

# Catching Up and Falling Behind

## The Five Economic Eras of Atlantic Canada, 1961–2019

by Fred McMahon

Many Atlantic Canadians may be surprised, but the region had a charmed 14 years from 1997 to 2010, when the region rapidly closed the economic gap with the rest of the nation, both in per-capita Gross Domestic Product (GDP) and unemployment levels. The charm is over. The catch-up with the rest of Canada has halted and gone into reverse. Atlantic Canada lost ground to the rest of Canada between 2010 and 2019 and, on a per-capita basis, grew more slowly than the rest of Canada.

This study examines the recent history of economic policy in Atlantic Canada. It finds five distinct eras—1961–1972, 1972–1979, 1983–1997, 1997–2010, and 2010–2019— and a tie between government policy in each of these eras and the growth of GDP in the region. Two key measures are used: [1] the ratio of per-capita GDP in Atlantic Canada to GDP in the rest of Canada (ROC); [2] the ratio of per-capita GDP in the Maritime Provinces (omitting Newfoundland & Labrador) to GDP in the rest of Canada minus Alberta (ROC–A). This ratio is used since it removes the biggest oil and gas producer in each geographic area and thus lessens oil-related distortions.

**1961–1972** Government spending and economic development programs grew, particularly through the second half of the 1960s, but were much lower than they would become in 1970s and economic development programs were in their infancy. This was a successful period for the region and the moniker “the Atlantic Revolution” was coined to reflect the enthusiasm of the time. The per-capita GDP in Atlantic Canada grew from 56% of ROC and GDP to 67%; in the Maritimes, per-capita GDP grew from 59% of ROC–A and GDP to 65%.

**1972–1979** The Atlantic Revolution was not to last. Government spending and regional development programs exploded in size. But, instead of having the intended consequences, catch-up with the rest of Canada slowed. The per-capita GDP in Atlantic Canada was still at 67% of GDP in ROC in 1979; the Maritimes likewise remained at 65% of GDP in 1979. Many of the new or expanded programs distorted both the labour and business markets and incentives across the economy. These policies and the vast increase in government spending derailed regional growth.

**1983–1997** Government policy in Atlantic Canada did not change a great deal in this period. Nonetheless, government spending fell slightly and some of the problematic regional programs were reformed. This may have helped the region catch up to the rest of Canada a little bit. The per-capita GDP in Atlantic Canada rose from 68% of ROC GDP in 1983 to 71% in 1997; the Maritimes rose slightly from 74% of GDP in ROC–A to 75%.

**1997–2010** This is the miracle period of Atlantic Canada’s catch-up. The per-capita GDP in Atlantic Canada rose from 71% of ROC GDP in 1983 to 87% in 2010; the Maritimes

rose from 75% to 85% of GDP in ROC–A. Significant reforms to Employment Insurance (EI) helped power this economic strength along with the reduction in government spending, which was particularly pronounced in Atlantic Canada. This reduction left more room for the private sector to grow.

**2010–2019** During the period from 2010 to 2019, the reduction in government spending in Atlantic Canada came to a halt and spending started to creep up. Reforms, such as the earlier changes to EI, similarly halted and sometimes went into reverse. So too, did the region's economic trajectory. The per-capita GDP in Atlantic Canada fell slightly

from 87% of ROC GDP to 86%; the Maritimes fell from from 85% to 81% of GDP in ROC–A. The story stops at 2019 to avoid distortions caused by the COVID pandemic.



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## Per person income of Maritimers trails the rest of Canada (excluding Alberta) by over \$11,000

