

***INDUSTRIAL DEVELOPMENT POLICIES
IN QUEBEC SINCE THE QUIET REVOLUTION:
AN EMPIRICAL ASSESSMENT***

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INTRODUCTION

In this chapter we shall assess Québec's economic development performance since 1960 using certain indicators which were precisely at the core of Québec's Quiet Revolution from an economic standpoint.

Earlier in this book, the fundamental changes introduced by the Quiet Revolution were dealt with in the course of a discussion on State-building. It was seen that the economic sphere had particularly been targeted for major changes to be initiated by the State. Among other things, this gave rise to the creation of a number of State-owned enterprises (SOE) during the 1960s and 1970s (see Table 1). The strategy for economic development promotion was essentially based on State intervention.

TABLE 1
LIST OF QUEBEC'S MAIN STATE OWNED ENTERPRISES

Caisse de dépôt et de placement du Québec (CDPQ)	Administers the Québec Pension Fund (La régie des rentes du Québec), various public employees pension funds and other funds such as the automobile insurance plan
Hydro-Québec	Electrical power production and distribution
La Société des alcools du Québec	Liquor stores
Loto-Québec	State-run lottery
SIDBEC	Integrated operations in the steel industry
Société de développement industriel du Québec (SDI)	Provides financial support for the creation of small and medium enterprises and promotes a reorientation of Québec's industrial sectors by providing venture capital to high-tech industries or others that are highly capital intensive
Société de développement de la Baie-James (SDBJ)	In charge of the various hydro-electrical power plants development projects that are part of the James Bay complex
Société de radio-télédiffusion du Québec (SRTQ)	Operates the province's television network. Produces programs and educational audio-visual material
Société de récupération, d'exploitation et de développement forestier du Québec (REXFOR)	Transformation of forestry products

Société générale de financement du Québec (SGF)	An industrial holding
Société nationale de l'amiante (SNA)	Asbestos mining, transformation into industrial products, research and development on the use of this mineral
Société québécoise d'exploration minière (SOQUEM)	Mining prospection and exploitation in partnership with the private sector
Société québécoise d'initiative agro-alimentaire (SOQUIA)	Provides financial support to medium-sized businesses in the food industry, from production units to retail outlets
Société québécoise d'initiative pétrolière (SOQUIP)	Oil and natural gas prospection and production in Québec and Alberta

Source: Gouvernement du Québec, Conseil exécutif, Secrétariat à la réforme administrative et aux emplois supérieurs, Liste des organismes gouvernementaux par ministre responsable et selon la catégorie, Québec, 6 septembre 1990, Published on January 30, 1991.

In the economic field, as in others, the Quiet Revolution cannot be limited to the short period 1960-1966 (i.e., the two Liberal administrations). Most observers agree that there was no significant rupture in policy after the Liberals went down to defeat in 1966. The various governments that came to power during the following two decades - irrespective of party denomination - pursued the course that had been initiated by the Liberals of the 1960s, and shared a common vision of Québec's future as a society.

If a point of rupture in this thread of common vision has to be identified, it came in 1979 when the Parti Québécois government published a document titled *Bâtir le Québec. Un énoncé de politique économique*, which acknowledged the primacy of the private sector and sought to lessen the economic role played by the State which, from now on, would be an actor among others and not necessarily playing the feature role as it had been for almost two decades. This revisionist position was dominant during the Parti Québécois' second mandate (1981-1985) and was accentuated with the arrival at the helm of the State of Robert Bourassa and his Liberal government in 1985. The Liberals were again reelected in 1989. By 1985, the key words in economic policy had become those of "privatization" and "deregulation". Although much was said and written about those themes between 1985 and 1988, actions were slow to follow and when they came about they turned out to be much more benign than the rhetoric which had been used during the course of those three years. Privatizations did occur but few of them really touched what could be considered as the Crown's jewels (Table 2).

TABLE 2
LIST OF PRIVATIZATIONS OF QUEBEC STATE OWNED ENTREPRISES,
1986-1988*

Name of Entreprise	Entreprise sold entirely or partially	Nature of entreprise
Raffinerie de sucre du Québec (RSQ)	Sold entirely	Sugar refinery
Société québécoise d'exploration minière (SOQUEM) •Cambior inc •La Société minière Louvem inc. •Mines Seleine inc.	Sold entirely Sold partially Sold entirely	Mining Mining Salt mines
Société québécoise des transports (SQT) •Québecair	Sold entirely	Airline
Société générale de financement (SGF) •Donohue inc. •Industries Tanguay inc. •Bio-Mega inc.	Sold entirely Sold entirely Sold entirely	Pulp and paper Industrial equipment Biotechnology
Société québécoise d'initiative pétrolière (SOQUIP)	Sold partially	Oil exploration
Société québécoise d'initiative agro-alimentaire (SOQUIA) •Provigo inc. •J.E. Landry inc. •Pêches Nordiques inc. •Société des pêches de Newport inc.	Sold partially Sold entirely Sold entirely Sold entirely	Supermarket chain Food wholesaler Fishing industry Fishing industry
Madelipêche inc. •Madelipêche inc. •Crustacés-des-Iles inc. •Grande-Entrée	Sold entirely Sold entirely Sold entirely	Fishing industry Fishing industry Fishing industry
Société nationale de l'amiante •Distex-SNA inc. •Lupel-SNA inc. •Filaq-SNA inc. •Industries 3-R inc.	Sold entirely Sold entirely Sold entirely Sold entirely	Asbestos mining Asbestos mining Asbestos mining Asbestos mining
Name of Entreprise	Entreprise sold entirely or partially	Nature of entreprise
Société de récupération, d'exploitation et de développement forestier du Québec (REXFOR)		

• Cascades inc.	Sold entirely	Forestry
• Panafor inc.	Sold entirely	Forestry
• Société des Outardes enr.	Sold entirely	Forestry

*In most instances, only a part of the portfolio held by a particular state owned enterprise was privatized.

Source: Gouvernement du Québec, Privatisation des sociétés d'État, Rapport d'étape, 1986-1988, Québec: Cabinet du Ministre délégué aux Finances et à la Privatisation, 1988.

Some Privatizations in the Para-public Sector

Name of Entreprise	Entreprise sold entirely or partially	Nature of entreprise
Le Manoir Richelieu	Sold entirely	Hotel
L'hôpital Bellechasse	Sold entirely	Hospital
L'Institut Armand-Frappier	Sold entirely	Research laboratory

Source: Newspaper clippings.

The pioneers of the Quiet Revolution - some of whom were politically active while others filled the ranks of the Civil Service's upper echelons or were in the field of academia - had targeted a number of specific objectives directed at just about every sector of societal activity. Changes and reforms were the order of the day. Most of these objectives can be found in a document prepared for the Liberal party during the summer of 1959 by the party's former leader, Mr. Georges-Emile Lapalme, who had stepped down the previous year to be replaced by Jean Lesage. His report was titled *Pour une politique*.

One of those pioneers was Jacques Parizeau who many consider as the economic grandmaster of the Quiet Revolution in his capacity as economic advisor to governments emanating from different parties from 1960 to 1969. Later on he joined the Parti Québécois and was Finance Minister from 1976 until 1984 when he resigned his post and left the party over ideological differences with the party's establishment regarding the means to achieve political sovereignty. He then returned as finance and economics professor at the University of Montreal's Ecole des hautes études commerciales (i.e., the School of Business Administration), only to come back on the political scene as president and leader of the Parti Québécois since March of 1988.

Reminiscing about Québec society of the late 1950s and the early days of the Quiet Revolution, Parizeau spells out the latter's major objectives

"The generalized prosperity encountered after World War II had masked our structural lags and the ageing of our production units and techniques. They are now surfacing. Regional disparities, a simple inconvenience until then, now became an unbearable characteristic of the Canadian economy. Pockets of poverty which, whether rural or urban, had been tolerated because they had been masked by the general enrichment, are being viewed as a public scandal, and what is perhaps more important, are seen as economic and social problems that cannot be solved by market forces alone.

This is an essential dimension of the Quiet Revolution. Of course, it is not the only one. But in the failure of the global policies pursued until then by the federal government must be seen as a sort of legitimacy, or at least a profound justification, for the awakening of the Québec government. In terms of economic policies, it seeks, for the first time to rectify, modify and to stimulate economic activity.

There are, in fact, two major foundations to the policies which characterize the period known as the Quiet Revolution. The first deals with the role of the Québec State in order to bring about a satisfactory rate of development for Québec's economy and to rectify certain structural defects which had arisen over the years. The second seeks to have Québécois - especially francophones - regain control over Québec's economy. These are two essential dimensions which are at the basis of actions undertaken as of 1960" (Parizeau 1980. Our translation).

Five major economic problems are identified by Parizeau in this quotation and in the rest of the text, which, in his opinion, the Quiet Revolution sought to address. These problems being:

1. The marginalization of Québec's economy within Canada's global economy.
2. Some structural problems of Québec's economy, particularly within the manufacturing sector.
3. Economic dependency in terms of investment capital and commercial trade.
4. Regional disparities within Canada and Québec itself.
5. The marginal role played by francophones in the ownership and management of Québec's economy.

For Parizeau and others in his entourage at the time, the development of a strong interventionist State was seen as the only mean or instrument, given the scope of the problems at hand, capable of achieving the desired results.

The rest of this chapter will be devoted to an assessment of Québec's economic performance from 1960 to present day with special emphasis on the manufacturing sector. Performance on the five dimensions identified by Parizeau as problem areas will be measured by using various indicators.

SECTION I – AN ASSESSMENT OF QUEBEC'S ECONOMIC PERFORMANCE SINCE 1960

1.1 THE MARGINALIZATION OF QUEBEC'S ECONOMY WITHIN CANADA'S GLOBAL ECONOMY

This particular dimension has been referred by some authors as the problem of the "peripheralization" of Québec's economy relative to the Canadian and continental economies (Gagnon and Montcalm 1990). In this respect, Québec is faced with a major problem for through no fault of its own, its geographical position has become peripheral to the core of North America's economic center of gravity, which throughout this century has tended to move westward.

Yet, for a long time, Québec's succeeding governments during the 1960s and 1970s somehow thought that they could circumvent this structural stumbling block. At least, that is the only way one can explain Québec's will, expressed throughout those decades, of wanting to develop a "wall-to-wall" economy - i.e., insuring the province's presence in every sector of the economy through the creation of a vastly diversified manufacturing sector. Thus, the emphasis on developing such sectors as steel and automobile construction (re: SIDBEC, SOMA which ran a Renault automobile assembly plant for a few years in a Montreal suburb). A more modern version of this kind of thinking was put forward by the Bourassa government in the 1970s. At a time when the North American steel industry was undergoing a severe crisis, Bourassa entertained the idea that automobile makers would turn to aluminum as the main component in the construction of automobile chassis. He foresaw a bonanza for Québec. The province could provide cheap hydro-electrical power to aluminum manufacturers. The reasoning went as follows: let us go after aluminum-makers with the lure of cheap energy and in their wake automobile-makers will follow. Bourassa and, after 1976, the Parti Québécois had especially targeted the Ford Motor Company which ended up establishing its new plant in Southern Ontario.

More recently still (1978), the Parti Québécois created at great costs La société nationale de l'amiante, a State-owned enterprise in the field of asbestos mining, transformation into industrial products, and research and development for the development of new products. All this at a time when, worldwide, this particular mineral was being banned, or its uses were severely restricted. Only as of the early 1980s was this kind of thinking (i.e., a "wall-to-wall" industrial sector) abandoned in favor of specialization in high-tech industries (Gouvernement du Québec 1982) besides consolidating those other sectors in which Québec was doing well such as the aerospace industry, the petro-chemical industry, and so on. At the same time the smokestack industry chasing strategy was dropped in favor of supporting innovative small and medium-sized businesses who could do well on the world market. This new strategy had come about with the publication in 1979 of the Parti Québécois' government's new economic development policy contained in a document entitled *Bâtir le Québec. Un énoncé de politique économique*, which was to be followed in 1982 by Volume II of *Bâtir le Québec*, titled *Le virage technologique*. Both reports recommended that Québec concentrate on developing those sectors in which it held positive comparative advantages thus renouncing the pursuit of

sectors which failed to take into account Québec's peripheral position in the continental economy.

Bâtir le Québec can be viewed as a statement acknowledging the failure of policies implemented since 1960 to rectify some of the fundamental problems identified by Parizeau. For, despite the massive efforts targeted at addressing these problems from Lesage to the early 1980s, through various forms of State intervention and legislation, Québec's relative position within the Canadian economy and in comparison to Ontario's performance has regressed over the period.

Various indicators to be presented in the following pages point out to a marginalization of Québec's economy within the Canadian economy as a whole, and more particularly with reference to Ontario's performance.

This reference to Ontario needs a brief comment. For whether fair or not, or questionable or not, it has become the accepted norm in academia - especially in the political economy literature - and in political circles to compare Québec's economic performances to those of Ontario. In other words, Ontario has long been the yardstick for comparing Québec on a variety of dimensions extending beyond the economic realm. The Québec government itself often compares its official data with that of Ontario. This practice is also heavily used by business and labor associations and in the media. Maybe there ought to be a serious questioning as to the validity of such a comparison basis, for implicitly there is a connotation that, for whatever reason, Québec ought to be like Ontario as if this province was the perfect model of a balanced global economy and offered a *par excellence* equilibrium of its industrial sector. This is not the place to resolve the debate once and for all and therefore the tradition of comparing both provinces shall be maintained in this chapter.

The marginalization indicators are:

1. Québec's share in Canada's Gross Domestic Product (GDP) and relative to Ontario's share of Canadian GDP (Table 3).
2. The distribution of the labor force in percentage of the total labor force among the three economic sectors in Québec and Canada (Table 4).
3. Québec's and Ontario's respective shares in Canada's manufacturing sector in terms of number of establishments, number of employees, and value of shipments (Table 5).
4. Québec's share of total Canadian exports and imports and Québec's international exports in the manufacturing sector (Table 6).
5. Québec, Ontario, and Alberta's respective share of total investments in Canada between 1962 and 1992 (Table 7).
6. The Québec/Ontario ratio of global investments from 1962 to 1992 (Table 8).

7. Québec and Ontario's respective shares of investments made in the various sectors of the economy (Table 9).

TABLE 3
QUEBEC'S SHARE OF CANADIAN GROSS DOMESTIC PRODUCT (GDP)*
(SELECTED YEARS)

	QUEBEC'S SHARE OF CANADIAN GDP IN %	QUEBEC'S SHARE IN % OF ONTARIO'S SHARE OF CANADIAN GDP
1961	26,3	64,1
1971	24,8	59,3
1976	23,9	60,7
1981	22,7	60,3
1982	22,7	61,2
1983	22,5	59,6
1984	22,4	58,2
1985	22,4	58,7
1985	22,9	58,3
1986	23,2	58,0
1987	23,5	58,0
1988	23,5	56,2
1989	23,0	55,0
1990	22,9	55,6

(*) Most of the remaining tables are drawn from *Gérald Bernier & Robert Boily, Le Québec en chiffres, de 1850 à nos jours*, Montréal: ACFAS, 1986, 389 pages.
Source: *Le Québec en chiffres*, p. 70; Statistics Canada, Provincial Economic Accounts, Catalogue 13-213.

TABLE 4
DISTRIBUTION OF THE LABOR FORCE IN % OF THE TOTAL
LABOR FORCE AMONG THE THREE ECONOMIC SECTORS
IN QUEBEC AND CANADA
(SELECTED YEARS)

	PRIMARY			SECONDARY			TERTIARY		
	Qué	Can	Q/C	Qué	Can	Q/C	Qué	Can	Q/C
1961	11,4	13,9	0,8	34,5	29,6	1,2	51,1	54,0	0,9
1971	5,6	8,3	0,7	30,6	26,0	1,2	56,2	57,7	1,0
1981*	4,1	6,7	0,6	26,0	24,7	1,1	69,9	68,6	1,0
1982	4,4	6,5	0,7	25,1	23,8	1,1	70,8	69,8	1,0
1983	4,4	6,5	0,7	25,8	23,8	1,1	68,7	69,0	1,0
1984	4,0	6,5	0,6	24,4	22,3	1,1	71,6	71,2	1,0
1985	4,5	6,4	0,7	23,0	22,1	1,0	72,4	71,5	1,0
1986	4,3	6,4	0,7	24,0	22,3	1,1	71,7	71,1	1,0
1987	3,9	6,2	0,6	23,5	21,7	1,1	72,6	72,1	1,0
1988	3,3	5,9	0,6	24,8	22,2	1,1	71,8	71,9	1,0
1989	2,8	5,4	0,5	26,3	22,7	1,2	70,9	71,9	1,0
1990	3,0	5,3	0,6	24,3	22,1	1,1	72,7	72,6	1,0
1991	3,2	5,5	0,6	21,8	22,0	1,1	75,0	74,4	1,0

* For 1981 to 1991, data used was for the month of February.

Source: Le Québec en chiffres, p. 69; P. Allen, "Tendances des professions au Canada de 1891 à 1961", L'Actualité économique, 1965; Census of Census, 1971; Statistics Canada, The Labour Force, Catalogue 71-001 & 71-001F; Revue de la main-d'oeuvre, Québec, Vol. 2. Data used for 1990 and 1991 taken from "Le marché du travail", Gouvernement du Québec, February 1992.

TABLE 5
COMPARISON OF QUEBEC AND ONTARIO'S RELATIVE IMPORTANCE
IN THE CANADIAN MANUFACTURING SECTOR USING THREE
CRITERIA: NUMBER OF ESTABLISHMENTS, NUMBER OF EMPLOYEES,
VALUE OF SHIPMENTS
(SELECTED YEARS)

	NUMBER OF ESTABLISHMENTS			EMPLOYEES			VALUE OF SHIPMENTS		
	Qué	Ont	Q/O	Qué	Ont	Q/O	Qué	Ont	Q/O
	IN % OF TOTAL			IN % OF TOTAL			IN % OF TOTAL		
1960	33,8	36,8	0,9	33,7	46,6	0,7	30,4	49,3	0,6
1965	32,9	38,3	0,9	31,8	49,3	0,6	28,0	52,1	0,5
1970	31,9	39,9	0,8	31,4	49,3	0,6	28,2	51,8	0,5
1975	31,1	40,7	0,8	30,6	48,8	0,6	27,1	50,2	0,5
1978	30,3	40,9	0,7	29,2	49,2	0,6	25,8	50,5	0,5
1980	30,3	40,7	0,7	29,0	48,2	0,6	26,6	48,9	0,5
1981	30,5	40,7	0,7	28,9	48,1	0,6	26,3	49,3	0,5
1982	30,0	41,4	0,7	28,7	48,6	0,6	26,2	50,0	0,5
1983	29,3	41,8	0,7	28,4	50,2	0,6	25,6	51,1	0,5
1984	29,2	41,8	0,7	28,1	51,5	0,5	23,2	55,6	0,4
1985	27,4	42,2	0,6	27,7	51,5	0,5	23,0	55,9	0,4
1986	28,8	42,0	0,7	27,8	51,6	0,5	24,1	54,0	0,4
1987	30,3	41,1	0,7	27,9	51,3	0,5	23,1	56,0	0,4
1988	30,0	40,9	0,7	27,8	50,7	0,5	24,8	53,0	0,5

Sources: Le Québec en chiffres, p. 181; F.B.S. Manufacturing Industries of Canada (31-201); Statistics Canada, Manufacturing Industries of Canada, National and Provincial Areas, Catalogue 31-203; Statistics Canada, Manufacturing Industries of Canada, Subprovincial Areas, Catalogue 31-209, Annual.

TABLE 6
QUEBEC'S SHARE OF CANADIAN EXPORTS/IMPORTS
(SELECTED YEARS)

	QUEBEC'S EXPORTS IN % OF TOTAL CANA- DIAN EXPORTS	QUEBEC'S IMPORTS IN % OF TOTAL CANA- DIAN IMPORTS	QUEBEC'S INTERNA- TIONAL (1) SHIPMENTS AS A % OF TOTAL OUT OF STATE SHIPMENTS FOR MANUFACTURING SECTOR ONLY
1965	31,9	26,7	N/A
1967	23,9	27,2	37,7
1968	22,7	25,5	N/A
1969	22,5	24,6	39,1
1970	22,7	25,4	40,9
1971	20,6	24,8	38,0
1972	18,2	23,5	36,0
1973	16,7	23,5	32,9
1974	16,1	24,7	33,6
1975	16,9	24,1	34,7
1976	17,1	23,4	34,0
1977	16,8	20,6	32,4
1978	17,7	19,9	40,3
1979	18,5	19,3	40,7
1980	19,5	19,8	41,9
1981	17,9	21,8	40,0
1982	17,0	19,3	42,3
1983	16,5	20,4	41,6
1984	15,4	20,2	44,6
1985	15,6	19,3	N/A (2)
1986	16,5	19,1	N/A
1987	16,2	20,0	N/A
1988	16,4	18,9	N/A
1989	17,0	19,8	N/A
1990	17,5	19,4	N/A
1991	17,6	18,7	N/A

Source: Le Québec en chiffres p. 88 & 117; Bureau de la Statistique du Québec, La situation économique au Québec, Annual.

- 1) Percentage is obtained by dividing foreign shipments by (foreign + out of state shipments) multiplied by 100
- 2) This set of data is no longer available after 1984.

Table 7

TABLE 8
QUEBEC / ONTARIO RATIO OF TOTAL INVESTMENTS (1962-1992)
(SELECTED YEARS)

	RATIO (1)
1962	69,2
1971	55,8
1977	70,4
1981	61,7
1982	61,3
1983	61,7
1984	62,4
1985	61,3
1986	56,9
1987	56,9
1988	55,7
1989	54,7
1990	58,7
1991	56,8
1992	54,2

(1) Ratios established from data on total investments are expressed in percentage.
For example, in 1962, Québec was receiving 69.2% of Ontario's total investments.

Sources: *Le Québec en chiffres*, pp. 135-136; Statistics Canada, *Private and Public Investments in Canada*, Catalogue 61-205, 61-206, Annual.

Table 9

Comments

Table 3 - Québec has seen its contribution to Canada's GDP in 1989 drop to 89.7% of its 1961 contribution while throughout the same period Ontario's relative share has remained more or less stable shifting from 41.0% in 1961 to 41.5% in 1989. During the same period Québec's share as a percentage of that of Ontario's contribution to the Canadian GDP has dropped by 11.2%.

Table 4 - During the past three decades Québec has lost ground in the primary and secondary sectors while gaining dramatically in the tertiary sector although keeping pace with the rise of the tertiary in Canada as a whole. Yet the blossoming of the tertiary presents some problems as other data will show later on. The decline of the manufacturing sector has been steady since 1961 reaching its lowest point in 1985 (23% of the labor force). The last few years indicate a slight resurgence of the manufacturing sector, mainly as a result of the policies followed by the Parti Québécois and the Bourassa government from 1985 onwards. These policies have sought to support, through various programs, the development of small and medium businesses. The Caisse de dépôt et de placement du Québec alone has increased its total investments in small and medium businesses from 126.0 million in 1983 to 270.6 million in 1989.

Table 5 - Québec's position has regressed on all three counts since 1960 while Ontario was making gains on all three indicators. Of special significance is the fact that Québec's share in the value of shipments has fallen from 30.4% in 1960 to 23.1% in 1987. This represents a decline of 24% over the last twenty-seven years. In some ways, Québec is facing a problem of deindustrialization. During the last few years the number of establishments has stabilized itself and even increased during 1987. This is largely due to governmental action fostering the emergence of small and medium-sized businesses.

Table 6 - Québec's share in Canada's international trade has experienced a severe decline, especially in the field of exports. Whereas, in 1965 Québec accounted for 31.9% of Canada's exports, this share was down to 17.6% by 1991. The same phenomenon is to be observed in the field of imports, although in less drastic fashion. Within the manufacturing sector, Québec is increasing its international exports relative to its exports to the rest of the Canadian provinces. Yet, Québec remains the greatest consumer of its manufacturing production. In 1984, for example, 52.3% of manufactured products were consumed in Québec.

Table 7 - Québec's position remains relatively stable throughout the period except for the recession years of the early 1980s. Nonetheless, its share of total Canadian investments has always been below its share in the total population of Canada. For instance, Québec represented 25.8% of the Canadian population in 1986 but received in 1992 21.3% of total investments in Canada. This table also shows a conjunctural decline of Ontario's relative share to the benefit of Alberta during the energy crisis of the mid-seventies. As of 1985, there was a return to the rather stable pattern in the distribution of investments by province experienced by Canada.

Tables 8 and 9 - Overall there has been a major change between 1962 and 1992 in Québec's relative position to that of Ontario. Québec's ratio of Ontario's total investments went down from 69.2% to 54.2% during the period. However there is a substantial difference between what went on during the Parti Québécois' administration (1976-1985) and after the return of the Liberals in 1985. During the Parti Québécois' first mandate (1976-1981) the level of total investments relative to Ontario had more or less returned to what it had been during the early 1960s. It went down during the recession of the early 1980s never to return to its previous levels. Furthermore, things worsened under the Liberal administration. For one thing, public investments (i.e., the government and public institutions) dropped slightly between 1976 and after the Liberal takeover in 1985. Public investments represented 16.2% of total investments in 1976 while accounting for 12.6% of total investments in 1989. The most dramatic decrease occurred in the field of public utilities and might explain a substantial part of the spread now being observed between the two provinces. Investments in that sector represented 25.7% of total investments in 1977, reached 32.2% in 1982, and were down to 17.2% in 1989. A large part of this differential can be explained by the completion of the various James Bay hydro-electrical power projects as of the early 1980s.

One observation worth noting is that in relative terms, amongst its total investments, Québec's share of investments in the manufacturing sector has represented a greater proportion than in Ontario between 1985 and 1990. This is the first time such a phenomenon has happened since 1955.

Summary and Conclusions

The data presented so far suggests that on all counts Québec's most recent performance has declined relative to what it was in 1960. In the meantime, Ontario's position has either remained steady or gained some ground during the same period. The objective of rectification of Québec's marginal status within the Canadian economy has not been realized. Thus, based on the measurements presented in this section, the marginalization hypothesis - despite massive efforts by the various Québec governments over the course of the period - receives overwhelming confirmation.

1.2 THE STRUCTURAL PROBLEMS OF QUEBEC'S ECONOMY

Reference is made here to such phenomena as the decline of Québec's manufacturing sector and some imbalances encountered within it. Also to be considered is the rise of the tertiary sector. Taken altogether these phenomena present characteristics which might lead one to speak of "deindustrialization" in the first instance and look more closely at the composition of the tertiary.

Again, the goal is to evaluate whether Québec's position has been enhanced or has deteriorated since 1960. Have the structural problems, particularly in the manufacturing sector, been remedied as it was hoped or do they still characterize Québec's economy of the 1990s?

Indicators of these structural problems include:

1. The steady decline of Québec's manufacturing sector within Canada as observed in the previous section.
2. The place occupied by the "soft" sectors in the manufacturing sector. Here reference is made to traditional sectors such as textile, clothing, leather, furniture, wood and lumber. These sectors face stiff international competition but are highly protected by Canadian tariffs.
3. The excessive share held by raw materials and non-treated products in Québec's international exports and the growing share of finished goods in its imports.
4. In the tertiary or services sector, the disproportionate place taken on by what is usually referred to as the non-productive subsector.

There are yet still other indicators pointing to Québec's structural economic problems which have already been dealt with in the previous section on marginalization, or shall be examined in the section on regional disparities. These three dimensions are intimately related and indicators sometimes reflect more than one facet of problems facing Québec's economy.

TABLE 10
THE IMPORTANCE OF TRADITIONAL INDUSTRIES (1)
(OR "SOFT SECTORS") IN QUEBEC'S MANUFACTURING SECTOR,
1960-1988 AS MEASURED BY % OF ESTABLISHMENTS, % OF EMPLOYEES,
AND IN % OF VALUE OF SHIPMENTS OF THE TOTAL
MANUFACTURING SECTOR

	Establishments as % of total manu- facturing esta- blishments	Number of em- ployees as % of total manufac- turing employees	Value of ship- ments in % of total manufac- turing shipments
1960	44,7	34,7	20,9
1970	40,7	32,0	21,6
1981	37,3	33,9	17,2
1987	36,8	30,1	17,8
1988	37,1	33,5	17,8

(1) those industries are: leather, textile, clothing, wood (lumber), furniture and accessories.

Sources: Le Québec en Chiffres, p. 189; Statistics Canada, Manufacturing Industries of Canada, National and Provincial Areas, Catalogue 31-203, Annual.

TABLE 11
QUEBEC'S (1) EXPORTS PER TYPE OF PRODUCTION
IN % OF TOTAL EXPORTS
(SELECTED YEARS)

	Raw materials as % of total exports	Non finished goods as % of total exports	Finished goods as % of total exports
1965	24,9	38,4	13,8
1970	19,9	49,6	24,6
1980	15,6	47,8	31,3
1987	6,2	49,2	37,3
1989	6,0	47,7	40,3

1) As accounted for in a Québec port of exit.

Sources: Le Québec en Chiffres, p. 88 and 117; Bureau de la statistique du Québec, Le commerce international du Québec, 1988; Statistics Canada, Canada Yearbook, 1990.

TABLE 12
QUEBEC'S ⁽¹⁾ IMPORTS PER TYPE OF PRODUCTION
IN % OF TOTAL IMPORTS
(SELECTED YEARS)

	Raw materials as % of total imports	Non finished goods as % of total imports	Finished goods as % of total imports
1965	18,3	29,2	37,9
1970	14,8	26,6	45,6
1980	23,0	22,0	43,8
1987	10,9	22,3	59,6
1989	8,8	23,9	61,8

1) As accounted for in a Québec port of entry.

Sources: *Le Québec en Chiffres*, p. 88 and 117; Bureau de la statistique du Québec, *Le commerce international du Québec*, 1988; Statistics Canada, *Canada Yearbook*, 1990.

Comments

1 and 2 - The presence and sustained maintenance of the "soft" sectors has been a thorn in the structure of Québec's manufacturing sector throughout this century. Succeeding governments from 1960 onwards have all acknowledged the problem. Yet in terms of policies, it seems that they simply wished it would go away by itself. Though decisions needed to be made regarding those sectors, they have not been taken.

Faced with severe international competition and low productivity, Québec governments should have taken a number of decisions resulting in a slow phasing out of these sectors.

(A) More energy and resources should have been put in developing replacement sectors, mainly in the field of high technology. Such a course of action only began in the early 1980s.

(B) Favor early retirement by funding a program for that purpose and create workforce training and recycling programs, even if it meant that a fair share of the workforce involved would not have been able to reenter the labor force.

(C) The government and various State-owned enterprises should have avoided investing and subsidizing equipment modernization in those sectors.

(D) Finally, the Québec government should have stopped pressuring the federal government to maintain the highest tariffs possible on the goods produced by these traditional sectors.

Québec's manufacturing sector stands to feel a shockwave if an extension of the Free Trade Agreement with Mexico ever comes through, which is more than likely. The competition with Mexico in these sectors will be unsustainable. Yet, as of 1988, these sectors accounted for nearly a third of the number of employees in the manufacturing sector while contributing a relatively small share (17.8%) of total value of shipments (see Table 10).

3 - Québec's international trade structure is characterized on the exports side by the dominance of raw materials and non-finished goods and on the imports side by the dominance and growing share, since 1960, of finished goods (see Tables 11 and 12). Yet, it is worth noting that among Québec's exports, finished goods have taken on a greater share since the 1960s. They stood at a mere 13.8% of total exports in 1965 and had increased to 40.3% in 1988. But during the same period, imports of finished goods went from 37.9% to 61.8%.

Conversely, on the exports side, raw materials and non-finished goods have declined slightly (from 63.3% in 1965 to 53.7% in 1988) while on the imports side the decrease has been more dramatic (from 47.5% in 1965 to 32.7% in 1988) in favor of finished goods.

While its general situation is improving, Québec still offers some imbalances in the composition of its international trade. Its export structure is still dominated by raw materials and non-finished goods. Efforts should be made to have some of the raw materials transformed into industrial products within Québec instead of shipping them as such and having them returned as finished goods.

4 - Québec is suffering from a hypertrophy of its tertiary sector, and particularly of its non-productive subsector. The tertiary contributed to 70.5% of Québec's GDP in 1987, up from 56.5% in 1961. In terms of employment, it accounted for 75.0% of jobs in 1991 compared to 51.7% in 1961. At first glance, this is in keeping with trends observed in most industrialized countries of the Western world. However, in Québec, things appear to be somewhat different. For one, the growth of the tertiary has taken place at the expense and as a result of a phenomenon of "deindustrialization". On this question, an author (Lamonde 1979: 351-352. Our translation) writes:

"It would appear that the phenomenon of the rise of the tertiary within Québec's economy has surpassed the optimum level. Far from demonstrating that Québec's economy has entered the post industrial era, the "ballooning" of the tertiary is rather the indicator of a worrisome anemia of the manufacturing sector."

When the tertiary is divided between "productive" and "non-productive" subsectors, it is found that the latter is experiencing the fastest growth rate. The "productive" subsector includes those activities related to industrial production (e.g., finance, marketing, etc.) and private consumer services. The "non-productive"

subsector is tied to social reproduction and includes all collective services such as public administrations, education, health, social services, etc.

Because data on the subject is not readily available, the last measurement of the phenomenon dates back to 1984. It was then found that between 1973 and 1984, the productive subsector had seen its input in Québec's GDP grow by 6.8%, while the non-productive subsector's share grew by 16.4% (Bernier and Boily 1986: 80).

In terms of employment, the public and parapublic sectors (i.e., schools, hospitals, welfare institutions, State-owned enterprises, etc.) have grown tremendously over the past three decades. The number of civil servants working for the Québec government and its agencies - but *not counting* those working in the parapublic sector - went from 36,766 in 1960 to 70,006 in 1970. By 1985, the number of civil servants had gone up to 150,333. Expressed differently, whereas in 1960 there were 7.13 provincial civil servants per 100,000 people, by 1970 this figure had gone up to 11.6, and by 1985 to 22.8 (Bernier and Boily 1986: 373).

If we take into account all public servants working in Québec, that is including those working for the federal government, municipalities, and State-owned enterprises at all levels, but *excluding* those in the collective services of the parapublic sector, their number went from 164,557 in 1965 to 448,831 in 1985. The fastest growing subsector is that of municipal employees (Bernier and Boily 1986: 374 et sq.).

Summary and Conclusions

In the manufacturing sector there are substantive turnarounds that succeeding governments have not chosen to take to remedy some of the structural imbalances referred to by Parizeau. Political decisions needed to be taken regarding the "soft" sectors. They were not, and thus Québec is more and more facing the challenge of international competition with diminishing success. The technological challenge should have been met much earlier, especially given the fact that within the course of about twenty years (i.e., from the mid-sixties to the mid-eighties), Québec's population evolved from the lowest to one of the most educated in North America. It, at times, seems that the Québec government has not taken advantage of its vast human resources potential. As a result, Québec still presents a manufacturing structure resting on cheap labor and low productivity.

In its international trade, Québec's position has improved somewhat but in the field of natural resources there is room to negotiate with foreign investors to the effect that more transformation into industrial products should take place within the province.

At first glance, the rise of the tertiary sector is keeping pace with tendencies observed in all advanced industrial societies. A case was made that the non-productive sector was growing at a greater pace than the productive sector, but more data would be required to fully analyze this question in Québec, and see, for

instance, if some of the figures reveal that this rise of the tertiary reflects phenomena of underemployment as is the case in some of the Third World countries. The bloating of the public and parapublic sectors over the past thirty years or so would seem to point in that direction, but detailed analysis is required before reaching such a conclusion.

1.3 ECONOMIC DEPENDENCY AND THE QUEBEC ECONOMY: INVESTMENTS AND TRADE

Like the rest of Canada - but to a lesser degree - Québec is dependent on the United States both in terms of investments and trade.

With regard to investments, Québec governments since 1960 have always been lenient and receptive toward American capital. Much more so than in the rest of Canada where economic nationalism was particularly prevalent throughout the Trudeau years (1968-1979, 1980-1984) and remains a favorite theme of the English Canadian left which, for instance, opposed mercilessly the 1988 Free Trade Agreement with the United States, while Québec was hailing it as the greatest thing that happened in Canada during the course of the 20th century.

These opposing views between Québec and the rest of Canada have, at times, given rise to embarrassing situations. On the one hand, Robert Bourassa, then Prime Minister of Québec, would be in New York seeking, if not begging, for American investments while the Federal government was holding a nationalist posture by creating FIRA (Foreign Investment Review Agency). During the 1988 federal election campaign dominated by the FTA debate, Québec's position was at odds with the rest of English Canada, and particularly with Ontario. This has led some observers during the Meech Lake Accord debate of the Spring of 1990 to establish links between Québec's stance on the free-trade issue and English Canada's resistance to ratifying the accord. Without going so far as to say that English Canada was getting even with Québec, it was thought, in some circles, that the anti-Québec sentiment emanating from the rest of Canada had been exacerbated by its position on free trade.

Trade dependency on the United States is also a trait shared with the rest of Canada, but again to a lesser extent. Both in terms of international exports and imports, the United States are by far Québec's major trading partner.

To measure investment and trade dependency use of the following indicators has been made.

(A) Investment Dependency

Indicators of investment dependency are mostly limited to the manufacturing sector as the result of availability of data.

1. The presence of foreign capital in the manufacturing sector as measured by share of corporate income tax.
2. As measured by the number of employees in firms controlled by foreign capital.

3. As measured by value added in firms controlled by foreign capital.

(B) Trade Dependency

1. Destination of exports
2. Origin of imports
3. Composition of exports
4. Composition of imports

TABLE 13
RELATIVE IMPORTANCE OF FOREIGN CAPITAL AS MEASURED BY
TAXABLE CORPORATE INCOME PAID BY FOREIGN CONTROLLED
CORPORATIONS BASED IN QUEBEC
(SELECTED YEARS) (IN PERCENTAGE)

	Manufacturing sector only	All sectors
1965	59,8	45,0
1970	54,5	40,3
1975	62,0	42,0
1981	54,0	37,0
1983	50,0	31,0
1985	48,3	29,0
1987	47,2	27,3

Sources: Le Québec en chiffres, p.153; Rodrigue Tremblay, L'économie québécoise, PUQ, 1977; Statistics Canada, CALURA, Corporations, Catalogue 61-210.

TABLE 14
THE PRESENCE OF FOREIGN CAPITAL AS MEASURED BY THE NUMBER
OF EMPLOYEES WORKING FOR FOREIGN CONTROLLED FIRMS IN
QUEBEC'S MANUFACTURING SECTOR, 1961-1981
(SELECTED YEARS)
(These measures are no longer available after 1981)

	1961	1970	1976	1981
%	31,3	35,7	32,2	28,6

Sources: Le Québec en chiffres, pp. 156-157; Statistics Canada, Domestic and Foreign Control of Manufacturing, Mining and Logging Establishments in Canada, Catalogue 31-401 Biennial; Rodrigue Tremblay, L'économie québécoise, Montréal: PUQ, 1977.

TABLE 15
THE PRESENCE OF FOREIGN CAPITAL AS MEASURED BY THE
PERCENTAGE OF VALUE ADDED GENERATED BY FOREIGN
CONTROLLED FIRMS IN QUEBEC'S MANUFACTURING SECTOR, 1961-1981
(SELECTED YEARS)

	1961	1970	1976	1981
%	41,8	44,6	41,0	37,1

Sources: Le Québec en chiffres, pp. 158; Statistics Canada, Domestic and Foreign Control of Manufacturing, Mining and Logging Establishments in Canada, Catalogue 31-401 Biennial; Rodrigue Tremblay, L'économie québécoise, Montréal: PUQ, 1977.

TABLE 16
QUEBEC'S INTERNATIONAL EXPORTS: THE U. S. SHARE, 1970-1990

	Exports to the U. S. in % of total exports	Annual rate of change
1970	58,2	—
1971	64,8	11,34
1972	63,8	-1,54
1973	62,2	-2,51
1974	63,1	1,45
1975	60,0	-4,91
1976	62,8	4,67
1977	65,0	3,50
1978	65,0	0,00
1979	63,8	-1,85
1980	59,9	-6,11
1981	65,0	8,51
1982	64,5	-0,77
1983	69,6	7,91
1984	75,1	7,90
1985	75,8	0,93
1986	77,5	2,24
1987	77,3	-0,26
1988	75,3	-2,59
1989	72,8	-3,32
1990	74,8	2,75
1970-1990	67,4	1,37

Source: Gouvernement du Québec. Commerce international du Québec, 1991.

TABLE 17
QUEBEC'S INTERNATIONAL IMPORTS: THE U. S. SHARE, 1976-1990

	Imports to the U. S. in % of total imports	Annual rate of change
1976	41,2	—
1977	43,5	5,58
1978	45,6	4,83
1979	51,3	12,50
1980	51,5	0,39
1981	46,4	-9,90
1982	47,1	1,51
1983	53,1	12,74
1984	52,7	-0,75
1985	50,5	-4,17
1986	49,0	-2,97
1987	47,5	-3,06
1988	46,6	-1,89
1989	46,1	-1,07
1990	46,3	0,43
1976-1990	47,9	0,94

Source: Gouvernement du Québec. Commerce international du Québec, 1991.

Comments

(A) On Foreign Investments

Table 13 - The taxable income measure shows that in the *manufacturing sector*, foreign capital has regressed somewhat since 1965. Its share which then stood at 59.8% is down to 47.2% in 1987. The biggest change yielded by this measure has come about in the *overall economy*, but especially in the transportation, communications, and public utilities sector, and also in the services sector, which respectively went from 41.0% and 24.9% in 1965 to 3.2% and 9.9% in 1987 (Bernier and Boily 1986: 154-155; Calura 1988).

Both sets of figures (Table 13) tend to show that Canadians, be they francophones or anglophones from Québec or the rest of Canada, have gained greater input in Québec's economy. More so in sectors other than manufacturing where foreign interests still account for almost half of generated taxable corporate income.

Tables 14 and 15 - Before commenting on the results, attention must be brought to the fact that Statistics Canada has ceased to publish catalogue 31-401 from which the data was drawn. This catalogue dealt with the infraprovincial level of foreign investments. The presence and impact of foreign capital on the ten provincial economies were measured in various ways. As of 1984, Statistics Canada ceased to publish such detailed data which was of immense value to political economists. The only data on foreign capital are now offered at the aggregated level of Canada as a whole. The last year of reference for the detailed infraprovincial level was 1981.

The number of employees measure (Table 14) for that year showed that there had been a slight decrease since 1961. That year 31.3% of Québec workers in the manufacturing sector were employed by foreign-controlled firms, whereas in 1981, this figure stood at 28.6%. Again, there is a presumption that French and English-Canadians have gained some ground in the control of Québec's manufacturing sector.

The value added measure (Table 15) assesses the percentage of value added generated by foreign-controlled firms in the manufacturing sector. Again we see a slight drop over the two decades. Whereas in 1961, foreign-controlled firms generated 41.8% of value added, the figure had fallen to 37.1% by 1981.

Yet, in comparison with other sets of data, these figures tend to show that foreign-owned firms operate in the more dynamic sectors of the manufacturing sector where value added and productivity are high. For instance, in 1981, in Québec, foreign-controlled firms were responsible for 55.9% of value added in rubber and plastic products, 58.3% in machinery, 60.0% in transportation material, 48.0% in electrical appliances, 41.3% in non-metallic mineral products, and 81.2% in chemical products (Bernier and Boily 1986: 139). Other less productive sectors such as the traditional sectors referred to earlier are controlled by either French or English-Canadians.

(B) On Trade Dependency

Tables 16 and 17 - There is no use spending much space showing that the United States are by far Québec's largest trading partner, both in terms of exports and imports. One interesting feature needs to be pointed out however. While the United States' share of Québec's exports is ever growing (Table 16), the United States' share as provider of imports to Québec fluctuates and has averaged 47.9% from 1976 to 1990.

While in 1970, the United States took in 58.2% of Québec's exports, by 1990 this figure had reached 74.8% and was on an upward trend since the mid-1980s. Conversely, since 1976 the high point of United States imports was reached in 1983 with 53.1% and there has been a decreasing tendency since (e.g., 46.3% in 1990) (Table 17). With regard to imports, Québec's figures are much lower than those of Canada as a whole which stand in the upper sixties and lower seventies (e.g., 70.1% in 1980 and 68.7% in 1987).

With respect to composition of exports and imports, there is, as seen in the previous section (Tables 11 and 12), an imbalance with Québec trading raw materials and non-finished goods for manufactured products. But, as seen previously, there has been substantial improvements to correct this imbalance since the mid-sixties.

Summary and Conclusions

Although Québec seems to have somewhat lessened its dependency on American investments over the past thirty years, the United States are still very much present in its economy, especially in the fields of natural resources - particularly mining - and manufacturing. In the latter instance, American capital controls the most productive sectors.

In terms of trade, the United States are by far Québec's most important trading partner. Over the past thirty years, Québec has increased its dependency on the American market for its international exports while its sources of imports have become more diversified, though the United States still accounts for about 50% of total imports.

Other facets of dependency on American society could also be pointed out but they would go beyond the realm of economic which is the topic at hand. Allusions to cultural dependency, consumer patterns (e.g., products, behavior --the fast-food phenomenon for instance -- and so on).

1.4 REGIONAL DISPARITIES WITHIN CANADA AND QUEBEC ITSELF

(A) Regional Disparities Within Canada

From Québec's standpoint, the question of regional economic disparities within the Canadian federation is closely related to the marginalization aspect of its economy. One phenomenon breeds the other and the same indicators could be used to illustrate both phenomena. Trying to close the gap in disparities between regions has been a major theme throughout the years of the Quiet Revolution. Paradoxically, though, the louder statements on the issue did not come from Québec but from the Federal government, especially throughout the course of the Trudeau years. For Prime Minister Trudeau there was one simple cure to the rising of regional claims and "provincialism" (referred by some as "province-building" (Young, Blais, Faucher 1984), namely addressing regional disparities through a host of redistributive programs: equalization payments whereby the rich provinces transfer some of their wealth to the poorer provinces, the creation of a Department of Regional Economic Expansion, transfer payments from the federal government to the provinces in the fields of public assistance, health care, and higher education, shared-cost programs, and so on. Holding on to his simple-minded ideas about the foundations and the fueling of Québec's nationalism, Trudeau believed that it was a manifestation of unequal regional development

within the Canadian federation. Thus, redistributive policies of the national wealth would be the best means to quash Québec's nationalism and manifestations of "provincialism" in the rest of Canada, but especially in the Western provinces.

On the issue of Canadian economic regional disparities, Ontario has been the traditional yardstick by which to compare Québec. Again, an attempt will be made to assess whether during the past thirty years, Québec has somewhat succeeded in closing the gap that separated it from Ontario on a number of indicators.

The indicators to be used in this section are:

1. Personal income per capita. Comparing Québec with Ontario and the rest of Canada.
2. The average hourly wage in the manufacturing sector. A comparison with Ontario.
3. Average annual unemployment rate. A comparison with Ontario and the rest of Canada.
4. Federal transfer payments as part of total general revenues. A comparison with Ontario.
5. Québec and Ontario's relative share of federal transfer payments.

TABLE 18
PERSONAL INCOME PER CAPITA
A COMPARISON BETWEEN QUEBEC, ONTARIO, AND CANADA
(SELECTED YEARS)

	Qué \$	Ont \$	Can \$	Ratio Qué/Ont	Ratio Qué/Can	Ratio Ont/Can
1961	1 489	1 954	1 651	0,76	0,90	1,18
1966	2 055	2 680	2 303	0,77	0,89	1,16
1971	3 028	4 020	3 414	0,75	0,89	1,18
1976	6 306	7 390	6 747	0,85	0,93	1,10
1981	11 340	12 757	11 413	0,89	0,99	1,12
1986	15 843	18 508	16 818	0,86	0,94	1,10
1988	18 511	21 853	19 484	0,85	0,95	1,12
1990	19 623	24 034	21 085	0,82	0,93	1,14

Sources: Le Québec en chiffres, pp. 229-230; Statistics Canada, Income Estimates for Subprovincial Areas, Catalogue 13-216; Statistics Canada, National Income and Expenditures Accounts, Annual Estimates.

TABLE 19
AVERAGE HOURLY WAGE (IN FIRMS WITH 20 EMPLOYEES OR MORE)
IN THE MANUFACTURING SECTOR:
A COMPARISON BETWEEN QUEBEC AND ONTARIO, 1960-1991

AVERAGE HOURLY WAGE IN \$				
	Québec	Ontario	Ratio Québec/ Ontario	Ratio Ontario/ Québec
1960	1,60	1,88	85,1	117,5
1965	1,88	2,24	83,9	119,1
1975	2,68	3,18	84,3	118,7
1970	4,56	5,18	88,0	113,6
1980	7,46	8,05	92,7	107,9
1985	10,84	11,56	93,8	106,6
1986*	10,99	12,04	91,3	109,6
1987	11,20	12,44	90,0	111,1
1988	11,76	13,08	89,9	111,2
1989	12,39	13,68	90,6	110,4
1990	13,05	14,46	90,2	110,8
1991	13,88	15,44	89,9	111,2

* Data for 1986-1990 is for the month of March in order to control for seasonal fluctuations.

Sources: Le Québec en chiffres, p. 232; Statistics Canada, Employment, Earnings and Hours, Catalogue 72-002; Pierre Fortin, Chômage, inflation et régulation de la conjoncture au Québec, Montréal: C. D. Howe Institute, 1980.

TABLE 20
AVERAGE ANNUAL UNEMPLOYMENT RATES
COMPARISON BETWEEN QUÉBEC, ONTARIO, AND CANADA, 1961-1991
(SELECTED YEARS)

	UNEMPLOYMENT RATE			RATIO			
	Québec	Ontario	Canada	Québec/ Ontario	Québec/ Canada	Ontario/ Québec	Ontario/ Canada
1960 (1)	10,1	6,4	6,3	158	160	63	102
1965	4,1	2,6	3,8	158	108	63	68
1968 (2)	5,6	3,6	4,4	156	127	64	82
1971	7,3	5,4	6,2	135	118	74	87
1973	6,8	4,3	5,3	158	128	63	81
1976	8,7	6,2	8,1	140	107	71	77
1979	9,6	6,5	7,5	148	128	68	87
1981	10,3	6,6	7,5	156	137	64	88
1982	13,8	9,7	11,0	142	125	70	88
1983	13,9	10,3	11,8	135	118	74	87
1984	12,8	9,0	11,2	142	114	70	80
1985	11,8	8,0	10,5	148	112	68	76
1986	11,0	7,0	9,5	157	116	64	74
1987	10,3	6,1	8,8	169	117	59	69
1988	9,4	5,0	7,8	188	121	53	64
1989	9,3	5,1	7,5	182	124	55	68
1990	10,1	6,3	8,1	160	125	62	78
1991	11,9	9,6	10,3	124	116	81	93

1) Data for 1960-1965 is for the month of December.

2) Unemployment rate unadjusted series were used after 1965.

Source: *Le Québec en chiffres*, p. 238; Statistics Canada, Historical Labour Force Statistics, Catalogue 71-201.

TABLE 21
FEDERAL GOVERNMENT TRANSFERS IN PERCENTAGE OF TOTAL
GENERAL REVENUES OF QUEBEC AND ONTARIO, 1961-1990

	Québec	Ontario	Ratio Québec/Ontario
1961	23,3	25,9	90,3
1965	21,7	16,0	135,2
1970	25,1	18,4	136,5
1975	25,3	22,1	114,2
1976	23,5	22,7	103,7
1977	25,2	20,3	124,2
1978	25,9	18,9	137,0
1979	24,5	18,4	133,4
1980	24,2	18,0	134,6
1981	23,0	16,9	135,9
1982	24,7	14,8	166,5
1983	25,7	16,0	161,4
1984	25,3	16,4	154,2
1985	24,3	16,9	144,3
1986	21,2	14,7	144,3
1987	20,0	14,1	141,9
1988	19,2	13,2	145,8
1989	19,6	12,6	155,3
1990	18,8	12,3	152,3

Source: Statistics Canada, Provincial Economic Accounts, Catalogue 13-213.

TABLE 22
QUEBEC AND ONTARIO'S RELATIVE SHARE (IN %)
OF TOTAL FEDERAL TRANSFER PAYMENTS, 1961-1990

	Québec's share	Ontario's share	Ratio Québec/ Ontario
1961	18,5	28,3	0,7
1965	27,2	24,9	1,1
1970	27,8	28,3	1,0
1975	27,0	26,8	1,0
1976	26,1	28,4	0,9
1977	30,2	24,8	1,2
1978	31,8	23,1	1,4
1979	30,5	23,8	1,3
1980	30,9	23,0	1,3
1981	31,6	22,6	1,4
1982	34,7	18,8	1,8
1983	34,1	20,3	1,7
1984	32,9	21,8	1,5
1985	30,8	22,6	1,4
1986	29,4	22,4	1,3
1987	28,6	22,7	1,3
1988	28,1	21,9	1,3
1989	27,9	21,7	1,3
1990	27,3	21,7	1,3

Source: Statistics Canada, Provincial Economic Accounts, Catalogue 13-213.

Comments

Tables 18 and 19 - The data shows that on all counts Québec still lags behind Ontario. However there have been some improvements in the area of income and wages. For instance, while in 1961, personal income per capita was 76.1% that of Ontario, by 1990 it was 82.0% with data showing a decline in the latter part of the 1980s. A high point of 88.9% had been reached in 1981. But monetary policy pursued by the Bank of Canada from 1988 to 1990 has had the effect of increasing the gap again. A policy of high interest rates was implemented to curb the inflation rate in Southern Ontario which was much higher than in the rest of Canada. One consequence was that labor settlements were yielding substantially higher percentages of wage increase than in Québec, or in the rest of Canada for that

matter. Many observers contend that this policy of high interest rates brought on the recession of 1990-1991 which started at least six months earlier than in the United States.

In comparison to Canada, some progress has also been made with regard to personal income although the gap was never as severe as was the case with Ontario. In 1961, Québec's per capita personal income was 90.2% that of Canada. In 1981, it reached 99% and by 1990, it stood at 93.0%, a fact that may have just been conjunctural.

Table 19 - Again the gap has somewhat been closed since 1960. That year, Québec's hourly wage was 85.1% that of Ontario. By 1991, it represented 89.9%. In this instance, part of the reason for closing the gap was due to progressive social policy regarding minimum wage, especially under the Parti Québécois' administration (1976-1985). Minimum wage is being revised periodically to keep up with inflation. As of October 1992, it stood at \$5.70 an hour. The level set for minimum wage has a direct impact on hourly wages in the rest of the economy by pushing them upwards. Also to be reckoned with have been the settlements in the public and parapublic sectors over the past twenty-five years. They tended to be very generous until the late 1970s, thus also contributing to raising hourly wages in the private sector. Over the last few years, Québec has lost some ground again as collective bargaining settlements have tended to be higher in Ontario than in the rest of Canada.

Table 20 - Québec's problem of chronic unemployment remains as severe as it was in the early sixties. Generally speaking, Québec's annual unemployment rate is higher than Ontario's by more than 50%. Things have gotten worse in the last few years. Figures for 1988 and 1989 indicate that Québec's unemployment rate was almost twice that of Ontario. This situation gives weight to the often encountered comment that Ontario's economic boom of the late 1980s has had a negative impact on the rest of Canada - by bringing about the policy of high interest rates practiced by the Bank of Canada which might have been warranted by the particular situation in Ontario, but was not indicated for the rest of Canada - and has been enjoyed at the expense of the rest of Canada.

Tables 21 and 22 - Transfer payments are a complex matter. They include unconditional and conditional programs. In the first category we find, among other transfers, equalization payments which are transfers made by the federal government based on each province's capacity to raise revenues. They are intended to remedy regional economic disparities within Canada by having the richer provinces share their wealth with the less affluent provinces. The objective is to enable every province to provide the same level and quality of services without having to raise taxes to unreasonable levels. As of the early 1990s all but three provinces (Alberta, British Columbia, and Ontario) were on the receiving end in terms of equalization payments. These are paid on a per capita basis.

Conditional transfers cover programs such as hospitalization insurance, public assistance, and higher education. These programs cover provincial fields of jurisdiction and some of them work on a matching-fund basis in that the federal government meets every dollar put in by a province, with a cap for sure. Since the

mid-eighties there have been fluctuations in the sums being transferred to the provinces, but the trend is towards decreasing the sums involved in this category of transfer payments. Moreover, the federal government sets the regulations governing use of those funds even though they are intended for matters of provincial jurisdiction.

In the early 1960s, Québec opposed this formula and the federal government agreed that a province could opt-out of these programs - thus creating their own programs with their own sets of regulations as long as these regulations respected the minimal national standards - and still receive some form of equivalent compensation such as tax points (i.e., a federal tax withdrawal equivalent to the sum of money the province would have received had it continued to participate in the shared-cost program). It was under this agreement that in 1963 Québec withdrew from the Canada Pension Plan which was about to be created and developed its own pension scheme that eventually gave rise to the Caisse de dépôt et placement du Québec, a major actor in Québec's economic development that was to follow.

Another factor that complicates the interpretation of time series on federal transfers is the revision of fiscal agreements every five years. Through a bargaining process between the federal government and the provinces, financial agreements valid for a five-year period are arrived at. During the period covered, such agreements took place in 1962, 1967, 1972, 1977, 1982 and 1987.

Table 21 indicates that overall, transfer payments have always represented a greater share of Québec's total general revenues than for Ontario. More detailed information would be required to pass further judgment on this gap between the two provinces, for the difference may result from various sources, such as Québec receiving more because it has opted-out of more programs than Ontario, or that the importance of equalization payments in Québec's total general revenues has grown over the past few years. One trend is clear however. Since the late 1970s the federal government has slowly but surely reduced its transfers to the provinces when expressed in constant dollars, and in the process some provinces have suffered more than others.

In Table 22, the gap between the two provinces in favor of Québec is essentially the result of the fact that Québec is on the receiving end of equalization payments while Ontario being the richest province shares its wealth and thereby receives no equalization payments.

It would be unfair to claim that Québec has been on the losing end of Canadian fiscal federalism. Such a claim, often heard in Québec, would have to rest on much more detailed analysis of the various components of fiscal federalism. However one thing seems clear from data not presented here. Throughout most of the 1980s, Québec has proportionately generated more general revenues from its own sources expressed in absolute numbers than Ontario given the important difference in total population between the two provinces (6.5 million for Québec in 1986 versus 9.1 million for Ontario). The net result has been a greater fiscal effort on the part of Québec taxpayers. The brunt has been shouldered by individuals, as the share of corporations in total revenues is much lower in Québec than in

Ontario (e.g. for fiscal year 1989, corporate income taxes amounted for 1.7% of total general revenues in Québec while it accounted for 6.4% of Ontario's total general revenues).

(B) Regional Disparities Within Québec

It follows that if Québec's geographical position is peripheral to the continental economy, only the Southwest of the province - mostly the greater Montreal metropolitan area - would be included in its core, and even at that, to a much lesser extent than Toronto for instance. Therefore one would expect the rest of the province to be a series of severely depressed areas with little economic activity going on, especially in the manufacturing area. The hinterland's main vocation would be that of natural resources and raw materials provider mostly destined to foreign markets. Here and there would be small pockets of industrial production closely related to the natural resources being exploited in the region.

The data testifies to the unfortunate reality of this caricature. Indicators used include:

1. The relative importance of Montreal in the manufacturing sector compared to the rest of the province according to three indicators: number of establishments, number of employees, and value of shipments.
2. The relative importance of the Montreal metropolitan census region in the manufacturing sector compared to the rest of the province as measured by the same three indicators.
3. Per capita personal income by administrative region in Québec as compared to Montreal used as the index.
4. Unemployment rates by administrative region, 1975-1988.
5. Net migration by administrative region, 1966-1987.

TABLE 23
RELATIVE IMPORTANCE OF MONTREAL (*) IN QUEBEC REGARDING
MANUFACTURING ESTABLISHMENTS, EMPLOYEES,
AND VALUE OF SHIPMENTS (SELECTED YEARS)

	Number of establishments	Employees	Value of shipments
		In % of Québec total	
1960	57,4	68,3	66,6
1971	67,0	65,5	67,7
1979	67,7	65,0	65,0
1981	67,2	67,4	69,1
1985	67,2	64,3	66,3

* The Montreal manufacturing region defined here includes the Richelieu Valley, the South and North Shores of the city, the City of Montreal and Ile Jésus.
 Sources: Le Québec en chiffres p. 190; Le Québec statistique, 1985-1986; Statistics Canada, Manufacturing Industries of Canada, Subprovincial Areas, Annual; Annuaire du Québec.

TABLE 24
RELATIVE IMPORTANCE OF THE MONTREAL METROPOLITAN CENSUS
REGION VERSUS THE REST OF THE PROVINCE PERTAINING TO
MANUFACTURING ESTABLISHMENTS, EMPLOYEES,
AND VALUE OF SHIPMENTS (SELECTED YEARS)

	Number of establishments	Employees	Value of shipments
		In % of Québec total	
1960	42,7	56,9	56,9
1970	51,5	51,2	52,7
1980	54,4	50,2	54,2
1985	54,9	52,1	54,5
1986	53,4	50,2	50,9

* Montreal is more restrictively defined than in the previous table. It corresponds to the Metropolitan census region established by Statistics Canada.
 Sources: Le Québec en chiffres p. 192; Le Québec statistique, 1985-1986, Statistics Canada, Manufacturing Industries of Canada, Subprovincial Areas, Annual; Annuaire du Québec.

TABLE 25
PER CAPITA PERSONAL INCOME BY ADMINISTRATIVE REGION
IN QUEBEC AS COMPARED TO MONTREAL USED AS AN INDEX

Administrative region	1961	1971	1982	1989
Lower St-Lawrence/Gaspé	44,6	57,7	68,1	73,9
Saguenay/Lac-St-Jean	67,5	68,9	75,3	80,8
Québec (city)	67,5	86,4	87,2	90,1
Trois-Rivières	68,2	76,8	80,5	83,5
Eastern Townships	68,9	81,6	81,2	84,0
Montreal	100,0	100,0	100,0	100,0
Outaouais (Ottawa valley)	73,5	81,7	85,9	91,2
North-west	65,6	86,1	79,9	86,2
North-shore	97,7	96,5	80,4	87,8
Nouveau Québec	97,5	(1)	42,6 (2)	68,1
Province of Québec	84,5	90,4	92,0	89,0

(1) For that year, data relating to the Nouveau-Québec administrative region is included in the of the Saguenay/Lac-St-Jean, North West and North Shore.

(2) For that year, data relating to Nouveau Québec covers the Abitibi-Témiscamingue.

Source: *Le Québec en chiffres*, p. 237; Statistics Canada, *Income Estimates for Subprovincial Areas*, Catalogue 13-576, 13-216.

Table 26

Table 26 continued

Table 27

Table 27 continued

Comments

Tables 23 and 24 - Both sets of data regarding the manufacturing sector show that whichever way the Montreal area is defined, it accounts for between more than half to two-thirds on all three indicators of industrial activity in Québec, namely percentage of establishments, employees, and value of shipments. Worse yet, this concentration of the manufacturing sector in the Montreal area has been reinforced between 1960 and 1985. Both charts show similar tendencies. While there has been a slight drop in the number of employees, the percentage of establishments located in the Montreal area has increased by at least 10% or so while the value of shipments has remained more or less steady on the first set of figures and has suffered a significant drop between 1985 and 1986 on the second set.

Policies aimed at decentralization of economic activity and of regional development pursued by both the provincial and federal governments since 1960 have had little effect on the course of industrial development despite the considerable sums of money injected into these programs. Market laws have prevailed over prefabricated socioeconomic policies.

Table 25 - In view of what has just been seen, it stands to reason that data for personal income per capita by administrative region would tend to follow the same pattern. Québec shows tremendous regional economic disparities on that count. This has even led the Québec Council on Social Affairs to issue a report entitled *Two Québécois in One* (Conseil des affaires sociales 1989). Taking the Montreal region as a yardstick (Montreal = 100), in 1961 most other regions had a personal per capita income representing roughly two-thirds of that of Montreal. The gap has closed somewhat during the past two decades; most regions averaged around 80% of Montreal's personal per capita income in 1982 and the gap has narrowed still with the release of figures for 1989. This situation is puzzling for it is difficult to assess whether it is a sign of some sort of economic dynamism in the regions - manifesting itself in sectors other than the manufacturing sector - or the reflection of Montreal's economic decline within the larger context of the North American continent. Given the data relative to regional disparities within Canada, the latter explanation seems more plausible.

Table 26 - Even though Montreal and the province of Québec have high unemployment rates when compared to Toronto and Ontario, within Québec the Montreal region and with the Québec and Ottawa valley regions - both governmental administrative centers - stand out as maintaining the lowest levels of unemployment. Other regions mostly show double-digit figures for the period 1975-1989. Regions that are especially vulnerable include the Gaspé and Lower Saint-Lawrence in the East, the Saguenay - Lac Saint-Jean in the North Central Québec and the Abitibi-Témiscamingue in the West. The economy of these regions is dominated by the exploitation of natural resources (fisheries, mining, forestry, and so on). In all three regions, manufacturing accounts for less than 2% of total value of production in Québec.

Table 27 - Regarding population growth by administrative region for the period 1961-1987 expressed in terms of interregional migration, negative growth or depopulation is the order of the day for most regions, except for the Montreal metropolitan area and, at times, the Outaouais region (i.e., the westernmost part of Québec near the Ottawa region). Many federal civil servants chose to live on the Québec side of the Québec-Ontario border because of lower housing costs. The inner core of the island of Montreal is now also steadily losing population which is being recuperated by the suburbs to the North and South of Montreal.

Using the Québec's government now abandoned model which divided the province into ten administrative regions, figures showed that in 1983, the Montreal region - as defined in Table 23 - accounted for 56.5% of Québec's total population (Bureau statistique du Québec 1985: 297). Using the more restrictive measure of metropolitan census region, the 1986 census results showed that Montreal thus defined made up 44.7% of Québec's total population. This is somewhat of an aberration which finds no counterpart when the Toronto metropolitan area is compared to Ontario's total population. It again emphasizes Québec's economic marginalization within the continental economy. The bulk of Québec's economic activity is concentrated in the southwestern part of the province whose geographical position is closest to the core of the continental economy.

Summary and Conclusions

Again the objectives set forth by the pioneers of the Quiet Revolution have not been met on this front either. Québec has not caught up with Ontario, which might have been a frivolous proposition in the first place given Ontario's geographical position relative to the core of the continental economy and its already well-balanced economic structure. Yet, if Québec has made some progress in closing the gap, it has been at great cost to its citizenry for most of this catching-up has been done through State intervention, either through various subsidies programs or by way of State-owned enterprises. Also, the fact that the Québec government lacks the necessary economic, monetary, and fiscal powers needed to restructure its economy might serve as an excuse for the mitigated results attained.

A more serious indictment can be made for failing to achieve a significant reduction of regional inequalities within Québec itself. The government has some measure of control over regional economic development policy. Over the past thirty years, there has been more talk and white papers than action about economic decentralization. In the end, market forces have always prevailed over the bureaucracy's master plans, whether it be the planning experiences of the 1960s, or the decentralization conclusions reached by the numerous economic summits held during the 1970s and 1980s.

1.5 THE MARGINAL ROLE PLAYED BY QUEBEC FRANCOPHONES OVER THE DESTINIES OF THEIR PROVINCE'S ECONOMY

It is a truism to state that in 1960 Québec francophones controlled very little of their province's economy. Thus, the objective of the fathers of the Quiet Revolution to insure a greater francophone presence in Québec's economy, be it the private or public sector. For one thing, recourse to the creation of State-owned enterprises will be a tremendous boost to francophone control over the newly created institutions. But what about the private sector? Unfortunately it is difficult to statistically tap with exact measures the progress or lack of made on this dimension. Needed are studies in which ownership would be identified in terms of nationality of the controlling capital. In this instance, the three required categories of ownership or control would be: French Canadian, English Canadian and foreign. There are approximations but no exact measures of ownership by nationality of controlling capital.

The best sources of data on this issue are the various studies conducted by economist André Raynauld and his associates since the early 1960s. The data is derived from intricate calculations which, in the words of the author, lead to estimations rather than exact measurements of the relative shares held by French Canadians, English Canadians and foreign interests in Québec's economy. These shares are measured by using various indicators such as value added, value of production, export revenues, etc. These rather uniformed sets of data in the manufacturing sector exist for the years 1961 and 1978. A recent study (Vaillancourt and Carpentier 1989) covers the year 1987. Unfortunately, it only deals with one indicator which is comparable with the previous studies, namely ownership by nationality of controlling capital as measured by number of employees for establishments of fifty (50) or more employees. The measure is available for various sectors of the economy, such as manufacturing, services, wholesale and retail trade, financial services, and so on.

Since the purpose of this section is to measure progress made by francophone Québécois in the control of Québec's economy, using the most recent data available, this means that only the indicator measuring nationality of ownership in terms of number of employees will be used for reasons mentioned above. Other measures have not been consistently used through the three studies (Raynauld 1974; Raynauld and Vaillancourt 1984; Vaillancourt and Carpentier 1989), so that the only comparable sets of figures are those presented in Tables 28 through 35. Unfortunately the measure resting on number of employees by nationality of controlling capital is not the most significant, as relative to other measures mentioned above, it tends to overemphasize the level of control exercised by French Canadians. In the manufacturing sector, for instance, if the value added indicator was used for 1961 and 1978 instead of the number of employees indicator (Table 28), results would be much less favorable with regard to French Canadian control:

Control as measured by number of employees in the manufacturing sector

<u>French Canadian</u>	<u>English Canadian</u>	<u>Foreign</u>
------------------------	-------------------------	----------------

1961	21.7	47.0	31.3
1978	27.8	38.6	33.5

Control as measured by value added in the manufacturing sector

	French Canadian	English Canadian	Foreign
1961	15.4	42.8	41.8
1978	22.3	37.1	40.6

While by this measure, French Canadians had made some substantial gains, they were still a long way from controlling the manufacturing sector.

Moreover, one would appreciate the existence of similar extensive data for the primary and tertiary sectors. The data for these sectors are parsimonious as only the years of 1961 and 1978 are fully covered, while the 1987 study examines these sectors only in terms of number of employees.

Thus, two sets of data will be used. One pertaining to the manufacturing sector and the other dealing with the financial sector, both of them using the percentage of employees indicator. These will be distributed by nationality of controlling capital (see Tables 28 through 35). In both instances data will be presented in summary form (Tables 28 and 32) and by subsectors (Tables 29, 30, 31, 33, 34 and 35). It is very important to focus on the latter sets of data, as, for instance, in the manufacturing sector, internal variations by subsector, over the years, prove to be very significant (see Tables 29 to 31).

TABLE 28
QUEBEC'S MANUFACTURING SECTOR AND FOREIGN INVESTMENT.
RELATIVE IMPORTANCE OF EMPLOYMENT BY NATIONALITY OF
CONTROLLING CAPITAL FOR ESTABLISHMENTS
OF 50 EMPLOYEES OR MORE*

	French Canadian	English Canadian	Foreign
	IN % OF TOTAL EMPLOYMENT		
1961	21,7	47,0	31,3
1978	27,8	38,6	33,5
1987	39,3	38,2	22,5

* For 1961 & 1978 a share of the sample was composed of establishments of 20 employees or more.

Sources: André Raynauld François Vaillancourt, *L'appartenance des entreprises: le cas du Québec*, Québec: Editeur officiel du Québec, 1984, p. 50;

François Vaillancourt et Josée Carpentier, *Le contrôle de l'économie du Québec: la place des francophones en 1987 et son évolution depuis 1961*, Montréal: Conseil de la langue française, 1989, pp. 74-75;

André Raynauld, *La propriété des entreprises au Québec*, Montréal: P.U.M., 1974, p. 50.

TABLE 29
QUEBEC'S MANUFACTURING SECTOR AND FOREIGN INVESTMENT.
RELATIVE IMPORTANCE OF EMPLOYMENT BY NATIONALITY OF
CONTROLLING CAPITAL, 1961

Industries	ESTABLISHMENTS CONTROLLED BY			Total
	French Canadian	English Canadian	Foreign	
	%	%	%	%
1/Food and beverage	35,1	37,7	27,2	100
2/Tobacco products	0,9	31,2	67,9	100
3/Rubber	8,2	39,9	51,9	100
4/Leather	48,1	48,3	3,6	100
5/Textile	3,2	72,0	24,8	100
6/Knitting	22,9	63,0	14,1	100
7/Clothing	11,0	86,3	2,7	100
8/Wood	85,4	12,0	2,6	100
9/Furniture and Fixture	41,0	53,1	5,9	100
10/Paper	10,1	49,6	40,3	100
11/Printing and publishing	29,1	64,9	6,0	100
12/Primary metal	13,6	25,1	61,3	100
13/Metal fabricating	27,2	42,8	30,0	100
14/Machinery	18,6	17,2	64,2	100
15/Transportation equipment	7,2	15,9	76,9	100
16/Electrical products	9,6	56,2	34,2	100
17/Non-metallic mineral products	21,0	55,0	24,0	100
18/Petroleum and coal	0,0	0,0	100,0	100
19/Chemical	11,7	30,7	57,6	100
20/Miscellaneous manufacturing	28,6	34,1	37,3	100
Total	21,7	47,0	31,3	100

Source: André Raynauld, *La propriété des entreprises au Québec*, Montréal: P.U.M., 1974, p. 50

TABLE 30
QUEBEC'S MANUFACTURING SECTOR AND FOREIGN INVESTMENT.
RELATIVE IMPORTANCE OF EMPLOYMENT BY NATIONALITY OF
CONTROLLING CAPITAL, 1978

Industries	ESTABLISHMENTS CONTROLLED BY			Total
	French Canadian	English Canadian	Foreign	
	%	%	%	%
1/Food and beverage	38,8	27,3	33,9	100
2/Tobacco products	0	0	100	100
3/Rubber and plastics	22,7	28,4	48,9	100
4/Leather	34,1	47,7	18,2	100
5/Textile	6,5	56,8	36,7	100
6/Knitting	19,7	69,4	10,9	100
7/Clothing	14,7	78,9	6,4	100
8/Wood	82,2	14,1	3,7	100
9/Furniture and Fixture	51	37,7	11,3	100
10/Paper	22,6	44,2	33,2	100
11/Printing and publishing	55,2	35,1	9,7	100
12/Primary metal	13,5	58,1	28,4	100
13/Metal fabricating	34,5	39,1	26,4	100
14/Machinery	20,9	25,5	53,6	100
15/Transportation equipment	36,4	18	45,6	100
16/Electrical products	5,2	37,4	57,4	100
17/Non-metallic mineral products	36,9	22,7	40,4	100
18/Petroleum and coal	2,6	0	97,4	100
19/Chemical	11,1	9,4	79,5	100
20/Miscellaneous manufacturing	23,8	25,7	50,5	100
Total	27,8	38,6	33,5	100

Source: André Raynauld et François Vaillancourt, *L'appartenance des entreprises: le cas du Québec*, Québec: Editeur officiel du Québec, 1984, p. 50.

TABLE 31
QUEBEC'S MANUFACTURING SECTOR AND FOREIGN INVESTMENT.
RELATIVE IMPORTANCE OF EMPLOYMENT BY NATIONALITY OF
CONTROLLING CAPITAL, 1987

Industries	ESTABLISHMENTS CONTROLLED BY			Total
	French Canadian	English Canadian	Foreign	
	%	%	%	%
1/Food and beverage	54,2	23,2	22,6	100
2/Tobacco products	0,6	0,1	99,3	100
3/Rubber and plastics products	37,2	34,2	28,6	100
4/Leather	36,7	57,6	5,7	100
5/Textile	9,7	66,6	23,7	100
6/Knitting and clothing	24,8	71,5	3,7	100
7/Wood	90,4	7,7	1,9	100
8/Furniture and Fixture	65,9	29,1	5	100
9/Paper	36,2	51,8	12	100
10/Printing and publishing	60,8	33,9	5,3	100
11/Primary metal	20,7	57,3	22	100
12/Metal fabricating	50,3	40,9	8,8	100
13/Machinery	41,6	25,1	33,3	100
14/Transportation equipment	48,8	7,3	43,9	100
15/Electrical products	8,6	44,2	47,2	100
16/Non-metallic mineral products	51,2	22,1	26,7	100
17/Petroleum and coal	18,1	25,2	56,7	100
18/Chemical	18,3	21	60,7	100
19/Miscellaneous manufacturing	33	23,9	43,1	100
Total	40,0	38,0	22,0	100

Source: François Vaillancourt et Josée Carpentier, *Le contrôle de l'économie du Québec: la place des francophones en 1987 et son évolution depuis 1961*, Montréal: Conseil de la langue française, 1989, pp. 74-75.

TABLE 32
FINANCIAL SERVICES.
SHARE (IN %) OF EMPLOYMENT BY NATIONALITY OF
CONTROLLING CAPITAL

	French Canadian	English Canadian	Foreign
1961	25,8	53,1	21,1
1978	44,8	43,1	12,1
1987	58,2	34,6	7,2
Average	42,9	43,6	13,5

Source: François Vaillancourt et Josée Carpentier, *Le contrôle de l'économie du Québec: la place des francophones en 1987 et son évolution depuis 1961*, Montréal: Conseil de la langue française, 1989, p. 54.

TABLE 33
FINANCIAL SERVICES, 1961.
SHARE (IN %) OF EMPLOYMENT BY NATIONALITY
OF CONTROLLING CAPITAL

		ESTABLISHMENTS CONTROLLED BY			Total
		French Canadian	English Canadian	Foreign	
Insurance companies	(%)	19,3	39,0	41,7	100
Chartered and savings banks	(%)	38,1	61,4	0,5	100
Credit unions (Caisses populaires)	(%)	95,6	4,4	0,0	100
Trust companies	(%)	19,7	80,3	0,0	100
Other credit companies	(%)	14,0	72,0	14,0	100
Investment companies and brokerage firms	(%)	12,0	72,0	16,0	100
Real Estate companies	(%)	11,0	78,0	11,0	100
Total financial institutions	N	16064	33014	13085	62163
	(%)	25,8	53,1	21,0	100

Source: Adapted from André Raynauld, *La propriété des entreprises au Québec*, Montréal: P.U.M., 1974, pp. 59-60.

TABLE 34
FINANCIAL SERVICES, 1978.
SHARE (IN %) OF EMPLOYMENT BY NATIONALITY
OF CONTROLLING CAPITAL

		ESTABLISHMENTS CONTROLLED BY			
		French Canadian	English Canadian	Foreign	Total
Banks	N	11,651	18 771	0	30 422
	(%)	38,3	61,7	0	100
Other credit institutions (20 employees and more)	N	9 623	12 994	2 268	24 885
	(%)	38,7	52,2	9,1	100
Other credit institutions (19 employees and less)	N	9 673	157	0	9 830
	(%)	98,4	1,6	0	
Insurance and real estate	N	11,541	8 982	9 221	29 744
	(%)	38,8	30,2	31,0	100
Total financial institutions	N	42,488	40 904	11 489	94 881
	(%)	44,8	43,1	12,1	100

Source: Adapted from André Raynauld, *La propriété des entreprises au Québec*,
 Montréal: P.U.M., 1974, pp. 66-67.

TABLE 35
FINANCIAL SERVICES, INSURANCE AND REAL ESTATE.
SHARE (IN %) OF EMPLOYMENT BY NATIONALITY
OF CONTROLLING CAPITAL, 1987

		ESTABLISHMENTS CONTROLLED BY			
		French Canadian	English Canadian	Foreign	Total
Finance	N	64 583	43 705	5 292	113 580
	(%)	56,9	38,5	4,7	100
Insurance	N	8 936	4 050	5 933	18 919
	(%)	47,2	21,4	31,4	100
Real estate	N	31 586	14 773	1 700	48 059
	(%)	65,7	30,7	3,5	100
Total	N	105 105	62 528	12 925	180 558
	(%)	58,2	34,6	7,2	100

Source: François Vaillancourt et Josée Carpentier, *Le contrôle de l'économie du Québec: la place des francophones en 1987 et son évolution depuis 1961*, Montréal: Conseil de la langue française, 1989, p. 87.

Comments

Table 28 - Between 1961 and 1978, French Canadian gains have been made at the expense of English Canadian capital, while between 1978 and 1987 the gains made by French Canadians have been at the expense of foreign capital.

Tables 29, 30 and 31 - Within the manufacturing sector, important shifts in ownership among the various subsectors have occurred between 1961 and 1987. For example, in food and beverage, the French Canadian share of ownership as measured by percentage of employment shows that between 1961 and 1987, increased from 35.1% to 54.2%. In printing and publishing, the French Canadian share went from 29.1% in 1961 to 60.8% in 1987. In metal fabrication, the shift went from 27.2% to 50.3%, while in non-metallic mineral products, it went from 21.0% in 1961 to 51.2% in 1987. Those are the most dramatic shifts in ownership, but other sectors ought to be looked at very closely.

Table 28 - As seen previously, when the nationality of ownership is measured by number of employees, French Canadians do much better than on other indicators. In 1987, 39.3% of all employees in the manufacturing sector were under French Canadian control. On this measure, French Canadians ranked first.

However, one must be cautious in interpreting this particular set of data as it has positive and negative sides.

On the positive side, since this measure only takes into account firms with 50 or more employees, it shows that French Canadian controlled establishments have grown in size since 1961. We are no longer talking about Mom and Pop shops! On the negative side, when put in relation with the value added figures, the latter show that French Canadian controlled firms have much lower productivity levels than foreign and English Canadian owned firms. Overall, French Canadian owned firms have made some important progress in the manufacturing sector. This fact is attested by the list of the top 500 companies published by various financial magazines which shows an evermore greater presence of French Canadian controlled firms.

The Financial Sector

Nowhere have French Canadians made greater gains than in the financial sector. It is francophones who control such financial titans as La Caisse de dépôt et placement du Québec (i.e., the State-run Québec Pension Plan) with assets of more than 41 billion dollars in 1991, Power Corporation, the Mouvement Desjardins enterprises (i.e., the credit union movement which has, as a result of federal and provincial deregulation, gone on into all sectors of financial services) etc. There have been numerous fusions within the banking, insurance, real estate, and brokerage sectors; in some cases. French Canadian groups have taken control of institutions formerly held by English Canadians (Bélanger and Fournier 1987: 134-181). An important francophone presence has also developed among the larger accounting firms and in engineering consulting firms. Progress made by francophones in the financial sector can be appreciated in Tables 32 to 35.

Direct government intervention taking on many forms (subsidies, guaranteed loans, fiscal incentives, the creation of State-owned enterprises, and so on) has had a lot to do with improving the role played by French Canadians in the control and management of their economy. In short, some twenty-five years of interventionist economic policies have yielded some of the results that can be observed today. Apart from direct economic intervention, non-economic policies which, nonetheless, have a direct economic impact must also be taken into consideration. Here reference must be made first and foremost to Québec's language legislations.

Bill 22 and more so Bill 101 have been instruments of individual socioeconomic promotion for thousands and thousands of francophones. Combined with the boom in post-secondary education, language legislation has enabled francophones to obtain middle and high level management jobs in the private sector at large, and not only in that part of it controlled by French Canadians. There has literally been an invasion of francophone managers in Anglo-Canadian and foreign controlled enterprises and institutions.

Summary and Conclusions

If we come back to our point of departure, namely Jacques Parizeau's diagnostic of Québec's five major economic problems as of the late 1950s, there is no doubt that finance capital is the area in which policy-makers have had their greatest impact. Both collectively and individually Québec francophones have substantially increased their role in that sector of Québec's economy. They own more of it than they did in 1960 and their power as decision-makers has been vastly increased. This also applies to the manufacturing sector, but to a much lesser degree. The only constant measure for 1961, 1978, and 1987, namely the percentage of employees working for firms controlled either by French Canadians, English Canadians, or foreign interests, seems to be the most favorable to French Canadians, and therefore a questioning of its validity is warranted. An important facet of French Canadian presence in the manufacturing sector has yet to be mentioned. It is that which derives from the use of *collective capital* mainly through the creation of State-owned enterprises such as Hydro-Québec, SIDBEC (in the steel industry) in which direct involvement was achieved. Also to be considered are those corporations in the primary or secondary sectors which are owned by a state corporation whose primary vocation is financial such as La Société générale de financement (SGF) but acts as an industrial holding. Again this insures French Canadian control over enterprises which in the past might have been controlled by English Canadian or foreign capital. It also has an impact in terms of high level management jobs for francophones.

The major actor in this field over the past twenty-five years has been La Caisse de dépôt et placement du Québec. It has been directly responsible for the creation or the acquisition under francophone control of such giants as Provigo (a supermarket chainstore), Videotron (telecommunications, cable television, television network), Cascades Inc. (paper industry), etc.

The Caisse was created in 1965. It was the result of Québec's choice of opting-out from the Canada Pension Plan and creating its own. The Caisse now administers a number of pension funds, mainly those of various categories of public employees, on top of its principal source of revenue, La Régie des rentes du Québec (i.e., Québec's version of the Canada Pension Plan). It also manages the funds of La Régie de l'assurance automobile du Québec (a public automobile insurance plan), Le Fonds d'assurance-prêts agricoles et forestiers (agricultural and forestry insurance and loan program), and La Régie des marchés agricole du Québec (agricultural marketing boards). As of December 31, 1991 it had assets in the area of 41.1 billion dollars at book value. Since its inception, the Caisse has played a major role in Québec's economy by its investment policies. It has also had a significant role in the formation and consolidation of a francophone bourgeoisie.

The investment strategies of the Caisse have greatly varied over the years. In evaluating those strategies, one important thing that must be borne in mind is that the Caisse's primary role is to maximize the investments of its depositors in order to insure maximum benefits for those who derive their pension checks from La Régie des rentes and other pension funds administered by the Caisse.

In evaluating investment strategies, it must be remembered that by law, the Caisse faces two important limitations; its share of stock in any given company is limited to 30%, and stocks may not account for more than 30% of its total portfolio.

Yet, within these rather strict parameters, the Caisse's investment strategies have evolved through the years. Up until the late 1970s, the Caisse had a rather conservative investment policy. Most of its portfolio was held in the form of obligations and bonds, especially from the Québec government, Hydro-Québec, and Québec municipalities and school boards, plus some obligations in the private sector. With the arrival, in 1979, of Mr. Jean Campeau as Chairman of the Board and General Director for a ten-year mandate, things changed dramatically, particularly with reference to the private sector.

First, the Caisse went to stocks rather than obligations and bonds. From 1980 to 1989, the value of obligations and bonds from enterprises went from 945.9 million to 429.2, hitting a low point of 304.7 million in 1988. On the other hand, during the same period, stocks and other convertible securities as total part of the portfolio went from 1.5 billion dollars in 1979 to 10.4 billion in 1989. By 1989, the Caisse had reached its ceiling of 30% regarding the proportion of stocks in the total portfolio. The Caisse has now become the most important investor in Canada (Pelletier 1989). Between 1982 and 1989, the Caisse's annual report has given a list of its number of shares and value of investments on the stock market. The list is impressive as the Caisse holds shares and/or obligations in most large Canadian businesses. As mentioned earlier, the Caisse has also made important investments in French Canadian owned enterprises, which has enabled some of them to expand from a medium-sized business to a large enterprise. It has also provided some of them with enough capital to buy-out some firms previously owned by English Canadian or foreign capital.

In 1983, the Caisse, for the first time, started buying shares on foreign stock markets. Foreign stocks were worth 42.8 million at book value in 1983. By 1989, foreign stocks represented 2.753 billion dollars at book value in the Caisse's portfolio, an increase of roughly 6500% over a seven-year period. These foreign stocks are geographically distributed in the following manner: 35% in the United States, 17% in Continental Europe, 7% in Great Britain, and 41% in Asia (Caisse de dépôt et placement du Québec 1990a, 1990b). This trend poses somewhat of a dilemma for several observers. Looked at from an economic nationalism point of view, it may be said that investments abroad represent a flight of capital which could be used constructively in Québec or in Canada. Yet, foreign investments only represent 8.2% of the Caisse's total portfolio, and 26.5% of the portion of the portfolio invested in stocks and convertible securities. The Caisse's answer to this kind of criticism would be that its first duty is to maximize the assets of its depositors and that performances have been better in recent years on foreign stock markets than on the Canadian ones. It is difficult to argue against economic rationality.

GENERAL CONCLUSION

The one big gain of the Quiet Revolution has been on the last dimension, namely having to an important degree remedied the problem of the marginal role played by Québec francophones over the destinies of their province's economy, in terms of both ownership and occupation of high level management job. But what can be said and concluded about the other four problems identified by Parizeau? How has Québec fared over the past thirty years? For one thing, as seen through the course of this chapter, the results are mixed. In some instances the problems remain as acute as they were some thirty years ago (e.g., the structural problems of Québec's manufacturing sector and the large share still held by the traditional or "soft" sectors). In other instances, the problems have worsened (e.g., the marginalization of Québec's economy within the Canadian economy as a whole). Regional economic disparities within Canada are still a problem to be settled, while disparities within Québec have either increased or remained steady depending on the indicators used. The level of dependency on foreign investments seems to have decreased in a significant fashion, while in international trade Québec has never been so dependent on the American market for its exports, while its sources of imports are more diversified. Nonetheless, American imports account for almost half of Québec's total imports. In the end, the assessment is mixed to say the least.

The question then becomes why, despite the tremendous efforts put in by the Québec State over the past thirty years, Québec's economic situation has not substantially improved? Put differently, why has so much effort yielded so few results? Various answers have been put forth in the literature. In a recent book (Gagnon and Montcalm 1990) the authors put forth the "peripheralization" thesis to which Statism tried to be an answer, without success. Authors Romulus and Deblock (1984) blame the failures of the Quiet Revolution's economic policies on lack of stringent planning. Both explanations may have some merit but they fail to address the central issue faced by Québec during the past thirty years.

Québec has embarked on a developmental model as if it were an independent country, that is as if it controlled all of economic tools and levers necessary to achieve balanced economic development. The reality was that Québec did not possess the economic tools that would have been necessary to imprint the direction it wanted to its developmental model. By its very nature, the federal system imposed limits on the kind of economic development course and policies pursued by Québec over the past thirty years. Provinces in the Canadian federal system are left with limited powers in the field of economic policy-making, especially of the kind of magnitude Québec was envisioning. Essential instruments of economic policy and development are in the hands of the central government, namely powers such as fiscal and monetary policy, international trade, control over foreign investments, etc. How could a province engage in serious economic planning when so many powers that are essential to planning escape its jurisdiction?

Therefore, it would seem that Québec has gone as far as it could within the context of a federal system. At times, it even extended itself through very clever programs such as opting out of the Canada Pension Plan or the creation of the Québec Stock Saving Program enabling small and medium-sized enterprises to get access to capital while investors were getting income tax deductions. In the final analysis, Québec does not fully have the means to support its actions.

This is not to say that Québec would have done better as an independent country. There is no way of knowing what influence political independence would have had on the five economic dimensions discussed in this chapter. The remarks on federalism are only intended as an acknowledgement that such a constitutional system imposes some constraints on the subnational entities.

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