

**Agriculture and
Rural
Restructuring
Group**

**STIMULATING RURAL ECONOMIES
FOR THE 2000S**



**Proceedings of the ARRG Rural Economic Conference
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PROCEEDINGS OF THE

ARRG RURAL ECONOMIC CONFERENCE

**STIMULATING RURAL ECONOMIES FOR THE
2000s**

**CAMROSE, ALBERTA
23 - 25 OCTOBER, 1991**

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University of Alberta**

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Director, The Rural Development Institute
Brandon University**



**The Canadian Agriculture and Rural
Restructuring Group
1992**

**"A Program of Research, Dialogue and Dissemination On the Future of Rural Societies in
Western Nations"**

ABOUT ARRГ

The conference was held under the auspices of the Agriculture and Rural Restructuring Group (ARRG). ARRG was founded informally in Regina in 1987. It is a not-for-profit group of rural social scientists and policy analysts with particular commitment to improvements in the economic and social condition of rural people. This commitment is expressed in research, program design and conferences. The focus is on households, businesses, industries, communities and governments to develop economic opportunities and to create policy awareness.

ARRG put on its first two National conferences with ad hoc support from Agriculture Canada, Employment and Immigration Canada, Statistics Canada, the Canadian Federation of Agriculture and the Universities of Quebec, Alberta and Guelph plus much support from rural communities and other public and private organizations. ARRG is grateful that the Donner Foundation of Canada provided major funding during the formative years of the group.

The ARRG conference and workshop program for 1989-1993

February 1989; Ottawa, Workshop; Sustaining rural development

October 1989; Saskatoon, Saskatchewan, National Conference; Sustainable rural communities in Canada

March 1990; Ottawa, Workshop; Globalization and agricultural restructuring

October 1990; Ottawa, National Conference; The data base for monitoring and researching rural restructuring

April 1991; Coaticook, Quebec, Workshop; Development in resource dependent and single industry rural places

October 1991; Camrose, Alberta, National Conference; Stimulating rural economies for the 2000s

May 1992; Brandon, Manitoba, Workshop; The potential for manufacturing in rural economic diversification

October 1992; Huron, Ontario, National Conference; Manufacturing and the service sector in rural development strategy

April 1993; Alberta, Workshop; Progress and prospects for local initiative programs for rural development

October 1993; New Brunswick; Performance and design for local initiative in rural development

ABOUT RDI

The Rural Development Institute of Brandon University commenced activities in 1989, with a mandate to coordinate and conduct research related to rural Canada. The Director was to work in a cooperative manner with all levels of government, rural groups and citizens, and the university community. RDI responds to information requests from five sectors of rural society: 1) an External Advisory Committee (EAC) comprised of representatives of rural organizations, 2) the Manitoba Department of Rural Development, 3) the University community, 4) other federal and provincial Departments dealing with rural issues, and 5) rural towns and villages. Once the research agenda is set, RDI develops proposals to address issues, recruits qualified researchers, acquires funding, assists the research process, and publishes and disseminates results. In 1991, RDI assumed the responsibility of evaluating, editing and publishing proceedings or individual papers for ARRG. A list of recent publications appears on the back cover of this paper.

ACKNOWLEDGEMENTS

The Agricultural and Rural Restructuring Group deeply appreciates the effort of many institutions and individuals devoted to the success of the Camrose conference.

The hosts were the Department of Rural Economy of the University of Alberta, the Alberta Association of Municipal Districts and Counties, The County and the Town of Camrose, the Camrose Agricultural Society and the Camrose Regional Exhibition. In particular, Tammy Wollman, Larry Werner, Kathy Cail, Ward Nelson and Theresa Ramsted combined to ensure excellent services and facilities, not to mention the efficient arrangements for the speakers and chairpersons.

The Conference could not have been held without the financial support of its patrons. The response by our patrons endorses the seriousness of economic restructuring for the well-being of rural people. The patrons are Agriculture Canada, Alberta Agriculture, Alberta Municipal Affairs, Employment and Immigration Canada, Alberta Economic Development and Trade, Alberta Career Development and Employment, Alberta Environment and Alberta Forestry, Lands and Wildlife.

Particular appreciation is due to Ken Rostad, MLA for Camrose and his office for initiating a solution with Alberta Economic Development and Trade to the financing problems generated by the snow storm and last minute withdrawal of a patron.

The learning process could not have proceeded without the willingness of many people to act as rapporteurs for the discussion groups. There are too many to mention, which gives an indication of the commitment to learning by the participants. Thank you very much.

And thank you to the graduate students, Tammy Peters, University of Alberta; Shirley Dawes, University of Guelph; Sally Shortall, McGill University; Adda Owino, University of Alberta; and Dawn Chimbe, Concordia University, who edited the group reports and discussion papers.

Finally we acknowledge the hard work and cooperation of the planning committee. The committee was composed of Chair, Lavern Sorgaard, Director of the Alberta Association of Municipal Districts and Counties; Reg Kontz, Alberta Agriculture; Dennis Woolsey, Alberta Municipal Affairs; Dhara Gill, University of Alberta; Jim Eales, University of Alberta; Dick Haigh, University of Alberta and Leonard Apedaile, University of Alberta and ARRG.

Consultative members were Jack Stabler, University of Saskatchewan and ARRG; Gordon Miller, Alberta Association of Municipal Districts and Counties; Larry Goodhope, Alberta Association of Municipal Districts and Counties; Phil Ehrensaft, Université de Quebec, Montreal Campus and ARRG; Gordon Porteous, Camrose Regional Exhibition; Larry Warner, Camrose Regional Exhibition; Ray Bollman, Statistics Canada and ARRG and Nial Kuyek, Saskatchewan Wheat Pool and ARRG.

A special note of appreciation is due to Sharon Hammond, Department of Rural Economy, Gordon Porteous, General Manager of the Camrose Regional Exhibition and to Bill Campbell, W.H. Campbell Consulting Services, who staged the whole conference and assured the attention to detail which made it a success for us all.

The Agricultural and Rural Restructuring Group is deeply indebted to the gracious presence of Shirley McClellan, Associate Minister of Agriculture for Alberta and to Madame Marie-Christine Kovacsazy, advisor on rural affairs to the Prime Minister of France who made the long voyage to snowy Alberta in spite of her taxing personal schedule.

PREFACE

The Canadian Agriculture and Rural Restructuring Group (ARRG) hosts annual public conferences on selected issues in rural areas across Canada. In February of 1992, ARRG hosted a conference on "Stimulating Rural Economies for the 2000s" in Camrose, Alberta. Not only members of ARRG, but also senior policy analysts with federal and provincial governments, local government representatives, business entrepreneurs and farmers attended. Special attention was given to the primary sectors of forestry, agriculture and mining, but most sessions concerned the wide-ranging perspectives of rural development in small towns or regions.

Debate was lively, and round table opportunities were provided after most presentations. Brief summaries of the round table discussions are included in this Proceedings. Participants came from across the nation to engage local people in discussions about common issues, regional variations, and the possibilities and problems associated with current policies or proposed solutions. In essence, bureaucrats, politicians, professional rural development people, academics and rural citizens sat as one body, amicably debating rural concerns. The confrontation that may occur when citizens and policy people get together was not apparent, and much was gained by all.

The conference, like all similar conferences, did not arrive at "the answer" to rural problems. Rather, the vast and varied experience of those present was shared openly and frankly, engendering the mental processes that must be activated to arrive at functional and politically and socially acceptable "answers" for each rural community or region.

This is the second ARRG Working Paper to be published. The ideas presented are those of the various authors and questions or comments on any given issue should be directed to the authors. ARRG invites debate and welcomes all ideas, concepts and innovations. The Working Papers Series is meant not only to communicate what happened at Camrose, but also to carry forward the debate on how best to maintain and improve rural life in Canada.

All Working Papers are reviewed by at least two other ARRG members. In this instance, many people helped transcribe the Proceedings. Those who served as Rapporteurs or summarized sessions are credited where appropriate in the manuscript. Special thanks are extended to Shirley Dawes for editorial assistance. Joan Rollheiser, Administrative Assistant at the Rural Development Institute, prepared the manuscript for printing.

Richard C. Rounds,
Director,
Rural Development Institute

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**NEW THOUGHTS ON CROSS-SUBSIDIES AND THE RESTRUCTURING
OF RURAL PLACES AND SINGLE INDUSTRY TOWNS**

David Freshwater, Philip Ehrensaft and Leonard Apedaile

Rural Urban; Symbiosis and Predation

Our objective is to develop an argument for a proactive rural development policy that can provide assistance to rural places and single industry towns in Canada. The argument reflects the interdependence of society. Rural and urban areas share a linked evolution. What goes on in one is influenced by changes in the other. Economic theory shows that market forces can be counted upon to provide unambiguous benefits only when the market fully captures all the relationships among the participants. In a world where markets fail to incorporate important linkages it is possible that increased reliance on market forces can make a society worse off.

We argue that the existence of a host of extra-market forces, or cross-subsidies, that link the urban and rural components of society create a situation that is consistent with market failure. One particular consequence is a kind of predator-prey relationship between rural and urban areas, reflecting the lack of recognition of the basic symbiotic relationship that underpins the existence of both. When competitive forces fail to acknowledge the existence of extra-market relationships they cannot by themselves move society to a situation where resources are optimally allocated.

When a significant percentage of these resources are voting citizens, the pressure on the political system for action will mount. To avoid the consequent politically induced distortions of efficiency, governments could play a proactive role in balancing the benefits of markets and the extra-market interests of society. Governments in this model can complete the market by shaping the internalization of intangibles, public goods and costs and uncertainties needed to make markets work better.

Sweeping Changes and Second Thoughts

The sweeping changes that have taken place in Eastern Europe and the Soviet Union have resulted in a generally held belief that market forces have triumphed over centrally managed economies as a means of organizing economic activity. But as Marxism and central planning wither, and democratic political institutions and market forces replace them, there remains a nagging doubt about some of the outcomes of the "free market".

Ironically, while we praise the virtues of market-based systems, major segments of the population in Canada and the United States continue to find themselves not fully participating in the benefits. Despite gains in the

1960s and 1970s, rural people are one of these segments. Recent studies show an increasing incidence of poverty among rural residents in Canada and the United States. This should clearly be cause for alarm. What is less clear is what, if anything, can be done to bring those in our domestic economies who have yet to taste the fruits of the economic victory of capitalism into the celebration. In the waning euphoria over the radical changes taking place across the oceans in foreign lands we begin to see our domestic problems in a new light. The changing world order is not confined to changes in other nations.

A major challenge of the next decade is to focus upon those elements of a market economy that enhance the production and distribution of goods and services, and to try to find ways to ensure these elements apply throughout the nation, including rural areas. At the same time we must recognize that every market outcome may not be what is desirable for society, or perhaps for particular segments of society. In those cases we need to find ways to either modify market forces to reflect societies' multiple goals, or find better ways to heal those wounded by abrupt changes in policy or the market.

The social costs of adjusting to newly unleashed market forces can be painful and politically volatile. In a recent New York Times article, Louis Uchitelle depicts adjustment costs that have plagued countries such as Mexico, Poland and Argentina in terms of unemployment, growing disparities in wealth and income, and social disruption (Uchitelle, 1991). The author goes on to assert that current conditions in the United States parallel the problems of these nations that are just now embracing the North American model. Similar concerns exist about the adverse impacts of market forces in Canada. In New Zealand, where a major reduction in the role of government has taken place since 1984, there is also evidence of major disruptions to economic sectors and people as the economy adjusts to new global conditions.

While the longer term benefits of reduced waste and better resource allocation associated with market forces are prominent in policy makers' minds, the short term costs of change and the potential for long term distributional problems also need to be considered. How much disruption and disparity in standards of living that are associated with the discipline of market forces is compatible with the dual objectives of economic efficiency and of rising standards of living in a civilized society?

Many of these changes seem far from the small towns of Canada, but their effects are already being felt. The decade of the 1980s showed clearly how much changes in world commodity prices, exchange rates, trade policies and financial markets have affected agriculture, forestry, mining and the energy sectors in Canada. Policies in the developing nations are adjusting to reflect the effect of new trade agreements, the impact of new technology and new social forces, making them more competitive. The changes in the former European and Soviet communist block will be no less sweeping in their effects on rural Canada.

It would be a mistake to interpret the failure of centrally managed economies as a mandate for blanket deregulation and the abandonment of government programs. Rather, the failure of centrally planned economies should more appropriately instill a healthy scepticism about our ability to determine economic outcomes. While we should not try to "trick the market" into doing what we want, neither should we accept that market outcomes are always best. What is presently needed is a rebalancing of the roles of government and market forces to ensure that all elements of Canadian society, both rural and urban, fully participate in the economy and are appropriately rewarded.

The changes that take place at home in our domestic society and economy have at least as much impact as those taking place abroad, even though they are typically less newsworthy. If the new world order is to be

stable and benefit all segments of society, ways must be found to ensure that internal conflicts do not replace foreign stresses as a source of tension. The theme of this conference - Stimulating Rural Economies for the 2000s, reflects the fact that rural places and single industry towns are part of the group left behind by the laissez-faire capitalism of the 1980s, and thus a potential source of domestic conflict.

The next section of the paper introduces a way of thinking about the appropriate role of government and market forces in society. This section is followed by a discussion of changing global structure of manufacturing and services that suggests problems that resource based rural communities face in seeking to diversify their economic base. We then show how urbanization and specialization have led to a weaker position of rural areas and a growing feeling of urban predation or exploitation. The next part of the paper presents an argument for thinking about economic development in an ecological systems context. After this we return to a discussion of the rebalancing of market and government roles in the economy and finally discuss conclusions.

The Complementarity of Market and Government Forces

Economic activity may be organized in a wide range of ways. The range extends from the one extreme of pure "laissez faire", where the government plays no role in the production and distribution of goods, to the other extreme of a centrally managed economy where the government determines all production decisions and the final distribution of goods. In between many intermediate structures are possible. In theory either extreme is capable of satisfying many of societies' multiple objectives. But in practice the conditions necessary for this result are met for neither extreme. In particular, each extreme is hard on human rights and a broad participation in the economy.

Market forces, signalling and responding to available information, are Darwinian in nature. They place a premium on short term adaptability to enhance probabilities of survival. But, allowing markets complete freedom to determine social and ecological outcomes can result in mistakes. The goals and outcome of the exercise of market power and natural selection may not be socially or ecologically optimal over time. As a result, multi-objective societies may collectively choose to temper the restructuring forces of the market on rural places to prolong the period of reversibility of the changes.

Virtually all nations now accept the need for market based economies. But markets mean different things and are capable of different outcomes in different regions. Even in developed nations as similar as Canada and the United States, which both have a substantial degree of integration of rural and urban systems, there are marked differences in what is perceived to be the role of government relative to markets. In the United States the government is seen primarily as an impartial referee, ensuring that everybody plays by the same set of rules. In Canada the role of government is broader, with government acting within the teams to ensure that everyone plays, that injuries are healed and that the teams are ready to play the next season.

Discussion of a "level playing field" in the United States is about refereeing the game. Concern rests with enforcing fairness in the sense of equality of opportunity. That one team may accumulate more resources and skills on some other playing field, and therefor generate more favourable odds of burying an opposing team, is not seen as an appropriate concern. By contrast in Canada, ensuring that all participants in the game have 'reasonable' odds of success is a concern. Government is expected to participate as a partner to even the odds and to ensure that outcomes are not inimical to the blend of objectives for the game.

Differences in the perceived role of markets and government between rural and urban constituencies are relatively unimportant as long as trade relations are relatively minor and not formalized. However, as trade grows as a share of rural and urban GDP and trade links become more formal, differences in the view of the role of markets become important. Now that Canada and the United States have embarked on a formal linking of the two economies these differences in perceptions of legitimate market forces and government policies are becoming apparent.

The Canadian view of government as a legitimate partner of less well endowed communities or companies is incompatible with the U.S. notion of a level playing field. Having the opponent's government as referee for an away game is not compatible with the Canadian public view of a level playing field either. While citizens of both countries speak of the importance of allowing the play of market forces they aren't necessarily talking about the same thing.

Rural areas in Canada are particularly susceptible to this issue. They produce products that are either exported to the United States or are in direct competition in third markets with similar products from the United States. The relatively weak position of Canadian rural economies has resulted in them receiving significant amounts of government assistance. Consequently within the playing field paradigm just enunciated, policies important to rural areas, including royalty payments for forest products, freight subsidies, import restrictions, marketing boards, and other types of intervention are whistled down by U.S. referees as unfair competition.

Sectoral, social and macroeconomic policies within Canada reflect a national schizophrenia over economic disparity and federalism. The partitioning of responsibility and fiscal power among various levels of government and among disparate regions takes place as a continuing struggle among market forces and governments. If Canada were to become more purely an economic than a political union, as is being currently proposed, one could argue that there would have to be fewer restrictions on interprovincial trade than exist today to make the union viable.

Ironically many of the interprovincial trade barriers were created precisely to preserve rural activities from market forces and to provide captive markets for Canadian utilities and transport. Consideration of a concept like 'economic union' calls into question the viability of made-in-Canada brands of "market behaviour" founded over the years on the contradictions between layer upon layer of interregional non-tariff barriers and supply management, and the promotion of a growth/export based rural economy.

Limits to our social and political ability to alter both nature and markets must be recognized. An important lesson from the communist block experience is that we cannot expect to stand in the way of market forces on an ongoing basis and succeed. This is a lesson in common for both the referee and the team player roles for government in the economy.

Persistence of rural economic systems cannot be viewed as simply maintaining given structures or ideologies, however preferred they may be at the time. This conclusion suggests that collective initiatives should be of a nature that facilitate adjustment within individual institutions and enterprises in a community to enable it to redefine on a continuing basis the sustainable type and level of production.

Resource Dependence

Rural areas face considerable difficulty in redefining their particular place in the economy. This difficulty reflects the limited range of opportunities available to them, and limited knowledge of what is going on in the rest of the world. In addition, traditional primary industries such as agriculture, forestry and mining entail high fixed costs and are site specific, which tends in the short run to lock communities involved in these products into a specific activity. Global competition in traditional generic commodities usually involves regional specialization if the nation is to remain an efficient producer. This specialization in a resource dependent economy leads to the development of communities that do one thing well, but that cannot readily switch to a new activity.

Workers in resource communities constitute a labour force that has been trained in skills specific to materials handling. Neither the equipment nor the labour force, including management institutions are readily transferrable or transformable to other activities. As the demographic structure of rural areas evolves to a higher proportion of older workers this problem increases in magnitude. Similarly, the industrial plant and equipment for resource extraction cannot be readily retooled to incorporate the extremely dynamic nature of high value-added downstream processing responsive to the needs of end users. Thus, again the problem of low opportunity costs helps to perpetuate generic production in rural places.

The speed of the dynamic processes is probably the most significant characteristic of economic globalization. However, the rigidities are problematic but not insurmountable when growth prospects diminish and development is required. If the current function of a rural economy, bound tightly to a single resource is no longer demanded, survival of the community requires developing a new stream of valuable outputs. New outputs entail write-offs and restructuring in manners consistent with the dynamic global restructuring of production, demand, markets and institutions.

Important questions to come to grips with are: Who pays for the rural write-offs? Can rural enterprises manage to keep pace with the dynamics of continuing globalization? Or, will they produce an equally continuous stream of write-offs? Can the conditions for participation in the global economy be harmonized for rural and urban participants on the basis of willingness to pay?

Rural enterprises continue to be confronted with these questions together with the need to specialize. Larger communities and regions require diversification as their foundation for long run economic stabilization. Yet by their nature they cannot take advantage of the synergies associated with diversification since they lack the population base and diversity of skills and vision to engage in a large number of different activities.

Ultimately markets will judge the success of adjustment. But initially the community itself has to determine how it chooses to respond. Thus, a necessary step in adapting to change is for the community to develop a vision of its place in the global economy. For a rural county or municipality of 3500 this may seem a heroic task that is beyond its capacity. However, all it really entails is to determine what it is that the community can produce that some other part of the world will value enough to purchase. Then develop a strategy to ensure that the enterprises within the community work to make themselves efficient suppliers of those products or services. The closer these valuable outputs are to the end user, however, the more often the definition of the outputs and strategies will have to change, even several times a year.

Economic Growth or Economic Development?

In part this conference is about developing ways to enhance the degree of cooperation between rural and urban places, and to correct the outcome of predator prey tendencies in rural urban relationships. An ecological systems approach provides a useful way for thinking about growth and development in this context. Growth may be interpreted as “doing more of the same”, while development involves structural change that reorients the economy (Flammang, 1979).

Development often comes about because of changes in the external environment or from self determination in human systems such as rural economies. “Development without growth” emerged as a popular concept during the 1960s. This concept was an anathema for many resource based rural communities. Their economic trajectories during this century have been based on the opposite, growth without development. The basic function of the community remained constant and the employment mix remained stable. Prior to the 1980s the cyclical fluctuations in undifferentiated commodity demand were not threatening to the basic economic and social structure of the community.

Events in the 1980s suggest that the environment for resource based communities has changed significantly. These communities no longer are in a position to think about growth. They must think about development. The current set of changes in Eastern Europe and the Soviet Union, and the growing emphasis on market forces reinforce the need for a change in attitude and approach. Traditional growth-focused responses no longer lead to success. Communities that seek to perform a function for which there is no demand will fail, just as species whose habitat is disrupted and cannot adapt become extinct.

Diversification: Generics Versus Niche Products

Two logical development options for resource based rural economies facing declining incomes and employment are either to diversify or to find a new economic base. A switch to manufacturing has historically been the most common means of economic growth for nations and communities. However problematic changes taking place in primary commodity sectors are also showing up in manufacturing and, according to Porter, for the Canadian economy as a whole (Porter, 1991). One important aspect of these changes is the shift to a demand for the skills of learning and science and for unskilled labour, from a demand for the artisan skills and supporting culture upon which the country and especially rural economies were founded (Freshwater, Ehrensaft and Apedaile; 1991).

This demand shift is technology driven and therefore probably irreversible. Major issues associated with the shift are the effects of multinational enterprise on the location of home offices and, therefore, investment and production decisions (Porter; 1991), and the declining importance of undifferentiated commodities relative to differentiated products and services oriented to dynamic niche markets (Piore and Sabel; 1984). Rural communities face additional complex dilemmas in defining their place in the production and distribution of goods and services within the larger Canadian economy, as it too struggles with changing global markets and technology.

Global markets and the dominance of multinational corporations in the production of bulk commodities and mass-produced goods leads to pressure to concentrate this type of production at sites where labour is cheap and the product can be readily distributed to markets. A second type of manufacturing deals in goods that

require higher-order labour skills and do not lend themselves to large scale production. This type corresponds to the so-called niche product for small specialized markets.

Piore and Sabel argue that the future of North America lies in the second type of good. Canadian inputs costs and social objectives increasingly preclude much of the former type of production. If this is true then rural areas will have to find ways to become part of this adaptive manufacturing process, or accept the lower labour returns associated with generic goods of the first type. While rural areas may be able to upgrade to the new industrial organization required to compete successfully in small-batch, flexible manufacturing, it will require major investments in improving labour, transportation and telecommunications (Barkley, 1991).

A subsidiary issue is that manufacturing is becoming a less dominant part of the national economy. Most employment and income growth has taken place in the service sector, especially in rural places. Rural areas continue to look at services as the new engine of growth. However, the logic of the Piore and Sabel argument raises questions about this orientation. Some services are generic in nature, where cost and convenience is the primary consideration in selecting the provider. Laundromats, dry cleaners, fast food restaurants, consumer finance and a growing portion of the medical industry fall into this category of generic services. A second type of services is those based upon individual attention to specific client needs through personalized service of an artisan nature subject to diseconomies of size. In a rural context pest management services that scout fields for thresh-hold levels of infestation before spraying would fall into this category.

Rural areas face limited market volume for both types of services, in the same way as Canada does confronted by the global scene. Small market size weakens the potential for service led economic growth. However, the bigger challenge lies in the area of specialized services where distance and rural depopulation may preclude putting together a large enough customer base to reward even microfirms adequately.

Globalization accentuates pressures to choose technologies and enterprises that offer economies of scale of operation. When these pressures are added to the bifurcation of the manufacturing and service sectors and to the dynamics of demand, the ability of rural communities to diversify is seriously constrained. Paradoxically, successful diversification away from the generic outputs of the rural economy requires specialization.

Firms are required to specialize in the frequent redefinition of product lines and in the design of contractual alliances with other intermediate goods and services manufacturers. The acceleration of the dynamics of end-user oriented diversification can be summarized as "niche today gone tomorrow". Design skills, contract negotiating skills, retooling, multiparty financial arrangements, skill in personal relationships and a worldly attitude appear to be the human resource qualities required for rural diversification through specialization in a globalizing national economy.

Forces Impeding and Promoting Revitalization

Perhaps the single greatest conundrum for rural development is that the forces that appear to be leading to the collapse of the economy and its supporting social structure in rural communities are the very forces that will have to be harnessed to revitalize rural areas. Recall some of the more prominent changes.

Improved transportation systems provide access to markets, but also expose rural areas to outside competition and allow rural residents to leave the community. Improvements in education enhance the capabilities of

rural children and improve the opportunities for pluriactivity, but provided access to job opportunities in urban areas. Expanded global trade introduces new competitors for rural products, while making available new technological options. Deregulation forces rural residents to bear higher costs of goods and services, but enhances the potential for local economic autonomy.

Each of these changes weakens the traditional structure of rural communities, while offering potential for new opportunity within the rural place itself. Better transportation allows rural areas to sell to a broader market. Improved labour force capacity allows rural businesses to get into new activities that require a more skilled labour force. More open global trade can mean new markets for rural products if they are competitive in price and quality.

The dilemma of dual negative and positive contexts of global change for rural areas can be illustrated by developments in rural retail trade in the United States. Walmart recently became the largest retailer in the nation by building stores in small communities. In almost every case where Walmart began operating in a community a combination of competition and predation led to a collapse of local retail businesses. They were unable to maintain either market share or profit margins, due to the combined inferiority of their marketing technology, their tendency to partition and protect market shares, and their inability to achieve scale economies in the procurement of goods. This static behaviour failed in the face of the predator strategies based on pronounced and extensive economies of size of the distribution technology developed by Walmart.

In the meantime, rural entrepreneurial and business leadership migrates. Communities may end up losing a vital element of local initiative that impedes future development. In small communities the retail sector is a primary source of entrepreneurial activity. As the local retail sector withers there is a parallel reduction in the business skills of the community. As a result, despite the short term benefits of lower Walmart prices for consumer goods, long term business initiative in rural places may fall further behind that of their urban counterparts.

Consumers in this example receive a wider array of goods at lower prices than before. However, Walmart is able to generate above-normal margins to finance further predation in other places because the full benefits of their volume buying is not necessarily passed on to the consumer. Reduced competition in rural places allows them to price at "what the traffic will bear". The monopoly power of Walmart in rural areas is now providing the corporation with the resources to challenge other retail chains in suburban markets. Walmart exploited a market opportunity in rural areas that other retail organizations ignored.

Competitive Pressures and Rural Bargaining Power

As rural communities embrace local control and accept the predominance of market forces, the playing field metaphor assumes central importance. It would appear to be at best unethical for senior levels of government to encourage rural local initiative when market participants have radically different amounts of information, different degrees of bargaining power and widely divergent resources. It is fairly clear that the outcome of bargaining and market processes under such conditions is biased to the better endowed.

The situation most resource communities find themselves in at present suggests they are not well endowed with information, mercantile traditions or bargaining power. Therefore, pure reliance on the market can be expected to produce outcomes for rural economies that are akin to playing poker with a marked deck in the

hands of a professional gambler.

Clearly, rural places in Canada are rarely in the position of being one of the dominant considerations when major changes in national policy are debated or when market exchanges are consummated. They are not the sites of home offices. They remain in relatively upstream types of economic enterprise, remote from price determination in final product markets. On the other hand, they are downstream of urban social and economic externalities. Consider only the last of these three issues of bargaining power.

In the language of economists, rural places must accommodate the externalities of public policies for urban places and of global market-based decisions. By absorbing these "external costs" rural areas subsidize activity in urban areas. The extensive nature of these cross-subsidies makes movement to a pure market economy unlikely to result in desirable outcomes.

There are many examples. Rural places absorb, through lower wages, rents and returns to capital, many of the downstream adjustment costs of technology, shifts in consumer preferences and economic restructuring. Rural spaces process industrial waste and pollution with crops, grasslands, forests, lakes, streams and marshes. Rural places provide landfill sites and golf courses. Rural places also take the stress and institutional dislocation of serving urban people saturating rural communities with secondary homes, tourism, hunting, fishing and leisure driving.

These externalities are the costs of private urban enterprise and urbanization which are not captured in market prices, but which can be removed geographically to rural places so as to protect urban wealth and quality of life. Processing these externalities within the rural economy constitutes production of a public good for which the end user is amorphous, remote and therefore unpaying. This public good, though potentially tradeable in the sense of economic base theory, is not tradeable under most current economic arrangements and policies.

The displacement of these costs from the balance sheet of the larger economy contributes to national competitiveness in global markets by artificially inflating urban industrial productivity measures. These costs, if properly assessed to their urban origins, could exceed the value of production from forestry, agriculture and fishing for many rural places in Canada, and perhaps in the aggregate national accounts. These costs are likely large enough that if attributed to the industrial sector, they could reduce Canadian competitiveness in international markets. These are 'playing field' issues.

To a considerable extent the magnitude of the problem of externalities is a reflection of different levels of market power. Rural economies are forced to bear the costs of these externalities because the natural resources themselves, the capital committed to developing the resources, and the labour and business organizations in the rural community have low, if any, opportunity costs. As a result, rural equity holders typically receive a residual return. The more remote the rural community is from the core of the general economy both in space and economic importance the more this problem is exacerbated.

Two operational development goals for rural areas are to determine how to position themselves to recover the costs of these urban externalities, and to find ways to improve the odds that their interests will be internalized within the markets and policies of the larger national economy. Chances of attaining these goals can be increased by a better understanding of the nature of the economic relationship between rural and urban places.

Persistent erosion of the terms of trade experienced by rural areas suggests consideration of replacing the competition paradigm by a predation paradigm. The predation paradigm applies because however much the terms of trade adjust, the symbiotic nature of rural and urban existence cannot be eliminated. This reasoning suggests that exploitation of either party by the predation of the other is ultimately tempered by their mutual dependence, a fundamental building block for ecological models and perhaps for future economic models.

A social contract for the provision of public goods between the urban and rural economies appears to be one option for transforming predation into a mutualist outcome. Currently rural economies depend in an unsatisfactory way on politically determined income transfers tied artificially, in a market distorting manner, to generic commodities such as cereals, milk, fish and logs.

Balancing Market and Government Influence

Global market signals to rural economies in Canada are filtered and transformed through a complex policy environment that influences decision making on a regional and commodity basis, particularly in terms of business starts. Three main policy sets can be identified - sectoral, social and macroeconomic. Sectoral policy deals with particular industries including agriculture, forestry, mining and energy. A specific department or ministry headed by a member of the Cabinet at both the federal and provincial level typically is charged with aiding, regulating and developing each sector.

Our past sectoral policies have mainly tried to “trick the market” by manipulating prices or the ability for individuals to enter particular markets. Rural areas have traditionally looked to sectoral policy as a source of relief when times have become tough. Yet, sectoral policy is becoming increasingly ineffective as global economic integration and a greater willingness to accept market driven outcomes influence public policy.

Social policy, by contrast, is oriented to shifting risk from individuals to the collective population. Included among these policies are unemployment insurance, medical care, education, cultural affairs, social welfare and other similar programs. While these programs do not have a direct development function they do provide income transfers and support functions that can enhance development activities. They reduce the need for individuals and firms to maintain liquid contingency balances and so advance consumption and capital formation.

Active use of social policy for development purposes is constrained by one of two phenomena. Either the policy is generally available to all, in which case it conveys no particular benefit to any region; or the policy is targeted on the basis of eligibility criteria to specific groups and funded from general revenues, in which case it has a narrow base of support. Policies in the first group spread their benefits over a wide client group too thinly to have a major effect. Those in the second group are subject to continual pressure to broaden eligibility and are subject to efforts to divert funds to programs with broader political support.

In a market-oriented society social policies also suffer from the dilemma of appearing primarily redistributive in nature. Rather than creating wealth directly they reallocate it with the expectation that the reallocation will increase future production. Typically social policy has no explicit rural focus, although rural areas often benefit disproportionately from particular social policies because they have a high percentage of eligible residents.

Finally, macroeconomic policy covers the broad set of fiscal and monetary policies and external trade relations that determine the broad economic environment for the various sectors. It tends to be applied uniformly across regions and between rural and urban places. However, particular sectors can be affected to varying degrees by policies that were developed to address national issues.

There is a paradoxical contradiction between the interaction and interrelatedness of these three types of policy, and the autonomy and independence of their originators, each with their own set of purposes. This contradiction helps to obscure the environment in which market signals are interpreted. The institutionalization of regulations further constrains the dynamic pace of output redefinition, retooling and strategies in rural places to match global change. This problem of policy and regulatory deadweight underlies the common complaint of commerce and business about too much government.

Balancing market and government influence does not mean that more or less government is necessarily or uniformly better. Balancing requires design, discretion and efficiency. There are five issues. First is the multiobjective nature of the rural economy. The second issue is the need to temper short term opportunism with consideration of long term efficiency. Third one must consider the balancing of the referee (interventionist) and team player (participation) roles of government. The fourth issue involves a way to determine the nature, quantities, and payments for rural public goods and services. Finally, one must monitor the efficient operation and performance of markets. The larger compensation role of government in redistributing income and setting limits to economic hurt is an over-riding factor in the balancing.

The Mutuality of Rural and Urban Interests

The mutual dependence of urban and rural areas upon each other ultimately necessitates either a strong wealth generating rural economy, or the preservation of rural places through ongoing subsidies. Abandonment does not appear to be an option. Yet, individual enterprises and communities are expendable even if there is a favourable rural policy bias. What is not acceptable is a persistent broad based driving down of incomes and wealth in rural places by market conduct or policies that deny the principle of mutuality in the urban-rural relationship. Urban areas will continue to require access to the broad set of outputs, both public and private, from a healthy rural economy.

In part a perception of this mutuality of interests explains the willingness of urban interests to support sectoral programs for rural commodities. While these policies generally entrench the interests of the urban manufacturing firms and municipal leaders, they also typically limit the extent of decline experienced by rural places.

Entrenchment of urban interests involves interventions in markets through the enhancement of monopoly power by means such as patents, licenses and regulation of entry and exit, all of which enhance the market transfer of income out of the rural economy. These transfers are tempered, however, by subsidies, commodity support prices, development programs and other forms of government assistance that act, generally after the fact, to offset the market and policy induced erosion of rural communities.

This perverse expression of mutuality is urban-driven. The urban economy is apparently market-driven and therefore legitimately founded on the principles of enterprise, competitiveness and efficiency. The rural economy in contrast grows more dependent over time on the willingness of urban taxpayers to redistribute their earnings in the form of compensation. Net income attributable to rural labour, capital and land becomes

largely a function of these compensations. Markets effect the payment for intermediate industrial inputs generated usually in urban places. Thus rural investment decisions are financed from compensatory income transfers instead of market-driven earnings. The result is non-viable location decisions for rural business, inefficiency and high cost outputs, declining business successions and worsening rural urban economic disparity. All contribute to rural depopulation.

Synthesis: Over-fishing and Species Extinction

Clearly, neither markets nor government in the new global economy lend assurance to a belief in an imminent invigoration of rural investment and rural places. The historical pattern of capital and labour extraction from rural areas continues to be the option of choice. The critical issue for the near term is whether the process has gone on so long that the residual level of capital and labour in rural areas is sufficient to preserve rural economic activity at required levels. Just as a fishing ground can be over-fished to the point that the fish population drops below the critical threshold for survival, so too can rural communities be stressed beyond the point of unassisted recovery.

Once this point of depopulation is reached in enough rural places, whole regions could be mothballed pending a future era of value to the urban economy. Problems and costs of irreversibility would have to be considered. Alternatively, recognition of a current mutual dependence of urban and rural interests would require a major infusion of revenue to restore rural areas to a point where they can provide needed goods and services both public and private, to the urban economy. An alternative to financial infusions from urban sources, based upon mutuality, is for rural economies to find foreign sources that are less subject to domestic influence, less preoccupied with rural resources as a source of capital and labour for urban development and are a direct conduit to global demand.

Can the dynamics between rural and urban areas be better managed? The interest of senior levels of government in seeking a better system is simple. Ultimately a nation, like an ecosystem needs diversity and full use of its resources if it is to thrive. As the world becomes more integrated, the pressures for change will become more intense and the magnitude of the rewards and penalties for success and failure will increase.

The interests of rural communities are even simpler. The old processes of economic growth have been severely constrained by predation and by changes in the rest of the world. If rural communities are to prosper in the future they will have to respond to the new environment and adopt principles consistent with economic development.

This means that both rural areas and the nation will need to accept the challenge of rural economic development. Ways must be found to ensure that rural residents, their skills and resources, can fully participate in the benefits of national development in the global economy. Neither current market conditions, nor current sectoral policies are particularly relevant for development of rural places today.

Rural areas are tied by more than sectoral interests to the rest of the nation and to the rest of the world. While it may be tempting to ignore rural places because they appear relatively unimportant, the links between urban and rural well-being run in both directions. In the past urban interests have been willing to support rural programs, but the current needs of rural areas are different than they once were, so new programs will need to be defined.

What is still unclear is the nature of these programs, because most rural areas have yet to determine their strategy for development. It is clear that the nature of the relationship between public policy and market forces needs to be rethought. The increasingly limited ability of sectoral policy to assist rural areas suggests that tricking the market is not working.

Instead we may have to work toward establishing more of a social contract between rural and urban areas based partly on willingness to pay for amenities and urban externalities and partly on long run protection against irreversible deterioration of resource bases including human skills and institutions. The principle of a negotiated social contract is grounded in the joint dependency of rural and urban places.

Conclusions: Toward a Willingness to Pay

The first conclusion is that sweeping fast moving changes are upsetting the relationship between the rural economy and the larger national economy. Not all market outcomes in this dynamic situation are necessarily best, nor balanced in terms of the multiple long run interests of rural and urban Canada. Consequently, rural people in particular are not participating fully in the development of the Canadian economy, nor in the benefits of that development. The problems are related to the inherent nature of markets to exploit the low to zero opportunity costs of rural natural resources, capital and labour, and to the diminishing returns associated with inputs and skills of rural businesses, institutions and individuals.

The second conclusion is that traditional reliance on growth strategies should give way to development strategies. More of the same is not an adequate base anymore for the full and rewarding participation of rural equity in the national economy. Development should focus on raising opportunity costs for rural inputs and choosing technologies which extend the range of output over which economies of size may be obtained.

The third conclusion is that the undifferentiated nature of rural commodities leads to vulnerability to lower cost offshore competition. More difficult still, these commodities also are considered by most countries to retain strategic value in addition to economic value, resulting in markets distorted by protectionism. The alternative for rural places is to redefine differentiated outputs for niche markets. However, niche markets tend to be transitory, moreso the closer the product or service is to the end user. Therefore rural development by restructuring output must be dynamic, design oriented, capable of rapid retooling, and tied beyond domestic markets into the global restructuring process.

The fourth conclusion is that the very global forces relating to technology, integration of financial markets, information and trade liberalization that are reducing the profitability of resource dependent enterprises are those which offer the opportunities for rural development. Rural places need to define their development strategies, leapfrogging the domestic economy and tying directly into the global economy with product lines, finance and intermediate inputs systems.

The fifth conclusion is that the level playing field metaphor means different things in different countries according to whether government is perceived as a referee in market plays or as a participant within the teams on the field. Market imperfections are here to stay. The ideal of perfect competition is subordinate to national strategic interests. Competitive discipline is considered too Darwinian for social acceptance. Attempting to trick the market with rural incentives, price supports and regulation to achieve desired results appears to be unworkable.

The sixth conclusion is that the current relationship between the urban and rural economies may be more amenable to modelling with the predation paradigm than with the competition paradigm. Structural issues and questions of long run terms of trade and efficiency require recourse to comprehensive approaches incorporating all of cooperative, predator and competitive behaviour.

The last and most important conclusion is that rural and urban economies need to engage in a process of negotiation of a long term social contract for the public goods and services produced in rural places additional to market commodities. The present arrangements pretending that the entire value added in rural places can be captured in undifferentiated commodity markets is impoverishing rural people. Reliance on antipoverty income transfers over the long run is neither spiritually nor economically satisfactory.

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Biography - David Freshwater

David Freshwater has a joint appointment as an associate professor in the Department of Agricultural Economics, and in the Martin School of Public Administration at the University of Kentucky. He teaches and conducts research in the areas of rural development and finance. Prior to joining the university he was a senior economist on the staff of the Joint Economic Committee of Congress where he analyzed agricultural and rural development policies for the Committee. He has also worked for the U.S. Senate Committee on Agriculture, Nutrition and Forestry as a specialist in farm credit.

Dr. Freshwater grew up near Fonthill, Ontario. He received an Honours B.A. in Economics from Brock University, an M.A. in Economics from McMaster University, and a Ph.D. in Agricultural Economics from Michigan State University. He has held positions as an associate professor at the University of Manitoba and at Michigan State University. He has been a visiting scholar at USDA's Economic Research Service and has acted as a consultant to a number of federal and provincial government departments in Canada, several private companies including Farm Credit System, and the United Nations Industrial Development Organization. His professional activities have focused on agricultural finance, rural and regional development policy, pesticide regulation, the measurement of farm income, and natural resource policy.

Biography - Phil Ehrensaft

Philip Ehrensaft is a member of the Sociology Department at l'Universite du Quebec a Montreal. His research focuses on structural change in agriculture and rural economies, development policies for rural and single-industry regions, and quantitative methods. Dr. Ehrensaft is responsible for organizing the Agricultural and Rural Restructuring Group's annual seminar on the development of rural and single-industry regions. Current research projects include an analysis of the economic organization of farm families, which is supported by Agriculture Canada, and, in collaboration with David Freshwater and Lynn Thurston, the development of a program evaluation system for Employment and Immigration Canada's Community Futures Program.

Biography - L.P. Apedaile

Leonard Apedaile is a professor in the Department of Rural Economy at the University of Alberta and a grain farmer at Willingdon in east central Alberta. He obtained a BSc in agriculture at McGill University in 1960 and a PhD in economics at Iowa State University in 1968. His principal professional interest is agricultural and rural development from a public policy perspective based on systems analysis. Dr. Apedaile has practised in this field for extended periods in Canada, Zambia and Nepal, and has carried out research on various agricultural development topics in Europe, Africa, Asia and South America. He directed work in China on institution building for higher education in agriculture during the period of family farm reforms. In 1990 he completed sabbatical studies at the Montpellier research station of the Institut National de Recherche Agronomique in France, on the topic of systems theory. He is currently working on complex dynamic systems and the modelling of structure, technology and subsidy issues for rural economies. He is President of the Agricultural and Rural Restructuring Foundation.

NEW RURAL FUNCTIONS AND RURAL/URBAN RELATIONSHIPS

Christine Kovacshazy

I want to speak about six main points.

First, I want to show you the diversity of the different countries within the Organization for Economic Cooperation and Development (OECD) and mainly of the European Community (EC). I want to stress how space is constrained and so very important in these countries. Second, I want to explain what changes have taken place in the last year in these countries, especially in farming. Third, I want to show how farming and forestry are still very important in our European countries and necessary to the administration of land use. Fourth, we see new demands on rural areas appearing from urban areas. Fifth, we think that these urban demands will create new opportunities for rural areas. Six, if these new opportunities happen to be real, we will have to have new policies.

The subject is the actors and their competence in rural development within countries of the OECD. There are 24 countries in the OECD which was created in 1961 to promote economic expansion and employment. These countries are very different. You can with difficulty compare Germany with France with Canada with Portugal or with Luxembourg. In the OECD 75% of the territory can be called rural and 30% of the population is rural. My presentation will focus on Europe because it is the part of the world that I know best and I will speak more precisely about the 12 country members of the European Community and, of course, about France.

As you see from Figure 1, even the 12 countries of the EC are very different. We can say that there are four groups of countries. The first is Scandinavia where you find mainly pastoral agriculture, forestry and fishing. There are few people and large spaces. The second with Ireland, Great Britain, France, Belgium, etc. is called Middle Europe. In this part you find pluriactivity, serious ecological problems, and wide diversity in agriculture and employment. The third group is made up of the Alpine countries which in former days were very difficult to develop. Now with modern transport and communications, and the growth in tourism we can say that the geographic handicaps are less important. The fourth part, the Mediterranean Front, is the poorest part of EC with a major part of the population still working in agriculture, 20% in Portugal and 40% in Greece, for example.

In my second map of the European Community, Figure 2, you can see a shaded kind of form like a banana. In fact we call this part of Europe "the blue banana", which is the richest part of Europe. This banana used to be higher on the map curving over more of Britain. It is extending and slipping down towards Italy. The southern inner curve of the banana, now the richest part of Europe, covers only the northern edge of France as far south as Paris. Thus the biggest part of French territory is quite far from the economic heart of Europe. This part is mainly rural - the west and central parts of France. Compared with Canada, it seems awkward to call France big, but we do. The country has relatively high demographic density but with wide diversity from region to region. France is in the geographic center of the EC even if it is in fact on the edge of the

economic heart of the Community.

France represents a sort of patchwork of the different types of rural topologies in Europe so that we have also the different types of benefits and handicaps. We say that 92% of France is rural and 8% urban, based on the occupation of the territory. When population is considered, 80% of the people live in cities and towns and 20% in rural places. Tomorrow, if we don't do anything, the proportion will be 90% and 10%.

The problem is that France faces more and more problems with the population concentrated in urban areas and also more and more problems with the rest of the population scarcely able to occupy the countryside. From both the demographic point of view and from the economic point of view, we consider that the situation is an absurdity.

Globally there have been major changes in the last year inside all rural areas of Europe. Some rural areas are not going so badly. Others are going quite badly. The rapid progress of agriculture, of course, started the process in the sixties. The part of the population working in this primary sector has decreased. Correspondingly, the part of the rural population working in manufacturing and in services has increased greatly. This is true for France as it is true for all countries of the OECD, such as the USA, Japan, Germany, England and Italy, though the differences among these countries are large. For example, in the United States, 3% of the population is working on farms compared to 10% for Italy. Globally among the members of the OECD, we can say that the proportion is between 3% and 60% of the rural population in farming. The average is 25% but it has no meaning.

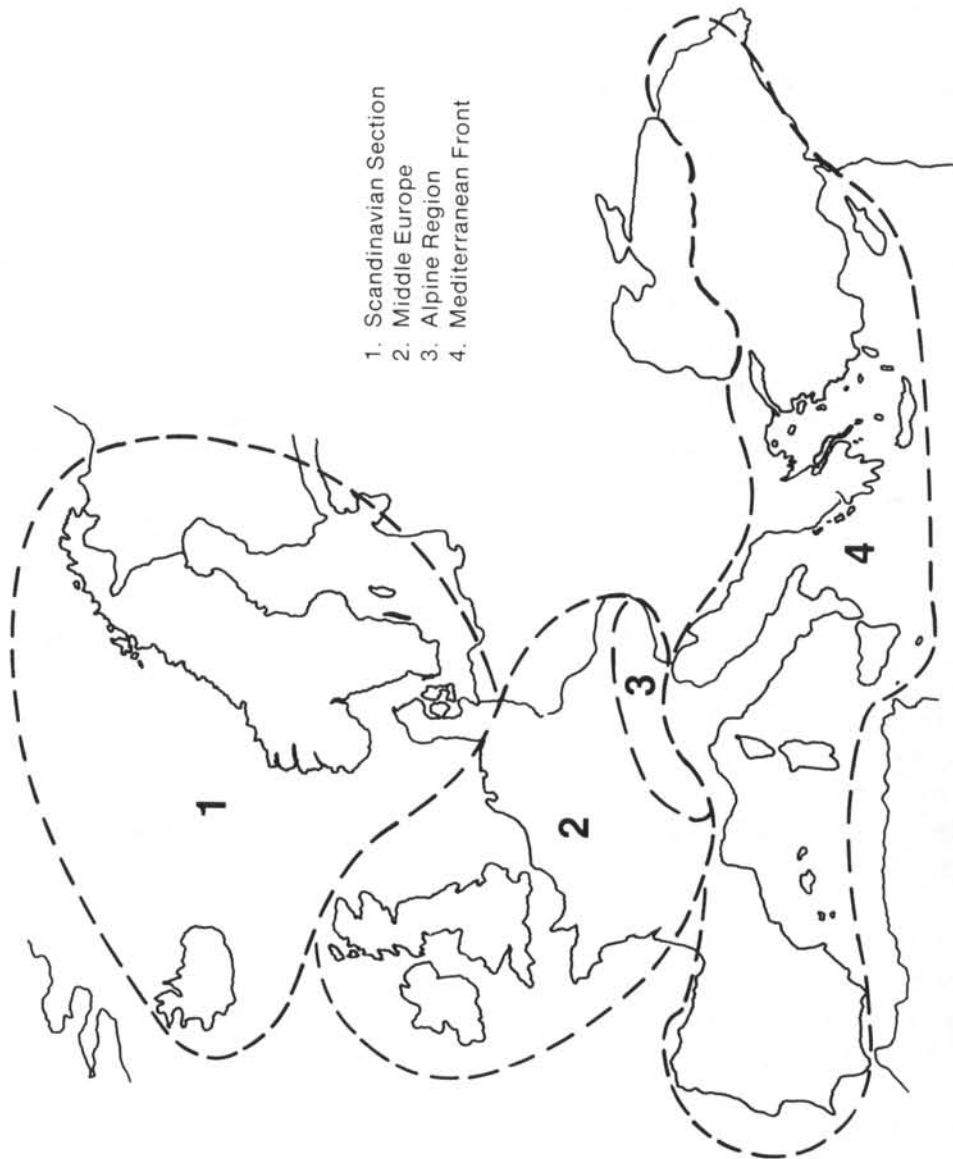
These evolutions in our different countries have brought demographic changes, of course, because when the farmers have left the country side many other activities have gone with them. So globally the rural population has decreased relatively and absolutely in most cases. Political changes have taken place because the political force of farmers is not so important as it was before, though we must concede that in recent days farmers have shown that they are still quite powerful. I mention that because the evolution of the CAP has brought on large demonstrations in France. Farmers recently have gained political importance that they wouldn't have been able to muster some months ago.

The manufacturing sector in rural France is growing. Fifty-two percent of the new medium enterprises in France during the period 1975-90 located in rural areas. However they tended not to be very progressive enterprises. The service sector is also increasing. But again those firms that are starting up in rural places are not the best, not the most dynamic from the point of view of technology.

Agriculture and forestry remain the main occupants and managers of the rural territory but they must find a new way of occupation and administration. We can say globally that in France we have four kinds of circumstances for agriculture and forestry. The first is around the urban centers where agriculture is very rich because of the nature of the geography, but it has to fight with urbanization and with the leisure activities of people crowded in the towns.

The second kind of circumstance is agriculture in the zones where the biosphere is very sensitive and very important for the national heritage. Farming has to adopt smooth ways. In other areas where farming is very intensive and very productive, there are also problems linked with ecology and nitrate pollution of water sources.

Figure 1
Regions of the European Community



Source: Conseil de l'Europe, Strasbourg, 1987

In the third case, agriculture is losing importance. The forest is taking over, but often without order so that there is too much forest. In the south and south-east of the country the forest is not real forest, but only bush. Fires are becoming more and more serious each year.

Then there is a fourth kind of circumstance where we can say that agriculture and forestry alike, must face a few problems. In certain areas there are not enough farmers any more so there are not enough occupants of the territory. Local authorities and the state have had to intervene to ensure proper services for the public. Programs have also been initiated to help employees, to create opportunities, to assist the intergenerational transfer of enterprises, and to help diversify agriculture and employment.

There is one common theme in all four cases. At the same time that the farm population is declining and the industrial and service population is increasing the social, political and economic equilibrium of the rural territory is changing. As the demand of agricultural product is decreasing the rural areas are receiving new demands. The problem is to know who will respond to these demands and how.

What are these demands? The concentration of population in big cities, especially in Paris, creates a certain amount of disagreement and social tension. Therefore attention is shifting to rural areas to fulfill some functions, both old and new. Many of these functions always existed, but people didn't realize that they existed because they didn't need them so deeply as they do now. The second thing is that before, rural areas were performing these functions without payment. Now payment seems very necessary. Maybe those that fulfill these functions should be paid by the urban utilizer.

Allow me to expand on these ideas. The function of production is a traditional one and I will not go into that further. However rural places are asked increasingly to perform new service functions for the whole of society. Consider health functions. For example, hot springs are situated in rural areas and urban populations need more and more physical and stress therapy. People crowded in the towns need access to space, which often takes the form of second homes. France ranks first in the world for the number of second houses. Another example of services is what we call green classes for children. Children in these classes in primary school go for one month as a class with their teachers to the countryside to know it, to live in it and to know what it is and what is produced.

The countryside has social functions too of course. When we have serious crises, the population from the towns, mainly unemployed people and others, move to the rural areas where life is cheaper and where they can survive on low incomes. This was the case following the urban riots of 1968 in France and also during the petroleum crisis.

Rural space also fulfills recreative functions in the form of weekends, holidays, tourism, leisure and cultural renewal. Rural areas represent for many of us a natural esthetic quality. Landscape, for example, is very important. People need some landscapes where they can go to reestablish a perspective in life. But perhaps even more importantly we also need some landscapes that we know exist as part of our heritage, but may never visit.

Rural places have imagery and cultural functions. In France the diversity is so large that each little region has its own culture. We think of France in a way, as the sum of these regional cultures. Rural places perform symbolic functions also, such as those of a paradise or of an Eden. These are gardens, aren't they? Trees are the symbol of life in many countries and even a symbol of the country itself, like youth. Consider wildlife

as another example. There are only 8 bears in France. There are many fights between hunters and ecologists about bears and other disappearing species, because in a way, their plight has become symbolic of a nature which is less and less natural and threatening to the survival of the human race itself. The rural economy plays an important function in the preservation of natural resources that will help us to achieve sustainable development.

Each day these rural service functions become more and more important. There was a study made by the Council of Europe precisely about the functions of rural areas. All the functions I have told you about ranked first; why, 20 years ago they were not even considered.

These demands are here and now, and we know about them. They are being discussed more and more in Europe, though we don't know yet how to make them part of the economy. They are linked with these new rural functions and are widespread, so it is difficult to have a good idea of their extent. On the other hand offers to supply these needs coming through rural markets and institutions are still limited and very difficult to establish. A willingness to supply has to grow from rural areas. But the idea is so new, especially for farmers, that it is only beginning to be expressed. Farmers and forest operators are used to producing products and not to producing services. We are on the way to establishing, with the help of economists, the demand and supply together with a market to discover prices, qualities and quantities for these new kinds of rural services.

I'm arriving at the four conclusions that I want to present.

The traditional rural economy based upon agriculture finds itself in a new situation. The demand for agricultural commodities is declining. The evolution of the Common Agricultural Policy promises less profitability for agriculture. Commodity prices, particularly at the beginning of this week, are low, especially for cereals. The need to come up with new propositions to reduce surpluses is more and more evident. All these circumstances will accentuate the economic problems facing farmers. This situation will also accentuate the difference between countries with productive farms and less rich or poor countries with small or inefficient farms.

Secondly, the new demands I told you about so quickly will present an opportunity for rural areas and for farmers. There will be farmers working full time producing agricultural and forest commodities and ever more farmers working part time, which is not new. What is new, is that this second group of farmers seems destined to address these new demands thereby helping resolve a major rural economic problem. In Europe we cannot set aside our rural space to unproductive use. We need it. France has space compared to Holland, Belgium and other countries. We think it can be useful and offer services to populations coming from high density areas.

Third, these changes make it necessary to take a global, intersectoral and territorial approach to rural problems. The primary sectors, the farm and forestry sectors, will be modified. The manufacturing and service sectors will become more and more important to rural economies.

Fourth, this kind of approach, territorial, global and intersectoral, is emerging in many countries of the OECD. It is the subject of serious discussion in such international organizations as the OECD and the Council of Europe. The problem at the moment is who is going to take the leadership for this kind of approach. This question is very important because many countries are decentralized so that leadership could come from any

of several levels of authority. Similarly leadership would have to work with all levels. Finally, I must say that in Europe all the kinds of problems I told you about signify that we have to take a global view of the territory. We have to consider the problems of rural areas at the same time that we consider the problems of urban places. They have to be solved together. Second, as Peter Apedaile said, rural development may not only be a problem of difficulties attached to a specific territory. Maybe we are at a point of change in the economic history of rural places within industrialized economies. I think that these questions are the main interest of the exchanges that we are having here today.

Biography

Marie-Christine Kovacsazy has a Bachelor of Arts, Master of Arts in Political Science, and Diploma and License in Civil Law. She has served in the capacity of Department Head at the French Centre for Comparative Law and in the Office of the Minister of Agriculture. As well, she has been Technical Advisor to the Director of Rural Planning, the Director for Rural Areas and Forests and the Director of Business Development, Social Policy and Employment. At present she is in charge of Rural Affairs in the French Planning Commission, a Professor at the Institute of Higher Studies in Rural Law and consultant to the OECD and to the Council of Europe.

**TOWARD A SUSTAINABLE RURAL DEVELOPMENT FOR RESOUR-
CES DEPENDENT REGIONS: SOME POLICY ORIENTATIONS BASED
ON THE EXPERIENCE OF THE LOWER ST. LAWRENCE RIVER AREA
(QUEBEC)**

Bruno Jean, Universite du Quebec a Rimouski

Our presentation will stress the necessity to conceptualize a sustainable rural development policy adapted to the conditions of resource dependent regions like the St. Lawrence River Area in Quebec. We first discuss the components of structural change in the rural regions and then highlight what might be the philosophy, orientations and prescriptions of a rural development policy. The presentation will address the following questions:

1. What is the rurality today in our highly urban and industrialized societies?
2. What are the major trends in the recent evolution of rural regions?
3. What are the basic arguments to be considered when developing a rural policy?
4. What might be the main objectives of a policy of rural development?
5. What are the basic assumptions of any rural development program?
6. What can we learn from a case study: the "Coalition Urgence Rurale" in the Lower St. Lawrence Area (Quebec)?

THE RURAL SECTOR TODAY: A SPECIFIC SOCIAL REALITY

We must move away from the current negative definition of rural as the non-urban sector of any society. We are trying to bring some components of a new objective definition of rurality because definition must be taken into account by rural policy. The rurality might be defined as a particular mode of using space and a specific way of social life, and identified by the occurrence of the following characteristics:

- 1) *a relatively low density of inhabitants and buildings leading to a landscape dominated by attendant vegetation;*
- 2) *a way of living of inhabitants dominated by their belonging to small-scale human communities and having a unique relationship to the space and the environment;*
- 3) *a specific sense of identity and well-being coloured by belonging to the peasant culture; and,*
- 4) *a diversified economic use of resources, not highly concentrated, and dominated by agricultural and forest activities.*

MAJOR TRENDS IN THE EVOLUTION OF AGRICULTURAL REGIONS

Socio-economic process is going on in most rural areas of the Western developed world as well as in resource dependent regions like the Lower St. Lawrence River Area in Quebec. Trends include 1) a decrease of the farm population and diversification of occupational structure in the rural sector, 2) a tendency to improve only one social form of agricultural production (the modern, capital-intensive, mechanized, specialized, highly productive family farm), 3) the specialization of agricultural regions but not in the sense of harmonization between ecological potentialities and economic opportunities, and 4) the creation of large processing and marketing plants for the agricultural production leaving ownership of the agricultural transformation apparatus in the hands of a few very large cooperatives.

BASIC ARGUMENTS TO TAKE INTO ACCOUNT TO BUILD A RURAL DEVELOPMENT POLICY

Three arguments must be considered when formulating rural development policy. First, one must acknowledge the necessity of a real rural development policy that will be not just an addendum of the current agricultural policy. Second, an efficient policy of rural development needs to make clear the actual components of the rural-urban relationship. Third, a real rural development policy is one negotiated with the territorially-based partners to address correctly different local conditions (peri-urban agricultural zones, intermediate rural areas and resources dependent regions). A critical assumption in this process is that a rural development policy has to link the top-down process (the central public powers offer appropriate financial means) and the bottom-up process (local actors able to analyze their situation, set down propositions for action, and negotiate with external partners).

MAIN OBJECTIVES OF A RURAL DEVELOPMENT POLICY

The five main objectives of a rural development policy include 1) the struggle against rural depopulation (outmigration), 2) job creation in the rural areas, 3) rehabilitation and recovery of the social structure in rural areas, 4) reconquest of the internal market by each rural economy, and diversification of the models of agricultural development.

BASIC ASSUMPTIONS OF A RURAL DEVELOPMENT PROGRAM

Four basic assumptions underlying a rural development program are the need 1) to maintain a significant presence of agricultural and forest activities in the rural landscape, 2) to diversity the regional economic base, 3) to improve cooperation among local communities, and 4) to create a sense of "national solidarity" to cope with problems of rural regions.

TOWARD A SUSTAINABLE RURAL DEVELOPMENT: THE CASE OF THE "COALITION URGENCE RURALE" IN THE LOWER ST. LAWRENCE RIVER AREA IN QUEBEC

This social rural movement emerged as a consequence of a new trend of out-migration from this resource dependent region. Many local villages have not grown to 800 inhabitants (or have gone down below that

number) which has been identified as a vital level for a rural community. According to the rural leaders, the survival of any rural community is questionable if it has fewer than 800 people. Rural depopulation is not only a problem for rural villages settled during the Great Depression of the thirties, but also for agricultural communities on the St. Lawrence Coast and the main national road but outside the influence of a small or medium-size town. The demographic situation is related to economic development and creates a new socio-economic condition characterized by out-migration of the youth looking for jobs, greying of the remaining population, and social and economic deprivation.

THE FIVE ORIENTATIONS OF RURAL DEVELOPMENT POLICY

(and the prescriptions to achieve these orientations)

1. To maintain human settlements (communities) in rural areas through stabilization and growth of population by keeping control of the territory in the hands its own inhabitants, and by preserving the way of life of the rural people.
2. To stimulate a rational and diversified use of resources oriented toward a sustainable development through diversification of agricultural production, promoting second and third processing steps for natural resources to get added value from rural production (and keep this value in the rural areas), and by exercising more control over land use by local people.
3. To create enough worthwhile, steady and jobs for the people to sustain the initiation and continuity of enterprises and job creation in the rural areas, improve financial facilities for enterprises and employment projects creating news jobs for rural people, gain better control over processing and marketing industries by forestry workers to improve the economic return of their work, integrate or re-integrate the labour market for unemployed rural workers, and a better distribution of new jobs between central urban regions and peripheral rural regions.
4. To maintain and even improve services delivery in rural areas through recognition of the social and economic profitability of rural schools as a component of a strategy of community development, recognition of local municipal government as the most important actor for local development, and decentralization of policies and programs that have an impact on the rural environment.
5. To enhance the rural identity and rehabilitate its public images by means of improving the sense of rural identity and stewardship, and promoting the rural way of living (create a Department of Rural Affairs).

Biography - Bruno Jean

Bruno Jean is a Professor of rural sociology at the University of Quebec at Rimouski. He is a member of GRIDEQ (Groupe de recherche interdisciplinaire en developpement de l'Est du Quebec) and is a consultant for "State of the Rural Economy and Society" for the Union des Producteurs Agricoles. He was recipient of the Excellence in Research Prize of the University of Quebec 1991-92. He has authored several publications on rural and regional development in Quebec.

THE EFFECTS ON RURAL AREAS OF STEWARDSHIP, PROPERTY RIGHTS, TECHNOLOGY, INDUSTRY STRUCTURE, AND RESOURCE PRICING IN THE FOREST SECTOR

Gary Bull, University of Toronto, Lakehead University

The variables of stewardship, property rights, technology and resource pricing all effect the industrial structure in the forest sector (Figure 3). It is important to broaden the scope of the analysis beyond the traditional focus on the crop-timber and associated manufacturing facilities, to non-timber resources and the service oriented products such as recreation. These non-timber products are playing an increasingly important role in resource allocation, and will have significant impacts on rural environments and economies.

The use of the word stewardship, with respect to forest resources, stems back to the 11th century when it implied the responsible use and care of these resources. Stewardship became the foundational principle of forest management and by the 19th century, the concept had established itself as one of the central objectives of forestry. Thanks to the development of technical tools, this is now a partially quantifiable objective. The resulting sustained yield principle, albeit heavily abused, has been the cornerstone of most forest management systems worldwide. Even today the goal of several provincial governments in Canada is described in terms of the sustained yield of timber resources, tempered with comments on 'enhanced stewardship' of all natural resources. This resurfacing of stewardship in policy documents is seen as the basis for community stability, future investments by the private forest sector and accommodation of environmental and ethnological concerns.

The second factor to influence industrial infrastructure in the Canadian context is allocation of property rights to timber. This provided the opportunity in many areas for the founding of rural communities where the private sector, responsible for constructing the wood processing facilities, had been given the security of a timber supply sufficient to meet their mill capacity. However, pressures for change are mounting. First, the wood products industry may be given a different property right. A portion of the secure wood supply (up to 50 percent) could be taken from the timber industry to help create a competitive log market. Second, to improve stewardship there is increasing consideration being given to the allocation of property rights for non-timber resources.

As a result of these changes it is hoped that new opportunities will emerge for the entrepreneurs who will have not only increased access to standing trees but also greater access to the logs for manufacturing into value added products. This does not necessarily alter the fact that the bigger processing facilities will continue to be dominated by relatively large timber-products corporations which have ready access to capital, expertise and markets.

The third factor, technology, also has a significant influence upon the industrial infrastructure. Changes in

technology are giving the workers in older plants the opportunity to buy the wood processing facilities as rural peoples seek to ensure community stability and jobs. In addition, new technology has changed the economic efficiency of the industry by allowing the manufacture of value added products at the mill site. For example, the pulp industry is now beginning to build fine paper plants next to pulp mills. Improved technology also has increased the life span of the new wood processing facilities. Rural economies should benefit from these changes.

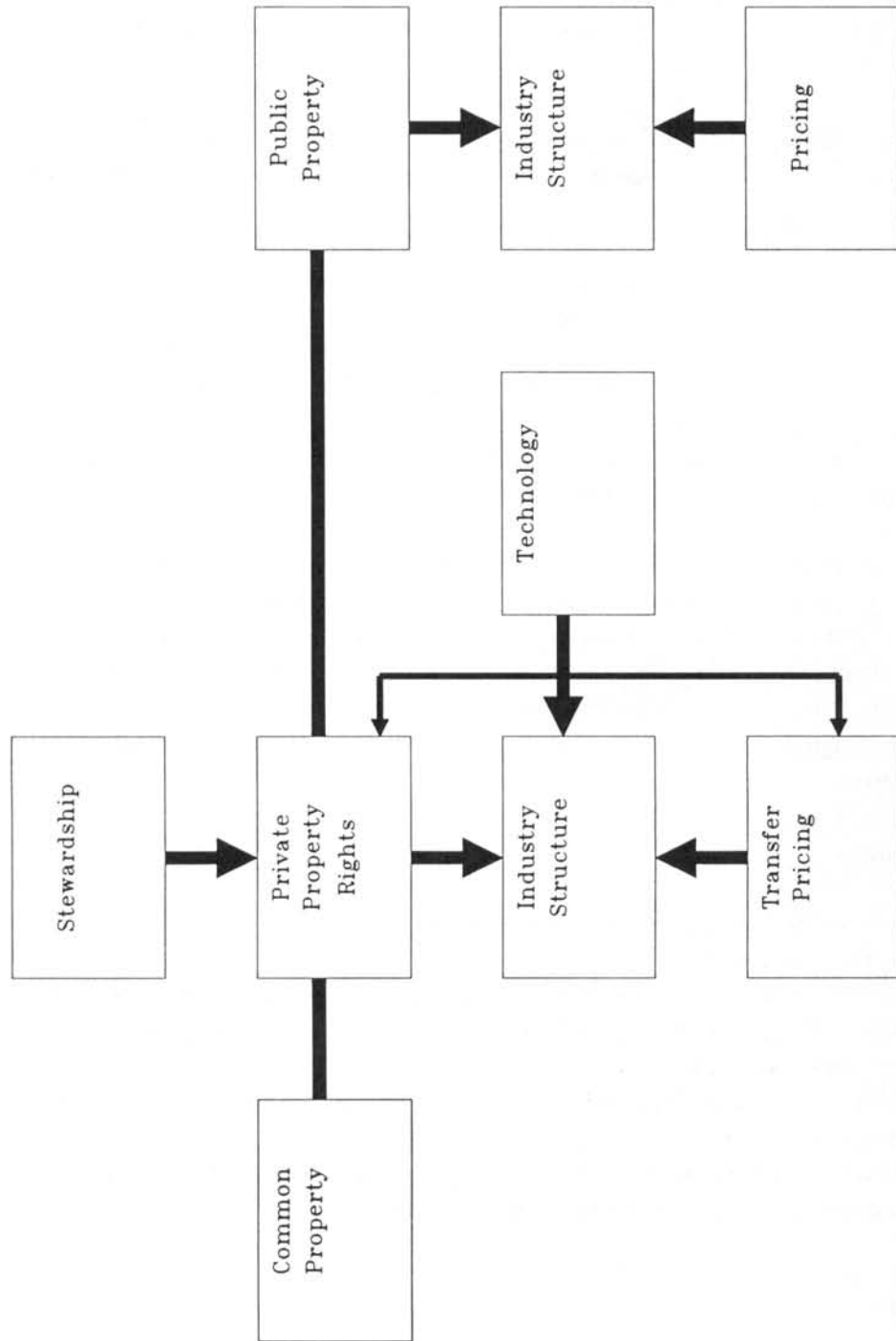
The final factor, pricing, has two dimensions. The first is the transfer price of raw materials (i.e., logs) from logging phase to the wood processing phase. However, this price has not reflected the international price for the raw material. Industry has argued, and it is a good argument, that because of the complex arrangements between government, industry and labour the monetary and social costs associated with changing these pricing rules are simply too great. Despite the problems associated with such changes in infrastructure the governments in some provinces seemed poised for action. In the short term, these changes could foster anxiety in the industry, resulting in a transition period with lower investments. Dislocated workers will require retraining for new positions, and regional and local government will assume greater responsibilities for resource management. In the longer term, industry will be able to concentrate its efforts on commodity production, the government on community stability and regional diversity, and labour on meeting the challenges of a more diverse employment market.

The second dimension of pricing, which is essential to the development and diversity of rural economies, is finding a market price for non-timber resources. These resources are already in demand but current pricing policy, if it exists at all, does not reflect their true value. To help establish these prices governments must start allocating property rights to these resources. This means redefining them as private or communal property. Communities, individuals, non-profit organizations and corporations are potential holders of these property rights. Such a change would provide entrepreneurs with new resources for the development of new industries.

Questions

1. Is it worth changing the transfer pricing structure currently used in most areas of Canada? What would be the costs and benefits?
2. Are the rural communities prepared to develop the community or regional infrastructure to embrace the new prospects associated with the changes in resource pricing, property rights allocation, industrial infrastructure and technology?
3. Will the timber products industry respond by going elsewhere with its investment capital as a result of rural restructuring?
4. Is the allocation of more property rights politically feasible? What are some potential conflicts with the remaining common and public property resources?

Figure 3
The relationship between
stewardship, property rights, industry
structure, technology and transfer
pricing



Summary of the Round Table Discussions, Dawn Chimbe, Rapporteur

The increasing role of non-timber products on forest management and its impact on the rural environment and economy was discussed by Gary Bull of University of Toronto. The presentation also analyzed timber beyond its traditional use to include stewardship, property rights, technology, industry structure and transfer pricing in the forest sector.

Enhanced stewardship of natural resources as a tool for rural development is being pursued by some provincial governments. It involves allocation of property rights for selected natural resources to the private sector to provide security over supply of such resources. The proposed changes would ensure some stability in local community employment and allow for greater control by rural based firms over their future development.

Group Discussions

The questions for discussion, and resulting discussion, are summarized below.

1. "Is it worth changing the transfer structure currently used in most areas of Canada? What are the costs and benefits?"

Group discussion generated some cautions to be considered before deciding on changing the transfer structure:

- a) Need for thorough investigation and experimentation to assess properly the cost and benefits of such change on the economy of the rural community
 - b) Before such a decision can be undertaken, there should be an environmental assessment to look into such issues as reforestation to balance between the industry and natural resources. Reforestation and environmental control were proposed to remain the responsibility of the governments.
2. "Are rural communities prepared to develop the community or regional infrastructure to embrace the new prospects associated with the changes in transfer pricing, property rights allocation, infrastructure and technology?"
 - a) Some communities are ready but even so they would require the government to assist them to train or develop local manpower resources.
 - b) Communities need capital and investment in order to take up this task. Government should facilitate and promote investments to rural areas.
 3. "Will the timber products industry respond by going elsewhere with its investment capital as a result of restructuring rural resource ownership?"

Participants' opinions were that some companies could move elsewhere while some would look for joint ventures with the local private sector. However, the best way to respond to such difficulties would be to establish a mechanism of maintaining similar rules and regulations in all the provinces (and possibly the USA).

4. Is the allocation of more property rights to rural interests politically feasible? What are the conflicts with the remaining common and public resources?

Some participants felt that it was feasible, but that difficulties would still emerge as communities look for alternatives to promote diversification. Others thought that no conflict would emerge as land use could end up being more regulated, whether in the public or common domain. Property allocation rights could to some extent conflict with native communities' Aboriginal Rights to the use of land resources.

The idea of transferring of pricing structure should be well investigated before recommending it for implementation to reflect costs and benefits. These should include the possible impact of stewardship on employment, environmental management and general economic growth.

Biography - Gary Bull

Born and raised in a rural area of Newfoundland, Gary Bull moved to the west coast of Canada where he began his education with a Diploma in Forest Resources (BCIT), later to complete his Bachelor's and Master's degrees in Forestry at the University of British Columbia and a Diploma in Accounting from the Society of Management Accountants. His research interests have focused on natural resource policy, natural resource economics and integrated resource management. His work experience in industry has included fisheries management, fire fighting, forest engineering, timber supply planning, anthropological assessments of cultural resources and the economic analysis of non-timber resources. As a consultant he has examined such disparate topics as strategies for including minerals into resource management and, aesthetics and cultural resources as integral components of resource management. Currently, he is developing an approach to integrated resource management and resource allocation appropriate for rural areas.

**MEASURES OF DEPENDENCY AND POLICY IMPACTS OF THE FOREST
INDUSTRY ON RURAL PLACES**

**William E. Phillips, University of Alberta
William A. White, Forestry Canada**

The prairie provinces of Canada contain regional economies where forestry is the major economic activity, despite province-wide dominance by other sectors. These regions contain communities which are dependent primarily on forest resource for their economic and social well-being. Resource dependent communities have particular problems which are largely absent in more diverse economies. These potential problems include instability, risk of mass unemployment, limited job mobility and limited amenities. This study identifies forest dependent communities and investigates the welfare implications of that dependency.

This paper contains three major components. The first outlines a method for identifying forest dependent communities. The method was formulated through an intensive review of past studies identifying dependence, as well as a review of pertinent theoretical literature. The method devised is founded in economic base theory and can be implemented at reasonable cost for a large number of communities. The first step is to estimate the economic base of the community, using the location quotient technique. Next, the forest dependence index (FDI) is calculated as the ratio of forest sector employment to economic base employment. Communities can be ranked by forest sector dependence with this measure.

The second component employs the methodology in identifying forestry dependent communities in the Canadian prairie provinces of Alberta, Saskatchewan and Manitoba. Analysis shows that there are few communities in these provinces which are totally dependent on the forest industry, but there are many communities to which the forest industry is a vital component of their economic base. In 1986 those Prairie communities with very high forest dependency included Hudson Bay in Saskatchewan and Powerview in Manitoba. Other highly forest dependent communities included Hinton, Hines Creek, High Level, Wembley, Grande Cache, Mayerthorpe and Whitecourt, in Alberta, The Pas in Manitoba and Big River, Chitek Lake, Togo and Paddockwood in Saskatchewan.

The third component of the analysis uses a three-sector general equilibrium model to estimate welfare impacts on a community from exogenous shocks such as changes in world prices of forest products and changes in timber supply. The results from this model give theoretical and empirical support to the hypothesis that welfare impacts on a community from these exogenous influences are directly related to the degree of its forest dependency.

The general equilibrium model also was used in policy evaluation. Important results of evaluation are 1) that sustained yield decreases short-run income losses from output price instability 2) income transfers decrease losses from instability but unemployment insurance, the standard income transfer method, is insufficient to

compensate for losses, and 3) capital subsidization decreases income losses from instability but the short-run effect is much less than if the dollars were spent on direct income transfers.

Questions for Discussion:

1. How important is it to know the degree of community resource dependency?
2. Should general government policies be replaced by policies that target communities in the basis of resource dependency?
3. Where might we recommend government to go from here?

Summary of the Round Table Discussions, Dawn Chimbe, Rapporteur

The presentation by William E. Philips of University of Alberta and William A. White of Forestry Canada outlined the importance of forestry as a major economic activity in the regional economies of the Prairie provinces of Canada. It identified forest dependent communities and looked at the effect of forest dependency on the welfare of communities. Like other resource dependent communities, there are potential problems which affect the communities such as economic instability, fluctuating unemployment, limited job mobility and poorly developed infrastructure.

The presentation had three main parts. First, they presented a methodology for identifying forest dependent communities by reviewing theoretical literature. Second, they applied the method to identify forest dependent communities in the Prairie provinces of Alberta, Saskatchewan and Manitoba. Third, they looked at a three sector general equilibrium model to measure welfare impacts on the community from the external changes in the world prices for forest products.

Group Discussions

Three questions were raised at the end of the presentation as a basis for discussion in the groups.

1. "How important is it to know the degree of community resource dependency?"

The discussion groups shared the view that resource dependent communities should know their degree of dependency on resources as a planning tool to assist development planners:

- a) To develop plans that can forecast future economic growth.
 - b) To look for alternatives for diversifying the economic base of the community, thus preparing it to adapt to future transition from one type of economy to another.
2. "Should general government policies be replaced by policies that target communities?"

Generally, group members did not support policies that would specifically target communities for the following reasons:

- a) Such policies would have an adverse effect on many local communities' abilities to diversify their economies.
 - b) Community targeting policies would create double standards for different rural communities as opposed to access to equal opportunities.
 - c) General policies should be maintained but must be flexible enough to allow local communities to identify their requirements and guide them to implement their programs.
3. "Where might we recommend government to go from here?"

The following, were proposed as recommendations to the government:

- a) Government should encourage involvement of local communities in planning development projects that may affect them.
- b) Government should make data (both qualitative and quantitative) accessible to local communities that can assist their understanding of current status, nature of dependency and projected future for planning purposes.
- c) Government should provide direction and coordination of development initiatives in ways which enable rural communities to participate.

The presentations by participants in the discussion groups reflect the priority concerns of local communities to participate actively in the planning of government projects that will have an impact on them. Even more, resource dependent communities require access to expertise and data that is related to areas of local development. This information may provide assistance in the development of local initiatives.

Biography - William E. Phillips

William Phillips is Professor and Chairman of Rural Economy at the University of Alberta. He received a B.Sc. (Agr.) at McGill University in 1961 in Agricultural Economics (general), a M.Sc. at the University of Connecticut in 1964 in Agricultural Economics (production) and a Ph.D. at the University of California, Berkeley, in 1967 in Agricultural Economics (natural resources). He specializes in the areas of Natural Resource Economics, Land and Water Conservation, Forest Economics, Recreation and Wildlife Economics and Agricultural Production Economics. He was co-editor of the Canadian Journal of Agricultural Economics from 1972-1976, on the Editorial Council for the Western Journal of Agricultural Economics from 1979-1982 and has been Advisor and Consultant to various Federal and Provincial Government agencies. He has published over 100 publications, papers and reports.

Biography - William A. White

Bill White heads up the economics research project at the Northern Forestry Centre of Forestry Canada in Edmonton and is an adjunct professor at the University of Alberta's Department of Rural Economy. His research work has included studies of forest dependent communities in B.C. and on the prairies. Bill received his B.S. from Brigham Young University, an M.A. from the University of Regina and a Ph.D. in economics from Simon Fraser University.

GLOBAL CHANGE, ENERGY AND MINERAL OUTLOOKS AND COMMUNITY ECONOMIC DEVELOPMENT IN THE PRAIRIES

Graham F. Parsons, Government of Saskatchewan

Energy and mineral development has been central to the growth and expansion of Prairie communities. The industry consists of metallic mineral mining in northern Manitoba, oil, gas, coal, potash and uranium development in Saskatchewan and oil and gas development in Alberta.

Since the 1960s, mineral development has supported significant levels of construction and manufacturing activity. Mining played a major role in the restructuring of the Prairie economy and in providing employment and income alternatives to agriculture. Through the 1980s, mining's share of provincial goods production steadily rose in contrast to the reducing role that agriculture was playing in each province's economy. Throughout the rural southern Prairies mineral employment became a diversification and employment opportunity in many agricultural service centers, although the increase of mineral industry activity was serviced from larger cities and regional centers.

Global trends in energy markets suggest energy and mineral activity will continue to be important economic activities in the rural Prairies. Heavy oil, coal, natural gas, potash and nuclear power can provide the basis for a sustained level of mineral industry activity.

Price trends, however, also offer little opportunity for a return to the booming energy markets of the 1970s. This outlook suggests that the major opportunity for Prairie communities may lie in attracting an increasing share of the mineral industry service, supply and manufacturing activity, if not in directly undertaking the mineral development and extraction activity. This seems a reasonable prospect at the present time because

- 1) there will be sustained local markets in the mineral and energy sectors of the Prairie economy,
- 2) skilled employees who work hard are available at reasonable prices,
- 3) land and buildings are available at low cost, and
- 4) financing may be available from both international and local sources.

The recent Saskatchewan experience with the Community Bonds program as a new local financing and development instrument has demonstrated the potential of this approach, with more than one hundred community bond corporations established over the past year, and more than \$20 million in bond investments raised in the past six months for manufacturing projects in smaller communities. This suggests that communities should pay particular attention to the factors that will make them attractive locations for new economic development including community organization and attitude, financing, infrastructure and skills training of staff.

The views expressed in this paper are those of the author and should not be taken to necessarily reflect the Government of Saskatchewan.

Summary of the Round Table Discussions, T.L. Peters, Rapporteur

Investment trends and economic development in rural communities will increasingly depend on regional competitiveness in the face of a global economy. Two questions arise when examining issues of this nature. First, how can rural communities be made more attractive as industrial locations? Second, how can these communities create local financing and ownership?

There was a general consensus among rapporteur groups that the first step in making communities attractive for industrial investment was to make an inventory of community facilities. These facilities include the usual infrastructure requirements of industry extended to include social and human capital, such as access to education, recreational amenities, and the presence of a skilled labour force. Among the inventory of community assets, transportation and communication facilities were ranked most important. Linkages to major industrial centers, availability of a “critical transport mass,” and network capabilities are all factors mentioned for consideration.

The second step was to obtain knowledge of the natural environment and to become aware of the needs of the industry within that environment. The community should be able to respond to and fulfil those needs, and market to a target sector. The identification and exploitation of a region’s natural advantages, coupled with strong community leadership, can result in a competitive advantage for that community.

The next issue is that of reducing risk and encouraging local investment. There seemed to be general agreement that a community bond program will provide the right investment incentive, but there was some debate among rapporteur groups about whether those bonds should be guaranteed by the government. Some argued that government involvement enhanced investment confidence. Others argued that guarantees are not necessary because there are always risks associated with investment. There was some concern about the “public purse” sharing the risk.

There was general agreement on the idea that local investment support can achieve results. The citizens of a rural community can demonstrate confidence in investment by encouraging local ownership initiatives. It also was put forward that it is viable to include workers in ownership, and that regional cooperation can maximize availability and accessibility to infrastructure.

Two important and related questions emerged from the groups’ analysis. Is it a good idea to make yourself attractive to an industry that has no reason to locate other than community incentives? Does your community want to subject itself to economic growth that is vulnerable to world market fluctuations? There doesn’t seem to be any clear-cut solution to these questions, or the issues of rural investment and financing.

Rapporteurs noted that a market oriented approach would provide for the most efficient allocation of resources. Strategic planning and investment confidence seem to be the two key components in reducing risk. Finally, the scope of rural investment analysis should be broadened to include the important environmental and social issues that are facing today’s society.

Biography - Graham Parsons

Graham Parsons received a B.Sc. (Economics) at the University of London, U.K. in 1967, a Ph.D. in Economic Development at the University of London, U.K. in 1972 and a Senior Management Development Program with the Government in Canada in 1980. Currently, he is Secretary with the Saskatchewan Economic Diversification Council, Chief Economist and Co-ordinator Community Bonds, and is responsible for provincial economic planning, the Premier's Economic Diversification Council, the provincial economic blueprint and the new community equity financing initiative with the Department of Economic Diversification and Trade.

From 1988-90 he served as Deputy Minister, and in the Department of Public Participation where he was responsible for privatizing government services, bond and share offering on Crown corporations such as Potash Corporation, SaskTel, SaskPower, Westbridge Computer Corporation, and development of public assets. From 1984-1988 he served as Secretary for Economic Policy and served on the Saskatchewan Executive Council where he was responsible for provincial economic forecasts and related strategies including national agriculture policy and deficiency payments. From 1983-1984 he served as Director, Economic Analysis, and was on the Crown Management Board (a holding company for Saskatchewan commercial Crown corporations) responsible for economic forecasting and major project development. In 1982-1983 he served as Assistant Federal Economic Development Coordinator for Saskatchewan, Ministry of State for Economic and Regional Development, responsible for federal policies on Saskatchewan economic development. In 1981-1982 he was Director of the International Market Research and Development, PCS International, responsible for international potash market development.

**THE INTERACTION OF AGRICULTURAL RESTRUCTURING AND
FEDERAL AGRICULTURAL POLICY: IMPACT ON THE VIABILITY OF
RURAL ECONOMIES**

**A. Douglas Mutch, Livestock Feed Board of Canada
Ken Rosaasen, University of Saskatchewan**

Presentation by A. Douglas Mutch

The viability of rural economies is being affected by a large number of factors, not simply agricultural ones. For example, improved transportation systems have led to a greater concentration of services. This includes regional food centres (supermarkets), regional medical centres (hospitals), recreational centres (hotels, movie theatres, arenas, stadiums & restaurants), government services, and others. This has led to a greater concentration of people in both the cities and towns, close to these services. In addition, people living in the adjacent rural areas are attracted more to these service centres, decreasing the need for and viability of local services.

Factors such as these are largely independent of both agricultural restructuring and federal agricultural policies. Both federal agricultural policy and agricultural restructuring are driven more in reaction to past events than to expected future events. Changing market conditions tend to drive both policies and restructuring. This has resulted in a certain amount of fire-fighting and damage control at both the policy level and in terms of agricultural restructuring. In addition, much of this is done in an ad hoc fashion rather than through planned development of a vision for the future. Where there is a vision, it is often wrong. A perfect example of this was the Agri-Food strategy a "Challenge for Growth" in the late 1970s. Another example could be the diversification drive in the 1990s.

Starting in the early 1970s, Canadian agriculture began restructuring to service profitable, growing markets, and was assisted through government policies and freely available credit. By the early 1980s it became evident that markets for Canadian agricultural products were not growing as fast as was the capacity to produce for those markets. The 1980s became a decade for damage control and tighter credit availability.

In the 1990s it is evident that a major restructuring of agriculture is necessary. Certain policies have been implemented to address this changed environment and further policy review is ongoing. The various policies being put into place will affect both agricultural restructuring and the rural economy.

Rural economies have been under stress for a variety of non-agricultural reasons. The depression in much of the agricultural sector is increasing this stress and accelerating the rate of change. Federal policy issues will be heavily influenced by cost factors in the years ahead. In much of the 1970s the Federal purse was considered to be full. In the 1980s it was felt to be only half full, or more accurately, at least half empty. In

the 1990s, purse strings will be extremely tight. Financial constraints will make it more difficult for public money either to assist agricultural restructuring or to enhance the viability of rural economies. The focus will be more on self-sustaining systems for both agriculture and the rural economies.

In order to have self-sustaining systems over the long term, one must have well diversified sectors. The potential for diversification within the agricultural sector and its resultant impact on rural economies will be the focus of the debate.

Questions for Discussion:

1. Is agricultural restructuring pro-active or re-active?
2. Is federal agricultural policy pro-active or re-active?
3. To what extent is agricultural restructuring correlated to federal agricultural policy and in what fashion?

Presentation by Ken Rosaasen

I have no disagreement with my colleague Doug Mutch, regarding the following statements:

- agricultural factors are not the single determinant of community viability;
- there are economies in providing services to a densely populated region relative to providing the same services to a population which is widely dispersed;
- past agricultural policies in Canada may be described as reactive as opposed to visionary;
- a loose credit policy of the late 1970s and early 1980s was replaced by a tight credit policy from the late 1980s to date;
- in the developed economies, agricultural surpluses and low prices are more prevalent than high prices and shortages;
- agricultural policies impact on agricultural restructuring and the rural economy;
- non-agricultural policies have impacted on rural economies;
- rural economies in many regions of Canada are under stress; and,
- during the past two decades the fiscal state of the Federal Government and virtually all other jurisdictions in Canada deteriorated.

It is here, however, where the agreement ends and the disagreement begins:

- agricultural restructuring has occurred; SOME restructuring was (is) necessary; (some was not) desirable and the distortion of economic signals through government action may lead to misplaced industries, misplaced expectations, and higher long term adjustment costs.

Some economic signals are market generated while others are “regulatory” or man-made. Agricultural economists and others often talk about the need to respond to market forces ... but what is a market force? “The Market is King” is often espoused by economists and the business sector. I would temper the statement somewhat: “The Market is King ... but we have a Parliamentary System!” Regulations substantially alter market signals.

Two Dollar wheat is a market signal but it is the result of internal domestic subsidies and a trade war between

the EC and the US. Does the current price of wheat of \$2.00 per bushel approximate a long run equilibrium price for wheat in the world economy and does it provide an appropriate market signal for Prairie farmers to adjust to?

How does one determine the appropriate framework for economic analysis. Consider a prairie grain farm with \$2.00 wheat and, if the variable costs are not met, then economic theory suggests that the farm shut down. But what about the forward and backward linkages of the grain sector ... should these be considered?

Has government agricultural policy facilitated the needed adjustments in agriculture or has it thwarted them? Does policy seek the national well being of Canada or is it "pork barrelling" on a massive regional basis? What are the costs of having conflicting policies between governments, regions, or within departments of the same government? Will this result in the location of industries in regions where it is non-economic and result in added costs to rural people and communities when adjustment eventually occurs? Do we understand the difference between an underlying market force and the action of a political pen?

Economists often talk about the gains from trade. But if these gains are significant, then why not adopt free trade between the provinces within Canada since all of the gains would then be captured by Canadians? Are grants to new businesses a key to economic development or an added uncertainty for existing businesses and a new set of costs (ie red tape) for the business sector? What is a subsidy? Are eggs subsidized when a country erects a border restriction which maintains higher "market" prices within the country? Similarly is wheat subsidized when a cash payment is made by the government in response to export subsidies during a trade war? Finally, can agricultural policy be modelled best in Canada using public interest theory or would rent seeking or dependency theory models yield more reliable results?

Biography - A. Douglas Mutch

Douglas Mutch has been involved in both Canadian and international agricultural markets since the late 1960s. Initially this was as a commodity broker/speculator in the late 1960s and early 1970s, subsequent to which he undertook studies in economics at McGill. Upon completing an honours economics degree at McGill in 1973, he was a part-time lecturer at MacDonald College of McGill University. At the same time, he also undertook some graduate studies in economics at the Master's level.

Concurrent with this activity he prepared weekly columns on commodity markets for the Montreal Gazette and the Financial Times of Canada for most of the rest of the 1970s. From 1976 to 1979, he was a consultant for the Livestock Feed Board of Canada writing the lead article for Grain Facts, preparing Annual and Semi-Annual Reviews of the domestic feed grain markets, and preparing other studies as required. In 1979 he joined the Board on a full time basis as Director of Economic Research and Secretary to the Board.

Biography - Ken Rosaasen

Ken Rosaasen received B.S.A at the University of Saskatchewan, College of Agriculture, Department of Agricultural Economics in 1970, and a M.Sc. at the University of Saskatchewan, Agricultural Economics in Marketing in 1978. Presently, he is Professor in the Department of Agricultural Economics with a joint appointment in the Division of Extension at the University of Saskatchewan. His major areas of teaching and research are in Grain and Livestock Marketing and Agricultural Policy. He has worked with the Hall Committee on the Crow Benefit, and the Economic Council of Canada on Policy and Prairie Agriculture and Canadian Agricultural Policy. He has been involved with a group of academics which criticized GRIP and offered an alternative to improve economic efficiency.

He was involved with the Rosaasen Brothers Dairy Farm from 1970-1972, was project leader for Market and Economic Analysis, Marketing and Economics Branch, Saskatchewan Department of Agriculture from 1974-1977, Research Officer with the Planning and Research Secretariat, Saskatchewan Department of Agriculture from 1979-1980, as well as Vice-Chairman and then Chairman of the Saskatchewan Natural Products Marketing Council from 1982-1988. Currently he is active in the operation of a grain farm near Preeceville, Saskatchewan.

**THIRTY YEARS OF EVIDENCE ON THE CONSOLIDATION AND
VIABILITY OF TRADE CENTRES ON THE PRAIRIES: INDICATIONS
FOR ENTRY TO THE TWENTY-FIRST CENTURY**

Jack Stabler, University of Saskatchewan

Technological change in Prairie agriculture, coupled with moderate rates of growth in demand for grains in particular, set in motion a process of farm consolidation and rural to urban migration that dates back at least 50 years. Other changes in technology led to consolidation as well. The switch from steam to diesel powered locomotives in the 1950s and the conversion from manual to dial telephones during the 1960s and 1970s both reduced rural employment.

Paved intercity highways in Saskatchewan increased from 1000 miles in the mid 1950s to 10,000 miles in the mid 1970s. Paved roads improved the speed and dependability of rural transportation but also facilitated consolidation of rural school systems, again reducing rural employment.

More recently, rural preferences have become more like those of urban dwellers. In order to satisfy rising expectations regarding variety, quality and competitive prices, rural dwellers have gradually shifted their shopping patterns from local communities to larger regional shopping centres and major Prairie cities. Paved highways and dependable automobiles facilitated this geographic extension of shopping patterns.

In the process of satisfying increasingly urban preferences, rural dwellers typically bypass intermediate size rural communities that may well offer some of the goods and services purchased in larger centres. Today, rural dwellers in Saskatchewan routinely travel up to 150 miles to shop in Saskatoon or Regina.

Outmigration and changing shopping patterns led to a major restructuring of trade centre systems. Most small communities today provide far fewer consumer and producer services than they once did. Regional shopping centres and major cities have grown and taken over much of the business once conducted in smaller communities. As population and economic activity have shifted out of rural and into urban areas, public expenditures on urban infrastructure have shifted away from small towns to the cities. Infrastructure investment in urban centres creates employment during the construction process. It also puts in place facilities which attract both urban and rural populations to the city to use the facilities once they are completed. During the decade of the 1980s, 75 percent of all urban based provincial government expenditures were in Saskatoon and Regina. The largest 16 communities accounted for 88 percent.

There are some encouraging developments in rural Saskatchewan however. Some diversification within agriculture has occurred. Oilseeds, specialty crops and livestock are increasing in importance, reducing agriculture's dependence on wheat.

Diversification within other sectors of the rural economy has increased during the last decade as well. Rural manufacturers, producing an extensive variety of products for niche markets in the Prairies and around the world, have shown considerable ingenuity. Such activities create jobs in rural areas, strengthen rural communities and generate income which, in many instances, is not tied to Saskatchewan's agricultural base. The challenge for the future of rural areas will be to increase and expand on diversification of this type.

Summary of the Round Table Discussions, A. Z. Owino, Rapporteur

Changing shopping patterns due to rural dwellers' rising expectations regarding variety, quality and competitive prices coupled with outmigration from rural to urban areas have led to major restructuring of trade centres. Two questions need to be answered: First, is there a useful place for rural economic development policy alongside or as a replacement for sectoral policies, and second, how can growing communities and spontaneous development be encouraged and reinforced.

It was a universal feeling among all the groups that there is a useful, even necessary place for rural economic development policies alongside sectoral policies. The role of coordination and complementary rural development policy for developing the economic base was stressed, as it was argued that sectoral policies were mainly for targeting specific resources and sparking new development. Rural development policies could cater to the needs of the rural community that were not covered by sectoral policies and subsequently allow for the identification of gaps in development. Others felt that there was need for a general policy that would outline the framework of government relative to community involvement, and play a coordination role since rural problems were thought to be regional.

It also was strongly felt that the main requirement for development was market information and management. This conclusion applied to both rural and sectoral development policies, thereby underlining the need for the balance and harmony between the two types of policy. Fears were expressed concerning political interference in communities destinies and reliance on a purely entrepreneurial approach to rural development.

The question of how growing communities and spontaneous development could be encouraged and developed was linked to increased quality of services and the creation of attractive rural communities as the primary and most important issue. Coordination and networking amongst communities also was thought to play an important role since it provided a basis for incentive and development through cooperation.

The need was noted to encourage higher levels of government to do certain things: target and support specific communities within a microregion focus; support local initiatives such as social animation, leadership education and information transfer; support downloaded responsibilities such as maintenance of infrastructure; remove regulations such as policy barriers which hinder spontaneity; increase policies which encourage the utilization of local services; encourage individuals to pay the direct costs of services; and, educate citizens about the importance of economic development.

There was a feeling that entrepreneurs need to be encouraged to support community networking as well as to reinvest their profits back into the community. They also needed to be supplied with information on management and financial expertise. There was a need for financial support for people seeking to start

businesses but who were financially unable. Finally, there's a need to utilize to the fullest the existing programmes for the development of human resource skills by attending annual trade fairs, accounting and management assistance programmes, marketing and tourism training sessions.

There was the widely felt opinion among the groups that letting the rural citizens initiate development in their areas according to their needs would be a major step towards facilitating spontaneous growth.

Biography - Jack Stabler

Jack Stabler received a B.A. in Economics from the University of Utah in 1961 and a Ph.D. in Economics from the University of Utah in 1969. He has had a continuing appointment with the University of Saskatchewan since 1965 with leaves in 1971-72 to work for the Federal Grains Group, 1972-73 to work for the Department of Regional Economic Expansion, 1973-74 to work for the Churchill River Study Board and in 1980-81 to work for Bell Canada. His areas of specialization are regional and rural economic development. He has numerous articles in economic development and regional science journals, chapters in books, and technical reports. He has been a consultant to the Federal Departments of Agriculture, Immigration and Employment, Indian and Northern Affairs, Transportation, Provincial Governments and Major Private Corporations.

**FINANCING THE QUANTUM LEAP
RURAL BUSINESS TO GLOBAL MARKETS**

Bob Splane, Alberta Agricultural Development Corporation

Global changes provide both opportunities and tremendous challenges in terms of changes facing the marketplace. Our world is smaller, so what used to be distant events can affect us immediately rather than taking time to work their way through the international system. Strong nationalistic ties have been replaced with an international awareness. We have indeed become a global village particularly in the business sense. Technology provides instant communication, sophisticated transportation moves goods, services and people with ease and 24 hour financial markets means we are closely connected to world wide markets.

In Peter Drucker's recent book "The New Realities", a strong case is made for strategies that will be used by new business structures called transnational companies. These companies developed as a result of changes in the 1970's which are moving us beyond the traditional understanding of international markets to global markets. Characteristics of the transnational companies and their market place include:

- a) Trade that is shaped by money flows rather than movement in goods and services. Compare the \$500B in daily currency market transactions to Canada's annual GDP of \$678B. Trade policy is becoming neither "free" nor "protected" but is progressively being based on more and more "reciprocity".
- b) Traditional factors of production, such as land and labour become secondary to management as a factor of production. Since capital moves quickly, any advantage based on foreign exchange differentials is limited to short term adjustments. In the end, management will decide a company's relative competitive position.
- c) Effective economic policy formulation is dominated by partially dependent variables that are linked to, but not controlled by each other. These variables:
 - i) Nation states
 - ii) Trading regions
 - iii) An economy of money, credit and investment organized by information that easily crosses national borders
 - iv) Business enterprises that are not necessarily large, but view the world as one market.
- d) Environmental concerns, such as ozone depletion and rainforest protection, that affect the future of mankind extend beyond national boundaries.

Canada's particularly Alberta's position in this constantly changing market place is not readily apparent, even though we can see that we have moved into a global context. The Canada-US Free Trade Agreement and our world class banking industry provide us with valuable infrastructure that companies can use to their advantage. In agriculture, beyond the farmgate, we see opportunities for value added processing and the development of specialized products for domestic and export markets.

Before our potential can be realized, some structural difficulties in the general economy and within the agriculture sector will have to be overcome. In order of importance I would suggest the following five issues must be addressed before our potential can be realized:

- 1) Monetary policies
- 2) Transportation
- 3) Labour costs
- 4) Supply managed production
- 5) Administrative overlap

At the Alberta Agriculture Development Corporation, our support and assistance to rural business is defined by the specific proposal presented. Basically, we provide tradition and debt financing through our lending programs. In addition, close cooperation is maintained with the Federal Western Diversification office for joint client service if possible. The private sector also has an important role in rural finance and we often work jointly on credit proposals, sometimes providing guarantees, or after the analysis, involving the chartered banks in a loan syndication agreement. In the broader perspective of rural economic development, we are supportive of proposals under the "local development initiative" and the "community futures project".

The factors affecting us most today are probably market, foreign exchange and labour cost dependent. Tomorrow who knows? But unless we are prepared to make our minds expand like Drucker, Naisbitt, Toffler and other futurists, we cannot begin to imagine the changes that are coming which will impact on all businesses.

Summary of the Round Table Discussions, A.Z. Owino, Rapporteur

Global changes are affecting the traditional internal structures and relationships of the rural economy. These changes will require financial institutions to change their products and services to comply with international standards, and therefore, will only be beneficial to businesses with a broad view and vision to think beyond traditional markets. Changes in certain policies and programmes that hinder expansion and development will have to be made before the full potential of these global possibilities are realized.

Suggestions on the information needed by rural businesses if a larger market is to be explored included sources of financing, awareness of new technologies, market information (target markets and business opportunities, market structures, supply and demand, and marketing channels). Other needs were information on accessibility to a larger labour force, opportunities for further education and job skills, viability of the product on the expanded market, product competition, and quality standards. The other concerns were production costs, the timing of production, packaging, as well as understanding of foreign exchange and freight rates.

Gaps in the financial services provided to rural businesses were primarily identified as the differential lending criteria between urban and rural places. Example given were the requirement that rural applicants provide more collateral, the difficulty for small and medium sized rural businesses in acquiring loans, and the difficulty for larger businesses to get financing from offices of lending institutions located in rural places. Another gap noted was that financial services do not provide enough assistance in developing financial plans, and do not emphasize business expansion. Suggestions about how to close these gaps included setting up a resource bank to promote business expansion, making the public aware of available financial resources, establishing community business consulting services, localization/decentralization of the approval loans, and assurances that financiers will not continually change their policies.

On the question of constraints on expansion and development of existing rural businesses, it was felt that lack of access to market information, coupled with the lack of business competition primarily hindered expansion. Other problems noted by the groups were the lack of training and development for management and marketing skills, the poor availability of required financing, shortage of skilled labour to meet specific technical needs, the effect of inadequate infrastructure on market accessibility, poor rural facilities, and lack of knowledge on environmental issues. It also was noted that the negative mindset of the rural dwellers to change, coupled with their unwillingness to pay for expertise sometimes hindered development. Women were noted to be more successful in businesses and there was need to give them more opportunities.

In answer to how rural communities could attract urban businesses, there was a general feeling that rural communities would have to create environments similar to urban conditions, through improved quality of facilities, and more attractive labour terms. It also was felt that there was a need to promote advantages of rural living such as aesthetics, social values, safe environment and lower costs of living. Other suggestions included introduction of community bonds to help financing, tax incentives, market niche focus, and setting up an economic development office to gather information on infrastructure and people-related resources.

The primary advantage of setting up businesses in rural areas were seen to be a better quality of life, in terms of an environmentally friendly lifestyle, reduced pollution, less traffic, enhanced safety, and security. Another important advantage was the stability and work ethic of the labour force in rural areas. It also was felt that businesses would have more industrial space, less competition, and an enhanced image (better recognition) than in urban places. Other advantages were listed as lower overhead costs in terms of land and building prices plus a lower tax base. Finally, because of the smaller bureaucracy of local government, there would be easier access to administration and political leaders.

In general, creation of attractive rural communities, availability of business information, and guaranteed financing were the basic items needed to spark growth in rural areas.

Biography - Bob Splane

Robert Splane attended Seattle Pacific and Carleton College for three years in the Science Program, received a Public Administration Certificate from the University of Alberta and is a graduate of the Banff School of Advanced Management.

He has held the positions of Assistant Deputy Provincial Treasurer, Alberta, and General Manager of the Alberta Municipal Financing Corporation prior to 1978, various positions ending as Vice-Chairman and Director of the Canadian Commercial Bank from 1978-1983, was President and Chief Operating Officer of the Bank of Alberta and its successor the Canadian Western Bank from 1984-1988, and since 1988 holds the position of President and Managing Director of the Alberta Agricultural Development Corporation.

He has held past board membership with the Bank of Alberta, Canadian Western Bank, Equitable Life Insurance Company, Ellis-Don Limited, Arbitrators' Institute of Canada Inc., Coal Valley Investment Corporation, Alberta Teachers' Retirement Fund Investment Commission and Alberta Students' Finance Board. Current board memberships include Alberta Agricultural Development Corporation, Alberta Municipal Financing Corporation, Chairman & CEO of Northern Life Canola Inc. (Formerly ATCCL) and Westcan Maltng Ltd.

As well, he has been past Campaign Chairman of the United Way of Edmonton and Area, Director of the Alberta Summer Games - Strathcona, past member of the Economic Development Advisory Committee - Strathcona County, past Executive Council Member of the Edmonton Chamber of Commerce and past Executive Council Member of the Canadian Bankers' Association.

**STRENGTHENING MUNICIPAL ASSESSMENT BASES: A NEED FOR
NEW APPROACHES**

Gordon Miller, President Alberta Association of Municipal Districts and Counties

Healthy rural communities make for healthy urban communities, a healthy province, and a healthy nation. Even in this age of advanced technology and an ever shrinking world, the agricultural sector continues as a key contributor to overall economic well-being, both through its positive influence on our international balance of trade and through the spinoff effects of the agricultural industry, which continue to account for a significant percentage of jobs and income in urban centres as well as rural communities. Rural communities also play key roles as local bases of operations for Alberta's important resource based industries, and as destinations in the growing tourism industry.

Yet, Alberta's rural areas face significant challenges in ensuring their continued existence as healthy and vibrant communities. In order to attract and retain residents, rural communities must now offer increasing levels of services, greatly removed from the traditional areas of road construction and repair, and water and sewer. Citizens in the 1990s want expanded recreation opportunities, availability of a social safety net, expanded health and education programs, and a wide variety of other services which contribute greatly toward a rapidly escalating cost of government.

Rural communities thus face the same paradox faced by all communities and governments - how to offer a maximum level of services, in order to meet the demands of the citizenry, while at the same time keeping personal and corporate taxes at a reasonable level. This dilemma is particularly difficult for rural communities because of their limited population and their less diverse assessment bases. Attracting the industrial tax base necessary to pay for many required services can only be achieved if the tax rate charged these industries, combined with other local factors such as infrastructure, are competitive on a provincial, national and international basis.

Due to the need to be competitive on an international basis, the resolution to these challenges cannot be found with strictly local actions. Indeed, the provincial and national tax environments, and the productivity of the work force, are at least as important as local tax rates in determining whether or not a new industry will locate in a given community. Thus, if we in Canada are to continue to have healthy rural communities and a healthy national economy, we must take steps to reduce the cost of government at all levels and enhance our national productivity level.

In essence, we in Canada have to be prepared to completely re-examine the way we govern this country. We need to carefully examine the various services of government, and consider whether that service might be delivered more effectively and efficiently by some other level of government. Perhaps local governments are more efficient service deliverers for certain services presently delivered by the provincial or federal

governments, while perhaps other services must be delivered, or at least funded, by the provincial or federal governments in order to ensure equality of opportunity in all regions. Further, we will need to consider whether government should even be offering certain services.

In tandem with reconsidering the delivery of various government services, we must also examine the ability of various governments to raise revenues. We need to reconsider whether property tax is an appropriate method for funding various non-property related services, and we need to tie better the responsibility for delivering a service, to the ability to raise revenues to pay for that service.

There are a number of possibilities in this area, ranging from a shifting of taxing powers, to the possibility of direct revenue-sharing between the provincial and municipal government, to the creation of new dedicated taxes for such programs as basic education. In all of this the key will be to discover more effective and efficient means of delivering important programs, while ensuring that the overall tax burden of Alberta industries and individual citizens does not increase.

Each of these alternatives, and many others, will require careful study and analysis before any action is taken, but in the end action must indeed be taken if we are to ensure a strong and healthy economy at the local, provincial and national levels.

Questions for Discussion:

1. Should non-property related services, such as basic education programs, be funded by the property tax base?
2. How do we reduce the level of expectations of our citizens with respect to services demanded of local, provincial and national governments, so that these expectations are brought in line with the ability of society to fund these services?

Summary of the Round Table Discussions, A.Z. Owino, Rapporteur

Despite the importance of Alberta's rural communities as the home of agriculture, as a local base for the important resource based industries, and as a resource for the growing tourism industry, these communities appear to be in decline. Rural communities must now offer increasing levels of services such as expanded health, education and recreation opportunities as well as increased social safety in order to attract and retain residents. The community is then faced with the dilemma of how to offer a level of services adequate to meet the demands of the citizenry, while keeping personal and corporate taxes at a reasonable level. Two questions that need answering are: One, should non property related services such as basic education programmes be funded by the property tax base? Two, how do we reduce the level of local, provincial, and national governments so that the expectations are brought into line with the ability to fund these services?

It was generally felt that non property related services should not be funded by the property tax base. The main reason was that the benefits of basic rural services such as education accrue to society as a whole through the mobility of people and the structure of the economy. It was also felt that the property related tax base

was not an equitable basis for raising revenue. It was generally observed that rural services were not standardized from place to place and that there was a need to equalize standards. Places with above standard services should not receive additional government funding.

Certain areas of education, namely education in french, were felt to be entirely a responsibility of higher levels of government. It was, however, felt that there would be a danger in total funding by the government since it would lessen the autonomy of school boards. However, a danger was also noted in leaving the responsibility of education solely to municipal governments as there could be unacceptable rates of improvement in the level of education. Other feelings were that local governments could only be expected to be responsible for basic services if they had full control over expenditures. A few suggested user fees, putting responsibility on those who used municipal/county services.

There were numerous responses as to how to reduce the expectations so that services demanded of governments were in line with the ability of the society to fund these services. It was primarily felt that the public should be educated through referenda, public information sessions and TV to make them understand the costs of services and programmes as well as let them know the funds that were available. It also was felt that public input through surveys and referenda should be sought to establish priorities for services according to the available funds, so that expectations did not exceed ability to pay. Simply cutting back services and letting the citizens adjust, and/or increasing taxes until citizens were motivated to reduce expectations were other views. Suggestions included the user-pay method, reducing politician's compensation, and encouraging communities to share facilities such as education boards.

It is clear from the group reports that basic services ought to be a provincial government responsibility. Helping citizens understand how much funding is available, and what it costs to provide the services they expect might be the most effective way of managing their expectations.

Biography - Gordon Miller

Born and raised in Vegreville, he still farms the original land purchased by his father. As well, he operates a diversified farm, including a dairy, hog-finishing, beef and grain operation.

He was first elected a councillor in the County of Minburn in 1977. He served as Reeve from 1983-89, and sat on the Agricultural Service Board, Ambulance Board, Hospital Board and the Board of Education. In 1986, he was elected as Director for the Edmonton Zone of the Alberta Association of Municipal Districts and Counties. In 1989, he was elected as President of the AAMD&C, a position which he still holds. On behalf of the AAMD&C, he has sat on numerous committees, including the province's Industrial Property Taxation Task Force, Pesticide Container Disposal Committee and the Local Government Finance Review.

**SOCIAL RESTRUCTURING IN RESOURCE DEPENDENT PLACES:
ACHIEVING SUSTAINABILITY IN RESOURCE-DEPENDENT COM-
MUNITIES**

Richard J. Haigh and Dhara S. Gill, University of Alberta

Realistic approaches to improving the quality of life in Canada's resource-dependent communities are being hampered by philosophical ambiguities and misplaced assumptions. A dominant theme in community development has always been sustainability, particularly in terms of the economic base. This approach is informed by the ecological-theoretical perspective, which suggests that the ideal community enjoys considerable adaptive capacity. Thus, within a framework of ecological process, the culmination of invasion and succession results in an emergence of new natural areas and new economies. However, for a variety of reasons, resource-dependent communities in this country have demonstrated very little sustainability.

A major obstacle to sustainability lies in the locus of decision-making. Most natural resource developers are transnational firms which maximize profits by manipulating labour inputs and extraction costs across national boundaries. Consequently, even communities predicated upon renewable resources may find their goal of long-term stability undermined by global circumstances. This inherent antagonism between philosophy and economic reality seems to have been largely ignored by those who see chronic instability in these communities as essentially deriving from deficiencies in local decision-making and entrepreneurial ethic.

Moreover, there is evidence to suggest that government policy has been counterproductive in fostering a belief that solutions lie in local empowerment. Local enfranchisement seldom has any impact on the global environment within which decisions affecting extraction and marketing of the resource are made. Non-renewable resource based communities are in an even more precarious position. In both cases, any hope of economic diversification tends to be totally dependent upon the fortunes of the core resource.

The drive for sustainability in resource-dependent communities has also indirectly fostered a *fortress mentality*. The alienation and powerlessness created by dependence upon a single employer has encouraged many communities to strive for autonomy, particularly in terms of infrastructure, in the assumption that long-term stability derives from institutional completeness. Again, some government programs have aggravated this misplaced assumption by encouraging communities to become unrealistically and inappropriately entrepreneurial in what is seldom an entrepreneurial environment. The outcome is frequently disillusionment and a costly duplication of scarce resources.

This paper argues that, given the inherently unstable nature of natural resource extractive industries, long-term survival strategies should also be predicated on regional community interdependence, rather than on the local economic base alone.

Summary of the Round Table Discussions, Dawn Chimbe, Rapporteur

The presentation made by Dick Haigh focused on achievement of sustainability by local resource dependent communities. Most rural communities in Canada which are resource dependent have demonstrated very little sustainability. "A major obstacle lies in the locus of decision-making. Most natural resource developers are transnational firms which maximize profits by manipulating labour inputs and extraction costs across national boundaries".

Government policy to achieve sustainability is said to have been counter productive. He argued that solutions of sustainability lie in the empowerment of local entrepreneurs as any attempt toward economic diversification is also dependent upon the fortunes of multinationals. This dependence on a single employer has encouraged local communities to become autonomous in terms of institutional completeness. However, the government has in some cases encouraged communities without proper guidance to become entrepreneurial. This has resulted in a costly duplication of some resources. Therefore the proposition by the presenter was that apart from concentrating on the local economic base alone, long term survival strategies should also focus on regional community interdependence.

Group Discussions

1. In discussion groups the question of whether resource dependent communities should attempt sustainability was discussed. Some felt that resource dependent communities should attempt sustainability only if the resources are renewable. For non-renewable resources they must strive instead for diversification. Others proposed that resource developers should take total responsibility for the life cycle of communities. This should be communicated to the developers before they invest in the local resources.
2. The second question asked whether the current government policy with respect to resource dependent communities is unrealistic and in what way is it so? Some groups were not very sure which policy was being referenced, so they failed to comment. Those who discussed the question relayed three comments. First, current policy is not realistic because it is reactive as opposed to being proactive. It lacks vision especially with respect to traditional resource communities by not addressing socio-economic relocation when a company closes down. Second, a general policy is unrealistic, each resource must be dealt with individually. Third, the government's role should be to ensure that resource companies submit their development plans with communities and then stick to them.
3. What role should government take in the diversification efforts of the communities? Respondents thought that government should play a facilitating role by supporting local initiatives, by providing infrastructure and presenting information on overall assessment before a resource is developed. Retraining of human resources also was mentioned as a role for government.
4. What should the resource developers' responsibility be towards development? First, groups thought the resource developers should be good corporate citizens who can provide leadership in the community. They should be open and honest with communities by ensuring that they pay a fair price for the resources. Second, companies should focus beyond the economic good by becoming involved in community activities such as developing infrastructure, recreational facilities and other types of local services. This

should be put forward to them prior to their establishment in the communities. Third, developers have the responsibility to share ownership risk with the local community. However, expecting private developers to be responsible for the indefinite future of a community is somewhat unrealistic.

In full recognition of the problems of being a resource dependent economy, it is not very realistic for communities with single non-renewable resources to attempt sustainability. Diversification should be emphasized with government acting as guide or facilitator to encourage local initiatives. Resource developers too should reflect some commitment to local development beyond their economic production from local resources. This commitment should be brokered by the government.

Biography - Richard J. Haigh

Dick Haigh is a rural sociologist. He was originally trained in commercial horticulture, and after emigrating to Canada from England in 1963 he became involved in educational broadcasting on radio and television. Over the past 25 years he has produced horticultural extension programs for the CBC, ACCESS Alberta, and Sunwapta Broadcasting.

He became interested in sociology while developing educational television programs during the 1960s and ultimately earned a Ph.D. in rural sociology from the University of Alberta in 1982. As a rural sociologist his research interests lie in the areas of technology transfer in agriculture and single industry town development. He has been involved in a range of research projects which have examined the social-psychological dimension of technology adoption among Canada's farm operators. He has worked as a consultant to both Agriculture Canada and Alberta Agriculture and is presently under contract to the Department of Rural Economy at the University of Alberta as an assistant professor.

Biography - Dhara S. Gill

Dhara S. Gill is a rural sociologist with interests in agricultural extension and rural community development. He has been with the Department of Rural Economy, University of Alberta since 1970. Over the years he has concentrated his research, teaching and consulting efforts in rural development and social change in agriculture. Before coming to the University of Alberta, Dr. Gill worked for the Food and Agriculture Organization of the UN in West Africa and Central American studying the development problems of peasant agriculture and rural communities. Dhara S. Gill was born and raised in Punjab State in India where he received his early education, completing a Bachelor's degree in agricultural sciences. Followed by professional experience in rural development work, he took his Master's and Ph.D. degrees from Cornell University in extension education and rural sociology. In addition to his research and teaching responsibilities at the University of Alberta, Dr. Gill is involved in rural development work internationally, providing advice and specialized knowledge to various UN agencies and CIDA.

EXPERIENCE AND LESSONS OF LOCAL INITIATIVE IN AGRICULTURALLY DEPENDENT COMMUNITIES: ONTARIO AND SASKATCHEWAN COMPARED

**Michael Gertler, University of Saskatchewan
Gary Davidson, Huron County
Bob Stirling, University of Regina**

Saskatchewan and Ontario provide contrasting yet complimentary examples of agriculturally dependent rural economies and attempts to foster development in such communities. Commonalities and distinctions are evident with respect to problems associated with the spatial organization of settlements and economic activities, service delivery, demographics, and economic vulnerabilities. Likewise, common themes as well as distinguishing features can be identified with respect to the recent history of locally-based and state-sponsored rural economic development programs.

Contemporary trends in the rural economies of Saskatchewan and Ontario are briefly reviewed and alternative explanations for current conditions considered. A brief intellectual and political history of local and state-promoted initiatives also are presented. In the Saskatchewan case, the transition from the Royal Commission on Agriculture and Rural Life in the 1950s to the 1985 Report of the Task Force on Rural Development is reviewed. Rural Focus, a policy paper recently developed by the Ontario government, is likewise reviewed with respect to origins, aims, and proposed approaches.

The core of this paper is a preliminary evaluation of programs and projects recently initiated in the two provinces. In Saskatchewan, a new Department of Rural Development has been successful in promoting Rural Development Corporations as vehicles for inter-community cooperation, project generation, and development of local institutional capacity. Other recent initiatives include the Community Bond Program, Rural Service Centres, local procurement programs, and government decentralization. These initiatives are critically reviewed along with the roles and contributions of Community Economic Development Committees, Agricultural Development and Diversification Boards, the Saskatchewan Committee on Rural Area Development, and the Saskatchewan Indian Agriculture Program.

In Ontario, the review focuses on recent provincial government efforts to support integrated community-based development. This initiative involves jointly addressing economic and social objectives with a program to augment socio-economic and physical infrastructure. To this end, ministries of agriculture and food, municipal affairs, community and social services, health, and labour are cooperating on a series of pilot projects in three areas — West Huron, Milverton, and an indigenous community near Sault Ste. Marie.

Analyses of economic development initiatives in Ontario and Saskatchewan allow identification of strengths and weaknesses in state sponsored programs that attempt to build institutional capacity and direct government

resources to support community-based projects. Attention is focused on political constraints and practical problems in moving beyond business development to economic and social development. The relative advantages of integrated and sectoral approaches to community-based local development are considered.

In the concluding section, related development policy issues are examined including the limits of competitive local initiatives in the context of international markets and transnational firms; potential contradictions between trade policies and effective use of local procurement programs; and evidence that narrow definitions of entrepreneurship and a “good business climate” can be bad news for economic development. Consideration is given to possibilities for broadening participation and mobilizing available resources to support development in agriculturally dependent communities. Varieties of community initiative and state intervention are discussed with respect to local economic multipliers, social spinoff, and sustainability.

Questions for Discussion:

1. What are the barriers to balanced and integrated rural development in agricultural regions and under what conditions can community-based programs respond adequately to these impediments?
2. What are possible distributional and social equity consequences of funnelling state resources through locally-controlled boards? What mechanisms are available for including groups that are typically marginalized from economic development?
3. How can locally initiated and administered projects be coordinated to yield an adequate regional and national response to challenges of economic development and sustainability?

This session was a subplenary sessions outside the round table format, therefore, there is no summary.

Biography - Michael E. Gertler

Michael Gertler currently is Assistant Professor in the Department of Sociology at the University of Saskatchewan teaching Rural Sociology, Sociology of Agriculture and Community Development. He received a B.E.S. in Urban & Regional Planning at the University of Waterloo, a M.Sc. in Renewable Resources from McGill University and a Ph.D. in Development Sociology from Cornell University.

He grew up in Montreal and on a farm in Eastern Ontario. He is now doing research on farm family survival strategies in Saskatchewan. In July 1991, he chaired a symposium on "Community Development in Canada: Record and Prospect," in Saskatoon which was held in conjunction with Community Development Society Meetings. He is currently a member of the Agricultural and Rural Restructuring Group (ARRG).

Biography - Gary Davidson

Dr. Gary Davidson is the Director of the Huron County Planning and Development Department in Ontario. He is a member and past president of the Canadian Institute of Planners, with over twenty years of professional experience in rural planning and community development. He holds adjunct professorships at the University of Waterloo and the University of Guelph. In addition, he has been a policy advisor to the Ontario Minister of Agriculture and Food since January 1991.

Biography - Bob Stirling

Bob Stirling grew up on a farm near Kindersley, Saskatchewan. He received a B.S.A. from the University of Saskatchewan in 1962, an M.A. in Sociology from the University of Alberta in 1964, and a Ph.D. in Sociology from Indiana University in 1973. He has worked with the Department of Sociology/Anthropology at the University of Calgary from 1967-1969 and since 1969 has been employed with the Department of Sociology and Social Studies at the University of Regina.

The following is related research/writing he has completed: The Use of Non-Renewable Energy on Saskatchewan Farms, Background Study 2, Saskatchewan Science Council, 1979; "The Drain of Resources from Rural Communities", SCRAD Publ. #448, Division of Extension, University of Saskatchewan, 1980; "Fractions Among Prairie Farmers" in Basran & Hay (eds) The Political Economy of Agriculture in Western Canada, Toronto, Garamond, 1988; and "Farm Land Tenure in Crisis", Saskatchewan Institute of Agrologists, April 1982. He is currently doing a three year study of the "deskilling" hypothesis concerning farm technology in Saskatchewan with Polo Diaz.

**CATALYZING BOTTOM-UP DEVELOPMENT WITH NATIONAL
POLICIES: WHAT DOES THE COMMUNITY FUTURES PROGRAM
REALLY DO, WHAT COULD IT DO, AND HOW LONG DOES IT NEED TO
DO IT?**

**Philip Ehrensaft, Universite du Quebec a Montreal
Guy Debailleul, Universite Laval**

Bottom-up, community directed local development initiatives are increasingly seen as a central element of rural development policy. Virtually all successful examples of rural development are found in communities where the local populace is the key force in the development effort. Yet, there are relatively few cases where communities have successfully implemented locally based initiatives. Lack of organizational capacity has been seen as a limiting factor in many rural areas. Even where rural regions have the potential to organize themselves for local development difficulties in assembling and focusing the human and material resources necessary to foster bottom-up development thwart progress.

Injection of new resources into communities by senior levels of government can help build new institutions which enable divergent interests to work together towards local development strategies, link and coordinate the development efforts of adjacent communities, and provide management and financial support for locally created enterprises. As the development efforts bear fruit, the intent of senior governments is that new community institutions be weaned from outside resources. Canada's Community Futures Program provides an important example for other OECD countries that are interested in attempting national initiatives to catalyze locally directed rural development.

The Community Futures Program was initiated in 1986. As of spring 1991, there are 214 Community Futures Committees in operation that cover the majority of Canada's nonmetro area. Funding for the 1991-92 fiscal year is just under \$200 million. The Community Futures Program (CFP) attempts to catalyze bottom-up community development through four principal elements:

1. a definition of "community"
2. a Community Futures Committee
3. a Business Development Centre (BDC)
4. additional program options including the Community Initiative Fund for joint federal-community financing of major projects.

In this session, we present the Community Futures Program (CFP) operated by Employment and Immigration Canada (EIC) in nonmetro areas in Canada since 1986. Following a description of the EIC interest in this type of federal intervention we turn to three case studies in Quebec's Estrie region (Eastern Townships).

The Estrie region (Eastern Townships) in southeastern Quebec is a microcosm of the economic diversity characterizing rural and small town Canada. The population of 255,000 is divided between the metropolitan region of Sherbrooke, a labour force area with counties specializing in agriculture, forestry, mining, and manufacturing. The Sherbrooke metro region includes an important periphery of small towns and rural municipalities whose residents commute into the city. The western boundary of the Estrie region is the town of Magog, an hour and a half's drive due east from Montreal. This is too far for most people to travel to work on a daily basis, but short enough for trucks to economically transport manufactured goods and resource commodities to Montreal. It is a 75 mile drive east from Magog to Lac Megantic and the border between Quebec and the state of Maine. The region ships a major fraction of its goods south to the U.S. as well as east towards Montreal and beyond.

The on-the-ground operations of the Community Futures Program are analyzed in three Eastern Township counties, all of which are "mainstream economies" that have come under stress during the last two decades: Coaticook, Or Blanc and Lac Megantic all located in southeastern Quebec. This region was initially settled by Loyalists and their descendants during the early nineteenth century. Since 1945, francophones have constituted an increasing majority of the regional population. Coaticook is a prime dairy county of 15,300 people on the Canada/U.S. border, adjacent to Vermont to the south and New Hampshire to the east. It also includes a small industrial and commercial city of 6,400, with an economy centred around one of the world's largest asbestos mines located in a small city named appropriately, Asbestos. Until the collapse of the asbestos market from 1980 onwards, it was one of the more prosperous mining counties in Canada. Population declined from 18,600 in 1976 to 16,300 in 1986. Both counties were formed as part of a provincially initiated but locally driven clustering of rural and small town municipalities into consolidated counties during the early 1950s.

Coaticook county is adjacent to the small metropolitan region of Sherbrooke (population 119,000), which serves as the growth pole for the Eastern Townships region. Asbestos is located about 60 miles north of Sherbrooke, which is just too far for most people for daily commuting given Canada's winter driving conditions. Policy intervention previous to the CFP was mainly sectoral in Coaticook. Or Blanc has an intense history of federal and provincial intervention since 1980 to build an alternative economic base for the community.

The main accomplishments of the Community Futures Committees lie in the institutional niche that they occupy. It is unusual for a nonmetro area to have an organization which provides a forum for dialogue and action on the community's future by representatives from the private sector, politicians, local civil servants, and social cultural groups. The CFP's focus on job creation through small and medium enterprises complements existing economic development activities and reinforces the potential for local participation and enthusiasm. Community Initiative Projects can exercise the same effect.

The Community Futures Committee can, and does when it works well, provide a new setting for building cooperative alliances. Its most important accomplishments result indirectly from the negotiations and conflict resolution between the diversity of sectoral and geographic interests in nonmetro regions. It is the most innovative and important component of the Community Futures Program, but also the most vulnerable. Elite

civil servants are likely to wonder what these committees are really doing and why they should be spending money on “touchy-feely” processes that are hard to measure with conventional performance indices. It is by tracing the negotiations and decisions that resulted in actions and investment for local development that one sees the very real and important contributions of the Futures Committee.

Questions for Discussion:

1. How do you keep national and provincial politicians at enough distance to allow genuine community self-organization, while leaving some room for politicians to have a voice in program decisions?
2. Can a committee based on local elites, representing key economic and social groups be a source of innovation when one barrier to local development may be the desire of this elite to preserve its dominant position in the community; conversely, is it a viable option for a nationally initiated program to seek out representatives from outside the existing elite structure when the likely result will be a rallying of leaders against the program?
3. Is there an “optimal” level of government funding and external counselling which is sufficient to catalyze sustainable development, but is not so great that the hunt for government dollars becomes the predominant objective of the community?

This session was a subplenary sessions outside the round table format, therefore, there is no summary.

**FOREST INDUSTRY COLLABORATION WITH AGRICULTURE AND
COMMERCE IN A REMOTE PLACE: THE CASE OF GRANDE PRAIRIE,
ALBERTA**

**Wayne Jobb, Grande Prairie and District Chamber of Commerce
Eric Jerrard, Procter and Gamble Cellulose Inc.
Hartmann Nagel, UNIFARM**

The City of Grande Prairie, a community of just over 28,000 residents is the largest community and retail-commercial centre in the Peace River Country of Alberta and northwestern B.C. Since its settlement in the early 1900s the region has experienced a continual growth and diversification which has been sustained over most of the century. Agriculture and lumbering made up the primary economic activities of the early settlers with a later expansion to pulp, oil and gas in more recent times.

Farm families have continued to earn a substantial portion of their income off the farm over the years. In 1960, 38 percent worked off the farm and by 1985 the figure had grown to 58 percent. Many of the area's farmers have been forced to become full time off farm workers and part time farmers with the changes in job demands. Early farmers in the region could rely on winter work in the forest industry to help make ends meet.

The establishment of Procter and Gamble's pulp and sawmilling operations south of Grande Prairie in 1973 started an economic boom which continued throughout the '70s. The people of the area grasp the idea of a pulp mill development with enthusiasm. This development has had a major economic impact on the city and region.

Questions for Discussion:

1. Will farming exist after the year 2000 given today's trends?
2. What will be the impact of the global environmental movement on farming and industry's future?
3. Do we want agriculture to be self-sustaining at some point in its development, with all the resulting economic activity that provides the economic base for our urban communities, in cooperation with other industries such as forestry, or should it become a secondary industry dependant on other base industries for its survival?

This session was a subplenary sessions outside the round table format, therefore, there is no summary.

Biography - Wayne Jobb

Born in Nova Scotia in 1947, he entered the newspaper business in 1970 with the Truro Daily News and continued a move west with stops in Kenora, Ontario, Hinton and Wetaskiwin, Alberta before being appointed publisher of the Daily Herald-Tribune in Grande Prairie in 1987. Currently he is President of the Grande Prairie and District Chamber of Commerce. His other community involvements include the VP of Rotary Club of Grande Prairie and VP Marketing of the 1995 Canada Games Host Society.

Biography - E.F. (Eric) Jerrard

Eric Jerrard studied business administration. From 1958-1960 he was an Accountant with the Canada Trust Company in London, Ontario; from 1960-1966 he was Office Manager, Mortgage Inspector with Canada Trust in Red Deer, Alberta; during 1966-1969 he was Branch Manager with Trans Canada Trust in Grande Prairie, Alberta; during 1969-1971 he worked as Industrial Co-ordinator for the City of Grande Prairie, Alberta and in 1971 was Public & Governmental Affairs Manager for Procter & Gamble Cellulose. Since 1971, he has been the Public Affairs Manager of Procter & Gamble Cellulose. He is a member of the Grande Prairie Chamber of Commerce, has been a School Trustee with the Grande Prairie Public School District since 1971 and is a Commissioner with the Alberta Gaming Commission.

Biography - Hartmann Nagel

Hartmann Nagel, along with his wife Eileen and son Rick, operates a 1,700 acre grain farm at Woking, Alberta, about 30 miles north of Grande Prairie. He graduated from Vermilion School of Agriculture in 1960 where he served as President of the Students' Council. He married in 1960 and started farming on the home quarter. In the early sixties he spent the winters working in logging and sawmill operations to supplement farm income. For about 15 years the Nagel farm produced grain, cattle and hogs. In 1981 the switch was made to field crops only. Beginning in 1986 saskatoon berry production was added to wheat, barley and canola. In 1989 he went into forage and grass seed as well.

He served as Unifarm vice-president for four years and has also served as an official on various community organizations over the years. He became active in the Farmers' Union of Alberta (the forerunner of Unifarm) in the early sixties and has held office from local president to regional director and Unifarm provincial executive before going on to be vice-president. He was elected President of Unifarm in January, 1991. He served as Chairman of Unifarm's Transportation committee during the time of the Crow Debate, and also as Chairman of Unifarm's Farm Credit Committee. His goal is to promote co-operation and understanding between farmers of all ages and every level of economic achievement.

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CONFERENCE SUMMARIES

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Barry Wilson, Western Producer

Everyone attended the conference because they share a common view that rural Canada is in decline, and there are precious few economic or political policies in place to reverse that. Not surprisingly, the consensus largely ends there. Considering the range of positions, ideologies and experiences represented here, it is normal that ideas on how, or in some cases whether, to reverse the trend were varied. In my comments on discussions at the round tables, I'll highlight the areas of confusion, disagreement and uncertainty as much as I will the areas of common ground. Perhaps the organizers who invited me to eavesdrop hoped I would be more upbeat in my assessment of what I heard. But I must say I don't really consider confusion or uncertainty in these circumstances to be negative. It simply reflects where we are in the debate. If the uncertainty continues too much longer, however, the ensuing debate will become largely theoretical. There will be less and less of rural Canadian society left to save.

From my eavesdropping, it is fair to conclude that most feel revitalization of declining rural areas must begin in the hearts, minds and spirits of rural residents. It is common ground among us that the citizens of a community must decide to act in their own defence. The place to begin is with an inventory that accounts for local strengths and potential projects. Then the community must decide on a clear objective based on a realistic analysis of the possibilities. This requires good local leadership and a committed group of citizens with some time on their hands. Diversified development would in all cases be preferable to one big, dominant project.

So far, so good. The problems arise when the debate turns to the question of how do we get there from here? Perhaps it begins even earlier, with the question of whether communities should be saved at all, and who will decide? Several groups which tackled that question concluded that it is up to the communities themselves to decide if they want to work for revitalization. If so, there was an implication that governments should simply accept the local decision and pitch in. This over-simplifies a detailed debate about a complex issue but I think it raises an important issue ... who should decide? Obviously, local residents must be part of the decision but it would be unreasonable to expect that they will be the only players. Not many are inclined to vote for their own destruction, nor to admit defeat.

I didn't hear many creative or definitive answers on this thorny question. In war zones, doctors use a system called "triage" to decide which of the wounded are worth treating. In the farm community, politicians and farm leaders have been struggling with the same issue. If the market isn't allowed to decide who stays and who goes, who shall decide? Before much progress can be made in developing a rural revitalization strategy, a system of deciding the winners and losers must be created, however distasteful or controversial.

Another major area of uncertainty and division concerned the question of the role of government. Overall,

it is fair to say that the view from the tables was that government help and encouragement will be needed but it should be help that is flexible enough to allow decisions and creativity at the local level. Bureaucrats or politicians with five year development plans set in concrete and weighted down with rules need not apply.

Beyond that, however, there were mixed signals emanating from the discussions. From many quarters, there was a fear of government and its influence. Governments should help with training and money but not with rules and directions. Let local communities pursue their own opportunities. From the other side came suspicion of financiers and businessmen with whom communities would have to deal. Wouldn't the negotiations between communities needing jobs and investors with other options be too one-sided? Could local communities really set meaningful rules and obligations for investors and then enforce them? In the new global economy, some expressed fear about the influence of too much foreign ownership or control over industries on which local communities depend.

Some interesting government programs were offered as examples of what could be done. Ottawa's Community Futures Program and Saskatchewan's Community Bonds and other rural development programs of the past decade were mentioned. Still, there were conflicting signals about what people really want from governments. Sometimes, the most important first step government could take would be a reconsideration of policies which remove post offices or other federal or provincial jobs and infrastructure from many small communities.

What do small communities have to offer a potential investor? Most agreed there are both tangible and intangible benefits - quality of life, free parking, nature, lower costs, willing workers. But for some, there also was a danger that rural areas could begin to compete with each other for the attention of investors. Like Third World countries, they could try to outdo the others with offers of lower taxes, cheaper land, zoning accommodation or reduced regulations. No one thought this would be a good idea but in desperate times, how can it be avoided? There was talk of the need for co-operation between rural areas. This is an issue to be watched by rural policy planners and local politicians.

The final point I will refer to relates to the politics of rural development. In recent times, the most aggressive rural revitalization policies have been pursued in Saskatchewan, where Grant Devine's government was trying desperately to keep rural voters onside. Not without cause, he also was trying to preserve the infrastructure of this very important part of his province's economy. And as Bob Stirling told one session this morning, Devine also was using rural policy to help his natural allies - small town businessmen - and to marginalize the co-operatives that sometimes are seen as the natural allies of the NDP in that province.

I suppose the message to remember here is that governments create policy for a variety of reasons, not always obvious. Sometimes, ideology is a root cause. A cynical or political bent of mind may well see an opportunity here. Rural revitalization advocates could assess the ideological climate to come up with a few new potential arguments for use in trying to get the attention of politicians looking for advantage and allies.

Biography - Barry Wilson

Barry Wilson resides in Ottawa and Low Quebec. Raised on a family farm in the Gatineau Hills north of Ottawa in Quebec, he still owns the land and spends as much time there as possible. In 1993 it will be 100 years in the family. He received a B.A. in political science, a B.J. (Hon); and an M.A. in Canadian Studies at Carleton University. He has 21 years in journalism, working for newspapers in New Brunswick, Ontario and Saskatchewan. He has been with the Western Producer almost continuously since 1977. Since 1980, he has been in Ottawa, first as a correspondent, then as a National correspondent and now as Special Reports Editor. He has published three books: Politics of Defeat (1980); Beyond the Harvest; and Farming the System (1990). A children's novel will be published in the Spring of 1992.

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CONFERENCE SUMMARIES

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Dave Freshwater, University of Kentucky

I am not going to apologize for being an economist. People beat up on economists all the time. I haven't grown to love this but I have got used to it, and today I will tell you what I think as an economist. It is hard for me to add much to what Barry Wilson said, but perhaps what I will do is give you a bit of a perspective. I have been going to rural development conferences, although mainly in the United States, for several years now and the one thing that they have in common is a sense of frustration. This sense of frustration has been fairly common as we sat around these tables and talked about the complexity of the problems and the inability to come to a conclusion. Recommendations have been made that could be implementable, but there also is a sense of overload. There is so much to deal with and it all seems to be pretty important. It is unclear what could be eliminated.

On the first night Arthur Turner said that he has been doing this for a long time and that it never seems to go anywhere. I think that he is right. But it is kind of like buying lottery tickets, if you don't buy the ticket you can't win the lottery. These problems are not going to go away if we ignore them, and they might not go away even if we work at them. We might, however, make them a little better. Ultimately, it is up to each of us to try and assess whether or not what we get out of the meetings justifies the investment that we have made.

Now I would like to move towards what I heard from listening and talking to you over the last few days. There is a strong belief among this group that the current resource base should be the focus of rural economic development. Nobody is buying the argument that we should walk away from agriculture or that we should walk away from forestry or that we should look for something completely new. But there are questions about how to find better ways to use the resource base and how to find things to supplement or diversify that resource base.

One of the things that struck me, something that I've known for a long time and is true in the United States as well, is that there are many different approaches to rural economic development in Canada. These different approaches reflect different problems, differences in political and social philosophy and the differences in ideology that Peter Apedaile was talking about. Maybe it would be nice to get these differences out of the way but I don't think that you can. We all come to these meetings with a lot of baggage and this baggage reflects where we have been all our lives, the values that we have assimilated and the different provinces and regions that we have come from. I think that what comes out of these different problems and approaches is really an argument for greater local control. If you think that your problems are different from somebody else's, then the solutions that you would implement will be different as well, and you will need the flexibility to do what you think is best.

Now, what should rural communities do? As Barry Wilson said, we clearly need a better understanding of what's going on, where we are and what our opportunities are in order to complete strategic planning

exercises. We also need better co-operation with the communities and among the communities within each region. Everyone agrees on that and everyone agrees that it is very difficult. There is competition among communities for new development. This boils down to competition for tax bases, and the real thorny problem is that there is no obvious way to resolve this. Perhaps one option is to try something like they have done in Quebec and reorganize forms of local government to try and build on the basis of local market areas, trade zones or labour markets. This would allow an overlap between political jurisdictions and the way that people organize their economies. Such a change would require an act of a provincial legislature. Whether or not a provincial government can act to make such changes has a lot to do with tradition.

Tradition is something that has come up frequently in our discussions. It is stated in terms of “we have always done it that way”. Tradition can be valuable, and is one of the things that Christine Kovacshazy was talking about when she said that it is our environment, or the rural way of life, that is of value to people. Tradition also can be an impediment because it can stop us from doing new things. We face a balancing act that we must wander through.

What is the appropriate role of government? This is a particularly striking question for me whenever I return to Canada. It is the exact same question that people ask in rural areas in the United States but the conclusions are slightly different. The consensus in Canada is that government is a partner. There is not a lot of agreement as to whether it's the junior partner or the senior partner in the business but the notion is that there is a partnership. In the United States, the general consensus is that the best thing that the government could be is a market facilitator to make people compete with each other on an equitable basis. This idea is contained in that nasty phrase, “the level playing field” - you have equality of opportunity, not necessarily an equality of results.

There will be very different prescriptions about what to do if you believe that the government is your partner rather than your referee. I think that this is a thrust that needs to be pursued because, for me, anyway, how we define rural development policies in Canada and the United States is going to be conditioned to a great extent by the formal and informal terms of agreements that tie the two countries together. Canadians don't have to do what Americans do and the Americans don't have to do what the Canadians do. But they do have to do things that are compatible with each other. The differences in philosophy have to be worked into the agreement that you make. Trade agreements impose constraints on our behaviour. Even though there are Canadians who really believe that we need two price wheat, we can't go back to that system of pricing because it is GATT illegal. But the trade agreements also provide opportunities, and this is where I think that we must go next. We must try to explore the world in a global context rather than as it was; we must look ahead rather than look behind us.

One of the things that economists are supposed to know is what has happened in the past. But what we need to be looking at is what our opportunities are in the future. You make decisions on the basis of opportunity not on the basis of the past. This is a hard lesson, a lesson that is painful for a lot of people to learn, painful for a lot of communities to learn, but it is a lesson that everybody has to learn. I think that there was a lot of progress in the groups that I talked to over the last few days, in doing just this. As an outside observer, I think that you did well.

[Edited by Shirley Dawes].

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CONFERENCE SUMMARIES

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Tony Fuller, University of Guelph

When one has to summarize information right after we've heard so much good discussion and a lot of good ideas, one tends to be a bit selective. So I admit to selective hearing in trying to pick on a few points that seem to come through to me from the discussions from the floor.

The first one, and I'm sure I was listening for this, and, therefore, was hoping to hear it, is the genuine community focus that seemed to percolate through all the discussions. I think for one of the first times that I've been through a conference in Canada over the last 20 years, the emphasis at this meeting has been on the community aspects of the rural economy and we managed somehow to downplay but not ignore the commodities and the industries and the products and prices and so forth. We discussed involving the community and even got some discussion around communities actually being somewhat in control. For such an eclectic group of people to come together and put community first is good.

I've also heard people talk about community as not only one single place. I think the idea that communities are different things in different contexts is fine. Communities are different things to different people and they can be in several places as well as just that one single location. I think the idea of saving every community as a separate physical geographical place is being diminished out of necessity. So we've had communities of interest, we've had multiple communities, and of course we've had community futures.

My second point is that I think we are accepting the challenge of change. I think that people have talked about change, historians have described change and people like me have pontificated about change. From the discussions we have had it is clear that we are beginning to take hold of the fact that change is a reality. So I feel there's been some definite stronger understanding that change is going to take place and it is best if we get into it ourselves. Let's be part of it. Imagine there is an express charging towards change. It is as if we have decided let's creep along the train to the front, and get into the cab, and get to steer the train or slow it down or take it in a direction that we as community people feel has a purpose.

There's less of a sense of denial here compared with most of the meetings I go to. Particularly farmers and farm groups deny change and they are all waiting for things to go back to what they were like yesterday or five years ago. There seemed to be a much more purposeful feeling here that like it or not things are changing and that much of it is out of our direct control. However we do have control over ourselves, our farms, our farm communities and, within our provinces, we should really knuckle down to get on with that rather than trying to pretend or to convince each other that it's not really happening or that it's only temporary. There is no point thinking that if we really hang out long enough things will spring back to what they were like in the good old days.

We were just told that the good old days were between 1972 and 1976. Well that's a long time ago. When were the good old days and how good were the old days? If I had some farm women up here maybe they

would say that the good old days were quite good old boy days maybe, but not such good old days for everybody. So this sort of denial factor seems to have slipped off the table and I think that's a good thing.

We've actually started talking and listening and getting interested in such wacky ideas as red barns. We have realized that we have a resource right in front of us which we never bothered to develop. I remember Howard Newby coming to the United States seven or eight years ago and saying we're working with the scene shifters of Europe, that is, rural farmers. Farm people will be the scene shifters of Europe, they will move forests around, and the fields, and the fence rows, and the barns and paint the churches and so on. They will be moving the scenery because it will be consumed by the urban population, which is in the order of 88 percent of the total population of Europe. That's 350 million people who want to consume the countryside.

So these are new ideas and I've heard people actually accepting them as possibilities. It is very difficult, very hard to conceive right here on the Prairies, but we are beginning to take on new ideas. So the ideas of turning all of Manitoba into a national park may not be quite so crazy as we first thought. That was another wacky idea. Thought I'd just slip that in. I didn't hear it here but think about that for next year. Perhaps hopefully you will come to Ontario next year. Maybe Ontario should be a national park. I'm sure some of you would think highly of that.

I also heard people using the term pluri-activity. Most farm meetings I go to people can't stand that idea, but it's a reality. We know almost everybody is doing it and people should try to take advantage of that idea as opposed to denying that it's really there. And I even heard this morning a discussion about a socially responsible industry. It's not a new idea but it's being talked about more. You discussed the social and community responsibilities of our major resource industries and I find this very progressive.

Listening was going on and a lot of tolerance for listening was evident. I also heard some people talking very tough and I think that's good. We seem to be increasingly able to talk to each other and listen to each other and I'm sure nothing is going to go forward very far without that.

Now some disappointments, Mr. Chairman, nothing personal, but we haven't managed to include fishing yet in our rural community spectrum. I think that's something for the future. We haven't had any native people present. The First Nations are not here and they are certainly going to be players. They are out there in rural areas just as much as we are. We are going to have to get around that very quickly and very soon in my view.

[Edited by Sally Shortall].

Biography - Tony Fuller

Professor Fuller (Tony) graduated from the University of Hull, England with a Ph.D. in Agricultural Geography. In 1969 he came to the University of Guelph where he joined the Department of Geography. From 1976 to 1982, Professor Fuller was Director of the Rural Development Outreach Project. He joined the University School of Rural Planning and Development in 1982 with a cross-appointment to the Department of Geography.

Tony Fuller is the Research Advisor to the Arkleton Trust in the U.K. for a 5-year research programme on Structural Change in Agriculture and Multiple Job Holding among Farm Families 1986-1992. This research involves 24 study areas in 12 countries of Western Europe with 6,000 farm families collaborating on an annual basis.

From 1989 to 1991 he was the co-ordinator of the Agriculture and Rural Restructuring Group. This past year ARRG has been involved with rural literacy and Tony Fuller was co-facilitator of an international conference held in Ottawa last May.

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CONFERENCE SUMMARIES
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Ray Bollman, Statistics Canada

I have chosen 'synoptic insights' to be the ideas that I heard that I agree with! If I did not agree with an idea, it was not insightful! The context of rural economies, decreasing real prices for resource commodities, and policy responses are the three areas that I would like to discuss. Within the context of rural economies, the increasing value of human time must be considered. "The Increasing Economic Value of Human Time" was the title of an influential article by Nobel prize laureate T.W. Schultz¹. He argued that this is one of few consistent long-term trends in economic history. This is another way of saying that technical change is reducing the relative price of capital. Therefore, we should expect continuing substitution of capital for labour. The implication is that employment in resource-based industries, especially agriculture and forestry, will continue to decline. Therefore, we should expect a decline in resource-dependent communities. The second fundamental contextual theme for rural resource-based communities is the decreasing real price of resource commodities. For the case of wheat, see the centre-fold graph in the First Quarter, 1991 issue of CHOICES. Hartman Nagal effectively argued this morning that, since government policy completely determines agricultural production and trading patterns, why cannot government action get us out of this agricultural decline. I agree that government price policy and government set-aside policy can determine output and trading patterns. However, the linkage to rural communities is largely via people in farming. And the important on-going basic trend is the increasing value of human time. I expect a continuous long-run decline in agricultural employment, regardless of the level of output prices.

The policy responses in rural economies suggest several ideas. First, MEGA-PROJECTS are out. Rural economy mega-projects have included the Canadian Pacific Railway, Prairie settlement, the Alberta oilsands project and the Hibernia oilfields. Therefore, MICRO-PROJECTS must be in. That is, the answers for sustaining rural economies must be at the local level. I have no problem with the analysis to this point. My concern is, what does the centre do? It seems to me that the response is similar around the world. A non-Canadian example is that remote and mountainous townships in China can receive subsidized loans if they can bring forward a business plan. Should the centre target its support on communities that can help themselves? My fear is that the centre will take the credit for helping the winners and the centre will tell the losers that it is their fault that they are losers.

The moral and ethical issue is, WHICH COMMUNITY SHOULD RESPOND? Who are "they"? - in the sense that "they" should initiate local economic development to solve their problems. Who are the "we"? - in the sense that "we" solve our own economic development problems. Let me close by referring to the questions posed by Peter Apedaile at the beginning of the conference. First, in regards to the impoverishment

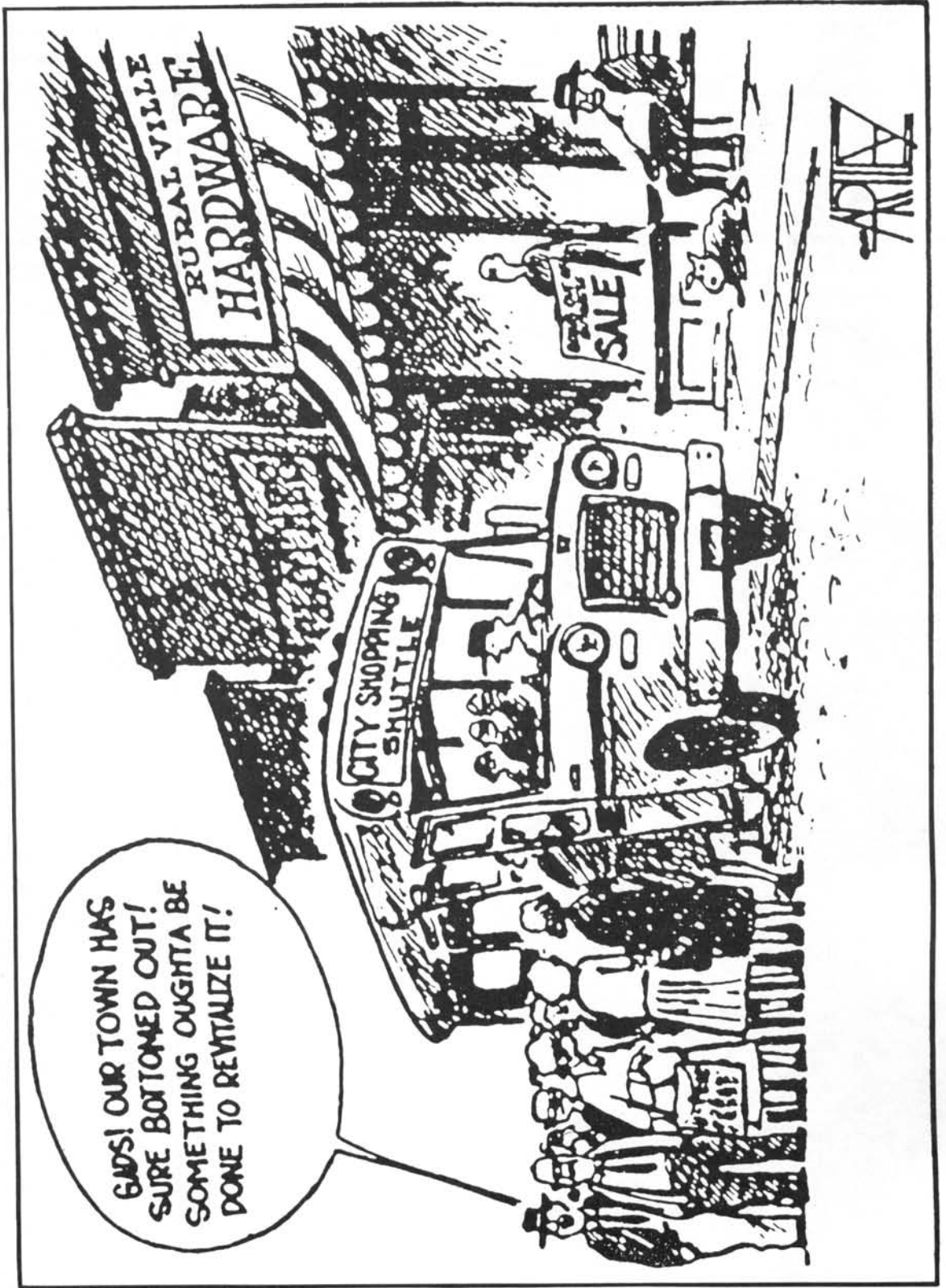
1 T.W. Schultz, "The Increasing Economic Value of Human Time," American Journal of Agricultural Economics, Vol. 54, No. 5 (December, 1972), pp. 843-850.

of the private sector, my expectation is that Canada's resource sectors will not decline in terms of output, but will decline in terms of employment. Second, it was asked whether or not government can stimulate local initiative. The consensus within my discussion group was that the multitude of hoops caused by government programs diverted community initiative from pursuing their vision towards jumping through government hoops. Third, it was asked if non-commodity policy could replace commodity policy? This issue could have been discussed further because in a period of down-sizing government expenditures, it seems unrealistic to recommend the conference consensus of 'both'. Fourth, Peter asked how to reward the winning communities. The ethical and moral issues of who is 'we' and who are 'they' needs further discussion. I find it unsettling to recommend that all rural communities must undertake their own economic development. Finally, we were to look for new ideas and information. Providing ideas and information certainly is one way to empower rural populations. The guiding principle of the Agriculture and Rural Restructuring Group is to undertake a programme of research, dialogue and dissemination.

[Edited by Sally Shortall].

Figure 4

Cartoon from Western
Producer, 26 January 1989



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CONFERENCE SUMMARIES

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Dennis MacDonald, Employment and Immigration Canada

It is the capacity of academics, mainly economists, who are notoriously absent from the field of communication, to work effectively with bureaucrats, civil servants and community and organizational representatives. The capacity of this conference structure to allow academics to put their intellectual research positions in the public domain and be integrated into a relevant discussion from the community level is really a fairly significant accomplishment. So not only are ARRG and the particular representatives to be complimented, but I think we all have to be complimented for what is an essential ability and desire to communicate and to cooperate in achieving solutions to common problems. I think that's a fairly important insight for me to take away from this conference.

As Tony Fuller indicated there have been some disappointments in the conference. I think to achieve an insight as I recall from my epistemological studies, all of the elements have to be present in the proper order. I am somewhat disappointed in the absence of the aboriginal constituency. I'm somewhat disappointed too in the absence of the environment as a significant issue. Also the presence or adequate representation of women is an essential ingredient in understanding and addressing the problems of rural Canada. I say that not as a criticism, but I think it is a real absence in terms of being able to come to true insights into options for the future.

The final thing I'd like to refer to is Community Futures, by going back to when Employment and Emigration Canada got involved in short term job creation programs. It had a dimension of social and political experimentation. There was a dimension of it that lead the public servant, the politician, and the unemployed at the community level into a new form of relationship in the development of projects and activities that met all their needs. For the unemployed it meant a job. For the politician, of course, some credit was needed. For the bureaucrat the program provided something to do. All of the actors involved in that process were involved in something that had value and meaning, for the community, for the elected representative and for the bureaucrat. The evolution of those programs into the current model, which is Community Futures, is really a continuation of that and in fact a very significant evolution of that. So this morning when Phil Ehrensaft was at this podium complimenting or exposing Community Futures in the positive way, people like Nancy Sauliner, Ken Kerr and myself as bureaucrats sat back and were pleased that for once someone was complimenting something a bureaucrat had done. There were also the representatives of Community Futures at the local level: Laurie from Drumheller and Dianne from Saychill, Saskatchewan and others of us here who are really the community based partners in the process. They too sat back feeling somewhat reassured that the kind of activity they are involved in is real and is appreciated because it is community based, and strengthens the community capacity to reach solutions to mutual problems. Congratulations to the organizers of the conference and thank you.

[Edited by Sally Shortall].

Biography - Dennis MacDonald

Dennis MacDonald is the Director, Community Development and Skills Adjustment Policy, Employment and Immigration Canada (EIC). The Directorate provides policy support for the Community Futures Program which is a major program of support to local and community development in small towns, rural and remote Canada. Dennis is the EIC representative on the Directing Committee Initiatives for Local Employment Programme and the Rural Development Programme of the OECD.

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CONFERENCE SUMMARIES

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Lavern Sorgard, Councillor, Grande Prairie, Alberta

Where do you start after a conference like this? I think it reminds me a bit of looking at the heavens through a large telescope. The more you see the more you wonder and the more questions you find. One of the first speakers, Gary Bull, touched on an interesting subject, that of property rights. As a municipal councillor, it makes me wonder where our municipalities fit in. We are fairly comfortable that people in our province have those rights and that they function fairly well. Now look at the constitution. People see property rights in many different ways. Some timber company sees its rights to dirt track the land at will, whereas the person down the street who owns his house and lot has a different view of access. Property rights cover all these issues. It is an issue that I think we have to look at very closely and see how it affects us in many ways, from the environment to other matters.

Transportation was another area which was touched on time and time again; how important it is to remote areas, how important it is to our economy, how important it is to rural communities. Very few people realize, however, that probably the biggest subsidization of transportation in the whole western world is our roads.

Transportation is already heavily subsidized in Canada. Now our engineers tell us that for every large truck going down the road it takes from 900 to 1,200 cars to give the road the same wear. Nonetheless, we are taking out our branch rail lines and deciding to move our goods by truck. This development overlooks the fact that the most economical and environmentally sound way to move goods is by rail. Europe has found this with people. They move tremendous numbers of people cheaply and safely by rail. Furthermore, the environmental soundness of rail transportation is increased if trains are electrically operated.

We heard some interesting practical debate on agriculture. Professor Rosassen was saying the market is the determining force but this overlooks the parliamentary system. It was very interesting when he pointed out how the farm sector must have a market for its produce given the people that are starving in the world. Yet economically there is over production. This is a very interesting scenario and one that we really have to come to grips with. We've all heard of the 700 million or 800 million dollars that is coming to the western economy for the farmers which probably may do the job that David Freshwater talked about the first evening. Everybody in rural communities today is fighting for all they are worth to stay on those farms. Personally I farmed for 45 years. I bought my first piece of land when I was 18 years old. I got 74 cents a bushel for the oats I got on that land and I think the oats now are worth less than 10 of those cents a bushel. In 1972, 1,400 bushels of wheat would buy you a pick up. Today 8,000 bushels may buy you one of the cheapest ones. You can imagine the dilemma of farmers when you think about what has happened to costs.

When we talked about diversification we immediately used caution. Many times all that has been done is to shift the problem from one area to another. I think we really have to look at specialization in many different and small areas. It was interesting to hear the lady from France speak about the demands that they may be facing from their urban areas. We get some of that pressure here in our province and probably in other areas

in Canada where the land is supposed to look really nice. We out here in the rural areas aren't supposed to cut any trees, we aren't supposed to make any smell, we aren't supposed to make any noise. Is there some way that we can get paid for doing these kinds of things? I was in Prince Edward Island last fall in hunting season. I was amazed that farmers were selling the hunting rights to some of the city hunters for a \$1,000 a field to shoot geese on their farm. Is that part of what we're looking at here? But it was interesting. In our country we have good hunting and we've always left it open to hunters. Are we going to have to start re-examining how we structure these things?

Development must be community based. There is general agreement on that here. But it must also be well researched. Key programs must be flexible in order to be applicable. We must have as few hoops as possible for people to go through. We must get our senior governments to agree among departments and become more coordinated. Economy is the ingredient that enables us to have a social system. We already have small town entrepreneurs that we are proud of. I can think of one immediate one and that is the oil field fire group from Red Deer. They have been in Kuwait, and at the last count had put out some 190 fires out of the 600. This talent is coming from small town industry in this province. Thank you.

[Edited by Sally Shortall].

Biography - Lavern Sorgaard

Lavern Sorgaard was born in Sexsmith, Alberta. He lived in La Glace, Alberta all his life, where he farms the land homesteaded by his father in 1913. He married Irene who is a stenographer by profession. Lavern is a member of numerous community groups, as well as farm organizations such as U.F.A., Unifarm and Alberta Wheat Pool. He was first elected to County Council in County of Grande Prairie in 1980, and re-elected at each general election since. As a councillor, he serves on County Council, Municipal Committee, Board of Education, Agricultural Service Board, Family and Community Support Services, and is the county appointee to the executive of the Peace River Regional Library Co-op. He serves as Chairman of Queen Elizabeth Hospital Board in Grande Prairie and as director for Northern Alberta on the Alberta Hospital Association Board. He is Northern Director for AAMD&C, and a member of the Municipal Statutes Review Committee.

SUMMARY OF COMMENTS FROM THE FLOOR

Sally Shortall, McGill University

The comments from the floor were varied and diverse. They were made by people with very different perspectives on rural development, and they related to different issues raised at the conference. Despite this, however, it was possible to identify a number of common themes in the comments. This is useful since it highlights the common concerns of policy makers, rural people, academics and others involved with rural development. What follows is a summary of the common themes identified in the comments made from the floor.

(1) The Need For a Rural Vision

A number of participants stated the need for a vision of what rural development is supposed to achieve. This is seen as something which both government and rural communities must address. Rural development strategies must be directed towards some end, but attempts at this cannot be effective unless there is a vision of what that end is. A clear vision would also allow greater clarification of the role of the community and of government in rural development. The importance of a rural vision was identified for both social and economic reasons. It is necessary to establish what the foreseen future of rural communities means for rural families and the "household unit". Without a clear idea for the future people felt it was impossible to decide which types of programs, policies and business decisions would be most beneficial.

(2) The Importance of Social Factors

Many participants pointed out that rural development policy needs to consider social factors as well as economic factors. It was remarked that the economic costs and benefits of stimulating rural economies were discussed, but there was inadequate discussion of the social costs and benefits of such stimulation for the "non-business" side of rural life. The way in which social/cultural factors such as the desire to own land can interfere with economic adjustments also were recognized. The importance of developing the social resources in rural areas was also stressed. While there was concern that rural migration may have stolen those with the leadership skills necessary for development initiatives, there also was the more positive view that local leadership skills remain but they must be recognized and developed by training and programs. There was a call for more ethnographic research to address the questions raised at this conference.

(3) Including All the Key Players

There were comments on the absence of any discussion of the role of women in rural development. From an economic perspective, it was pointed out that they are an important resource which must be accounted for. They are directly involved in many of the "pluri-activities" which are an important part of rural

development strategies. Despite this, it was felt that their contribution and potential contribution to rural economies was overlooked. From a social perspective, it was suggested that the inadequate discussion of the social costs and benefits of stimulating rural economies may have been related to the under-representation of women at the conference. Participants also drew attention to the absence of natives and native issues. Women and natives were identified as two “key players” who were omitted.

(4) Ineffective Farm Policies

Participants raised questions about why farm policies continue to be ineffective. It was felt that there is a need for a more integrated, broader policy to deal with the problems facing the industry as a whole. Diversification was not considered a “solution”, but rather a means of moving the problem from one sector to another. Annoyance was expressed at the superficial analysis of farm subsidies. It was felt that these are more consumer subsidies than farmer subsidies, with the result that farm produce is totally undervalued. The question was raised too as to who should bear the cost of environmental issues. It was felt that this is largely falling on rural communities. Why farmers are told that they are producing too much food given the global food shortage was also questioned. There was disenchantment regarding the continual presentation of rural depopulation as “inevitable”.

(5) Protecting Host Communities

Concern was voiced about the possible negative effects of large economic corporations which move in to rural areas and how best to protect the host community from corporate abuse. The question was raised about the best way of ensuring that this type of rural economic development is beneficial for the host community. A successful example was recounted and the key features which led to this success were outlined:

- public information meetings in the local area with local bodies, prior to beginning the project.
- the company guaranteed that 20% of the job content would be local.
- there was an agreement about using a certain amount of local supplies.

Prior meetings and agreements with the incoming company, and commitments from the company were considered key to protecting the interests of the host community.

(6) Community Development Programs

The question was raised as to what should be the degree of government involvement in community development. It was felt that at times government control of the Community Futures Program is excessive and is interfering with the effectiveness of the program. It was pointed out that programs must be flexible since each rural place is unique. Nevertheless it was recognized that programs cannot be tailored to meet every individual community’s needs. However, the feeling was that some communities become so taken up with trying to stay within the program guidelines, that meeting eligibility criteria becomes the central objective rather than addressing the needs of the rural area. It was also felt that there are many current provincial and federal rural development programs which overlap and are not integrated with each other. It was considered that greater integration would result in more efficient use of government funds and more effective rural development programs.

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