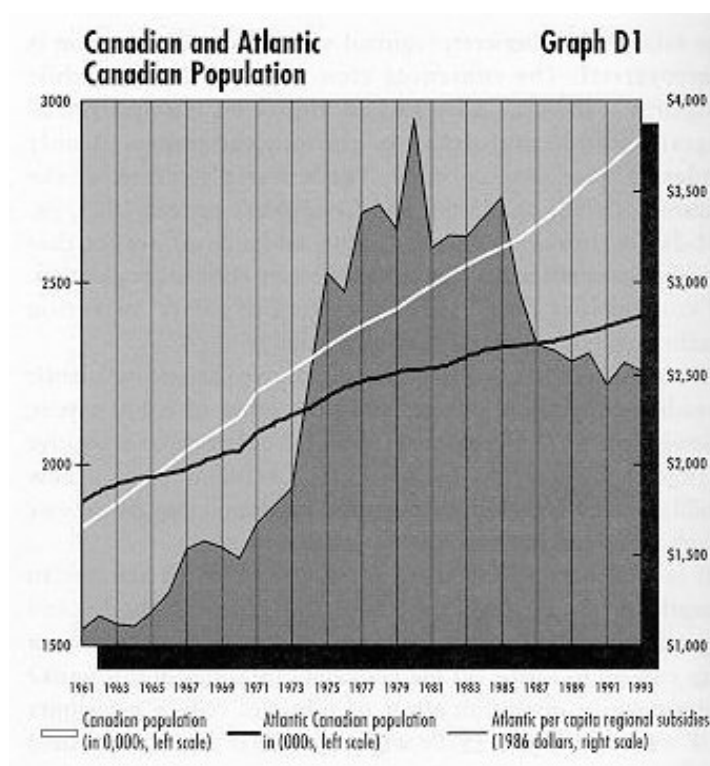


Appendix D

Population and Subsidies

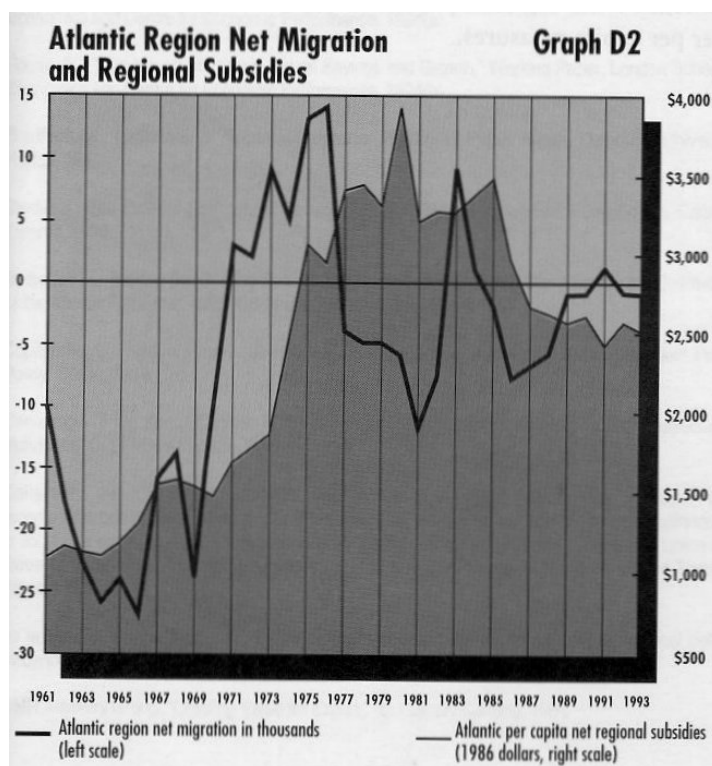
The relationship between regional subsidies and migration is controversial. The consensus view seems to be that while programs such as UI have had an impact on inter-provincial migration and rural-urban migration, the impact is only moderate. (See, for example, Vanderkamp's review of the literature, 1986, and Cousineau's review, 1985, pg. 201-202.) However, Winter (1990, addendum) argues that subsidies have not had a significant effect on regional population. Of course, it is possible for transfers to effect migration significantly but not population significantly.



Cousineau reports two estimates of positive changes in Atlantic Canadian emigration, one of 3,000, the other of 8,000 a year, following the 1971 UI reforms. Graph D2 does suggest a positive change in emigration following the reforms until a new equilibrium was reached, however the impact on population (see Graph D1) seems moderate.

It is well beyond the scope of this research to attempt to quantify the magnitude of the relationship between subsidies and migration/population, but the question arises: Was the impact large enough to throw off the per capita measures in this work? Did a positive migration effect of subsidies reduce per capita GDP measures in the 1970s while a negative impact increased them in the 1980s? Graphs D1 and D2 certainly do not seem to suggest a

consistent correlation between subsidies and migration or population, though, as noted, UI reforms may have had an impact.



Given the fuzziness of both the debate and the evidence, we conclude that even if subsidies have had an impact on migration/population, the effect is not large enough to affect significantly the conclusions reached in this research. It would take changes in population in the hundreds of thousands in the 1970s and again in the 1980s to alter qualitatively the per capita figures. One interesting thing to note here, however, is that the assumption driving the discussion in this appendix is that increased net migration to Atlantic Canada would reduce per capita GDP, and that the reverse would also hold. Yet, in normal circumstances there is no reason to believe that migration should have a large negative effect on per capita GDP. Migrants normally bring their own skills and would be expected to be self-sufficient. The extent to which regional subsidies brought to or maintained in Atlantic Canada a non-productive population large enough to reduce per capita GDP hardly provides a justification for such subsidies. However, while regional subsidies probably did affect per capita GDP through the population denominator, this paper has isolated a number of other factors to explain relative GDP movements. Certainly, population levels in Atlantic Canada give no reason to believe population changes were large enough to significantly throw off per capita GDP measures. A simple linear trend explains 97 per cent of the movement in population growth, and movements off trend, which are positive from 1971-1986, at their peak are less than 50,000, about two per cent of the regional population, not enough to significantly alter per capita measures.