

# **The New Rural Economy in Canada**

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# The New Rural Economy in Canada

## 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. In the spirit of the electronic colloquium, they will be organized under three major questions:

- What are the pressures contributing to 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?

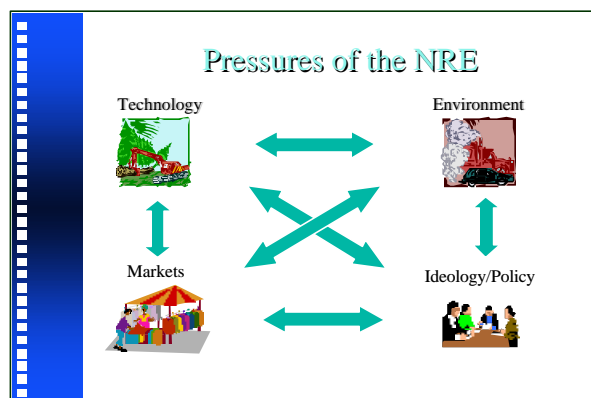
The perspectives offered are largely the result of 11 years of collaborative research in the *Canadian Rural Revitalization Foundation* ([http://artsci-cwin.concordia.ca/SocAnth/CRRF/crrf\\_hm.html](http://artsci-cwin.concordia.ca/SocAnth/CRRF/crrf_hm.html)) and 3 years of intensive work within the *New 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.

## 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.

## 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 emancipate 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. Trading of commodities has always been global in Canada, but for the most part they have been strongly protected by mercantile arrangements. These preferential systems of trade and tariffs are now being dismantled, but they have left a legacy of institutions and commitments that are difficult to overcome.

This legacy is also detrimental to rural Canada. The high level of concentration in these industries (Figure 1) leaves rural people with few options for trade and a limited number of mechanisms by which they can extract value from the commodities they produce. Where this concentration occurs in upstream and downstream industries the producers have found themselves in a squeeze that has led to significant outmigration.

Labour markets reflect these changes by a massive move from primary to service occupations. The necessary requirement for retraining has been exacerbated by the recent inability of urban markets to absorb surplus low-skilled labour as in the past. As rural people search for new local markets, they have often been limited since the relatively low levels of population make it difficult to experiment with new products and services. Increasing the attention to more global markets appears to be the only way out.

## **Environmental Limitations**

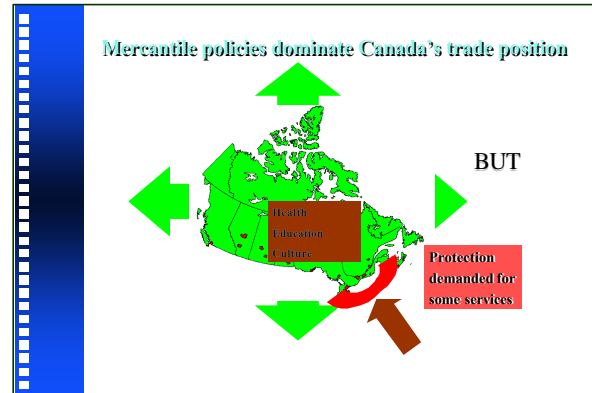
Both technological development and market pressures have in turn placed the environment in jeopardy. We now have the ability to empty the oceans of fish, to remove the topsoil from the land, and strip the hills of their forests. Competition from around the globe and the high level of foreign ownership 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.



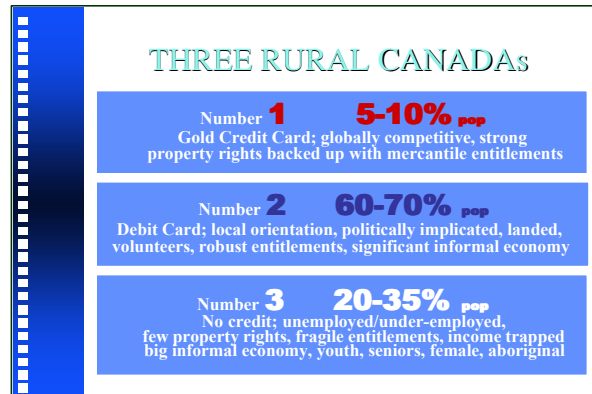
## The Three Rural Canadas

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.<sup>1</sup>

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



<sup>1</sup> We have our colleague David Davilla, from Mexico to thank for its introduction into our discussions (Therborn, 1985). Nelson (1995) qualifies it for post-industrial society.

aboriginal peoples of rural Canada. We estimate their numbers to be about 20 to 35% of the rural population.

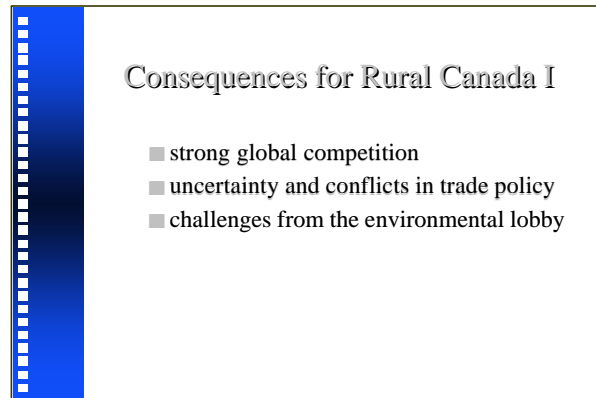
Each of these groups experience the new rural economy in dramatically different ways, they have responded in various ways, and their needs are also diverse.

## Consequences for Rural Canada I

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).

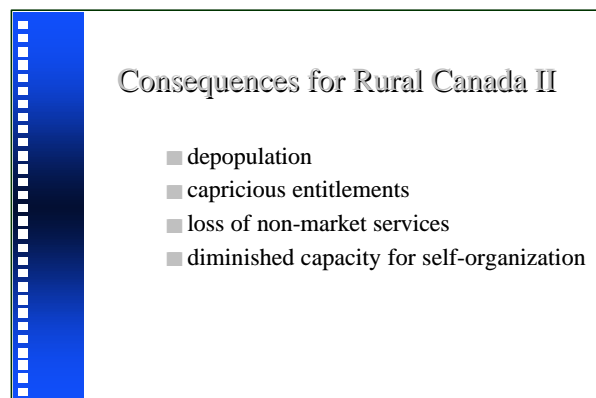
Rural Canada I is also facing increasing pressure from the environment and environmental lobbies. Their use of large-scale production, preferential access to resources, and urban orientation have made them vulnerable to criticism from both rural and urban groups. Depleted fish stocks, clear-cut logging,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



## Consequences for Rural Canada II

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). 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.

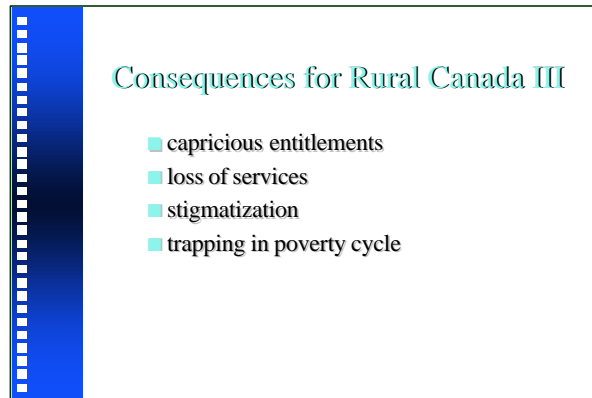
All of this has meant that rural communities have significantly diminished capacity to self-organize in response to these problems. The traditional artisan skills of rural industry and reciprocity of local social organization are inappropriate for the market, bureaucratic, and legal relations in the 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

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

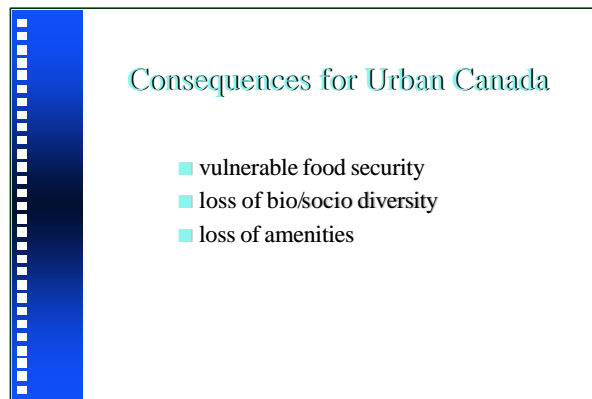


### Consequences for Urban Canada

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 concern over 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.




## 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. Corporate concentration and 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.



**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


## Toward an Action Plan for Rural Canada I

Rural Canada I needs a clearer playing field for trade. The challenges faced 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.



**For Rural Canada I**

- Backup trade disputes
- Use codes of practice approach
- Strengthen competition policy
- Support multifunctionality

We also support the principle of multifunctionality in the approach to resource policy. 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. 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.

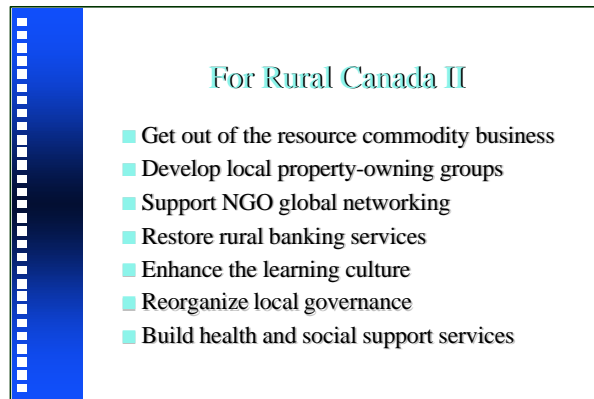
Support for NGO global networking would increase the access to world markets and opportunities for rural Canada II. Our research has identified many examples where individuals and groups in remote locations have gained access to global markets through the use of modern communication technology.

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 make it less susceptible to patronage and more inclusive of all rural Canadians.

All of these policy proposals assume a strengthening of the service role of the state. This includes not only the building of capacity through education, training, and research, but it includes 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 current organization of rural relations disadvantages a significant number of people. The new rural economy is likely to maintain this disadvantage unless initiatives to reduce exclusion are aggressively pursued. For this reason, the need for building capacity is even greater in Rural Canada III than in I and II.

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.



**For Rural Canada III**

- Support collective initiatives
- Support literacy, education, apprenticeship, training programs
- Build skills for market, bureaucratic, and legal relations
- Facilitate SME and entrepreneurial networks
- Affirmative action for common property rights
- Support activities for integration and reconciliation

## A Rural/Urban 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 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 points 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.

- **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.

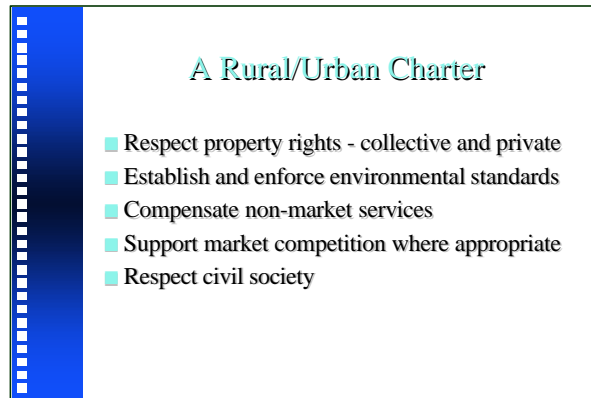
- **Support for market competition where appropriate**

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 encouraged and facilitated. Regional and national governments can enhance 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.



## References

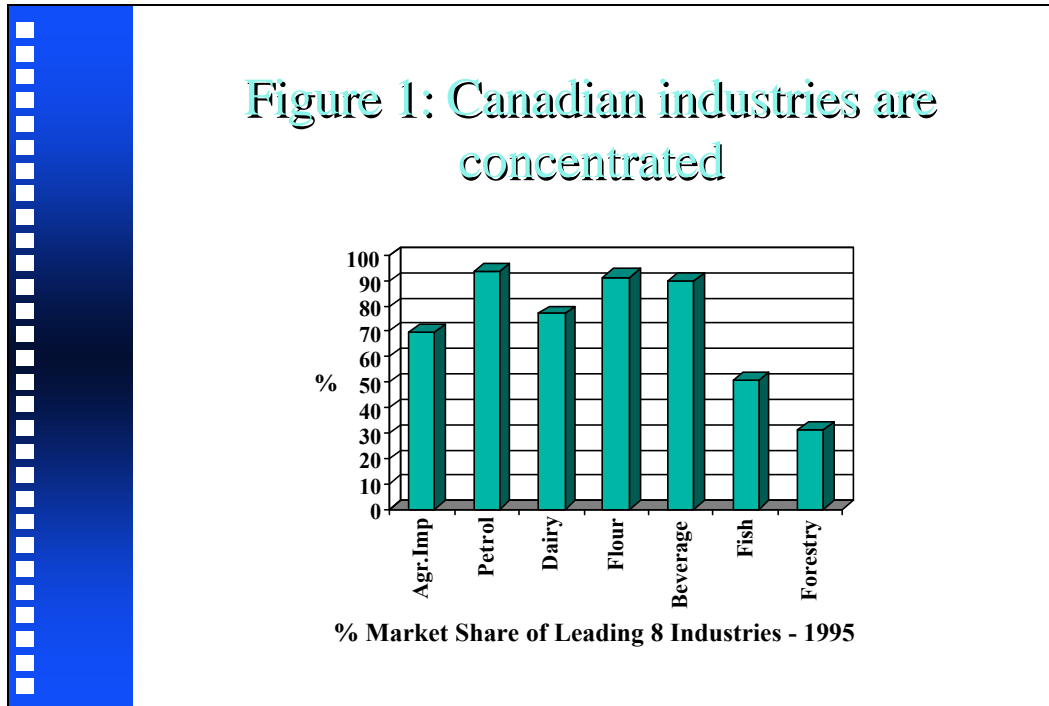
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## Figures



### **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%)

Flour: 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%)

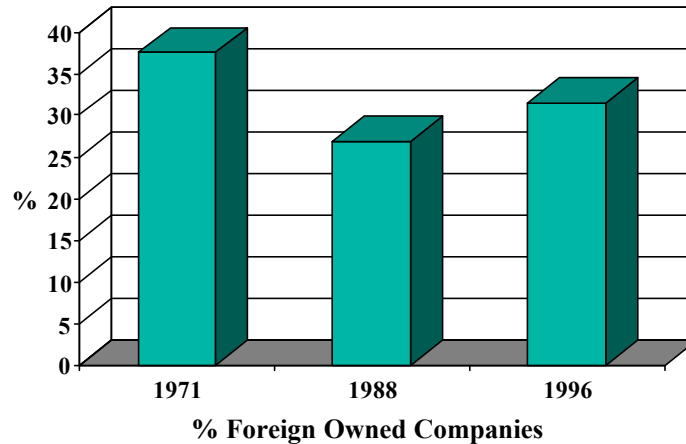
Fisheries: 50.7%

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 high foreign ownership



### 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%).

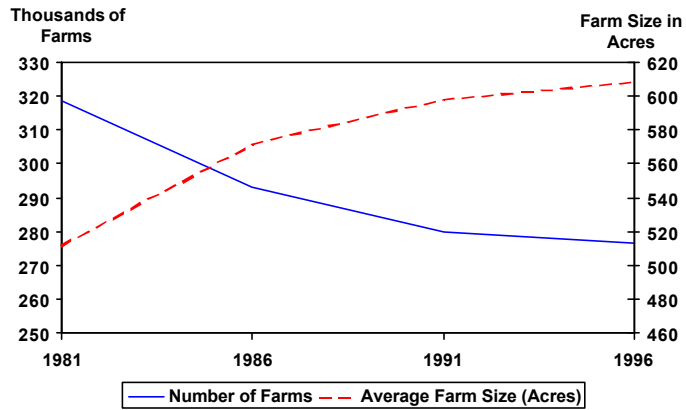
Perhaps because they relied less on domestic markets, or because they are usually bigger, with the support of a parent company elsewhere

Most of the foreign investment (98.5%) is for takeovers, not new business investment (1.5%)

Results:

- 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)

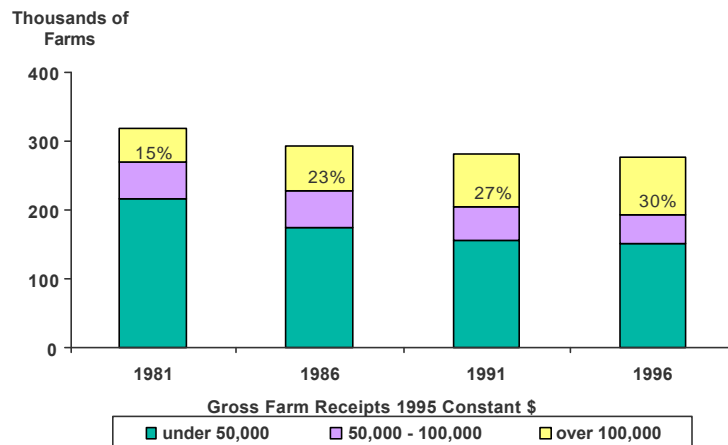
## Figure 3: Number and Size of Farms



Source: Statistics Canada, Historical Overview of Canadian Agriculture.

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

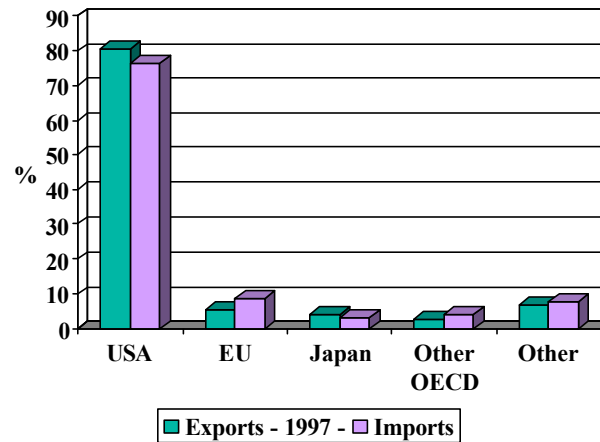
## Figure 4: Number of Farms by Revenue Class



Source: Statistics Canada, Historical Overview of Canadian Agriculture.

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 is next with 4% of our exports and 3% of our imports

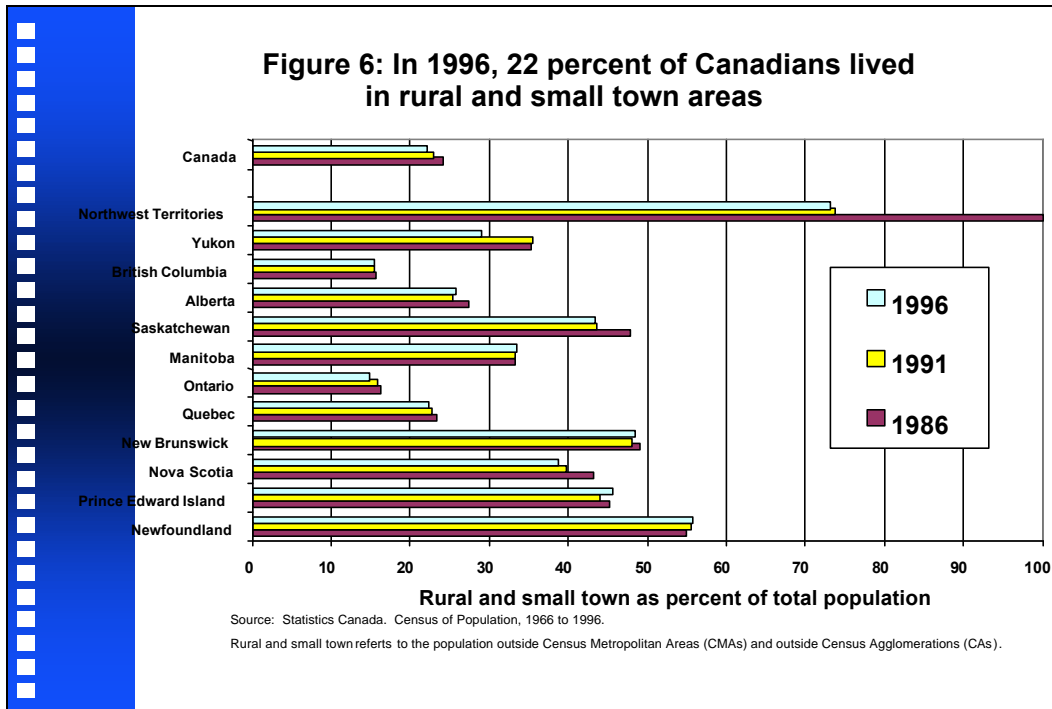
Canada is USA's largest trading partner as well

27% of USA trade is with Canada

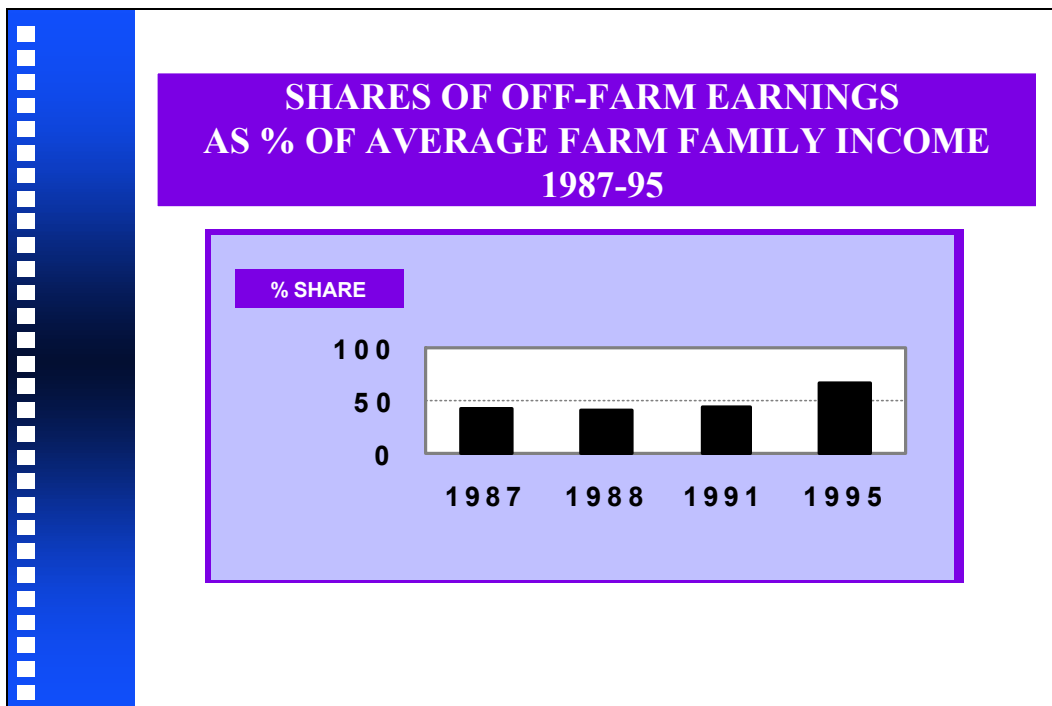
Mexico is next - 14%

Results

- What happens in the USA has strong impact on Canada
- Trade policy in Canada is under pressure to accommodate USA interests

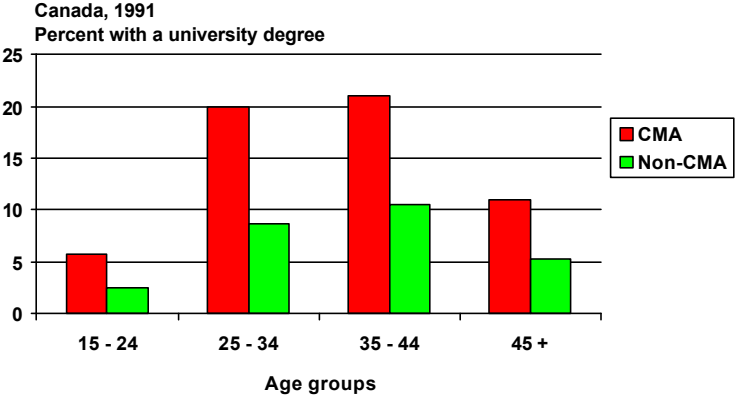


**Figure 6: In 1996, 22% of Canadians lived in rural and small town areas**



**Figure 7: The share of off-farm earning is relatively high and increasing.**

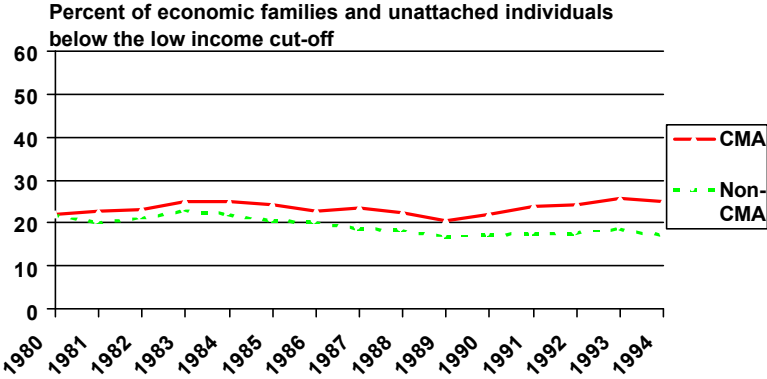
**Figure 8: Rural residents are half as likely to have a university degree than their urban counterpart**



Source: Statistics Canada, Census of Population 1991.

**Figure 8: Education is lower in rural areas**

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



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

**Figure 9: The incidence of low income is lower and declining in rural**