

The New Rural Economy in Canada

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Acknowledgements:

- The BC Department of Community Development
- Agriculture and Agri-Food Canada
- Statistics Canada
- The Canadian Rural Revitalization Foundation
- The Western Agri-Food Institute

Outline

- What is the new rural economy?
- Consequences for rural people and communities?
- Emerging policy options?

Introduction

Rural Canada is undergoing major changes. Its economy has become more open and complex, its services have been downsized, its political influence has declined, and its population has become more mobile. These are not unique to Canada, but they have outcomes that are special within the Canadian context. This presentation will outline several perspectives on those changes. They will be organized under three major questions:

- What is new about the new rural economy in Canada?
- What are some of the most critical consequences for rural Canada?, and
- What are some of the policy options emerging from our analysis of the new rural economy?

The perspectives offered are largely the result of 11 years of collaborative research in the *Canadian Rural Revitalization Foundation* (http://artsci-ccwin.concordia.ca/SocAnth/CRRF/crrf_hm.html) and 3 years of intensive work within the *New Rural Economy Project* of the Foundation (<http://nre.concordia.ca>). This research involves macro-level analysis of changes in the economic, social, political, and cultural structures of rural Canada, long-term field work in 32 systematically selected rural sites, and extensive discussions among rural citizens, policy-makers, and researchers through a program of workshops, conferences, and field site collaboration.

Canadian Rural Revitalization Foundation

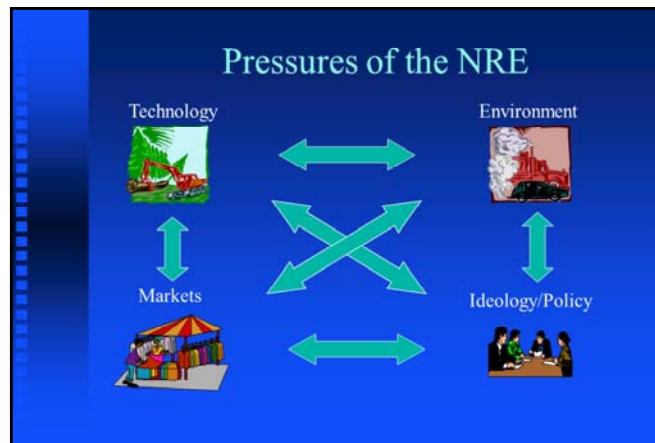
The New Rural Economy Project

<http://nre.concordia.ca>



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Pressures of the New Rural Economy

The general pressures conditioning the rural economy in Canada are largely shared by those in urban centres and other parts of the world. They are strongly mediated by national and local conditions, however, making their consequences unique for different locations and for different types of people in those locations. It is in the interactions between these pressures and the local contexts that the complexity of rural Canada can best be understood. I have identified 4 interrelated aspects of the new rural economy to represent these pressures.

Technology

Technological innovations are a crucial ingredient in the dynamics of the new rural economy. Canada's traditional dependence on resource extraction has meant that the labour-shedding characteristics of extraction technology have radically changed the rural landscape. Our farms, forests, waterways, oceans, and minerals have felt the impact of those technologies and the reorganization of production that they bring. In the process, some rural communities have become more connected and more like their urban counterparts while others have disappeared.

Markets

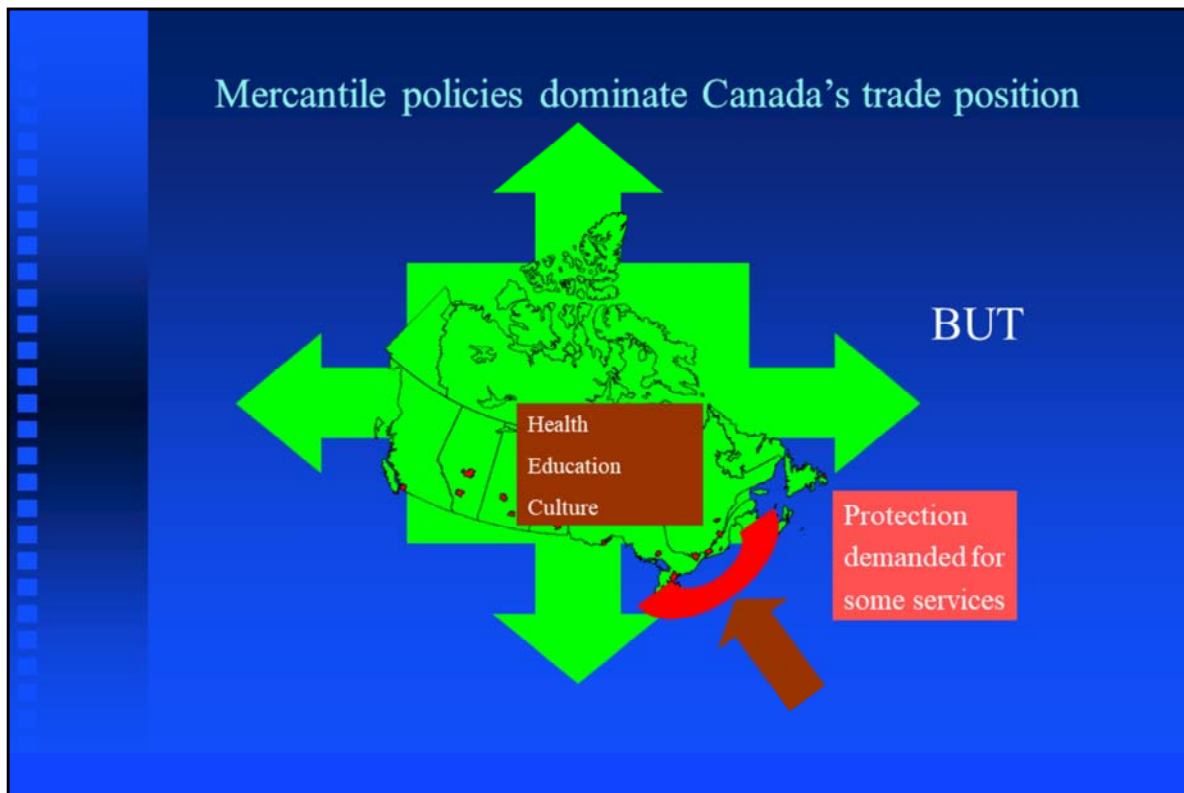
The technology has not been developed or used in a social or political vacuum, however. The structure of economic markets has contributed to its growth in certain directions and not in others. Technology, for example, has been used to standardize production rather than diversify it, shed labour rather than socialize it, extract resources rather than sustain them, and increase economic inequality rather than reduce it.

In Canada, our resource economies have been commodity based for the most part, and except for the automobile industry, we have largely depended on the shipment of raw materials for our wealth. The organization of those industries has been highly concentrated (Figure 1). In the modern, global economy, these tendencies have increased. At the same time, the ability of rural people to extract value from their commodities has diminished.

Environmental Limitations

Both technological development and market pressures have in turn placed the environment in jeopardy. We now have the ability to empty the oceans of fish, to remove the topsoil from the land, and strip the hills of their forests. Competition from around the globe and the high level of foreign ownership of our industries (Figure 2) has meant that we have acted on that ability in the interest of short-term gain rather than seek sustainable use of these resources.

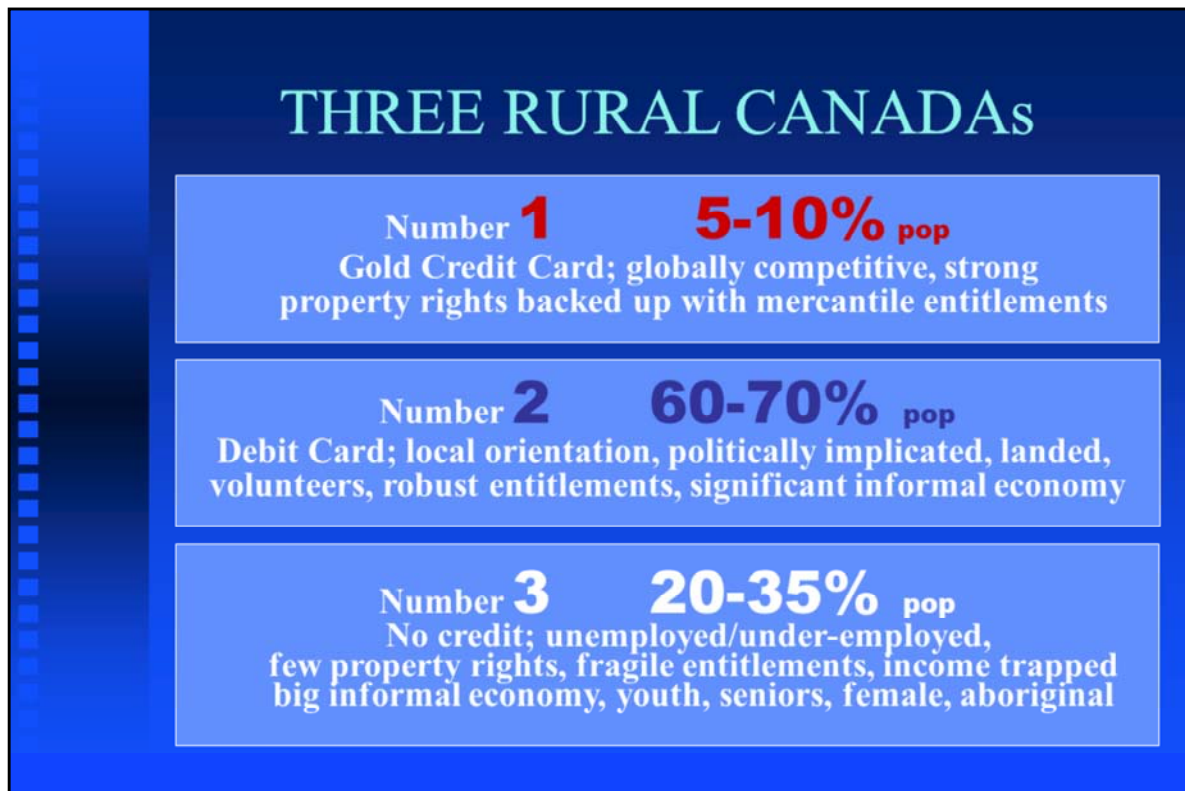
The limits to this strategy are now increasingly apparent, however. Environmental limitations have forced us to reconsider how we extract and use these resources and to reevaluate our treatment of common property.



Ideology and Policies

The legacy of technology, market concentration, and environment has significantly conditioned the ideological and policy bases of Canadian society as reflected in the Canadian state. Our dependence on global trade has traditionally dominated the government's economic policy: producing a commitment to commodity trading that includes the state as an active partner.

These commitments conflict, however, with the state's other roles as a custodian of common property and provider of social services. Preoccupation with the selling of commodities, expansion of markets, and short-term profits means that common property services such as food security, rural amenities, and the environment go unprotected.



The Three Rural Canadas

When evaluating the consequences of these types of pressures, we have found it useful to consider rural Canada as not one, but three rural Canadas. We have our colleague David Davilla, from Mexico to thank for its introduction into our discussions.

Rural Canada I consists of those people and organizations that are well connected to the global economy. They pay using preferred credit, travel first class, and enjoy strong property rights supported by mercantile arrangements with the state. They are the resource corporations, the banks, and utilities doing business in rural Canada. We estimate they comprise about 5 to 10% of the rural population.

Rural Canada II is deeply involved in domestic and regional markets. They pay using debit cards, are involved in local and regional concerns, enjoy property rights, most often in the form of land, and benefit from the entitlements provided by the traditional welfare state. They are the employed men and women of rural Canada, the volunteers in rural communities, and the backbone of the informal economy. We estimate they represent about 60 to 70% of the rural population.

Rural Canada III are those excluded from the mainstream of rural society. They are often without credit, are unemployed or underemployed, have few property rights, and suffer uncertainty in their entitlements: often depending on the whim of governments and most susceptible to the withdrawal of services. They are often trapped in poverty or near poverty, with few resources to escape. They are the youth, seniors, single parents, and aboriginal peoples of rural Canada. We estimate their numbers to be about 20 to 35% of the rural population.

Each of these groups experience the new rural economy in dramatically different ways, they have responded in various ways, and their needs are also diverse.

Consequences for Rural Canada I

- strong global competition
- uncertainty and conflicts in trade policy
- challenges from the environmental lobby

Consequences for Rural Canada I

Rural Canada I has made considerable use of the new technologies. They have made use of standardized products, corporate concentration, and mechanization to meet the challenge of global markets, and have done so in a largely successful manner. This is reflected in agriculture, for example, by the increasing size of farms (Figure 3) and a greater share of farm incomes going to the larger farms (Figure 4). International competition has created significant problems, however, since the proliferation of trade disputes and uncertainty in trade policy makes planning and negotiation difficult. This problem is exacerbated by our heavy dependence on USA trade (Figure 5).

Rural Canada I is also facing increasing pressure from the environment and environmental lobbies. Their use of large-scale production, preferential access to resources, and urban orientation have made them vulnerable to criticism from both rural and urban groups. Depleted fish stocks, clear-cut logging, grain elevator closings, and oil spills have become symbols for their lack of concern for the environment and communities.

Consequences for Rural Canada II

- depopulation
- capricious entitlements
- loss of non-market services
- diminished capacity for self-organization

Consequences for Rural Canada II

Rural Canada II has faced considerable challenges as part of the new rural economy. The labour-shedding nature of new resource technology has meant that large areas of rural Canada have become depopulated (Figure 6). Natural resource employment has become a part-time activity for more people, even farmers (Figure 7). The mercantile commitments of the state have meant that local entitlements for both property and services have been determined by factors beyond their control. The external origins of these entitlements have made changes in them appear arbitrary, unrelated to local action or conditions, and very unpredictable.

In addition, rural communities have in turn suffered as local markets have disappeared and state services have been withdrawn as a result of declining populations, cost-cutting, and most recently, international pressure on entitlements to property and services.

All of this has meant that rural communities have significantly diminished capacity to self-organize in response to these problems. The traditional artisan skills of rural industry, associative relations, and reciprocity of local social organization are inappropriate for the market, bureaucratic, and legal relations in the new economy, leaving rural citizens at a significant disadvantage in negotiations and undermining the heritage, identity, and cohesion of rural communities.

Consequences for Rural Canada III

- capricious entitlements
- loss of services
- trapping in poverty cycle
- stigmatization

Consequences for Rural Canada III

Those who are part of Rural Canada III are even more vulnerable than Rural Canada II to the capricious changes in entitlements on the part of the state and less able to have their voices heard. They are among the lowest educated in both urban and rural regions (Figure 8) and are most often the least able to move (Figure 9), thereby being most affected by the loss in services.

It is only through transfer payments (mostly to the elderly and seasonal workers) that increased poverty has been avoided in rural areas (Figure 9). Unfortunately, this has increased dependency on the state. Their situation is exacerbated by the stigmatization that goes with marginalization.

Consequences for Urban Canada

- vulnerable food security
- loss of bio/socio diversity
- loss of amenities

Consequences for Urban Canada

The pressures of the new rural economy have also had important impacts on urban regions. Large scale production, standardization, and the genetic modification of food have come under attack by urban consumers as their fear for food quality grows. The depopulation of rural areas means that the husbanding and commitment to land, water, and habitat on behalf of urban dwellers is likely to decrease as awareness and presence diminishes.

The loss of communities also means the loss of social diversity, heritage, and creativity that they foster. As communities disappear, so does the cultural diversity they represent, the services they provide, and the amenities that they protect. Replacing these features of our heritage will be increasingly difficult, even as the demand increases.

Through the Rural Lens

- self-organization is the key to a strong rural economy
- Industrialization in the Canadian context has undermined the capacity to self-organize
- Sectoral policies have undermined the capacity to self-organize
- We don't need a specific plan, but the increased capacity to see what is happening and respond quickly

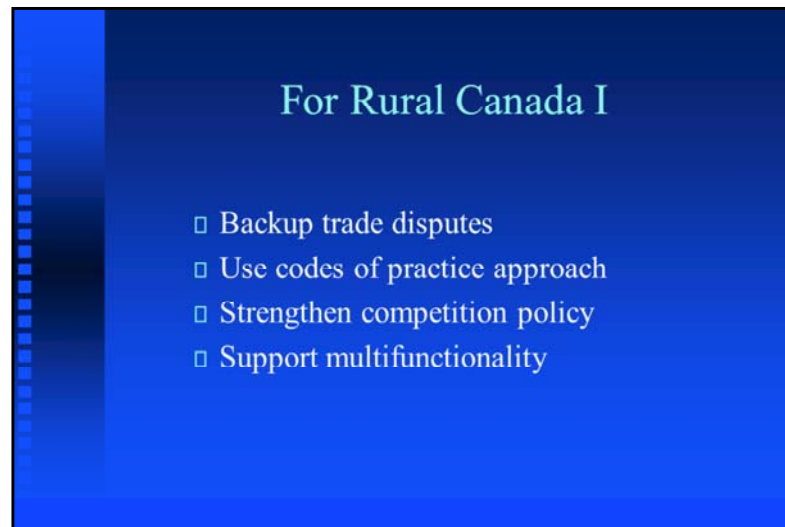
Policy Options through the Rural Lens

We assume that a strong rural Canada is crucial for a strong economic and social Canada. This strength comes from the ability of rural people to self-organize. Building rural capacity to self-organize therefore becomes a priority in our policy proposals.

Unconstrained industrialization of rural activities in Canada has undermined the ability of rural people to self-organize. In a context of an export-based economy, high concentration, high foreign ownership, and mercantilist policies, it means decreasing populations, loss of artisan approaches to production, and forced outmigration.

The sectoral approach adopted to date is outmoded for the new rural economy since it is insensitive to the interactions between the sectors, it undervalues rural communities, social relations, and identity and doesn't recognize the new functions of rural places and spaces. No longer are they simply the means by which commodities are produced, but they now provide services, manufactured goods, protect habitats and amenities, manage territory, and process urban pollution. The state's traditional base in mercantile relations takes control from local communities, removes their access to added value, and reduces their ability to self-organize.

Our approach should be to build on the capacity that is there. This means providing the information and resources that allow rural people to identify opportunities, and respond to them in an appropriate and speedy fashion. Thus, the state should get out of its involvement in the resource business and focus on building local economic and social capacity. This means different things for each of the rural Canadas.



Toward an Action Plan for Rural Canada I

Rural Canada I needs a clearer playing field for trade. The challenges we face from international trading partners need to be addressed in a consistent and forceful manner so that we are less vulnerable to the interests of those partners.

We propose that codes of practice such as the ISO 14,000 series be given priority over economic efficiency alone. This will have the effect of reducing the advantage of economies of scale that undermine rural communities and natural resource environments. These codes will at the same time provide an institutional and economic mechanism for the recognition of social, environmental, and cultural interests.

A stronger competition policy is also required to remove the negative vestiges of the mercantile entitlements and concentration that disadvantage rural enterprises.

We also support the principle of multifunctionality in the approach to resource development and trade. This approach recognizes the complexity of the rural economy and the limitations of a sectoral focus, and will serve as a basis for policies that compensate rural people for the non-market contributions they make to all Canadians.



Toward an Action Plan for Rural Canada II

The state should proceed to move out of the business of trading commodities. This can include distributing the rights to Crown property to new local institutions. Citizen development corporations, for example, have been used by in Japan to significantly increase the economic capacity of local groups. Examples from the Canadian context include the Ma-Mook Development Corporation on Vancouver Island, and the Revelstoke Community Forest Corporation. Other local property-owning institutions where the division of power, responsibilities, and resources increases the self-organization capabilities of local communities should be explored. Recent negotiations with Aboriginal peoples provide models for such arrangements as does our experience with cooperatives, community forest management, and regional development organizations. Particular attention should be given to building service, knowledge-based, and amenity-enhancing activities.

Support for NGO global networking would increase the access to world markets and opportunities for rural Canada II. Our research has identified many examples where individuals and groups in remote locations have gained access to global markets through the use of modern communication technology.

The restoration of local rural banking services would help to solve the lack of financial capital and appropriate vision in and for rural places. This would facilitate local access to capital and information and help teach the skills necessary for operating in market relations. Sustainable futures for local communities are only possible where they are able to more effectively capture economic rents.

In general, policy and action should support the development of a local learning culture: one that seeks new information, learns how to use it, and generates new visions for the future. Our research on the voluntary sector, for example, shows that local groups are most actively involved with municipal and regional governments, but that these levels of government are least able to provide the finances and infrastructure that is necessary to support third sector objectives. This needs local governance reorganization to give it the necessary power and resources to capture more value.

All of these policy proposals assume a strengthening of the service role of the state. Under the rhetoric of privatization, the state has abdicated its role as protector and promoter of common property and public interests. As we learn more about the interdependence of all our actions and institutions, the need for such protection will only grow. This includes the protection of the environment, but also the building of capacity through education, training, and research and the improvement of health and welfare services. Suicide prevention, mental health services, support for the elderly and marginalized cannot be left to an already overloaded voluntary sector.



Toward an Action Plan for Rural Canada III

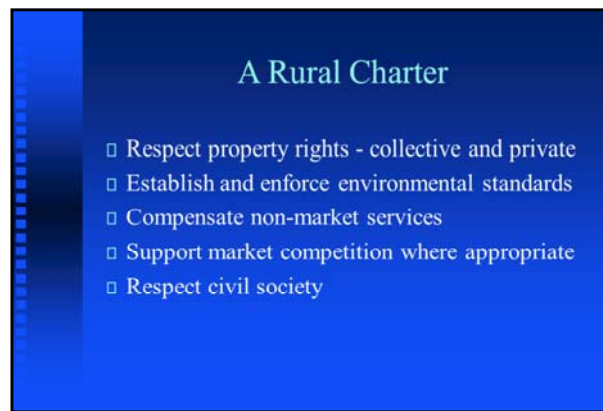
The need for building capacity is even greater in Rural Canada III. In order to build financial and social capacity it is important to support collective economic activities such as credit circles, user groups, cooperatives, and credit unions. They provide the means for marginalized people to initiate projects, learn, and develop social supports

Human capacity can also be built through literacy, education, apprenticeship, and training programs. Such programs facilitate the development of skills for jobs and market relations, but they must include training for operating in bureaucratic and legal relationships as well. The new rural economy is strongly conditioned by policies, generally applied rules, and contracts as opposed to bonds of reciprocity, patronage, and common interest. The ability to function in this new context is vital to local capacity.

Networks should be built among enterprises, entrepreneurs, and rural people to facilitate the flow of information, expertise, and support. There is a growing body of research that points to the critical nature of these networks for establishing the trust and cohesion that is necessary for economic activity. The focus on economic activities should not blind us to the importance of non-economic networks, however. Churches, sports and recreation groups, cultural clubs, and historical societies also serve to link and build social capital that is transferable to economic and political objectives.

The alienation of common property rights that is a feature of Rural Canada III can only be overcome through affirmative action programs. NGOs and Aboriginal groups provide alternate structures for the articulation and delivery of such programs since they are already organized around local interests.

Substantial support for activities and programs that help to integrate the marginalized are needed for Rural Canada III. This includes those directed to special groups such as youth, the elderly, single mothers, Aboriginal peoples, and the working poor, but it also includes policies that reflect reconciliation over punishment and alternative sentencing for offenders.



A Rural Charter

Rural Canada cannot survive on its own. The new rural economy disadvantages rural communities, it does not recognize the common services provided by rural places, and it undermines the social relations that have traditionally defined the rural life. Without recognition of the fragile nature of these places, the loss to our environment, heritage, and assets will be irreparable.

To avoid such a disaster we propose a Rural Charter: a contract between urban and rural Canada in recognition of the importance of the rural economy, society, and environment and an agreement regarding the conditions that can make them strong. The charter we propose includes the following elements.

•Respect for property rights, both collective and private

The capacity to develop locally requires access to property rights. A rural charter would include measures to identify an appropriate division of collective and individual property rights, de-concentrate those rights to rural communities and establish the mechanisms to protect them.

•Identification and enforcement of environmental standards

This would reestablish the natural advantage of rural places in the face of market pressures. ISO standards are a well-recognized way of doing this.

•Compensate non-market services provided by rural Canada

The importance of rural Canada for environmental recovery, amenity and heritage protection, and territorial management needs to be acknowledged and supported.

•Support for market competition where appropriate

Supply and demand continue to be a strong mechanism for establishing efficient prices. The high levels of market concentration in Canada undermine this however -- to the detriment of rural places. A more aggressive approach to de-concentration is required to overcome this disadvantage.

At the same time, we must be careful to identify those areas where market competition does not work. Whenever common property services such as food security, environmental protection, or rural amenities are concerned, open market principles have shown themselves to be inadequate. As we come to realize the interdependence of our social and economic activities, the number and range of common property issues is likely to grow. For this reason, an evaluation of the appropriate place for market organization is a crucial ingredient in this principle.

•Respect civil society

The new rural economy is most generally characterized by change and uncertainty. Under these conditions, our most appropriate strategy is to create conditions where rapid, flexible, and diverse responses are possible and the ability to self-organize is taken for granted. Regional and national governments can facilitate these conditions by exploring new ways to support civil society and the organizations on which it is based as we search for a secure and respectable future. Our lives depend on it.

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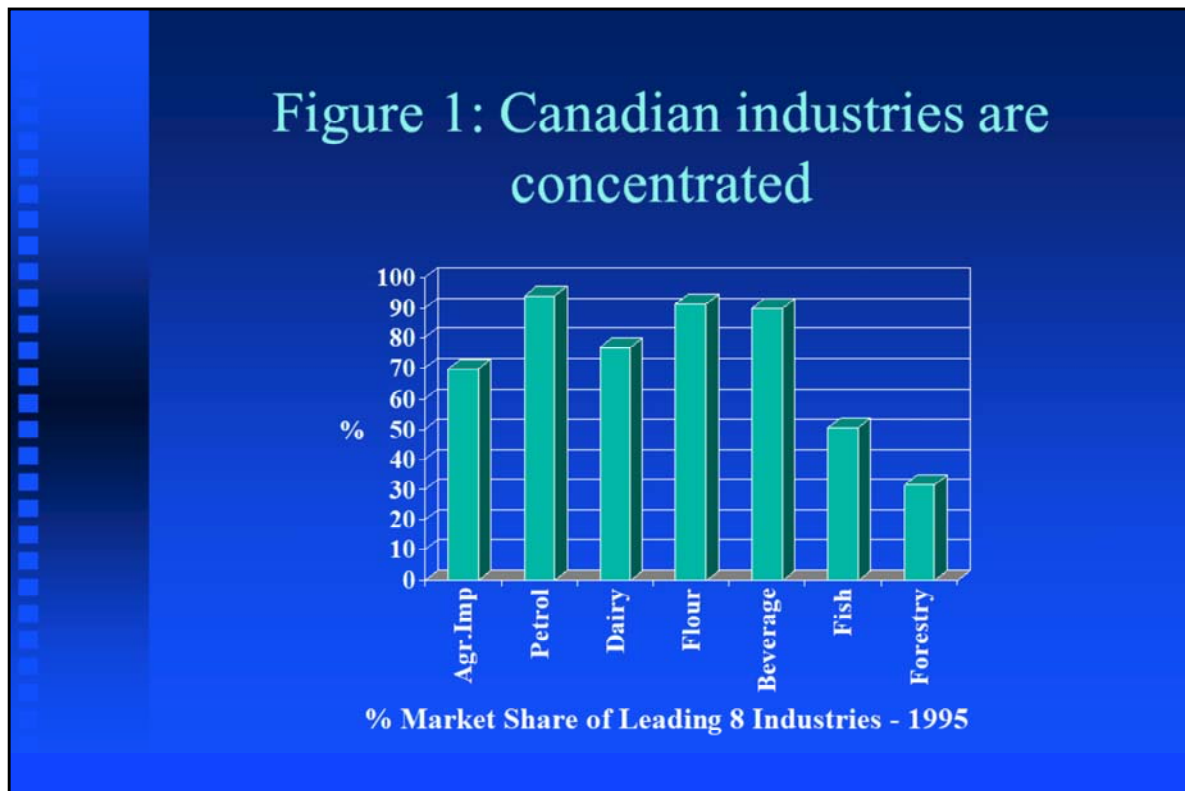


Figure 1: Canadian Resource Industries are concentrated and concentrating

- 8 leading firms in selected industries related to natural resources
- Agriculture-related:
 - agricultural implements (69.5%)
 - Petroleum products (93.7%)
 - Dairy: fluid milk (78.4%); other dairy products (76%)
 - Four: cereal grain flour (91%); prepared flour mixes and cereal foods (92%)
 - Beverage industries: soft drinks (86.7%); distillery products (98.4%); brewery products (96.4%); wine (87.1%)
 - Fisheries: 50.7%
 - Forestry: 31.3%; pulp and paper high (74%)
- Result: Concentration means (for rural Canada):
 - lower local incomes from rent
 - land values suppressed
 - equity-based investment more difficult
 - pressure on the environment

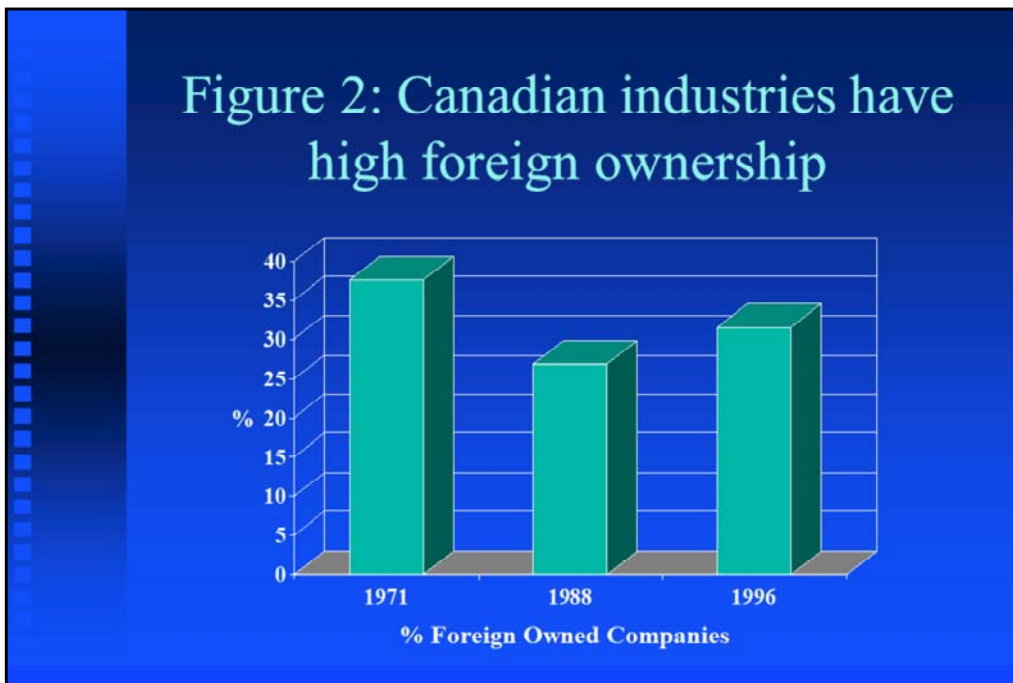


Figure 2: Canadian Industries have a high level of foreign ownership

- Their highest level was in 1971 (37.6%)
- 1973: Foreign Investment Review Act (FIRA) - reduced level of foreign ownership
- 1985: FIRA abolished, replaced with Investment Canada
- level of foreign ownership rising
- Foreign companies have fared better than Canadian companies
 - growing faster (between 1990 and 96: revenues grew by 51.6%, whereas Canadian corps. grew 27.6%)
 - perhaps because they relied less on domestic markets, or because they are usually bigger, with the support of a parent company elsewhere
- Most of the foreign investment (98.5%) is for takeovers, not new business investment (1.5%)
- Result:
 - difficult to take a strong position on the protection of domestic interests
 - companies threaten to move to other locations
 - giving more control to the private corporate sector means giving more control to foreign interests (Rural Canada I, not Rural Canada II)

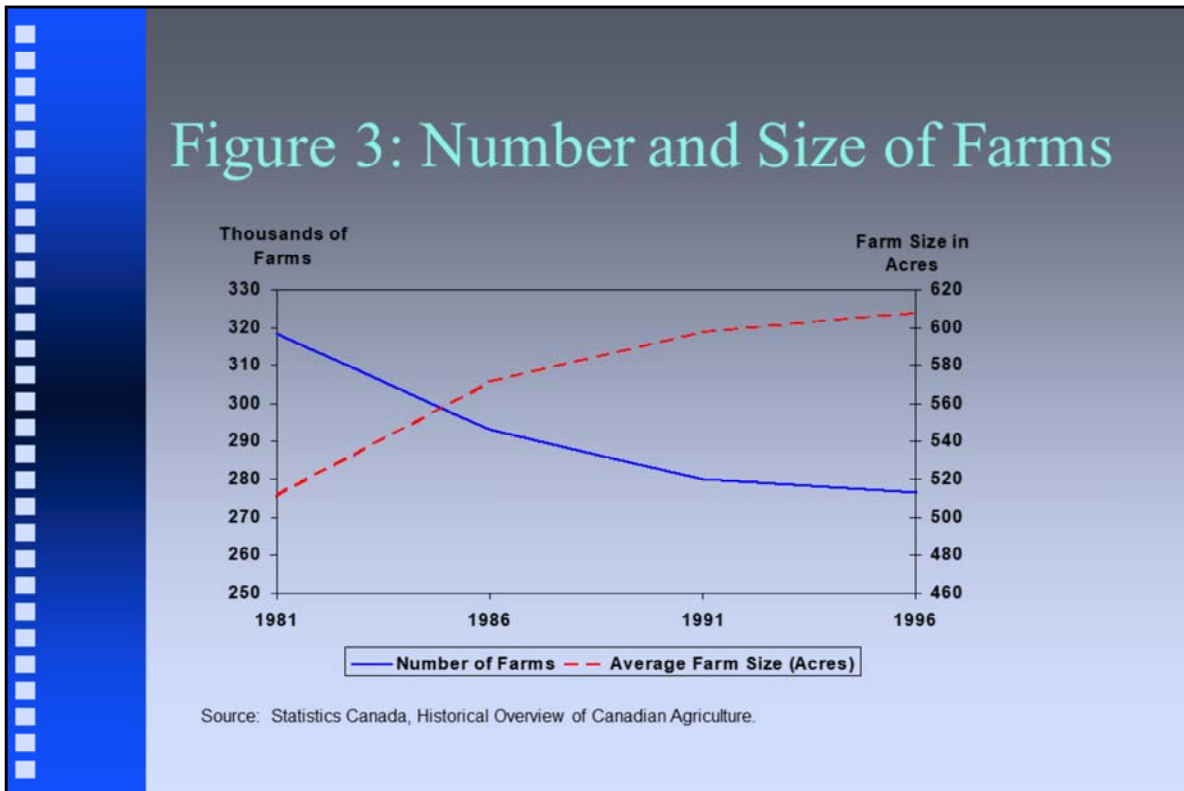


Figure 3: The number of farms has decreased while the average farm size has increased.

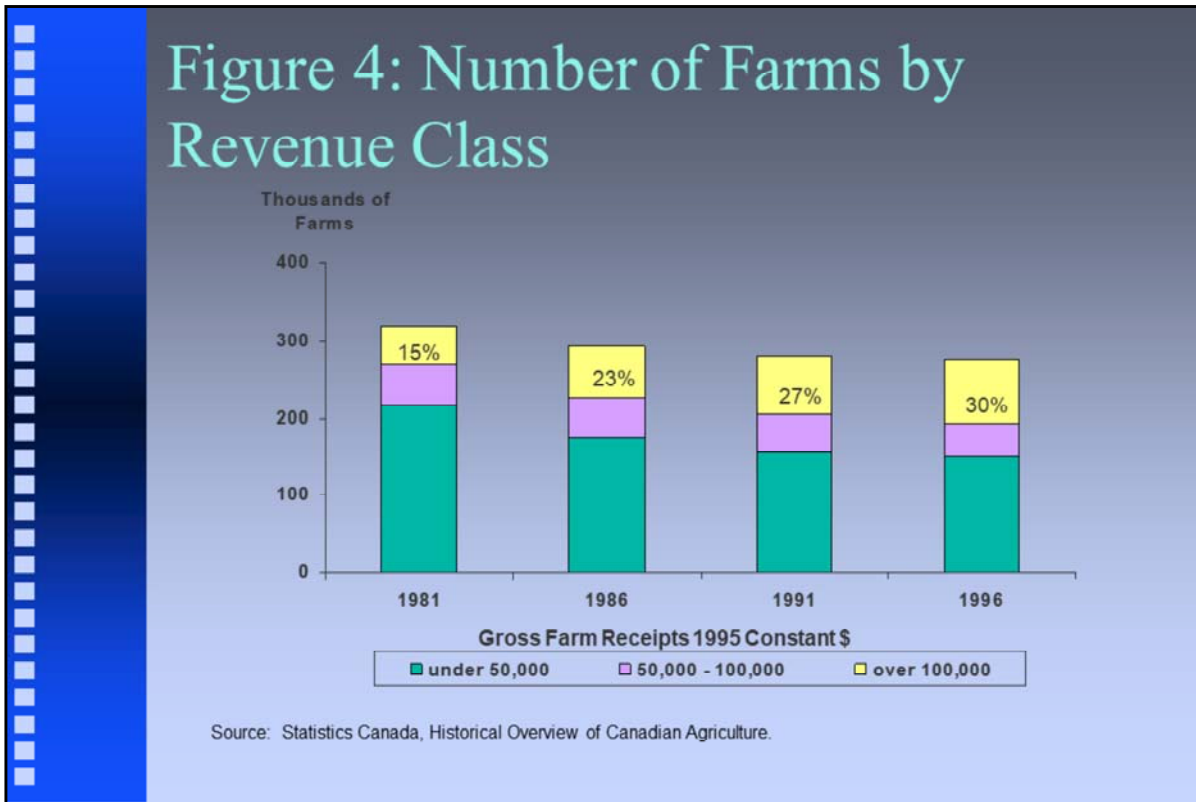


Figure 4: Small farms have diminished and large farms have expanded. Large farm expansion is greatest in high revenue classes.

Figure 5: USA is Canada's dominant trade partner

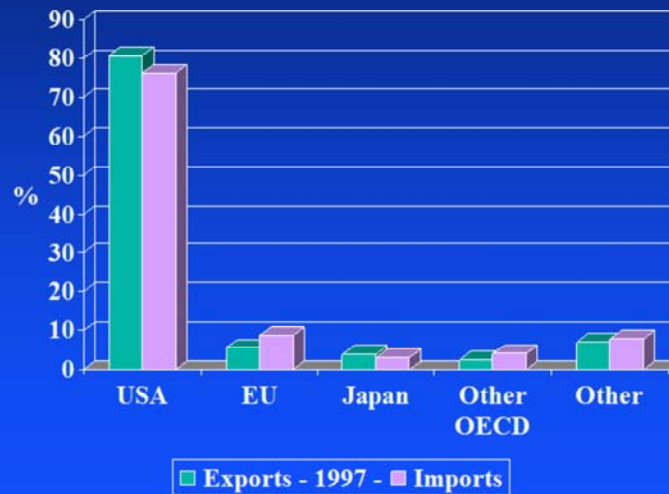
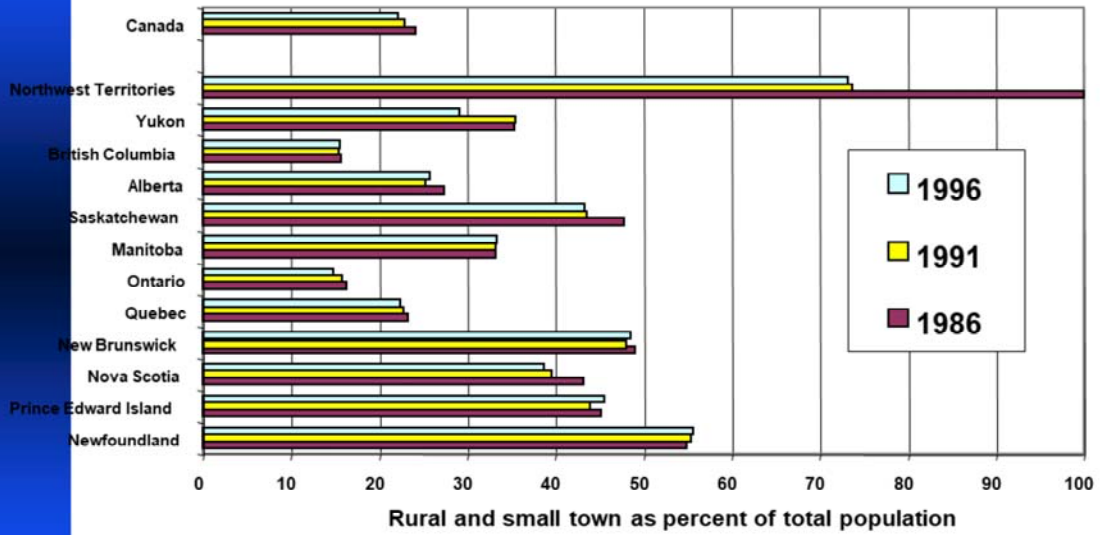


Figure 5: The USA is our dominant trading partner

- 80% of our exports are to the USA (\$243 million in 1997)
- 76% of our imports are from the USA (\$210 million in 1997)
- The next largest trade partner is only 5.5% of imports (European Union)
- Japan next with 4% of our exports and 3% of our imports
- Canada is USA's largest trading partner as well
 - 27% of USA trade is with Canada
 - Mexico is next - 14%
- Result
 - What happens in the USA has strong impact on Canada
 - Trade policy in Canada is under pressure to accommodate USA interests

Figure 6: In 1996, 22 percent of Canadians lived in rural and small town areas



Source: Statistics Canada. Census of Population, 1966 to 1996.

Rural and small town refers to the population outside Census Metropolitan Areas (CMAs) and outside Census Agglomerations (CAs).

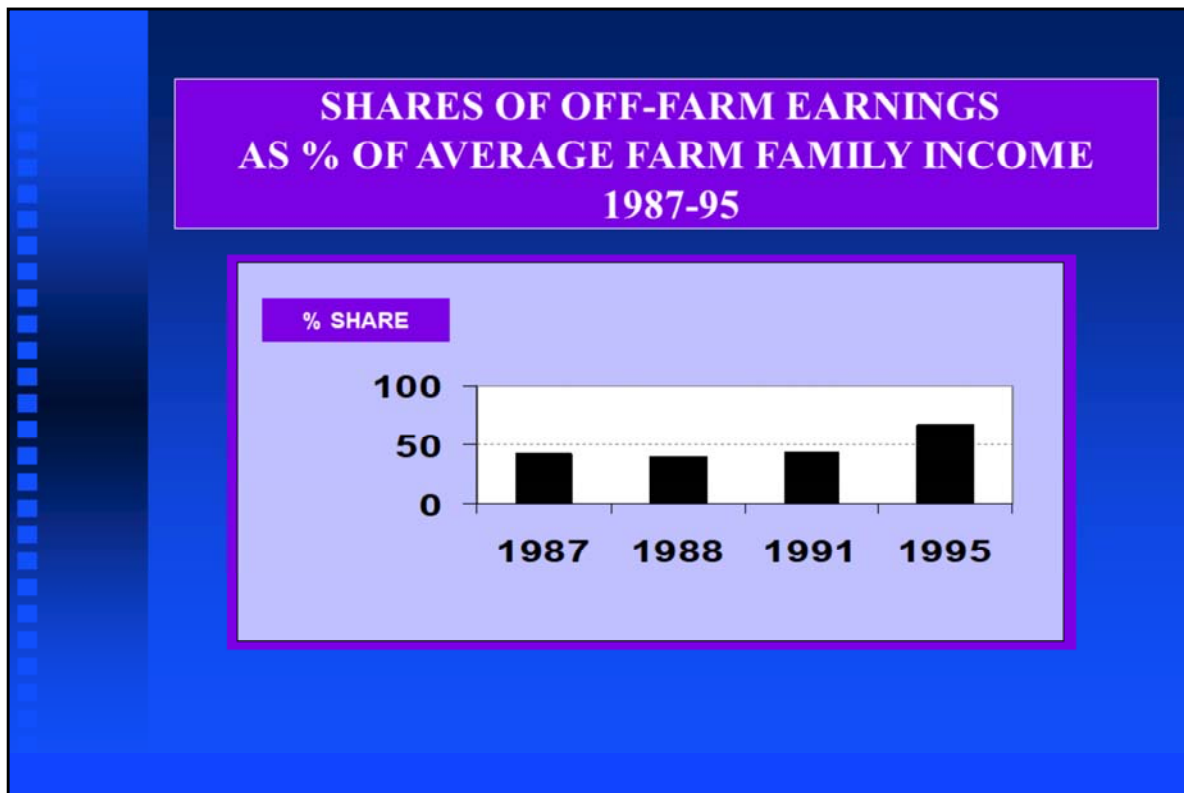
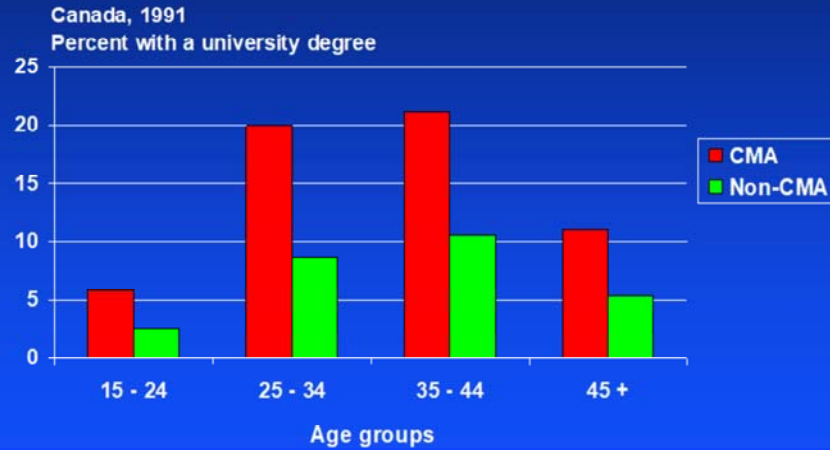


Figure 5: The share of off-farm earning is relatively high and increasing.

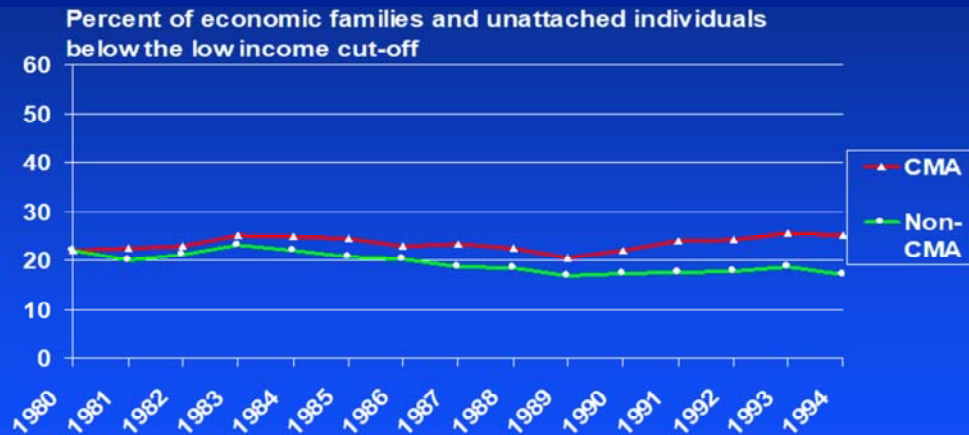
Figure 8: Rural residents are half as likely to have a university degree than their urban counterpart



Source: Statistics Canada, Census of Population 1991.

Figure 7: At any age, rural residents are half as likely to have a university degree than their urban counterpart.

Figure 9: Incidence of low income: Rural is lower and declining



Source: Statistics Canada, Survey of Consumer Finance, 1981 to 1991

Figure 9: Poverty in rural Canada is lower than urban regions and declining.

The low income cut-offs are adjusted for family size and the urbanization class where the family resides.

Throughout the 1980s and the early 1990s, the share of urban and rural units with low incomes has been similar except we can see:

The rural incidence of low incomes is somewhat lower and the rural incidence of low incomes is trending down (while the urban incidence has been increasing in recent years).

Note: These findings hold for 2+ families and for unattached individuals.