hotel lobbies and the local theatre where cots had been set up to accommodate them while they waited to get to the field. Latecomers, prospectors who arrived more than a week after the

³⁹"These are the Hotspots Along Twenty-Five Miles of New Brunswick Staking", p.5; and "New Brunswick Fired By Metals Find With Big Tonnage Possibilities", *The Northern Miner*, 15 January 1953, pp.1,4.

⁴⁰"New Brunswick Fired By Metals Find With Big Tonnage Possibilities", *The Northern Miner*, 15 January 1953, p.1.

⁴¹New Brunswick, *Annual Report of the Department of Lands and Mines* (1953), pp.91-92.

announcement, tried to make up for lost time by flying directly into the staking area itself, equipped with snowmobiles and tractors.⁴² In order to handle the heavy demand for staking licenses the provincial Department of Lands and Mines quickly established a makeshift sub-office in Bathurst. A large lineup greeted manager L.G. Davis on 26 January 1953, the first day of the sub-office's operation, and by the end of that busy day over 100 licenses were processed. Within two weeks it was reported that that number had increased to 1200.⁴³ But the most impressive statistic of the Bathurst boom was the number of claims filed. While 153 claims were staked in the entire province in 1951, approximately 4000 were filed during the two weeks following Boylen's announcement. By the spring of 1953 provincial geologist G.S. MacKenzie reported that between 25,000 - 30,000 claims had been staked; by the end of the year the total reached 40,000. That number would be increased to 60,000 in 1954. Writing in *The Financial Post*, Peter C. Newman described the Bathurst boom as "the most concentrated claim staking rush in Canadian mining history", a point which the province echoed in literature promoting New Brunswick's mining and industrial potential.⁴⁴

⁴²"100 Licenses Issued to Claim-Stakers As Office Opened", *Moncton Daily Times*, 23 January 1953, p.1; "New Brunswick Metal Find Scene of Staking Rush"; "Frenzied Staking in N.B. Spreads Far and Wide"; "Bathurst Boom Aids Business", *The Northern Miner*, 29 January 1953, pp.1,2,5.

⁴³"Bathurst Boom Aids Business", *The Northern Miner*, 29 January 1953, pp.1,2,5.

⁴⁴New Brunswick, *Annual Report of the Department of Lands and Mines* (1951), p.47; "Anticipate 30,000 Claims By Spring in N. New Brunswick", *The Northern Miner*, 19 March 1953, pp.21-22; Peter C. Newman, "Bathurst Find Maritime Noranda?", reprinted in *The Northern Light*, 28 May 1953, p.2; Travel Bureau Press Release", January 1954, Hugh John Flemming Papers (hereafter Flemming Papers), Provincial Archives of New Brunswick, RS415 F4c, PANB.

Geography and Demography of a Mining Rush

Newspaper accounts and the actual mining claims filed with the Department of Lands and Mines provide a rough guide to the geographic pattern of claim staking during the mineral rush. The first few months of the boom in 1953 was a period of speculation. Boylen's exploration work in the fall of 1952 consisted of traditional prospecting -- diamond drilling and testing rock samples. But after his January announcement the claim staking was based very little on geological knowledge or testing. Within the first two weeks of the discovery all of the magnetic anomalies in the Bathurst area appearing on the Geological Survey of Canada's 1950-1 map had been staked. After that professional and amateur prospectors were staking on the off chance that the claim might contain ore. Newspapers described the staking during these early days of the boom as "frenzied" and "hectic". In one incident "a prospector in the Bathurst area knock[ed] a hole through a farmer's barn so that he could lay out his line." The story went on to note that "the farmer took a lukewarm view of the whole proceedings, and the prospector was forced to repair the damaged barn".⁴⁵

Table 2.4 lists the number of claims staked in each county during the 1953-7 period. It shows that the counties of Gloucester and Northumberland were of principal interest during the early years of the rush. Initially, most of the stakers' attention was focused on the Bathurst area of Gloucester County. When this area was completely staked, prospectors radiated to the surrounding area, moving eventually into

⁴⁵"Mining Program Not Boom and Bust", *Northern Light*, 27 August 1953, pp.1, 10.

Northumberland and Restigouche Counties and even into the Gaspé area of Quebec.⁴⁶ Interest in the North Shore soon drew attention to the rest of the province. Throughout the rest of 1953 claims were staked in a number of other counties, most notably around the Woodstock area in Carleton County where ferro-manganese was detected. There was also a mini-rush in the Hampton area of Kings County after uranium was reported to have been found in September 1953.⁴⁷ The 1954-6 period saw claim staking become less vigorous. The total number of claims tailed off and while interest in Gloucester County continued, Northumberland County was the recipient of most of the prospecting attention. This reflected the discovery of a lead-zinc ore body just northwest of Newcastle in the fall of 1954.⁴⁸

⁴⁶The famous "Coffin murders" took place against the backdrop of the prospecting rush in northern New Brunswick and Quebec's Gaspé region. See John Edward Belliveau, *The Coffin Murder Case* (Markham, Ontario, 1956/79).

⁴⁷"Anticipate 30,000 Claims By Spring in N. Brunswick", *The Northern Miner*, 19 March 1953, pp.21-22; "Bathurst Settles Down To Solid Exploration", *The Northern Miner*, 3 June 1954, p.2; "Claims-Staking Rush Follows Uranium Reports", *Northern Light*, 10 September 1953, p.7.

⁴⁸"American Metal's New Major Discovery is Not Only Big, But It's Also Rich", *The Northern Miner*, 4 November 1954, pp.1, 14.

Table 2.4
Location of Claim Staking in New Brunswick, 1953-7

County	1953	1954	1955	1956	1957
Gloucester	48	5	14	12	5
Northumberland	16	16	12	10	1
Restigouche	25	5	3	2	1
Carleton	7	1	--	--	--
Madawaska	2	1	7	3	--
Rest of Province	15	4	8	10	7
Total	113	32	44	37	14

Source: Random Sample of New Brunswick Mining Claims, Records of the Department of Lands and Mines, RS112d, PANB.⁴⁹

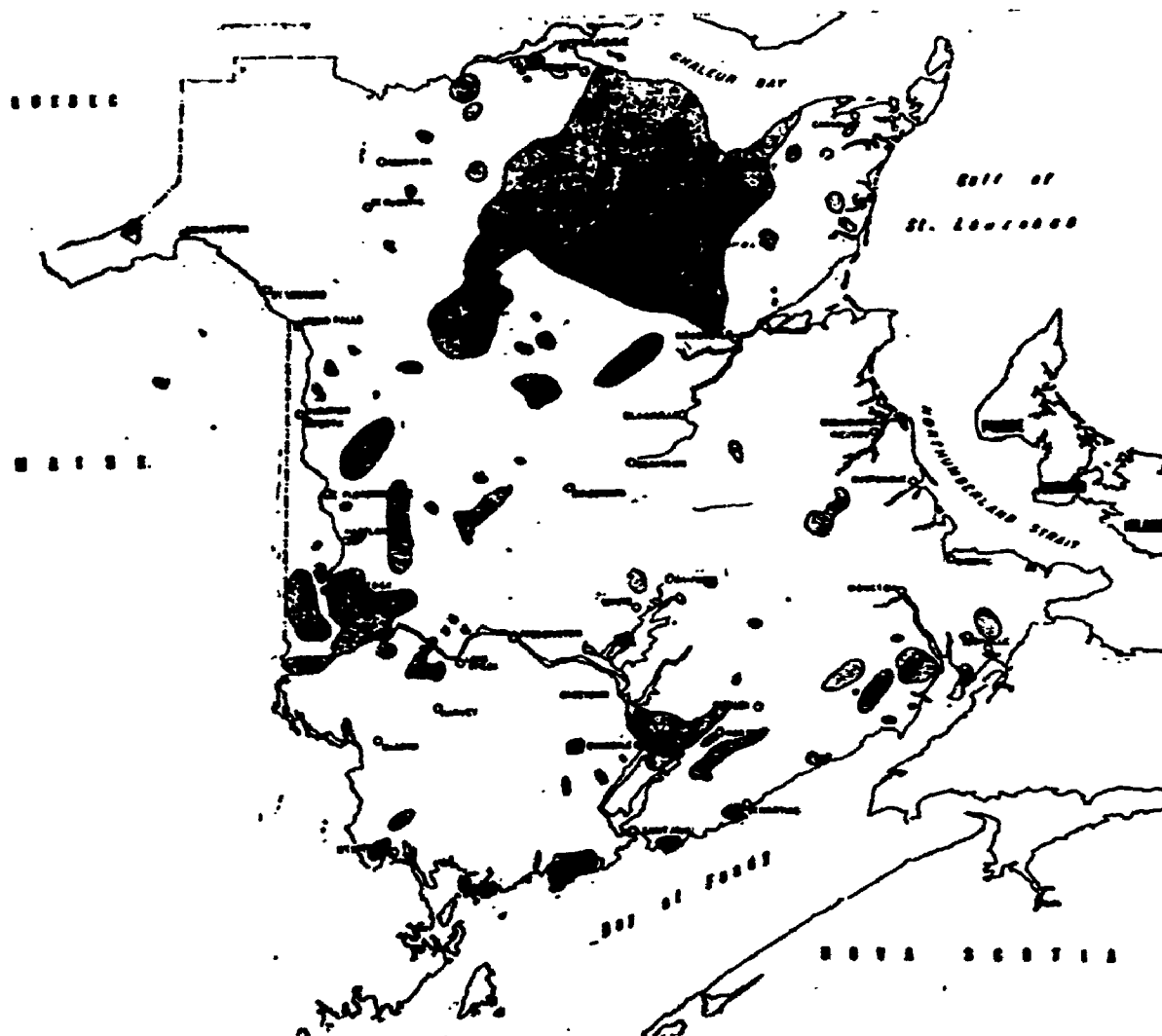
Despite this late discovery the speculation boom was over by the spring of 1954. The most promising claims had been staked and the development phase began as mining and exploration companies, as well as some individuals, tried to ascertain the value of their claims. In February 1954 the *Northern Light* declared the "rush" over and noted that many Ontario prospectors who arrived the previous year were returning home.⁵⁰ Prospecting would continue throughout the next decade but at a much less feverish pace. This decline would become even more noticeable after 1956 when mining companies reduced or suspended operations due to a weak base metal market. Map 2.3 shows the pattern of staking throughout the province generally during the first

⁴⁹The Provincial Archives of New Brunswick has in its possession all of the claims staked during the 1945-65 period. The collection is enormous -- 132 boxes in all -- and is not in any apparent order. Each box contains numerous files, each one devoted to the claims staked by a particular individual. Also, the files sometimes contain information about the transfer of these particular claims to another individual or company. The method undertaken was to examine the tenth file of every sixth box in the collection. The collection of mining claims is located in the Department of Lands and Mines Records, RS112d, PANB.

⁵⁰"Many Mining Folk Leave For Ontario", *Northern Light*, 25 February 1954, p.1.

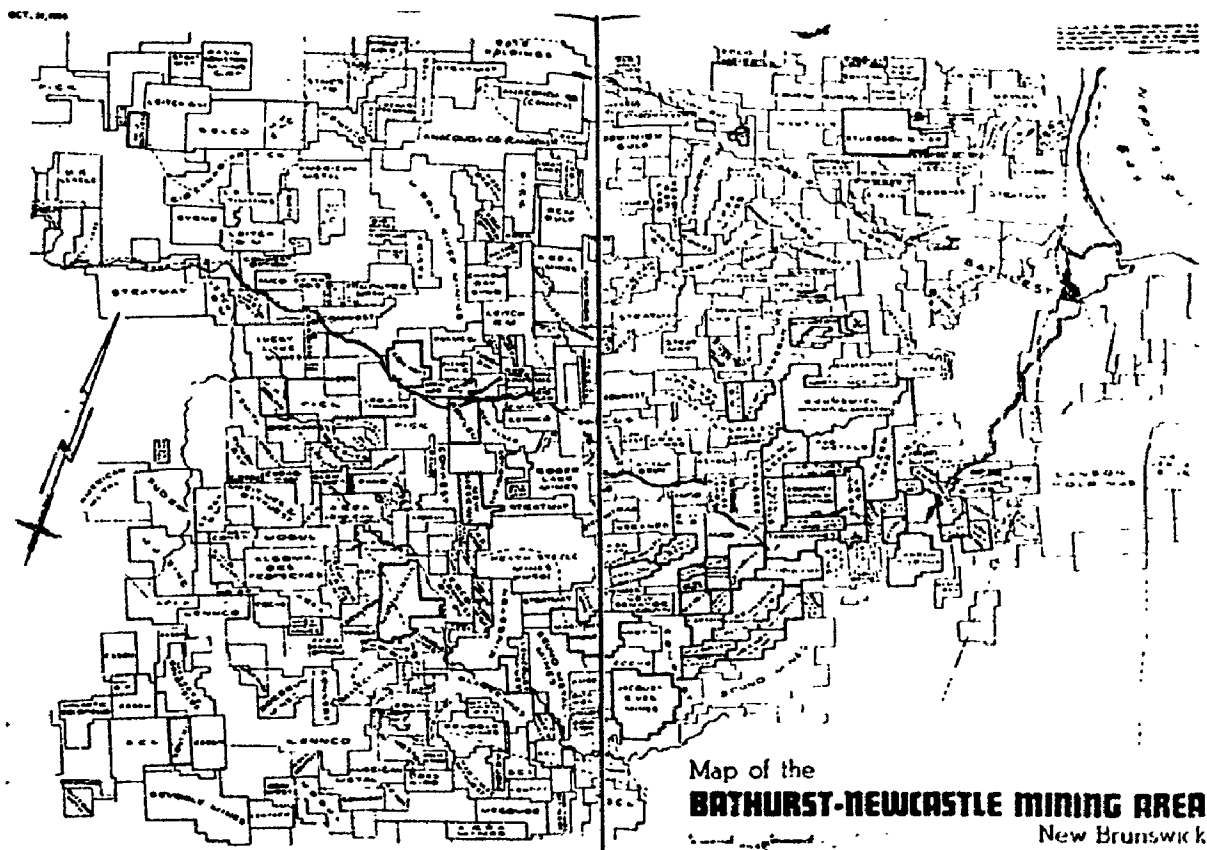
year of the boom while Map 2.4 shows the extensive staking that took place in the Bathurst region in particular.

Map 2.3
General Location of Claims Staked, 1953



Source: *The Northern Miner*, 7 January 1954, p.9.

Map 2.4
Claims Staked in the Bathurst Region, 1953-56



Source: *The Northern Miner*, 29 November 1956, pp.72-3.

Who were these prospectors staking claims all over New Brunswick throughout the mid 1950s? According to the provincial Mining Act any person over the age of 18 could purchase a prospecting license for ten dollars. Licenses were not restricted to Canadian citizens or naturalised immigrants. A license allowed the prospector to stake out ten claims of up to 40 acres each, providing that they were recorded within thirty days of staking. Posts, with tags attached identifying the staker, were placed at each corner to mark the claim. In order to maintain the claim the prospector was required to perform 25 days of development work annually, although the sheer volume of claims forced the provincial government to waive this clause for the year 1953. The form used to file a claim gives useful information that can be used to identify the prospectors. Each claim contains the staker's name and address, the claim's general location, the date of staking, and the name and address of the person in whose name the claim was to be registered. This latter information allows us to identify companies and individuals who hired stakers. Most forms contained the maximum ten claims allowed under the Act. Of course, a prospector could obtain additional licenses if (s)he wanted to stake more than ten claims. The mining claim collection also contains applications for mining licenses. When a claim owner decided to actually begin digging, (s)he could apply for a mining license from the Crown, which also cost \$10 and required 25 days of annual development work. In addition to the information contained in the mining claim form, the mining license required applicants to list their occupations and those of their partners. Although mining licenses were obviously in lesser demand than claim licenses, it is possible to

glean information regarding the occupations of the licensees and, by cross referencing, of many who filed claims.⁵¹

Contemporary newspaper accounts of the boom period emphasised the presence of professional prospectors from Quebec and Ontario in the Bathurst field. Indeed many of the most prominent Canadian prospectors participated in the boom. Viola MacMillan, president of the Prospectors and Developers Association of Canada, and her husband George were first in line when the Bathurst sub-office of the Department of Lands and Mines was opened.⁵² *The Northern Miner's* reporter noted that it was like "Old Home Week" for a "mining man" visiting Bathurst. "Prospectors, field scouts, wildcatters, engineers and geologists from all over the country and representing a full cross-section of the mining industry, are bustling in and out of town."⁵³

Table 2.5, which shows the residence listed by stakers on their claim registration forms between 1953-7, suggests that non-resident prospecting was much less prevalent. In fact, of the 240 claims sampled, 174 of the stakers listed their residence as one of the northern counties of Gloucester, Northumberland, Restigouche and Madawaska. The participation of Gloucester residents is particularly notable.

⁵¹A mining lease was required at the stage where a person or company wanted to actually put a mine into production. To be eligible, the applicant had to prove that they had invested six months of development work and pay an annual rental fee of \$10 per 40 acres leased. The term of the leases was 20 years, although they could be renewed for a period of up until 80 years. Unfortunately the Mining Claim collection does not contain information regarding leases. On all of these regulations, see *New Brunswick, Revised Statutes* (1952), pp.2740-50.

⁵²"Prospectors Move Into Bathurst", *Moncton Daily Times*, 23 January 1953, pp.1-2.

⁵³"Half Dozen Orebodies Already Counted In Potential Bathurst Area of N.B.", *The Northern Miner*, 2 July 1953, pp.1-8.

**Table 2.5
Origin of Stakers, 1953-7**

	1953	1954	1955	1956	1957	Ttl.
Ontario/ Quebec	13	-	-	3	3	19
Gloucester Co.	57	19	17	30	5	128
Northumberland Co.	5	9	11	1	1	27
Restigouche Co.	6	-	1	1	-	8
Madawaska Co.	1	1	6	3	-	11
Victoria Co.	12	1	-	-	-	13
Rest of Province	16	2	2	9	5	34
Total Raw	110	32	37	47	14	240

Source: Random Sample of New Brunswick Mining Claims, Records of the Department of Lands and Mines, RS112d, PANB.

However, these statistics appear to overstate the case. Although there were no regulations against non-resident prospecting, and therefore less reason for central Canadian prospectors to claim local residence, there were cases in which non-residents listed their home as Gloucester County. One such prospector was Lawrence E. Gamble who was very active in staking, buying and selling claims during the 1953-4 period. His name appears often in the Mining Claims records and each time he lists his residence as Bathurst, Gloucester County. But in February 1954 the Bathurst newspaper noted that he and a number of other Ontarian prospectors were leaving Bathurst to return to their native province. During the boom year, lasting from January 1953 to February 1954, Gamble and other out-of-town prospectors set up residence in Bathurst hotels. (Some of them became known locally as the "Carleton Miners", a reference to the Carleton Hotel in which they stayed.) Likewise

it appears that a number of mining experts and prospectors and their families were brought into the region by the various mining companies. *The Northern Miner* noted that "[c]ottages at Youghall Beach, on the outskirts of town, have been snapped up by engineers who are luxuriating in the unheard of experience of having their families with them while they are directing early stage exploration operations." Having set up semi-permanent residences it is possible that many of these newcomers might also list their residence as Gloucester County on claim registration forms.⁵⁴

It is therefore likely that the Mining Claims records are not as helpful as we would like in determining the extent of local and non-resident participation in prospecting. This lack of precision, however, is probably greatest during the year of the boom, 1953 to early 1954, and, because the Bathurst region was the boom's initial focal point, limited to those people claiming residence in Gloucester County. Bearing these considerations in mind it would still appear that there was significant local participation in the staking boom.

There are other indications of local participation. Many of the names of the stakers appear to be of French origin. Considering that the boom was taking place in a largely Acadian region, this would suggest that local residents were active. This impression is further confirmed by the fact that a number of amateur prospectors were staking claims. Professional prospectors coming into the region would probably identify their occupation as such. But it appears that many of the local participants in

⁵⁴"Many Mining Folk Leave For Ontario", *Northern Light*, 25 February 1954, p.1; "Half Dozen Orebodies Already Counted In Potential Bathurst Area of New Brunswick", *The Northern Miner*, 2 July 1953, pp.1, 8.

the staking boom had little, if any, prospecting experience. *The Northern Miner* and the *Moncton Daily Times* both noted the presence of a number of amateur prospectors from the local area. The latter reported that "[a] large number of local residents [were] in the field in the hope of locating a workable deposit...adding to the general electricity surrounding the community."⁵⁵ And Peter C. Newman noted that "[e]ven the local golf course was staked, as farmers, mechanics and lumbermen got in on the boom."⁵⁶ Although it was not possible to obtain information regarding the occupations of all claim stakers, it was possible to compile statistics on those who were named on mining licenses. Table 2.6 lists the occupations of stakers listing New Brunswick residences during the 1953-7 period. Although the sample is small enough to warrant tentative conclusions only, it seems to confirm that there were a number of local amateurs involved. While seventeen stakers claimed to be professional prospectors, there were significant numbers of labourers, farmers, and assorted professionals who were active.

⁵⁵"Frenzied Staking in N.B. Leads Far and Wide", *The Northern Miner*, 29 January 1953, pp.1,2; "Bathurst Booms as Ore Hunters Flood Into Town", *Moncton Daily Times*, 23 January 1953, p.1.

⁵⁶"Bathurst Find Maritime Noranda", *The Financial Post*, reprinted in the *Northern Light*, 28 May 1953, p.2.

Table 2.6
Occupation of New Brunswick
Claim Stakers, 1953-7

Prospector	17	Businessman	10
Mining Employee	2	Professional	7
Labourer	12	Tradesman	8
Farmer	9	Housewife	2
Fisherman	1	Other	5
Forestry	4	Unknown	174

Source: Random Sample of New Brunswick Mining Claims, Department of Lands and Mines Records, RS112d, PANB.

One might also conclude that stakers were drawn from across class lines. The fact that a significant number of stakers from occupations that can be classified as working class were obtaining mining licenses (which required costly development work) suggests that one would find even more working class "prospectors" who staked claims near their homes but could not afford to develop them. Indeed there were a number of local residents who staked claims in and around their community and nowhere else. These stakers were hoping that an ore body would be discovered nearby, thereby making their claim valuable.

Local participation came in a number of forms. Many of the local prospectors were working for others. Table 2.7 shows that about two-thirds of the stakers were working for someone else. Here it can be seen that outside interests, particularly those from Ontario, played a significant role in hiring local stakers. A local newspaper reported that "at least 60" people had been hired to stake claims in Kings County in response to reports that uranium had been discovered in 1953. The "prevailing rate"

of pay was \$10 per day for these stakers.⁵⁷

Table 2.7
Origin of Prospectors Who Staked Claims For Others, 1953-7

	1953	1954	1955	1956	1957
Gloucester Co.	13	10	5	22	4
Northumberland Co.	5	3	3	--	--
Rest of N.B	11	1	1	1	--
Non N.B	29	10	17	11	3
# of Prospectors Who Staked Claims for Themselves	52	7	10	13	7

Source: Random Sample of New Brunswick Mining Claims, Department of Lands and Mines Records, RS112d, PANB.

The Boylen group appears to have operated in this manner. One of the many companies established by Boylen was Lanson Holdings, a prospecting company that hired a number of local residents to stake claims throughout the 1953-5 period. Two American companies, American Metal and Anaconda, also hired exclusively local residents. Other companies such as the American subsidiary Stratmat hired locals but also brought in their own prospectors from Quebec. But, here again, there were some local residents who hired others to stake claims; Bathurst prospector Patrice Roy hired a number of local stakers.

There were also local prospectors who staked claims in their own names and then sold them to mining and prospecting companies either on speculation or after discovering base metal deposits. Predictably there were a number of stories that

⁵⁷"Claims-Staking Rush Follows Uranium Reports", *Northern Light*, 10 September 1953, p.7.

made their way around the North Shore of local prospectors who were selling their claims for considerable sums of money. During the first weeks of the rush *The Northern Miner* reported "a number of blocks [of claims] having been turned over at prices ranging from \$25,000 to \$100,000 with the vendors retaining interests varying up to 15%."⁵⁸ There were also local prospecting companies. One of the most successful appears to have been Rothesay Investments Ltd. which was associated with local prospector Leo deGrace who sold many of the first claims to Boylen. After the rush began other local prospecting companies appeared, such as the one established by Bathurst residents G.E. Pentland and H.H. Williamson, the latter who was to become a local MLA in 1956. These companies hired stakers, bought and sold claims, and acted as middlemen between sellers and mining companies.

Perhaps the most interesting case of local entrepreneurship in the mining boom is that of the Reverend Pius Finnin, the curate at Bathurst's Sacred Heart Cathedral. Originally from Prince Edward Island, Finnin played an active role in the staking boom of the 1953-55 period and in the years afterward. His name appears often in the claim staking records, taking up nearly a page in the finding aid for the collection. He apparently commissioned a number of local stakers to stake claims on his behalf in Northumberland, Gloucester, and Restigouche Counties, and was very active in buying claims from local individuals and then selling them, generally to American mining companies. Just what Finnin's role was is not entirely clear. It may very well be that he was speculating or acting as an agent for particular mining interests;

⁵⁸"New Brunswick Metal Rush Find Scene of Staking Rush", *The Northern Miner*, 22 January 1953, pp.1, 5.

indeed one of the companies to which he sold claims was the Finnin Mining Co. based in the United States. It may also be that Finnin was acting as a middleman between local residents -- perhaps parishioners -- wanting to get in on the claim staking boom and the mining companies.

It is notable that a local prospecting community did emerge during this period. Some stakers who appeared to be amateurs at the beginning of the boom became full-time prospectors. Such was the case of H.H. Williamson who identified himself as a salesman in 1953 but by mid-decade was listing his occupation as prospector. In 1954 local prospectors formed the New Brunswick Prospectors and Developers Association under the leadership of lawyer Alfred Harris, who, in addition to being involved in staking, represented Boylen's various interests in the Bathurst area. Although relations between non-resident professional prospectors and local amateurs were largely amicable, prospectors took great pains to emphasise their professionalism. An anonymous article in the Bathurst newspaper distinguished between prospectors and amateurs:

One should not confuse a...professional and an amateur prospector or staker. The...professional prospector, makes a full time occupation. He does not stake until he has found. He has years of experience behind him and will usually not recognise another prospector until the other has about five years experience under his belt. It is this active full time prospecting which acquaint him with the mining fraternity and no matter where he goes in a new rush he always knows a number of the men already there or coming.⁵⁹

Other accounts stressed the increasing use of scientific methods by professional

⁵⁹"Prospecting", *Northern Light*, 3 July 1953, p. 16.

prospectors as a point of distinction.

Despite the emergence of a local prospecting community and stories of northern New Brunswickers who struck paydirt, when the dust had settled it was American multinationals who dominated the region's most promising ore bodies. Table 2.8 lists the major mining companies involved in mineral development in New Brunswick in the 1950-7 period. Lured both by the size of the base metal discoveries and by favourable American Cold War policies, these corporations invested in the region either by establishing a Canadian subsidiary -- as was the case with the formation of Heath Steele by American Metal -- or by purchasing a controlling interest in an existing Canadian company. The best example of this approach was St. Joseph Lead's purchase of forty per cent of the shares of Brunswick Mining and Smelting, the principal company established by Boylen after his 1953 metal discoveries. Looking for capital and management expertise to develop his motherlode, Boylen was courted by some of the world's largest mining corporations after the 1953 discovery; indeed, his lawyer met with 25 potential investors in one day.⁶⁰ Boylen eventually decided on St. Joseph, selling a controlling interest in Brunswick for \$9 million.

⁶⁰DeMont, *Citizens Irving*, pp.79-80.

Table 2.8
Major Mining Claim-holders in New Brunswick, 1955

COMPANY NAME	CONTROLLING COMPANY	HEAD OFFICE LOCATION
Brunswick Mining and Smelting	St. Joseph Lead	United States
Heath Steele Mines	American Metal Climax	United States
Anaconda Company	Anaconda Copper Mining	United States
Nigadoo Mines Ltd.	Billiton Corporation	Holland
Middle River Mining	Texas Gulf and Sulphur	United States
Stratmat	Strategic Materials Ltd.	United States
Kennco Explorations	Kennecott Copper Corp.	United States
Consolidated Mining and Smelting	Consolidated Mining and Smelting	Canada

Source: G.S. MacKenzie, "History of Mining Exploration in the Bathurst-Newcastle District, New Brunswick"; *Final Report of Commissioner of Mines of Province of New Brunswick* (Fredericton 1960), pp.6-20.

Boylen's Bathurst discoveries were generally considered to hold the most promise for extensive development. While Boylen's flagship company was Brunswick Mining and Smelting, he also used other companies in which he had a controlling interest to work the various ore bodies in the region. Principal among these were Keymet Mines, New Larder U. Mines, Anacon Mines, and Sturgeon River Mining. Brunswick controlled the two richest discoveries in the Bathurst region, namely Austin Brook and Anacon-Leadrige. A University of New Brunswick geologist told the provincial legislature that these ore bodies, composed largely of lead and zinc, amounted to "a staggering 49,970,000 tons". Only two other Canadian base metal

companies, Noranda and International Nickel, had larger ore reserves.⁶¹ Although the ore was mid-grade St. Joseph's officials were confident that they could develop milling and smelting processes to extract and refine the metals.⁶² Boylen also made public his company's intention to establish Eastern Canada's first zinc smelter and a chemical operation (to take advantage of the high sulphide content in the ore) in the Bathurst area.⁶³

The extensive discoveries by American Metal, through its subsidiary Heath Steele Mines, in the Bathurst-Newcastle area were also considered promising. In the fall of 1954 this company announced the discovery of a large ore body at Little River, Northumberland County. The ore body was not as large as that of Brunswick but every bit as promising.⁶⁴ Established in 1955, Heath Steele Mines was owned 75 per cent by American Metal and 25 per cent by Canadian-based International Nickel Company (INCO). Its development plans were not as grandiose as Brunswick's but it did aim to have a mine and lead-zinc concentrator in operation by 1957.

The other major mining company investing in the province was Stratmat, a

⁶¹New Brunswick, *Synoptic Report of the New Brunswick House of Assembly* (hereafter *Synoptic Report*) (1954), p.48.

⁶²During the milling or concentrating phase of processing the various metals within the ore are separated (through one of a number of processes). The materials are then refined through a smelting process, which is much more costly and technology intensive, into slabs of metal which can be used for a secondary manufacturing purpose.

⁶³"90 chances sur 100 d'une fonderie dans le comté de Gloucester", *L'Évangéline* (Moncton), 21 Janvier, 1955, p.3. At the time there were two other zinc smelters in Canada; one in Trail, British Columbia, owned by Consolidated Mining and Smelting, and the other in Flin Flon, Manitoba, operated by the Hudson Bay Mining and Smelting Co. Ltd..

⁶⁴"American Metal's New Major Discovery is Not Only Big, But It's Also Rich", *The Northern Miner*, 4 November 1954, pp.1,14.

subsidiary of the suggestively named Strategic Materials Corporation, which controlled a large ferro-manganese ore body near Woodstock in southeastern New Brunswick. The company's president, hotel developer John Udd, was also active in the Bathurst developments, sitting on Brunswick Mining and Smelting's Board of Directors.⁶⁵ Because the American supply of ferro-manganese, an important ingredient in steel production, came primarily from the Soviet Union until 1949, it too was given preferential import status by the American government as a strategic resource. First discovered in 1954, this body was estimated to contain 150 million tons of proven ore, "enough to feed U.S. steel mills for twenty years."⁶⁶ Although the ore was of fairly low-grade the company hoped to upgrade it by means of a procedure (known as the Udy process) by which manganese was removed magnetically from rock and then subjected to sulphuric leaching. Udd best expressed the Cold War and continentalist mentality of the period when he noted optimistically: "If war made it necessary the Woodstock deposit could probably supply the entire steel industry of North America, ending completely our reliance on overseas resources."⁶⁷ It seems evident that American stockpiling served as an incentive for Strategic Materials' interest in New Brunswick in the 1950s.

⁶⁵Stratmat's board of directors included some big names in the American business world, including Ralph Damon, president of Trans World Airways, Alwin Franz, president of Colorado Fuel and Iron, and M.H. Baker, president of National Gypsum Co. Udd was developer of Montreal's Laurentian Hotel and Ottawa's Lord Elgin Hotel. He was also the top Canadian official for Sheraton Hotels. "Local Mine Discoveries Looming Much Bigger Than So Far Indicated", *Northern Light*, 7 May 1953, p.9 (reprinted from *The Montreal Gazette*).

⁶⁶Strategic Materials Corporation, *Annual Report* (1956), p.6.

⁶⁷"Plugging a Big Hole in Industry", *Newsweek*, 27 December 1954, p.53.

These corporations would dominate the province's emergent base metal industry in the years that followed, but, as we have seen, the presence of a large number of local amateurs in the claim staking rush of 1953-5 is notable. While acknowledging their lack of expertise, northern New Brunswickers were adamant in asserting their right to participate in the development of this new resource. This can be observed in the response by the local newspaper to a comment contained in a Toronto-based mining journal.

A news story in a recent issue of *The Northern Miner* has raised the ire of a number of local residents. Said the writer: "Amateurs and others who acquired claims in the hope of turning a fast deal will be forced to relinquish their ground." He meant unless the required work is done on them by the November deadline. Think the local stakers: "Where do they get this fast deal business, and whose country is this, anyway?"⁶⁸

The notion of local control of resources implicit in this passage is a recurring theme in the history of the North Shore and one which in later years would re-emerge in connection with the mining industry.⁶⁹

Visions of Prosperity

By early 1955 residents of the Bathurst-Newcastle region and New Brunswickers generally had reason to be optimistic about their future. With a negligible manufacturing base and a heavy dependence on a forest staple that was employing fewer people each year, the provincial economy had been in decline since

⁶⁸"Just Rambling", *Northern Light*, 17 July 1954, p.1.

⁶⁹See chapters 4 and 5.

early in the century. The discovery of base metals provided the region with the possibility of a new staple, one which was crucial to the new industrialism of the post-war world and highly prized during the Cold War period in particular. Not only did this new staple allow for economic diversification it was also one which presented good opportunities of secondary industrial development.

Local expectations were fuelled by many factors. Throughout the 1953-5 period New Brunswickers were told over and over again by mining promoters that the size of the discovery and the value of the base metals themselves meant that the Bathurst-Newcastle region was about to become a prosperous industrial area. On announcing his discovery in January 1953 Jim Boylen proclaimed: "This is certainly an exciting day for New Brunswick...[T]his is the greatest mineral discovery this province has ever experienced...and could mean another Noranda. It could mean anything we set our sights on." Later that year Boylen's principal company, Brunswick Mining and Smelting, was promising to build eastern Canada's first lead-zinc smelter as well as fertilizer and chemical facilities. American Metal's 1954 discovery of a lead-zinc ore body in the Newcastle area brought more promises of development. With three major ore bodies in the Bathurst-Newcastle region alone, the construction of a smelter did not seem unreasonable.⁷⁰

Provincial politicians and bureaucrats also did their part to encourage local expectations. Conservative and Liberal MLA's argued over which administration

⁷⁰"New Brunswick's Mineral Era Emerges", *Moncton Daily Times*, 17 January 1953, p.4; "Multi-Million Dollar Deal For New Brunswick Mines", *The Northern Miner*, 10 September 1953 pp.1, 5; "American Metal's New Major Discovery Is Not Only Big, But It's Also Rich", *The Northern Miner*, 4 November 1954, pp.1, 14.

should take credit for the discoveries, but most agreed that base metals would be an integral part of the New Brunswick's future economy. Premier Fleming was perhaps most pleased though. The mineral discoveries offered his Conservative government, elected less than a year earlier, an opportunity to oversee the development of a valuable new resource. The Premier could barely contain his excitement in a radio broadcast shortly after the Bathurst discovery.

Here is something which could transform the economy of our province, diversify our industries, bring new employment and new wealth to our people. If the ore is there, smelters will follow and other industries grow up following the smelters. What has happened in Northern Ontario and Quebec can very well happen in New Brunswick.⁷¹

Flemming's sentiments were made more credible when they were echoed by Dr. G. S. MacKenzie, whose position as a University of New Brunswick geology professor gave him "expert" authority. Throughout this period MacKenzie was omnipresent, promoting the economic possibilities of the province's base metals in lectures, articles and interviews. (The fact that MacKenzie acted as a consultant for the Department of Lands and Mines and did contract work for some of the mining companies in the region did little to reduce his "expert" status.)⁷² Other experts also encouraged optimism. University of New Brunswick Economist W.Y. Smith reported to the Legislature's Forestry and Resources Committee that the location of a zinc smelter and refinery within the province would alone "represent a capital investment in the

⁷¹Excerpt from "Provincial Affairs", 17 January 1953, p.1, Fleming Papers, RS415 F4e2, PANB.

⁷²"Anticipate 30,000 Claims By Spring In N. Brunswick", *The Northern Miner*, 19 March 1953, pp.21-22; "New Brunswick Steps Ahead As New Mining Province", *The Northern Miner*, 26 November 1953, pp.82, 84; "Bathurst Ore Finds Not Overshadowed By New Discoveries, Geologist Tells Engineer Group", *Northern Light*, 25 November 1954, p.14;

vicinity of \$30,000,000 and might create 3,000 extra jobs."⁷³

These visions of prosperity were encouraged further by the media. Throughout the 1953-5 period the Bathurst discoveries had been the focus of considerable attention by national and local newspapers. The base metal discoveries prompted the *Ottawa Evening Journal* to predict a new era of prosperity for the province. "Perhaps with a new loom in their own province at which they could set their hands the sons of New Brunswick would end their role as exiles in New England or in our western provinces, [and] restore to their birthplace the fortune which once belonged to it in the long-gone days when its ships were famous."⁷⁴ *The Monetary Times* echoed this theme, as well as its allusion to New Brunswick's romantic past, suggesting that the base metal discoveries "may mean for this Province a return to the economic self-sufficiency she enjoyed during the great era of the building of the clipper ships."⁷⁵ Peter C. Newman, writing in *The Financial Post* compared the Bathurst find with Noranda's discoveries in northern Ontario.⁷⁶ But it was *The Northern Miner* that promoted the Bathurst discoveries and their potential impact the most. From the outset it termed the discovery one of "national significance" and claimed that New Brunswick was "a whole new mining province of important

⁷³New Brunswick, *Synoptic Report* (1953), p.37.

⁷⁴*Ottawa Evening Journal*, 5 February 1953, p.6.

⁷⁵*The Monetary Times*, 15 June 1953.

⁷⁶"Bathurst Find Maritime Noranda?", *The Financial Post*, reprinted in *Northern Light*, 28 May 1953, p.2.

stature."⁷⁷ Stories involving the Bathurst-Newcastle ore bodies were commonly found on the front page of this periodical throughout the 1950s and were often quoted by provincial and federal politicians.

Although the editor of *L'Évangéline* expressed concerns about the impact of mining-inspired industrialisation on northern New Brunswick's rural way of life, most local newspapers shared in the boosterism.⁷⁸ The *Moncton Daily Times* noted cautiously: "Perhaps it is not too much to hope now, in view of the optimistic statements from those who made the discovery in the Bathurst area, that New Brunswick has at last reached the threshold of a new activity and industry which will bring a new era of prosperity to its people."⁷⁹ It is hardly surprising that Bathurst's *Northern Light* and Newcastle's *North Shore Leader* expressed the greatest interest in mining. The *Northern Light* in particular covered the new industry closely. Throughout the boom years it reprinted optimistic articles and editorials from national and local newspapers.

Northern New Brunswickers must also have been encouraged by the feverish activity surrounding the boom itself. The influx of mining people from some of the largest mining companies in the world suggested that there was more to Boylen's discovery than optimistic words. Local outfitters, hardware stores, restaurants, and hotels did a tremendous business during the first months of the boom. By the

⁷⁷"New Mining Province Born", *The Northern Miner*, January 1953, p.1.

⁷⁸"Les minières de Bathurst et le maintien de la vie rurale", *L'Évangéline*, 29 janvier 1953, p.9.

⁷⁹"New Brunswick's Mineral Era Emerges", *Moncton Daily Times*, 17 January 1953, p.4.

summer of 1953 that activity had slowed but mining developments continued apace. The fall of 1954 saw the opening of the first lead-zinc mine and concentration plant by Boylen's Keymet Mines Ltd., the discovery of a valuable ore body by American Metals Ltd., and the opening of a tungsten mine at Burnt Hills in northern King's County. There was also talk of the creation of a mining town, to be called Boylen in honour of the province's newest hero, that would house and service the mine and smelter complex proposed by Brunswick Mining and Smelting.⁸⁰

There were undoubtedly some who heeded the words of an un-named government official who warned against too much optimism. "Good prospects don't make a mine," the official told the local newspaper, "[d]evelopment of a mine is a costly and a long, hard pull. Mines are not made overnight".⁸¹ But for most northern New Brunswickers such warnings were drowned out by the excitement that they saw around them and the predictions of prosperity coming from politicians, "experts", and the national and local media. This local optimism can be seen in the participation of North Shore residents from a variety of class and ethnic backgrounds in the staking rush, something which required the investment of varying degrees of time and money. It can also be seen in Peter C. Newman's report that the number of Bathurst citizens buying mining stock increased by over 500 per cent during the winter and spring of 1953.⁸² However, for most local residents, who struggled to

⁸⁰"Bathurst Find Maritime Noranda?", *Northern Light*, 28 May 1953, p.2.

⁸¹"Mining Program Not Boom and Bust", *Northern Light*, 27 August 1953, pp.1, 10.

⁸²"Bathurst Find a Maritime Noranda?", *Northern Light*, 18 May 1953, p.2.

make ends meet through a variety of means, financial investment was impossible. For them the Bathurst boom was not about speculation or developing their own mine but, rather, the possibility of regular, well-paying jobs.

The claim staking boom of the 1953-5 did much to raise the expectations of the residents of one of the poorest provinces in Canada. For two years mining promoters and politicians had told New Brunswickers that the discovery of base metals would bring jobs and prosperity to the poverty-stricken North Shore. The challenge of the provincial government was to ensure that these expectations were realised.

Chapter 3
**"Unlocking the Treasure": Creating a
Favourable Investment Climate for Mining Capital**

"Those with money to invest in developing the natural resources of the Province will find us ready to cooperate."¹

Premier Hugh John Flemming
Excerpt from radio address,
January 1953

The Bathurst base metal discoveries presented the New Brunswick government with a tremendous opportunity to oversee the redevelopment of the provincial economy. For years provincial politicians had talked longingly of a more diversified economy but little had been done to accomplish this goal. In 1945 the provincial Reconstruction Commission had recommended that the state actively promote a more diversified economy based on efficient use of the province's natural resources but, for various reasons, the McNair government had not taken up these proposals.² The Bathurst discoveries offered an opportunity to establish a new resource industry, one that had considerable secondary manufacturing possibilities. At the very least the Flemming administration wanted to have these minerals processed in New Brunswick. This chapter explores how all levels of the Canadian state sought to encourage development of New Brunswick's base metals during the 1953-7 period. It argues that the state was, for the most part, willing to accommodate industry demands for public subsidisation of private development of the public resources. Tax concessions,

¹Transcript of "Provincial Affairs", 17 January 1953, p.2, Flemming Papers, RS415 F4e2, PANB.

²See New Brunswick, *Final Report of the Reconstruction Committee*; Young, "and the people will sink into despair"; and Forbes, "Atlantic Provinces, Free Trade and the Canadian Constitution", pp.205-6.

infrastructure, and favourable mining legislation all were used to ensure that mining development took place. Although marked by increased levels of planning by "experts", both inside and outside the state, the province's handling of mining industry demands was very similar to its promotional efforts with the pulp and paper industry earlier in the century. The state accommodated industry wishes and required little in return. This reflected the state's understanding of its weak bargaining position with the mining companies; unwilling to recognise or pursue other development alternatives, the province saw itself dependent on international mining capital for development and therefore vulnerable to its demands.

Knowledge, Taxes, and Property

From the outset the mining industry made clear its position on state interference in mineral development. Fearing attempts by the province to extract maximum value from their resources through taxation or stringent regulations, the editor of *The Northern Miner* warned:

When some half-baked Socialist, or fully-baked Commy, tries to tell New Brunswick that the mines are natural resources belonging to the people it would be well to remember that the people had those resources for several generations and did nothing with them. Any indications that New Brunswick feels profits earned by the mines are gained at the expense of the people of the province would be disastrous from the standpoint of attracting investment capital.³

The rhetoric, a product of the same Cold War environment that produced the

³"New Brunswick's Wonderful Opportunity", *The Northern Miner*, 6 August 1953, p.6. These fears were probably informed, in part, by the increased economic intervention, during the post-war period, of Saskatchewan's CCF government. See Pratt and Richards, *Prairie Capitalism*, chapters 5 and 6.

American "Resources for Freedom" Report, was extreme but it is probably fair to say that its *laissez faire* message was one shared by the Canadian and, increasingly during the 1950s, American mining capital that *The Northern Miner* served.

But mining capital had little to fear from Flemming. Cognisant of the province's historic inability to attract capital investment, he accepted the province's dependent economic position. Base metal development was viewed as contingent on foreign capital and, consequently, the province would have to be responsive to prospective investors. Thus, while asserting the importance of ensuring that the resource be processed in New Brunswick, Flemming made it very clear that "those with money to invest in developing the natural resources of the Province will find us ready to cooperate."⁴

Mining companies found the province eager to aid their development efforts in a number of ways. At the most fundamental level, the state aided the companies by giving them knowledge. Throughout the decade knowledge of provincial mineral resources -- "local" knowledge -- was disseminated to what were largely "outside" mining companies, without obligating those companies to do anything with it. A good example is the provincial and federal government's distribution to large mining companies of the results of the aeromagnetic survey, conducted by the provincial and federal governments, and the findings of the UNB geologist, G. S. MacKenzie. The point is also illustrated by the Department of Lands and Mines' regular mapping and surveys which were circulated to mining companies and prospectors. This free

⁴17 January 1953, excerpt from "Provincial Affairs", p.2, Flemming Papers, RS415 F4e2, PANB.

knowledge saved mining interests time and research costs. As in other places, the technical-scientific arm of the modern state was used to advance the knowledge of large scale capital.

This dissemination of knowledge to "outside" mining companies was not universally welcomed by New Brunswickers. In the months immediately following Boylen's discovery there were complaints from some local residents that Ottawa had given outside mining companies geological maps showing potential ore bodies well in advance of local prospectors. Progressive Conservative MLAs from Restigouche and Victoria counties took up the local cause in the Legislature, arguing that because maps were issued in Ottawa only (and not New Brunswick) "the mining companies [had] an edge over provincial prospectors." D. B. Pettigrew, MLA for Restigouche, suggested there was a "a feeling [among local residents and prospectors] that the mining companies had maps in their hands at least two years before we knew there were any maps." The provincial director of mines, C.S. Clements, acknowledged that he had received "similar complaints but had been assured by federal authorities that no advance distribution of maps had been made by Ottawa".⁵ The timing of the map distribution is unclear but it is notable that in later years John Paterson, a senior provincial civil servant during the 1950s, remembered H.J. Rowley sending copies of

⁵New Brunswick, *Synoptic Reports of the New Brunswick Assembly [hereafter Synoptic Report] (1953), Appendix, p.26; "N.B. Mining Maps Distribution Here Is Hit In Committee", Daily Gleaner, 6 March 1953, p.5.*

the geological maps to the major mining companies.⁶ Regardless of whether Ottawa distributed maps to mining interests before local prospectors it seems that the provincial government actively courted outside mining capital. That the province so readily sent knowledge to outside investors -- rather than attempting a development strategy based on local capital and initiative -- reflects its belief that "development would come from away".⁷

A second form of state aid were tax concessions granted to the mining interests by the federal, provincial and municipal governments. During the post-war period the federal Liberal government used tax concessions to attract investment, domestic and international, to Canadian resources. In 1955 Ottawa made permanent a three-year tax holiday on new mines that had been in effect since 1936. Moreover, mining companies were granted "a depletion allowance amounting to 33 1/3 per cent of net profits, deduction of all exploration and development costs ... and a special capital cost allowance on mine buildings, machinery and equipment". These generous concessions were welcomed by the mining industry and attracted investment, much of it American-based, to Canadian mineral resources.⁸ Indeed, the mining industry

⁶Interview of John A. Paterson in *Contributors to the Development of Commercial and Industrial Relations Systems in New Brunswick and Other Atlantic Provinces*, 25 March 1976, MC81 #8, p.10, PANB.

⁷James Bickerton has argued that "[b]y the 1950s the notion of development as internally spawned and generated...was giving way to a concept of development as something that 'comes from away', a condition of modernity acquired by the region via the importation of industries." See Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*, p.138.

⁸Clement notes, however, that most of the investment attracted to Canada was centred in the extraction rather than processing aspects of the mining industry. Clement, *Hardrock Mining*, p.72.

itself recognised its debt to the federal government. Speaking before the Royal Commission on Canada's Economic Prospects, a representative of the Canadian Metal Mining Association "described federal tax legislation as 'incentive legislation of the highest value.'"⁹

The principal tax concession granted at the provincial level was relief from resource rents. After some negotiation with mining interests the 1954 Mining Tax Act was passed. Rather than impose a royalty-based tax, as was done in other provinces such as Saskatchewan, the province opted for a tax on net profit only. In addition, generous deductions from the gross profit were permitted.¹⁰ These measures virtually assured that mines would be in production for many years before the province realised any rent on provincial resources. This contrasted greatly with rental policy in other provincial resource sectors such as the fossil fuel industry, where a royalty system existed and the forest industries where annual ground rent were charged for company use of Crown forests. The Mining Tax Act did contain measures that would give the province some control over its resources. Primary among these was a "manufacturing condition", a common tool used by Canadian provincial governments to promote domestic processing of raw materials.¹¹ Despite

⁹Cited in Donald J. Patton, "The Evolution of Canadian Mineral Policies", p.211.

¹⁰Originally, Saskatchewan's CCF government set potash royalties at 25 per cent during the 1950s. This was eventually reduced to 12.5 per cent after many industry protests. See Richards and Pratt, *Prairie Capitalism*, chapter 8. In New Brunswick, tax rates on net profit were: 0 per cent up to \$10,000, 7 per cent between \$10,000 and \$1,000,000, 8 per cent between \$1,000,000 and \$5,000,000, and 9 per cent above \$5,000,000. The Act appears to have been modelled after the Ontario and Manitoba Mining Tax Acts. See New Brunswick, *Statutes* (1954), pp.29-49; New Brunswick, *Synoptic Report* (1954), pp.366-7.

¹¹See Nelles, *The Politics of Development*, chapter 2; and Parenteau, "Forest and Society in New Brunswick", chapter 2.

objections from some mining companies, particularly St. Joseph Lead, the Act permitted the government to triple the tax on profits earned on raw ore exported for processing elsewhere. Moreover, the provincial government was given the power to determine the location of any smelter in the province.¹² But on balance New Brunswick's mining taxes were generous and met with the general acceptance of mining companies.

At the local level, Gloucester Municipal Council, anxious to develop its mineral resources, offered generous property tax deals with individual mining companies. In 1953 Boylen's Keymet Mines Ltd., the first company to open a mine in the district, was exempted from paying any municipal taxes on its equipment for four years. Moreover, the municipal assessment of the company's lands and buildings was to be calculated at a rate of fifty per cent of the "gross book value". In 1954 similar deals were offered to Canadian Manganese Mining Corporation, New Larder U. Mines, and Brunswick Mining and Smelting.¹³

The municipality's agreement with Brunswick was met with opposition by some local ratepayers represented by Edward G. Byrne. A local lawyer and former Bathurst mayor who made a lot of money by investing in one of Jim Boylen's companies just before the 1953 discovery was announced¹⁴, Byrne appears

¹²The provision designed to promote home-processing was inspired by a similar Quebec prescription. *New Brunswick, Synoptic Reports* (1954), pp.366-67. On the objections of mining companies see "Minutes of Meeting between Power Committee and St. Joseph Lead, November 9-10, 1954", File #3-333, microfilm #595, New Brunswick Electric Power Commission Archives (hereafter NB Power Archives).

¹³*New Brunswick, Statutes* (1953 and 1954), pp.159-65; pp.311-336.

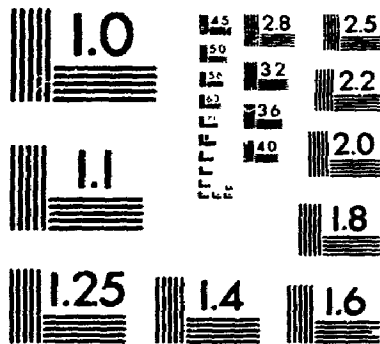
¹⁴DeMont, *Citizens Irving*, p.79.

periodically as a minor and sometimes major actor in the history of the base metal industry, and New Brunswick politics generally, throughout the 1952-72 period. In January 1954 he appeared before the Council to oppose the tax concession on behalf of "representative tax-payers of Gloucester, including both corporations and individuals." Byrne, who had earlier negotiated tax concessions for Keymet Mines, another Boylen company, urged that Brunswick not be granted concessions because it was better off than the other companies that had received tax relief. While those companies were only at the exploration stage, Brunswick controlled a large discovery of proven ore which the company boasted had "almost unheard of mining profit possibilities". "Why then", Byrne asked "should [Brunswick] seek to have the people of this County bear the cost of providing municipal services without an adequate contribution by way of taxes from the exploitation of mineral resources, which are proven and belong to the people". Moreover, while Keymet and Canadian Manganese were small privately-owned companies, Brunswick had the backing of St. Joseph Lead, "one of the largest base metal mining concerns in the world...." Byrne also pointed out that the multinational was currently lobbying the United States government to impose import duties on Canadian zinc and lead in order to protect its American-based mines, an action that, according to Brunswick's opponents, made questionable St. Joseph's commitment to the New Brunswick development.¹⁹ In spite of these facts, Byrne complained, the Municipal Council was offering the

¹⁹St. Joseph's lobbying activities in Washington are noted in the company's annual report. See St. Joseph Lead Company, *Annual Report* (1953). St. Joseph's protectionist activities during this period are examined more closely in Chapter 4.

2

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PRECISIONSM RESOLUTION TARGETS

company tax concessions without obligating it to a development timetable.¹⁶

Opposition to the Brunswick agreement was centred in northeastern Gloucester County and motivated, in part, by the fear that the whole county would end up paying for a new industry that would be of greatest benefit to Bathurst. While it is unlikely that businesses near the mine site had similar objections, the issue generated considerable interest. Unsubstantiated rumours had circulated throughout the county that certain municipal leaders, most notably, the County's Chief Assessor, were promoting the tax concessions in order to get a job with Brunswick. The *Northern Light* devoted two pages to the debate and noted that "as news spread throughout the shiretown concerning the debate [over Byrne's proposal], the council chambers filled up with interested spectators". In the end, after a full day of debate, the Municipal Council and its solicitor rejected Byrne's arguments, contending that "the people of Gloucester County had nothing to lose and everything to gain" from the deal.¹⁷

Although the Municipal Council rejected Byrne's arguments, opponents of the deal found an ally in Acadian MLA W.J.A. (Tony) Gallant from the neighbouring constituency of Northumberland. Gallant, a Rogersville car salesman and past-President of the Union of New Brunswick Municipalities, was a self-styled populist who proved to be a thorn in the side of both the governing Conservatives and his

¹⁶"Mr. Byrne's Brief", *Northern Light*, 28 January 1954, pp.9,13.

¹⁷ "Mr. Byrne's Brief", *Northern Light*, 28 January 1954, pp.9,13; "Lively Debate Marks Municipal Session: Interest High As Lawyers Argue Pros and Cons of Tax Concession Award to Mining Firm", *Northern Light*, 28 January, 1954, pp.9,13; Minutes of the Municipal Council of Gloucester, Annual Meeting 1954, RS149 A1.12, p.632, PANB.

fellow Liberals during his eight year legislative tenure.¹⁸ In a Legislative committee meeting to ratify Gloucester County's tax agreement, Gallant objected to the agreement, questioning the commitment of St. Joseph Lead to developing the New Brunswick deposits while it was advocating protectionism in Washington.¹⁹

Moreover, the multinational was "the largest mining company in the world". "Why", the Acadian populist asked, "should a company with \$37,000,000 ask the farmers and fishermen to pay their tax load? I don't agree that a \$37,000,000 company is more deserving than the fishermen, farmers and lumbermen of Gloucester County".

Brunswick's lawyer, Alfred L. Harris, countered these arguments with the promise of an investment by the company of \$1.5 million in the county during the next year and the creation of up to 300 jobs. He also pointed out that "[d]evelopment at the Keymet Mine was much further advanced when it was granted a taxation agreement."²⁰ The Assembly eventually ratified the Brunswick deal but the concerns raised by Byrne and Gallant would resurface later in the decade.

A third and more controversial way in which the government attempted to expedite mineral development was by asserting its ownership of mineral resources. While ownership of many New Brunswick minerals was vested in the Crown, some private landowners retained ownership to sub-terranean minerals by virtue of early land grants. Bill 99, passed in 1953, was designed to standardise ownership by "re-

¹⁸A brief description of Gallant can be found in Richard Wilbur, *The Rise of French New Brunswick* (Halifax 1989), pp.190.

¹⁹New Brunswick, *Synoptic Report* (1954), p.23.

²⁰New Brunswick, *Synoptic Report* (1954), pp.22-23.

vesting" property rights of all minerals in the Crown. It allowed the Lieutenant-Governor-in-Council to authorise prospecting activity on all lands and arbitrarily determine compensation to their owner.²¹ This action brought the state into conflict with both the owners of established resource industries and private land owners in general. At least one international pulp and paper company feared the impact of the bill on their substantial New Brunswick woodland holdings. The Assistant General Manager of the Nashwaak Pulp and Paper Company, owned by the Oxford Paper Company of Maine, lobbied against the legislation claiming that it "constitute[d] a threat hanging at all times over the heads of...companies who have something the Government may decide it wants". What was so unsettling to Oxford, and to other pulp and paper companies, was that a good portion of the pulp and paper industry's woodland "property" was composed of long-term leases on Crown lands. Although it is notable that pulp companies such as Oxford viewed these grants as their "property", they also recognised their vulnerability.²²

The Liberal Party's opposition to Bill 99 centred around the vulnerability of individual, rather than corporate, property rights. Opposition Leader Claude Taylor claimed that by taking away established mineral rights from property owners the government was "trespass[ing] on the sacred rights of the individual". The bill, they

²¹New Brunswick, *Statutes* (1953), p.19.

²²Harry Beach, Asst. Gen. Mgr., Nashwaak Pulp and Paper Co. to Norman Buchanan, Minister of Lands and Mines, 31 March 1953, Flemming Papers, RS415 F4a, PANB. Pulp and paper companies in Northumberland County were particularly conscious of this vulnerability, for throughout the 1950s and early 1960s there was a great deal of discontent among local residents over the under-utilisation of Crown Lands by the pulp and paper industries. On this matter, see chapters 4 and 5.

claimed, could be used to confiscate lands from farmers unwilling to carry out exploration or develop a mining operation. A farmer could "wake up some morning to find that mining companies have moved in; that others have taken over his property, or a valuable part of it". Moreover, Gloucester County MLA Joseph Connolly complained, it was "professional prospectors" who would profit from the sale of claims staked on private lands, rather than the owner of those lands.²³

Interestingly, the government defended the legislation from its critics by appealing to populist rhetoric. Arguing that the public interest was better served through a rapid development of the mineral industry than the maintenance of individual property rights, Flemming declared that "private rights that stymie the rights of the public must give way to public rights."²⁴ But Flemming's public interest defence failed to acknowledge that some private interests would benefit from the bill. Although it is not apparent whether large outside mining companies were behind the legislation, as the Liberal Opposition charged, it is clear that these companies benefitted from the legislation -- instead of having to negotiate with a number of individual landowners they could negotiate with the provincial government only.²⁵

The province's willingness to accommodate the mining industry's demands reflected its own confidence about the potential of the base metal industry to re-

²³New Brunswick, *Synoptic Reports* (1953), pp.292-296.

²⁴New Brunswick, *Synoptic Report* (1953), p.299.

²⁵New Brunswick, *Synoptic Report* (1953), p.393.

develop the provincial economy. This confidence was informed not only by the promises of the mining companies, but also by optimistic market predictions based on future American demand enunciated at the beginning of the decade. In presentations to federal authorities or before the Legislature, provincial officials cited future base metal demands predicted by the reports of the Paley Commission and the United States National Security Resources Board (1951). In 1955 Flemming confidently told the House that:

the long term outlook for New Brunswick mineral development and production is excellent. This fact is borne out by the document "Resources for Freedom".... This report indicates that, by 1975, U.S imports of copper will have increased by 100%, that imports of lead will have increased by 77% and imports of zinc by 109%. When one considers our close proximity to the principal American industrial centres and the fact that we can ship by low cost water transport, the very potential of our base metal deposits becomes evident.²⁶

In later years W.Y. Smith recalled that the Paley Report was a "vital" influence in the Flemming government's mineral development policy.²⁷

The optimism created by news such as the American government's forecasted base metal demands led Norman Buchanan, Minister of Lands and Mines to advise MLA that they had a duty to "re-educate the people" about the province's mining potential. He proclaimed: "we must speculate to accumulate."²⁸ But this was not an appeal to local capital to invest in the province's mining industries; rather, it was an

²⁶New Brunswick, *Synoptic Report* (1955), pp.293-294.

²⁷Interview of W.Y. Smith by author, 23 September 1990, pp.10-1, PANB.

²⁸New Brunswick, *Synoptic Report* (1955), Appendix, p.2.

appeal for MLA to "re-educate the people" by "giving out inspiring information" about developments being carried out by what were largely outside companies.

Despite this type of boosterism by the state it would be wrong to view the New Brunswick government as completely subservient to the mining companies. There were times when the province was less accommodating to the industry. In 1954 Brunswick Mining and Smelting requested a smelting monopoly. Citing a planned expenditure of over 100 million dollars over twelve years (largely by St. Joseph Lead) Boylen requested "exclusive rights to establish lead, zinc and copper smelters, elemental sulphur plants, sulphuric acid plants and fertilizer plants in the Province of New Brunswick for a period of twenty years."²⁹ However, the government, not wanting to discourage other potential investors and citing Quebec's Mining Act which did not allow for such monopolies, denied this request. As consolation, Flemming volunteered environmental concessions to Brunswick if, and when, the smelter was built. The government promised to "promote legislation to protect the Company against court actions on account of gases and smoke produced during the operations of such works constructed on the site...."³⁰

"Power is the Key"

The other way in which the state sought to encourage mineral development

²⁹Boylen to Flemming, 19 November 1954, Flemming Papers, RS415 F4e2, PANB.

³⁰Boylen to Flemming, 19 November 1954; W.J. West (Attorney General) to Flemming, 24 November 1954; Flemming to Brunswick Mining and Smelting Corp. Ltd., 1 December 1954, Flemming Papers, RS415 F4e2, PANB.

was through the provision of infrastructure. The provincial government agreed to repay the major mining companies fifty per cent of the cost of roads to mining areas and also successfully lobbied Ottawa to build a harbour at Bathurst to facilitate the shipping of the region's base metals. As well, the Department of Lands and Mines continued to carry out surveys and provide maps for prospectors.³¹ What the mining companies wanted most, though, was inexpensive electricity.

From the outset of the mining boom it was clear that electricity was to be a crucial issue in the development of the province's newest resource. New Brunswick's capacity to produce electricity for industrial purposes was relatively limited at mid century. The province's electrical utility, the New Brunswick Electric Power Commission (NB Power), had few generating plants and focused its attention on meeting the needs of domestic consumers. By and large, industrial power needs were met by private companies, most often pulp and paper companies, which, after 1925, were permitted to develop hydroelectric facilities along the province's waterways.³² Provincial planners soon learned that this arrangement would not meet the needs and wishes of mining capital. Mining companies wanted the province to not only produce the large blocks of power required to run their mines, concentrators and smelters, but to sell them that power at bargain basement rates. Over the next five years the

³¹For instance, see untitled press release, 1953, Flemming Papers, RS415 F4c, PANB.

³²On the growth of NB Power and its influence in defining development policy during the 1950s, see Young, "Planning for Power". On the state's decision not to pursue a strategy of publicly-produced industrial power in 1925, see Parenteau, "The Woods Transformed"; Beach, "Electrification and Underdevelopment in New Brunswick"; and McIntyre, "The Development of Hydro-Electric Power at Grand Falls, New Brunswick".

various mining interests made cheap power the pre-requisite for mineral development in New Brunswick.

The provincial government and NB Power were vulnerable to the mining industry's power demands. Concerns about the lack of power were well-founded. The province's electricity output was relatively meagre in 1953. NB Power had been unable to meet domestic needs created by a rural electrification program in the late 1940s and it seemed certain that it could not meet the needs of a major mining industry.³³ Moreover, there was a perception that the province's dearth of power was a critical factor explaining why it lacked secondary industry.³⁴ In a 1953 address to the provincial legislature Flemming noted that "[d]uring the war, power shortages were given as the principal reason, by the Federal Government, against the establishment of war industries in the Province."³⁵ But the mining boom also dovetailed nicely with NB Power's own expansion plans.

The newly-reorganized utility was anxious to develop increased power capacity. The chief engineer, J.L. Feeney, and development engineer, Reg Tweeddale, contended that cheap power was necessary to attract capital to the province.³⁶ Accordingly, an expansion of the Grand Lake thermal plant and

³³Young, "Planning for Power", pp.76-80.

³⁴See Wylie, "When Markets Fail: Electrification and Maritime Decline in the 1920s".

³⁵New Brunswick, *Synoptic Report* (1953), p.200. For a description of the lack of wartime state investment flowing to the Maritimes, see E.R. Forbes, "Consolidating Disparity: The Maritimes and the Industrialization of Canada During the Second World War", *Acadiensis*, XV, no.2 (Spring 1986), pp.3-27; and Miller, "The 1940s: War and Rehabilitation".

³⁶Young, "Planning for Power", p.79.

construction of a hydro development at Tobique Narrows were planned. More importantly, in 1953 the International Joint Commission authorized initiation of the hydroelectric development of the St. John River. The emerging mineral industry justified NB Power's expansion plans and offered Tweeddale and Feeney an opportunity to put their "power for industry" philosophy into action. It also gave them substantial influence within a provincial government eager to encourage development of the new resource.

The new cadre of professional engineers within NB Power found the Flemming government to be very supportive of their expansionary goals. Young has noted that the new Premier had a "personal faith in technology", and believed that electrical generation in particular could help modernise the province.³⁷ As early as 1948, while a member of the opposition, Flemming had favoured large scale hydroelectric development of the St. John River as a means of developing the provincial economy.

It is obvious that we need something big, something revolutionary, something that will give our people hope, revive their ambition, and render available worthwhile opportunity. We have such a situation on the St. John River....Engineers can harness all this useless energy; they can conserve it; they can release it at a determinable rate. They can, in short, employ it in the full service of man and all his works.³⁸

Once elected as Premier in 1952 Flemming took steps to transform NB Power into a modern utility. He alleviated labour tensions by recognising the electrical workers' union. His government also attempted to de-politicise the utility by re-appointing

³⁷R.A. Young, "Planning for Power", p.99.

³⁸New Brunswick, *Synoptic Report* (1948), pp.243-5.

commissioner H.J. Rowley, and the new chairman of the commission, Edgar Fournier, took steps to "protect his employees from partisan pressure."³⁹

Flemming's belief in the importance of NB Power can be further seen in his "hands-on" involvement in utility business. Although Fournier was the minister responsible for the utility, Flemming attended all commission meetings and involved himself as best he could in NB Power's decision-making process. In later years Reg Tweeddale recalled Flemming's "day-to-day interest in the Commission", an interest that often led him to "by-pass" the Chairman, Fournier, and deal directly with the utility's chief engineers.⁴⁰

The province's first economic advisor, W.Y. Smith, was also a strong advocate of using cheap power to attract industry. An economics professor at the University of New Brunswick, Smith was hired first by NB Power in 1953 and then by the province in 1954. Like many academics of his generation Smith was a strong proponent of state economic planning. A product of Oxford University just after the Second World War, he was heavily influenced by the economic theories of John Maynard Keynes and the active role that his Keynesian tutors played in managing the British economy. As a public servant in New Brunswick during the 1950s, Smith's Keynesianism was expressed less in terms of advocating income support policies than in having the principle of regional development recognised by Ottawa. He greatly admired the emphasis that Britain's Keynesian blueprint, the 1944 White Paper on

³⁹Young, "Planning for Power", p.80.

⁴⁰Transcript of interview of Reg Tweeddale by Andrew Secord, Prince William, New Brunswick, 23 November 1988, pp.35-37, PANB.

Employment Policy, put on the national state's responsibility for attracting capital to depressed regions and believed that such a policy in Canada would help industrialise the Atlantic region's economy. He was particularly impressed with the White Paper's proposal to use infrastructure to lure capital to underdeveloped regions. The "power for industry" model fit well into Smith's economic thinking and throughout the decade he was a central figure in trying to win federal aid for NB Power's development programme.⁴¹

The Bathurst mineral discoveries presented the first opportunity for the "power for industry" strategy to be put into action. Government and utility officials began planning ways to ensure full development of the new industry through the provision of sufficient amounts of power at a price inexpensive enough to be attractive to the mining corporations. The relationship between cheap power and industrial development was highlighted during the summer of 1954, when representatives of St. Joseph Lead, the principal shareholders of Brunswick Mining and Smelting, outlined their development plans to provincial officials.

The company projected that the mines and a pilot plant would be in operation by 1955. It was hoped that by 1957 all of the problems associated with the milling of the region's low-grade ore would be worked out and that a permanent 4000 ton per

⁴¹As a professor at UNB in the early 1950s Smith sought to "instill a strong Keynesian component" into the courses offered by the Economics Department. "Partial Transcript of Tape With W.Y. Smith", interview of Smith by Janet Toole for UNB Oral History Project, 14 January 1985, Fredericton, N.B., p. 1; transcript of interview with W.Y. Smith by the author, 23 September 1990, pp.7-9, PANB. For Smith's views on Britain's White Paper and the absence of a regional component in Canada's own White Paper, see W.Y. Smith, "Recognition of Regional Imbalance", *Policy Options*, vol.2 no.5 (November/ December 1981), pp.41-44. On Smith's role in the province's struggle to win federal recognition of the principle of regional development, see Kenny, "Politics and Persistence", chapters 1 and 2.

day concentrator would be in operation producing concentrates of copper, lead, zinc, and pyrite. The company was also hopeful that a chemical refinery, making use of the heavy pyrite and sulphide components of the ore, would be in place by 1959. Francis Cameron, vice president of St. Joseph, added that a smelter might be built in the Bathurst region to process the non-ferrous concentrates, but such a development was about ten years in the future. In total these developments represented 1500 jobs, a capital investment of \$30 to \$50 million, and a daily power requirement of approximately 300,000 kwh. Of course, these numbers represented a best case scenario, a point company officials emphasised. Mine and mill developments were a certainty, but the refining and smelting operations, which would yield the most employment and capital investment, were by no means guaranteed.⁴²

The fate of these long-term operations, Cameron told provincial officials, was dependent in large part on the price that Brunswick Mining and Smelting would have to pay for power. While the mines and concentrating mill could be run on power costing between 6 and 7 mills/kwh⁴³, a refinery and smelter would demand a much lower rate of between 4 and 4.2 mills/kwh. Cameron also made it clear that the construction of the St. Lawrence Seaway, which facilitated quicker and cheaper access to the Great Lakes region, meant that the company could consider other sites for the smelting and refining operations. "[I]f the cost of power could not be made low

⁴²Smith to Flemming, 28 July 1954, Flemming Papers, RS415 F4e7; Smith to Flemming, 30 August 1954, Flemming Papers, RS415 F4e6; Cameron to Smith, 13 September 1954; Tweeddale to Feeney, 31 August 1954, Flemming Papers, RS415 N2g, PANB.

⁴³One mill equals one-one thousandth of a cent.

enough" he told New Brunswick officials, "... it might be necessary to give consideration to building refining capacity on the north shore of the St. Lawrence River in the Province of Quebec at some site where low cost power might be available."⁴⁴ This thinly veiled threat would be used repeatedly over the next few years and proved quite effective. The Flemming administration desperately wanted to ensure full development of the new resource within the province and, together with NB Power officials, was prepared to do everything possible to meet the mining companies' demands.

In the fall of 1954 an interdepartmental committee was established to "study the over-all electric power situation in the province and the relationship between the available supply of electric power and the anticipated additional power requirements of industry during the coming years."⁴⁵ Composed of representatives of the utility (R.E. Tweeddale and Dr. H.J. Rowley) and the government (W.Y. Smith and C.S. Clements, the director of the Mines Branch of the Department of Lands and Mines), this Power Committee concentrated its initial efforts on assessing the mining industry's potential and its power demands.

The Power Committee's initial reaction to the potential of the mining industry was enthusiastic. A tour of St. Joseph's operations in Pennsylvania where a Pilot Refining Unit was being constructed for the specific purpose of experimenting with Bathurst concentrates convinced Rowley and Tweeddale that "the company really

⁴⁴Cameron to Smith, 13 September 1954, Flemming Papers, RS415 N2g, PANB.

⁴⁵Flemming to All Deputy Ministers and Deputy Heads, 21 September 1954, Flemming Papers, RS415 M2d1, PANB.

means business in the development of its ore body at Bathurst."⁴⁶ A letter from Jim Boylen in December seemed to offer more evidence for optimism. In it he confided that "the project is moving along rapidly and is bigger than most people realize" and that the project would amount to a \$100 million investment by St. Joseph Lead.⁴⁷ In a December 1954 memo to the Premier the Committee reported that it "was convinced that ultimately a vast metallurgical and chemical industry will be established somewhere on the east coast of Canada, which will be of the same magnitude as the Consolidated Mining and Smelting empire which is located in western Canada."⁴⁸

The question of cheap power, however, remained to be solved. Boylen continued to lobby the Premier throughout December 1954, emphasising that power remained "a grave concern" for the company.⁴⁹ Pressure on the province was intensified in March of the next year when St. Joseph issued an ultimatum. In a meeting with the Power Committee, company officials outlined three alternatives based on power cost. If power could be provided at between 4 and 4.2 mills/kwh full development would *probably* take place. Power costs between 6 or 7 mills/kwh would result in the ore being milled in New Brunswick but shipped to the north shore of Quebec, Belgium, or the United States for smelting. Finally, if costs were higher

⁴⁶R.E. Tweeddale, "Report on a Meeting With Officials of St. Joseph Lead Co. in New York and Pittsburgh on November 9 and 10 1954", Flemming Papers, RS415 N2g, PANB.

⁴⁷M.J. Boylen to H.J. Flemming, 3 December 1954, Flemming Papers, RS415 F4e2, PANB.

⁴⁸"Memorandum to the Premier". 20 December 1954, File #3-333, Microfilm #595, NB Power Archives.

⁴⁹Boylen to Flemming, 3 December 1954, Flemming Papers, RS415 F4e2, PANB.

than 7 mills/kwh raw ore would be shipped out of the province for milling and smelting. Power Committee member W.Y. Smith recognised that "the 4.2 mill figure [might] ... be a trading or starting figure and they may settle for 5 or 6. But," he added, "they may not."⁵⁰

Brunswick Mining and Smelting officials did not limit their negotiating to private meetings; they also used public appearances to state their case. In an address to the Annual Conference of Provincial Ministers of Mines in 1955, Francis Cameron of St. Joseph used the increased metal demands predicted by the Paley Commission to highlight the significance of the Bathurst find. But, he cautioned, because the deposits were of medium grade inexpensive power was required to justify the construction of a smelter in the region. "Unfortunately ... the Maritime Provinces appear to lack a source of cheap energy, which, together with the lack of an adequate local market for acid [a by-product of the smelting process], are decided drawbacks to the development of a local smelting industry."⁵¹ In an address to the graduating class of the University of New Brunswick two years later, Jim Boylen would again emphasise the relationship between cheap power and mineral development. Boylen enthusiastically predicted that "...there is here in the Bathurst area a potential production of copper, lead, zinc, and pyrite that is of great significance for the free

⁵⁰W.Y. Smith, "Some Notes on the Meeting of Power Committee Members with Messrs. Weaton, Riggs and Coombes, of Brunswick Mining and Smelting", 30 March 1955, Flemming Papers, RS415 M2d1, PANB.

⁵¹Francis Cameron, "The Base Metal Situation in the Maritime Provinces", Paper Delivered at Twelfth Annual Conference Provincial Ministers of Mines, Keltic Lodge, 12 September 1955, Flemming Papers, RS415 F4e6, PANB.

world." But, he noted elsewhere in his speech, "[i]t would be of great assistance to us if there were in the Maritime Provinces a source of cheap energy."⁵²

The Power Committee was also getting demands for cheap power from Stratmat, which planned to establish a ferromanganese mine in the Woodstock area. The company's president, John Udd, assured Smith in January 1955 that, just as soon as the Udy refining process was perfected at a pilot plant in Niagara Falls, a \$20 to \$100 million processing plant would be constructed in the area, employing a minimum labour force of three hundred. (Although these predictions might be explained in part as those of a promoter, it should be noted that the Udy process was producing positive results and that Stratmat's plans had attracted the attention of *Newsweek* magazine.) In a March 1955 meeting with the Power Committee, Udd stated that his proposed operation would need a guarantee of power priced at 6 mills/kwh. Two years later this position was softened to 7 mills/kwh. Although more modest than those of St. Joseph Lead, Stratmat's demands again increased the pressure on the province and highlighted the relationship between cheap power and industrial development.⁵³

Meeting industry demands would not be easy, though. At best, the utility's thermal plants produced power at 7 mills/kwh. Moreover, NB Power had a policy

⁵²M.J. Boylen, "New Brunswick - Today and Tomorrow", convocation address to the University of New Brunswick, 1957, Flemming Papers, RS415 F4e2, PANB.

⁵³ Udd to Flemming, 30 August 1955; Udd to Flemming, 19 September 1955; Smith to Flemming, 13 January 1955, Flemming Papers, RS415 F4e3, PANB; "Plugging a Big Hole in Industry", *Newsweek*, 27 December 1954, p.53; H.J. Rowley, "Discussion with J. Udd, Stratmat Ltd. Power for Arc Furnace, Smelting of Manganese Ore", 1 March 1955, Flemming Papers RS415 M2d1, PANB; Udd to Flemming, 2 August 1957, Flemming Papers, RS415 F4e3, PANB.

against offering preferential rates to individual industries. Thus, in order to meet St. Joseph's demands they would have to reduce the cost of power for all industrial users. W. Y. Smith expressed the concerns of many committee members when he lamented: "we must... take a sad view of our position with respect to the cost requirements of the type of industry on our doorstep and scratch the bottom of the barrel in our effort to beat our resource handicap."⁵⁴

From the outset NB Power, the government, and the Power Committee saw hydroelectric development of the St. John River as the primary means of providing electricity for the emergent mining industry. In 1952 the International Joint Commission had undertaken a comprehensive study of hydroelectric developments along this international river and, a year later, recommended the construction of a hydro site at Beechwood in Carleton County -- Premier Flemming's constituency -- as an initial step in developing the whole river system.⁵⁵ The mineral discoveries in 1953 provided a further incentive for the province and NB Power to initiate these developments. With the enthusiastic support of NB Power officials, Flemming announced a hydroelectric expansion strategy, which would include Beechwood, in March 1953. In announcing this development programme Flemming made it clear that the future of the base metal industry was intimately linked with hydroelectric

⁵⁴Smith to Flemming, 13 January 1955, Flemming Papers, RS415 F4e3, PANB.

⁵⁵General A.G.L. McNaughton to Flemming, 21 February 1955, Flemming Papers, RS415 N3c, PANB.

development.⁵⁶

Despite the province's enthusiasm, hydro development was not without its problems. It would be expensive -- the Beechwood project alone would cost \$30 million and full development of the St. John River nearly \$90 million -- and the provincial government was in poor financial shape. Furthermore, the ability of a hydro strategy to solve the province's power problems was being questioned by some experts. Provincially-commissioned studies, undertaken by the Department of Trade and Commerce and H.G. Acres Ltd., a Montreal-based engineering consulting firm, had concluded that the St. John hydro developments would not produce the desired rates.⁵⁷ This news forced the Power Committee to explore other options to help overcome the province's "resource handicap". The Montreal-based Power Corporation was hired to study the power potential of the Nepisiguit River, along which the principal base metal deposits were located. They concluded that such a development could yield a 7 mill/kwh rate.⁵⁸ An investigation was also made into the feasibility of a proposal by a private investor to generate power from Aibert County oil shale. The company, Nashwaak Corporation, contended that power could be produced for 6.1 mills/kwh through this method. Although an independent consultant, Ebasco Services of New York, gave the project lukewarm support in

⁵⁶R.E. Tweeddale, "The Background of the Beechwood Hydro Electric Power Development", unpublished manuscript, p.3, 25 March 1955, Legislative Library of New Brunswick, Fredericton, N.B.; New Brunswick, *Synoptic Report* (1953), p.200.

⁵⁷C.E. Baltzer (Fuels Division, Mines Branch), "Power for a Major Mining Industry", undated report, NB Power Archives, File #3-333, microfilm #595.

⁵⁸"Discussion With Power Corporation: Nepisiguit River Development", 4 March 1955, Flemming Papers, RS415 M2d1, PANB.

1954, NB Power eventually rejected the proposal. It claimed that the venture was too risky for a public utility and that Nashwaak's claims of producing power at such a low rate were doubtful.⁵⁹

The Committee also received suggestions from the mining industry as to how to produce the cheap power that they demanded. Both St. Joseph and Stratmat wanted NB Power to purchase Quebec power and then transmit it through a series of underwater cables. The utility dismissed this suggestion because it would not provide power cheap enough and because the cable technology had not yet been perfected.⁶⁰ Another proposal came from John Udd of Stratmat who suggested that the utility explore the possibility of nuclear power. In 1955 Udd wrote to Atomic Energy of Canada suggesting that an atomic power plant be established in New Brunswick to facilitate the processing of the "critical and strategic product" ferro-manganese. This request was rejected by the federal agency, however, on the basis that atomic energy

⁵⁹The initial proposal was made in 1954 and, initially, met with cautious support from W.Y. Smith. The Ebasco Report was issued in the fall of 1954. A subsequent proposal was made by Nashwaak Corporation in July 1956 and finally rejected by NB Power in November of that same year. See Smith to Flemming, 30 June 1954, Flemming Papers, RS415 F4e7, PANB; Nashwaak Corporation of Canada to NB Power, 19 July 1956; and J.J. Feeney to Hon. Edgar Fournier, "Report on the Nashwaak Corporation Proposal...", 2 November 1956, Flemming Papers, RS415 N4c, PANB.

⁶⁰"Special Meeting of the Power Committee with Officials of the St. Joseph's Lead Company", 13 June 1955, Flemming Papers, RS415 M2d1, PANB; and W.Y. Smith to H.J. Flemming, 13 January 1955, Flemming Papers, RS415 F4e3, PANB. Negotiations regarding the transmission of Quebec power to New Brunswick took place throughout the decade but a deal was not consummated. Young has suggested that both the Quebec interconnection and the Nashwaak Corporation's oil shale proposal were feasible proposals rejected by NB Power officials concerned principally with corporate expansion. The rejection of these options, as well as others, he argues, suggests that the utility's interests "have coincided less than completely with the larger interests of New Brunswickers." See Young, "Planning for Power", pp.96-99. For Reg Tweeddale's critique of Young's interpretation see Transcript of Interview of R.E. Tweeddale by Andrew Secord, pp.2-3, 7-8, 14-18.

was still quite experimental.⁶¹

In its interim report of November 1955 the Power Committee concluded that it would be impossible to meet the low rates demanded by St. Joseph Lead. The best price that the province could offer was 7 mills/kwh. Moreover, the year of negotiating with the mining companies had demonstrated that the industry's plans were still uncertain. Consequently the Committee recommended that province adopt a more flexible power strategy based both on hydro and thermal energy. Although more expensive to produce, power produced by thermal plants was less capital intensive and could be easily adjusted to meet industry's changing demands by increasing or decreasing the purchase of coal or oil. It was also proposed that the utility break with tradition and offer preferential rates for heavy industry.⁶²

The demands of St. Joseph Lead were indeed extreme. In the course of negotiations with the Power Committee, company officials admitted paying 7 mills/kwh for power at their zinc smelter in Josephtown, Pennsylvania. Moreover, Rowley was suspicious of the company's ultimate intentions. On a visit to St. Joseph's Pennsylvania operations, he noted that the company was building a power plant with much more capacity than necessary to meet their present needs. "Could there then be a plan in mind", he wondered in a Power Committee memo, "to ship

⁶¹Udd to W.J. Bennett, President of Atomic Energy of Canada, 26 January 1955; Bennett to Udd, 1 February 1955, Flemming Papers, RS415 F4e3, PANB.

⁶²In making its recommendations the Power Committee also took into consideration potential demand from the power-intensive pulp and paper industry. R.E. Tweeddale, "Interim Report of the New Brunswick Power Committee to the Government of New Brunswick and The New Brunswick Electric Power Commission", 9 November 1955, NB Power Archives, File #3-333, Microfilm #595.

concentrate from Bathurst to Josephown for final smelting, rather than move the dutiable refined metal to their normal U.S. markets?"⁶³ Motives are a difficult thing to prove but the hard negotiating by company officials reflected an understanding of their advantageous position in dealing with the government of a relatively poor province eager to attract investment.

Despite its weak bargaining position with mining capital it is notable that the provincial state exploited its dependent position in dealing with the federal government. Throughout the 1950s politicians, NB Power officials, and bureaucrats used the demands of Stratmat and Brunswick to bolster their arguments for federal aid for the proposed hydroelectric development of the St. John River and Beechwood in particular.

"If you build it, they will come" Hydro and Federal-Provincial Relations

Although NB Power would eventually adopt a power strategy with a strong emphasis on thermal generation after 1955, it was the utility's hydroelectric plans that dominated the political discourse throughout the decade. Soon after the mineral discoveries in 1953 utility and government officials began to link the issues of hydro development and the new base metal industry in an effort to win financial assistance from the federal government for the development of the St. John River. By arguing that the new base metal industry was dependent on the cheap power that hydro would

⁶³"Power Committee Memo", 21 June 1955, NB Power Archives, 3-333, microfilm #595.

provide, the provincial state strengthened its case with the public, both provincially and nationally. But Ottawa remained unmoved. It was not until 1957 when the John Diefenbaker-led Conservatives won power from Louis St. Laurent's Liberals that the province won some measure of federal aid. A brief description of New Brunswick's battle with Ottawa shows how the province used its dependent position with the multinational mining companies to some advantage. It also reveals the Flemming government's interventionist "face" in federal-provincial affairs.⁶⁴

In an effort to finance hydro development on the St. John River at a rate that would allow NB Power to offer power at a reduced rate to the mining industry, the Flemming government turned to Ottawa. In 1953 New Brunswick asked the federal government to give them a low interest loan of \$28.3 million for the construction of the Beechwood facility. The province argued that, although power was the constitutional responsibility of provinces, such a loan could be justified by Ottawa's historic mistreatment of the Maritime region. Provincial officials would later make their request of a more general interest to all regions by proposing that Ottawa establish a natural resources development fund from which all provinces could borrow. But federal politicians and bureaucrats were unconvinced, rejecting the proposal because natural resources were not within their jurisdiction.⁶⁵

In December 1954 the province asked Ottawa to reconsider their decision. After a personal meeting with Prime Minister St. Laurent, Flemming sent a team of

⁶⁴For a fuller description of New Brunswick's attempts to win federal aid during the 1950s, see Kenny, "Politics and Persistence".

⁶⁵Tweeddale, "The Background of the Beechwood Hydro Electric Power Development", p.28.

experts, led by Smith and Tweeddale, to convince Department of Finance bureaucrats of the province's case. Armed with a Power Committee report that enumerated the low-cost power needs of the new mining industry, these officials suggested that the problem of constitutional responsibility could be overcome by establishing a federal power authority to develop the St. John River. This could be justified by the fact that the river was international, running through both New Brunswick and Maine. But Smith and Tweeddale made little headway with their federal hosts. Finance department officials R.B. Bryce and Ken Taylor informed the New Brunswick delegation that they would recommend that cabinet reject the provincial proposal. They also tried to dissuade the province from using cheap power to attract industry, adding that "the north shore of the St. Lawrence in Quebec might be a more suitable location of cheap electric power" for the mining industry. Smith was indignant, assuring the federal bureaucrats that "the Province would make every effort to assure that the industry was located in New Brunswick."⁶⁶

The Flemming administration continued to press the federal Liberal government on the funding issue but in the meantime the province decided to begin construction of the Beechwood plant as a sign of its dedication to hydro development. The first sod was turned in June 1955 by Flemming, Edgar Fournier, and C.D. Howe, the federal minister of trade and commerce.⁶⁷ In his speech announcing the

⁶⁶See Tweeddale, *The Background of the Beechwood Hydro Electric Power Development*, pp.42-44; Smith to Flemming, 12 January 1955, Flemming Papers, RS415 N3a, PANB.

⁶⁷Flemming's invitation to Howe was strategic -- the picture of a key federal minister involved in such festivities created a public association between the federal government and the project. Moreover, Howe, whose economic orientation was more continental than national, was a key cabinet opponent of federal aid

beginning of the project the Premier made it clear that Beechwood was the first step of a comprehensive development of the St. John River. More importantly, Flemming reminded his audience, Beechwood marked the beginning of New Brunswick's economic re-development.

By the time of the ground-breaking of the Beechwood project, the linkage between hydro power and economic development had been well cultivated by provincial politicians, bureaucrats, and the media. Flemming took every opportunity to point out that mineral development was dependent on cheap power. In a 1955 radio broadcast the Premier announced that "Cheaper power is the key which will unlock the treasure chest, located in New Brunswick and make the treasure available for the benefit, not only of our province, but all of Canada."⁶⁸ The slogan "power is the key" became something of a mantra for Conservative MLAs and MPs from New Brunswick in their attempts to win federal aid for Beechwood. In a 1956 radio address G.W. Montgomery, Conservative MP representing Victoria-Carleton, called on Ottawa to institute Flemming's plan for a federal fund for the development of provincial natural resources.

Under such a national policy New Brunswick would readily qualify for such assistance in the development of her hydro electric and thermal power projects which are so badly needed in the immediate future and at a cost which is acceptable to industry and encourage the mining and

to the New Brunswick project. Whether intentional or not, Howe's involvement in the opening ceremonies increased pressure on Ottawa to help out New Brunswick.

⁶⁸"Provincial Affairs", 7 May 1955, Flemming Papers, RS415 Df1, PANB. In the course of demanding federal aid for power development from Ottawa he made a similar statement at the 1955 Federal-Provincial Conference. Canada, *Federal-Provincial Conference 1955: Preliminary Meeting*, 26 April 1955, p.29.

processing of our mineral and forest resources, which will in turn provide opportunities for our people to share to a much greater extent in the economic progress of our nation and place our standard of income on a more equal basis with those situated in more favourite [sic] locations.⁶⁹

NB Power and the University of New Brunswick also played a significant role in promoting the linkage between power and mineral development. As mentioned earlier, W.Y. Smith was both a member of the UNB economics department and the provincial bureaucracy. In 1953, while employed with the utility, Smith was put in charge of "educating the public", especially the business community. He was to speak to "Boards of Trade and bring them up to date on the need for quantities of cheaper power and for development of the St. John River."⁷⁰ Smith continued this missionary work after leaving the utility to become the province's economic advisor in 1954, preaching the gospel of cheap power throughout the province with his colleague, Professor P. A. Milligan, from the UNB economics department.⁷¹ The involvement of university experts in this promotion must surely have given the government's message legitimacy but it also blurred the distinctions between the state and the academy. Indeed, the promotional activities of scholars such as Smith, Milligan, and geology professor G.S. MacKenzie (who appeared often before

⁶⁹Transcript of Radio Broadcast by G.W. Montgomery, M.P., Victoria-Carleton, 31 March 1956, Flemming Papers, RS415 C5f, PANB.

⁷⁰Minutes of NB Power Commission Meeting, 16 December 1953, p.5, NB Power Archives, File #3-333, microfilm #595.

⁷¹For example, see: "Development of Cheap, Plentiful Power Key to N.B. Prosperity", "Power is Keynote to N.B. Prosperity" undated and unattributed newspaper clippings describing speech by Prof. P.A. Milligan to the Woodstock Rotary Club. File #3-333, Microfilm #595, NB Power Archives; "UNB Professor to Address Joint Meeting", *Northern Light*, 28 January 1954, p.1; and "C'est ce que rappelait hier le directeur des Sciences économiques et politiques de l'UNB", *L'Évangéline*, 19 Janvier 1954, p.8..

legislative committees to give "independent" analysis of the province's mining prospects) made the university appear to be an arm of the state.⁷² This power and prosperity message was also picked up by national and local newspapers. The *London Free Press* reported in a 1954 column that New Brunswick had been transformed overnight from a "have-not" to a "could have" province. But:

To exploit fully the newly found resources of Bathurst's mineral field ... it must have cheap power in relative abundance and this too is now known to be available in the St. John River. There is the opportunity, one that could be the start of a revolution in the Maritime economy if things are done right. But there is a dilemma. The province is ill equipped to start the revolution.... With the right financing it [Beechwood] could start a marked downward trend in power costs that would eventually affect the whole provincial industrial picture. So Beechwood is the key, the spark, the start.⁷³

In 1955 *The Financial Times* asked "will the [New Brunswick] mining industry -- largely financed by American interests -- get the power soon enough to defeat any objections to the building of refineries 'for lack of power'?"⁷⁴ Locally the *Fredericton Daily Gleaner* and the *Moncton Daily Times* were regular boosters of the province's hydro aspirations.⁷⁵

The state's promotion of cheap power for mineral development was designed to generate a public consensus supporting the province's hydro development strategy

⁷²For two very different examples of the state's use of university experts for legitimation purposes, see Miriam Wright, "The Smile of Modernity"; and Donald Clairmont and Dennis William Magill, *Africville: The Life and Death of a Canadian Black Community* (Toronto, 1987), chapter 5 especially.

⁷³"Atlantic Letter -- Could Have Province", *London Evening Free Press*, 19 July 1954, p.5.

⁷⁴"N.B. Wants to Refine, Not Just Mine, Metal Ores", *The Financial Times*, 1955, clipping found in Flemming Papers, RS415 F4e2, PANB.

⁷⁵For example, see "An Expert's View of Our Power Needs", *The Daily Gleaner*, 15 September 1954, p.3.

and its financial struggle with Ottawa. There is some evidence that the strategy was effective. Throughout the period New Brunswickers were inundated with speeches, newspaper editorials and radio shows promoting the province's case, making it unlikely that many would be unaware of the issue. And in 1956 Flemming won an election based on the hydro issue after he was able to portray the provincial Liberals as wavering in their support of Beechwood.⁷⁶ The linkage between cheap power and mineral development was created initially by the demands of the mining industry, but, once made, state officials accepted the connection without question. Here, industry demands converged nicely with the expansion aspirations of NB Power officials and the Flemming administration's visions of prosperity.

The state skilfully used the province's vulnerability to industry demands in their struggle with Ottawa for financing of power development. Most provincial correspondence with the federal government, such as a 1956 brief entitled "The Need for Federal Financial Assistance to New Brunswick for the Development of Electric Power", which carefully enumerated the demands of metallurgical, chemical, and pulp and paper interests, contained some mention of the latest demands by the mining industry as well as the urgency of base metal development to the province's economic resuscitation.⁷⁷ The Flemming administration's use of the mining industry to

⁷⁶Flemming accused the Liberals of not supporting Beechwood after they abstained on a legislative resolution on the project. In fact, the Liberals abstained because of allegations of patronage (involving Flemming) surrounding the project. See Calvin A. Woodward, *The History of New Brunswick Provincial Election Campaigns and Platforms, 1866-1974* (Toronto, 1976), pp.71-73.

⁷⁷The brief noted that it would cost the province \$89,850,000 to develop fully the St. John River. Government of New Brunswick, "The Need for Federal Financial Assistance to New Brunswick for the Development of Electric Power", January 1956, Department of Finance Records, RG19 Vol. 479, National Archives of Canada (hereafter NAC).

promote the provincial cause can be best seen in the province's submission to the Gordon Commission on Canada's Economic Prospects in 1955. Appearing before the Commission, Flemming outlined a comprehensive resource development plan based on power resources developed with federal aid. He then pleaded:

But unless we can supply adequate amounts of low-cost electrical energy this great wealth will only be dug up to be carted away and processed elsewhere. New Brunswick will be destined to be the hewer of wood and the drawer of water that it has been for years past. But, gentlemen, this province is no longer content to remain one of the weakest links in Confederation.

The provincial government then presented a slate of "experts" including John Udd of Stratmat and Jim Boylen of Brunswick Mining and Smelting to testify that the location of mineral and chemical refineries in the province depended on the availability of cheap power.⁷⁸

Over the next two years the Flemming government would continue to lobby Ottawa for federal aid for provincial resource development generally and hydro aid in particular. This lobbying as well as the province's public relations campaign won Flemming a number of allies. The federal Progressive Conservative leader, George Drew, and other key members of the Tory caucus, most notably Saskatchewan MP John Diefenbaker, pressed the St. Laurent government to offer financial support for the development of provincial resources. Provincial premiers from poorer provinces, such as Saskatchewan's Tommy Douglas, also endorsed Flemming's proposals. But the strongest support came from within the Atlantic Canadian region.

⁷⁸New Brunswick, *The New Brunswick Economy: Past, Present and Future Prospects* (Fredericton, 1955); and Canada, *Royal Commission on Canada's Economic Prospects: Hearings at Fredericton, N.B., 26, 27, 28 October, 1955* (Ottawa, 1955).

The mid 1950s saw Atlantic Canadian political and business elites form a common front to win federal aid for the region. While many of the movement's goals reflected age-old concerns of freight rates and increased subsidies, there was also a demand for the recognition of federal aid for economic development in depressed regions such as Atlantic Canada. Flemming, who along with Nova Scotia's Robert Stanfield, was the unofficial leader of this movement, ensured that power development, and Beechwood in particular, was central to the "Atlantic Revolution's" economic agenda.⁷⁹ Rather than being seen as an ad hoc demand by an individual province, Beechwood became symbolic of the region's struggle to make the federal state responsible for reducing regional disparity.

Despite growing support from other provincial governments and opposition politicians, the province's demands for federal aid found little support amongst the Liberal government and key bureaucrats in the Department of Finance. They steadfastly maintained that resource development was a provincial responsibility and that to grant aid for Beechwood would create a costly precedent.⁸⁰ Such arguments

⁷⁹Like the region's political movement for redress in the 1920s, the Maritime Rights Movement, the Atlantic Revolution based its grievances on Ottawa's historical mistreatment of the region. However, while the demands of the Maritime Rights Movement were geared towards the preservation of existing economic interests, the Atlantic Revolution was oriented more towards the development of new economic opportunities in the region. See Forbes, *The Maritime Rights Movement* (Kingston-Montreal, 1979); Conrad, "The Atlantic Revolution of the 1950s"; and Bickerton, *Nova Scotia, Ottawa, and the Politics of Regional Development*, chapter 5.

⁸⁰The federal minister of Northern Affairs and Natural Resources, Jean Lesage, was one of New Brunswick's few allies within the federal cabinet. In 1955 he proposed in a secret memo that Ottawa aid power development on the Columbia and St. John Rivers and that the aid be justified on the basis that they were international waterways. This proposal appears to have been successfully opposed by C.D. Howe, the minister of trade and commerce. See Jean Lesage, "Federal Participation in Certain Major Hydro-Electric Power Projects", confidential memorandum, August 1955; Howe to Lesage, 9 September 1955, Louis St. Laurent Papers, MG26L Vol.221 W-10-11(a), NAC.

incensed the Flemming administration. They argued that the precedent had already been created when Ottawa agreed to aid the construction of the Trans Canada Pipeline and the St. Lawrence Seaway, which included a federal power authority. Although these projects had been deemed in the national interest, Flemming noted that the Seaway would greatly increase port traffic in Quebec and Ontario at the expense of Maritime ports.⁸¹

The St. Laurent government remained unmoved by New Brunswick's protests until 1957 when, faced with a growing regional movement supporting federal intervention and an imminent federal election, some concessions were offered. Ottawa offered to help Nova Scotia and New Brunswick pool their power resources by covering the costs of interconnection. Moreover, the federal government also agreed to build new thermal plants in the region as they became necessary and sell the power to the provincial utilities. But, after some discussion, Flemming rejected the offer as insufficient because Ottawa would not guarantee the price of power, something that was necessary for NB Power to negotiate the long-term, low-cost power contracts that the metallurgical and pulp and paper industries demanded. Flemming chose instead to pursue the development of the St. John River as a first priority.⁸²

Flemming's rejection of the Liberal government's offer came in the middle of the federal election campaign and was probably motivated in part by partisan

⁸¹*Atlantic Advocate*, September 1956, p.. This argument was also expressed by Tom Bell, Tory MP for Saint John - Albert. *Hansard* (1955), pp.288-9.

⁸²Flemming to Douglas Harkness, 12 July 1957, Flemming Papers, RS415 N4h 4b, PANB.

considerations. But it also reinforced the "mythic" linkage between hydro and economic development that had been created by the New Brunswick state.⁸³ Despite the fact that thermal power had become a major component of NB Power's strategy for the future, both the utility and the provincial government almost always emphasised hydroelectric development in their "public" negotiations with Ottawa. It was hydro that was going to bring prosperity to New Brunswick. Symbolically, then, it became very important for Flemming to win federal aid for Beechwood.

Getting little satisfaction from the St. Laurent government, Flemming and his colleagues concentrated their energies on electing the Diefenbaker Conservatives. Together with Stanfield and Atlantic Canadian Tory MP's, the Premier had lobbied hard to get regional grievances on the federal Conservative Party's election platform. Among these grievances, known as the Atlantic Resolutions, was a pledge to aid the Atlantic provinces in developing hydro and thermal power and a national resource development programme aimed at poor provinces. Diefenbaker's acceptance of these resolutions seemed a pretty clear statement that his government would grant New Brunswick preferred financing for Beechwood.⁸⁴

The election of a minority Conservative government in June 1957 signalled the end of the New Brunswick government's long battle with Ottawa. Although the Diefenbaker government refused to establish a federal St. John River power authority,

⁸³On "hydro as myth", see Nelles, *The Politics of Development*, pp.215-55.

⁸⁴"The Atlantic Resolutions", *Atlantic Advocate* (July, 1957), p.11. Diefenbaker's acceptance of the resolutions can be explained by a number of factors. As a westerner who was hostile to centralisation he was well-disposed to such grievances. Moreover, he was on close personal terms with Flemming who had nominated him at the 1956 Conservative leadership convention.

they did grant a low-interest loan for the Beechwood project in the fall of 1957 in spite of the continued objections of federal bureaucrats.⁸⁵ Beechwood would have been completed with or without federal financing. The provincial government had little choice but to build it, for the project had become symbolic of the Flemming government's commitment to economic re-development generally, and base metal development in particular. But winning financing for Beechwood (as well as other federal aid designed especially for Atlantic Canada) represented a much more significant victory for Flemming and his fellow Atlantic revolutionaries than low interest loans.⁸⁶ Regional development was now a legitimate political issue at the federal level.⁸⁷ Indeed, the New Brunswick government had played a crucial role in expanding the growing Canadian welfare state to include regional development.

In his ground-breaking study of natural resource development in turn of the century Ontario, H.V. Nelles summarises a speech by transportation philosopher T.C. Keefer to the Royal Society of Canada on the relationship between hydro power and industrialisation.

In the future Canada's own "white coal" of falling water would deliver the dominion from its "hewer of wood" servitude to American industry and its bondage to American coal; it would speed smokeless, silent trains over vast distances; mine and electrolytically refine the complex ores of the [Canadian] Shield, raise new cities in the forest, brighten

⁸⁵The loan was set at a rate of 3 7/8 per cent to be repaid over eight years. Donald Fleming to Fleming, 24 March 1958, Fleming Papers, RS415 N4h 4b, PANB.

⁸⁶The Diefenbaker government gave Atlantic Canada other forms of aid, including Atlantic Adjustment grants based on the historic mistreatment of the region, lower freight rates, and funding for the creation of a Nova Scotia-New Brunswick power grid. See Conrad, "The Atlantic Revolution of the 1950s"; and Kenny, "Politics and Persistence", chapters 2 and 3 especially.

⁸⁷Bickerton, *Nova Scotia, Ottawa, and the Politics of Regional Development*, pp.168-169.

the streets of existing cities, and lighten the drudgery of menial tasks. The application of natural sciences practically guaranteed the coming, Keefer proclaimed, of a second industrial revolution. Hydro bore the promise of greatness....⁸⁸

Nelles' study shows how these "mythological" qualities of hydro were promoted by local business elites as a justification for publicly-funded hydro development. An examination of the New Brunswick state's "power for industry" strategy a half century later suggests the durability of the hydro myth. Promoters and politicians again appealed to the transformative powers of hydroelectricity to cure the provincial economy. Of course there were some differences between the two examples. While private capital shaped the power agenda in Ontario, Young has argued that the principal proponent of power development in New Brunswick was the increasingly independent NB Power. Young's thesis is persuasive; unquestionably the utility's ambitious professional engineers, with the help of a sympathetic provincial government, were interested in promoting hydro -- and thermal for that matter -- power development for corporate reasons. But Young tends to diminish the role of mining capital in influencing provincial power policy. This chapter has shown that the mining companies were central actors in defining policy orientation. Unlike pulp and paper companies thirty years earlier, these multinational corporations were unwilling to generate power privately. Using their mobility as a threat they insisted time and again that the province subsidise their operations through cheap "public" power. Such threats proved very effective in influencing a provincial government

⁸⁸Nelles, *The Politics of Development*, p.215.

intent on maximising economic linkages and added crucial support to the power development orientation of NB Power. Indeed the success of NB Power's corporate agenda was dependent on the promise of the base metal industry.

Conclusion

Mining companies wanting to exploit the Bathurst base metal discoveries in the 1950s found the various levels of the Canadian state eager to reduce the risks of private investment. The federal government offered generous income tax concessions to not only domestic but international mining interests. In fact, as other scholars have noted, enticing American investment to Canadian natural resources was a key element in the St. Laurent government's continentalist economic agenda. Mining interests also found municipal governments willing to create a favourable investment climate. Wanting desperately to attract investment to their impoverished towns and counties and informed with a long tradition of offering concessions to large capital, local councils entered into tax agreements with the mining companies, despite the objections of some local groups worried that the costs of this subsidisation would outweigh the benefits. However, it was the provincial government, whose constitutional responsibility was to manage natural resources, that was on the front line of the mining industry's demands. Mining capital asked much of the province during this period, and with few exceptions, they found the Flemming administration willing to help. Capital was provided with geological knowledge, negligible rents, and infrastructure. And, although the province ultimately could not guarantee cheap

power, it went to great lengths to accommodate the mining industry's electrical demands.⁸⁹

The provincial government's accommodation of mining capital during the 1950s has much to do with power relationships between states and capital. In their study of resource development in western Canada, Pratt and Richards argue that the state's ability to manage a resource is weakest when that resource is new. Because capital, often foreign-based, has the knowledge of how best to exploit the resource, the state is in a weak bargaining position when the terms of development are established. Over time, the state may progress up a "learning curve" and be able to re-negotiate the terms of resource exploitation, but at the very beginning it is confined to "a relatively simple, highly unequal, often exploitive relationship".⁹⁰ Such was the case in New Brunswick during the 1950s. Anxious to see the emergence of a new industrial economy focused on base metals and with little knowledge of the new staple, the New Brunswick state was vulnerable to the demands of mining companies such as St. Joseph Lead and Stratmat. Although the province tried to overcome its vulnerability by consulting experts inside and outside the state, it was ultimately unable to escape its dependence on multinational mining capital.

⁸⁹Mark Cox has described this type of bonusing and promotion as "passive intervention". See Cox, "The Limits of Reform", pp.552-3.

⁹⁰Richards and Pratt, *Prairie Capitalism*, pp.7-10.

Chapter 4
Arrested Development: The Struggle
for the "People's Resources", 1956-60

Whether raw materials are dug up or chopped down, the province of New Brunswick has a grave responsibility to its citizens who have an inherent right to all the province's resources.¹

Northumberland Miramichi
Liberal M.P., G. Roy McWilliam
19 December 1957

By the mid 1950s the province's mining industry was not progressing at the pace predicted earlier in the decade. The major success story was the establishment in the Newcastle region of Heath Steele Mines by American Metal. By 1958 this company had constructed milling facilities and was producing lead-zinc and copper ore, albeit at a reduced rate. Another positive development was the establishment, in the Bathurst area, of Nigadoo Mines by the Dutch Billiton Corporation. By 1958 this company had built a concentrator and commenced milling ore. But the failures outnumbered the successes. In 1956 Keymet Mines, citing a lack of ore, ceased operations. Tungsten mining at Burnt Hill was also "curtailed" in that year. Little work was done in Woodstock between 1955 and 1958 as Stratmat continued testing the Udy process in Niagara Falls. More importantly, development of the Brunswick properties was slow. A pilot concentrator was established but construction of the proposed smelter was continually postponed.² The biggest blow, though, came in late 1958 and early 1959 when both Brunswick Mining and Smelting and Heath Steele

¹"'Report From Parliament Hill' Talk Given By Federal Member", *North Shore Leader*, 27 December 1957, p.7.

²New Brunswick, *Annual Reports of the Department of Lands and Mines* (1955-8).

announced within months of each other that they were shutting down operations on a temporary basis. The major reason behind these shutdowns had little to do with any lack of power; rather, it was the depressed state of the market for base metals created in large part by changing American foreign policy.

The *Globe and Mail* noted the frustration of local residents with these setbacks. "The people of New Brunswick, repeatedly told that they are sitting on top of the world's greatest mineral deposits, are wondering what's happening to their mining boom".³ Many New Brunswickers looked to the provincial government, which had promised prosperity for nearly five years and offered generous concessions to foreign mining companies, to explain the slow pace of development. A wide cross-section of local residents demanded that the Flemming administration force the mining companies to develop the mineral deposits. Lying behind these demands was a general belief, reflected in Roy McWilliam's assertion of the province's "grave responsibility", that natural resources belonged to "the people" and that they must be developed for the public good. Despite these demands the Flemming government refused to take action against the mining companies. While this refusal to act was partially informed by the province's weak history of state intervention and the ideological climate of the Cold War, it also reflected the perceived dependency on foreign capital for development.

This chapter explores how the New Brunswick state responded to the mining companies' reluctance to develop the province's rich base metal deposits and how various groups of New Brunswickers attempted to shape that response. It will also

³"Province Wondering What Happened To Its Mining Boom", (originally published in the *Toronto Globe and Mail*), *North Shore Leader*, 25 April 1958, p.11.

show how the response of these groups was informed by the region's historical experience with the development of Crown forests by large pulp and paper corporations. First, though, it is necessary to understand the international market factors that prompted the crisis in New Brunswick.

Provincial Resources in a Continental Economy

Chapter 2 showed how American Cold War policies played a key role in attracting attention to New Brunswick's emergent base metal industry. The Soviet threat, the Korean War, and the Paley Report all informed Washington's stockpiling of strategic resources through low import tariffs and aid to multinational resource companies. This policy attracted American and Canadian capital to the Bathurst-Newcastle region and helped fuel optimism about the province's mining future. But the politically-shaped nature of the world base metal market meant that the political and market conditions which encouraged the New Brunswick mining boom would be temporary at best. Even as New Brunswickers were welcoming American mining capital in 1953, domestic forces within the United States were trying to alter Washington's Cold War resource policy.

By 1953 it became clear that the shortage of lead and zinc, predicted by the Paley Commission just one year earlier had failed to materialise. The end of the Korean War, a slow growth in the rate of domestic consumption, and Washington's stockpiling and investment programmes, which encouraged the importation of

unprecedented levels natural resources, all contributed to a glut of lead and zinc.⁴

Table 4.1 shows that the prices for these base metals declined significantly in 1953 as production outstripped consumption.

Table 4.1
Average Yearly Prices for Zinc and Lead

Year	Zinc (Cents/lb.)	Lead (Cents/lb.)
1950	13.87	13.30
1951	18.00	17.50
1952	16.20	16.47
1953	10.86	13.49
1954	10.68	14.05
1955	12.30	15.14
1956	13.49	16.01
1957	11.40	14.66
1958	10.30	11.50

Source: *Interim Report of the Commissioner of Mines* (Fredericton, 1959), p.9.

Washington's policy of encouraging the development of foreign base metal mines through reduced tariffs and financial incentives at a time of oversupply and low prices soon drew protests from domestic mining interests. With a number of small mines facing slowdowns or shutdowns many representatives of American mining companies as well as mining unions began pressuring the government to protect domestic mines through increased tariffs. At its 1953 meeting the American Zinc Institute demanded that Washington establish a sliding tariff scale by which the duty

⁴"Zinc Situation Confused By Many Factors", and "Lead-Sustained World Demand Brighter 1954 Outlook", *The Northern Miner*, 26 November 1953, pp.53, 59; 51, 58; and Snyder, *Stockpiling Strategic Materials*, p.191.

would increase whenever the price of zinc dipped below a certain level (between 14.5 and 15.5 cents per lb.).⁵ The mining lobby found political allies in a number of senators from western states such as Idaho and Nevada where small mines faced closure due to the lead-zinc glut. Over the next few years these senators would lead a growing protectionist movement in the Democrat-controlled Congress. Throughout the 1953-4 period the Special Subcommittee on Minerals, Materials and Fuels Economics of the Senate's Committee on Insular and Interior Affairs held hearings into the effects on the domestic mining industry (and the lead-zinc industry in particular) of the Administration's policy of stockpiling through importation. Chaired by Nevada Senator George Malone, the committee's 1954 report, entitled "Accessibility of Strategic and Critical Materials in Time of War and for Our Expanding Economy", concluded that the assumption that the United States was a "have-not" country with regard to supplies of critical resources in wartime was essentially false."⁶ This conclusion was also shared by Eisenhower's Assistant Secretary of the Interior, Felix Worsmer. Formerly a vice president of St. Joseph Lead, Worsmer was, not surprisingly, a strong proponent of tariffs to support domestic interests.⁷ The mining industry was also supported in its desire to have import tariffs raised by the United States Tariff Commission, which recommended in 1954 that the President raise duties

⁵"U.S Zinc Miners Defend High Tariff Proposals", *The Northern Miner*, 7 May 1953, pp.17,20.

⁶United States, *Stockpile and Accessibility of Strategic and Critical Materials to the United States in Time of War* (1954); Lesser, *Resources and Strategy*, p.109.

⁷Snyder, *Stockpiling Strategic Materials*, pp.192-3.

on refined zinc and lead be raised 200 and 150 per cent respectively.⁸

The tariff issue presented real problems for Dwight Eisenhower's Republican administration. While the domestic mining industry's problems created considerable pressure, the President was publicly in favour of freer trade. Perhaps more important, both he and his Secretary of State, John Foster Dulles, saw preferential tariffs as an important foreign relations tool during the post-war period. Low tariffs helped ensure the loyalty throughout the Cold War of both "friendly" countries, such as Canada, and a number of developing nations whose interests were less clearly tied to the United States.⁹

The protectionist movement was of particular concern for the Canadian mining industry. In 1951 Canada supplied 46.5 per cent of American imports of zinc and 25.6 per cent of lead. Although the United States had little to fear regarding Canada's loyalty, the preferential tariffs were a symbol of good will. Prime Minister Louis St. Laurent responded to the growing calls for increased tariffs on zinc and lead by hinting at trade retaliation.¹⁰ The federal government's understanding of the relationship between the Paley Report, low tariffs and American access to Canadian resources was made explicit by Dr. G.C. Monture, chief of the Department of Mines' Resources Department. Speaking before the Tariff Panel of the American Mining Congress in 1953, Dr. Monture referred to the Paley Report's conclusion that

⁸United States, *Annual Report of the United States Tariff Commission* (1954), pp.23-5 and 59-60.

⁹Snyder, *Stockpiling Strategic Resources*, pp.193-4.

¹⁰"Press Zinc-Lead Duty Drive", *The Northern Miner*, 14 May 1953, pp.1,4.

American demand for strategic resources could not be satisfied by domestic production, particularly in times of emergency or war. He noted how Canadian mining and taxation laws had welcomed American mining capital during the Korean conflict and warned: "If the United States expects equitable treatment in times of world need or emergency, it must at all times permit the entry of all materials at something considerably less than shut-out tariffs."¹¹ Canada's Ambassador to the United States, Arnold Heeney, made a similar plea in a 1954 address in Florida; "Your allies are to be found in all parts of the Free World. Some are situated right up against the outworks of the Communist Empire. Without exception all of them need to keep the fabric of their economic and social life strong. The ability to sell goods freely into the United States is an indispensable element in the common defence."¹² These officials clearly saw American preferential tariffs for Canadian resources as part of an economic quid pro quo -- American capital was to be guaranteed access to Canadian resources as long as Canadian resources were guaranteed access to the United States marketplace.¹³

Faced with the competing pressures of an increasingly disgruntled domestic mining industry and the perceived need to maintain the support of nations such as Canada, President Eisenhower chose to ignore the Tariff Commission's

¹¹"Amazed and Resentful Over U.S. Proposals", *The Northern Miner*, 1 October 1953, p.7.

¹²"Trade Aids Defence", *The Northern Miner*, 9 December 1954, p.6.

¹³Ottawa's "understanding" on this matter reflected the absence of a coherent mineral development strategy. The government was interested in economic growth rather than "development". Canadian officials were apparently not concerned that the United States applied higher tariffs to processed minerals as long as the flow of raw materials southward continued. Nor was Ottawa particularly concerned about the amount of American ownership of Canadian resources.

recommendations. Instead, he chose to reduce the excess supplies of lead and zinc by increasing the American stockpile of these base metals in August 1954.¹⁴ This increase, intended for the purchase of domestic lead and zinc, was welcomed by both the mining industry and governments of exporting nations (especially Canada). But, because existing stockpiles of zinc and lead were already overflowing, it was clear that this was a temporary solution designed to accommodate domestic and foreign political pressures. Although government purchases of base metals continued throughout the next few years, there was a curtailment in some of the incentives intended to stimulate investment in foreign resources by American capital. In August 1955 the Office of Defence Mobilization cut off the rapid tax write-off allowances for a number of strategic commodities including lead and zinc. These allowances had been designed to stimulate investment in materials necessary for defence and atomic related facilities.¹⁵

Despite the ending of such incentives, production of lead and zinc again began to outstrip consumption in 1956. The Eisenhower administration tried to alleviate these problems by bartering American agricultural surpluses for zinc and lead produced by developing countries. Base metals obtained through this bartering system were placed in the National Stockpile. It was hoped that such a plan would ensure continued good relations with these countries as well as propping up the lead and zinc market by "skimming" off the world surplus. In fact, it had quite the opposite effect

¹⁴The determination of the stockpile levels would subsequently become the matter of some manipulation by members of the Eisenhower administration sympathetic to the domestic mining industry. See Snyder, *Stockpiling Strategic Materials*, pp.203-9.

¹⁵"Tax Write-Offs Dropped in U.S.", *The Northern Miner*, 18 August 1955, p.6.

as production in producing countries (carried out mostly, it should be noted, by American multinationals) actually increased. Rather than being seen as a means of reducing the base metal surplus, producers saw the bartering and stockpiling programs as a sign that the American government would continue to support the industry. The Eisenhower administration was in an ambiguous position.¹⁶

The rapidly growing stockpile, as well as changing strategic understandings of the length of a possible nuclear war, forced the administration to reduce its stockpiling efforts.¹⁷ In April 1957 the barter programme was ended, resulting in the price of lead and zinc plummeting (see Table 4.1) and the strengthening of the protectionist movement. The President reacted by proposing that Congress pass legislation instituting a sliding scale of import tariffs on lead and zinc similar to that advocated by the domestic mining industry earlier in the decade. While the Senate went along with the administration, the proposal was defeated by the House of Representatives in August 1957. Although there was strong support for quotas the issue was still quite controversial; increased tariffs were opposed by domestic smelters and manufacturers and some Congressmen feared alienating other countries in the midst of the Cold War. Consequently the Democratic-controlled House threw the issue back to the Republican

¹⁶Snyder, *Stockpiling Strategic Materials*, p.208; "Stockpile Stomach Ache". *The Northern Miner*, 31 October 1957, p.6; "Ups and Downs of Lead and Zinc Reviewed by Metal Sales Expert", *The Northern Miner*, 25 September 1958, pp.4, 15.

¹⁷Until 1957-8 stockpiling objectives had been determined on the assumption of a six-year conventional war. As war planning began to take into account the devastating possibilities of nuclear weapons, these estimates were down-scaled to a war lasting between six months and 3 years. This "New New Look" approach to planning meant that far fewer strategic materials would be required to carry out a war. See Snyder, *Stockpiling Strategic Materials*, p.218-37.

President, arguing that he had authority to raise import duties unilaterally.¹⁸

Meanwhile the world base metal market continued to collapse. The decline precipitated by the United States' winding down of stockpiling operations was exacerbated by the United Kingdom Board of Trade's decision to dispose of some of the lead and zinc that it had stockpiled between 1951-5. Faced with political deadlock and a declining metal market the American mining lobby turned their attention to the United States Tariff Commission, whose job it was to make recommendations to the President on tariff matters. In a series of hearings held in the fall of 1957 the Commission heard pleas for increased import duties on lead and zinc from the Emergency Lead-Zinc Committee, an ad hoc organisation representing 90 per cent of American mine operators. Despite strong representations from Canadian mining interests -- most notably COMINCC -- arguing that increased import duties violated Eisenhower's free trade pronouncements as well as the spirit of GATT agreements, the Tariff Commission in April 1958 called on the President to raise import duties on the two base metals.¹⁹

However, the President again chose to ignore the Commission's recommendations, as he had in 1954, and instead proposed that Congress establish a "long-range minerals program" by which domestic producers of strategic minerals such as zinc, lead and copper would be subsidised for a five year period. Although this

¹⁸"Tariffs Proposed Against Our Zinc and Lead", *The Northern Miner*, 30 May 1957, p.25; "Disturbing Threats to Zinc, Lead, Oil Exports", *The Northern Miner*, 8 August 1957, 6; "U.S. Tariff Boosters Losing Hope President Tossed Lead- Zinc Issue", *The Northern Miner*, 22 August 1957, pp.1, 11.

¹⁹United States, *Annual Report of the United States Tariff Commission* (1958), p.13.

programme was welcomed in Canada as an alternative to tariff increases -- *The Northern Miner* had warned that tariff increases would have "creat[ed] enormous ill will among militarily allied countries" -- it failed to win the approval of the Democrat-controlled House of Representatives. Congressional rejection of the subsidy proposal made it clear that responsibility for the "hot potato" tariff issue would lie with the President alone.²⁰

Still acutely aware of the sensitive nature of the issue in terms of military alliances, Eisenhower chose to set quotas for the amount of lead and zinc entering the United States rather than opting for increased duties. Under the terms of this arrangement "countries exporting to the United States were limited to 80 percent of their average annual imports during the 1953-57 period." Donald Patton has noted that because the volume of Canadian lead and zinc ore and concentrates entering the United States had been so large during these years the quota "for Canada was less onerous than that imposed on less-established supplying countries" (such as Peru, Mexico and Chile). Even so, annual exports of Canadian lead and zinc to the United States were reduced by 17 and 15 per cent respectively.²¹

The American decision to impose quotas on lead and zinc upset the Canadian government and exporters. Canada's Minister of Trade and Commerce, Gordon Churchill, condemned the U.S. action in a speech to the 13th meeting of the GATT in November 1958. Referring to the 1951 Torquay agreement giving Canadian lead and

²⁰United States, *Annual Report of the United States Tariff Commission* (1959), pp.20-1.

²¹Donald J. Patten, "The Evolution of Canadian Mineral Policies", p.222.

zinc preferred access to the United States, Churchill stated: "In the view of the Canadian government these measures are in contradiction with the terms and the spirit of GATT and constitute a serious impairment of benefits and concessions accruing to Canada under the GATT." However, despite such public pronouncements, a series of formal protests to Washington, and the Diefenbaker government's discomfort with American trade, the Canadian government refused to take retaliatory action, as was their right under the GATT.²² Instead they accepted reluctantly American assurances that the import quotas would be temporary and that they would be removed just as soon as the world surplus dissipated.²³

The unstable base metal market and changing American trade policy had a substantial effect on New Brunswick's newest mineral resource. Mining companies continued to stake claims in the Bathurst-Newcastle region and were eager to maintain existing claims and leases, but they were reluctant to bring the mines into production at a time when base metal prices were low and the threat of American protectionism was high. Such was the case with Brunswick Mining and Smelting. After months of teasing northern New Brunswickers with news that it had almost overcome the technical problems associated with smelting local ores and that the construction of a smelter was imminent, Brunswick announced a slowdown in its development

²²"U.S. Lead, Zinc Curbs Scored by Canada", *The Northern Miner*, 23 October 1958, p.11; "Western Nations Discuss Lead, Zinc at U.N. Meeting", *The Northern Miner*, 30 April 1959, p.4; Patton, "The Evolution of Canadian Federal Mineral Policies", pp.222-3.

²³Clark-Jones has argued that federal trade officials responded to American protectionism in the mineral sector in the late 1950s and 1960s by negotiating favourable deals for dominant Canadian-based mining corporations, such as INCO, rather than trying to open the American market for all Canadian minerals. See *A Staple State*, pp.135-54.

programme in the fall of 1957.²⁴ In a November 1957 letter explaining the slowdown in Brunswick's mining developments to Premier Flemming, Francis Cameron, President of St. Joseph Lead (Brunswick's principal shareholder), noted that market factors "...offered little inducement...to develop new production which could only add to the present unwanted world surplus." He did, however, promise that the company would "ultimately...proceed as originally planned with the Brunswick undertaking."²⁵ But that promise seemed even more doubtful when, in April 1958, after months of rumours of Brunswick's imminent closure and after the company had acquired an extension of its tax concessions from Gloucester Municipal Council, the slowdown became a shutdown.

The warnings of Tony Gallant and Edward Byrne, four years earlier, of the problems of American ownership of the province's mineral resources seemed remarkably accurate. St. Joseph had been playing both ends against the middle. They claimed that market conditions would not allow them to develop the New Brunswick ores immediately, yet they had been influential in shaping those conditions. Throughout the decade St. Joseph Lead had played a key role in lobbying the American government for increased tariffs on foreign imports of base metals in order to drive up the price of domestic ores.²⁶ This was clearly not in the interests of New

²⁴"Smelter Will Be Built Here", *Northern Light*, 30 May 1957, p.1.

²⁵Cameron to Flemming, 25 November 1957, Flemming Papers, RS415 F4e2, PANB.

²⁶Indeed, the case of Assistant Secretary of the Interior Felix Wormser, who had formerly been the company's vice-president and who would return to that position when he left the administration, suggests that St. Joseph Lead was actually *part* of the government. On the company's more formal lobbying efforts before Congress, see St. Joseph Lead Company, *Annual Report* (1954-1958).

Brunswickers wanting to develop a new industry. Increasingly it appeared that ownership of Brunswick was designed to ensure that New Brunswick base metals were not put into competition with ores produced by other St. Joseph companies. Development might come -- but on St. Joseph's timetable, not that of New Brunswick.

This point is reinforced by the fact that Brunswick's president, Jim Boylen, wanted to proceed with development of a zinc smelter in spite of the weak market. In a personal letter to Flemming in 1958 Boylen expressed his fears about competing mineral developments in Quebec and his impatience with his parent company's principal shareholders. "What I am really afraid is that the very large zinc-gold-silver deposit in the Mattagami area of Quebec will get financed and in production before we do, and perhaps with a zinc smelter....This would again put us away back where St. Joseph would squawk about more zinc being on the market."²⁷ The next year Boylen pressured St. Joseph to let him attempt to raise enough capital to buy out their interest in order that he might begin operations in New Brunswick. His request was refused because it was not in the "best interests" of the parent company.²⁸

The declining mineral industry, and the Brunswick shutdown in particular, was a substantial blow for residents of the Bathurst-Newcastle region, where unemployment

²⁷Boylen to Flemming, 6 February 1958, Flemming Papers, RS415 F4e2, PANB.

²⁸Boylen to Cameron 13 March 1959; Cameron to Boylen, 17 March 1959, Flemming Papers, RS415 F4e2, PANB.

reportedly hit 65 per cent in 1958.²⁹ Over the previous five years, great expectations had been created by the provincial government and the various mining companies. Claude Savoie, the Liberal MLA for Gloucester County, noted: "Government speakers...[had] conjur[ed] up...visions of smelters -- of harbours busy loading ore -- of chemical industries -- and of communities bursting at the seams with the beneficial effects of the base metals exploitation."³⁰ The only impediment to full development, the government had claimed, was a lack of power. It was a sad irony that the Brunswick slowdown was announced just as the Beechwood project began operation in the spring of 1958.

The Forest Context of Political Protest

Many northern New Brunswickers saw the Brunswick shutdown as an example of the incongruity between corporate and community interests. While this belief was very much the product of unrealised expectations at a time of widespread unemployment, it was also informed by historical experience. In the 1930s local residents were faced with a similar, if not more extreme, problem when pulp and paper companies did not honour agreements with the government signed in the 1920s that obligated them to build pulp and paper mills in exchange for extensive Crown forest leases. Not only did the companies (International Paper and Fraser's) refuse to build

²⁹New Brunswick, *Synoptic Report* (1958), p.170. In February 1959 the Bathurst *Northern Light* reported that there were only 26 vacancies for the 6971 people who had registered for work at the Employment Centre. As bad as that seemed, it represented an improvement over the previous year. *Northern Light*, 19 February 1959, p.1.

³⁰New Brunswick, *Synoptic Report* (1958), p.176.

new plants, they fed their existing New Brunswick operations with a large amount of pulpwood imported from Quebec, leaving much of their Crown leases, particularly in Northumberland County, undeveloped. By preventing northern New Brunswickers from cutting timber on their leases, the companies deprived local residents from earning valuable income at a time of high unemployment and extreme poverty.

Led by traditional political and economic leaders, the lumber barons, North Shore residents responded to these corporate actions by demanding that the state intervene to ensure that "the people's heritage", the Crown forests, were utilised for the benefit of local entrepreneurs and unemployed workers. If the pulp and paper companies refused to live up to their agreements, it was argued, then the state should force them to give up their Crown leases to someone more committed to developing the local forest industry in the general interest.

Parenteau has argued that this battle between popular and corporate notions of resource utilisation was based heavily in the transformation of the New Brunswick forest economy from lumbering, an industry managed by small local capitalists, to the heavily capitalised pulp and paper industry, financed and run by large (often foreign-based) corporations. The alliance between the local working class and their traditional economic and political leaders in opposing the pulp and paper companies was the product both of a common interest in kick-starting the local economy and the persistence of clientelism based in the rapidly declining lumber economy. The clientelist relationship that existed between lumber barons and their northern New Brunswick communities could be difficult for workers but it also imposed obligations

on the lumber barons to help out the local community in times of need, obligations understood and shared by both patron and client. The actions of the pulp and paper companies offended many New Brunswickers, workers and capitalists alike, because they contravened these understandings of the obligations of capital to the local community.³¹

The conflict over the use of Crown lands during the 1930s put the government in a difficult position since it had used Crown leases to attract pulp and paper companies to build plants in New Brunswick during the 1920s. As the depression worsened pressures from local residents, exerted through traditional clientele networks, forced the government to become increasingly interventionist. (This was particularly true of the Liberal government elected in 1935.) But ultimately it could not force the companies, who argued that it was not economically feasible to honour their agreements, to better utilise the Crown forests. Parenteau concludes that this failure reflected the arrival of the new forest economy to New Brunswick: "That the companies were able to retain the joint lease on the Miramichi, despite their disregard of contractual obligations and government regulations, was a victory of modern corporate principles of investment security over popular conceptions of the Crown lands -- another step in the on-going privatisation of public resources."³²

Despite the construction of a small pulp and paper mill by Fraser's during the

³¹Parenteau, "Forest and Society in New Brunswick", chapter 5; and "Reclaiming the 'People's Heritage': Political Protest and the Administration of Crown Lands in New Brunswick, 1930-1939", paper presented to the 1993 meeting of the Association of Canadian Studies in the United States, New Orleans, Louisiana, November 1993.

³²Parenteau, "Reclaiming the 'People's Heritage'", p.92.

late 1940s the movement to "reclaim the people's heritage" was, for the most part, unsuccessful. But protests against the pulp and paper industry's failure to develop Crown resources continued right through to the 1960s. Protests became particularly strong in Northumberland County as local unemployment increased to record levels in the mid 1950s. In 1955 the cash-starved Northumberland Municipal Council, disappointed with the county's undeveloped Crown timber reserves, attempted to win provincial approval to tax Crown land leaseholders at a rate of 2 cents per acre in order to cover education costs.³³ And in 1956 Northumberland County Liberal MP G. Roy McWilliam took up the cause of some small county landowners who complained that the province subsidised the pulp and paper industry by spraying for budworms on Crown lands under lease to those companies.³⁴

The Flemming administration had some sympathy with the plight of northern New Brunswickers. The co-owner of a medium-sized lumbering operation in Juniper, Carleton County, the Premier recognised that control of large Crown leases by pulp and paper companies deprived small entrepreneurs of quality forest products and communities of employment.³⁵ This understanding, his desire for economic development, and constant pressure from North Shore residents led him to strike a Royal Commission on New Brunswick Forest Development in 1956. Under the

³³"County Council", *North Shore Leader*, 15 July 1955, p.2.

³⁴"Member's Radio Talk on Budworm Menace", *North Shore Leader*, 4 May 1956, p.2.

³⁵Interview with Hugh John Flemming in "Contributors to the Development of Commercial and Industrial Relations Systems in New Brunswick and Other Atlantic Provinces", transcripts of taped interviews, 1975-77, #1, MC 81 PANB, p.44.

chairmanship of John S. Bates the Commission concluded that the province's forests, particularly those in the north, were under-utilised by corporate tenants. To overcome this impediment to development, Bates proposed a revamping of the system by which Crown lands were rented. He recommended lowering stumpage rates while increasing rental fees. The principal source of state rent would therefore be based on the amount of land leased rather than the amount of wood cut. Moreover, the government was encouraged to shorten the length of long-term leases and to reject requests for renewal from applicants who were not developing their leases.³⁶ Although the Flemming government accepted the Report it did not implement Bates' proposals for a more aggressive renewal system for leases because they "might impose a hardship on the licensees".³⁷ This reticence may be attributable to the fear of alienating the pulp and paper companies which were viewed as crucial to the local economy.³⁸

Despite the fact that the Bates' Report was not implemented it had the effect of reawakening discontent in northern New Brunswick. In 1958 the Chatham Board of Trade challenged the province to force the pulp and paper companies to live up to

³⁶John S. Bates (Chairman), *Report of the New Brunswick Forest Development Commission* (Fredericton, 1957), pp.105-30.

³⁷"Statement on Changes in Crown Land Timber Regulations" (undated), Flemming Papers, RS415 F2b3b, PANB.

³⁸The pulp and paper companies reacted to the Bates Report by establishing the New Brunswick Forest Products Association to lobby the province. They were particularly wary of the possibility of the state withdrawing licenses from tenants using Crown forests as reserves. The organisation wrote to the Minister of Lands and Mines on this issue in 1959: "We recognise the paramount interest of the state in the welfare of the public lands, but where such grave consequences are involved, where matters of judgment are of prime importance, and where there is risk of gross injustice to the licensee, surely some more democratic and judicial process is called for." W.M. Miller to Norman Buchanan, 18 July 1959, Flemming Papers, RS415 F3f, PANB.

their obligations and develop the region's Crown forests. Citing the agreements signed between the pulp and paper companies and the province in the 1920s, and the large amount of unprocessed Crown timber being sent abroad, the Board petitioned the province to "requir[e] the owner of the leases in default [International Paper] to construct and operate a pulp and paper mill" in the Chatham region.³⁹ A more explicit protest came in the form of a petition to the province in 1960 from Local 1083 of the United Brotherhood of Carpenters and Joiners of America. Explaining that the county's Crown forests were not being utilised "in the best interest of the people of the county" the union demanded that "leases on such land not operated in the best interest, should be cancelled immediately and thereafter such lands be leased to individuals or organisations who will operate properly with a minimum of waste and to the best advantage for the people of the county."⁴⁰

But the best example of the county's unhappiness both with the pulp and paper leaseholders and the provincial government's management of the Crown forests was the formation of a Crown Lands Committee in 1959. Representing the Municipality of Northumberland, the towns of Chatham and Newcastle, local Boards of Trade, and the Newcastle-Chatham District Labour Council, this committee cut across political and class divisions. After studying the Bates' Report for six months the Committee launched an intensive campaign promoting better utilisation of the Crown forests and the construction of a new pulp and paper mill in the Miramichi valley. Adopting the

³⁹"Chatham Trade Board Resources Resolution", *North Shore Leader*, 21 February 1958, p.4.

⁴⁰"N.B. Has Abundance of Wealth and Natural Resources", *North Shore Leader*, 12 February 1960, Sec.2, p.1.

motto "We Cannot grow on idle resources" the committee sought to pressure the provincial government into action by holding public meetings on the issue and publishing large ads in local newspapers. One such ad proclaimed that "The Greater Part of Our Sub-Standard Wage --the Average Canadian Gets 50% More Pay Than We Do -- Comes Basically From The Forests of New Brunswick". Another, entitled "A Manifesto to the People of New Brunswick", carefully laid out the committee's grievances. It pointed out that, although one third of all provincial Crown Lands were located in Northumberland County, "only 15% of the provincial forest harvest originates here." This discrepancy was attributed to licensees who "hold extensive limits unsuited for and/or superfluous to the needs of their operations." The manifesto's solution to this problem and the county's unemployment was that the provincial government put aside a "working reserve of Crown forest" for the purpose of a pulp and paper operation and that it "take immediate steps...to facilitate the establishment of a large pulp and paper mill on the Miramichi River." Although not explicit the Committee implied that the province should use the renewal of the Crown sawmill leases held by the pulp and paper companies, which were due to expire on 1 August 1963, as a bargaining tool.⁴¹

The purpose of this discussion has not been to offer an extensive account of the

⁴¹See "Second Phase of Campaign Underway", *North Shore Leader*, 4 December 1959, p.1; "A Manifesto to the People of New Brunswick", *North Shore Leader*, 5 February 1960, p.3; "The Greater Part of Our Sub- Standard Wage Comes From the Forests of New Brunswick", *North Shore Leader*, 25 March 1960, p.6. Another argument that the Committee used to support their demands was that harvested softwood stands would reduce the prevalence of spruce budworm in the province. (It was argued that mature softwood was the principal feeding material for the budworm.) This would reduce the need for spraying of DDT which, it was noted, appeared to be damaging the salmon and smelt population on the Miramichi River. Thus, the utilisation of Crown Lands would benefit the "thousands of families who depend directly on the fisheries" as well as woods workers.

administration of Crown forests during the 1930s and 1950s but rather to emphasise the historical importance of Crown lands as a centre of political and social conflict in northern New Brunswick. This brief account suggests that the concept of "the people's resources" is central to the conflict. Indeed, by the 1950s almost every discussion of Crown lands included some reference to "the people's resources", "our resources", or "our birthright". It is particularly prominent in editorials in local newspapers and speeches by local politicians from all levels of government during this period. At the level of partisan politics, protests against Crown leaseholders were made most often by the local Liberal Party, which regularly elected MLAs and MPs in both Northumberland and Gloucester counties. (This may reflect the fact that it was the Conservative Party that established the lease agreements with the pulp and paper companies in the 1920s.) Flemming and his ministers would sometimes refer to "the people's resources" but they would rarely criticise the leaseholders publicly. Of course, as Nelles has shown elsewhere, defining "the public interest" in developing resources can be problematic.⁴² In the long term the interests of local entrepreneurs and politicians, who were active in leading these protests, might not have coincided with those of the woods worker looking for fair wages. But forcing pulp and paper companies to utilise Crown forests served the immediate interests of local capital, workers, and the unemployed in New Brunswick.

By the late 1950s the concept of using resources for the benefit of local people was well-grounded in the North Shore region. The experience with the Crown forests

⁴²Nelles, *The Politics of Development*, especially chapter 4.

had made many local residents suspicious of large corporations based elsewhere and prompted demands for government action to "reclaim the people's heritage". It also informed their reaction to the slow pace of mining development during the post-war period. The scepticism of corporate motives and rhetoric of "the people's resources" could be turned against St. Joseph Lead just as easily as it could against International Paper.

The People's Mineral Resources

Local discontent with the mining companies was directed initially towards the export of unprocessed raw ore. The principal offender was Keymet Mines which, before it shut down operations in 1956, had exported significant quantities of raw lead-zinc to Belgium for processing. This action was condemned by the Miramichi District Trade and Labour Council and the provincial Opposition which demanded government action to get the mines into production or at least to retrieve some revenue in lieu of production. Liberal leader A.C. Taylor, who represented Gloucester County, accused the Government of allowing mining companies to exploit provincial resources without recompense. "Although the ore -- our natural resource -- is gone from the mine site, the people of New Brunswick...have received not one cent in royalties."⁴³ Accordingly, the Liberal Party's platform for the 1956 provincial election called for

⁴³"Score Shipping Raw Goods, No Industrial Use of Crown Lands", *North Shore Leader*, 13 April 1956, p.1; New Brunswick, *Synoptic Report* (1956), pp.467-9.

minerals to be taxed as they were dug up rather than through the existing mining tax.⁴⁴ The Fredericton *Daily Gleaner*, a strong supporter of the Flemming Conservatives, also lamented the export of unprocessed ore, noting that the situation "brings echoes of the frustrations with which the economic life and development of New Brunswick have so long been plagued." Rather than blaming the companies directly, however, it attributed the export of unprocessed ores to Ottawa's failure to aid power development in the province.⁴⁵

The Conservative government was very much aware of the province's history of exporting its raw materials unprocessed. At the opening of a branch railway line to Heath Steele Mines in 1957 Premier Flemming stated: "[I]t is of paramount importance to New Brunswick, and to Canada, that raw materials are not dug up and carted away to be processed outside -- New Brunswick will not stand idly by and see this happen."⁴⁶ Indeed, as Chapter 3 demonstrated, the Flemming administration took a number of steps to ensure that mineral processing took place within the province. It was relentless in its pursuit of federal aid for power developments that were viewed as necessary for the location of a smelter in New Brunswick. Moreover, provincial mining tax regulations permitted the tripling of mining tax on the export of unprocessed ore. In 1958 the government went even further towards meeting industry

⁴⁴"N.B. Liberals Announce Their Twelve-point Party Manifesto", *North Shore Leader*, 1 June 1956, p.9.

⁴⁵"Our Ore Goes to Belgium", *Daily Gleaner*, 23 August 1955, p.3.

⁴⁶"'Report From Parliament Hill' Talk Given By Federal Member", *North Shore Leader*, 27 December 1957, p.7.

demands when it successfully lobbied Ottawa for funds to develop Bathurst harbour. (This funding, however, was contingent on a signed agreement with Brunswick stating that they would build a smelter nearby.)⁴⁷ The government's efforts had little effect, though. By 1958 northern New Brunswick, facing the highest unemployment rates since the depression, was still without a smelter.

The slowdown, and eventual "temporary" shutdown of mining operations by Brunswick and Heath Steele in the 1958 reminded many local residents of their experience with the pulp and paper industry and how the development plans of corporations, particularly "foreign" corporations, conflict with local needs. Many local residents were not prepared to accept Brunswick's explanation for closing. Liberal MLA Claude Savoie noted that his constituents were "not convinced that the market price is the sole reason for present inactivity. After all they were told so often that the ore was tremendously rich and the deposits vast."⁴⁸ Local prospectors expressed similar doubts. Alfred Harris of the New Brunswick Prospectors and Developers Association (and who had acted as Brunswick's lawyer earlier in the decade) suggested that the market explanation was being "overplayed" by the American companies. He noted that because both St. Joseph and Anaconda "are major proponents of tariffs and import restrictions...it [was] undoubtedly in their interest to 'sit on' new discoveries."⁴⁹ Moreover, there was a strong resentment about the lack of public information about

⁴⁷"Harbour Work Depends on Mines", *Northern Light*, 26 June 1958, p.14.

⁴⁸New Brunswick, *Synoptic Report* (1958), p.176.

⁴⁹Harris to Flemming, 13 December 1957, Flemming Papers, RS415 F4e2, PANB.

the state of the industry. "The people have been kept in darkness about their resources and as a result waves of optimism and pessimism sweep the people depending on what is said in public and passed along as gossip."⁵⁰ The Bathurst *Northern Light* pleaded, "No matter how minor the activity it would bring a little hope to residents who are kept in the dark as to what the mining future will be in Gloucester County."⁵¹

A number of solutions were offered to the Flemming government. Harris insisted that "if these companies are not prepared to give our mining fields a chance then we should not hesitate to tax them as though they were in operation."⁵² This position was also favoured by Gloucester County Liberal MLA J.E. Connolly who noted that the government of British Columbia had similar legislation. Connolly also suggested that the government appoint an administrator to organise the mining companies into a more "logical development programme".⁵³ Fellow Liberal MLA Fred Young, also of Gloucester County, argued that since both the province and the municipality had offered every incentive possible to Brunswick the government should "demand that development work be actively continued to provide work for our people, who in fact are the real owners of these resources." This would ensure that the mine was ready for production when markets improved. Louis Robichaud, Taylor's successor to the Liberal leadership, suggested that the government should give aid to

⁵⁰New Brunswick Prospectors and Developers Association to Flemming, 16 December 1957, Flemming Papers, RS415 F4e2, PANB.

⁵¹*Northern Light*, 5 February 1959, p.1.

⁵²Harris to Flemming, 13 December 1957, Flemming Papers, RS415 F4e2, PANB.

⁵³"Speech by Connolly", *Northern Light*, 24 April 1958, pp.11-2.

local entrepreneurs, such as K.C. Irving, to develop provincial resources. But the most radical solution came from Tony Gallant who demanded that all agreements with Brunswick be cancelled and that the "birth rights" of all New Brunswickers be "returned to the people". "Let us, the people of New Brunswick, operate it [the Bathurst mines]...."⁵⁴ At the core of these suggestions was a challenge to the notion that corporations are free to do as they please -- community interests must take precedence. The mining industry had a very different understanding of resource ownership. Companies such as Brunswick Mining and Smelting viewed their Crown mining leases as property to be developed according to corporate imperatives. Responding in 1957 to a request by the Premier for information on future mineral development, Brunswick president Jim Boylen stated that the "operating company or the individual [have] the right to decide whether the mine should operate or remain dormant."⁵⁵ The principal obligation of the corporation was to the corporation, a point made by St. Joseph's Vice President, Francis Cameron, in defending Brunswick's 1957 slowdown. He promised Flemming that the Bathurst properties would be developed by his company at a later time when the market improved. "...[T]o do otherwise might seriously damage the future prospects of the Company and its shareholders...."⁵⁶

⁵⁴New Brunswick, *Synoptic Report* (1958), p.123; 321; 308.

⁵⁵Boylen to Norman Buchanan (Minister of Land and Mines), 3 October 1957, Flemming Papers, RS415 F4e2, PANB.

⁵⁶Cameron to Flemming, 25 November 1957, Flemming Papers, RS415 F4e6, PANB.

Despite opposition to its inactivity, Brunswick requested an exemption, in July 1958, from a Mining Act requirement that claim holders invest a certain amount of work and money each year in order to have that claim renewed. "[T]he government would be doing the industry a service by cancelling work commitments for the present year in order that those companies who have expended a large amount of risk capital may have an opportunity of holding their claims until base metal prices advance...."⁵⁷ The approval of this request only generated more popular resentment against American investors in the province. This resentment may be observed in a story that circulated throughout the North Shore that year:

Several private individuals of Bathurst reportedly spent the night in the bush on these claims, without shelter, in order to be on the ground the following morning when the old lease expired. They proceeded to stake the middle claim of the three. But they were overrun by a group of men by the large company, who were flown in to stake these three claims. The latter came by air, complete with a magistrate to hold affidavits as to the staking. They then flew out to be the first to record the claims. The private citizens were left holding the bag....⁵⁸

This story cannot be substantiated although it may refer to a dispute between a group of Bathurst prospectors and Nigadoo Mines Ltd.⁵⁹ Its significance, however, lies less in its accuracy than in its portrayal of the competing interests of the industrious "private individuals of Bathurst" and "the large company". This resentment was also exposed at a meeting in early 1959 between local prospectors and mining company officials, which degenerated into a "verbal battle" in which both groups "called each

⁵⁷Boylen to Flemming, 7 July 1958, Flemming Papers, RS415 F4e2, PANB.

⁵⁸This story was related by Louis Robichaud. See New Brunswick, *Synoptic Report* (1959), p.630.

⁵⁹"Bathurst Prospectors Lose Case", *Northern Light*, 29 May 1958, p.1.

other names."⁶⁰

Popular resentment against American mining companies can probably be best observed in the actions of the Northumberland Municipal Council. In the aftermath of the closure of Heath Steele Mines in the fall of 1958, with unemployment up 200 per cent over the year before and a revenue-starved treasury⁶¹, the Council voted by a margin of 23 to 5 to reject the company's request for a reduction of its property taxes which had been doubled to about \$100,000. The Council's unhappiness with the actions of mining companies was exhibited again in the summer of 1959 when they voted to reject a tax concession agreement worked out between the County's Executive Council and Consolidated Mining and Smelting because the company had established its head offices in Gloucester County. Only when the company provided adequate assurances that it was "employ[ing] the people in this county and patronis[ing] our business establishments" would the council accept the agreement.⁶²

Frustrated by their lack of control in the development of these operations, the County Council also adopted a resolution in February 1959, drafted in part by Tony Gallant who also sat on Municipal Council, calling for state ownership of the mines. Citing the actions of "United States parent companies" which had requested and obtained embargoes against the importation of Canadian metals "so that they may

⁶⁰"To Approach Premier to Reveal Area Mine Contents", *Northern Light*, 19 February 1959, p.1.

⁶¹*North Shore Leader*, 19 December 1958, p.1. For a description of the problems faced by New Brunswick municipalities before Louis Robichaud's Equal Opportunity measures, see Stanley, *Louis Robichaud*, especially chapters X-XII.

⁶²"County Council", *North Shore Leader*, 17 July 1959, p.7.

exploit their own holdings in the USA and South America leaving our deposits in the ground", the resolution declared a determination "that our mineral resources will not remain dormant and not productive while our people are unemployed, hungry, and unable to pay taxes and provide education for their children..." Accordingly, it was recommended that a provincial "Mining Commission be appointed and operate the mines and, if need be, stockpiled, thus having financial guarantees to finance such operation, by so doing people will be employed, other industries will be primed and the area regain some prosperity.(sic)" Although this resolution was aimed at the mining industry it was informed by the county's other "dormant natural resource, namely the forests on our Crown Lands..."⁶³ The similarities between the undeveloped forest and mineral resources in the midst of local poverty led the Council to a radical solution challenging the mining companies' claims.

Heath Steele protested the "excessive" taxation and defended itself against the charge of supporting American quotas and tariffs on imports.⁶⁴ Indeed its parent company, American Metal, was one of the few American mining companies to publicly oppose protectionism at Senate hearings.⁶⁵ But to the residents of the Bathurst-Newcastle region what really mattered was that the mines were not operating.

⁶³*North Shore Leader*, 13 February 1959, Part 2, page 2. See also: John Payne, Jr. (President of Heath Steele Mines) to Flemming, 10 February 1959; "Heath Steele Mines Press Release", 10 February 1959, Flemming Papers, RS415 F4e1, PANB.

⁶⁴The result of Heath Steele's appeal to the provincial government is not clear. It is notable, however, that the Northumberland County Council did authorise its solicitor to "push the case to the Supreme Court of Canada" in the event that the company won the appeal. "County Council", *North Shore Leader*, 17 July 1959, p.4.

⁶⁵"Statement to the United States Senate Finance Committee in Connection with Sliding Scale Tariffs for Lead and Zinc Proposed Under S 2376", found in Flemming Papers, RS415 F4e1, PANB.

Consequently the sins of another American company, St. Joseph Lead, were assigned to them all. In letters to Flemming and the *Northern Light*, the President of Heath Steele Mines expressed dismay that this resolution "implies its [Heath Steele Mines] interests differ from that of its neighbours."⁶⁶ But clearly that was the impression of many on the North Shore. Nor was this message lost on the President of Brunswick. In a letter to the Vice President of St. Joseph Lead, Boylen noted that the increased pressure in New Brunswick to proceed with development made him fear that "they [the government] will perhaps resort to something drastic."⁶⁷

The Northumberland Municipal Council's resolution received support from one MLA only. Tony Gallant, who in 1959 left the Liberal Party to sit as an independent (although he sometimes called himself leader of the "People's Party"), argued that the threat of state ownership alone "will wake them up in the States or whoever operates the mines and they will 'put up' or 'shut up'.... No government has the right to leave fortunes in the ground while we are being treated ... as 'have-not' natives in the Atlantic Provinces." Provincial stockpiling would allow the province to sell its base metals when the market was strong and to borrow against the potential value of the resource when the market was weak.⁶⁸ Liberal leader Robichaud was not willing to go that far. Citing mining activity being carried out elsewhere by St. Joseph, he called

⁶⁶Payne to Flemming, 10 February 1959, Flemming Papers, RS415 F4e1, PANB; "Protesting Valuation and Gov't Operation", *Northern Light*, 13 February 1959, p.1.

⁶⁷Boylen to Cameron, 13 March 1959, Flemming Papers, RS415 F4e2, PANB.

⁶⁸New Brunswick, *Synoptic Report* (1959), p.632. It appears that Gallant may have been involved in the drafting of the Northumberland resolution.

for a royalty to be charged on all ore, whether mined or not. "Such provisions could...be used to good advantage in the case of the irresponsible holder of base metals deposits whose primary interest is to hold reserves of ore for development and use in his own good time."⁶⁹

Flemming and his economic advisor, W.Y. Smith, also received advice on establishing a modified stockpile program from the New York economist, and friend of the Premier, Eliot Janeway. A strong supporter of the American stockpile program, Janeway suggested that the province establish a jointly-financed corporation with the metal companies by which the latter would receive "a previously agreed upon price" when the market was poor. The stockpiled metals could then be put on the market when market conditions were buoyant. "Producers would thus be encouraged to expand their New Brunswick operations by the fact of a continuous, assured market for their output."⁷⁰ Janeway proposed to do a feasibility study for the province but his offer was not taken up. Interestingly the government never acknowledged publicly the suggestions for state ownership or a provincial stockpile.

Although public protest against the actions of mining companies was voiced largely by middle class business and political elites in the Bathurst-Newcastle area, it seems reasonable to assume that the sentiments were shared by many workers who

⁶⁹New Brunswick, *Synoptic Report* (1959), p.487.

⁷⁰Janeway to Smith, 13 March 1959, Flemming Papers, RS415 F4e4b, PANB; 14 January 1959, Flemming Papers, RS415 K1b1, PANB. Janeway was a classic product of the Cold War. Throughout his correspondence with Flemming and his stock market bulletins he continuously raised the spectre of the Soviet threat and the need for the "free world" to be prepared. Moreover, there is a disturbing emphasis on the necessity of the threat of war to provide strong markets. In advising Smith of the potential for manganese development in the province he noted "a certain kind of war or war scare might provoke Washington to activate this project...."

cked out a living through woods work, fishing and farming. The unrealised promises of prosperity and jobs must have been frustrating for these people. This is not to argue for a homogeneous view of community, but, rather, that a consensus existed around the general goal of putting the mines into operation.⁷¹ Divisions can more readily be seen in the proposed solutions. While all the protests used the rhetoric of the "people's resources" and many proposed using the tax system to force mines into production, few were prepared to endorse the radical solutions of the Northumberland County Council and Tony Gallant.

The Flemming government clearly recognised the currency of the local understanding of public resource ownership. Indeed, the Premier often used the language of "the people's resources" in speeches. In 1958 he spoke on the issue before the Legislature:

The legal possession of, or temporary control over, natural resources of great value and utility must carry with it, for the holding company or interests of any kind, a commensurate responsibility of social obligation. The welfare and well-being of the people in the areas concerned should not, cannot, and will not be ignored.⁷²

However, while Flemming's words seemed to reflect local sentiments in northern New Brunswick, the actions of his government suggest that he had a somewhat different understanding of resource ownership. Throughout the decade the Conservative government rejected demands for increased state intervention in the mining industry.

⁷¹On the problematic nature of "community" as an analytical term, see Raymond Williams, *Keywords: A Vocabulary of Culture and Society* (London, 1985), pp.75-6; and, for something a little closer to home, see Daniel Samson, "Dependency and Rural Industry: Inverness, Nova Scotia, 1899-1910", in Samson, ed., *Contested Countryside*, pp.105-49.

⁷²New Brunswick, *Synoptic Reports* (1958), p.404.

When it was revealed in 1956 that one of Boylen's companies was exporting ore abroad for processing, the government refused to invoke financial penalties, as it was entitled to do under the Mining Tax Act. Responding to complaints from the Opposition and labour groups, Flemming stated:

Personally, I cannot feel that the best way to attract capital investment in our mining industry is to cast doubts upon the methods of mining companies and to impose all kinds of complicated conditions upon the scope of their operations. Mining is a highly speculative venture, entailing great risks, there must necessarily be some compensating prospects or advantages or the required risk capital will not be secured and our resources continue to lie fallow.⁷³

Two years later, despite the closure of Brunswick and Heath Steele, Flemming's position remained unchanged. Although the province was annoyed with the actions of St. Joseph Lead, it accepted the corporation's right to act in their own best interests.⁷⁴ The market explanation for closure went unchallenged and Flemming saw little that his government could do to re-open the mines. He did not believe "that the wielding of a big stick is going to force the companies to operate at a loss."⁷⁵

While conservative ideology may have played a part in Flemming's explanation for non-intervention, his rhetoric is very much that of the mining industry. The emphasis on risky speculation mirrors the image that the mining companies were trying to create to increase their bargaining power with the state. It is also very

⁷³Liberal leader A.C. Taylor, who represented Gloucester County, complained that "[a]lthough the ore - our natural resource -- is gone from the mine site, the people of New Brunswick...have received not one cent in royalties." The Miramichi Trade and Labour Council also condemned the government's inaction. See "Score Shipping Raw Goods, No Industrial Use of Crown Lands", *North Shore Leader*, 13 April 1956, p.1; New Brunswick, *Synoptic Reports* (1956), pp.467-9,493.

⁷⁴Flemming to Cameron, 28 November 1957, Flemming Papers, RS415 F4c6, PANB.

⁷⁵New Brunswick, *Synoptic Reports* (1958), p.238; 235.

similar to *The Northern Miner's* editorial warning in 1953 against state intervention.⁷⁶

By accepting the mining industry's self-image Flemming was also allowing the mining industry to establish the ground rules and assumptions around which negotiations for the exploitation of the resource would take place.

Flemming, however, did bow to growing political pressure to investigate the mining problem.⁷⁷ He commissioned a study of the Mining Act and the Mining Tax Act, "in order to obtain a clearer understanding of what changes in legislation are considered necessary to bring about the progressive development of the mining potential of the Province in both the exploration and processing fields...."⁷⁸

Throughout 1958 and 1959 the Commissioner of Mines, Tory stalwart Ewart Atkinson, investigated the question. He was lobbied heavily by the mining companies who wanted both greater freedom in developing leases and investment security. Brunswick Mining and Smelting opposed the yearly investment requirements in the Mining Act. "Under the present laws of the province, it is possible for anyone with a \$10.00 prospectors license to re-stake claims upon which a company has spent thousands of dollars should the property go into default due to interruption of work for a period of

⁷⁶See chapter 3, p.77.

⁷⁷ Pressure came from MLA's from Gloucester and Northumberland Counties, local prospectors, and from Brunswick Mining and Smelting. The latter wanted the act revised so that a company did not have to work a claim each year in order to maintain the claim. See Boylen to Buchanan, 3 October 1957; New Brunswick Prospectors and Developers Association to Flemming, 16 December 1957, Flemming Papers, RS415 F4e2, PANB.

⁷⁸New Brunswick, *Final Report of Commissioner of Mines of the Province of New Brunswick*, (Fredericton, 1960), p.2.

one year."⁷⁹ They also requested that mining leases be granted in fee simple, a change that would surely have reduced state leverage in development negotiations. Heath Steele Mines and most other companies, concerned by the actions of the Northumberland Municipal Council, sought stability. They insisted that municipal taxation of mining interests "come under the provisions of the Mining Act or clearly [be] defined under the Municipal Tax Act." Finally, all companies agreed that taxation should continue to take place on the basis of profits, not gross production.⁸⁰

The tone of Atkinson's report issued in 1960 was quite optimistic. Using the Paley Report's projections of rising demand for base metals and a strengthening of base metal markets it contended that prosperity would not be far away. The report's recommendations tried to address industry concerns. It tacitly accepted the request that money invested in developing a claim "be applicable for whatever number of years are required to use it up." Moreover, it recommended that municipal taxes be "stabilize[d]...as an encouragement to the development of the base metal industry and an aid to the raising of capital for such development." The Commissioner was not prepared to recommend grants in fee simple to mining companies but, as a compromise, proposed that the long-term leases be granted. Noting that markets had improved, Atkinson concluded that mining interests should be "asked to proceed with their mining development", but no penalty was suggested.⁸¹

⁷⁹Boyle to Buchanan, 3 October 1957, Flemming Papers, RS415 F4e2, PANB.

⁸⁰Atkinson to Flemming, 29 December 1959, Flemming Papers, RS415 F4b, PANB; New Brunswick, *Final Report of the Commissioner of Mines*, pp.7; 20-21.

⁸¹New Brunswick, *Final Report of the Commissioner of Mines*, pp.7; 20-23.

It is not surprising that Atkinson's report was so reflective of the mining industry's interests, as that industry was the only group formally consulted in the Commission's investigation. His interim report briefly mentioned some "New Brunswick people" who wanted the Government to "insist that these mining companies be forced to proceed with the mining development." These claims were dismissed because "no Government can force any company to go into and carry on a non-profitable business."⁸² Although the Flemming administration could not implement Atkinson's recommendations before its electoral defeat in 1960, it seems clear that it concurred in this analysis.

By 1960 New Brunswickers were still waiting for the predictions of prosperity made seven years earlier by state and industry officials to be realized. Despite an improving base metal market all mines in the province remained inactive during 1960.⁸³ There was some optimistic news, though. In the spring of 1960 Boylen, on behalf of Brunswick, engineered a tentative agreement with Sogemines of Brussels, owned by la Société Général des Minerais (SGM) of Belgium, to bring the Brunswick mines into production. Under the agreement Sogemines, which had owned a small share of Brunswick since 1954, put up \$17.5 million to put the mine and a 2000 tons per day lead-zinc concentrating mill into production. These concentrates would then be shipped to Belgium for smelting. But the agreement was far from perfect from the perspective of New Brunswickers hoping for full development of the province's base

⁸²New Brunswick, *Interim Report of the Commissioner of Mines for the Province of New Brunswick* (Fredericton, 23 February 1959), p.21.

⁸³New Brunswick, *Annual Reports of Department of Lands and Mines* (1960, 1961).

metal resources. While Sogemines did guarantee a market for the concentrates for fifteen years, the arrangement also restricted the construction of a smelter in the province by Brunswick for a minimum of five years.⁸⁴

The Sogemines deal represented something of a compromise between Jim Boylen and St. Joseph Lead. The company founder had become very frustrated with St. Joseph's inactivity, which not only deprived him of revenue from the actual Brunswick claims but also blocked development on other claims owned by his smaller companies (of which St. Joseph had no stake) which he had hoped to finance through profits generated by Brunswick.⁸⁵ The Sogemines arrangement would produce some profits for Boylen's other operations. It was also a deal that the parent company could live with, for the New Brunswick base metals would not be competing in the American market with those produced by other St. Joseph subsidiaries. Moreover, it would help the American corporation improve its public image on the North Shore. The agreement, however, did not meet the Flemming administration's visions of full base metal development in New Brunswick. In fact, it contradicted the Mining Tax Act's "manufacturing condition" clause which permitted the tripling of the mining tax on companies exporting unprocessed minerals.⁸⁶ But the Flemming government, again conscious of what it perceived to be a weak bargaining position, was not prepared to

⁸⁴"Draft Press Release", Flemming Papers, RS415 F4e2, PANB; "Belgian Financial Group Will Put Up Funds For 2,000-ton Mill at Brunswick M.&S. Corp.", *The Northern Miner*, 18 February 1960, pp.1,5; "Signatures Soon on Brunswick Deal", *The Northern Miner*, 23 June 1960, p.16.

⁸⁵"Jim Boylen -- King of the Mine Makers", *The Northern Miner*, 24 November 1966, p.61.

⁸⁶New Brunswick, *Statutes* (1954), p.36.

exercise this power. It seemed happy just to have the promise of the resumption of mining.⁸⁷

The Developmentalist State in New Brunswick, 1952-60

In theory, the New Brunswick government should have had more freedom in planning its emergent mineral industry than it had in directing the province's forest industries. Compared to the development of the pulp and paper industry thirty years earlier, the state had access to greater scientific and technical information as well as fewer established interests with which to deal. Because the province was overseeing the emergence of an industry from the ground-up, the Bathurst mineral discoveries offered an opportunity to shape an industry for the maximum benefit of its citizens. The conjuncture of the Boylen mineral discovery in 1952 and the American Cold War policies provided a tremendous inducement for American mining interests to invest in New Brunswick. There they found the government of a traditionally poor province eager to facilitate their exploitation of the resource. Many concessions were offered by the provincial government in the hopes of diversifying the province's economic base with this new resource that experts predicted would be crucial to the post-war world economy.

When prosperity was not forthcoming the provincial state was pressured by New Brunswickers to act. Having had their expectations raised by the propaganda of

⁸⁷Opposition Leader Louis Robichaud was more sceptical of the new deal. "[W]hen you take into account the past manipulations of Dr. M.J. Boylen, and his associations with the current news of the proposed reopening of the Brunswick property, the people of this province can be forgiven for the attitude 'I'm from Missouri'." New Brunswick, *Synoptic Report* (1960), p.26.

the state and industry, many North Shore residents were bitterly disappointed by the slow pace of development. This disappointment was articulated by local elites and the Liberal Party who saw regional interests challenged by foreign corporations and demanded state action to remedy the situation. Solutions ranged from tinkering with the tax system, favoured by mainstream Opposition politicians, to outright state ownership of the industry. At the core of this dispute was the question of ownership of the province's resources. Many New Brunswickers, faced with high levels of unemployment at the best of times, chose to privilege the rights of the public over those of private capital. The mineral resources were viewed as their "birth right" as provincial citizens and must therefore be developed in their best interests, an understanding rooted in their experience with corporate exploitation of the province's forests. The local state was more responsive to this opposition than was the provincial government. Flemming spoke of developing resources for the public good and was prepared to use the state to attract capital. Ultimately, however, he and his government found it impossible to challenge the mining industry's development timetable.

The Flemming government's "capacity" to intervene more forcefully in the province's mining industry was constrained by a number of factors.⁸⁸ The ideological and rhetorical climate of the Cold War was significant in this regard. The rhetoric that associated unfettered free enterprise with democracy and encouraged a hysterical fear of "socialist" state control limited the ability of states to intervene economically. Such

⁸⁸On "state capacity", see Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research", in Peter Evans, et al., eds., *Bringing the State Back In* (Cambridge, 1987), pp.3-37.

was the case in Saskatchewan where Pratt and Richards have argued that, among other factors, "Cold War realities" forced Saskatchewan's CCF government, an ideological supporter of public intervention, to abandon plans to invest in the province's new oil and potash industries. In the end generous royalty and long-term leasing concessions were offered to American multinationals.⁸⁹ But this experience was not universal. At the other end of the political spectrum, British Columbia's Social Credit government successfully introduced a number of measures throughout the period which challenged the mining companies' desire for a *laissez-faire* state. Most notably, in 1957, the W.A.C. Bennett government imposed a tax on undeveloped iron ore reserves controlled by mining companies.⁹⁰ The very different experiences of British Columbia and Saskatchewan suggest that, although the Cold War political culture created obstacles, it did not necessarily preclude government intervention and rent-taking.

The provincial state was also constrained by its own lack of an interventionist history. Throughout the twentieth century it had proved reluctant to challenge the development plans of large capital in the province's crucial forest economy. When the Flemming government took office in 1952 the provincial state was fairly undeveloped;

⁸⁹Richards and Pratt, *Prairie Capitalism*, chapter 8. For a slightly different interpretation, see Jeanne Kirk Laux, "Social Democracy and State Capitalism in Saskatchewan", in Duncan Cameron, ed., *Explorations in Economic History*, pp.141-55.

⁹⁰Other than the tax on undeveloped minerals the main legislation that irked the mining industry dealt primarily with royalty increases. In response to industry criticism, Bennett stated that "if a company did not have the initiative to put a property into production, then the government would take it away from them and give it to somebody who would." This discussion has been gleaned through a survey of *The Northern Miner*. See "B.C. Mining Tax Draws Protest", 5 March 1953, p.33; "Killing the Goose", 22 October 1953, p.6; "B.C. Iron Miners Shocked By Confiscatory Taxation Bill", 4 April 1957, pp.1,9; "Confiscation in Canada", 4 April 1957, p.6; "Socialists' Strange Plan of Sharing Wealth", 11 April 1957, p.6; "B.C. Mining Hits Again", 6 February 1958, p.6. The Bennett government did not always hold its ground with the mining companies. See "Protests Heard BC to Amend Mining Act", 13 March 1958, pp.17, 21.

the bureaucracy was small and had no tradition of planning long-term development.⁹¹ Under the Flemming administration the civil service began to play an increased role in formulating economic development policy. NB Power's planning arm became more activist and the government looked increasingly to the university for expert advice from academics such as W.Y. Smith. But the priority for these new economic planners was promoting rather than managing development; they wanted to attract capital to the province, often with the help of federal funds, rather than intervening directly in the operations of these investors.⁹²

Finally, the Flemming government was limited by the very nature of the mining industry. Because mineral extraction and processing is so capital and technology intensive, the world mineral market tends to be dominated by a few very large corporations. This puts host states in a weak bargaining position with these corporations. Unless it recognises alternatives, such as locally-controlled development, the state has little leverage in shaping the development timetables of multinational mining corporations. While New Brunswick's weak financial position and lack of technical expertise made nationalisation an unlikely option, at least one local capitalist of substantial means, K.C. Irving, was willing to invest in the province's new industry. Recognising such possibilities might have given the province a stronger bargaining position with the American multinationals.

⁹¹Although the Resources Development Board had been in existence since 1945 it had little impact until the 1950s when it became more closely linked with NB Power.

⁹²Despite the limited nature of state intervention during the 1950s, the state-building of this decade would provide a valuable foundation for the activist government of Louis Robichaud during the 1960s.

Peter Evans has suggested that extensive investment in extractive industries by transnational capital can lead to increased economic intervention by the host state.

This is particularly so in the "developmentalist" state.

The behaviour of TNC's [transnational corporations] stands in the way of developmentalist goals, not always and everywhere, but in certain key instances that provide critical ammunition for those arguing that the state must move in. The most common examples are failure to pursue aggressively possibilities for forward integration locally.... Thus, extractive TNC's may force a "developmentalist" elite to become "statist" in order to pursue its developmental goals.⁹³

In New Brunswick during the 1950s the actions of extra-national capital clearly conflicted with the developmentalist goals of elites at the provincial and local level. However, because the Conservative government was constrained by the ideological climate of the Cold War, an underdeveloped state, and a base metal market dominated by large multinational capital, it was both reluctant and unable to pursue the "statist" solutions proposed by many New Brunswickers. The 1960s would see a provincial government more willing, and able (because of the state-building that did take place under the Flemming administration), to use the state to meet its development goals in the natural resource sector.

⁹³Peter B. Evans, "Transnational Linkages and the Economic Role of the State: An Analysis of Developing and Industrialized Nations in the Post World War II Period", in Evans, et al, eds., *Bringing the State Back In*, p.199.

Chapter 5
Resource Populism: Louis Robichaud
and the Development of Crown Resources, 1960-3

We have told the people who have interests in mineral deposits in the Bathurst area: "unless you get into production within 12 months, we will return those deposits to the people of New Brunswick." As a result, there is a race among those companies to see which will get into action first.¹

Premier Louis Robichaud, speaking at
a political rally in Edmunston, New
Brunswick, 22 May 1961.

At the outset of the 1960 election campaign many political observers believed that the Flemming administration, buoyed by successes on the federal-provincial stage, would be re-elected. They were therefore surprised when the Liberals increased their total seats from 15 to 31 in the election, easily defeating the Tories who saw their representation in the House decline from 37 to 21 seats. Louis Robichaud's biographer has attributed the Liberal victory to a number of factors including Robichaud's personal charisma, K.C. Irving's growing hostility towards the Flemming government, and, most importantly, the Liberal Party's opposition to the Conservatives' proposed hospital tax.² However, the Liberals also made political capital of the under-utilisation of Crown lands, especially in Northumberland, Gloucester and Restigouche Counties where they swept all of the seats, winning over

¹"Produce or Surrender Deposits Mining Companies Told", *Northern Light*, 25 May 1961, p.1.

²Stanley, *Louis Robichaud*, pp.48-51. On the Flemming government's federal-provincial successes, see Kenny, "Politics and Persistence".

60 per cent of the popular vote. [See Table 5.1] Under the broad campaign theme of "New Brunswick Can't Wait", the party pledged to "promote full-scale use of Crown" forests. It also condemned the actions of the mining industry's "stock promoters" and promised to "take appropriate legal action to provide for the development of our mineral resources in the interests of New Brunswickers."³ While it is true that northern New Brunswick was a traditional Liberal stronghold and that Robichaud was especially popular in Acadian regions, the party's Crown lands platform appealed to the local resentment against the mining and paper companies that had been swelling throughout the late 1950s.

Table 5.1
Provincial Election Results for Northeastern
New Brunswick, 1956 and 1960

Constituency	Seats 1956	Seats 1960	Pop. Vote 1956	Pop. Vote 1960
Northumberland	3 Lib 1 PC	4 Lib	50.5% Lib 49.5% PC	61.4% Lib 38.6% PC
Gloucester	5 Lib	5 Lib	59.9% Lib 40.1% PC	65.8% Lib 34.2% PC
Restigouche	3 PC	3 Lib	55.5% PC 44.5% Lib	59.0% Lib 41.0% PC
Provincial Total	37 PC 15 Lib	31 Lib 21 PC	53.2% PC 45.0% Lib	52.4% Lib 46.9% PC

Sources: Della Stanley, *Louis Robichaud: A Decade in Power* (Halifax, 1984), pp.251-2; and Paul W. Fox, *Politics: Canada* (Toronto, 1977), p.610-1.

Over the next three years the Acadian Premier drew on this popular discontent to justify his government's interventionist approach to resource development. Using

³"New Brunswick Can't Wait", *North Shore Leader*, 10 June 1960, p.4.

threats of taxation, the cancellation of Crown leases, and sometimes even insults, the province successfully encouraged resource corporations to establish processing operations on the North Shore. In the case of the base metal industry, this was accomplished by forcing out American capital in favour of local investors. The government was equally interventionist in the forest industry, the other focus of northern New Brunswickers' unhappiness. Here the government again challenged established industry interests but this time by drawing *foreign* capital to the Miramichi Valley in order to meet long-time local demands for a mill. There were, however, limits to the government's "resource populism". Having used its power as custodian of the Crown resources to extract commitments for processing plants, the Liberal government was as willing as its predecessor to offer generous concessions to resource capital, even in the face of local opposition.

Changing World Markets, 1960-5

As in the previous decade, the fortunes of New Brunswick's base metal industry during the 1960s were very much related to the international base metal market. During the 1960-5 period the principal development in this regard was the decreasing importance of the American market as stockpiling was curtailed and the western European and Japanese economies became stronger. These new markets helped stabilise the world price of lead and zinc and presented new opportunities for New Brunswick's mining fields.

Government-sponsored stockpiling of lead and zinc, which had been so

important to the continental base metal industry in the 1950s, had all but ended as the Robichaud Liberals assumed office in the summer of 1960. Two years later a United States Senate Armed Services Sub-committee revealed enormous surpluses of base metals in the National Stockpile. The lead and zinc surplus were estimated to be 1,016,000 tons valued at \$208,304,000, and 1,402,000 tons valued at \$336,388,000 respectively.⁴ The next year the government ended its stockpile purchases, which had already been reduced drastically in 1962, and, in 1964, began selling off excess reserves of the two base metals.⁵ Table 5.2 illustrates Washington's declining stockpiling of zinc.

⁴U.S. Senate Group Reveals Excesses In Stockpile Items", *The Northern Miner*, 29 March 1962, p.7. The Senate investigation, under the chairmanship of Senator Stuart Symington, condemned the Eisenhower administration's management of the Stockpiling Act. In particular, it took issue with the very generous treatment accorded domestic lead and zinc producers, treatment they argued that "violated the purpose, if not the letter" of the Act. See Snyder, *Stockpiling Strategic Materials*, pp.238-45. Clark-Jones has characterised the hearings as a "non-partisan state legitimization to avert public outcry" against the on-going state subsidisation of mining capital by the American government. See Clark-Jones, *A Staple State*, p.139.

⁵"Resume for the Canadian Metal Mining Association for the Month of July, 1964", 7 August 1964; and "Resume for Canadian Metal Mining Association for the Month of April 1965, 7 May 1965", 7 May 1965, Department of Regional Economic Expansion Records (hereafter DREE Records), RG124 Acc.83-84/249 Box 55, 45-102. NAC.

Table 5.2
U.S. Government Stockpile of Zinc, 1945-65

Year	Inventory (Tons)	Net Purchases/ Releases (-) (Tons)	Declared Objective (Tons)
1945	0	0	0
1946	69,223	69,223	1,300,000
1947	93,381	24,158	-do-
1948	490,595	397,214	-do-
1949	594,657	104,062	-do-
1950	644,146	49,489	-do-
1951	649,163	5,017	-do-
1952	661,714	12,551	-do-
1953	700,320	38,606	-do-
1954	842,643	124,143	-do-
1955	966,551	142,088	-do-
1956	1,147,710	181,159	-do-
1957	1,462,023	314,313	-do-
1958	1,548,235	86,212	-do-
1959	1,583,564	35,329	-do-
1960	1,578,719	4,845	-do-
1961	1,579,616	879	-do-
1962	1,579,907	291	160,700
1963	1,580,941	1,034	0
1964	1,505,234	(-)75,707	0
1965	1,312,868	(-)192,366	0

Source: Satyadev Gupta, *The World Zinc Industry* (Toronto, 1982), p.33.

Despite the decline of government purchases, lead and zinc prices in the United States market increased throughout the early 1960s. Having fallen to post-war lows of

11.5 cents/lb. and 10.3 cents/lb. respectively in 1958 the prices for lead and zinc had rebounded to 14.5 cents/lb. and 13.6 cents/lb. in 1964.⁶ These improvements were attributable, in large part, to the import quotas on lead and zinc imposed by President Eisenhower in 1958 which had successfully limited competition for domestic producers. These quotas, described by Eisenhower as temporary, remained in effect until 1965 and allowed American producers to reap considerable profits.⁷ Indeed, during this period the differential between the price received for zinc in the United States and in the rest of the world (on the London Metal Exchange) was substantial, reaching as high as 4 cents per lb.⁸

Although American producers prospered under the quota, protectionist forces remained strong within the United States Congress. Small American lead-zinc mines were successful in obtaining state support in the form of the Lead-Zinc Small Producers Stabilization Act of 1961. Under the terms of the Act the government would pay a subsidy of "75% of the difference between the market price of lead and 14.5 cents a lb. and a subsidy of 55% of the difference between the market price of zinc and 14.5 cents a lb."⁹ While this measure increased the competitive position of American producers, a much more significant obstacle facing Canadian lead-zinc

⁶See "Lead Markets Enjoy Prosperous Conditions With prospect For Continuation Into 1965", *The Northern Miner*, 26 November 1964, p.36; and "World Consumption Decline Seen This Year But Long Term Promises Broader Markets", *The Northern Miner*, 30 November 1967, p.37.

⁷Gupta, *The World Zinc Industry*, pp.33-5.

⁸Gupta, *The World Zinc Industry*, pp.26-8.

⁹"U.S. Subsidy Bill On Lead and Zinc Now In the Senate", *The Northern Miner*, 31 August 1961, p.7; and "Resume of for the Canadian Metal Mining Association for the Month of May 1965", 7 June 1965, RG124 Acc.83-84/249, Box 55, 45-102, NAC.

producers was Congressional support for increased tariffs on lead and zinc imports. Throughout the 1960-5 period many bills were introduced calling for some type of tariff increase on lead and zinc. In 1963 the Canadian Metal Mining Association reported that the House Ways and Means Committee had been submitted sixteen "identical" bills proposing a flexible tariff which would come into effect whenever metal prices dipped below an established level. These tariffs were supported by representatives and senators from western mining states as well as the American mining industry, including American Metal which had objected to such measures in the late 1950s.¹⁰ Both the Kennedy and Johnson administrations, perhaps recognising the strategic trade and defense value of low tariffs, successfully dissuaded Congress from passing any of these bills.

The shrinking American market put Canadian producers of lead and zinc in a difficult position. Established mining companies such as Consolidated Mining and Smelting (COMINCO), based in Trail, British Columbia and the largest producer of zinc metal in Canada, could now only ship a percentage of their previous lead-zinc exports to the United States. It would be even more difficult for new mines such as those operated by Brunswick Mining and Smelting and Heath Steele to establish a presence in the American market.

The New Brunswick mining industry was, however, buoyed by some

¹⁰"Higher U.S Tariffs on Lead and Zinc Would Irk Canada", *The Northern Miner*, 30 June 1960, pp.1,14; "U.S. Lead and Zinc Strategists Try for Increased Tariffs", *The Northern Miner*, 18 August 1960, p.11; "Resume for the Canadian Metal Mining Association for the Month of June 1963", July 11, 1963; "Resume for...the Month of December 1963", January 8, 1964; "Resume for...the Month of March 1964", 13 April 1964; "Resume for...the Month of June 1964", 9 July 1964; RG124 Acc.83-84/249, vol.55, file #45-102, NAC.

developments on the world base metal market. In 1962 a United Nations study noted that while the American market for lead, zinc and copper remained protected, the "Free World" market outside the United States looked much more promising. By 1960 the demand for copper and zinc "was at a level forecast earlier for the mid-1970s."¹¹ Western European countries, such as Belgium and West Germany, and Japan were emerging from post-war reconstruction with strong industrial economies. Smelters and steel factories, required to feed new industrial enterprises, sprang up in these countries throughout the 1950s and 1960s. These countries, many of which lacked domestic reserves of base metals, provided an alternative to the American market for Canadian producers of lead and zinc. By 1974 the United States was absorbing 13 per cent of zinc ore and concentrate marketed in the world, compared to over 90 per cent in 1960.¹²

Indeed, most of New Brunswick's mining activity during the early 1960s was related to non-American markets. In 1960 COMINCO began development of a small but rich copper mine known as The Wedge Property located 28 miles southwest of Bathurst. The copper concentrate, which was to be milled by Heath Steele, was destined for Japan where it would be processed. Heath Steele Mines also announced in 1960 that it would prepare to resume mining operations and continue with exploration work. These preparations took two years to complete (due primarily to

¹¹"Base Metals Predictions Encouraging", *The Northern Miner*, 18 October 1962, p.4.

¹²Gupta has attributed this decline to "the closure of many [American] smelters in the late sixties and early seventies" due to their "inability to meet the requirements of....environmental legislation." Gupta, *The World Zinc Industry*, pp.13, 15-24.

conflicts with local fishermen regarding mine pollution which was entering the Northwest Miramichi River) but the ore concentrates eventually produced by the mill were shipped to smelters in Europe.¹³ Finally, the tentative agreement in 1960 between Brunswick Mining and Smelting and Sogemines of Canada, outlined in the previous chapter, called for lead-zinc concentrates to be shipped to Belgium for smelting.

While these trade arrangements promised increased mining activity in northern New Brunswick, they did not meet the expectations of secondary industrial development generated throughout the 1950s. The ore would be mined and milled into concentrates locally, but the final processing into smelted metal -- the stage which produced the most lucrative economic spinoffs -- would take place elsewhere. This fit the pattern of much of Canada's resource exploitation and development throughout the post-war period with one exception; rather than sending raw or semi-processed resources to the United States for final processing, the mining companies sent it to Europe and Japan.

The new Liberal administration was undoubtedly happy to see signs of life in the mining industry as it took office in 1960, but it was also aware of local dissatisfaction with high rates of unemployment and the underdevelopment of Crown resources in northern New Brunswick. Expressions of this discontent would continue throughout the early 1960s and put considerable pressure on the Robichaud government to maximise the development possibilities presented by the region's

¹³New Brunswick, *Department of Lands and Mines Annual Report* (1963), pp.82-3.

mineral and forest resources.

**Challenging Established Forest Interests:
Robichaud and South Nelson Forest Products, Ltd.**

The previous chapter showed how local demands for state action against foreign-based mining companies were strengthened by a concurrent movement to reclaim the "people's" forest resources. These demands would continue to gain momentum during the first two years of Louis Robichaud's administration. A populist raised in Kent County -- which bordered Northumberland County, the site of many of the protests against the paper companies during the previous thirty years -- Robichaud proved sympathetic to local demands for development of the region's Crown forests. Under his leadership during the 1960s, the New Brunswick government pursued a more aggressive forest development policy that, in a limited way, challenged established forest capital. A brief examination of the province's efforts to establish a pulp mill on the North Shore reveals the new Premier's "resource populism", a characteristic that would also inform his mineral development policies.

Throughout 1960 and 1961 the Northumberland County Crown Lands Committee stepped up its promotional campaign designed to pressure the province into forcing pulp and paper companies to develop the county's Crown forests. At "educational" meetings held in small communities throughout the county the Committee encouraged residents to remember the broken promises of the pulp and paper companies holding Crown leases in the county. At a May 1961 meeting with the Chatham Labour Council, John Curry of the Ferry Road Labour Council recalled

that "some 30 years ago the president of one of the large paper companies had promised to build a mill in the Miramichi area. We are still waiting for the plant which shows...that promises cannot be believed or relied upon." Although the public relations officer of the Committee hinted that the solution to the county's problem might be to adopt a Swedish model of municipal woodlot ownership, the Committee's principal recommendation was that the government use the renewal of 30-year Crown leases due to expire in 1963, as leverage against the paper companies. This proposal was reiterated in a number of meetings with the new provincial government and federal and municipal politicians, all of whom offered their support.¹⁴

The Northumberland County Council was particularly enthusiastic about the Committee's work. In July 1960, just one month after the provincial election, it passed a resolution calling on the new government to develop the county's Crown forests.

Whereas the employment of the county of Northumberland is dependent primarily on our forest products...And whereas the people of Northumberland are not enjoying the full benefits of our forest products. Be it therefore resolved that the government-elect be mindful of the [Northumberland] Crown Lands Committee in its effort to develop our Crown lands to the betterment of our people. And be it further resolved that the government-elect make every effort within its powers to promote the erection of a pulp mill on the Miramichi River.¹⁵

The Council's discontent was also expressed in another resolution condemning

¹⁴"Labour Council Met at Chatham Head", *North Shore Leader*, 12 May 1961, p.1; letter to the editor from G.Perley Stewart, Public Relations Officer for the Northumberland County Crown Lands Committee, *North Shore Leader*, 30 September 1960, sec.2, p.1; "Delegation Says One New Mill for Here", *North Shore Leader*, 21 October 1960, p.1.

¹⁵"County Council", *North Shore Leader*, 15 July 1960, p.4.

government inaction in early 1961. The Council did, however, defeat a resolution, supported by a group of councillors led by Tony Gallant, calling on the province not to lay criminal charges against local residents caught cutting pulpwood on Crown land leased by the paper companies. The motion was prompted by the conviction of a number of County men who, Gallant claimed, were only trying "to get off relief" by cutting pulp on Crown land.¹⁶ The conviction of these men led Gallant to the conclusion that "it has come to the point where we need a Castro in Northumberland County." While Gallant's reference to Cuba's revolutionary leader can be dismissed as populist rhetoric -- particularly considering that Gallant had run for the Conservatives in the 1960 provincial election -- the sense of injustice expressed in the defeated resolution was probably widespread.¹⁷

While Northumberland County was the site of the most concerted effort to develop Crown resources, echoes of the debate could be heard in other parts of the North Shore. Both Gloucester and Restigouche County Councils passed resolutions demanding that the government force lumber operators and pulp and paper companies "to carry on cutting operations during the winter months to provide employment for farmers and fishermen who are free to work during the winter season." Despite the opposition of the paper companies, who argued that such measures were uneconomical,

¹⁶Cutting wood on Crown leased land was a common practice and means of survival for many northern New Brunswickers dating back to the early twentieth century. See Parenteau, "Settlement and the Forest Frontier Revisited".

¹⁷"Report of County Council", *North Shore Leader*, 17 February 1961, pp. sec.2, p.2; 24 February 1961, sec.2, p.3. Gallant left the Liberal Party to sit first as an independent MLA in 1958, and then as a Conservative in 1960. He tried to run for the Liberals in the 1960 election but Robichaud refused to sign his nomination papers. Running as a Tory, he subsequently lost his seat in that election. Interview of Louis Robichaud by the author, 16 May 1994, Ottawa, Ontario.

the resolutions won the support of local MLAs such as Michel Fournier, the new Minister of Industry and Development, who stated that the paper companies were trying to "hoodwink" the public. "I feel strongly that Crown lands, or at least a big hunk of them, should be given to the people of the province so they themselves, may exploit them to their gain and advantage...."¹⁸

It soon became apparent that these MLAs were supported, in some measure, by the new Premier who was personally well-situated to understand these local concerns. Robichaud came from Kent County which had shared with its northern neighbour, Northumberland County, one of the Crown leases that had been under-utilised during the 1930s and 1940s. As the son of a small lumber mill operator, the debate over the "people's resources" was no doubt very familiar and informed the Premier's interventionist response to the problem. In January 1961 Robichaud invited the presidents of all the pulp and paper companies operating in the province to a meeting in Fredericton. There he announced his government's intention to have another pulp mill built on the Miramichi River in order to make better use of Northumberland County's Crown forests. If the established pulp and paper interests were unwilling to undertake such a project, Robichaud warned, the province was prepared to find a company that would.¹⁹

¹⁸"Obligation to Cut in Winter Would Wreck Paper industry", *Northern Light*, 23 March 1961, p.1; "Makes Maiden Speech As Cabinet Minister", *Northern Light*, 27 April 1961, p.13. The discussion of state forest policy, generated in part by the "people's resources" movement, also helped fuel local discontent with the prices being paid for pulpwood by the paper companies. This eventually led to a pulpwood marketing scheme in the early 1970s. See Bill Parenteau, "'In Good Faith': The Development of Pulpwood Marketing for Independent Producers in New Brunswick, 1960-75", pp.110-41.

¹⁹Stanley, *Louis Robichaud*, p.74; and interview of Robichaud by author, 16 May 1994, Ottawa, Ontario.

When the paper companies refused to accept the Premier's request, arguing, as they had throughout the 1930-60 period, that market conditions were poor²⁰, the government initiated discussions with an Italian firm, Cartiere del Timavo of Trieste. This company had been searching for a Canadian supply of pulpwood for its paper mills in Italy and had made overtures to the Flemming administration in the late 1950s. Recognising Robichaud's eagerness to establish a mill on the Miramichi River, the company let it be known in January 1961 that it might be interested in building a chemical pulp mill in New Brunswick. The government jumped at this opportunity and over the next eight months worked on a deal with the Italian company. It soon became clear that the promise of a chemical mill was designed initially to get the province interested, for Timavo's proposal was downgraded to a groundwood pulp mill, a form of processing requiring less investment and employment. In addition, the company wanted to export unprocessed pulpwood, cut from Crown lands, to its Italian pulp mills without incurring the province's export tax.²¹

Although the Italian proposal did not represent full development of the Crown forest resources in Northumberland County, it was an investment that other companies were unwilling to make in a county plagued with high unemployment. The Liberal administration therefore signed a deal with Timavo in the fall of 1961. Under the terms of the agreement the government made available to the company Crown timber licenses covering 1,000 square miles and permitted the export of 125,000 cords of

²⁰Parenteau, "Forest and Society in New Brunswick", chapter 5.

²¹Stanley, *Louis Robichaud*, pp.74-7.

pulpwood annually. In return, the company would build a groundwood mill capable of processing 100,000 tons at South Nelson, near the mouth of the Miramichi. Moreover, it agreed to purchase half of the pulpwood destined for export from private woodlot owners. This condition was designed to alleviate the grievances of Northumberland County farmers who complained of low prices being paid by existing pulp and paper companies. Finally, the company also agreed to allow local sawmills to purchase sawlogs from the company's Crown leases.²²

In order to meet the timber needs of Timavo, which established a subsidiary, South Nelson Forest Products Ltd., to manage the New Brunswick operation, the province chose to force companies holding Northumberland County leases to relinquish them in favour of the new company. This was done by re-writing the Crown Lands Act in early 1962. Under the new act the Lieutenant-Governor in Council could "remove from a forest management license or a timber license such areas as, in the opinion of the Minister, are not required to supply the licensee's reasonable requirements ---- having regard to all possible employment in dependent communities and to the maximum utilization of the forest resources in such areas."²³ This allowed the government to withdraw existing licenses from companies unwilling to utilise them and give them to South Nelson Forest Products. Accordingly, Graham Crocker, the

²²H. Graham Crocker (Minister of Lands and Mines) to Cartiere Del Timavo, 9 November 1961, Robichaud Papers, RS416 1966 #124, PANB. On the problems of private woodlot owners, see Parenteau, "'In Good Faith': The Development of Pulpwood Marketing for Independent Producers in New Brunswick, 1960-1975".

²³"Notes Re The Forest Resources and Forest Industries of the Miramichi", Louis J. Robichaud Papers (hereafter Robichaud Papers), RS416 1963 #138, PANB.

Minister of Lands and Mines, announced in 1962 that the new company's Crown leases would come at the expense of the Miramichi Lumber Company Ltd., owned by New Brunswick International Paper, and, to a lesser extent, Fraser Companies, the two companies that had done so little to develop their Northumberland County leases since the 1930s. In both cases, the government was withdrawing leases before they were due to expire; the Miramichi Lumber Company's lease was up for renewal in 1963 while Fraser's leases were not due to expire until 1979.²⁴

Although there was general support for the government's actions from Northumberland County residents, there were some who expressed reservations with the fact that the groundwood would be exported rather than processed locally. These concerns caused some members of the Northumberland County Council to vote against the company's request for tax concessions for the private lands that they would be purchasing. Councillor Whalen unsuccessfully tried to have the county offer an annual rebate, if the Council felt it was deserved, rather than commit itself to a long-term tax agreement. "He said he did not wish to discourage industry as we have been striving too long for it but we should not sell our birthright just because we are on the market for industry...." These arguments failed to convince a majority on Council, though, and the county eventually entered a fifteen-year tax agreement with South Nelson

²⁴"Memorandum for the Hon. H.G. Crocker, Minister of Lands and Mines Re: Reallocation of Forest Management Licenses...", Robichaud Papers, RS416 1963 #187, PANB; and "Full Text of Hanson Report On N.B.'s Italian Deal", *Daily Gleaner*, 16 April 1963, pp.5-6. Fraser's last minute decision to expand its Chatham mill meant that its losses were relatively minor. Aubrey Crabtree (Chairman, Fraser Companies Ltd.) to Crocker, 22 November 1962, Robichaud Papers, RS416 1961-62 #22, PANB.

Forest Products Ltd.²⁵

The province's actions found a much less receptive audience with pulp and paper companies already operating in the New Brunswick. Not only was the government bringing a new competitor into the provincial forest market, but it was challenging the long-held assumption that, once acquired, Crown timber leases would always be renewed by the state and that they entitled corporations to treat Crown land as corporate property. The pulp and paper companies protested the South Nelson deal and the withdrawal of their cutting rights in particular. Robichaud responded to criticisms by pointing out that no other company was prepared to develop the forest reserves along the Miramichi. The Premier also recognised the historical context of the issue. In a letter to the President of New Brunswick International Paper he noted: "For years there has been a strong public demand for government action to utilise these forests to support a new mill in the area", adding that "This administration was and is sympathetic to those public demands...."²⁶

The Conservative Party joined the pulp and paper companies' attack of the Robichaud government, arguing that the deal favoured "foreign" investors over local capital. Moreover, the Opposition contended that in order to meet the Italian firm's pulpwood requirements as spelled out in the agreement, it would be necessary to

²⁵"County Council", *North Shore Leader*, 2 March 1962, pp.6-7.

²⁶Robichaud to Edward B. Hinman (President, New Brunswick International Paper Company), 20 November 1962, Robichaud Papers, RS416 1961-62 #22, PANB.

expropriate more Crown lands.²⁷ After much acrimonious debate during the spring sitting of the Legislature in 1963, Robichaud shrewdly called a snap election on the South Nelson issue. The Liberals campaigned as the party of industrial development and progress and easily won the election, increasing their majority by another seat.²⁸

This was not the end of the South Nelson story, however. Production at the mill began in 1964, but within a year it had to be suspended due to serious mechanical problems and financial problems being experienced by the company's Italian parent. In 1966 Robichaud found a new investor, Atlantic Sugar Refineries Company Ltd., to take over the plant under a new name, Acadia Pulp and Paper Co., South Nelson. Promises, made by the new investors in 1965, to build a newsprint mill in Northumberland County were never fulfilled.²⁹ While the province's attempt to get a new pulp and paper mill for northern New Brunswick was ultimately unsuccessful, it did demonstrate the Robichaud administration's willingness to challenge, in a limited way, the vested rights of established firms in the forest sector. A similar pattern of intervention, informed again by the "people's resources" debates, would be followed in the management of the base metal industries.

²⁷This charge was also supported by John S. Bates, chairman of the New Brunswick Forest Resources Commission in the late 1950s. See Stanley, *Louis Robichaud*, p.82.

²⁸On the "pulpmill election", see Stanley, *Louis Robichaud*, chapter VII.

²⁹Stanley, *Louis Robichaud*, pp.85-7.

**"Getting the Lead Out":
The Possibilities of Resource Populism**

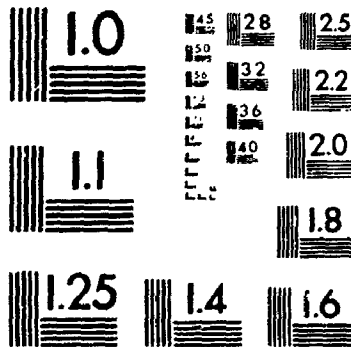
Robichaud's election victory concerned many in the mining industry. Not only had he been an outspoken proponent of state intervention in the mining industry while in opposition, he was antagonistic to Jim Boylen personally. As Opposition financial critic in 1958 he had carried on a very public debate with Boylen, whom he accused in the Legislature of being a "stock promoter" who was getting rich off of New Brunswickers. (Boylen's response to Robichaud's claim that the Brunswick founder had taken "millions of dollars out of the country which should be left for native sons" was "you have nice sons in New Brunswick but Robichaud isn't one of them."³⁰) The new premier's actions and words shortly after his election did little to ease the mining industry's concerns.

Almost immediately after being sworn in, the new Liberal government commissioned an investigation into accusations of stock fraud involving St. Stephen Nickel Mines Ltd., Kennamet Development Corp., and Trans-Nation Minerals Ltd., and a number of investment houses operating out of Saint John, Canam Investments Ltd., A.G. Powis and Co. Ltd., Atlantic Investments Ltd., and Seaboard Industries. These investment companies were alleged to have misrepresented the real value of the St. Stephen mining development in promotional literature distributed to prospective American investors. In July 1960 the province halted the sale of these mining stocks by cancelling the brokerage licenses of the investment houses and freezing the assets

³⁰"Brunswick Blasted -- Boylen Boils", *Northern Light*, 24 April 1958, pp.1,5; "Robichaud Replies to Boylen: Disputes Magnate's Statements", *Northern Light*, 8 May 1958, pp.1,3.

3

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of all the companies involved. Shortly thereafter the United States Securities and Exchange Commission prepared an indictment against St. Stephen Nickel Mines officials, whom they accused of defrauding American investors of over seven million dollars. The province's investigation, conducted by D.M. Dickson, the Acting Administrator of the Security Frauds Prevention Act, concluded in December 1960 that St. Stephen officials had pocketed most of the money invested by others in the company and that criminal charges should be laid.³¹

Dickson also charged that the Flemming government had knowingly permitted these "stocketeering" operations despite numerous complaints from investors and the laying of postal fraud charges against Canam and St. Stephen Nickel by the American government in the summer of 1959. The reason that the "former Government of the Province was perfectly happy to permit wide-scale fraudulent operations to continue, in fact to the point of being encouraged", he concluded, was that it hoped to benefit politically from "a 'show' of industrial expansion and activity, however negligible the extent."³² These charges were dismissed by the Opposition Conservatives as purely political -- a charge not completely without merit considering that Dickson was a loyal Liberal Party activist -- and were quickly forgotten after the Liberals had scored some

³¹It is unclear what eventually happened to the "stocketeers", although *The Northern Miner* did report that the most prominent player, Kenneth H. Gregory, was living in Switzerland at the time of the issuance of the Acting Administrator's Report. New Brunswick, *Report of the Acting Administrator Under the Security Frauds Prevention Act*, (Fredericton, 30 November 1960); "N.B. Halts Stock Selling of Three Companies", *The Northern Miner*, 28 July 1960, p.10; "U.S. Seeks Indictment of St. Stephen Nickel Officials, Promoters", *The Northern Miner*, 25 August 1960, pp.13, 20; "N.B. Report Asks Criminal Action Calls Canam Stocketeers 'Parasites'", *The Northern Miner*, 15 December 1960, pp.13, 20.

³²New Brunswick, *Report of the Acting Administrator*, pp.50-1.

quick morality points in the Legislature. While it is unclear how established mining companies on the North Shore felt about the exposure of the St. Stephen fraud, the new government's quick handling of the affair signalled a more interventionist approach to overseeing resource corporations.

Of greater concern to Brunswick Mining and Smelting executives was the fact that Robichaud's opinion of the company's president had not softened. At the heart of the Premier's disdain for Boylen was his alliance with St. Joseph Lead. In an interview with *The Globe Magazine* in July 1960 Robichaud complained of Boylen's

sellout of vast stores of our natural resources to an American firm that has helped depress the Canadian base metals industry by having stringent U.S quotas placed upon the importation of Canadian base metals to that country, our greatest single market....We want no more Boylens in this province....Our minerals will not be allowed to remain dormant while other provinces push ahead.³³

These remarks prompted *The Northern Miner* to accuse the new premier of demagoguery. Fearing that Robichaud might make good on promises made in opposition to "prevent unprocessed minerals from being exported from the province" the editor warned that "[t]he infant metal mining industry, not yet 10 years old in New Brunswick, could be in for a rough time unless the new premier changes his tune and adopts a friendlier attitude."³⁴

Robichaud's threat of legislating against unprocessed mineral exports, or at the very least imposing the export tax provided for in the existing Mining Tax Act, scared

³³"New Brunswick's Precocious Prophet", *The Globe Magazine*, 23 July 1960, p.14.

³⁴"Unwarranted Attack Discredits New Brunswick's Premier", *The Northern Miner*, 18 August 1960, p.6.

Brunswick and Sogemines into postponing the deal.³⁵ At the same time Boylen was becoming worried about his position within the corporation. Rumours began to circulate that he would be replaced as President if and when the Sogemines-St. Joseph deal was consummated. The proposed agreement also had caused the price of Brunswick shares to drop when it was revealed that Sogemines would only ship the highest grade ore.³⁶ Anxious to see the development of his greatest discovery as a prospector and frustrated by St. Joseph's footdragging, Boylen approached his worst critic, Louis Robichaud, for help. Explaining his difficult position, Boylen asked the Premier for a provincial guarantee of \$20 million in bonds for a company he promised to establish to smelt lead-zinc concentrates on the North Shore. Robichaud indicated that he was interested but only if St. Joseph Lead was not involved in the project.³⁷

Eager to facilitate the base metal development, the government commissioned a cost-benefit analysis to determine whether to back the bonds for the proposed smelting company. The study was conducted by Singmaster and Breyer, a New York metallurgical consulting firm recommended to the government, interestingly enough, by K.C. Irving. Throughout the fall of 1960 and winter of 1961 the consultants studied the Imperial Blast Furnace smelting process that Boylen hoped to use.³⁸ Meanwhile the government held "discussions" with a number of "Canadian and foreign

³⁵"Brunswick Mining Studying Smelter", *The Northern Miner*, 30 March 1961, p.2.

³⁶How and Costello, *K.C.: The Biography of K.C. Irving*, pp.167-8.

³⁷Hunt and Campbell, *K.C. Irving*, p.125.

³⁸Singmaster and Breyer to Robichaud, 28 October 1960; Singmaster and Breyer to M.J. Boylen, 11 November 1960; Singmaster and Breyer to Robichaud, 29 December 1960, Robichaud Papers, RS416 #193, PANB.

interests" in order to determine the most effective way in which to smelt the province's base metals. Robichaud, the Minister of Lands and Forests, and the Secretary Treasurer even made a trip to West Germany where they consulted "one of the industrial giants of Europe."³⁹

In March 1961 the province officially responded to Boylen, who had since established East Coast Smelting and Chemical Company. The government agreed to support the merger of East Coast and Brunswick for the purpose of building and operating a 3,000 ton per day ore concentrator and a lead-zinc smelter with an annual refining capacity of 28,000 tons of lead and 30,000 tons of zinc. Brunswick-East Coast bonds for construction were to be guaranteed by the province up to \$35 million.⁴⁰ The province's offer was contingent on Boylen finding investors to buy out St. Joseph's 40 per cent interest in Brunswick within 45 days. This time Boylen was able to convince the parent company to sell their Brunswick shares for \$10.5 million.⁴¹ Boylen recruited Patiño Mines, a Bolivian mining multinational whose Canadian subsidiary was run by a New Brunswicker, Erskine Carter, and K.C. Irving to join his own Maritimes Mining Corporation in the Brunswick-East Coast venture. Irving was New Brunswick's leading industrialist, overseeing a corporate empire of enterprises that, increasingly, dominated the economy of not only New Brunswick but Atlantic

³⁹"Giant Base Metals Industry to Provide 2,000 Permanent Jobs", *North Shore Leader*, 16 June 1961, p.7.

⁴⁰Unsigned letter to the President and Directors of East Coast Smelting and Chemical Co., Ltd., 23 March 1961, Robichaud Papers, RS416 1968 #283, PANB.

⁴¹Hunt and Campbell, *K.C. Irving*. p.125.

Canada. Estimated to be worth nearly \$500 million in the mid 1960s, the empire consisted of ventures in a variety of fields including fuel, pulp and paper, shipbuilding, bussing, hardware, and the media. Under the deal with Boylen that brought him into a new resource industry, Irving put up \$2.52 million, while Maritimes Mining and Patiño contributed \$4.82, and \$3.16 million respectively to buy out St. Joseph Lead's interest. The entry of Irving into the project, who had no experience in the mining industry, was Robichaud's idea. Although things would change dramatically later in the decade, the new Premier initially was on very close terms with the industrialist, whose support many credited with ensuring the Liberal victory in 1960.⁴²

The province's unrelenting criticism and threats -- which Robichaud would, in later years, suggest were quite calculated⁴³ -- appears to have influenced St. Joseph's acceptance of Boylen's offer to buy, an offer they had refused just two years earlier. The Premier took every opportunity to convey his unhappiness with the American multinational. This was demonstrated at the spring Legislative session when he complained of the slow pace of development:

Along with thousands of New Brunswickers, I was dissatisfied with the attitude taken toward our natural resources by some who gained control of extensive deposits and refused to develop them, even though those same interests were at the same time opening base metals operations in other parts of the world. In a word, I believed those interests were deceiving us with their ready excuses....⁴⁴

A St. Joseph spokesman also pointed to "the attitude of the Canadian government

⁴²Hunt and Campbell, *K.C. Irving*, p.126.

⁴³Interview of Louis J. Robichaud by author, 16 May 1994, Ottawa, Ontario.

⁴⁴New Brunswick, *Synoptic Reports* (1960-1961), p.401.

toward the development of natural resources by foreign companies" in explaining why the corporation chose to sell their interest in Brunswick.⁴⁵ While the Diefenbaker government had a more nationalist orientation than the previous St. Laurent administration, it is reasonable to assume that this spokesman was also talking about the New Brunswick government, for it was hard to mistake the province's hostility towards their corporation.

The agreement between Brunswick-East Coast and the province called for the government to guarantee \$20 million in company bonds (scaled down from the original \$35 million offer). In exchange the company would undertake construction of a \$50 million industrial complex to be built in three stages. The first stage, which had to be initiated before March 31, 1962, saw the erection of a large mill or concentrator at the Brunswick mine site. This would be followed by the building of a smelter, work on which was to begin before the end of 1963. On the advice of Singmaster and Breyer, Brunswick opted to use a relatively new refining procedure being developed in Britain -- the Imperial Smelter -- and designed especially for processing mid to low grade concentrates similar to those found in the Bathurst area. Finally, a chemical fertiliser plant would be constructed to take advantage of some of the by-products from the smelting process.⁴⁶

It was an ecstatic Louis Robichaud who, in a province-wide television address,

⁴⁵"Brunswick M.& S. Clears Decks For Major Production Program", *The Northern Miner*, 22 June 1961, p.12.

⁴⁶"Brunswick M.&S. Clears Decks for Major Production Program", *The Northern Miner*, 22 June 1961, pp.1,12.

announced the agreement to develop the North Shore's base metals. "It will put New Brunswick in the foreground of Canadian mining and processing" he boasted, pointing out that the only other smelters in Canada were located in Trail, B.C and Flin Flon, Manitoba. But Robichaud was most excited about the jobs that would be created. "The whole development, upon completion will give 3,000 steady industrial jobs and incomes." There would also be plenty of jobs created in the construction phase and for the building of railway lines, roads and harbours. Moreover, the industrial complex would have a multiplier effect on the local economy -- the complex itself and the workers, with their increased spending power, would generate business in the surrounding communities.⁴⁷ The venture was, the Premier stated, "the most important single step taken toward a balanced economy in New Brunswick in the last half century."⁴⁸

Robichaud was particularly pleased with the location of these new jobs on the poverty stricken North Shore.

While this great undertaking will be of the greatest importance to the entire province and its future economy, I would point out that it will be of most particular benefit to the counties of Northumberland and Gloucester and their adjacent areas, the whole northeastern coast. This is a region of New Brunswick which has too long lagged behind the industrial growth of our times. It is a region where such a long-term project can mean the revitalizing of a once proud economic district that led the world in lumber and shipbuilding.⁴⁹

⁴⁷"Giant Base Metal Industry to Provide 2,000 Permanent Jobs", *North Shore Leader*, 16 June 1961, p.7.

⁴⁸"At Long Last 'The Big News' Came", *Northern Light*, 15 June 1961, pp.1, 3.

⁴⁹"Giant Base Metal Industry to Provide 2,000 Permanent Jobs", *North Shore Leader*, 16 June 1961, p.7.

The smelter would also be the source of much political capital in the traditionally Liberal North Shore constituencies. But the establishment of a large industrial enterprise in a poor area of the province also appealed to the interventionist orientation of the Robichaud government. The administration's faith in planning and technocratic solutions can be seen in the language used throughout Robichaud's television address. He spoke of the government's desire to oversee an "ordered and well-planned development", a "controlled development". He emphasised that "the most careful planning by this government has already gone into this program" which he demonstrated by noting the various experts that had been consulted on the issue. This confidence in state economic planning marked a departure from Flemming's less interventionist approach to economic development and would be further demonstrated by the Equal Opportunity program initiated by the Robichaud government later in the decade.

The buyout of St. Joseph's interest in Brunswick by Boylen's investors represented a victory for Robichaud. In opposition he had railed at the Flemming government's refusal to force the American multinational to develop the mines. He also called for the province to help local entrepreneurs such as Irving get into the mining business.⁵⁰ Now, as Premier, he could boast that his government had taken action to kickstart mineral development. Indeed, the Liberal government was prepared to intervene in the base metal industry to a much greater extent than was the Flemming government. Threats to place a high export tax on unprocessed base metals

⁵⁰New Brunswick, *Synoptic Reports* (1958), p.321.

appear to have been a major factor in Brunswick's postponement of the deal to send concentrates to Belgian smelters and the fast-tracking of the smelter development. It cannot be known whether Robichaud would have passed legislation to force St. Joseph out of the province's mining industry, as he claimed he had been prepared to do.⁵¹ (At a political rally in May 1961 Robichaud stated: "We have told people who have interests in mineral deposits in the Bathurst area: 'unless you get into production within 12 months, we will return those deposits to the people of New Brunswick'".)⁵² But by conditioning the government's guarantee of bonds on the removal of St. Joseph from the project, the government made it clear to Boylen that Brunswick's interests would be better served without the American company.

The popular perception, particularly in northern New Brunswick, that St. Joseph's interests differed from those of "the people" gave the provincial government substantial leverage in this matter. The entry of Irving, a "local boy" whose interests at least seemed local, gave the enterprise political legitimacy.⁵³ Robichaud expressed his faith in local control in his television address:

There is one additional factor which has been a source of some satisfaction to the government and to me. The interests of the American corporation...St. Joseph Lead which had gained substantial control over New Brunswick's orebody, are being acquired now by Canadian interests.... This will ensure that New Brunswick's vast and valuable

⁵¹New Brunswick, *Synoptic Report* (1961-62), p.201.

⁵²"Produce or Surrender Deposits Mining Companies Told", *Northern Light*, 25 May 1961, p.1.

⁵³In his study of multinational corporations in Brazil, Peter Evans has argued that the state has increased bargaining power with multinationals operating in the natural resource sectors of the economy. Foreign-based companies recognise that they lack the popular legitimacy of a local operation in exploiting another country's resources. See Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton, 1979), especially chapters 4 and 5.

mineral assets will be utilised and not left in the ground, and that they will be developed for the benefit of our province and its people.⁵⁴

Of course, the assumption behind Robichaud's statement is that local capital would be more inclined to operate in the local interest than had been foreign capital. Irving too understood, and probably believed, this assumption, and over the next five years he would use it to strengthen his bargaining position with the province. Not everyone believed it, though. Lord Beaverbrook, New Brunswick's chief benefactor, warned Robichaud in 1961 of the dangers of placing too much control of the provincial economy in the hands of one industrialist.⁵⁵ Events later in the decade would prove Beaverbrook correct.

The Limits of Resource Populism

Having met Robichaud's demand to get St. Joseph Lead out of the operation and with substantial local control, Brunswick Mining and Smelting was in a strong bargaining position with the province. Over the summer corporation lawyers negotiated for concessions which were eventually incorporated into special legislation passed at the fall legislative session. Broadly speaking, Brunswick received four types of concessions. First, there were financial provisions, the most important of which was the provincial guarantee of \$20 million in East Coast bonds. Although not common, guarantees backed by the provincial government had been made in the past

⁵⁴ "Premier Announces Smelter", *North Shore Leader*, 16 June 1961, p.7.

⁵⁵This warning was related by Robichaud's former executive assistant, Senator Charles McElman in a speech before the Senate in 1971. Canada, *Senate Debates* (1971), p.689.

through the New Brunswick Development Board, but never to the same extent as was now being offered to Brunswick-East Coast. This guarantee was contingent on Brunswick-East Coast starting the smelter before the end of 1963 but, otherwise, there were no restrictions. This clause found little opposition and was easily passed by the Legislature.

The company was also given the right to enter tax agreements with municipalities for up to thirty years, a much longer period of time than normal. This proved to be a much more controversial proposal. The municipalities of Northumberland and Gloucester both opposed this concession at a Corporations Committee meeting.⁵⁶ Such an arrangement put the municipality in a weak bargaining position with the company. Entering a long-term tax agreement before the operation was underway, and had little actual value, meant that the local government would see little in property taxes for a number of years. It did not take long for this concession to draw Gloucester County and Brunswick into a dispute. In 1962 the company requested that the County Council grant a thirty-year tax concession which would allow Brunswick to pay a fixed annual amount.⁵⁷ Arguing that a long-term agreement was not in the "best interests of the county", the County Council rejected this request unanimously and proceeded to make a counter-offer of a two-year agreement. Of

⁵⁶New Brunswick, *Synoptic Reports* (1961-62), Appendix, p.2.

⁵⁷Brunswick's proposed the following rates for the period of the concession: 1963 -- \$16,000, 1964 -- \$20,000, 1965-7 -- \$25,000 per annum, 1968-77 -- \$30,000 per annum, 1978-87 -- \$35,000 per annum, and 1988-92 -- \$45,000 per annum. These rates were contingent on a certain level of production; if production did not meet a pre-established objective, the rates would decrease. "County Council To Consider Brunswick Offer July 23rd", *Northern Light*, 12 July 1962, p.1.

particular concern to the Council was the fact that the recently appointed provincial Royal Commission on Municipal Finance and Taxation, headed by Edward Byrne, was investigating the whole issue of municipal tax concessions. While it was unclear what the Commission would eventually recommend, it seemed premature to grant Brunswick a long-term concession when there was reason to believe that the system of tax agreements might be altered. Some feared that Brunswick was trying to "get in under the wire" by signing an agreement before the Commission reported.⁵⁸

Brunswick increased the pressure on County Council when, in September 1962, it rejected the counter-proposal and stated that "construction of surface facilities at the company properties... [would] have to await an agreement on taxation."⁵⁹ These tactics met with success in short order. Despite attempts by some councillors to reduce the tenure of the agreement to 15 years, Council accepted a new thirty year request from the company which provided for slightly more generous annual tax yields. In addition the company gave the County a \$50,000 interest free loan as "a goodwill gesture". The Council's decision was by no means unanimous; eight of the twenty councillors voted against the motion and, on the day that the pact was to be signed, six councillors made an unsuccessful attempt to have the agreement delayed. Even those who voted in favour of the motion did so with a sense of resignation. Councillor C. Rufin Gior et

⁵⁸"County Council Turns Down Brunswick Mining Proposal", *Northern Light*, 26 July 1962, p.3; "County Councillors Hold Special Meeting", *Northern Light*, 9 August 1962, p.1; Minutes of Special Meeting of the Gloucester County Council, 7 August 1962, Gloucester County Council Papers, RS149 A1.14, PANB.

⁵⁹"Counter Proposal Refused By Brunswick Mining and Smelting", *Northern Light*, 13 September 1962, pp.1,2.

stated that while some ratepayers "do not want tax agreements the greater number...want industry and...the way to get the mining industry established in this county is to give them an agreement." Fellow Councillor C. Picot reasoned that tax agreements were necessary because it was the only way for "the Have-Not provinces" to attract industry away from Ontario and Quebec.⁶⁰

A second form of state aid for Brunswick-East Coast came in the form of provincial environmental concessions. In the original draft of the bill both Brunswick and East Coast were given an exemption from nuisance suits. The mining interests would be protected from legal action arising from pollution caused by their operations. Essentially, then, this clause amounted to a social subsidy -- individuals, or other companies, detrimentally affected by the smelter or mining operations could not sue for damages.

This concession raised the ire of provincial fishing and conservation organisations. Just a year earlier it was learned that lead-zinc tailings from Heath Steele Mines had been entering the Northwest Miramichi River and killing the salmon population. The salmon fishery along the Miramichi River and its tributaries was

⁶⁰Under the new agreement the municipality would receive: \$20,000 in 1963, \$25,000 in 1964, \$32,000 per annum between 1965-7, \$38,000 between 1968-77, \$45,000 between 1978-87, and \$56,000 between 1988-92. See Special Meeting of the Gloucester County Council, 5 October 1962, Gloucester County Council Papers, RS149 A1.14, PANB; and "County and Brunswick Mining Sign 30-Year Tax Agreement", *Northern Light*, 8 November 1962, pp.1,2. The debate over long-term tax concessions was repeated in the fall of 1963 when County Council was approached by East Coast Smelting for an agreement similar to the one granted to Brunswick. The request was again opposed unsuccessfully by a minority of councillors. Not only was the agreement too long, these councillors argued, but there were no guarantees that Gloucester County was going to be the principal beneficiary of the smelter. Minutes of a Special Meeting of the Gloucester County Council, 3 June 1963, Gloucester County Council Papers, RS149 A1.14, PANB; "Smelter Agreement Signed But Alderman Protests", *Northern Light*, 12 December 1963, p.1. See Chapter 6 for a fuller discussion of this issue.

valuable both as a commercial enterprise and as a tourist attraction for sport fishers. In response, the Miramichi Fish and Game Club Ltd. obtained an interim court injunction to shut Heath Steele down until the situation was rectified. Faced with this action, the company agreed to clean up its operation and the injunction bid was withdrawn.⁶¹ It is significant that the provincial government, desperate to get the mining industry started again, did not take the initiative against the mining company. With little oversight by the province the case had demonstrated to many fishers, both recreational and commercial, the value of being able to launch a private action against a polluting company. It is not surprising, therefore, that representatives from the Miramichi Salmon Association, the Northumberland Commercial Fishermen's Association, and the New Brunswick Fish and Game Protective Association all appeared before the Corporations Committee to oppose the nuisance clause. David Dickson, representing the salmon association argued that "if every company was to be exempt from injunction for stream pollution, 'you can say goodbye to the salmon fishing industry.'" The Association also suggested that a much larger industry in the province might be affected, pointing to an ongoing study of smelters in Ontario which suggested a link between smelters and "the decimation of forests in that province."⁶² Ralph Olive of the Protective Association "declared that his association was not against economic growth but felt that the government attitude in granting wide powers was

⁶¹Ronald C. Stevenson to Hon. Graham Crocker, 22 July 1960, Robichaud Papers, RS416 1960 #193, PANB; Stevenson to Crocker, 30 November 1960, Department of Lands and Mines Papers, RS106 10775 Heath Steele Mines, PANB.

⁶²New Brunswick, *Synoptic Reports* (1961-62), pp.3,7.

against the concept of resource utilisation."⁶³ The president of the Commercial Fisherman's Association put it more simply, stating that "any mining operation could not replace fishing on the North Shore, since some day ore bodies would be exhausted while fisheries would not be."⁶⁴

The conservation organisations also received support in their opposition to the nuisance clause from Edward Byrne, who was this time representing the Canadian Metal Mining Association. His objections were not so much based on fears of pollution but on his fears that "the company wished to take away the vested right of every citizen...to enter into an action in the case of damages."⁶⁵ Some of the mining companies, as well as some private property owners who appeared later, wanted to retain the option of going to court.

Representatives of Brunswick-East Coast had been very insistent in including the nuisance clause during negotiations with the government and were every bit as adamant in defending it in committee.⁶⁶ Their strategy was to establish the corporation's legitimacy by emphasising Irving's local roots. A native of Buctouche, Kent County, which bordered Northumberland County, Irving told the committee that destroying the fishing industry "would be the last thing he would do...since that would be bad for the North Shore and he came from there." While "smelter smoke on some

⁶³New Brunswick, *Synoptic Reports* (1961-62), p.7.

⁶⁴New Brunswick, *Synoptic Reports* (1961-62), Appendix, p.4.

⁶⁵Earlier in the hearing Byrne stated "I'm not in favour of pollution but we can't stand in the way of development; we'll have some pollution because the water has to go somewhere." New Brunswick, *Synoptic Reports* (1961-62), p.3.

⁶⁶Wallace D. Macauley to Robichaud, 21 August 1961, Robichaud Papers, RS416 1968 #283, PANB.

days might make it a little unpleasant", he went on to say, his company would pay for any damage privately. "[T]he nuisance clause was necessary [however] to avoid petty interference with operations."⁶⁷ Robichaud and the government lawyers, not wanting to lose this new industry, also defended the company. The Premier contended that the request was reasonable considering the large increase in nuisance suits against mining companies in the United States. Eventually a minor amendment was made allowing for a suit only if authorised by the Attorney General.⁶⁸

The conservation groups were also concerned about the bill's provision for allowing the company to divert rivers and streams for their operations. The Salmon Association feared that the bill would allow for "uncontrolled tampering" that might adversely affect the salmon industry. They demanded more government control over the waterways to avoid these problems. Robichaud, however, refused to change this clause. Noting that the government currently had the power to divert waterways he stated that "there would be little difference to give the right to a company...."⁶⁹ This faith in corporate decency was indeed curious from a man who had argued so vehemently against St. Joseph Lead for not acting in the public interest.

The third type of concession offered by the legislation was monopoly. The original bill reflected East Coast's demand for an exclusive right to smelt New Brunswick minerals for 25 years. While any other company could build a smelter to

⁶⁷New Brunswick, *Synoptic Reports* (1961-62), Appendix pp.7-8.

⁶⁸New Brunswick, *Statutes* (1961-62), pp.444, 484.

⁶⁹New Brunswick, *Synoptic Reports* (1961-62), Appendix, pp.4, 2.

process ore from their own mine, only Brunswick was given the right to process ore from other mines in the province. Considering that a mining company could be subject to a tripling of their mine tax if they exported unprocessed base metals, this clause gave East Coast a smelting monopoly. Not surprisingly, other mining companies protested, fearing that they would become "captive under terms of the bill, since [they] would be forced to ship to one smelter or face penalties if [they] exported ore."⁷⁰ The New Brunswick Prospectors and Developers Association also made strong objections to this provision. Risk capital from other companies would be scared away from New Brunswick, they argued, because of Brunswick's advantage. "This, in turn, will make it difficult, if not impossible, for the individual prospector to obtain financing to develop his claims."⁷¹ After several representations from various mining interests the clause was modified to limit the exclusive smelting right to 10 years and to require East Coast to offer their smelting services at a competitive rate. Failure to do so would result in the loss of their monopoly.⁷²

Finally, the bill also contained property concessions. Most importantly, the company was given the right to expropriate land that it needed. Compensation would be determined by a provincial Supreme Court judge.⁷³ The major objection to this clause came from other mining companies and centred around its original wording

⁷⁰Gordon McCulloch, representing Heath Steele Mines before the Corporations Committee. New Brunswick, *Synoptic Reports* (1961-62), Appendix, p.2.

⁷¹"Town, County, Farmers, Prospectors Oppose Exclusive Rights, Other Clauses", *Northern Light*, 23 November 1961, pp.1,2.

⁷²New Brunswick, *Statutes* (1961-62), p.486.

⁷³New Brunswick, *Statutes* (1961-62), pp.479-483.

which gave Brunswick the right to expropriate minerals as well as land. Responding to protests from the Canadian Metal Mining Association, Brunswick claimed they had "no knowledge" of this provision, suggesting that it "must have been inserted by an overly zealous lawyer."⁷⁴ It is not known whether Brunswick was as ignorant of this matter as they claimed but the clause was eventually dropped.

While it is perhaps understandable that other mining companies opposed many of the concessions granted to Brunswick by the province, the level of local opposition to this new enterprise, that was supposed to be the saviour of the local economy, is notable. Fishing interests and conservationists opposed the no-nuisance clauses while municipal governments argued unsuccessfully against long-term tax agreements. Moreover, the provincial Prospectors and Developers Association, Gloucester County's English-speaking federation of agriculture (FORGE), and the municipal governments of Bathurst and Gloucester County formed a united front opposing the concessions related to exclusivity, no-nuisance suits, and the right of expropriation.⁷⁵ The editor of the Bathurst *Northern Light* attributed this opposition to a widespread local belief that,

the concessions asked by the promoters are a price too much to pay. Everyone is agreed on one point. We want a smelter, we need a smelter, and the sooner the better, and the bigger the better. But what is the best and fair way to get one. We trusted our government enough to elect it by an upset vote and now we can only continue to trust that the voice of the people will again be heeded, a voice that is saying -- "The people of New Brunswick are in favour of mining, but let us not mine

⁷⁴"Brunswick Smelter Draws Objections", *The Northern Miner*, 16 November 1961, p.10.

⁷⁵"Town, County, Farmers, Prospectors Oppose Exclusive Rights, Other Clauses", *Northern Light*, 23 November 1961, pp.1, 2.

the people of New Brunswick."⁷⁶

However, the Robichaud government believed that the concessions were not too big a price to pay. It politely recognised the protests but was reluctant to alienate the new investors who seemed committed to building the smelter at long last. Moreover, the province was confident that the project would actually be completed because the financial concessions were contingent on the company meeting construction deadlines. The bonusing legislation was passed by the Legislature in late November 1961.

These legislative concessions were supplemented in 1962 by a series of orders-in-council offering Brunswick further special treatment. The first one gave Brunswick special mineral rights over and above those granted in a Mining Act passed in 1962. Under the Act, all minerals belonged to the Crown; private companies were given the right to mine them through the purchase of a lease or licence. Brunswick, however, was granted full ownership of the "mines and minerals held [by the company] under licence and lease". The company had argued that such a concession would ensure stability and therefore attract investment.⁷⁷ It also lessened the ability of the state to intervene in the industry, as the company rather than the state owned the minerals.

The other two orders-in-council dealt with mining taxes. The province pledged that it would not increase mining taxes, as it was permitted to do under the Mining Tax Act. Perhaps more important, the Robichaud government agreed not to exercise its right, again under the Mining Tax Act, to triple the export tax on unprocessed

⁷⁶"Needed -- The Wisdom of Solomon", *Northern Light*, 23 November 1961, p.2.

⁷⁷"New Brunswick Lends a Hand", *The Northern Miner*, 31 May 1962, p.4.

minerals leaving the province.⁷⁸ This agreement allowed Brunswick to enter an export agreement with Sogemines, the Belgian multinational that had unsuccessfully tried to arrange a similar arrangement in 1960. The Belgian company was willing to invest \$11,520,000 in the Brunswick operation provided it could buy New Brunswick concentrates for its smelters located in Belgium. Hungry for development capital for their smelter -- Irving had already agreed to invest \$8 million into the company's first mortgage bonds⁷⁹ -- Brunswick's owners successfully lobbied the government for an exemption from the export tax. Eventually an agreement was signed between Sogemines and Brunswick providing for the export of all of their lead-zinc concentrates to Belgian smelters for a period of 5 years and the surplus of those needed for the smelter for the period of another 7 years.⁸⁰ The deal gave Brunswick development capital, revenue from the sale of concentrates while the smelter was being constructed, and a guaranteed European market for its concentrates for twelve years, an important consideration at a time when protectionist sentiment was strong in the United States.

Louis Robichaud had successfully exploited local ideas of resource populism to accelerate the development of the North Shore's base metal resources. Having obtained an agreement for the construction of the smelter, however, the Premier's

⁷⁸"Brunswick M. & S. Over the Top With \$20 Million in Financing", *The Northern Miner*, 31 May 1962, pp. 1, 5.

⁷⁹How and Costello, *K.C.: The Biography of K.C. Irving*, pp. 168-9.

⁸⁰Brunswick Mining and Smelting Corporation Limited: Report of the Directors, 1964, Public Utilities Papers. RG3 RS18 C4/46, PANB.

goals became more pragmatic. The Brunswick-East Coast complex had quickly become the cornerstone of the government's development strategy, and, consequently, of considerable political value in the province as a whole but particularly on the North Shore where expectations were high. This larger goal soon overshadowed all others, allowing the Liberal government to overlook legitimate local concerns and ignore its own "principled" objections to the export of unprocessed raw materials, at least for the short-term, in order to meet the demands of the mining company. Increasingly, the government was placed in a position where it had to legitimate the demands of the mining corporations to sceptical local residents, arguing essentially that possible economic, social and environmental costs were worthwhile risks in exchange for a mega-project predicted to provide thousands of jobs.

The agreement to finally develop the region's base metals was met with great enthusiasm in the mining industry generally and on the North Shore. *The Northern Miner*, which had only the previous year denounced Robichaud, now hailed him as a man of vision who was playing an instrumental role in helping mining capital develop resources.⁸¹ On the North Shore where unemployment remained high throughout the 1950s and 1960s, the smelter complex represented tremendous hope. Gloucester County Liberal MLA Claude Savoie was particularly effusive:

The standard of living [in Gloucester County] has been one of the lowest in the whole country due mainly to the bulk of our population being seasonal workers. The mining development, with its ... thousands of year-round jobs taxes the imagination of what our county will look like in 10 years.... I see Gloucester moving from the poorest to the

⁸¹"A Great Natural Resource Returns to Canada", *The Northern Miner*, 22 June 1961, p.4.

richest county in this province with all the benefits of a high standard of living, together with all the benefits that a rich economy will bring.⁸²

The *North Shore Leader* optimistically predicted that northern New Brunswick would soon look like "the industrial Ruhr Valley of Germany or the English Midlands." An editorialist commented that "it is admittedly not easy, at first thought, to grasp the full significance of this new dawning age -- to visualise, instead of a landscape of evergreen trees, a sprawling panorama of busy mills and factories in New Brunswick's north...."⁸³ One may question the editor's aesthetic judgement but his optimism was shared by many.

Despite this optimism there would be limits to the type of jobs to which local residents could aspire. While they could expect work as miners or on the floor of the concentrator and smelter, all of the managerial and technical positions at the mine, mill and smelter were filled by non-New Brunswickers who had extensive experience in the mines of northern Ontario and northwest Quebec.⁸⁴ Moreover, it would soon become apparent that there would be few local job opportunities in technology-related industries resulting from the construction of the smelter and concentrator. The technology and managerial expertise for both the British-designed Imperial Smelter and the concentrator were imported; indeed, in the case of Brunswick #12, much of

⁸²New Brunswick, *Synoptic Reports* (1961-62), p.67.

⁸³"Giant Base Metals Industry to Provide 2,000 Permanent Jobs", and "Big Mineral Development", *North Shore Leader*, 16 June 1961, pp.1, 2.

⁸⁴See the brief biographies of Brunswick's managerial and technical personnel in "Direct Brunswick's Bathurst Operations", *Northern Light*, 10 June 1965, p.2. Interestingly, many of these people had been educated in the Mining and Metallurgical Engineering Department at Queen's University.

the actual concentrator was purchased from Denison Mines' abandoned Can-Met operation in Elliot Lake, Ontario and moved in pieces to northern New Brunswick.⁸⁵ While understandable from a corporate perspective, such actions reduced the economic benefits to the local area and limited the quality of jobs available to residents.

In many ways the Robichaud government's management of the Crown forest and mineral resources during the 1960-3 period were similar. In both cases the province responded to popular protest directed at the under-utilisation of Crown resources by challenging established capitalists. Moreover, although one could argue that there was a stronger commitment to future processing operations by Brunswick-East Coast than from South Nelson Forest Products, the government was generally willing to allow the export of semi-processed ore and pulpwood in exchange for immediate jobs. The examples are different in another way, though. While Robichaud was able to bring in local capital to develop the mining fields, and thereby exploit popular resentment against "foreign capitalists", he actively courted foreign investors to come to the Miramichi Valley. Indeed, the Premier spent much of the 1963 election campaign boasting of his government's ability to "build an attractive climate for outside capital".⁸⁶

Populism and the Interventionist State, 1960-3

Throughout the late 1950s and early 1960s many northern New Brunswickers

⁸⁵"New Brunswick's Newest and Biggest Base Metal Venture Reaches Tuning Up Stage", *The Northern Miner*, 27 February 1964, sec.2, p.1.

⁸⁶"Industrial Expansion the Election Issue", *North Shore Leader*, 22 March 1963, p.7.

called on the provincial government to force resource corporations to increase the pace of resource development. Lying behind these demands was an understanding of resource ownership that dated back to an earlier period of capitalist development. Crown resources, according to this understanding, belonged to the people, and lessees of those resources therefore had an obligation to local communities. This understanding was in many ways informed by the patron-client relationships that had existed between northern New Brunswickers and many of the lumber barons who had honoured this obligation throughout the late nineteenth and early twentieth century.⁸⁷ That the notion of "the people's resources" persisted into the 1950s can be explained by the fact that the pulp and paper companies, which had succeeded the lumber barons in the 1920s, ignored these obligations. Instead they viewed Crown forest leases as reserves to be developed at a later date according to corporate needs. In a region with a forest-dependent economy and faced with perpetual poverty these actions had particular resonance and remained in the historical memory of many. It was this experience of corporate exploitation of the forests that informed the response and scepticism of many northern New Brunswickers to the mining companies that chose to sit on Crown mineral leases in the 1950s.

The "people's resources" was a popular rallying cry throughout this period, but it was also sufficiently loose to mean different things to different groups. To municipal populists, such as Tony Gallant, it meant nationalisation of resource industries. Local business leaders and politicians used the slogan to advocate the

⁸⁷Parenteau, "Forest and Society in New Brunswick", chapter 5.

reallocation of resources to local capitalists. Despite these fundamental differences, the term had meaning to many and generated a significant local consensus that challenged the resource ownership claims of the mining and pulp and paper corporations.

The Conservative administration of Hugh John Flemming government was well aware of local demands for state action to force resource corporations to accelerate development of the Crown resources. Indeed, Flemming himself used the language of the "people's resources" in speeches. Like the residents of Gloucester and Northumberland Counties, he too was unhappy with the pace of development in both the mining and forest industries. However, as the preceding chapter has shown, his government was ultimately unable to take action against these companies for ideological, historical and economic reasons.

The Liberal administration of Louis Robichaud was both more able and more willing to use the state to direct the development plans of private capital. By 1960, the concept of state intervention into both the economic and social spheres was gaining acceptance both federally and in other provinces. Ideologically, the Robichaud government was more disposed to using the state to meet its economic and social goals than was its predecessor. This was demonstrated most clearly by Robichaud's Equal Opportunity legislation, introduced in 1965, which was designed to re-distribute wealth to equalise educational and health services throughout the province. Furthermore, the fact that the provincial state had been expanded during the Flemming administration meant that the Liberals would have a better developed mechanism to realise their economic and social goals.

Robichaud's handling of both the Brunswick Mining and Smelting and South Nelson issues must also be understood in the context of the historical competition between corporate and popular notions of resource ownership in northern New Brunswick. The fact that this competition was situated in Northumberland and Gloucester Counties, traditional Liberal strongholds, meant that there were political pressures on the new government to act in 1960. Perhaps more important was Robichaud's personal proximity to the debate over the "people's resources". Having grown up in Kent County, the populist Premier was very familiar with local concerns over Crown resource utilisation. Indeed, during the 1963 election campaign he noted that the region's underdeveloped resources had forced some members of his family to leave the county for lack of work. He explained that these experiences informed his government's resource policy.

I have always believed it to be almost criminal that so many of our people should live in poverty in the midst of rich natural resources ... resources that are owned by the people themselves ... resources that remained untapped or under-developed... You, the people of New Brunswick, own our forest and mineral resources. They are your birthright and your heritage. It is the responsibility of government to ensure that these resources are fully developed....⁸⁸

This understanding of the government's role as custodian of the "people's resources" and the Liberal administration's ideological orientation towards state intervention help explain why the Robichaud government played a more active role in resource development than did its predecessor.

The Liberal government's interventions into New Brunswick's mining and

⁸⁸Television Address by Hon. Louis J. Robichaud, 17 April 1963, Robichaud Papers, RS416 1963 #138, PANB.

forest industries during the early 1960s were not particularly radical. Not only did the development of these industries remain in the hands of private capital but there was no particular favouritism given to local investors. While it is true that the province was enthusiastic initially about Irving's involvement in the base metal industry, it had no qualms about recruiting Italian capital to develop Northumberland County's Crown forests. Moreover, once development promises had been extracted, the Liberal government proved every bit as accommodating to corporate demands as had the Fleming administration, allowing the new firms to carry on some of the practices (such as exporting unprocessed resources) that had made the previous lease-holders so unpopular. What was novel about the Robichaud administration's resource management policies, however, was its willingness to exercise its power as custodian of the Crown resources to challenge, in a limited way, the long-held assumption of mining and forest capital that Crown leases could be developed according to corporate needs only. This represented a small victory for many northern New Brunswickers who wanted to shape state resource policy to favour local over corporate interests.

On 13 June 1962 the first stage of Brunswick Mining and Smelting's \$20 million mine-mill-smelter complex was initiated when the sod was turned for the company's concentrator. Several hundred visitors and guests including company officials, cabinet ministers, MLAs, municipal politicians, and church leaders attended the event, which marked the birth of the "world's fifth largest lead and zinc producer". An ecstatic Premier Robichaud proclaimed that "a dream is now a reality", but was quick to add that the government would play an active role in ensuring that the whole

project was realised. "This is the concentrator, but we want a smelter, too. We want a smelter, and we will see a smelter."⁸⁹

⁸⁹"Premier Says Project is a Dream Come True", *Northern Light*, 14 June 1962, p.1.

Chapter 6
**Managed Mineral Development: State,
Capital and the Modernisation of Northeastern
New Brunswick, 1963-9**

"It displays none of the gentle or considerate attributes of the man. Its thirst for power and more power is insatiable."¹

Senator Charles McElman, speaking of
the Irving corporate empire before
the Senate of Canada, 11 March 1971.

By the mid 1960s both the federal and provincial governments were actively expanding their roles as economic managers. In Ottawa the federal Liberals under Lester Pearson were extending the welfare state and tentatively entering the field of regional economic planning. Increasingly during this period northeastern New Brunswick's "backward economy" became the focus of Ottawa's regional War on Poverty. Meanwhile, in New Brunswick the Robichaud government was also increasing both the size and functions of the provincial state in order to modernise and develop the province's social and economic resources. The government's Equal Opportunity legislation, designed and implemented by a growing bureaucracy of social and economic planners, targeted the problem of government inefficiency and unequal access to educational and social services within the province. By transferring responsibility for these services from municipalities to the province the government hoped to both remove local impediments to centralised planning and "develop" the

¹Canada, *Senate Debates* (1971), p.690.

populations of traditionally-poor regions such as northern New Brunswick. The aspirations of the mining companies fit well into the modernisation projects of both the federal and provincial governments. A developed mining industry in a poor region would diversify the local economy and offer employment opportunities for an increasingly better skilled workforce. These economic prospects seemed even brighter when Brunswick Mining and Smelting and East Coast Smelting announced in 1964 that their proposed industrial complex would include a steel plant.

The role of the state in promoting the development of the base metal deposits changed throughout the 1963-8 period. Initially, the Robichaud government followed the pattern, established during the early 1960s, of accommodating the demands of capital so long as the general goal of smelter development was met. East Coast's owners, led by K.C. Irving, were quick to exploit this orientation. Recognising that the smelter project converged with the development aims of not only the province but, increasingly, the federal state, the company was able to extract further concessions -- including loan guarantees, tax concessions, and a publicly-funded harbour -- to meet its own expanding goals. Increased state involvement in the private project did give the provincial and federal governments the opportunity to shape corporate decisions such as the location of the smelter and the regional composition of the workforce, but rarely did they challenge the company. As the provincial government's financial and political commitments to the industrial enterprise grew later in the decade, it became more assertive. Persuaded by advice from the newly hired professional planners that East Coast's expansion plans were uneconomic and by local discontent with the

manner in which the project was progressing, the Robichaud government took action against New Brunswick's most powerful economic force, K.C. Irving.

"The Heart and Sinew of An Industrial Economy"

Basking in the glow of the Liberal Party's convincing electoral victory in 1963, Premier Louis Robichaud had good reason to be optimistic about the future of the province's base metal industry. The two smaller mines owned by Heath Steele Mines and COMINCO had begun producing base metal concentrates in 1962. The province had granted these companies an export tax waiver, similar to the one given to Brunswick Mining and Smelting, that was to remain in effect until the East Coast smelter was in operation.² In 1964 COMINCO produced 38,885 tons of copper concentrate destined for Japanese smelters while Heath Steele milled 289,348 tons of lead and zinc which was exported to European, American and Mexican smelters.³ Moreover, there were indications that other mines might go into production. Boylen's Key Anacon Mines Ltd., known previously as Anacon Mines Ltd., had been carrying out development work "with an eye to production" on its leases located 12 miles southwest of Bathurst. Nigadoo River Mines Ltd. was also busy. Now under the ownership of the Sullivan Group this company was priming its leases, located 14 miles northwest of Bathurst, and a concentrator, purchased from Keymet Mines in 1957, for production. There was also some promising news from Charlotte County in southern

²Crocker to John W. Chandler, 1 June 1962, Department of Lands and Mines Papers, RS106 RLBS 23342 Heath Steele Mines, PANB.

³Department of Lands and Mines, *Annual Report* (1965), pp.91-101.

New Brunswick where Mount Pleasant Mines Ltd. had identified tin deposits.⁴

The engine of the growing base metal industry remained the Brunswick-East Coast developments. Since the Premier had turned the first sod for the lead-zinc concentrator in June 1962, the project had proceeded apace. By early 1964 construction of the Brunswick #12 underground mine and the company's 4500 tons per day concentrator had been completed.⁵ During that first year Brunswick produced 132,760 tons of zinc concentrate and 70,370 tons of lead concentrate in less than 6 months operation. This was in contrast to Heath Steele Mines' concentrator which operated for a full 12 months and produced 17,765 tons of lead concentrate and 27,592 tons of zinc concentrate.⁶

The Brunswick concentrator was only the first stage of development, though. The smelter was the key to diversifying northern New Brunswick's economy. It would provide high paying, year-round processing jobs and held the promise of creating economic spinoffs for surrounding communities. Acutely aware of the smelter's importance both economically and politically, Robichaud pressured Brunswick officials to begin the project as soon as possible. Consequently, when Irving and Brunswick president Erskine Carter, concerned about technical problems associated with the planned smelter, approached the Premier in the winter and, later, in the fall of 1963, asking for an extension of the December 31, 1963 deadline for

⁴Department of Lands and Mines, *Annual Report* (1966), pp.120-1.

⁵Department of Lands and Mines, *Annual Report* (1965), pp.91-101.

⁶Department of Lands and Mines, *Annual Report* (1966), pp.117-9

beginning construction, they were turned down flatly. With much fanfare the first sod was turned at Belledune Point in Gloucester County, the chosen site for the smelter, on 20 November 1963. Irving declared that the smelter "had long been the dream not only of Premier Robichaud but of many New Brunswickers. The dream is about to be fulfilled and more, no doubt, will follow." The project was slated for completion in June 1966.⁷

Meanwhile Irving, who had a reputation of dominating any industry in which he operated, was trying to ensure himself of a larger chunk of the Brunswick-East Coast operation. The 1961 buy-out of St. Joseph Lead had left Jim Boylen with a 40 per cent controlling interest in Brunswick Mining and Smelting. Irving and the other principal shareholder, Patiño Mines, controlled shares in the ownership amounting to 27 and 14 per cent respectively. But Irving's influence in the company was stronger than the minority shareholder status suggested. The industrialist's political value as the local business interest in the mining consortium was recognised by Boylen, and Irving was thus able to exercise a great deal of control over the development. In 1962 a new Irving company, Engineering Consultants Ltd., which had advanced Brunswick \$8 million in first mortgage bonds, was given the management contract to oversee construction of the mill-smelter complex. This was a lucrative contract, amounting to eight per cent of the total construction costs. Under the leadership of John Park and his assistant, D.W. Gallagher, the Premier's former Economic Advisor (acquiring Gallagher's services was a very astute political move on Irving's part considering the

⁷Hunt and Campbell, *K.C. Irving*, pp.132-3; How and Costello, *K.C.: The Biography of K.C. Irving*, pp.170-1; "Start Work on Lead-Zinc Smelter", *Northern Light*, 21 November 1963, p.1.

province's increasing role in the project), Engineering Consultants had the power to award the various construction contracts associated with the project.⁸ As we shall see later, many of these contracts were given to other Irving companies.

Despite this influence, Irving was not prepared to remain a minority shareholder in this promising venture that had plenty of governmental support. In October 1964 *The Financial Post* revealed that Kent Line, the industrialist's shipping company, had been "quietly" buying up shares of Boylen's Key Anacon Mines, which held 11 per cent of Brunswick's stock. When the dust had settled, Irving had a controlling 38 per cent interest in Brunswick compared to Boylen's 29 per cent and Patiño's 14 per cent shares.⁹

As Irving's share in the project got larger, so did the size of the project itself. After months of discussions with Brunswick officials, Robichaud announced on 26 October 1964 that the project was to be greatly expanded into a large integrated complex, with new investment amounting to \$117 million. Two new mines, Brunswick #6, an open pit mine, and Key Anacon's New Larder "U" were to be opened, as well as two new concentrators to mill ore from these new mines. But the biggest investment would come from the addition of fertiliser, acid, and steel plants to the complex. The acid plant would treat sulphur dioxide gases given off during the smelting process to

⁸Park, "a brilliant engineer and business manager", had been recruited earlier from Standard Oil of California to help with Irving's other business ventures, most notably the construction of his oil refinery and the Saint John drydocks. John Edward Belliveau, *Little Louis and the Giant K.C.*, pp.57-9. For a somewhat different assessment of Park, see How and Costello, *K.C.: The Biography of K.C. Irving*, pp.163.

⁹"King of the Maritimes Scores Again, May Be Top Dog in Giant New Complex", *The Financial Post*, 31 October 1964, pp.1-2.

produce sulphuric acid. As well, some of this sulphuric acid would be used with imported phosphate rock to produce phosphoric acid. The fertiliser plant would combine surplus phosphoric acid with other chemicals to produce a number of fertiliser varieties. An iron pyrite plant would also be established to produce iron pellets which could be used in an electric steel refinery to produce steel. The presence of large deposits of iron pyrite meant that iron ore would not have to be imported for the steel making process. Finally, the company was chartering a \$12 million, 30,000 ton dead weight ore carrier that would be constructed by the Irving-owned Saint John Shipbuilding and Dry Dock Co.¹⁰

An excited Robichaud announced, again in a special television address, that the project would constitute "an investment...more than twice the amount of the largest industrial project ever before undertaken in this province." Moreover, it was estimated that the sale of the products from the additions alone would yield gross profits of \$90 million annually. Not incidentally the mega-project would also yield plenty of jobs; "twenty-nine million manhours of work...including construction and supply of materials", plus over 1500 permanent jobs at the complex itself. The expanded complex seemed like the perfect industrial development. Located in a traditionally poor part of the province, it processed almost exclusively local natural resources and produced products such as fertiliser that could find a market with local farmers. But most important, the complex would include a steel mill, something that Robichaud saw

¹⁰"Brunswick Mining and Smelting Blossoms Out As Major Industrial Enterprise In Maritimes", *The Northern Miner*, 29 October 1964, pp.1,5; "The Honourable Louis J. Robichaud Announcement: Mines-Mills-Smelter-Steel Plant Complex", *New Brunswick News*, 26 October 1964, found in Robichaud Papers, RS416 1965 #164, PANB.

as integral to full industrial development. "The construction of a steel mill is a most important link in the industrialisation of any area. It is, in fact, the heart and sinew of any industrial economy."¹¹ Although the Premier's desire to make political hay out of East Coast's announcement is perhaps understandable, the province's interest in promoting a new steel plant, at a time when Nova Scotia's steel industry was floundering, is indeed curious. While in later years Robichaud would claim that the province placed little hope in the steel plant, the project was seriously considered by various provincial bodies throughout the 1964-7 period.¹²

It is unclear whether the government or Brunswick initiated the idea of expanding the smelter complex, although Irving's ownership of Ocean Steel and Construction, Ltd., created in 1960, attests to a pre-existing interest in the steel industry. It is clear, however, that the project increased the bargaining position of Irving and Boylen with the province. By giving Robichaud the honour of announcing the project they allowed him to associate his government with the project and, thus, reap political rewards. It also bound the province more closely to the success of the project. It would be hard for Robichaud to deny aid for this complex which, as Robichaud never tired of stating, was the product of Canadian and New Brunswick investment and ingenuity. But as one commentator later speculated, the Premier's

¹¹"The Honourable Louis J. Robichaud Announcement", *New Brunswick News*, 26 October 1964, found in Robichaud Papers, RS415 1965 #164, PANB.

¹²Interview with Louis J. Robichaud by author, 16 May 1994, Ottawa, Ontario. On Nova Scotia's steel industry during this period, see Joan Bishop, "Sydney Steel: Public Ownership and the Welfare State", in Kenneth Donovan (ed.), *The Island: New Perspectives on Cape Breton History 1713-1990* (Fredericton-Sydney, 1990), pp.165-186.

announcement also gave him leverage with Brunswick. "[H]e wanted the project to receive as much attention as possible so that Mr. Irving, Toronto promoter M.J. Boylen and its other sponsors could be sure to see it through."¹³

Regional Development and the Expanding State

The Robichaud government's activist approach in both the East Coast and South Nelson projects reflected a more general commitment to using the state to promote development. A coherent development policy was slow in emerging in New Brunswick. NB Power's "power for industry" strategy, during the 1950s, articulated a general orientation towards developing natural resources but an integrated state commitment to resource development was largely absent. In the 1960s the Robichaud administration attempted to create a more coherent approach to state-sponsored development initiatives. A number of government agencies were created to both promote and facilitate the establishment of secondary manufacturing industries in the province. The amount of small loans and loan guarantees offered to local businesses through the New Brunswick Development Board, a body that had been in existence in various incarnations since the late 1940s, was increased. More ambitious was the New Brunswick Development Corporation, a Crown corporation formed under the Flemming government but which did not come into full operation until 1963. This corporation was responsible for the design and promotion of the Liberal government's "Operation Prosper", a long-term development plan based on attracting foreign and

¹³"King Irving and the Revolutionaries", *The Globe and Mail*, 15 March 1966, p.B5.

domestic investors to the province's natural resource sector. Operating in a manner similar to Nova Scotia's Industrial Estates Limited, the Corporation was supposed to pinpoint strategic investment opportunities and lure private investors to the province through the provision of infrastructure, thereby reducing initial investment risk. The most infamous of these ventures was the Development Corporation's construction of the Westmoreland Chemical Park in Dorchester. Throughout the 1964-7 period the Corporation sunk over \$10 million into the construction of the fertiliser and chemical plant (and a notorious floating dock), in the hopes of having the money repaid after the project became stable. The failure of the project provided the Robichaud government with a very expensive lesson in economic management.¹⁴

In 1962 the province established a Research and Productivity Council to help private industry overcome technical problems in the development and exploitation of the provincial resources. Composed of representatives of business and labour, as well as scientists, the Council both commissioned studies for particular problems and funded ongoing university research. Throughout the decade problems associated with the emergent mining industry -- particularly relating to the smelting and refining process, geological analysis, and water pollution -- were the focus of many of the Council's studies. Private companies could also pay the Council to undertake research

¹⁴See "Socialistic Capitalism", *The Globe and Mail*, 3 February 1965, p.5; Stanley, *Louis Robichaud*, pp.102-7. On Industrial Estates Limited, see Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*, pp.146-8; 233-7; and for a less critical view see Roy George, *The Life and Times of Industrial Estates Limited* (Halifax, 1974).

in particular areas.¹⁵ While its principal goal was to aid industry, the Council also provided the government with a team of scientists who could better assess the feasibility and technical aspects of industry proposals.

The Robichaud government's most aggressive initiative in the development field was the much-heralded Equal Opportunity legislation implemented in 1965-6.¹⁶ Informed heavily by the provincial Royal Commission on Municipal Finance and Taxation (1963), chaired by Edward Byrne¹⁷, Equal Opportunity aimed at modernising the New Brunswick state through centralisation and the adoption of business principles of efficiency. Although explicitly designed to equalise educational and social opportunities throughout the province, the programme also favoured economic development. By transferring local control of most economic responsibilities to the province, Equal Opportunity "cleared away the undergrowth" of municipal government. "[L]'environnement provincial est devenu plus homogène et plus stable; il a uniformisé l'administration, [et] éliminé les obstacles aux interventions développement de l'État...."¹⁸ In the past private capital played municipal governments off against one another, searching for the best property tax concession. Previous

¹⁵New Brunswick Research and Productivity Council, *Annual Reports* (1963-67); and Claude Bursill "Technological and Social Roles in a Regional Research Institution", in *Canadian Public Administration* 8, 1 (March 1965), pp.7-11.

¹⁶The major published studies on Equal opportunity are: Stanley, *Louis Robichaud*, chapters XI and XII; Young, "L'édification de l'état provincial et le développement régional au Nouveau-Brunswick"; and "Remembering Equal Opportunities: Clearing the Undergrowth in New Brunswick".

¹⁷New Brunswick, *Report of the Royal Commission on Finance and Municipal Taxation in New Brunswick*, Edward G. Byrne, chairman, Fredericton, 1963.

¹⁸Young, "L'édification de l'état provincial et le développement régional au Nouveau-Brunswick", p.130.

chapters have shown that this was an important issue in the establishment of the mining industry in northern New Brunswick. Equal Opportunity centralised taxing powers in Fredericton and eliminated local property tax concessions. Moreover, it reduced local control over economic issues, thereby allowing provincial planners and agencies to operate largely free of local interference.

Under the Robichaud Liberals the New Brunswick state grew significantly during the 1960s. Centralisation and an increased interest in promoting economic development in a "rational" manner resulted in a proliferation of government agencies and the hiring of planning "experts". As the decade progressed these planners would exercise increasing influence on elected government officials, and the Premier in particular.

Until the late 1950s primary responsibility for promoting provincial economic development had rested with the New Brunswick and, to a lesser degree, local governments. The 1960s saw the entry of a new participant into the field of economic development -- the federal government. Federal politicians and bureaucrats, already busy extending the welfare state into a number of social sectors, began directing their energies towards the issue of regional equality. Throughout the decade a myriad of federal programmes were implemented, all designed to rejuvenate the country's underdeveloped regions. New Brunswick, as one of the poorest provinces, was eligible for many of these programmes while northeastern New Brunswick, as the poorest region in one of the poorest provinces, became the focus of test cases for this new application of Keynesian economics. Both the province and the mining companies

operating on the North Shore were quick to exploit Ottawa's new-found interest in regional development in an effort to expedite mineral development. But before discussing this issue it is necessary to give a brief history and explanation of the "alphabet soup" of regional development programmes initiated throughout the period.¹⁹

After years of refusing to acknowledge responsibility for regional disparities, the federal government, under the leadership of John Diefenbaker, tentatively entered the policy field of regional development in the late 1950s with a series of ad hoc policies. Short-term adjustment grants, low interest loans to provide power to attract industry to the region, and a national Roads to Resources programme, designed to help exploit the natural resources of hinterland areas, were all offered to the Atlantic provinces in an attempt to develop their declining economies. This was followed in 1961 with the passage of the Agriculture Rehabilitation and Development Act (ARDA). The goal of this act, the first major regional development programme, was to promote rural development through projects dedicated to alternative land use and soil and water conservation, the cost of which would be shared by the federal and provincial governments. The Act also authorised Ottawa to undertake studies into the general problem of rural underdevelopment. Near the end of its mandate in 1962 the

¹⁹There is a large body of academic literature on regional development in Canada. Of particular interest are: Savoie, *La Lutte Pour Le Développement: Le Cas Du Nord Est*; and *Regional Economic Development: Canada's Search for Solutions*; Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*; Careless, *Initiative and Response: The Adaptation of Canadian Federalism to Regional Development*; Young, "Development, Planning and Participation in New Brunswick, 1945-1975", chapter 7; Matthews, *The Creation of Regional Dependency*; Richard W. Phidd and G. Bruce Doern, *The Politics and Management of Canadian Economic Policy* (Toronto 1978), chapter 9; Kruciar and Koegler, *Regional Development in Northeast New Brunswick*; Forbes, "Atlantic Provinces, Free Trade and the Constitution"; Della Stanley, "The 1960s: The Illusions and Realities of Progress"; and Peter J. Brander, "Regional Development Policy and the Single Industry Town, Dalhousie, N.B., 1860-1990", M.A. thesis, Carleton University, 1993.

Diefenbaker government undertook a final regional development measure -- the Atlantic Development Board (ADB). The principal functions of this Board, composed of five businessmen and no funds, were to advise the federal cabinet on the demands of the region's Premiers and to develop a long-term "development plan for the Atlantic region". This was the first attempt at regional development planning and was a direct response to the Gordon Commission's Report in 1958 which recommended a coordinated federal effort to ameliorate Atlantic Canada's economic problems.²⁰

The Liberal administration of Lester Pearson, which succeeded the Conservatives in 1963, expanded the regional development policy field considerably throughout the 1960s. Although regional development never became a central consideration in defining overall national industrial policy, a new "government generation" of interventionist cabinet ministers and senior civil servants, such as Jean Lesage, Jack Pickersgill and Tom Kent, succeeded in expanding the regional development policy field opened up by its predecessors.²¹

The ADB was completely revamped in 1963. Under the political control of Newfoundland's cabinet representative, Jack Pickersgill, the ADB's role was transformed from an advisory and research tool to a funding agency for regional

²⁰Savoie, *Regional Economic Development: Canada's Search for Solutions*, pp.24-5; Bickerton, *Nova Scotia, Ottawa, and the Politics of Regional Development*, pp.162. Royal Commission on Canada's Economic Prospects, *Final Report* (Ottawa, 1957).

²¹James Bickerton has argued that advocates of regional development policies in the federal government met with resistance from powerful bureaucrats and cabinet ministers in the key Finance and Trade and Commerce departments. He concludes that the unwillingness of these individuals to incorporate regional development goals into national industrial policy was a factor in the ultimate failure of state attempts to develop the Atlantic Canadian economy. Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*.

infrastructure projects. Endowed initially with a budget of \$100 million (an amount later increased to \$150 million in 1966 and \$186 million in 1968) the Board funded the construction and upgrading of infrastructure considered necessary to attract industry to the region. Between 1963 and 1969, when the Board was disbanded, the agency spent most of its money on highway construction, sewage and water systems, industrial parks, and the generation and transmission of electricity.²²

The Liberal government also created the Area Development Incentives Act (ADIA) and the Area Development Agency (ADA) in 1963. Administered by the newly-formed Department of Industry, these initiatives offered three-year tax holidays and grants to new industries locating in areas of high unemployment. The principal conditions determining eligibility were that the company be located in the designated area, that it hire "continuing" residents of that area, and that it produce secondary products for export. While a number of Atlantic Canadian areas were designated under this programme, the federal government, as Bickerton has argued, viewed the initiatives not as a regional but a social welfare measure. The designated areas were determined by the "objective" criteria of unemployment statistics collected by the National Employment Service.²³ Consequently, urban centres such as Halifax-Dartmouth and Moncton were deemed ineligible for designation, a situation that upset Maritime provincial governments as well as the regional business community's lobby

²²Savoie, *Regional Economic Development*, p.25.

²³Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*, pp.184-6. Anthony Careless has argued similarly, noting that the ADA incentives "represented a social policy of employment, not an economic policy of development." See Careless, *Initiative and Response*, p.97.

group, the Atlantic Provinces Economic Council.²⁴

Under the Pearson government ARDA was transformed and expanded to become a truly "regional" development programme. Initially designed to increase rural incomes through the development of existing agricultural resources, the agency's goal evolved into a much more ambitious project of "rural adjustment", whereby local residents would be educated to develop new "modern" industries locally or move to urban areas to join the industrial workforce. (Accordingly, the agency was renamed the Agricultural and Rural Development Act in 1966.) To meet this goal of "social readjustment" the Fund for Rural Economic Development (FRED) was established in 1966 as a sub-agency of the new ARDA. Endowed with a budget of \$300 million, FRED's mandate was to develop, in conjunction with the provincial governments, comprehensive social and economic development plans in target areas of high unemployment and poverty. It also had the secondary function of fostering economic planning within the various provincial states. To meet these goals ARDA and FRED allocated funds to build provincial bureaucracies, relocate rural residents to local growth centres, re-educate residents²⁵, provide infrastructure for the growth centres, and, perhaps most important, to convince rural residents of the importance of "readjustment". One of the features which distinguished ARDA from the other federal development programmes was the emphasis placed on local participation in economic

²⁴Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*, 184-6; Careless, *Initiative and Response*, pp.91-108.

²⁵Ottawa also introduced two other programmes during the 1960s -- the Technical and Vocational Training and Assistance Act and the Occupational Training Act -- designed to help provinces finance adult education. See Savoie, *Regional Economic Development*, p.26.

and social planning. While the ADB and the ADA were largely run by civil servants, ARDA established local committees of residents to contribute to the planning process, at least in principle. Initially, ARDA used these committees to gather local information and ideas. As the decade progressed, however, its intentions changed; increasingly, the agency's planners saw the local committees as a means of promoting modernisation from the inside.

[P]articipation was a means to promote change by causing an attitudinal break from tradition, and by educating rural dwellers in the planners' realities. Modernisation was also to be accomplished by formal education and counselling, but it was inherent in planning, which stimulated thinking about alternatives, and new organisations and the technique of 'social animation' were both deployed to induce in apathetic and unquestioning rural dwellers an appreciation of their position and the chances of improving it.²⁶

The conjuncture of the growing provincial and corporate interest in New Brunswick's base metal industry and federal regional development programmes in the 1960s was fortuitous indeed for the managers of Brunswick-East Coast. The location of a major heavy industry in a region of chronic underemployment and unemployment attracted the interest of federal bureaucrats and politicians committed to the goal of regional economic adjustment. Throughout the mid-1960s the company and the Robichaud government would exploit that interest, an interest that increased as the scope of the project grew.

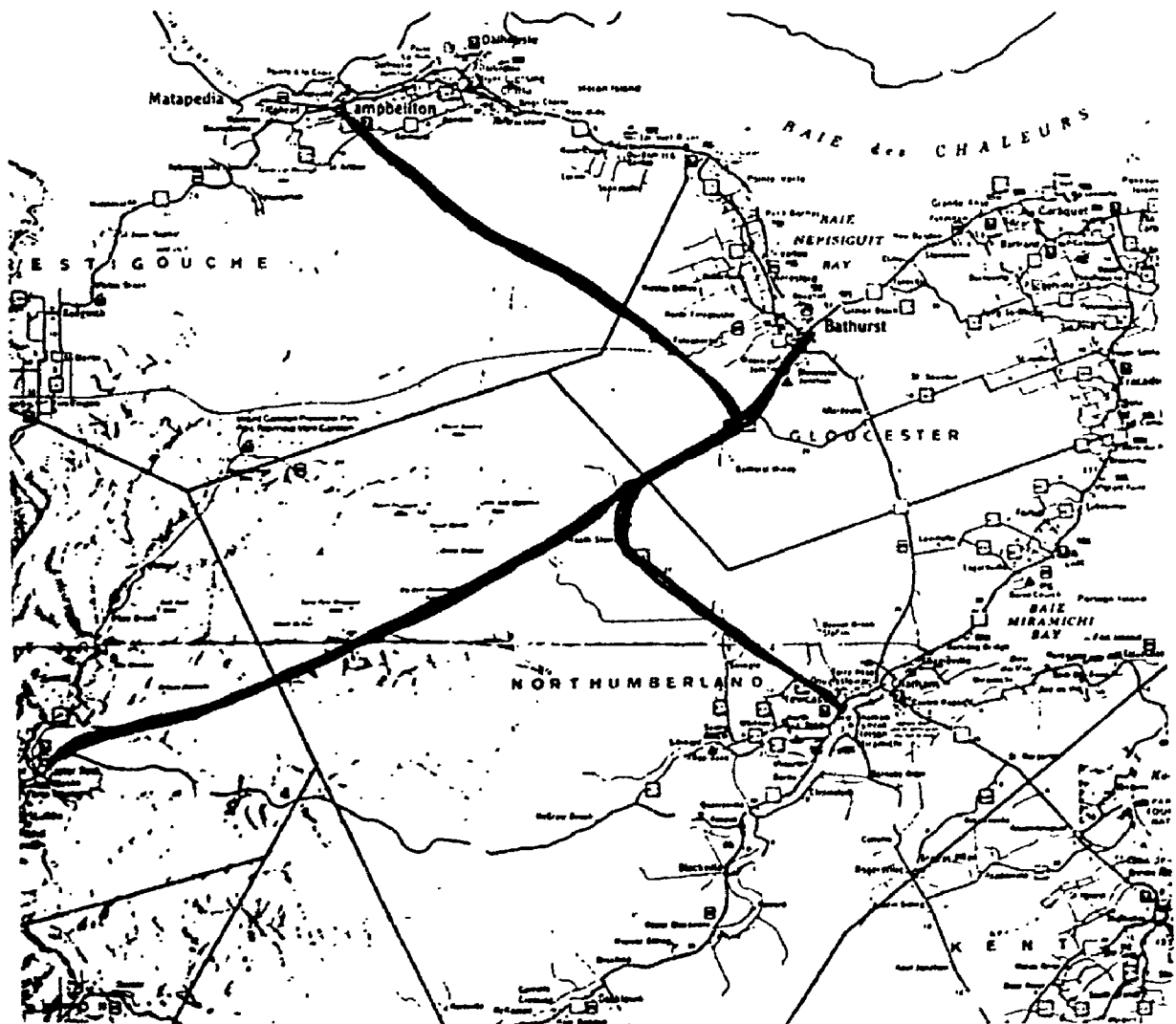
²⁶R.A. Young, "Planning and Participation", pp.203-4.

Competing for Prosperity: State, Capital and Communities

The increased pace of base metal development had created a great deal of enthusiasm in many North Shore communities. Prosperity generated by this new industry would not be unlimited, however, and optimism soon gave way to competition between communities for economic benefits. The routes chosen for roads to mine sites and the location of the smelter and shipping harbour were valuable prizes hotly pursued by towns such as Bathurst, Newcastle, and Dalhousie. Decisions on these matters were controversial and brought the mining companies, communities, the province, and, increasingly, Ottawa into conflict with one another.

One of the early areas of dispute was the routing of roads in Northumberland and Gloucester Counties. In the late 1950s the federal government had initiated the Roads to Resources programme which provided funds for roads linking natural resources in underdeveloped regions to urban centres. In New Brunswick the Fleming government had supported a road running from Newcastle to Campbellton, in the north-central part of the province. This road would pass through the Heath-Steele, Cominco (Wedge mine) and Brunswick minefields, but not through the town of Bathurst. This choice upset municipal officials in Bathurst who had hoped to be the principal beneficiary of the new industry. They had proposed a road running across the centre of the province linking Bathurst, the minefields, and Plaster Rock in western New Brunswick. [See Map 6.1]

Map 6.1
Map Showing the Proposed Bathurst-Plaster Rock
and Newcastle-Campbellton Highways



Many Bathurst residents suspected that politics lay behind the government's choice; while Northumberland County returned Conservative MLAs occasionally, Gloucester

County consistently voted Liberal. The Bathurst-Plaster Rock road was eventually supported as a second Roads to Resources proposal after the Liberals formed a new government in 1960. However, while Ottawa had approved the proposal it was not clear when road construction would commence.²⁷

In January 1962 the issue re-emerged when it was revealed that 65 COMINCO workers who resided in Bathurst and commuted to the Wedge Mine, located near the Northumberland County border, might have to move their families to Newcastle because of the absence of an adequate highway. In good weather these workers had made the 37 mile trip on an old road, part of which was owned by the company. The workers feared that the company had inadequate equipment to keep the road clear during the winter and, thus, planned to move their families to Newcastle, from which they could travel to work on the Newcastle-Edmunston Road to Resources. The Bathurst Board of Trade, fearing the economic impact of such moves, called Gloucester County MLAs to a meeting to consider remedial action. Some people, including the editor of the Bathurst *Northern Light*, suggested that the Newcastle-Campbellton highway be "rejected" and that construction of the Bathurst-Plaster Rock project begin immediately. The Newcastle-Campbellton highway, the editor claimed, was nothing less than a threat to Bathurst's economic future. "The time has come for Gloucester County to take off its velvet gloves and assert its right to continue to be the mining centre of New Brunswick....This is a case where what is beneficial for the

²⁷"Gloucester Vs. Northumberland", *Northern Light*, 4 January 1962, p.2; "Action and Reaction", *Northern Light*, 11 January 1962, p.2

Miramichi is detrimental to Gloucester."²⁸ The issue was eventually diffused when the province agreed to keep the company's share of the highway plowed throughout the winter.

Workers commuting from Bathurst to the COMINCO operation raised another source of conflict between Northumberland and Gloucester Counties. Fearing that Gloucester County residents might be hired by COMINCO and Heath Steele Mines -- both of whose operations were located on the Northumberland side of the county border -- local politicians in Northumberland County took measures to ensure that county residents were hired. Tax concessions for the mining companies were made conditional on the employment of local residents, and, to facilitate this condition, the Town of Newcastle, in 1961, established a bureau where local workers could register for mine work. Despite these efforts the companies continued to hire some Gloucester County residents, as demonstrated by the example of workers commuting to COMINCO from Bathurst in 1962. Indeed, throughout the 1961-3 period mining company officials were regularly called to County Council meetings where they were required to report on the number of Northumberland employees on company payrolls and to justify the hiring of Gloucester County residents.²⁹

²⁸Other Gloucester County residents saw the issue as less serious. Responding to the *Northern Light's* editorial, one writer argued that "We should leave our sister county alone and work on the reopening of our own mines." See "Mover's Comments", *Northern Light*, 18 January 1962, p.2; "Workers at Wedge Mine Under Pressure to Move Homes to Miramichi", *Northern Light*, 4 January 1962, p.1; and "Gloucester vs. Northumberland", *Northern Light*, 4 January 1962, p.2.

²⁹See "County Council", *North Shore Leader*, 22 September 1961, sec.2, p.4; "County Council", *North Shore Leader*, 23 February 1962, p.7; and "Tax Concessions Are Discussed By Council", *North Shore Leader*, 9 November 1962, p.4. The County Council's concerns on this matter were not restricted to the mining industry. South Nelson Forest Products officials faced similar interrogations in the mid 1960s.

The location of Brunswick Mining and Smelting's operations in the centre of Gloucester County meant that the local employment issue was not as crucial as in the neighbouring county. The company, however, recognised the importance of the factor, both for its legitimation at the local level and to maintain the continuing goodwill of the province. In response to a question from a government official in 1963, Engineering Consultants Ltd. reported that they had "emphasized to the contracting firms working at the site that their personnel requirements should be drawn from the residents of Gloucester County insofar as men who are qualified to perform the required work are available." It also noted that of the nearly 500 people working on the concentrator, 80 per cent were Gloucester County residents.³⁰

While the 500 jobs generated by the construction of the concentrator would temporarily boost the North Shore economy, the smelter, it was predicted, could spawn long-term economic growth for the surrounding region. The question of its location was therefore important for all New Brunswickers. Initially, the managers of East Coast Smelting wanted to locate the project in Saint John in order to take advantage of the established year-round ice-free port and the trained industrial workforce. Moreover, the city was also the base of K.C. Irving's industrial empire. Despite producing a consultant's report supporting its position, the company ran into opposition from the province. The Premier, who had a strong political stake in having

See "County Council Held Semi-Annual Session", *North Shore Leader*, 15 July 1965, p.7; "County Council", *North Shore Leader*, 10 February 1966, p.11.

³⁰John D. Park to Robichaud, 10 June 1963; and A.G. Kirkland to Park, 5 June 1963, Robichaud Papers, RS416 1963 #187, PANB.

the smelter built on the North Shore, made the government's \$20 million guarantee to the company conditional on this point.³¹ The company acceded to the Premier's wishes without much of a fight, but would use this example of their "goodwill" to win government support for concessions in the future.

East Coast's managers now had to find a location in northern New Brunswick for their smelter and a harbour from which to ship their refined products. The Town of Dalhousie, in Restigouche County, seemed a strong candidate. Situated on the Baie de Chaleur and with a substantial port that was already, by 1963, shipping lead-zinc concentrates for COMINCO and Heath Steele Mines, the town seemed a suitable choice.³² Bathurst was also lobbying hard for the project. Located on Neipisiguit Bay and near Brunswick Mining and Smelting's main minefields, the town had also received a \$3 million commitment from Ottawa in 1957 to dredge Bathurst Harbour to accommodate the shipment of base metals.³³ Local politicians were already extremely upset with Brunswick's decision to ship concentrates, that were subject to a municipal tax concession, through a port located outside of Gloucester County, namely Dalhousie, and were insistent that the company locate the smelter within the county.³⁴ East Coast eventually rejected both Bathurst and Dalhousie, arguing that they could not

³¹Interview of Louis Robichaud by author, 26 May 1994, Ottawa, Ontario.

³²"Dalhousie Port Shipping Lead and Zinc", *North Shore Leader*, 10 May 1963, Sec.2, p.2.

³³"Memorandum to Cabinet", 8 February 1965, DREE Records, RG124 Acc.83-84/249, Vol.51 File #3-70-101, NAC.

³⁴"Mayor Angry at Mining Decision: Says Dalhousie Shipments Are Insult to This Community", *Northern Light*, 2 May 1963, p.1. The Acadian Federation of Agriculture also protested Brunswick's actions; see "Acadian Farmers Support Ore Shipment Demands", *Northern Light*, 16 May 1963, p.16.

meet the company's requirement of having an ice-free harbour for ten and one-half months of the year. The company did, however, take advantage of Gloucester County's fear of losing the smelter to another municipality, by making the location of the smelter within the county conditional on a generous 30-year tax agreement with the County Council.³⁵ Having achieved a suitable agreement, the company announced in the fall of 1963 that its complex would be built at another site along the Baie de Chaleur, Belledune Point. This relatively uninhabited area was situated on the Gloucester County side of the boundary with Restigouche County, 17 miles from Bathurst and 44 miles from Dalhousie. However, while Belledune had a natural deep-water harbour it was undeveloped and would require a considerable investment to complete the necessary dredging and construct the wharves, breakwaters and other protection.

The company looked towards Ottawa for funding for this new harbour, and enlisted the provincial government to plead their case. Having convinced East Coast to locate their operations on the North Shore the province was unwilling to challenge their choice of sites. They accepted East Coast's feasibility studies, which rejected the port of Dalhousie on the grounds that it did not have sufficient room for expansion. The Robichaud government approached the newly-formed Atlantic Development Board (ADB) in November 1963 asking that they promote the development of a protected year-round deep water harbour at Belledune Point. Noting that a new port on the

³⁵Under the agreement East Coast would pay a grand total of \$1.6 million in taxes over a 30 year period. "County and East Coast Agree on Smelter Taxes", *Northern Light*, 14 November 1963, p.1.

North Shore could also be used by the province's fishermen and other heavy industries that they expected to follow the smelter into the region, the government concluded that "[t]he construction of the harbour would make a very significant contribution to the rational development of the entire northern region of this province."³⁶ This emphasis on rational development not only appealed to Ottawa's increasing interest in economic planning, particularly in matters of regional policy, but it also reflected how the Robichaud administration viewed its own role.

ADB officials greeted the province's request enthusiastically. The harbour project fit well into the agency's mandate of providing infrastructure to attract industry to the region. Accordingly, it commissioned a feasibility-engineering study for the project, the cost of which would be shared with the Department of Public Works. Interestingly, Engineering Consultants Ltd., the company established by Irving to oversee construction of the smelter, was chosen to carry out this "independent" assessment, at a cost of \$120,000, with McNamara Engineering Ltd., of Halifax. Why officials of the ADB and Department of Public Works chose a company that was so closely and publicly tied to the smelter project is not clear. But it must have come as no surprise to federal officials when the consultants supported the project.

The consultants' report, issued in November 1964, presented a compelling case for Belledune Harbour. Having factored into their analysis East Coast's expanded industrial complex, announced in October 1964, the report showed that the operation would ship 2 1/4 million tons of exports worth \$90 million annually (including

³⁶L.G. Desbrisay to Dr. E.P. Weeks, 22 November 1963, Robichaud Papers, RS416 1963 #187, PANB.

finished steel products, lead, zinc, and pyrite concentrates, sulphuric and phosphoric acid, and fertilisers). Moreover, the port would generate other benefits for the region. A general cargo and fishermen's wharf could be used by a host of other industries already established in the area.³⁷ The inclusion of these facilities in the project was a significant part of East Coast's case for federal funding, for they made the harbour seem more "public". The consultants estimated that it would cost nearly \$13 million to dredge the harbour and build the wharves and breakwater necessary to accommodate this traffic.³⁸

A federal Interdepartmental Committee On Belledune Harbour, established to assess the request, agreed that the proposed harbour was crucial to the development of the province's mineral industry, but they were uncertain of the immediate necessity of constructing the general cargo and fishermen's wharves.³⁹ Department of Public Works officials were particularly sceptical of the company's motives for including these public wharves. "Public Works feel that the...proposition is an attempt to disguise a single purpose harbour as a general purpose one."⁴⁰ However, because the committee accepted the consultants' contention that Belledune was the best site for a

³⁷In particular, the report predicted that Belledune Harbour would reduce the "heavy burden on the unemployment insurance fund" by allowing local fishermen to work in the wintertime. "Economic Feasibility Study -- Belledune Harbour", Section 4 General Cargo Facilities, pp.17-8, DREE Papers, RG124 Acc.83-84/249 Vol.51, File #3-70-101 FP., NAC.

³⁸"Belledune Harbour Development: Analysis of Consultants Report", DREE Papers, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

³⁹The committee consisted of representatives of the Departments of Public Works, Transport, Finance, Treasury Board, and the ADB.

⁴⁰J.A. Bergasse to J.A. Teeter (Deputy Commissioner, ADA), 14 August 1964, DREE Records, RG124 Acc.83-84/128 Vol.1 File #602-17-34(1), NAC.

deep water ice-free harbour in northern New Brunswick, they were anxious to ensure that it not fall under the control of "one private company".⁴¹ If East Coast developed the harbour without government help, something federal officials believed was possible, it would be difficult for other mining companies or industries to obtain access to this prime location. The committee therefore proposed that Ottawa build the whole harbour to protect "future public use and expansion capabilities".⁴² On 17 March 1965 Hédard Robichaud, the federal Minister of Fisheries and Member of Parliament for Gloucester County, announced that the Department of Public Works would construct a \$16 million deep water ice-free port at Belledune Point. Under the agreement East Coast would pay for the construction of the bulk cargo wharves that they would use exclusively and half of the cost of the breakwaters protecting the harbour (amounting to a total of nearly \$7 million) while the federal government covered all other costs. The National Harbours Board would administer the port after construction.⁴³ Almost as soon as the agreement was announced Irving continued to press Ottawa for more concessions. He wanted to have the breakwater extended further than had been

⁴¹Lucien Lalonde (Deputy Minister of Public Works) to Dr.E.P. Weeks (Executive Director, ADB), 9 November 1964; Memo to File Re:Interdepartmental Meeting on Belledune New Brunswick, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC; R.B. Bryce (Deputy Minister of Finance) to Walter Gordon (Minister of Finance), 1 March 1965, Finance Department Papers, RG19 Vol.4480 File #9455-17 Pt.1, NAC.

⁴²"Draft Memorandum to Cabinet on Assistance for Belledune, N.B. Harbour Development"; Minister of Public Works, "Memorandum to Cabinet", 8 February 1965; Minister of Transport, "Memorandum to Cabinet: Harbour Development, Belledune Point, New Brunswick", 19 February 1965, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

⁴³Department of Fisheries Press Release, "New Port for Northern New Brunswick", 17 March 1965; T.F.Wise (ADB Economist), Memorandum to File Re: Belledune, 17 March 1965, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC; Aide Memoire on Belledune Harbour by H.A. Mann, National Harbours Board, 15 August 1966, Robichaud Papers, RS416 1966 #153, PANB.

originally planned and, moreover, he was being difficult on the issue of the public wharf. Because he wanted "all his operations in unbroken lines", he was unwilling to allow the public wharf to be constructed behind the breakwaters. He eventually relented in 1966 but only after the government agreed to pay for the complete cost of breakwater construction, rather than 50 per cent outlined in the original agreement.⁴⁴

The federal government's decision to build Belledune Harbour was very much informed by regional development concerns. Background memoranda prepared by both the Department of Public Works and the ADB emphasised the province's role in encouraging East Coast to locate on the North Shore rather than in Saint John, tacitly accepting the legitimacy of this economic planning. Moreover, in its report to cabinet in 1965, the ADB recommended supporting the harbour as a regional development project. "The new developments promised by the East Coast Smelting Company's operations should, therefore, markedly increase the income and decrease the demands for welfare payments and Unemployment Insurance Benefits in one of the poorest areas of Canada."⁴⁵ Irving recognised the federal government's growing interest in regional development and used it to his advantage in negotiations. In meetings with federal Finance Department officials in early 1965, he argued that, in light of his substantial investment in the mining industry, Ottawa should pay for all of the costs

⁴⁴E.P. Weeks, "Notes on telephone conversation with Howard Mann, National Harbours Board", 25 June 1965, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC; "President Defends Brunswick Policies", *Northern Light*, 13 May 1970, p.3.

⁴⁵Department of Public Works Request to Treasury Board for Authority to Undertake Engineering Study, Belledune, N.B., 27 December 1963; "Draft Memorandum to Cabinet on Assistance for Belledune, N.B. Harbour Development". DREE Records, RG124 Acc.83-84/249 vol.51 File #3-70-101, NAC.

associated with the breakwaters. Commenting on the meeting, J.L. Fry of the Finance Department noted, "[Irving] felt the Government should be prepared to provide the funds as a contribution toward the development of the North Shore."⁴⁶

While a harbour at Belledune would stimulate economic activity in the region, it also had the effect of re-distributing existing economic patterns. Although the province had requested the new harbour to "supplement the facilities at Dalhousie" it soon became clear that Belledune would draw port traffic away from Dalhousie and, to a lesser extent, Bathurst.⁴⁷ E.P. Weeks, executive director of the ADB, noted in late 1963 that the Belledune project should be studied "bearing in mind detrimental effects...the development of this project was bound to have on Dalhousie..." The federal feasibility study conducted by ECL and McNamara Engineering Ltd. acknowledged that exports of lead, zinc, and copper concentrates and imports of oil (perhaps related to Irving Oil) would increasingly move through Belledune at the expense of Dalhousie.⁴⁸

It should not be surprising then that the federal decision was not well received by people in Dalhousie. In telegrams and letters sent to Ottawa and Fredericton, the Dalhousie Board of Trade protested against construction of the new harbour when

⁴⁶J.L. Fry to C.J. MacKenzie and D.W. Franklin, 19 January 1965, Finance Department Records, RG19 Vol.4480 File #9455-17 Pt.1, NAC.

⁴⁷Desbrisay to Weeks, 22 November 1963, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

⁴⁸"Belledune Point", notes on E.P.Weeks' discussion with Messrs. John Park, Estes, and Gallagher (all of Engineering Consultants Ltd.), 4 December 1963, DREE Records RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC; "Economic Feasibility Study: Belledune Harbour", Section 4, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-7-101 FP, NAC.

there were five local harbours, including Dalhousie, that could be improved to meet the company's requirements. The Board feared that the construction of a large harbour would draw shippers away from the small ports.

Once there is an investment of this magnitude at Belledune the smaller harbours will be all but abandoned as the National Harbours Board and other Federal agencies will encourage importers and exporters to make use of expensive installations and ancillary equipment at Belledune.... [I]f our Government has \$16,000,000 or more which it wishes to spend on harbour developments let it be divided among the smaller harbours for improvements to facilities which already exist.⁴⁹

The Campbellton-Dalhousie District Labour Council (representing twelve unions and two thousand members) also protested Ottawa's decision to fund a new harbour to meet the needs of a private company, arguing that the money should be spent on existing harbours.⁵⁰

It is difficult to determine whether local harbours were really as unsuitable as Brunswick claimed. A Department of Public Works report had noted that, based on a detailed study of ice reports, "Belledune will be as good as Dalhousie as a winter port", but no better.⁵¹ It is true that Dalhousie's 28 foot deep harbour might not have met the company's requirements of a 42 foot deep water port to accommodate large cargo ships. Belledune harbour was deeper but still required a considerable amount of

⁴⁹Dalhousie Board of Trade to Robichaud, undated, Robichaud Papers, RS416 1965 #164, PANB.

⁵⁰Campbellton-Dalhousie District Labour Council to Hon.J.W. Pickersgill (Minister of Transport), 26 May 1965, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

⁵¹N.S. Hammond (Project Supervisor), "Harbour Improvements: Belledune Point", pp.6-7, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

dredging to meet the company's needs.⁵² Whether the cost differential between developing a new harbour at Belledune and improving the existing one at Dalhousie favoured Belledune is not known. However, it should be noted that the company's interest in a new harbour also reflected other factors. At Belledune there would be unimpeded access between the company's industrial complex and the port while East Coast would have to deal with established interests along the waterfront at Dalhousie. Moreover, it would be practically impossible to locate the smelter within town limits near the harbour.

The province's support of Brunswick's choice of Belledune over Dalhousie as a distribution point reflects the government's willingness to let the company set the terms of the project so long as the government's general goal of smelter construction on the North Shore was progressing. This point was not missed by the Dalhousie Board of Trade: "When there are products to be shipped it is common practice in most parts of the world to bring the products to the nearest seaport. Our Government seems determined to reverse this trend and bring the port to the product."⁵³ While Brunswick's investors stood to profit handsomely from the base metal development, Robichaud too had considerable stock in the project. The mining complex was the cornerstone of his government's Operation Prosper. Although a number of agencies were in place to oversee ventures brought into the province, direction of the Brunswick

⁵²Engineering Consultants Ltd. and McNamara Engineering Ltd., "Economic Feasibility Study: Belledune Harbour", section 4, pp.35-7, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101 FP, NAC.

⁵³Dalhousie Board of Trade to Robichaud, March 1965, Robichaud Papers RS416 1965 #164, PANB.

complex was centred in the Premier's Office.⁵⁴ This was his "project" and the success of it would represent tremendous political capital for the Premier and the Liberal Party.

The distribution of economic benefits from the new mining developments was determined not only by direct competition between northern New Brunswick communities but also by the federal programmes that made up the emerging regional development policy field. The Area Development Agency (ADA), one of the Pearson government's early forays into this field, offered three-year tax holidays to companies establishing manufacturing industries in designated areas of chronic high unemployment. The only conditions were that these companies manufacture secondary products and that they hire "continuing residents" of the designated area.

East Coast officials thought that the choice of Belledune, in the traditionally poor county of Gloucester, as the site of its industrial complex put the company in a good position to take advantage of the ADA programme. However, Gloucester County was excluded from the ADA's list of sixty-five designated regions nationally. The Agency's rigid and inadequate designation criteria, formulated by the National Employment Service, rejected the Bathurst region due to the fact that it had experienced an increase in employment over the previous eight years, ignoring completely the region's history of extraordinarily high levels of *underemployment*.⁵⁵

⁵⁴D.D. Tansley to W.S. Bird, 6 November 1967, Robichaud Papers, RS416 1967 #130, PANB.

⁵⁵An analyst for the federal Department of Labour had noted that the 1961 Census had shown that "51 per cent of the wage earners in the Bathurst area worked less than 27 weeks during the year." Moreover, the area "ranked near the bottom of the list, both in wage earner income [\$1,807] and family income [\$3,291 for non-agricultural families]." P.J.O'Brien (Department of Labour) to Tom Wise (ADB), 1

The Campbellton region of the neighbouring county of Restigouche was given the dubious honour of designation, though.

Although East Coast's industrial complex was technically ineligible for ADA tax concessions, due to its location in Gloucester County, the company tried to convince Ottawa to include its Belledune operation, located less than three miles from the Restigouche County border, as part of the Campbellton designated area. (The 1963 legislation creating the ADA allowed the government to use an order-in-council to designate "contiguous localities" situated adjacent to designated areas.) In a March 1964 submission to C.M. Drury, federal Minister of Industry, East Coast's managers carefully outlined their case for inclusion. Not only was the proposed industrial complex located directly adjacent to Restigouche County, the company's property actually extended into the designated area. Moreover, while the smelter project would "initiate a startling transformation" in the whole north shore economy, Restigouche County would be the principal beneficiary. A good portion of the company's labour force would be drawn from Restigouche communities such as Jacquet River, located eight miles from Belledune and the "largest population concentration near the smelter".⁵⁶

Supplementary submissions by the company reiterated this point. A labour

December 1964, DREE Records, RG124 Acc.83-84/249 Vol.52 File #3-90-100, NAC. The central Ontario communities of Cornwall, Windsor, and Brantford did, however, meet the ADA's criteria (at least until it was revised in 1965) due to a recent bout of "high, exceptional (but not chronic), unemployment...." See Careless, *Initiative and Response*, p.100.

⁵⁶John D. Park (President, Engineering Consultants Ltd.) to Hon. C.M. Drury, 18 March 1964, DREE Records, RG124 Acc.83-84/128 Vol.1 File #602-17-34(1), NAC.

study, apparently prepared by Engineering Consultants Limited, showed that, in addition to the nearly 800 jobs created by the construction phase, East Coast would require another 445 full-time workers after the smelter went into operation. The company estimated that, of that number, 220 employees would come from within the designated area -- 185 from Jacquet River and surroundings and 35 from the Campbellton-Dalhousie area. Another 70 would be employed from Bathurst and 45 from outside northern New Brunswick. The remaining 110 positions would be filled with residents from the Belledune area, apparently in fulfilment of a promise made to the parish priest at the time that the company was buying up local land. Engineering Consultants Limited predicted that the smelter jobs would reduce unemployment in the designated region by 7 per cent during the winter peak and by over a third during the summer. These year-round jobs that paid "national-level wages" would create a multiplier effect in the local economy and address the region's traditional problem of seasonal unemployment. Moreover, since most of the required labour from Restigouche County was either unskilled or semi-skilled the company believed that the smelter would "draw labour from marginal farming, fishing and forestry operations" thereby "increas[ing] total productivity in those sectors of the economy...." This thinly veiled reference to the resource rationalisation goals of the ARDA was clearly designed to demonstrate how East Coast's project addressed broader regional development issues.⁵⁷

⁵⁷"Availability of Labour in Eastern Restigouche County"; "Comments on Points Raised by S.B. Kayes", DREE Records, RG124 Acc.83-84/128 Vol.1 File#602-17-34 EP, NAC; S.B.Kayes, "Memorandum for File", 28 October 1964, DREE Records, RG124 Acc 83-84/249 Vol.52 File #3-90-100, NAC.

There were other compelling reasons for the ADA to grant East Coast's request. Premier Robichaud, recognising that the company located the smelter in northern New Brunswick at his government's insistence, gave unqualified support to East Coast's application. This endorsement was important to ADA officials, for the tax incentives, although applicable to federal income taxes, really amounted to "another sizeable concession to the company" by the province due to the existing federal-provincial tax sharing agreements. (Under these agreements provinces shared with Ottawa a portion of the tax revenue collected within their borders.)⁵⁸ Furthermore, the ADA accepted the firm's claims that the project held great promise for generating economic growth throughout all of northern New Brunswick. An Agency report concluded that "this type of project could very well be the type of regional development which is most useful." Moreover, federal support would reassure the region of Ottawa's commitment to the principal of regional development. "Support for the project could demonstrate to New Brunswickans in general, the New Brunswick government, and to the related firms involved the interest of the Federal Government and the Agency in particular in the area."⁵⁹

Federal officials did have some reservations, though. In particular, they were not convinced initially that the smelter met the ADA's criteria. The incentives were

⁵⁸W.J. Lavigne, "Memorandum to file Re: East Coast Smelting and Chemical Company", 16 June 1964, DREE Records, RG124 Acc.83-84/249 Vol.52 File #3-90-100, NAC. On the history of federal-provincial tax agreements, see R.M. Burns, *The Acceptable Mean: The Tax Rental Agreements, 1941-1962* (Toronto 1982).

⁵⁹"Report on East Coast Smelting and Chemical Company Limited", DREE Records, RG124 Acc.83-84/249 Vol.52 File #3-90-100, NAC.

available only to firms establishing operations after the Act was passed in the summer of 1963. East Coast met that criteria if one accepted their claim that the decision to go ahead with the project was made only after the presentation of a final feasibility study in October 1963. ADA officials were, however, suspicious of that claim, particularly since the company's prospectus suggested an earlier date. Did it make sense, they argued, to give a location incentive to an industry that was going to locate there regardless?⁶⁰

A more serious concern was East Coast's commitment to hiring from the designated area. This concern was fuelled both by the firm's refusal to commit itself in writing to hiring a certain percentage of Restigouche County workers and by the reports of federal bureaucrats which questioned the economics of such a hiring policy.⁶¹ One such report noted that Belledune was much more closely related to the Bathurst region than Dalhousie-Campbellton; not only was Bathurst closer to Belledune than Campbellton (by 24 miles)⁶², but Belledune's "initial workforce has been from the Bathurst Area". The federal Director of Employment Service reached a similar conclusion, warning that preferential recruitment of smelter workers from

⁶⁰"East Coast Smelting and Chemical Company -- Lead and Zinc Smelter"; S.B. Kayes "Notes Re Meeting East Coast Smelting and Chemical Company", 1 May 1964, DREE Records, RG124 Acc.83-84/128 Vol.1 File #602-17-34(1), NAC.

⁶¹John Park to Hon.C.M. Drury, 29 April 1964, DREE Records, RG124 Acc.83-84/128 Vol.1 File #602-17-34(1), NAC.

⁶²Bathurst was located 17 miles from Belledune compared to the 44 miles between Campbellton and the smelter site.

Campbellton at a time of surplus labour in Bathurst could lead to "local animosities".⁶³

These reservations were eased considerably in October 1964 when East Coast announced the expansion of its complex to include a steel mill and a chemical and fertiliser plant. These additions clearly qualified as "new" projects, eliminating the ADA's concerns about when the company actually decided to locate in Belledune. More importantly, East Coast was now prepared to commit itself to hiring two-thirds of its labour force from the designated area, as required by the ADA.⁶⁴ That amounted to over 600 of the 950 new full-time jobs that would be created under the firm's planned expansion. With this assurance in hand, the federal government in February 1965 extended the Campbellton designated area to include the Brunswick-East Coast industrial complex in Belledune.⁶⁵

The ADA tax incentives were very valuable to Brunswick-East Coast. The federal government estimated that the company would save \$15 million in taxes on its \$75 million investment. Even when one allowed for the large workforce predicted by the company, the cost per job was enormous, amounting to nearly \$16,000.⁶⁶

Anthony Careless has argued that under the ADA the coordination of federal

⁶³The director was particularly concerned about the National Employment Service being used to do the recruiting, as had been requested by the company. W.Thomson (Director, Employment Service) to W.J.Lavigne (Commissioner, ADA), 30 October 1964; and "East Coast Smelting and Chemical Co.-- Lead and Zinc Smelter", undated memo, DREE Records, RG124 Acc.83-84/249 Vol.52 File #3-90-100, NAC.

⁶⁴John D. Park to Hon. C.M. Drury, 24 November 1964, DREE Records, RG124 Acc. 83-84/249 Vol.52 File #3-90-100, NAC.

⁶⁵Hon.C.M. Drury, "Draft Memorandum to Cabinet", February 1965, DREE Records, RG124 Acc.83-84/128 Vol.1 File #602-17-34(2), NAC.

⁶⁶Hon. C.M. Drury, "Background Information to Memorandum to Cabinet", 1 February 1965, DREE Records, RG124 Acc.83-84/128 Vol.1 File #602-17-34(2), NAC.

and provincial planning goals was largely absent. "Initiative under its program was not really federal, provincial, joint, or co-ordinated, but private and corporate -- as was the planning."⁶⁷ This may very well have been true in some cases but the East Coast example suggests that there were exceptions. The initiative for locating the industrial complex in northern New Brunswick came from the provincial government, and the Premier in particular. Federal incentives such as the ADA tax holiday and the construction of a public harbour complemented the Robichaud administration's development goals.

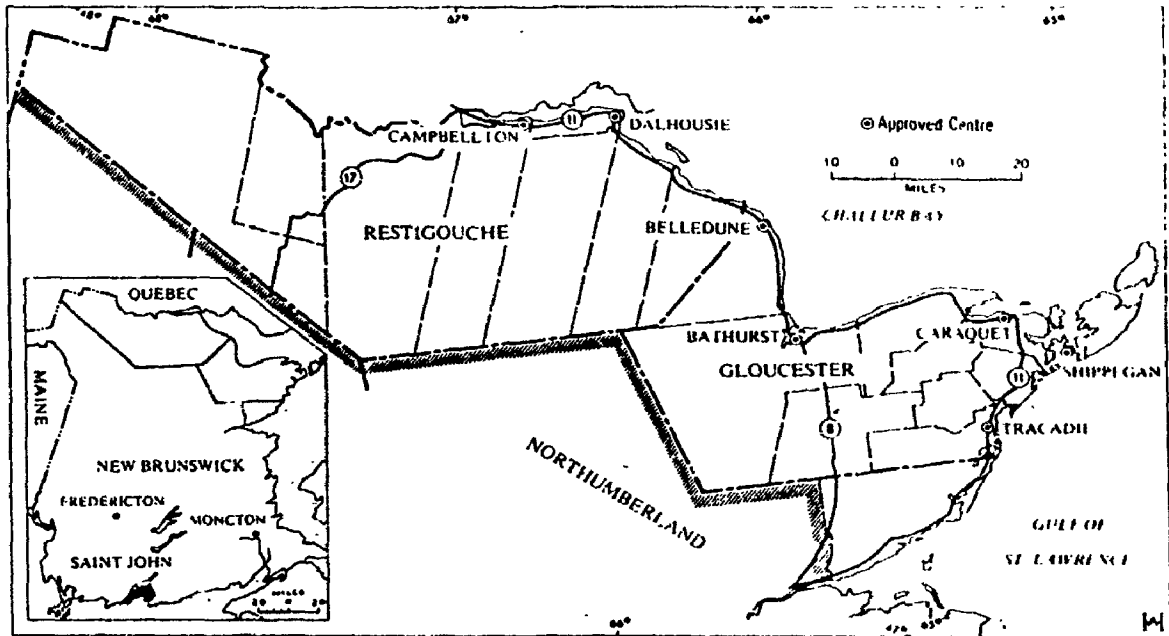
The Northeast Project

The most ambitious and comprehensive approach to regional development in New Brunswick was the Northeast Plan established under the federal-provincial FRED agreement in 1966.⁶⁸ Composed of Restigouche and Gloucester Counties and the Parish of AINWICK in Northumberland County (see Map 6.2), the Northeast was one

⁶⁷Careless, *Initiative and Response*, p.97.

⁶⁸On the Northeast Plan, see Savoie and Beaudin, *La Lutte Pour Le Développement*; Young, "Development, Planning and Participation", chapter 7.

Map 6.2
The FRED Northeast Region



Source: Kruegar and Koegler, *Regional Development in Northeast New Brunswick*, p.10.

of two regions in New Brunswick -- and five nationally -- covered by strategic comprehensive FRED plans. The other plan was directed at the Mactaquac region along the southern part of the Saint John River. There were few similarities in the two projects, though. The Mactaquac plan was centred around the construction of a

massive hydro-electric and recreational complex designed to provide new employment opportunities and productive land use.⁶⁹ In the Northeast the emphasis was less on creating new employment opportunities than on "developing" the people of this rural and largely Acadian region so that they could participate in a modern industrial economy dominated by technologically intensive industries such as the area's new mining and smelting industries.

Planning for the Northeast project began in 1963 when the region was designated a special rural development area under ARDA. Commissioned studies of the region, such as the Whalen Report presented in 1963, painted a picture of a rural population living in scattered settlements and dependent on seasonal work in primary industries that were sorely in need of modernisation.⁷⁰ Fishers were using outmoded and inefficient equipment; farmers tried to make a living off of marginal and unproductive farmland; and forest workers faced diminishing job opportunities as pulp and paper companies modernised and employed more technology. These conditions all contributed to a situation where out of a working population of 29,000, some 10,000 were "seriously underemployed and unemployed" and the average per capita income was "just over \$500...or about one-half of the average of the province and one-third of

⁶⁹L.Gertler, "Observations on the Mactaquac Plan", in Gertler, ed., *Regional Planning in Canada* (Montreal 1972), pp.86-96.

⁷⁰There were actually three studies undertaken under the auspices of ARDA; one in 1963 by political scientist Hugh Whalen of the University of New Brunswick; an incomplete study by the Hunting Survey Corporation in 1964; and one by the Lockwood Survey Corporation completed in 1965. See "Summary of Whalen Report", DREE Records, RG124 Vol.43 File #4017, NAC. On the Hunting study, see Savoie and Beaudin, *La Lutte Pour Le Développement*, p.47; Lockwood Survey Corp. Ltd., "A Report on the Rural Development Pilot Research Region of Northern New Brunswick" ARDA Project no.4022 (Toronto 1965).

the average for the country as a whole." More pernicious than the shrinking economic base were the social impediments that affected the ability of northern New Brunswickers to take advantage of new industrial opportunities requiring particular skills that might emerge. In particular, educational facilities and capacities lagged far behind the rest of the country. "Out of a total of 258 schools in the area, about 160 have only one or two classrooms, and in many of these, the teachers are local people who themselves have not studied beyond grade 9." Moreover, the 1961 census showed that "36% of the labour force had an educational level of grade 4 or less; compared to 13% for Canada as a whole, and only 17%...had grade 9 or higher; compared to 33% for Canada as a whole."⁷¹ Any regional development plan would have to tackle this fundamental social problem.

After first rejecting a plan, developed by a federal-provincial Task Force, that combined educational and technological training with local desires for the improvement of traditional resource industries, Ottawa eventually settled on a provincially-produced scheme.⁷² Designed by the Community Improvement Corporation (CIC), a body established by the province to oversee the Mactaquac development, and a private planning group, Project Planning Associates, the final

⁷¹"Comprehensive ARDA Development Plan for Northern New Brunswick", pp.1-2, in DRI:R Records, RG124 Acc.83-84/249 Vol.52 File #3-95-101, NAC.

⁷²Local suggestions for resource re-development were put forward by the two regional development councils created under ARDA -- the Acadian Conseil Régional d'Aménagement (CRAN) formed in 1964 and its English counterpart, the Northern Regional Development Council (NRDC) formed in 1965 -- for the purpose of mobilising the local population to participate in development planning. Local meetings of residents organised by both CRAN and the NRDC during 1965 and 1966 produced a series of projects based on developing existing resource industries. See Young, "Development, Planning and Participation", pp 210-14.

FRED plan de-emphasised local concerns regarding resource development in favour of education and migration from marginal lands to growth poles within the region.⁷³ A principal assumption underlying the Northeast Plan agreement was the potential of the region's new mining industry to be an engine of economic growth. The agreement frankly acknowledged that rationalisation in traditional primary industries was inevitable but expressed great optimism in the capacity of the mining and, to a lesser extent, pulp and paper industries to provide high-paying year-round industrial jobs for the displaced workers.⁷⁴ It predicted that, over the first five years of the agreement, the mining industry alone would employ 1,500 new workers and, through the multiplier effect, stimulate the creation of another 4,500 jobs in northeastern New Brunswick. Assuming that private capital could provide the requisite high quality jobs to raise regional incomes and standards of living, the Northeast Plan focused on educating the region's relatively unskilled population so that it could take advantage of the new employment opportunities. "[T]he development program", the agreement stated, "depends upon getting the local population into these jobs before they are taken up by workers from outside the region." Accordingly, over 50 per cent of the programme's total \$89 million was to be spent on education and technical and

⁷³The central role ascribed to the CIC in planning, and eventually administering, the Northeast Plan reflected FRED's secondary goal of building and strengthening provincial planning "capacities". Bickerton has noted that "the enhancement of a provincial state's 'in-house' capabilities was a central part of the process of providing such provinces with the resources that would enable them to do the kinds of things that were done in other provinces where the provincial state was better able to do so." Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*, p. 189.

⁷⁴The optimism for the pulp and paper industry reflected Bathurst Pulp and Paper Co.'s planned expansion of its Bathurst paper mill. "Comprehensive ARDA Development Plan for Northern New Brunswick", pp.1-2, DRFE Records, RG124 Acc.83-84/249 Vol.52 File #3-95-101, NAC.

vocational training.⁷⁵ Ottawa would provide funds to aid the Robichaud government's secondary school consolidation programme (undertaken under Equal Opportunity)⁷⁶, establish educational television facilities, and help fund adult education and the expansion of an existing trade school in Bathurst that was expected to handle 1,000-1,500 persons annually.

A more controversial aspect of the plan was its goal of centralising its investments in social capital in the region's most promising urban areas -- the Campbellton-Dalhousie and Bathurst-Belledune zones in the western part of the region.⁷⁷ Residents from the poorer eastern part of the region would be encouraged to settle in communities located in these zones, where they would have access to training and be close to the new employment opportunities. The agreement estimated that about 2,700 families would have to be moved from the eastern to the western portion of the region while another 1,000 faced shorter moves to nearby centres. To facilitate this movement the agreement allocated money for urban housing, relocation, and the purchase of unproductive farmland from residents. Funds were also allocated for the construction of roads that would facilitate travel to and from the new resource developments and the establishment of an industrial park in Bathurst to take advantage

⁷⁵Canada, Department of Forestry and Rural Development, *Agreement Covering a Comprehensive Rural Development Plan for Northeast New Brunswick* (Ottawa, 1966).

⁷⁶The provincial Department of Education was in the process of consolidating thirty school districts in the region into six larger districts. Over the next ten years the province planned to build 41 new schools.

⁷⁷The designated communities included those that would serve the new mining centre, Bathurst-Belledune; the existing urban areas of Dalhousie and Campbellton; and the established communities of Caraquet and Tracadie which would serve the rationalised fishing industry in the region.

of the anticipated new investments resulting from the mining and smelting industry. The key to the Northeast Plan, however, was participation. The provincial CIC and the local ARDA regional development committees, the Conseil Régional d'Aménagement (CRAN) and the Northern Regional Development Council (NRDC), were charged with counselling local residents of the need to abandon their rural lives and values in favour of those of an urban industrial society. Counselling and publicity efforts emphasising the ARDA-FRED plan's merits would be directed at northern New Brunswickers throughout the next four years, with mixed results. While many residents were convinced of the value of upgrading their education and skills, the relocation component of the plan met substantial resistance from many northern New Brunswickers unwilling to leave their rural homes, a factor that would contribute significantly to the ultimate failure of the Plan later in the decade.⁷⁸

The Northeast Plan was steeped in the modernisation ideology and assumptions that were so prevalent throughout the western world during the 1950s and 1960s. The opposition of the "backward" rural world of the Acadian peninsula and the "modern" urban and industrial ideal could be found in the work of contemporary economists such as W.W. Rostow and Bert Hoselitz.⁷⁹ "Development" and "progress", these modernisation theorists argued, would only be achieved when the rural population

⁷⁸See Allain et Côté, "Le développement régional, l'État et la participation de la population: la vie courte et mouvementée des conseils régionaux d'aménagement du Nouveau-Brunswick (1964-1980)"; and Young, "Development, Planning and Participation", pp.229-39.

⁷⁹W.W. Rostow, *The Stages of Economic Growth* (Cambridge, 1960); Bert Hoselitz, *Theories of Economic Growth* (Glencoe, Ill., 1960). For a good review of the application of modernisation theory, see David Harrison, *The Sociology of Modernization and Development* (Boston, 1988). For an insightful analysis of the issues surrounding modernisation as applied to Atlantic Canada, and Newfoundland in particular, see Miriam Wright, "The Smile of Modernity".

adapted to the values of a modern industrial capitalist society (or what the federal Minister of Forestry and Regional Development described as "the dog eat dog world of modern industrialism".⁸⁰) Federal and provincial planners in New Brunswick saw education and centralisation in regional urban growth centres -- an increasingly popular concept among regional planners at the time⁸¹ -- as the means to instill both the skills and the values of an industrialised society.⁸² The mining and smelting industry, on which the hopes and design of these plans were based, was symbolic of this new society -- it represented a break from the traditional rural pattern of seasonal work in marginal industries and a "modern" secondary industry that processed local raw materials. Unlike other regional development programmes such as the ADA and the ADB, the Northeast Plan would provide few direct benefits to the mining companies. The indirect benefits were significant, though. The state would train and educate the local workforce; perhaps more importantly, the bargaining position of mining companies in other matters was enhanced as the development goals of both politicians and bureaucrats became increasingly dependent on the success of this private venture.

⁸⁰Cited in Young, "Development, Planning, and Participation", p.205.

⁸¹The notion of "growth poles" was first put forward by French theorist François Perroux. See Perroux, "Note sur la notion de 'pôle de croissance'", in Donald J. Savoie and André Raynauld (eds.), *Essais Sur Le Développement Régional* (Montréal, 1986), pp.27-37; and Benjamin Higgins, "François Perroux" in Donald Savoie and Higgins (eds.), *Regional Economic Development: Essays in Honour of François Perroux* (London, 1988).

⁸²A similar, and much more infamous, federal-provincial modernisation project, composed of resettlement and resource rationalisation, was being undertaken in Newfoundland during the late 1960s and early 1970s. See Ralph Matthews, *The Creation Of Regional Dependency* (Toronto, 1983), especially chapters 6-8; Jay Goulding, *The Last Outport: Newfoundland in Crisis* (Toronto, 1982); Wright, "The Smile of Modernity". For an analysis of the cultural impact of these modernisation policies on Newfoundlanders, see Gerald M. Sider, *Culture and Class in Anthropology and History: A Newfoundland Illustration* (Cambridge, 1986), especially chapter 9.

The Limits of Local Capital

The increasingly planned economic development of northern New Brunswick was dependent on the smelter-steel complex becoming a reality. Recognising the larger importance of their project to the whole field of regional planning, the managers of Brunswick-East Coast demanded further incentives from the province during the 1964-6 period. Shortly after Robichaud's announcement of the smelter expansion in October 1964, the project's promoters asked the province for another financial guarantee, this time for \$60 million worth of bonds issued by Bay Steel, the company set up to manage the steel plant. In their enthusiasm to see the project move ahead, the Liberal cabinet, and Robichaud in particular, seemed anxious to make the guarantee.

While the politicians seemed vulnerable to these requests, senior civil servants, many of whom were hired to design the Equal Opportunity legislation, proved to be much more sceptical. Donald Tansley, the province's Deputy Minister of Finance, was particularly concerned with the prospect of increasing the province's obligations to the company. Tansley, who had been a senior civil servant in Saskatchewan before coming to New Brunswick after the defeat of Tommy Douglas' CCF government in 1964, was one of Robichaud's key advisors regarding Equal Opportunity. He was also undertaking a complete modernisation of the Department of Finance, staffing it with "a vital body of economists and fiscal experts with a great faith in debt financing and a broader appreciation of inter-departmental development." But, as Stanley has noted, Tansley's "major contribution to the province was the creation of a machinery to

protect the government...from itself in involvement with industry."⁸³

These concerns were surely present when Tansley cautioned the government about proceeding with Brunswick's latest request. In memoranda to Finance Minister L.G. Desbrisay and the Premier, the Deputy Minister outlined his "deep concern over both the guarantee and the apparent manner in which it will be handled." In particular, he argued that government officials had not undertaken a study on the project's feasibility or on the impact of such a guarantee on the province's credit rating, particularly if the project failed. "In brief", he concluded, "it would appear that we are going to risk about \$100 for every man, woman, and child with no more detailed examination of the proposal than that accorded a minor budgetary matter." Accordingly, he recommended that, in contrast to the East Coast guarantee three years earlier, the province ensure that any legislative guarantee be made provisional on a positive economic feasibility study.⁸⁴ Tansley's warning was heeded; the Bay Steel Act, passed quickly and with little debate in April 1965, stated that the government *may* guarantee company funds up to \$50 million, providing construction began prior to December 1966.⁸⁵

Tansley's concerns appeared to be well-founded. An ad hoc committee established to assess the project, composed of Tansley and representatives of the province's recently created Development Corporation and Research and Productivity

⁸³Stanley, *Louis Robichaud*, p.94.

⁸⁴D.D. Tansley to L.G. DesBrisay, 8 March 1965; Tansley to DesBrisay and Robichaud, 30 March 1965, Robichaud Papers, RS416 1965 #115, PANB.

⁸⁵New Brunswick, *Statutes* (1965), pp.264-276.

Council, reported that the proposal was thin. The company had provided no market information or technology appraisal. The report concluded that "the proposed undertaking has not progressed to the detailed planning stage where it is possible to assess the feasibility of the investment."⁸⁶ Later meetings would raise questions about the company's ability to raise capital funds over and above the money guaranteed by the province.⁸⁷ But Tansley also recognised Robichaud's political stock in the project. In a covering letter to the committee's report he suggested to the Premier that, if there were "circumstances" which made the committee's negative recommendation "impracticable or unrealistic", the province should concentrate on establishing strict conditions on the guarantee to protect its investment.⁸⁸

The guarantee contract offered to Bay Steel in August 1965 reflected these concerns. The government insisted on tight controls over project expenditures and that, in the case of default, the province would receive all equity in Bay Steel. The latter clause infuriated Boylen, and, presumably, Irving, for it meant that Brunswick would not receive compensation for its equity in Bay Steel if the project failed. Boylen rejected the offer and called off further negotiations on the matter. He did, however, ask for an extension of the deadline for the start-up of the project, in order to keep open the guarantee option in the Bay Steel Act.⁸⁹

⁸⁶Tansley to Robichaud, 10 June 1965, Robichaud Papers, RS416 1965 #115, PANB.

⁸⁷"Matters to Be Considered re: Bay Steel", undated and unsigned, Robichaud Papers, RS416 1965 #115, PANB.

⁸⁸Tansley to Robichaud, 16 June 1965, Robichaud Papers, RS416 1965 #115, PANB.

⁸⁹Boylen to Robichaud, 7 September 1965, Robichaud Papers, RS416 1965 #115, PANB.

Over the next year Brunswick-East Coast tried to convince government officials of Bay Steel's merit. The Research and Productivity Council, which took over responsibility for determining the project's feasibility, hired American and British experts as project consultants. These consultants determined that much of the technology, on which the mill and chemical plant depended, was largely unproven and therefore something of a risk for the government. Consultant C.T. Hill warned that the government might be funding a "very large white elephant" if it chose to guarantee Bay Steel's proposal.⁹⁰

New Brunswick's planners were becoming increasingly frustrated with what they viewed as Brunswick's obfuscation of the true status of Bay Steel. Company officials shrouded their proposals in jargon and would sometimes spring new data on consultants and bureaucrats without notice.⁹¹ Both the consulting experts and the government officials soon began to suspect that Brunswick wanted the Bay Steel guarantee to meet increasing debts being incurred in the construction of the mill and smelter. R.A. McLarty, from the Office of the Economic Advisor, summed up this impression in a report on a meeting with Brunswick officials. "[T]he people we met seem to have a very immediate financial problem, and a highly flexible dream. I was not convinced the two are [not] closely related."⁹²

⁹⁰C.T. Hill to Dr. Claude Bursill, 22 September 1966, Robichaud Papers, RS416 1966 #122, PANB.

⁹¹Bursill to D.C. Campbell, 2 September 1966, Robichaud Papers, RS416 1967 #166, PANB.

⁹²R.A. McLarty to Tansley, F.R. Drummie, and Bursill, 1 September 1966, Robichaud Papers, RS416 1967 #166, PANB. This impression was shared by consultant C.T. Hill. Hill to Bursill, 22 September 1966, Robichaud Papers, RS416 1966 #122, PANB. McLarty was another refugee from the Saskatchewan civil service, where he had worked in the Treasury Department.

Indeed, Brunswick-East Coast was having financial problems quite unrelated to the proposed steel complex. The opening of the company's No.6 ore body and an expansion of its existing concentrators to process the increased ore was costing the company an additional \$18 million. But most of the debt load resulted from the cost of smelter construction, which had ballooned from an original estimate of \$20 million in 1962 to anywhere between \$46 and \$70 million in 1966.⁹³ These problems apparently led Irving to approach Robichaud in 1966 to ask for an extension on the completion date of the smelter. The Premier was, however, unwilling to grant the request. Faced with the recent failure of the South Nelson Forest Products pulp mill and an apparent financial embarrassment in a government-funded Industrial Park in Westmoreland, Robichaud could not afford to have any delays in the mining project.⁹⁴

The company then made a direct appeal to the province to help solve the smelter's financial problems. Acknowledging the company's financial problems for the first time, Boylen, in September 1966, requested that the government guarantee another \$20 million in East Coast bonds.⁹⁵ Not willing to see the project die, Robichaud and his cabinet colleagues granted the request.⁹⁶ But before the guarantee was formally authorised it had to be analysed by the province's Guarantee Board. Composed of bureaucrats from the government's increasingly large planning arms and

⁹³The \$46 million figure came from the company. Robichaud's former executive assistant, Charles McElman claimed later that the cost over-run to be closer to \$70 million. Boylen to Robichaud, 28 September 1966, Robichaud Papers, RS416 1967 #166; and Canada, *Senate Debates* (1971), pp.689-90.

⁹⁴Stanley, *Louis Robichaud*, pp.104-8.

⁹⁵Boylen to Robichaud, 28 September 1966, Robichaud Papers, RS416 1967 #166, PANB.

⁹⁶Robichaud to Boylen, 7 October 1966, Robichaud Papers, RS416 1967 #166, PANB.

Finance Minister L.G. DesBrisay, the Board was suitably unimpressed with the proposal and Brunswick's running of the project. They complained of the company's unwillingness to provide accurate financial and technical information to the government. But what concerned them most was the leadership of the two principal owners, Irving and Boylen. The Board asked rhetorically, "Is present management capable and can they be trusted with the future operations of the Companies?" Brunswick's financial problems had to be laid at the managers' feet, they argued. Given the company's track record, they wondered, "If the Province rescues them now, will this permanently solve their financial needs, or will they be back again and again requesting further assistance?" Moreover, Boylen and Irving were not willing to make personal commitments to share in the risk of the guarantee. "Why should they expect the Province to risk twenty to forty million dollars without any commitment on their own part?" The Board concluded that the guarantee should be conditional on increased government supervision of the project through the appointment of representatives on the Board of Directors, spot-checks of the project, and regular oversight by the New Brunswick Development Corporation.⁹⁷

Brunswick's shaky financial situation made the government very uneasy about the future of the base metal complex. This uneasiness only increased when news of Brunswick's increasing deficit was made public in December 1966 and the price of Brunswick stock tumbled from a high of \$25 to between \$4 and \$5 per share.⁹⁸

⁹⁷"Guarantee Board (Minutes)", Robichaud Papers, RS416 1966 #122, PANB.

⁹⁸Canada, *Senate Debates* (1971), p.690.

DeMont estimates that by the end of 1966 Brunswick's deficit was "nearing \$10 million, [and] its working capital deficit... approaching \$60 million."⁹⁹ For the first time government officials were privately expressing regret about the extensive concessions offered Brunswick, particularly those vesting ownership of the minerals in the company.¹⁰⁰ Recognising that it had to secure the company, government officials seemed disposed to granting another guarantee for Brunswick.¹⁰¹ It was feared, however, that such bailouts would only be temporary solutions. The real problem seemed to lie in Irving's management of the company.

Provincial civil servants were becoming concerned with Irving's exploitation of the smelter construction for his own companies. Irving's Engineering Consultants Ltd., the company overseeing the completion of the industrial complex, had distributed most of the construction work to other Irving companies. The Guarantee Board complained of this arrangement, noting that "the major share of Brunswick's and East Coast's accounts payable are owing to companies controlled by Irving.... If this guarantee were granted, who would benefit -- Irving directly or the companies [Brunswick and East Coast]?"¹⁰² Boylen, himself, would later attribute the smelter's cost over-runs to Irving's selective contracting.

These analyses were indeed quite accurate. DeMont has shown that as of the

⁹⁹DeMont, *Citizens Irving*, p.85.

¹⁰⁰"Guarantee Board". Robichaud Papers, RS416 1966 #122, PANB.

¹⁰¹D.A. Macfarlane to C.H. Forsyth, 23 January 1967, Robichaud Papers, RS416 1967 #166, PANB.

¹⁰²"Guarantee Board". Robichaud Papers, RS416 1966 #122, PANB.

end of October 1966, East Coast owed over \$2 million to suppliers and over \$7 million to "associated companies", almost all of which were owned by Irving." In addition to Engineering Consultants Ltd.:

Mace Ltd., another Irving outfit, was general contractor. Naturally they hired Irving companies almost exclusively as subcontractors and suppliers. Ocean Steel and Construction was in charge of the structural steel work. Industrial Security Ltd....looked after security. Irving Oil supplied the oil; Thorne's Ltd. ([Irving's] hardware retailer), the tools; Commercial Equipment Ltd., the cranes and bulldozers; and J.D. Irving Ltd., the wood products. Three hundred miles from Bathurst, Irving's Saint John Shipbuilding was building a 32,000 ton carrier [to be christened the M.J. Boylen] to carry concentrates overseas.¹⁰³

Moreover, Engineering Consultants was also managing the construction of Belledune's public harbour, an arrangement that would yield even more profits for the Irving group.¹⁰⁴ In later years Robichaud would state that he believed that Irving's goal was to exploit the smelter project to bankruptcy and then try to buy it back at a firesale price.¹⁰⁵

Irving had a very different explanation for the smelter's cost over-runs. East Coast's financial problems, he would later argue, were attributable to Premier Robichaud's refusal to grant delays in the project in spite of critical technical problems in the smelting process. In 1963 East Coast officials, on the advice of Irving's New York consultants, Singmaster and Breyer, had chosen to utilise a relatively new smelting approach, known as the Imperial Smelting Process to refine New Brunswick's

¹⁰³DeMont, *Citizens Irving*, p.84.

¹⁰⁴R.R. Brown, "Memorandum to File Re: Harbour Development -- Belledune", 1 November 1966, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

¹⁰⁵Inte: view of Robichaud by author, 16 May 1994, Ottawa, Ontario.

mid-grade ore. This choice was apparently based on incorrect information, though, for the company sent the wrong samples to Britain for testing in the Imperial process. Although the samples were taken from the Bathurst area, they were not representative of the grade of ore that would be smelted on a regular basis. Consequently, modifications were constantly being made during the construction phase. "The smelter was being designed and redesigned during the building program. Changes and expansion had to be worked in. [Moreover d]esigned to handle zinc, the Imperial process had to be modified to refine lead." These problems prompted Irving to ask for extensions in 1963 and again in 1966. It was Robichaud's refusal to grant a delay, Irving argued, rather than mismanagement, that was the source of the smelter's problems.¹⁰⁶

Irving's monopoly on contracts created friction on the North Shore. A confidential report to the Premier from a Liberal organiser complained that few locally-owned trucks were being employed in the smelter construction. Instead most of the work went to Irving trucks, many of which would travel from Saint John daily. Local truckers who did manage to get hired were required to fill their vehicles at Irving gas stations, and were paid \$5 per hour to haul "on a 2-way basis" while Irving trucks "load[ed] one way only." Because of the extra gas use, local truckers realised less profit than those owned by Irving. The report also warned that "threats of a full scale march on the smelter site were made" by local truckers. The march did not materialise but the organiser emphasised that these local tensions could have political

¹⁰⁶How and Costello, *K.C.: The Biography of K.C. Irving*, pp.169-71; 193-4.

consequences for Robichaud. "While 'business is business' these projects for which you, Sir, worked so hard, should be the source of good Public relations for our Party. Unfortunately, the reverse is the case...."¹⁰⁷ Letters to the Bathurst *Northern Light* also expressed concern over Irving's control of the project. One writer complained that construction jobs at the concentrator and smelter complexes were not put up for tender, thereby depriving local people in the construction industry.¹⁰⁸ Another worried of the "many unusual things happening" at the site:

Think of the benefits that are lost to local business when items of hardware must be purchased through the hardware companies in Saint John. What of all the heavy equipment that could be purchased locally, but have to be purchased in Fredericton or Saint John! If organizations or companies to supply mining equipment were patronized they would set up businesses in the Bathurst area and, in so doing, would alleviate the tax burden. In a few words, this cartel should be broken up to permit normal competitive principles of business apply.

The same letter writer also complained that the province had guaranteed money to Brunswick-East Coast without "one stock certificate" or "one member on the [company's] Board of Directors".¹⁰⁹

Bathurst residents were also growing unhappy with Irving's efforts to direct the benefits from the industrial complex to the immediate area around Belledune. The ADA designation of Belledune as contiguous to the Campbellton designated area

¹⁰⁷Correspondence attached to letter from Robichaud to John Park, 21 August 1964, Robichaud Papers RS416 1964 #164, PANB.

¹⁰⁸*Northern Light*, 2 September 1965, p.2.

¹⁰⁹This situation was rectified, albeit a little late, in 1966 when the province insisted on two representatives on Brunswick's Board as a condition of a second guarantee of \$20 million. *Northern Light*, 29 July 1965, p.10. A letter expressing similar concerns can be found in the *Northern Light*, 12 December 1963, p.17.

meant that Restigouche County was going to reap the principal employment and spin-off benefits from the development. In 1965 it was learned that Irving was planning to build a town site around the smelter. A federal report noted that he had a Toronto planning firm "layout a proposed town site to accommodate a minimum of 30,000 people." This action had been taken apparently without the province's knowledge and upset residents of Bathurst, the closest urban area to the smelter. (In fact, Bathurst with its neighbouring communities was to be incorporated as a city on 1 January 1966.) The report noted that "Bathurst citizens...were unanimously of the opinion that they were being 'sold down the river', and that the new town site was a direct breach of agreement on the part of Mr. Irving who had previously indicated that Bathurst would participate in any local development within the area."¹⁰ These claims were based on statements by the industrialist rather than a formal agreement, but they did reflect a growing resentment against the local son.

The possibility of a town site at Belledune, as well as the ongoing debate over municipal taxation sparked by the Robichaud government's planned Equal Opportunity initiative, resurrected concerns about Gloucester County's generous 30-year tax agreements with Bathurst-East Coast. Some residents feared that because the agreements covered East Coast "and associated companies", the company could "escape taxation" by registering equipment in Gloucester County and using it elsewhere. Others worried that East Coast could establish a "company town" in which it rented houses to its employees, thereby depriving the county of valuable property tax

¹⁰R.R. Brown, "Memorandum to File Re: Harbour Development -- Beliedune", 1 November 1965, DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

revenue. Moreover, the county would be responsible for providing schools for the children of these employees.¹¹¹ Similar concerns were raised by a group of 100-200 ratepayers who travelled to Fredericton in October 1965 to protest the county's heavy tax burden. Their brief complained of companies establishing operations in the county "only when the municipality favours them with large exemptions and whilst those same firms realize considerable profits to the ratepayers' detriment." The ratepayers called on the government to pass the Equal Opportunity legislation which contained measures outlawing local tax concessions, a provision that was opposed vigorously by Irving.¹¹²

Ottawa, too, was having its problems with Irving. The National Harbours Board wanted to ensure that there was adequate public access to the harbour, but Irving wanted to have his operations "in unbroken lines". This, federal officials feared, "would eliminate all public harbour areas except for a small space from behind the breakwater with the public area some distance away and approached via a corridor through Irving property." Such an arrangement would make it very difficult to find space for other companies wishing to establish heavy cargo wharves in the future.¹¹³ Irving eventually backed down but dealings between his companies and Ottawa remained difficult. In 1966 Hédard Robichaud, the Gloucester County Member of

¹¹¹"Protests Long-Term Tax Agreements", *Northern Light*, 29 July 1965, p.10; "Appraises Current Strike in Area", *Northern Light*, 2 September 1965, p.1; "More Homes But What of Schools", *Northern Light*, 14 October 1965, p.2.

¹¹²"County Delegation to Seek Tax Reduction in Capital", *Northern Light*, 9 September 1965, p.8; "Text of Brief Presented by Ratepayers", *Northern Light*, 7 October 1965, p.5.

¹¹³E.P.Weeks, "Belledune: Notes on telephone conversation June 25, 1965 with Howard Mann, Nat'l Hrbrs. Bd.", DREE Records, RG124 Acc.83-84/249 Vol.51 File #3-70-101, NAC.

Parliament and federal fisheries minister, complained of "Irving's attitude" to the Premier. Again the issue was the industrialist's desire to control the public harbour. "[I]f this project is to be a total federal government undertaking, Mr. Irving will be unable to have any special vested interest in the harbour or its operation."¹¹⁴

Furthermore, the personal relationship between Robichaud and Irving was souring for a number of reasons. The Premier had crossed Irving initially in 1960 when his government incorporated the Rothesay Paper Corporation (owned principally by Sogemines) and arranged for private timber reserves to made available to the new company. Rothesay eventually built a paper mill at Courtney Bay which would compete directly with Irving's own paper interests. The two again clashed five years later when the Premier rejected an Irving request to buy the financially-troubled South Nelson Forest Products Ltd. Irving was also unhappy about the government's construction of a fertiliser plant in Westmoreland County at the same time that Brunswick-East Coast was planning such a venture.¹¹⁵

However, it was the Liberal administration's Equal Opportunity legislation that created the biggest rift between the two men. The introduction of this legislation in 1965 set off a wave of protest unprecedented in the province's history. While many of the legislation's opponents were consumed with the possibility of wealthier counties contributing to the educational and health services of poor regions, Irving focused on

¹¹⁴H.J. Robichaud to L.J. Robichaud, 1 September 1966, Robichaud Papers, RS416 1966 #122, PANB.

¹¹⁵Stanley, *Louis Robichaud*, pp.69-71; 104-7.

the financial implications for his companies.¹¹⁶ Equal Opportunity proposed that municipalities no longer be able to enter tax concession agreements with private firms and, moreover, the wording of the legislation seemed to imply that existing agreements be abolished. As this study has shown, such agreements were regularly made and encouraged counties to bid against one another for businesses. They also prevented municipalities from collecting much needed revenue to provide the educational and social services for which they were responsible before the advent of Equal Opportunity. Over the years Irving had been one of the principal beneficiaries of these agreements, saving many millions of dollars in local taxes. Appearing before the Law Amendments Committee studying the proposed legislation, an obviously angry Irving called the measures "completely unacceptable" and condemned the government's "breach of faith" in abolishing established agreements.¹¹⁷ After twelve hours of appearing before the Committee, Irving eventually won his point when Norbert Theriault, the minister responsible for the legislation, stated unequivocally that the government would not rescind existing agreements. The confrontation, which had clearly embarrassed the government and the Premier personally, symbolised the

¹¹⁶Many residents from the wealthier southern counties opposed the subsidisation of poorer regions, principally northern New Brunswick, which was integral to the Province's takeover of responsibility for educational and health services. Some mischievous opponents played on latent ethnic and religious hostilities within the province, highlighting the fact that northern New Brunswick, the principal beneficiary of Equal opportunity, had a large Acadian population. The legislation was viewed, in the words of some opponents, as "robbing Peter to pay Pierre". See Young, "Development, Planning and Participation in New Brunswick, 1945-75", pp.182-95.

¹¹⁷Irving's most lucrative tax agreement negotiated between his \$50 million oil refinery and the City of Saint John. Under the agreement Irving "paid set taxes moving from \$51,500 in 1960 to a projected \$75,000 in 1990 -- whereas the usual business taxes, at about a dollar and a half per hundred, would bring in about ten times that." Hunt and Campbell, *K.C. Irving*, p.138.

growing distance between Irving and Robichaud.¹¹⁸

Irving's antipathy for the Premier was demonstrated in other ways as well. In 1965 he fired John Park, the President of Engineering Consultants Ltd., reportedly because Park had become a close friend of Robichaud. The Premier intervened on behalf of his friend, but Irving refused to relent. The next year Irving reportedly supported the candidacy of the colourful J. Charles Van Horne for the leadership of the provincial Progressive Conservative Party.¹¹⁹

The combination of these factors -- bureaucratic distrust of Irving's management, local discontent, and the growing animosity between the industrialist and the Premier -- provided a compelling case for the government to find a way to remove the local tycoon from the province's most important industrial project. In early 1967 a secret search was initiated by the Premier for a new investor to wrest control of the Brunswick-East Coast from Irving. Robichaud confidante and author of the report calling for Equal Opportunity, Edward Byrne, who was one of the government's new appointees on Brunswick's Board of Directors, was despatched to talk to a number of large mining companies about the matter. Byrne first approached Canadian mining companies, specifically Falconbridge Mines and Consolidated Mining Smelting. But, after being turned down, he consulted, without success, American Metal Climax and Brunswick's original controlling company, St. Joseph Lead. The

¹¹⁸On the confrontation, see Stanley, *Louis Robichaud*, pp.151-3; Hunt and Campbell, *K.C. Irving*, pp.138-42; and DeMont, *Citizens Irving*, pp.82-3.

¹¹⁹Belliveau, *Little Louis and the Giant K.C.*, p.59; How and Costello, *K.C.: The Biography of K.C. Irving*, p.193; 206-210; Stanley, *Louis Robichaud*, p.151; and interview of Robichaud by author, 16 May 1994, Ottawa, Ontario.

debt load was the major factor in scaring off these companies. Eventually, however, Byrne, Boylen and Erskine Carter of Patiño, who wanted to see Irving out of the project as well, convinced Noranda Mines President Alfred Powis to take over the project.¹²⁰ Noranda agreed to pay off \$50 million in Brunswick debts and loan \$20 million to complete the smelter in return for 51 per cent control of the company.¹²¹ In order to reduce its risk, Noranda insisted on a further \$20 million guarantee from the province, which was readily granted by a relieved provincial cabinet.¹²²

Irving was incensed by the Noranda takeover plans and tried to convince Boylen and Gilbert Kerlin, of Patiño, to let him bail Brunswick out personally. But the directors, who had been warned by Byrne that future government aid depended on the consummation of the Noranda deal, refused to consider his offer.¹²³ At a tense shareholders' meeting in June 1967 to authorise the Noranda offer, Irving claimed that the company's problems stemmed from Robichaud's pressure to proceed with the smelter. "I realised the danger of going ahead without the money. The Premier said 'no' -- go ahead."¹²⁴ Irving also claimed that the Board of Directors was being

¹²⁰There is very little documentation in the Robichaud Papers concerning this clandestine effort. The details are based on John DeMont's account of events, gleaned apparently from an interview with Byrne, and the author's interview with Robichaud. See DeMont, *Citizens Irving*, pp.85-6; and author's interview with Louis Robichaud, 16 May 1994, Ottawa, Ontario.

¹²¹Contract between Noranda Mines and Brunswick Mining and Smelting, Robichaud Papers, RS416 1968 #283, PANB. Noranda received "100,000 preferred shares, \$5 par of Brunswick for \$500,000, and \$49.5 million of 10 year 6.5% income bonds of Brunswick" that were convertible into common shares." "Takeover is Effected in Taut Atmosphere", *Northern Light*, 6 July 1967, sec.2, pp.1, 5.

¹²²Order-in-Council #67-239, 15 March 1967, RS24 1967 967/re 1, PANB.

¹²³Hunt and Campbell, *K.C. Irving*, pp.148-9.

¹²⁴"Brunswick Shareholders Give O.K. to New Control By Noranda Mines", *The Northern Miner*, 29 June 1967, pp.1, 22.

pressured into signing a deal with Noranda rather than accepting a more profitable offer that he was prepared to make. He complained that Boylen refused to allow his offer -- which he claimed was \$63 million compared to Noranda's \$50 million -- to be presented to the Board of Directors until after the Noranda deal had been consummated. Despite Irving's protests, Noranda's offer was accepted by the company. The central Canadian mining giant now controlled 8 of the 15 seats on the board of directors and took over management of the project from Irving, now relegated to the status of minority shareholder.¹²⁵

Irving was extremely bitter about Noranda's takeover and over the next few years he became a very large thorn in Brunswick Mining and Smelting's side. At the time of the takeover Brunswick's accounts payable amounted to over \$19 million, of which nearly \$15 million was owed to Irving companies. Irving, who along with his son Arthur remained on Brunswick's Board of Directors, wanted to be paid immediately but Noranda's managers wanted to verify the expenses, a not unreasonable request considering the circumstances which led to their purchase of Brunswick. Not only was Irving reluctant to allow such an audit but, in October 1967, he filed 31 different legal actions against Brunswick on behalf of his companies in order to collect the money owed. Table 6.1, which lists the companies making claims against Brunswick and its subsidiaries, shows just how completely the Irving group monopolised construction of the Brunswick-East Coast mining-mill-smelter complex.

¹²⁵"Takeover is Effected in Taut Atmosphere", *Northern Light*, 6 July 1967, sec.2, pp.1,5..

Table 6.1
Irving Companies Filing Writs Against Brunswick Mining
and Smelting Co., East Coast Smelting and Chemical Co. Ltd.,
and Belledune Housing and Enterprise Ltd., 1967

Company Name	Amount Claimed
Engineering Consultants Ltd.	\$10,772,220.63 *
Ocean Steel and Construction	\$42,587.99
J.D. Irving Ltd.	\$532,382.00
Irving Oil Company	\$964,753.01
St. John Shipbuilding and Dry Dock Co. Ltd.	\$16,997.00
Marque Construction Ltd.	\$25,787.62
Irving Oil Transport Co.	\$9,121.69
Thorne's Hardware Ltd.	\$418,761.03
Industrial Security Ltd.	\$166,256.36
Mace Ltd.	\$1,486,839.74
Kent Homes	\$340,272.00
Commercial Equipment Ltd.	\$182,397.25
Steel and Engine Products	\$4,601.21
Kent Line	\$5,155.46
Silica Sands Ltd.	\$183,533.00

*estimated

Source: *Northern Light*, 19 October 1967, sec.2, p.2.

The issue remained unresolved for a number of years and was the source of considerable friction at annual shareholders' meetings during the 1967-70 period. Each meeting would see Irving and his representatives reiterate their version of the takeover and then pepper the Noranda managers and government-appointed directors with demands for repayment and accusations of mismanagement. For their part, the Noranda directors, led by Brunswick's new president, W.S. Row, would assert their company's managerial and technical expertise, hint at the Irving group's responsibility for Brunswick's cost over-runs, and assure shareholders that all outstanding accounts

would be repaid just as soon as they were verified.¹²⁶

Tensions between Irving and the government were exacerbated in 1969 when the ubiquitous Edward Byrne convinced the Robichaud cabinet to amend a section of the province's Companies Act which made minority representation on the board of directors mandatory. Acting as a private, and unelected, lawyer for an un-named out-of-province client in the mining field, Byrne argued that minority shareholders were protected by stringent federal corporate laws and that the 1892 provision was therefore obsolete as a mandatory measure. Irving opposed the amendment in an appearance before the Law Amendments Committee, where he wondered aloud just who was Byrne's mysterious client. Although the measure eventually died on the order paper and despite denials by both Byrne and W.S. Row that Noranda was the mining company, Irving could be forgiven if he felt a bit paranoid. The industrialist's minority shareholder status gave him representation on Brunswick's Board of Directors, a situation that was clearly an irritant to Noranda and the government, particularly in light of Irving's suits against Brunswick. Moreover, Byrne's close relationship with Robichaud, his role in the Noranda takeover, and his position as a Brunswick director made Irving's conspiracy theories seem more understandable. Even so, personal correspondence between Row and Byrne suggests that the latter was

¹²⁶Alfred Powis to Robichaud, 12 October 1967; Wallace S. Bird to Robichaud, 1 December 1967, Robichaud Papers, RS416 1967 #167, PANB; "Irving Firms Sue For \$15 Million", *Northern Light*, 19 October 1967, sec.2, p. 2; "Noranda's Brunswick Policies Are Scored", *Northern Light*, 6 June 1968, p.11; "Shareholders' Meeting Real Sparring Match", *Northern Light*, 7 May 1969, pp.1,4; "President Defends Brunswick Policies", *Northern Light*, 13 May 1970, p.3.

indeed working for another mining interest.¹²⁷

The wildest of Brunswick's annual meetings occurred in 1969 when Irving arrived with a number of union representatives from his various business enterprises, who had been "given voting shares in Brunswick, the day off, and a paid trip to Bathurst from Saint John."¹²⁸ This "Rent a Crowd", which challenged Brunswick's directors throughout the meeting, criticised the mining company for not paying their bills to the Irving companies and thereby jeopardising the jobs of New Brunswickers. Saint John Shipyard workers were particularly critical of Brunswick's decision to cancel their contract with Irving's shipping companies, opting instead for foreign ships to transport their products. Drawing on a familiar theme, two marine workers chastised the directors: "The ore deposit...is owned by the people of New Brunswick...and you must operate it for the people of New Brunswick...." Arthur Irving, sounding a bit like Tony Gallant ten years earlier, re-emphasised this point, calling on the government to nationalise the mine.¹²⁹ While this statement seemed patently ridiculous, considering its source, it was part of K.C. Irving's broader strategy of wrapping himself in the New Brunswick flag. Just as he had done earlier in the decade, Irving played on his local roots, this time portraying himself as the small New Brunswick interest over-run by the large Ontario mining company. Pointing to Noranda vice president Alfred Powis and Brunswick president W.S. Row, New

¹²⁷See "Byrne Opposes Irving on Companies Act", *Northern Light*, 16 April 1969, sec.2, pp.2,5; and Byrne to Row, 18 April 1969, Robichaud Papers, RS416 1969 #277, PANB.

¹²⁸How and Costello, *K.C.: The Biography of K.C. Irving*, pp.210-1.

¹²⁹"Shareholders' Meeting Real Sparring Match", *Northern Light*, 7 May 1969, pp.1,4.

Brunswick's wealthiest industrialist pleaded: "Mr. Powis and Mr. Row, you have come into New Brunswick and you are mining New Brunswick ore. You are business people and you expect to make profit -- Do you care how you make it. Are you so big -- or do you believe you are so big -- that you do not care how you go about achieving your goals, or who you hurt in the process?" Irving then announced his resignation from the Board of Directors until the company "demonstrate[s]... that it has some concern for the shareholders of the company and for the people of New Brunswick."¹³⁰

Apportioning blame for Brunswick's financial problems in the mid-1960s is a bit tricky. Noranda eventually paid off all of the Irving group's outstanding accounts and there is no evidence that any of those accounts were over-inflated.¹³¹ This does not take into account what was lost by the fact that the project was so completely vertically integrated and that tenders were not called for work and products. A recent biography of Irving blames the project's problems on Premier Robichaud's refusal to allow delays in construction in the face of technical and financial difficulties.¹³² It is true that the Premier was single-minded in his pursuit of the mining mega-project and that he was insistent on seeing the project through for very political reasons, but Irving was no shrinking violet when it came to dealing with the government, particularly in cases where the government's interests conflicted with those of his businesses; it seems

¹³⁰"Irving Statement on Leaving Board", *Northern Light*, 14 May 1969, sec.2, pp.7,10.

¹³¹Brunswick Mining and Smelting, "Information Circular", December 1971, RG3 RS18 C4/46, PANB.

¹³²How and Costello, *K.C.: The Biography of K.C. Irving*, p.204.

hard to believe that he was as powerless as he claimed. Moreover, in spite of his requests for project extensions, Irving continued to plan an expansion of the project throughout the period.

At the time that he announced in 1961 that a new consortium was going to build a smelter, Louis Robichaud hailed the entry of a local businessman into the base metal industry. Seven years later, in the wake of massive cost over-runs, regular requests for state assistance, and questionable management practices, the Premier and many other New Brunswickers recognised that local capital too could have its own limitations as a development tool.

Conclusion

The development of New Brunswick's base metal industry during the 1960s was characterised by a level of state intervention and economic planning previously unseen in the province. Using legislative threats and financial incentives, the Robichaud administration successfully helped force out a foreign-owned multinational whose interests were popularly seen to be different from those of New Brunswickers. With the entry of local industrialist K.C. Irving into the base metal project, it was hoped that the mineral resource would be developed more in the general interest. The alliance between Irving and Robichaud worked well as long as there was agreement about the general goals for base metal development. For a while Irving's large-scale development plans, which also characterised many of his other operations, coincided nicely with Robichaud's desire for a quickly produced mega-project. As long as Brunswick-East Coast met this general goal the government seemed prepared to extend

concessions, such as huge loan guarantees, legislative protection from nuisance suits, and even ownership of the province's minerals. Some of these concessions put the state into conflict with local groups, such as the Dalhousie Board of Trade and the Miramichi Salmon Association, but, as is the case with most mega-projects, objections were defended against by the promise of prosperity.

By mid-decade it became apparent that dependence on local capital could be every bit as stifling as dependence on foreign capital. Conflicts arose over Brunswick's development timetable and cost over-runs resulting from Irving's monopoly over project construction. As the project got bigger it was scrutinised more closely by the province's steadily increasing bureaucracy, which objected to Irving's reliance on the state. These suspicions, combined with the government's conflicts with Irving over a number of issues unrelated to the smelter, led the province to initiate a search for a new investor. That they had no qualms in courting foreign investors for that purpose suggests that the Robichaud government was less concerned with foreign ownership of the province's natural resources than it was with completing the project quickly.

Popular accounts of the 1960s have interpreted the New Brunswick government's recruitment of new investors for the smelter project as a clash of two dominant personalities of the era, "Little Louis and the Giant K.C."¹³³ Personal animosity between the two men was clearly part of the conflict, but this study reveals that bureaucratic and political factors were equally important. Senior civil servants,

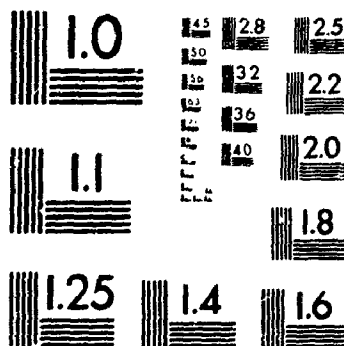
¹³³See especially, Belliveau, *Little Louis and the Giant K.C.*; Hurst and Campbell, *K.C. Irving: DeMont, Citizens Irving*; and How and Costello, *K.C.: The Biography of K.C. Irving*.

such as Donald Tansley, hired to modernise the provincial state began applying business management principles to the state's relationship with private firms. Bureaucratic oversight alerted the government of the problems developing at the smelter and helped persuade politicians to challenge Irving. Similarly, local discontent with the management of the smelter created the political will for the Robichaud government to act.

The story of New Brunswick's base metal development in the 1960s suggests that the state, even a dependent one, can exercise a degree of autonomy in overseeing the development of a capital-intensive resource industry. Of course, in this case autonomy was circumscribed by the Robichaud administration's assumption that private capital and not the state would carry out resource exploitation. But, unlike previous administrations, the province would use the concessions that it offered private capital as a bargaining tool for some input into the formation of company development plans.

4 of /de 4

PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT



PRECISIONSM RESOLUTION TARGETS

Chapter 7 Development Unrealised, 1970-72

By 1970, almost twenty years after Jim Boylen's initial discovery of lead-zinc deposits in the Bathurst region, New Brunswick's base metal industry was well-established. Although COMINCO's Wedge Mine had ceased production in 1968 due to exhaustion of ore reserves, other operations flourished. Heath Steele Mines was mining and concentrating nearly 3000 tons of lead-zinc-copper ore daily. Nigadoo River Mines, a smaller operation located 14 miles northwest of Bathurst, came into production in 1967-8, yielding 1000 tons of lead-zinc-copper ore daily for its own concentrator. And Anaconda American Brass had started a new open pit mine and 1000 ton per day concentrator at Caribou, Restigouche County, located 40 miles west of Bathurst. Brunswick Mining and Smelting's mines remained the centrepiece of the province's mining industry, though. The company's No.6 open pit mine and No. 12 underground operation produced and milled over 3000 tons and 5000 tons of ore daily respectively.¹

Under Noranda's management the Belledune industrial complex was brought into production, but on a less grand scale than had been previously planned and with mixed results. Noranda permanently shelved the Bay Steel project and decided not to proceed with the construction of a harbour at Belledune, choosing instead to ship all of their products out of Dalhousie.² The fertiliser plant, Belledune Fertilizer Limited, came into production in 1968 but experienced difficulty finding buyers for its product.

¹New Brunswick Department of Natural Resources, *Annual Report* (1967-71).

²"President Defends Brunswick Policies", *Northern Light*, 13 May 1970, p.3.

In 1970 its sales of diammonium phosphate amounted to 29 per cent of the plant's capacity, down from 33 per cent the previous year, resulting in a net loss of nearly three million dollars for the company.³ Brunswick's smelter, which came into limited production in 1967, was plagued with production and environmental problems throughout its early years. There were continual problems with lead contamination within the smelter itself and in the surrounding area, forcing Noranda to undertake costly design and equipment renovations.⁴ Although the smelter finally attained maximum operating capacity in 1970-71, and markets for its product were improving, East Coast Smelting still experienced a net loss of \$10.6 million.⁵

The growth in the new base metal industry can be observed in Table 7.1 which shows the production and value of northern New Brunswick's base metals. In just eight years the value of these minerals grew from just over \$3 million annually to nearly \$90 million. Brunswick Mining and Smelting was central to this growth;

³Brunswick Mining and Smelting Corporation Limited, *Annual Report* (1970), pp.2-4.

⁴In 1968 alone 33 employees filed compensation claims for lead poisoning with East Coast Smelting and Chemical Co. Ltd. Local 7085 of the United Steelworkers of America, which represented these workers, convinced the province to bring in specialists from the federal Department of Health and Welfare to examine environmental conditions at the plant. The subsequent report "criticized the company for bad housekeeping" and raised the possibility that the smelter's discharge of lead dust posed a threat to a nearby school. See "Lead Poison Threat Due To New Report", *The Globe and Mail*, undated article found in DREE Records, RG124 Acc.83-84/128 Vol.1, File #602-17-34(2), NAC; Brunswick Mining and Smelting Corporation Limited, *Annual Report* (1970), pp.2-4; New Brunswick Department of Natural Resources, *Annual Report* (1967-70), Hon. L.N. Theriault (Minister of Health) to Norm Doucet (President, Local 7085, United Steelworkers of America), 5 March 1968; P.L. Fowler (East Coast Smelting and Chemical Co. Ltd.) to All Supervisors, 4 March 1968, Department of Lands and Mines Records, RS106 #23554 Mines, PANB. Although the company claimed to have the environmental problems licked, the issue would re-emerge again in the late 1980s. See J. Michel L. Roy, "Law, Class and State: A Critical Analysis of the Labour Relations Regime in New Brunswick", unpublished honours essay in Directed Interdisciplinary Studies, Carleton University, 26 August 1992, pp.31-4.

⁵Part of that loss is attributable to the inclusion of Belledune Acid's operations in the calculation of the final total.

indeed, the value of zinc and lead production skyrocketed in 1964 and 1965 just after Brunswick #12 went into operation.

Table 7.1
Production and Value of Principal
New Brunswick Minerals, 1962-70

Year	Copper (lb.)	Silver (oz.)	Lead (lb.)	Zinc (lb.)
1962 (Qty)	7,347,949	178,521	3,758,717	4,996,488
Value \$	\$2,277,864	\$207,977	\$372,865	\$604,575
1963 (Qty)	16,300,000	358,000	5,200,000	17,700,000
Value \$	\$5,134,500	\$495,472	\$572,000	\$2,262,000
1964 (Qty)	18,592,024	1,469,192	43,431,670	108,743,309
Value \$	\$6,209,736	\$2,056,869	\$5,837,216	\$15,408,927
1965 (Qty)	19,392,000	2,914,600	93,074,000	258,300,000
Value \$	\$7,291,392	\$4,077,525	\$14,426,470	\$39,003,300
1966 (Qty)	14,178,625	3,108,669	103,728,634	284,790,664
Value \$	\$6,366,203	\$4,349,028	\$15,497,058	\$43,003,390
1967 (Qty)	11,572,389	3,017,416	94,032,753	302,713,881
Value \$	\$5,504,985	\$5,226,165	\$13,164,585	\$43,863,241
1968 (Qty)	16,529,547	3,654,079	108,699,774	270,858,691
Value \$	\$7,950,712	\$8,451,884	\$14,609,250	\$38,191,075
1969 (Qty)	13,581,066	4,058,976	102,184,467	305,456,426
Value \$	\$6,984,742	\$7,833,824	\$15,501,384	\$46,521,013
1970 (Qty)	16,043,948	4,577,956	125,349,742	322,187,699
Value \$	\$9,313,833	\$8,469,219	\$19,830,329	\$51,324,500

Source: New Brunswick Department of Lands and Mines/ Department of Natural Resources, *Annual Reports* (1963-72).

This growth was also reflected in the creation of a significant number of steady industrial jobs. Over 1500 workers were employed annually in constructing the

smelter complex during the 1964-67 period. After the smelter came into production the province's base metal industry employed from 2500 to 2900 employees annually. Of that number the smelter accounted for an average of over 600 workers [See Table 7.2].

Table 7.2
Number of Workers Employed in New Brunswick
Base Metal Industry, 1963-71

Year	Workers Employed, Metal Mining	Workers Employed, Smelter
1963	609	n/a
1964	903	n/a
1965	1,294	n/a
1966	1,315	450
1967	2,125	565
1968	not available	604
1969	2,357	not available
1970	2,219	669
1971	1,937	606

Source: New Brunswick Department of Lands and Mines/ Natural Resources, *Annual Report* (1963-72).

Despite these promising signs, however, there were few indications that the base metal industry was having the transformative effect on the provincial and local economies predicted by federal and provincial planners throughout the 1950s and 1960s. New Brunswick's unemployment rates remained higher [see Table 7.3] and its participation rates lower than the national average throughout the second half of the

1960s.⁶ Even within the context of Atlantic Canada, the province's employment statistics were unimpressive; unemployment rates were above the regional average for every year but one -- 1968 -- and participation rates remained just above average throughout the period.

Table 7.3
Unemployment Rates for Provinces,
Regions and Canada, 1965-70

	1965	1966	1967	1968	1969	1970
Canada	3.7%	3.6%	4.1%	4.8%	4.7%	5.9%
Atl. Provs.	7.4	6.4	6.6	7.3	7.5	7.6
N.S.	5.4	5.2	5.6	5.9	5.4	5.7
N.B.	7.5	6.9	6.9	7.2	8.5	8.0
P.E.I.	5.6	5.6	5.6	5.6	5.3	5.4
Nfld.	11.3	7.9	8.4	9.7	10.3	10.8
Que.	6.6	5.7	6.4	7.8	6.9	7.9
Ont.	6.1	3.0	3.8	4.3	3.1	4.3
Prairies	3.1	2.1	2.3	3.0	2.9	4.4
B.C.	5.0	5.3	6.2	7.2	5.0	7.6

Source: Statistics Canada, *The Labour Force*, October 1971.

The provincial employment problems also translated into reduced income. Although provincial levels of per capita personal income increased steadily throughout the 1960s, they remained over 26 per cent lower than those of Canada and over 36 per cent lower than those of Ontario in 1970.⁷ In northeastern New Brunswick, the

⁶In 1970, only Newfoundland, at 42.9 per cent, had a lower participation rate than New Brunswick's rate of 48.9 per cent. The national average that year was 55.8 per cent. See Statistics Canada, *The Labour Force* (1970).

⁷Statistics Canada, *National Accounts* (1970).

situation was even more acute. Less than five years after the inauguration of the FRED Northeast Plan, unemployment in the region was 13.8 per cent, two and one-third the national average, and per capita income was just above half of the Canadian average.⁸

The region's poor economic performance undermined the Northeast Plan's social development agenda of training, educating, and modernising the local workforce for industrial jobs created by private investment. A review of the Plan in 1970 attributed the shortfall in economic opportunities to overly optimistic predictions by federal and provincial planners of the mining industry's potential. The 1966 FRED agreement had predicted that 1,500 jobs would be created by the mine-mill-smelter complex, and an additional 4,500 jobs in ancillary manufacturing activities generated by a multiplier effect. While the actual number of mining jobs in 1970 -- 2,400 -- actually surpassed this estimate, the consultants noted, there were "virtually no secondary investments associated with the development" and "little impact on the service sector". Moreover, despite the fact that the smelter was up and running, New Brunswick mines, Brunswick Mining and Smelting included, continued to export much of their concentrate outside the country for smelting, a practice that deprived the province of jobs. (A 1971 Research and Productivity Council study condemned this practice, and tried unsuccessfully to have the provincial government implement the existing Mining Tax provision that tripled the tax on all exported ore.) The shortfall in mining jobs was compounded by unanticipated higher rates of unemployment due to

⁸Memorandum to Cabinet from Jean Marchand, 20 December 1971, DREE Records RG124 Acc.87-88/028 Vol.26 File #263-1-10 pt.1, NAC.

rationalisation in existing resource sectors.⁹ The fact that the predicted number of permanent full-time industrial jobs failed to materialise during the late 1960s served as a disincentive for local participation in the modernisation programme.

Indeed, the social objectives of the Northeast Plan were not being met. The urbanisation and mobilisation components were particularly unsuccessful. Planners had underestimated the attachment of rural residents to their land, no matter how unproductive, and to rural life. Even those residents lucky enough to gain employment in one of the region's mining developments proved unwilling to settle in the designated "concentration points" of Bathurst or Dalhousie. Instead, they chose semi-rural villages or small towns, such as Petit Rocher and Jacquet River, located within commuting distance of the smelter and mines. Throughout the period, federal and provincial officials were vexed by this "ribbon settlement" pattern, as these rural bedroom communities requested FRED funds for housing and social amenities that had been allocated for urban centralisation points in the original agreement. FRED officials, who viewed ribbon settlement as antithetical to the Northeast Plan's objectives, ultimately refused to provide aid to these communities, but only after many heated debates over just what was meant by the "dash" in the Bathurst-Belledune

⁹"Northeast New Brunswick FRED Agreement: A Review of Objectives and Strategy", February 1971, DREE Records, RG124 Vol.25 File #165-J7-1 Pt-2, NAC. During the 1961-71 period employment in Gloucester County's agriculture, forest, and fishing industries declined by rates of 6.4 per cent, 4.8 per cent, and 3.2 per cent respectively; in Restigouche declines in these industries amounted to 6.4 per cent, 6 per cent, and 7.4 per cent respectively. See Savoie and Beaudin, *La Lutte Pour Le Développement*, Table 5.7, p.124; p.133. The failure of the mining industry to generate significant final demand linkages conforms with Dow's conclusions regarding Canadian base metal development during the first half of the twentieth century. See Dow, "The Canadian Base Metal Industry (Non-ferrous) and Its Impact on Economic Development in Canada, 1918-55".

designated area.¹⁰

The failure of the Plan's urbanisation goals reflected the growing hostility of local residents to state planners/experts, particularly those employed by the provincial Community Improvement Corporation (CIC) which had been charged with administering the Plan. This schism began during the planning of the 1966 FRED agreement, when the CIC had ignored local proposals for the development of existing natural resources which would have allowed many residents to continue to live in their rural communities. As the Plan was implemented local opposition was exacerbated. CRAN, the Acadian Regional Development Committee which under the FRED agreement was given a promotional role, gradually distanced itself from both the plan and especially the CIC's administration. Although CRAN leaders had recognised the importance of modernisation measures, they objected to the CIC's complete disregard of local aspirations for some measure of primary resource re-development as well as rural residency. For its part, the CIC saw these local desires as "reactionary" and anti-modern, an opinion expressed quite clearly by one CIC official:

We are going to bring the Northeast into the twentieth century....We anticipate some problems. Some people in government, not to mention our friends in CRAN, are fundamentalists when it comes to rural development. I don't make the rules, but the rules say they are behind

¹⁰The confusion over the status of outlying communities such as Jacquet River and Petit Rocher was partially created by federal officials. The Canada Housing and Mortgage Corporation had in 1968 commissioned "Outline Community Plans" for Petit Rocher, Pointe Verte and Jacquet River, thereby giving rise to a widespread local belief that these communities had in fact been designated as "approved relocation centres". See FRED Program Coordinator Northeast New Brunswick to Members of the Joint Advisory Board, 22 February 1968; Minutes of Meetings of the Joint Advisory Committee Northeast Federal-Provincial Rural Development Agreement, February 28-9, 1968, and December 8-9 1968; "Statement of Policy Position on Approved Centres in Northeast New Brunswick" by L.E. Poetschke, undated but probably early 1969. All of these documents are found in DREE Records, RG124, Vol.25 File #165-J7-1 Pt.1, NAC.

the times. These birds don't swing. They are not living in this day and age.¹¹

Such attitudes served to generate even more opposition within CRAN and were viewed increasingly in ethnic terms; the Fredericton-based CIC's ignorance of local aspirations reflected a broader misunderstanding, if not exploitation, of the predominantly French northern portion of the province by the English south. Although CRAN's largely moderate leadership continued to support the Plan in a lukewarm manner, many local CRAN committees began to mobilise opposition among the rural poor in 1968-9 to the resettlement and urbanisation programmes. When the CIC limited local participation in the 1969-70 review of the Plan, representatives of the more radical local committees were able to win the support of many moderates and were ultimately able to take over the leadership of CRAN. An openly nationalist organisation now, committed to locally-controlled development, CRAN lost what little influence it had within FRED and became the focus of local opposition to the Plan's modernisation programme.¹²

Local alienation was further exacerbated when the direction of federal regional development policies changed in 1969 when they were all put under the roof of a new ministry, the Department of Regional Economic Expansion (DREE). Gone were the ADA and the ADB as DREE's first minister, Jean Marchand, changed the focus of regional development from slow-growth rural areas to dynamic urban centres, or

¹¹Quoted in Young, "Development, Planning and Participation", p.224.

¹²This brief discussion of CRAN's role and evolution has been drawn from: Young, "Development, Planning and Participation", chapter 7; and Allain et Côté, "Le développement régional, l'État et la participation de la population".

growth poles. The new strategy consisted of the designation, by Ottawa in consultation with the provinces, of a few *special areas* which would be eligible for infrastructure assistance; and a Regional Development Incentives Act (RDIA), which replaced the ADA, which would provide grants to industry willing to locate in the designated urban areas. In an embryonic sense, the notion of growth poles had been present in the Northeast Plan's centralisation assumptions. But centres such as Bathurst were not big or urban enough to qualify for consideration by DREE; in spite of vigorous attempts at convincing Ottawa otherwise, the Robichaud government finally acceded to DREE's wish to designate two cities located in the south of the province, Saint John and Moncton, as New Brunswick's special areas. The FRED Northeast Plan remained in effect under DREE -- indeed an amended agreement would be signed in 1972 -- but the new emphasis on growth centres made it abundantly clear that Ottawa had very little interest in promoting rural development in northern New Brunswick.¹³

Local discontent with federal and provincial development policies mounted in late 1971 as the base metal industry -- by far the most successful sector in the region's economy -- experienced a downturn and a series of substantial layoffs were announced. Brunswick's Imperial smelter, which had only reached operating capacity in 1970-1, was not nearly as effective in refining the region's mid-grade zinc concentrates as had been hoped. Moreover, the world market for lead concentrates declined during the

¹³Donald J. Savoie, *Federal-Provincial Collaboration: The Canada-New Brunswick General Development Agreement* (Montreal-Kingston, 1981), pp.14-18; Bickerton, *Nova Scotia, Ottawa, and the Politics of Regional Development*, pp.207-14.

early 1970s. Consequently, the company announced in 1971 that it planned to convert the smelter from a lead-zinc to a lead-only smelter in 1972-3, a process that would result in the loss of 280 jobs. This conversion allowed the company to refine all its lead concentrate and ship its zinc concentrate to Belgian smelters that had perfected the refining of lower grade ores.¹⁴ Also in the autumn of 1971, Anaconda American Brass announced that, due to the reduced lead market, 150 workers would be laid off at its base metal mine/concentrator operation in Restigouche County (located 40 miles west of Bathurst). In early 1972 another 325 layoffs were announced, this time by Nigadoo Mines, located just north of Bathurst in northeastern New Brunswick. Both the company and the United Steelworkers of America, the union representing the workers, attributed the shutdown to the federal Department of Manpower's rejection of a joint management-union proposal to provide financial assistance for a training programme which would have subsidised production at the mine "for another five years or until the supply of ore became depleted."

The layoffs in the mining sector were compounded with others in the region's other major resource industries during the fall and winter of 1971-2. Two of the region's major pulp mills, Fraser's in Atholville and Consolidated Bathurst in Bathurst, had announced layoffs of 300 and 320 respectively; and northern New Brunswick's principal fish processing company, Gorten Pew Ltd. of Caraquet, announced a series of

¹⁴Brunswick Mining and Smelting Corporation limited, *Information Circular* (1971), RG3 RS18 C4/46, Brunswick Mining and Smelting, PANB; New Brunswick Department of Natural Resources, *Annual Report* (1972), p.72. Brunswick was also going to face new competition from a large zinc mine and smelter, operated by Texas Gulf and Sulphur, that was coming into production in Timmins, Ontario. See Smith, *Harvest From the Rock*, chapter 20.

layoffs amounting to 280. With job losses estimated at nearly 1,700, the northeast region faced the most severe economic situation in all of Canada during the winter of 1972.

The economic crisis, coming at a time when many northern New Brunswickers were already unhappy with the direction of the Northeast Plan, precipitated the most explicit and organised attempt to shape state development policies -- the Bathurst Day of Concern. Inspired by the success of a similar "Parade of Concern" in Sydney, Nova Scotia in 1967, organisers of the event, scheduled for 16 January 1972, invited citizens to demonstrate their concern over the economic crisis to invited provincial and federal politicians. The event which included a march and rally would, it was hoped, show community solidarity, draw national attention to the worsening economic condition of northeastern New Brunswick, and serve as a catalyst for new government initiatives.¹⁵ Although organised by representatives of the New Brunswick Federation of Labour (NBFL), the United Steelworkers of America (USW), the union representing workers at the Belledune smelter, also played an active role in planning. The USW's national office loaned the NBFL a publicity expert and the event's principal organiser and spokesman, NBFL provincial president, Paul LePage, was a former executive of the smelter local.

¹⁵"Nigadoo Mine Work Suspended", and "Urge Check of Firm's Records", *Telegraph Journal* (Saint John, New Brunswick), 5 January 1972, pp.2,12; "'March of Concern' Details Announced", *Telegraph Journal*, 10 January 1972, pp.3,14. A brief discussion of the Bathurst "Day of Concern" is found in John Reid, "The 1970s: Sharpening the Sceptical Edge" in Forbes and Muise, eds., *The Atlantic Provinces in Confederation*, pp.477-8; and Wilbur, *The Rise of French New Brunswick*, pp.246-8. On Sydney's "Parade of Concern", see Bickerton, *Nova Scotia, Ottawa and the Politics of Regional Development*, pp.195-203; Paul McEwan, *Miners and Steelworkers* (Toronto, 1976), p.348.

NBFL organisers wanted the Day of Concern to be a moderate demonstration that would generate broad community support. Accordingly, it tried to play down class antagonism. The organisation went out of its way to disassociate itself from a group supporting the rally that also advocated the nationalisation of the mining and forest industries in northern New Brunswick.¹⁶ And Bill Mahoney, an executive member of the USW's national office and noted "red-hunter" within the union movement, contacted the office of the DREE minister, Jean Marchand, to reassure him that the event would be a civilised affair. Indeed, Mahoney claimed that the NBFL and LePage personally had decided to organise the event "in order to keep control of a situation that might otherwise be exploited by a number of rather radical academic types."¹⁷ The "radicals" were probably Acadian nationalists from the Université de Moncton and Bathurst College who supported local resistance to the government's modernisation policies and advocated resource nationalisation.

The NBFL's moderate position can also be observed in its extensive brief, issued ten days before the Day of Concern, outlining the region's economic problems and proposed solutions. While the organisation did briefly criticise the "mastery in the economic field" of resource corporations, its proposed solutions focused on

¹⁶"Urge Check of Firm's Records", *Telegraph Journal*, 5 January 1972, pp.2,12; and "Day of Concern", *The Daily Gleaner*, 12 January 1972, p.4.

¹⁷Mahoney's communication with Marchand's office is noted in J.D. Love to Marchand, 6 January 1972, DREE Records, RG124 Acc.87-88/028 Vol.26 File #263-1-10 pt.1, NAC. Mahoney, the Canadian Director of the United Steelworkers of America, helped organise raids on the USW's more radical rival union, the International Union of Mine, Mill and Smelter Workers, during the 1950s and 1960s. See Mike Solski and John Smailer, *Mine Mill: The History of the International Union of Mine, Mill and Smelter Workers in Canada Since 1895* (Ottawa, 1984), pp.142-60. There was considerable competition between the two rival unions to organise northern New Brunswick's mill and smelter workers during the late 1950s and 1960s.

government aid that would not significantly challenge private capital. As a short-term emergency measure the NBFL called on Ottawa to place a moratorium on layoffs in the mining and pulp and paper industries, and to subsidise production during the economic downturn through stockpiling. The brief did not condemn federal regional development policies outright; rather, its goal was to draw the attention of state planners, whose interest was now occupied by the Moncton and Saint John growth poles, back to the northeast where residents still awaited the mining-based prosperity promised throughout the 1960s. Noting that there was little chance of experiencing the benefits of a "ripple effect from the south" the NBFL called on DREE to designate the northeast a Special Area. It also demanded that the federal Regional Development Incentives Act (RDIA) be amended so that the mining and pulp and paper industries -- which had been excluded from the latest version of the Act -- would be eligible for loans and subsidies. In particular, the NBFL wanted Ottawa to invest RDIA money in the construction of a new zinc smelter and the modernisation and expansion of existing pulp and paper mills in the region.¹⁸

The following week both the federal and provincial governments responded by announcing the allocation of \$10 million for job creation in northeastern New Brunswick. This money -- which was to come from a variety of sources, including the province, DREE, and the Canada Housing and Mortgage Corporation -- was to be used for the creation of 3,000 short term jobs lasting anywhere from 12 to 26 weeks.

¹⁸"Summary of the Address to the Day of Concern by the New Brunswick Federation of Labour", attached to letter from Gregory Murphy (Sec'y Treasurer, NBFL) to Jean Marchand, 7 January 1972, DREE Records, RG124 Acc.87-88/028 Vol.26 File #263-1-10 Pt.1 Day of Concern, NAC.

While both the Minister for DREE, Jean Marchand, and the province's premier, Richard Hatfield, whose Progressive Conservatives had defeated Robichaud's Liberals in 1970, acknowledged that the make-work programme was a short-term solution, they promised that the region's problems would be dealt with more comprehensively in the revised FRED agreement that was in the final stages of negotiation.¹⁹ The short-term investment had been intended to diffuse local tensions before the demonstration, but few in northern New Brunswick were satisfied. NBFL president LePage welcomed the aid, but said that it was "not going to cure anything, not by a long shot."²⁰

On the Sunday of 16 January 1972, buses arrived from communities all over the North Shore and the rest of the province carrying an estimated 15,000 people to the Day of Concern. Union members, business leaders, clergy, fraternal organisations, federal and provincial politicians, and local citizens braved frigid temperatures and joined the one mile parade winding through Bathurst's streets and ending up at the Bathurst College gymnasium. There an overflow crowd was to be addressed by a number of dignitaries including the federal Minister for Regional Economic Expansion, Jean Marchand, the leaders of the two main federal opposition parties, Robert Stanfield of the Progressive Conservatives and David Lewis of the New Democrats, Premier Richard Hatfield and provincial Leader of the Opposition, Robert Higgins. But the rally was not the calm, reasoned exchange of ideas anticipated by its organisers. The

¹⁹DREE News Release, 13 January 1972, DREE Records, RG124 Acc.87-88/028 Vol.26 File #263-1-10 pt.1, NAC.

²⁰"Short-Term Federal Aid for N.B. 'Welcome -- But Won't Be a Cure", *Telegraph Journal*, 15 January 1972, p.2.

audience was filled with disgruntled residents and "radical academic types" who interrupted the politicians with heckles of "l'action, l'action" and demands that speeches be made "en français". Calm was restored only when LePage, who acted as Master of Ceremonies, acceded to their shouted demands for union organiser Mathilde Blanchard of Caraquet to be invited to the podium. Dressed appropriately, considering the weather, in a snowmobile suit, Blanchard, speaking in French and shaking her finger at Marchand, accused the federal government of inaction. She complained that Ottawa's regional development programmes "stud[ied] and re-stud[ied]" the problem only to conclude that the "people are illiterate" and must move to urban centres. She also criticised moderate union leaders for their acceptance of these plans. After calling for the nationalisation of local resource industries, she concluded to great applause, "we are not asking to get rich...just to get something to eat on the table."²¹

Blanchard's unplanned speech and the general unruliness of the rally reflected the divisions that existed within the demonstration. The growing body of organised labour wanted to use the occasion to generate support for aid of the local industrial economy of which they were now part. But their moderate goals were not the same as many rural northern New Brunswickers who wanted only to preserve their traditional rural life in the face of state pressure to do otherwise. After nearly two decades of waiting for a new industrial revolution locally, many rural residents had come to the conclusion that the industrial dreams of state planners were an illusion.

²¹"Only the Strong of Voices Heard", *The Star*, 17 January 1972; "Ottawa Doing Its Best", *The Globe and Mail*, 17 January 1972; "Concern Shown for New Brunswick Jobless", *Telegraph Journal*, 17 January 1972, p.1; and Reid, "The 1970s", p.478.

The Day of Concern did draw national attention to the continuing plight of northern New Brunswick -- indeed almost all national newspapers covered the story extensively -- but it produced few tangible results. The short-term make-work projects did materialise and, later in the year, a second Northeast Plan agreement was signed between Ottawa and the province which again emphasised social development, although this time with less emphasis on resettlement. But the growth-pole orientation of provincial and federal planners, that was centred on development in the south of the province, continued. Although the mining industry would be an important part of the local economy for years to come, northern New Brunswick's status as one of the poorest regions in one of the poorest provinces remained largely unchanged.

State, Capital and Society in an Era of Managed Economic Development

Studies of this period have quite rightly argued that Bathurst's Day of Concern reflected the emerging Acadian nationalist movement in New Brunswick during the early 1970s.²² However, the demonstration also symbolised other changes that had taken place in the region during the previous twenty years. First, the concern over the slowdown in mining operations and the organisational role played by members of the mining and smelting unions showed how important the new industry had become to

²²The nationalist cause was composed largely of young left-wing university students and some working class northern New Brunswickers. This group would challenge the leadership of the traditional francophone middle class throughout the 1970s. See Reid, "The 1970s", pp.478-82; Wilbur, *The Rise of French New Brunswick*, chapter 16; and Pierre Godin, *Les révoltés d'Acadie* (Montréal, 1972), pp.35-98. On Le Parti Acadien, the nationalist political party that came to prominence in New Brunswick during the 1970s, see Léon Thériault, *La Question du pouvoir en Acadie* (Moncton, 1982).

the economy of northeastern New Brunswick. Second, the proposed solutions to the economic crisis revealed a widespread acceptance by the general public, business and politicians of the state's role as an economic manager. Both management and labour had blamed the shutdown of Nigadoo Mines on the failure of Ottawa to provide a training subsidy. And while the rally revealed disagreements over issues such as local control over development and urbanisation, few would disagree that both the provincial and federal governments had a significant responsibility in re-developing the region's economy. The emergence of this political culture of state management was part of a longer "wave of revolution in government" taking place in Canada generally throughout the twentieth century as the state expanded its role into society.²³

In the case of New Brunswick's resource industries, this cultural revolution had been in progress since the 1920s and 1930s. During that period the provincial state had increased both its coercive and administrative presence in the forest industries in order to meet the investment security needs of the modern pulp and paper corporation.²⁴ This pattern was repeated in the 1950s as the Flemming government tried to promote the new base metal industry. Although broadly sympathetic to

²³Philip Corrigan and Derek Sayer have viewed the process of state formation as "long waves of 'revolution' in government", during which all people in society come to gradually accept the state's expanding role in society as "normal". The state's new activities are generally directed at solidifying the rule of dominant classes while, at the same time, maintaining the hegemony of the state. See Corrigan and Sayer, *The Great Arch: English State Formation as Cultural Revolution* (Cambridge, MA., 1985). In recent years this approach has been applied to state formation in nineteenth century Canada, especially with regard to the growing authority and curriculum of the state's schools. See Bruce Curtis, "Class Culture and Administration: Educational Inspection in Canada West", in Allan Greer and Ian Radforth, eds., *Colonial Leviathan: State Formation in Mid-Nineteenth Century Canada* (Toronto, 1992). See also Greer and Radforth's "Introduction" to the same volume.

²⁴Parenteau, "Forest and Society in New Brunswick".

notions of state-sponsored regional development, the province felt that all it could do was meet the demands of mining multinationals for a favourable investment climate and by underwriting many of the costs of development.²⁵ Constrained by a history of a weak state, lack of expertise in the base metal industry, the dominant Cold War ideology of the period, and a dependent mindset, the provincial government's management style was that of a passive rentier state. This style was challenged by many northern New Brunswickers, from all classes, who called on the state to use its powers as "custodian of the people's resources" to force private capital to act in the local interest. These demands represented competing visions both of resource ownership and of the state's managerial role in the economy.

The provincial state's managerial role came to be more fully established during the 1960s. Informed by the Premier's personal populism and a vague commitment to the interventionist state, the Robichaud government played a more active role in the planning and management of the base metal industry. This role was demonstrated initially when the state used legislative threats to force the American multinational, St. Joseph Lead, out of the new industry in favour of domestic investors, most notably K.C. Irving, who promised to develop the industry expeditiously. Having achieved a commitment to develop the base metal deposits, the government resorted to the traditional state practice of bonusing, meeting most of the mining company's demands, including sizeable government guarantees, a smelting monopoly, and protection from

²⁵The Nova Scotia government's management of forest resources during the 1950s bears a striking resemblance to the New Brunswick case. See L. Anders Sandberg, "Forest Policy in Nova Scotia: The Big Lease, Cape Breton Island, 1899-1960", in Sandberg, ed., *Trouble in the Woods*, pp.65-89.

environmental suits. Although the form of these concessions remained the same as those offered to industry by previous governments, they were more extensive. Moreover, the whole process of bonusing which had previously taken place on ad hoc basis and involved both provincial and municipal governments, became more formalised and centralised. The provincial and federal governments established and administered funds allocated for enticing private investors to particular areas, and provincial Equal Opportunity legislation made the province the principal administrative unit, thereby eliminating competition between municipal governments for industry and reducing local impediments to the province's broader development plans.

Under the Robichaud administration bonusing was also marked by growing bureaucratic oversight and demands for industry accountability. While previous governments were unwilling or unable to challenge capital even after extensive concessions had been made, the Liberal government developed a more managerial approach over time. As the scope of the smelter project expanded, base metal development became a central focus of the growing provincial and federal bureaucracies established to promote economic development generally and the modernisation of northern New Brunswick in particular. These bureaucracies not only helped plan development but provided the provincial government with the expertise to better analyse industry proposals. Indeed, warnings from the provincial bureaucracy, as well as local discontent with Irving's management of the smelter complex, provided much of the impetus for Robichaud to once again force out a major mining interest, this time in favour of an out-of-province investor.

Although bonusing remained an important part of the provincial and federal development strategies throughout the 1960s, perhaps the best example of "managed development" were the social development initiatives. Informed by the modernisation ethos of the era, state planners sought to "develop" the population of northern New Brunswick. Using the tools of education and urbanisation, Equal Opportunity and the Northeast Plan sought to adapt northern New Brunswickers to the economy and values of modern industrial capitalism, represented locally by the base metal mining and processing operations. In some ways, these programmes represented an infrastructure subsidy to industry -- trained workers -- but, more important, they reflected the faith of government planners in the power of the state to transform society, particularly those "backward" attitudes that were viewed as an impediment to development. Thus, by the time of the Bathurst Day of Concern in 1972 the political culture of state management was well-established. For over a decade northern New Brunswickers had seen a strong state presence in the local economy and society through the growing welfare state and regional development initiatives. Moreover, the state's managerial role was also accepted, or at least tolerated, by business. Indeed, as the case of Brunswick Mining and Smelting shows, the state's interest in regional development could be exploited to underwrite the costs of an enterprise.

The interventions by the New Brunswick government during the 1960s must be seen in the broader context of the growing interest in managed development by federal and provincial states throughout the country. In Newfoundland, the Smallwood government was overseeing a modernisation and community resettlement programme

as well as investing millions in the ill-fated Come-By-Chance refinery. In Nova Scotia, both the federal and provincial governments responded to declining private interest in Cape Breton's coal and steel industries by nationalising them. More radical interventions took place in Quebec in 1962 when the Liberal government nationalised hydro-electric resources, and in Saskatchewan in 1974 when the NDP government nationalised the provincial potash industry. The New Brunswick state's management of the base metal industry was both more moderate and more radical than the interventions taking place around it. While the government never seriously considered nationalising the industry, its role in the ouster of the province's leading capitalist -- one who wielded considerable political and economic power -- from the industry was unprecedented. Even in provinces where nationalisation was undertaken against the wishes of capital, the target was usually foreign, rather than local, capital. The Robichaud administration's actions against St. Joseph Lead and, later against Irving, suggest that the state could, on occasion, intervene against dominant economic interests in a relatively autonomous manner. It should be noted, however, that these "moments" of autonomy were circumscribed by an understanding that resource development would continue to be carried on by private capital alone.

The Robichaud administration's attempt to utilise local capital to develop the base metal industry appears to suggest a departure from the traditional reliance of Maritime provincial governments on foreign capital for the development of natural

resource industries.²⁶ This impression, however, is not altogether accurate, for the Robichaud administration was in no way committed to a "local" development strategy. In other economic sectors, most notably the forest industries, the Liberal government actively courted outside capital; indeed, throughout the 1963 election campaign Robichaud boasted of his government's plans to attract outside capital to the province. The base metal example, then, is an exception to the broad thrust of the Liberal government's development strategy. Furthermore, it is only exceptional to a point, for the province eventually forced out the local investor, Irving, in favour of another outside investor, Noranda. Although the Robichaud government did not perceive itself to be as dependent on individual corporations as did its predecessors, it did view foreign investment as an integral part of the province's economic re-development. This understanding was also shared by the Progressive Conservative government of Richard Hatfield that succeeded the Liberals in 1970.

An important focus of this thesis has been to highlight how the people who had the most to gain -- or lose -- from these mining developments -- northern New Brunswickers -- tried to shape the government's development policy. Social scientists studying New Brunswick during this period have concentrated on the Regional Development Councils -- CRAN in particular -- created under ARDA and FRIED as

²⁶See Parenteau, "The Woods Transformed: The Emergence of the Pulp and Paper Industry in New Brunswick, 1919-1931"; Ian McKay, "The Crisis of Dependent Development: Class Conflict in the Nova Scotia Coalfields, 1872-76", in Gregory Kealey, ed. *Class, Gender and Region: Essays in Canadian Historical Sociology* (St. John's, 1988), pp.9-48; Donald Macgillivray, "Henry Melville Whitney Comes to Cape Breton: The Saga of a Gilded Age Entrepreneur", *Acadiensis* IX, 1 (Autumn 1979), p.135-82; Sandberg, "Forest Policy in Nova Scotia: The Big Lease, Cape Breton Island, 1899-1960"; "Dependent Development, Labour and the Trenton Steel Works, Nova Scotia, c. 1900-1943", *Labour/Le Travail* 27 (Spring 1991), pp.127-62.

the first examples of local participation in development planning.²⁷ It is true that these councils were the first formal organisations to cultivate local participation, but this study has shown that there was a history of informal local participation in the shaping of state development policy, particularly as it pertained to natural resource industries. This participation, found in the resolutions of municipal councils, local Boards of Trade and Labour Councils, and letters to newspapers, was often based on the notion of "the people's resources". A loose concept that meant different things to different people, it constituted a rural challenge to the principles of modern corporate capitalism by holding that those exploiting Crown resources had an obligation to the well-being of the local community. While the political slogan was used elsewhere throughout Canada, in northern New Brunswick it had a very particular history dating back to an earlier period of capitalist development. This understanding helped inform local demands for state action against the mining companies throughout the late 1950s and early 1960s. Rural opposition to the urbanisation and modernisation policies of the Northeast Plan -- shown most clearly in Mathilde Blanchard's impromptu speech during Bathurst's Day of Concern -- can be seen as part of this broader continuum of rural resistance to corporate exploitation of resources. It is important to note, however, that the arrival of the smelter, mills and mines did alter both the class structure locally as well as the nature of the consensus regarding the "people's resources". As northern New Brunswickers -- previously underemployed in the traditional primary industries -- entered the modern industrial workforce, they, and the

²⁷See Young, "L'édification de l'état provincial et le développement régional au Nouveau-Brunswick"; and Allain et Côté, "Le développement régional, l'État et la participation de la population".

reformist unions of which they were part, identified less and less with the rural protests being espoused by people such as Blanchard and Tony Gallant. This was demonstrated at the Day of Concern by the differing agendas of union leaders and rural activists.

The base metal industry never transformed the North Shore of New Brunswick as had been predicted by politicians, promoters, and planners throughout the 1950s and 1960s. Although more people lived in urban areas and the quality of educational, health and other social services had improved, employment prospects remained grim. As background research for his study, *The New Urban Poor* sociologist S.D. Clark sent a team of research assistants to northeastern New Brunswick in the mid 1970s to interview local residents on their economic and social conditions. Their impressions suggested that, despite the presence of the mining developments and regional development projects, the overall condition of local residents, whether they lived in rural or urban centres, had not improved considerably in the decade since Alan Phillips' article appeared in *Macleans*. "[I]t was clear that the families which had made the move out of the Northeastern New Brunswick rural community into one...of the urban residential areas...had not greatly improved their socio-economic state. They were little better housed than they had been in the rural community and the move had brought no great improvement in employment opportunities...."²⁸

²⁸S. D. Clark, *The New Urban Poor* (Toronto, 1978), p.86.

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