

Understanding Rural Canada: Implications for Rural Development Policy and Rural Planning Policy

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Introduction

In this chapter, we describe several characteristics of rural Canada that should be understood when designing policy for rural development and rural planning. Since our selection of those characteristics depends on our understanding of the terms *policy* and *rural* and the relationship between them, we will begin with a short discussion of these concepts before describing some of the key conditions of life and livelihood in rural Canada.

What Is Policy?

Policy is about making decisions on behalf of social groups—including the decision not to decide. *Public policy* may be defined as anything governments do or do not do. Thus, if a government decides to do something, that is public policy. If a government decides not to do something, that is also public policy. Rural policy would then be any public policy that influences or has an impact on rural populations.

In Canada, as in most Western democracies, we have identified the state or public sector as the primary maker of decisions on behalf of society. Public policy is our focus because it carries the force of a national, provincial, or municipal “law.” It remains strongly linked to the private and “third” sectors, however. Businesses, ethnic or religious organizations, families, and social action groups, for example, are all affected by public policy—and influence that policy in return. Understanding rural policy requires us to consider this interdependence.

The primary role of public policy is to ensure the social order—the coordination of individuals, groups, and institutions within reasonably stable normative systems—so that basic needs can be met, crises managed, and the future survival of the society enhanced. There are many ways in which such order may be enforced, but in Canadian society, we rely primarily on a judicial system wherein rights and obligations are specified by codes of law. These provide the institutional stability within which additional policy decisions are made. Although this system of maintaining order may itself be considered a matter of public policy, we will assume it as given and, instead, focus on other policy issues.

Public policy decisions in today's society are usually considered to be embedded within a particular economic system—the self-regulating market. But it has not always been that way, and it may not remain so in the future. Karl Polanyi has called this the “great transformation” (Polanyi, 1944). He argued that in earlier centuries, the management of society was organized in many different forms, from family to tribal or kingdom to feudal, with the well-being of the social group being the primary objective of production. Excess production was then sold. A British estate owner, for example, by convention, looked after his resident population before selling anything produced by his estate. The economic system was thereby embedded in the social system. The great transformation occurred when social institutions were reorganized to ensure that (almost) all the local production was sold on the market and the well-being of the society was managed within the resources available from the success (or lack thereof) of the transactions in a relatively free market. The social system became embedded within a market-based economic system. Despite Polanyi's warning that such a system may be unsustainable, most public policy in Canada reflects the common assumption that the needs of society will be addressed within the economic system (not vice versa).

The second point to understanding public policy emerges from the first, the great transformation. If free market economics takes precedence in society, then public policy has two important roles. Its first objective is to ensure maximum efficiency in production and trade—that is, providing the most goods and services for the least cost. Its second objective is to enact a fair (re)distribution of income according to social needs and wishes. In more colloquial terms, the first objective is to make the pie as big as possible, and the second is to slice the pie in a way that is fair to all. The focus on the first of these objectives is the reason that policymakers appear preoccupied with the question of market failure. The focus on the second is the reason for their concern about governance—do we have an inclusive process to decide what is fair and to legitimize the public policy interventions that are intended to redistribute the parts of the pie according to this decision?

The third point to understanding public policy is knowing that the efficiency objective is achieved when every good and service that is bought or sold has a price and this price is revealed in a competitive market. The technical term used by economists when goods and services are exchanged without a price (specifically, a price not determined in a market with “pure competition”) is *market failure* (see Box 1.1). We are not talking

Box 1.1 Market Failure

Market failure occurs when a market price cannot be assigned to goods or services. Economists refer to such items as “public goods.” Your consumption of the public good or service does not constrain the amount that I can consume. Such goods and services cannot be bought and sold (and thus do not have a market price) because there is little incentive for me to pay for a good or service that, once provided, is freely available to all. Since these goods and services do not carry a price to guide producers or consumers, the “public good” is not provided in optimal quantity and, without policy controls, is vulnerable to neglect or overconsumption. One example

is the national defence expenditure. Other examples are clean air, a national weather network, or MP3 files that are offered as free downloads on the Internet. Public policy intervention is therefore justified to ensure an optimal level of provision of public goods and services since the operation of the market cannot do it.

Another example of an unpriced good is pollution (well, OK, it is an unpriced “bad”). When a firm produces a good or service and part of the output of the firm is pollutants that enter the air or water, the firm sells the priced good or service but the associated pollutant is unpriced. In this case, it should have a negative price. The production of

pollution is not included (not internalized) in the price of the output of the firm; the pollution is thus called an *externality*. Public policy should be taxing this externality in order to achieve an efficient or optimal level of national goods and services.

In fact, each good and service can be placed on a continuum from being a pure private good or service to being a pure public good or service. On this spectrum, externalities are close to being a pure public good or service. Some classify them as quasi-public goods and services. The analytic issues are the same. The market produces too few quasi- and pure public goods and services and too many quasi- and pure public “bads.”

Market failure also occurs in the valorizing of a common resource. One example that is pertinent to rural Canada is the harvesting of fish from the sea. The sea is a common property—that is, there are not private patches or fields in the sea where an owner can manage his or her fish production. The nation as a whole manages this resource. When a fisher sells fish, the price of the fish does not include any return to the management of the stock of fish because the fisher does not own any of the fish stock and does not pay any of the cost of managing it. The optimal production level is where the marginal revenue (i.e., the revenue from catching the last fish) is equal to the marginal cost (i.e., the cost of catching the last fish). Fishers receive the marginal revenue, but they do not pay the marginal cost and may, therefore, continue fishing for too long. In any case, the fish stock not being owned and managed by the

individual who catches and sells the fish is an example of market failure. Hence, public policy intervention is warranted in all cases of managing the goods and services produced by a common property resource.

Another example of market failure is the lack, inaccuracy, or cost of information for assessing the prospects of a rural loan applicant. The sparseness of information often means that the loan appears more risky to a private lender, especially one who is unfamiliar with rural conditions. On the other hand, a local lender may not know the opportunities in faraway markets for the value-added processing of a local product. There is a role for public policy to counter this form of market failure by improving information access and/or aiding lenders in rural areas to provide loans at a lower interest rate.

Another example is the monopoly position of some sellers—or the monopsony position of some buyers—of goods and services. Monopolists, by definition, sell at prices that are higher than the competitive price due to their control of a large share of the sales of a good or service. Similarly, monopsonists, by definition, buy at prices that are lower than the competitive price due to their control of a large share of the purchases of a good or service. Thus, cases of monopoly and monopsony are examples of market failure that warrant public policy intervention. One example of mythic proportions in the Prairie provinces was the Canadian Pacific Railway. At one time, the CPR provided the only transportation service into and out of the rural Prairies. Over time, other railway services, then roads, then airports have offered some competition.

about the failure of the market to achieve fair or equitable outcomes—that is the role of the political system: to distribute the pie. We are, rather, talking about the failure of the economy in the real world to establish a (competitive) price for every good and service (as opposed to the theoretical world of pure and pervasive competition).

Understanding the concept of market failure is important because it provides one agreed-upon rationale among economists and policymakers for public policy intervention. The need to counter the impact of market failure provides an important basis for analysts, lobbyists, and researchers to make their case for rural policy. Within this

perspective, removing or reducing the impact of market failure is required to maximize the size of the pie before considering issues of (re)distribution to meet equity objectives.

A second role of public policy is to ensure an equitable (re)distribution of the pie. The concern with distribution means that policy analysts must address issues that the market system is not intended to address. Specifically, who should get how much of the pie? The answer to this question is the result of a complex interplay among historical, political, social, and cultural factors. These factors have determined the governance structures that we have today. These governance structures may be formal, as found in our governments, corporations, and institutions, or they may be informal, as found within families and informal groups that contribute to policy formation and outcomes across the country. They provide the forums in which we debate and decide what is fair along with the institutions that ensure those decisions are respected.

These debates and decisions are about the values that reflect our beliefs about what is socially important. The issues range widely—from valuing aspects of the environment (in addition to its contribution to the production of goods and services) to harmonizing understandings among social or ethnic groups and social justice. These societal objectives are not designed to be addressed in a discussion of maximizing the size of the pie. For these issues, rural policy discussion involves our basic ideological positions and the historical legacy we have inherited—including when economic principles should take precedence over social ones (Marchak, 1975).

What Is Rural?

The meaning of *rural* remains contentious among analysts and citizens alike. To many, it is a social construction reflecting local understandings, history, lifestyle, and institutions (Halfacree, 1993; Massey, 1994). To others, it is a residual category—the leftovers after our urban centres are identified. To most policy analysts, however, *rural* is a reflection of distance and density: the distance between places and the density of people in particular locations.

This focus on distance and density is understandable given the economic and social service mandates of most public policy. Distance is directly related to the transaction costs for economic activities: the farther locations are from their markets, the greater the challenges of and costs for moving goods, services, or people. Density is related not only to market concentration but also to a variety of other agglomeration effects—from increasing differentiation to the transfer of tacit knowledge. Policy initiatives to increase efficiency, therefore, are typically directed toward the reduction of transaction costs created by distance and the concentration of services in centres of agglomeration.

The identification of rurality within these two dimensions is not a simple matter, however. As depicted in Figure 1.1, the combination of distance and density can reflect many different types of rural (and urban) communities.

The horizontal axis of Figure 1.1 ranks communities according to the density dimension—from high density (i.e., low rurality) to low density (i.e., high rurality). Large communities would tend to be located at the high density end and small communities near the low density end of the scale. The vertical axis ranks communities according to the distance dimension¹—from short distance (i.e., low rurality) to long distance (i.e., high rurality). In general, rural communities are usually considered to be located in the lower right-hand corner of the figure, whereas urban areas are located in the upper left-hand corner. However, the actual distribution of towns and issues is much more complex. We find communities scattered throughout all cells in the figure—including relatively dense communities in remote locations and scattered settlements in the shadow of major urban centres. In each of them, the opportunities and policy challenges are different.

Figure 1.1

The Two Dimensions of Rurality: Distance and Density

Index of rurality in the DISTANCE dimension (short to long distance)	Index of rurality in the DENSITY dimension (high to low density)							
	10 (low rurality, high density)	20	30	...	70	80	90	100 (high rurality, low density)
10 (low rurality, short distance)								
20								
30								
...								
70								
80								
90								
100 (high rurality, long distance)								

Small town near to metro centre; "very" metro i.e. labour markets; "very" rural i.e. population density

Big town far from metro centre; only town jobs—no metro jobs, here—but quite urban in population density

In Figure 1.1, for example, a community in the top right-hand segment would have high rurality based on its low population density but low rurality based on its short distance to a metro centre. In these communities, the high school would be small (e.g., everyone who attended practice would make the high school basketball team), and if your spouse was a brain surgeon, he or she could live there and easily commute to a metro hospital.

In the lower left-hand segment, we find a community with a low rurality because of a high population density (i.e., it is a bigger town), but it is a long distance to a metropolitan centre. There would be two competitive high school basketball teams in this town, but the only jobs would be small-town jobs. Thus, if your spouse was a professor, a medical specialist, or an NHL team trainer, it would be too far to commute to a job.

There are dangers to classifying communities according to simple distance and density, however. As du Plessis, Beshiri, Bollman, and Clemenson (2001) remind us, the best approach to defining *rural* is to consider the question being asked and the territorial unit appropriate for that question. Both the questions and the territories may vary considerably for each policy consideration.

For economic development policy, for example, the distance to markets is likely to be an important differentiating characteristic for training, infrastructure, and management programs among communities. For social services, it makes sense to classify communities or regions on the basis of density. On the other hand, both geographical distance and density may not be so critical for certain aspects of cultural or communication policy since the ubiquity of telephones and mass media significantly reduces the impacts of physical separation. In such cases, many aspects of remote communities appear very similar to those of large urban centres.

Similarly, the territorial unit selected is particularly important. In some cases, the region in which the community is located may be more important than the characteristics of the community itself (see Box 1.2).

Finally, policymakers must also consider the issue of identity and social representations when defining *rural*. People develop a shared understanding of themselves and others, their values, and opportunities, which often includes a strong commitment to a rural identity and the social networks that reinforce it. *Rural* may not be the word used

Box 1.2

Income Differences between Rural and Urban Communities

Is income higher in rural or in urban communities? The answer is yes. Let us explain.

Since country-level income data is available only through Statistics Canada, we are forced to answer the question using the classifications it provides. Using the classification of census urban (a settlement of 1,000 or more inhabitants) and census rural (a settlement of less than 1,000 inhabitants) is one way to classify types of communities. Both types of communities can be found within two broader regions: “larger urban centres” and “rural and small town areas.”

Statistics Canada uses the term *larger urban centres* to include Census Metropolitan Areas (CMAs) and census agglomerations (CAs) (du Plessis et al., 2001). CMAs and CAs include all towns and municipalities where more than 50 percent of the work force commutes to the urban core of the CMA or CA. In 2006, one-third of all census *rural* individuals lived within a CMA or CA (Bollman and Clemenson, 2008). These are the folks who have driven out to the countryside around cities to buy a house and who commute back to the city to work. Within these larger urban centres, family income in rural communities is higher (see Table 1.1). Thus, family income in rural communities is higher than in urban communities—specifically, in those rural communities within the commuting zone of larger urban centres.

Outside the commuting zone of larger urban centres are the rural and small town areas. Within the rural and small town areas, the income of families in the countryside is lower than the income of families in the smaller towns. Thus, family income in rural communities is lower than in urban communities.

We started with the question “Is income higher in rural or urban communities?” We stated that the answer is yes—which defies simple logic. The point is that rural communities have higher incomes than urban communities when the rural communities are close to larger urban centres, and lower incomes than urban communities when the rural communities are at a great distance from those centres.

This leaves us with two take-home messages:

1. It is fundamentally important to know the type of region in which the community is located.
2. One’s conclusion can change depending upon how one standardizes the data or how one classifies the data. In this case, if we had not classified the communities by the type of region (i.e., CMA, CA, or non-CMA/CA) in which they are located, we would have obtained the standard result that incomes in rural communities are lower, on average.

Table 1.1 Average Family Income in Rural and Urban Communities

RURAL COMMUNITY INCOMES ARE HIGHER THAN URBAN COMMUNITY INCOMES IN URBAN REGIONS, BUT RURAL COMMUNITY INCOMES ARE LOWER THAN URBAN COMMUNITY INCOMES IN RURAL REGIONS.

TYPE OF REGION	TYPE OF “NEIGHBOURHOOD” OR “COMMUNITY”	
	CENSUS URBAN	CENSUS RURAL
AVERAGE FAMILY INCOME		
Larger urban centre (CMAs and CAs)	\$58,505	\$59,726
Rural and small town area (non-CMAs/CAs)	\$49,233	\$45,962

Source: Statistics Canada. Census of Population, 1996.

in each population group—*small town* or *remote* or *northern* may be the term used by residents of some “rural” communities. In many cases, the local understanding of the community is associated with particular combinations of distance and density, but just as often as not, it is a reflection of *relative* comparisons with other areas rather than absolute evaluations. These identity issues become important policy concerns since they are related to local action or resistance, institutional structure, governance, and even the creation of lifestyle-based amenities that can serve as economic development opportunities.

What Is Rural Policy?

Rural policy deals with the distance and density aspects of Canada. The first concern in any rural policy discussion is to ensure that rural Canada is contributing to the increases in the size of the national pie. The second is to consider (re)distribution of the pie.

To achieve economic efficiency (i.e., to increase the size of the pie), policy initiatives tend to focus on reducing the cost of high distance as well as the costs confronted by areas with a low population density. This may be accomplished through the support of infrastructure, transportation, labour mobility, or market research projects. Even those programs designed to manage the (re)distribution challenges of rural places are primarily focused on distance or density issues. Regional equalization transfers, northern justice initiatives, salary augmentation for remote health care providers, and school bus stipends are all attempts to reduce the inequities that may arise in more remote-locations.

Many of the challenges of long distance and low population density are addressed by policy initiatives to increase the number of rural jobs. Any enterprise in a low population density locality that is distant from a larger urban centre will not be able to access a large work force. Mass production is not an option. The product or service will necessarily be a niche product or service, and the market for the niche product or service will likely be in a metro centre. Producing for a local market is possible, but, by the definition of *rural*, the local market is not large. Selling a niche product or service into a metro market requires market research to find the niche and to keep ahead of competitors by continuously finding new niches. Thus, one rural policy option, derived directly from the definition of *rural*, is for public policy to co-invest with rural entrepreneurs and entrepreneurial rural communities to find niche markets among metro populations that are growing, segmenting, and getting richer.

Managing (re)distribution issues also involves particular challenges in a rural context. Rural planning takes place in low population density and/or long distance localities. The typical case is a small urban-adjacent community that is in the midst of becoming urban. However, when the plans are being formulated, the place is rural. Thus, by definition, there is only a small pool of civic leaders, volunteers, analysts, and local critics to design and implement a plan. Local expertise would be expected to be thin. Depending on the distance to a metro centre, accessing expertise may be costly.

The Historical Context of Rural Canada

Policy challenges and options today are significantly conditioned by the economic, social, and political characteristics and policies of the past. In rural Canada, we can identify three aspects of this legacy that are particularly important. First, we need to remember that the earliest European settlers in rural Canada (from the late 1500s through to the 1700s) established essentially internally sustainable rural communities. After this period, rural areas were settled with the specific policy objective of exporting commodities (such as whale oil, codfish, lumber, wheat, coal, nickel, etc.). Thus, most rural communities in Canada have never been “internally” sustainable.

A second feature of the past two centuries has been the “increasing value of human time” (Schultz, 1972). Specifically, the price of labour has been increasing relative to the price of capital (i.e., relative to the price of machines). Thus, for farms and other businesses in rural Canada, there has been an incentive, certainly since WWII, to substitute machines for labour. Farms, sawmills, mines, and other rural enterprises have responded to this incentive. As a result, many communities in rural Canada are suffering a continuous decline in the number of workers producing commodities.

Dealing with this challenge produces the third major feature of the rural policy context. If these communities are not able to find a new good or service to produce, their ability to maintain employment levels will be significantly jeopardized. This continues to be the challenge for rural development in many, if not most, Canadian rural communities. Although the increasing price of labour is a good trend for personal incomes and the meeting of our material needs, the substitution of machines for labour is causing ongoing rural depopulation in every community that cannot generate employment in another sector faster than the decline of employment in the primary sector.

We must emphasize that it is the increase in the price of labour relative to the price of machines that drives this situation. And regardless of any change in the price of outputs, whether the price of wheat goes higher or lower, the increasing value of human time means that fewer and fewer workers will be employed producing wheat.

These three features provide good examples of the ways in which policies of the past have had important implications for rural Canada and set the context for policies today. They also demonstrate how macro-policies that are typically not classified as “rural” have had significant rural implications and rural outcomes.

First, to export commodities, railways were built, creating a reasonably efficient transportation infrastructure.² This infrastructure also facilitated the mobility of workers—first, to get workers to the communities, and then, when the population exceeded the requirement for workers in commodity production, to get excess workers to other communities. This pattern reflected the policy of the day—one that encouraged labour mobility in response to changing economic conditions. Today, roads and airports serve this function.

Second, during the past 50 years, access to education has been reasonably universal across rural Canada, reducing the formation of pockets of rural poverty. Individuals who cannot find work in their home community have been provided with adequate education to find a job in another rural community or in an urban centre. This one policy may be Canada’s greatest rural development policy.

There is a valid counterview, however. As foreshadowed in the title of his book *Learning to Leave*, Corbett (2007) argues that a standardized curriculum has educated youth to leave their rural hometowns. Certainly, this was one objective of a standardized curriculum, and arguably, pockets of rural poverty have been avoided. However, this approach also certainly missed all opportunities to inform students about their locality. How many high school students know the range of job opportunities that exist in their milieu (Hajesz and Dawe, 1997; Redden, 2005)? One rural development opportunity is for local groups to inform students about local career options. Many other options might be considered to connect students to their community, including encouraging the local Chamber of Commerce to import the successful Junior Achievement program from metro centres.

Third, during the past 30 years, there has been near universal access to health care across rural Canada—this has also helped to prevent pockets of rural poverty. Individuals who could not find work in their home community have generally had adequate health to find a job in a new line of work in another rural community or in an urban centre. They have also, until recently, been assured of health care coverage in their new residence location, should they move.

Fourth, during the past 40 years, a national Old Age Security system has provided pension income to individuals once they reach the age of 65. Thus, rural families, feeling secure that they would have money for their old age, have been willing to invest in their children so that they might obtain jobs in occupations that might cause them to move away from their home community.

Fifth, each rural community had, and still has, numerous opportunities for citizens to learn leadership skills. Within a typical rural community, leadership capacity is developed by citizens participating in community committees with elected leaders. Working with or being the leader of a local committee provides important training for individuals who wish to be leaders in municipal governments, provincial governments, or in the national government. The good news about low population density (i.e., high rurality) is that each citizen has an excellent opportunity to participate and to develop these skills. The bad news about low population density is that there are not a large number of people to share the work. Volunteer burnout is often the result.

Trends in the Price of Rurality

Bollman and Prud'homme (2006) showed how the price of communicating and transporting goods is declining. This means that the price of interacting within rural areas and with urban centres is also declining. The main results of Bollman and Prud'homme's report were:

- the price of communicating has been falling continuously and quite dramatically over time (except for the price of stamps!);
- the price of shipping goods by train or truck had been declining up to 2006; and
- the price of moving people had declined from the mid-1950s to the late 1970s and increased throughout the 1990s and up to 2006.

Although the relative price of purchasing a vehicle continues to fall, the price of insurance has increased and the price of gasoline has fluctuated, with recent relative increases. These findings have major implications for rural development and rural planning.

First, rural areas are benefiting from a declining price to access information. However, the price of communicating in cities may be falling even faster. Who got broadband first? Recall our discussion of market failures. The textbook economic model assumes information exchange is costless. In many ways, information is a public good in the sense that if I consume some information, it does not reduce the amount of information that you can consume. Thus, to the extent that the price of accessing information is higher in rural areas relative to urban areas (i.e., the price of broadband access is often higher in rural areas), there is a market failure situation that invites public policy attention to equalize the price of accessing information.

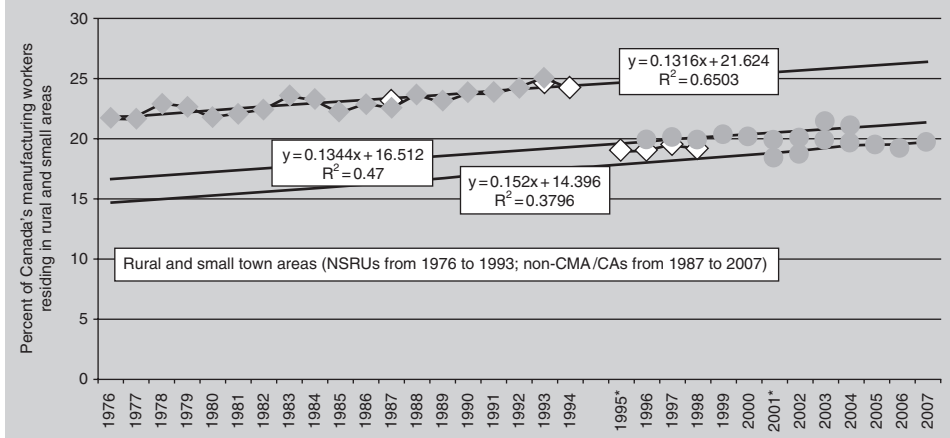
Nevertheless, it is less costly now than in earlier decades for those in rural areas to access information. This should provide an opportunity for the production of new and different types of goods and services in rural areas.

The decline in the price of shipping goods means that, over time, rural areas have become increasingly competitive in manufacturing as the relative price of transporting inputs to a rural plant and transporting the final product to a metro market has fallen (Douglas, 2001).

David Freshwater (2003) has argued that manufacturing may be the only pillar for rural development in many communities. Primary sector³ production is shedding labour and thus is not contributing to the rural development objective of creating employment. Most service sector jobs are located in larger cities, which act as regional service centres. Some service jobs (e.g., grocery store clerks, teachers) are distributed in relation to the population. Other services (e.g., hospitals, community colleges, financial advisors, furniture stores) can exist only in places that have a larger catchment area. Admittedly, some communities are lucky and have a Niagara Falls or a Whistler ski slope in their

Figure 1.2**Growth in Share of Canada's Manufacturing Jobs in Rural and Small Town Canada**

Rural and Small Town Canada has been gaining manufacturing employment, relative to Canada as a whole



Note: Non-self-representing units (NSRUs) are smaller municipalities (generally less than 10,000 population). A Census Metropolitan Area (CMA) has a core population of 100,000 or more and includes neighbouring municipalities where 50 percent or more of the workforce commutes to the core. A Census Agglomeration (CA) has a core population of 10,000 to 99,999 and includes neighbouring municipalities where 50 percent or more of the workforce commutes to the core. Rural and small town areas are non-CMA/CA areas. An asterisk (*) indicates some of the change may be due to a change in the survey design.

Source: Statistics Canada, Labour Force Survey.

backyard that can be valorized to create rural jobs. However, for many communities, the only proactive strategy may be manufacturing.

Rural and small town areas in Canada are competitive in manufacturing, relative to larger urban centres. We define *competitive* as increasing one's market share. Bollman (2007) shows that rural and small town areas in Canada have been increasing their share of Canada's total manufacturing work force at a slow but steady pace since 1976 (see Figure 1.2).

While the price of transporting goods has been decreasing, the price of transporting people has increased. What are the implications of this latter trend? Will suburbs decline in popularity? Will entrepreneurs in remote locations be able to start up small shops to serve the local community because of the expense of going to the big city to shop? The price of transporting people has been going up, relatively, since the beginning of the 1990s (see Box 1.3).

Rural Canada Today

Policymaking requires good analytical frameworks and good data. Above, we proposed an analytic framework wherein policy should address two key issues:

- the size of the national pie (where one component is the recognition of "market failures" and the implementation of policies to confront market failures because the resulting increase in efficiency will increase the size of the national pie); and
- the (re)distribution of that pie to make the outcomes (more) fair across individuals, families, and places.

In this section, we pay attention to the "good data" required for good policy. The data are organized according to the two framework issues above but with the addition of several concerns that emerge as a result of efficiency and distribution demands. As usual,

Box 1.3 The Price of Moving People: Is It Going Up or Down?

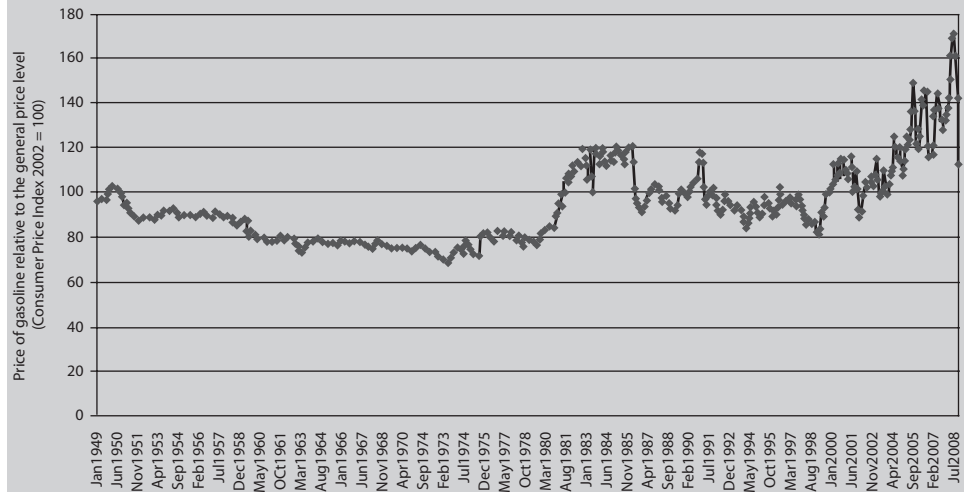
Understanding past trends will help to understand future trends. What are the implications of the price trends identified by Bollman and Prud'homme (2006) for rural development and rural planning? Given the variability in petroleum prices as this book went to press, it is best that you make your own update of the trends in prices. Then you can discuss changes needed in rural development policy and rural planning policy. Can you identify some new opportunities?

To update the charts, search for the Consumer Price Index (CPI) on the Statistics Canada CANSIM database, which faculty and students may gain access to through the "Data Liberation Initiative" (DLI) librarian in your university library. It is important to calculate the *relative price* since the

important information is whether the price of gasoline, for example, is rising or falling relative to the "All items" price level. Thus, when you find the time series of the index of the price of gasoline and you divide by the "All items" index, you will replicate and have updates for Figure 1.3. Note that gasoline prices are only one component of the price of moving people. Note also that gasoline prices declined, relatively, by about 20 percent from the 1950s to the end of the 1970s. Would suburbanization and the sub-suburbanization of rural areas around major cities have been as popular with a different price trend? The question for the future is, given the gasoline price trends in evidence when you read this chapter, what are the implications for rural development? For rural planning?

Figure 1.3 Fluctuations in Gasoline Prices

From the early 1950s to the early 1970s, the price of gasoline fell 30% relative to the general price level; from January 1999 to late 2008, the price of gasoline doubled, relative to the general price level, Canada



Source: Statistics Canada, Consumer Price Index, CANSIM Table 326-0020.

these analytical distinctions are sorely tested “on the ground,” where events and processes tend to reflect elements from more than one policy issue at the same time.

Increasing the Size of the Pie

One way to increase the size of the pie is to get each input allocated to its highest-value use. One important input is labour. As noted above, Canada’s transportation infrastructure has facilitated this (re)allocation; the standardization of education has increased mobility; and the (near) universality of health care has reduced the necessity for family support.

There was continuous rural-to-urban net migration until the 1970s. This turned around in the 1970s, when more individuals moved to rural areas relative to the number moving out of rural areas (Joseph and Keddie, 1991a, 1991b; Rothwell, 2002; Rothwell, Bollman, Tremblay, and Marshall, 2002; Clemenson and Pitblado, 2007). In recent years, whether rural-to-urban migration is negative or positive depends upon the performance of their respective economies in each time period.

One of the most important factors driving population redistribution is the economic advantage of agglomeration. In this respect, “agglomeration economy” is a key concept for understanding rural and regional development. There are many aspects of agglomeration economies, but here we might simply say that agglomeration economies reflect the benefits achieved from the low price of transferring tacit knowledge within high population density centres. Information is attained from documented material as found in manuals and instruction booklets. Tacit knowledge is attained by sustained interaction with an expert who can, for example, demonstrate how a procedure is accomplished or explain the implications of the different sounds a machine makes when it operates. It is also the advantage acquired by discussing ideas at a cocktail party with professional colleagues who work for different employers. These advantages are most likely to appear in metropolitan areas with a high population density that includes a critical mass of the folks with whom to exchange the tacit knowledge.

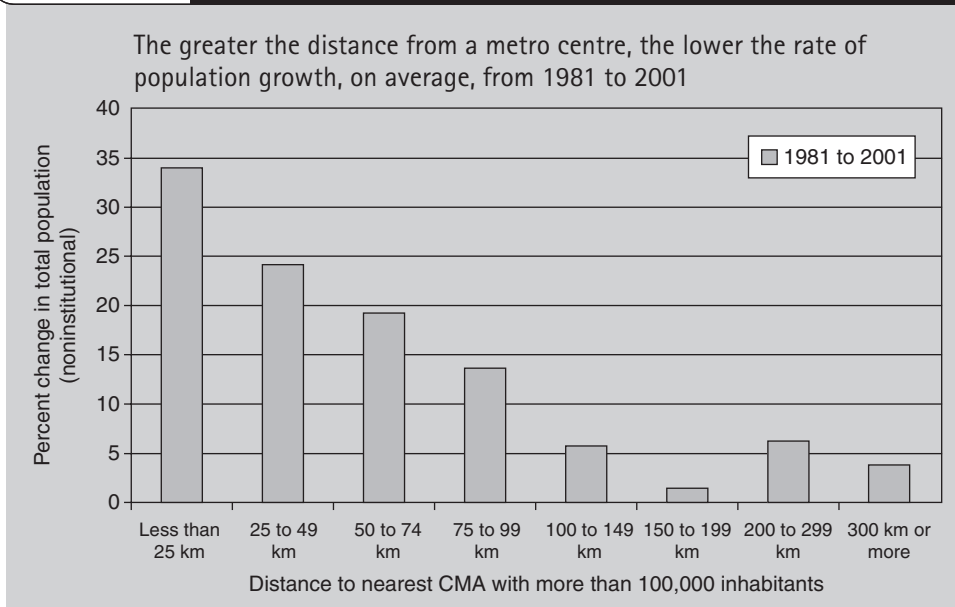
The economic advantage of high density noted above is reflected in the pattern that the closer a rural community is to a metro agglomeration, the higher its rate of population growth (see Figure 1.4). The role of distance is confirmed when all other variables are held constant (Partridge, Bollman, Olfert, and Alasia, 2007).

About six million people live in rural and small town Canada (just less than 20 percent of the country’s total population). The size of the rural and small town population has remained essentially constant since 1981, but its representation is complicated by the reclassification of rural areas when their population grows beyond 10,000. Figure 1.5 shows that in earlier years, there were up to eight million rural and small town Canadians, and between each census year, there was most often population growth. At each census year, however, Statistics Canada reclassifies some towns and municipalities as they reach the urban core density criteria or as commuting patterns change. Thus, over time, fewer individuals were classified as living in rural and small towns. These reclassifications continued up to 2006, but their impact has been relatively smaller in recent periods.

The demographic stylized facts are

- there is a constant number of rural Canadians and a growing urban population; and
- although the total number of rural Canadians is not changing significantly,
- the rural population is growing around cities (typically, young adults with at least one member of the family commuting to the city) and around lakes and in the mountains (preferred landscapes for early retirees 55 years and over). In fact, rural Canada attracts more individuals than it loses in each age group from 25 to 69 years of age (Rothwell, 2002; Rothwell et al., 2002); and
- communities dependent on the production of commodities (including agriculture, forestry, fishing, and mining commodities) have experienced declining populations (Alasia, Bollman, Parkins, and Reimer, 2008).

Figure 1.4 Relationship of Population Growth to Proximity to a Metro Centre



Note: A CMA (Census Metropolitan Areas) has an urban core of 100,000 or more.

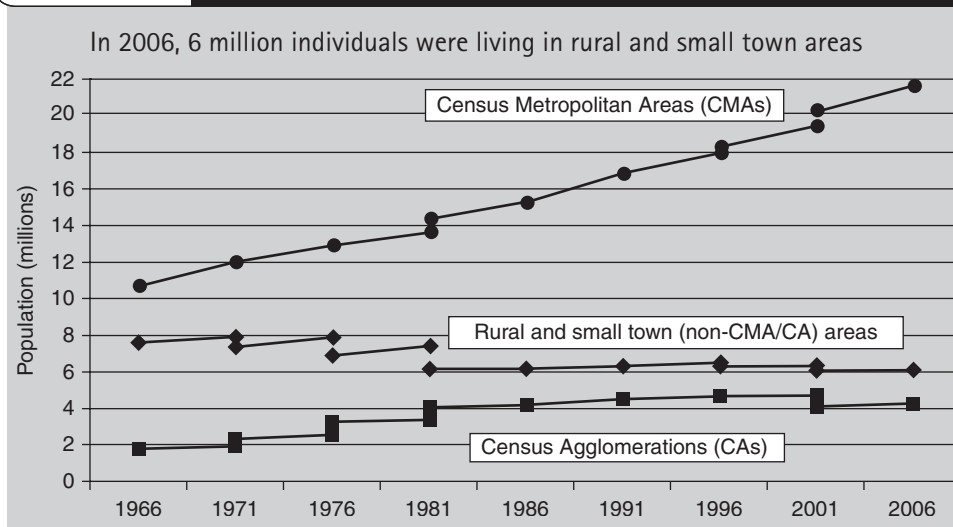
Source: Statistics Canada, Census of Population, 1981, 2001.

Box 1.4 An Aside: How Do We Operationalize a Definition of Rural?

Above, we noted that rural is distance and density—lots of the former and little of the latter. When we come to determine the number and characteristics of rural people, how will we operationalize “distance and density”? Du Plessis et al. (2001), with provincial detail in du Plessis, Beshiri, Bollman, and Clemenson (2002), outlined six different ways of defining *rural* using Statistics Canada’s geographic grid. (Maps showing the rural and urban territory for most of these definitions are in Appendix B of du Plessis et al., 2002.) The general recommendation was to use a density cut-off of 10,000 people in an urban core. This is the cut-off used to delineate Census Metropolitan Areas (CMAs) and census agglomerations (CAs). (For details, see Statistics Canada, 2007b.)

CMAs and CAs include towns or municipalities that are economically and socially integrated with an urban core. Commuting is used as the gauge for integration. Specifically, towns or municipalities that have 50 percent or more of their resident workers commuting to the urban core are included in CMAs or CAs. Thus, the distance criterion is the rate of commuting to an urban core of 10,000 or more. The rural and small town population (i.e., the non-CMA/CA population) lives in towns and municipalities where fewer than 50 percent of the residing workers commute to an urban core (the distance criteria) with a population of 10,000 or more (the density criterion).

Figure 1.5 Population Change in Rural and Small Town Areas



Note: In 2006, Census Metropolitan Areas (CMAs) have 50,000 or more inhabitants in the urban core with a total population of 100,000 or more, and Census Agglomerations (CAs) have 10,000 or more in the urban core. Both CMAs and CAs include surrounding towns and municipalities where 50% or more of the workforce commutes to the urban core. Rural and small town (RST) refers to the population outside Census Metropolitan Areas (CMAs) and outside Census Agglomerations (CAs). The two data points for each year show the adjusted population count (due to reclassification) in order to make comparisons over time within constant boundaries.

Source: Statistics Canada, Census of Population, 1966 to 2006.

Population by Degree of Rurality

Statistics Canada has assigned a MIZ (metropolitan influenced zone) code to each incorporated town or municipality in rural and small town areas. This measures the degree of commuting to the core of a larger urban centre (strong MIZ—30+%; moderate MIZ—5 to 29%; weak MIZ—less than 5%; no MIZ—no commuting or the size of the work force in the town or municipality is less than 40 employed individuals) (du Plessis et al., 2001, 2002).

In 2006, 4 percent of Canadians (1.4 million) lived in strong MIZs (see Table 1.2), places like Conception Harbour, Newfoundland and Labrador; Shediac, New Brunswick; Rawdon and Orford, Quebec; Brock and Wellesley, Ontario; Dunnottar, Manitoba; Qu'Appelle, Saskatchewan; Turner Valley, Alberta; and regions around Nanaimo in British Columbia. These populations generally exhibited the characteristics of a bedroom community, making long commutes to larger urban centres (Harris, Alasia, and Bollman, 2008). In 2006, 46 percent of Canada's strong MIZ population lived in Ontario. This population has excellent development opportunities with relatively easy access to larger urban centre (LUC) jobs and markets. In all parts of Canada, the strong MIZ population is growing due to the pressure from (and opportunities in) their neighbouring LUCs (Bollman and Clemenson, 2008). This is a major worksite for rural planners, especially those involved in land use, conservation, and related physical planning exercises.

In 2006, about equal shares of Canadians lived in moderate MIZs (7%) and weak MIZs (6%). Trepassey, Newfoundland and Labrador; Murray Harbour, Prince Edward Island; Wolfville, Nova Scotia; Gagetown, New Brunswick; Trois-Pistoles, Quebec; Smiths Falls, Ontario; Steinbach, Manitoba; Wapella, Saskatchewan; Vermilion, Alberta; and Whistler, B.C., are examples of moderate MIZ places; and Winterton, Newfoundland and Labrador; Alberton, Prince Edward Island; Yarmouth, Nova Scotia; Miramichi, New Brunswick; Percé, Quebec; Perth, Ontario; Winkler, Manitoba; Rocanville, Saskatchewan;

Banff, Alberta; and Castlegar, British Columbia, are examples of weak MIZ places. Moderate and weak MIZ residents form the core of rural and small town residents in all provinces (although to a much lesser extent in Ontario). Twenty-three percent of Newfoundland and Labrador's and Nova Scotia's populations reside in weak MIZs. Weak MIZ means their populations are weakly linked to a LUC but are generally strongly linked to a regional service centre with a population of less than 10,000. Only 1 percent of Canadians live in a no MIZ—and 27 percent of all no MIZ residents are in Saskatchewan. Some examples of no MIZ places are Biscay Bay, Newfoundland and Labrador, Miminegash, Prince Edward Island, Whycomomagh, Nova Scotia, Chandler, Quebec, Lake of the Woods, Ontario, Cartwright, Manitoba, Lafleche, Saskatchewan, Ferintosh, Alberta, Lytton, British Columbia, Carcross, Yukon, Inuvik, Northwest Territories, and Rankin Inlet, Nunavut.

In Table 1.2, note the distribution of the rural and small town (RST) population across the provinces: 49 percent of rural and small town Canadians live in Ontario and Quebec. The distribution of the RST population is the key determinant of federal funding allocations to RST citizens—although all distributions of funds appear somewhat “open to negotiation.”

Job Distribution in Rural Canada

Since World War II, there has been and there continues to be a dramatic shift from farming to non-farming activities within the rural population. The landscape may still be agricultural, but the rural people-scape is decidedly non-agricultural.

Before World War II, about two-thirds of rural Canadians lived on a census farm (see Figure 1.6). Today, fewer than 10 percent of rural Canadians live on a census farm. At one time, agricultural policy would have had a significant impact on people in rural areas. Today, 20 percent of agricultural policy misses rural and small town areas because 20 percent of agriculture takes place in the municipalities within Census Metropolitan Areas and census agglomerations (Lonmo, 1999; Statistics Canada, 2007a) (see Box 1.5). When 80 percent of agricultural policy arrives in rural and small town areas, it directly affects less than 10 percent of rural and small town Canadians. The remaining 90 percent are not directly involved in agriculture. There is a weak (demographic) overlap between agriculture production and rural people (Bollman, 2006).

In 2007, nearly three million rural and small town Canadians were employed (see Table 1.3). Most were living and working in RST areas. About 0.4 million lived in an RST area and worked in a LUC, and about 0.2 million lived in a LUC and worked in an RST area (Harris et al., 2008). Most of this exchange involves strong MIZ.

Among the three million workers, only 8 percent were employed in agriculture. In 2007, 13 percent of the RST work force was employed in manufacturing, the second largest RST industrial sector in Canada in terms of employment among the industries portrayed in Table 1.3. Manufacturing employed the most RST workers in New Brunswick and Quebec and tied for the largest sector in Ontario. Only in RST areas of Manitoba and Saskatchewan do we see that agriculture is the main employment sector. If you were to establish a secretariat at the federal or provincial level to manage rural affairs, in which ministry would you place the secretariat?

More and more people are being employed by small and medium-sized enterprises (SMEs). In this sense, SMEs are “creating” employment. However, one study indicates that it is the larger enterprises that are competitive (i.e., increasing their market share) (Baldwin, 1996). Generally, however, they are not hiring more workers even though their market share is growing. Many SMEs are suppliers of goods and services for these competitive firms. Without the competitive larger firms, many SMEs would not be increasing employment levels. Be sure to understand who the real driver is when you confront recommendations to support SMEs as drivers of job creation.

Table 1.2

In 2006, 49% of Canada's Rural and Small Town Residents Lived in Ontario and Quebec.

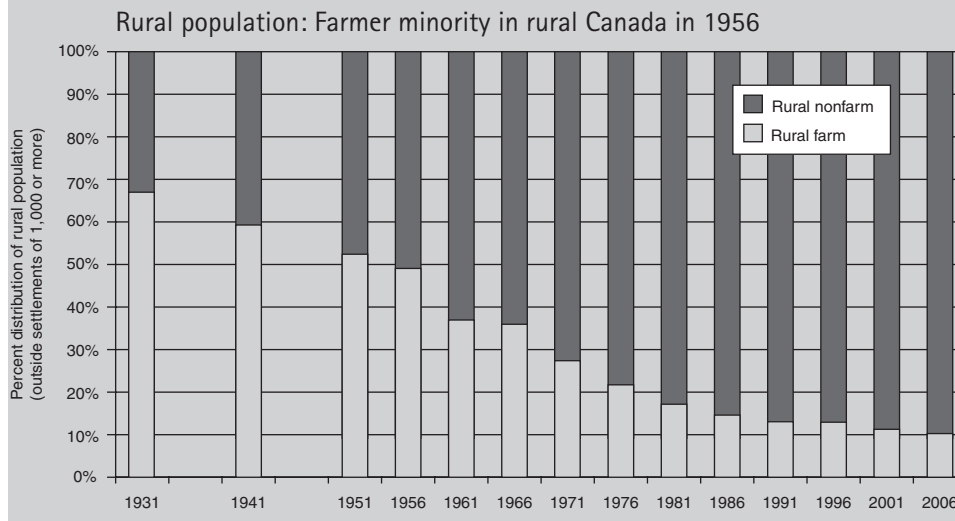
	LARGER URBAN CENTRES (LUCs)				RURAL AND SMALL TOWN (RST) AREAS							ALL AREAS
	CENSUS METROPOLITAN AREAS	CENSUS AGGLOMERATIONS	ALL LARGER URBAN CENTRES (LUCs)	STRONG MIZ	MODERATE MIZ	WEAK MIZ	NO MIZ	RST TERRITORIES	ALL RURAL AND SMALL TOWN (RST) AREAS			
	Total population											
Newfoundland and Labrador	181,113	50,688	231,801	24,307	90,938	117,468	40,955	n.a.	273,668	505,469		
Prince Edward Island	0	74,778	74,778	16,584	34,236	9,290	963	n.a.	61,073	135,851		
Nova Scotia	372,858	213,262	586,120	22,808	89,655	211,049	3,830	n.a.	327,342	913,462		
New Brunswick	248,813	178,117	426,930	36,547	154,143	99,301	13,076	n.a.	303,067	729,997		
Quebec	5,115,169	911,115	6,026,284	414,847	717,967	349,980	37,053	n.a.	1,519,847	7,546,131		
Ontario	9,584,840	1,127,437	10,712,277	615,909	535,477	263,137	33,482	n.a.	1,448,005	12,160,282		
Manitoba	694,668	82,343	777,011	29,659	108,290	198,964	34,477	n.a.	371,390	1,148,401		
Saskatchewan	428,894	148,110	577,004	23,387	103,163	183,763	80,840	n.a.	391,153	968,157		
Alberta	2,114,255	478,131	2,592,386	81,051	224,113	364,978	27,822	n.a.	697,964	3,290,350		
British Columbia	2,767,965	817,403	3,585,368	84,999	166,365	251,269	25,486	n.a.	528,119	4,113,487		
Yukon	0	22,898	22,898	n.a.	n.a.	n.a.	n.a.	7,474	7,474	30,372		
Northwest Territories	0	18,700	18,700	n.a.	n.a.	n.a.	n.a.	22,764	22,764	41,464		
Nunavut	0	0	0	n.a.	n.a.	n.a.	n.a.	29,474	29,474	29,474		
CANADA	21,508,575	4,122,982	25,631,557	1,350,098	2,224,347	2,049,199	297,984	59,712	5,981,340	31,612,897		
	Percent distribution of population within each province (row percent)											
Newfoundland and Labrador	36	10	46	5	18	23	8	n.a.	54	100		
Prince Edward Island	0	55	55	12	25	7	1	n.a.	45	100		
Nova Scotia	41	23	64	2	10	23	0	n.a.	36	100		
New Brunswick	34	24	58	5	21	14	2	n.a.	42	100		
Quebec	68	12	80	5	10	5	0	n.a.	20	100		
Ontario	79	9	88	5	4	2	0	n.a.	12	100		

Percent distribution of population within each geographic class (column percent)												
Manitoba	60	7	68	3	9	17	3	n.a.	32	100		
Saskatchewan	44	15	60	2	11	19	8	n.a.	40	100		
Alberta	64	15	79	2	7	11	1	n.a.	21	100		
British Columbia	67	20	87	2	4	6	1	n.a.	13	100		
Yukon	0	75	75	n.a.	n.a.	n.a.	n.a.	25	25	100		
Northwest Territories	0	45	45	n.a.	n.a.	n.a.	n.a.	55	55	100		
Nunavut	0	0	0	n.a.	n.a.	n.a.	n.a.	100	100	100		
CANADA	68	13	81	4	7	6	1	0	19	100		
Percent distribution of population within each geographic class (column percent)												
Newfoundland and Labrador	1	1	1	2	4	6	14	n.a.	5	2		
Prince Edward Island	0	2	0	1	2	0	0	n.a.	1	0		
Nova Scotia	2	5	2	2	4	10	1	n.a.	5	3		
New Brunswick	1	4	2	3	7	5	4	n.a.	5	2		
Quebec	24	22	24	31	32	17	12	n.a.	25	24		
Ontario	45	27	42	46	24	13	11	n.a.	24	38		
Manitoba	3	2	3	2	5	10	12	n.a.	6	4		
Saskatchewan	2	4	2	2	5	9	27	n.a.	7	3		
Alberta	10	12	10	6	10	18	9	n.a.	12	10		
British Columbia	13	20	14	6	7	12	9	n.a.	9	13		
Yukon	0	1	0	n.a.	n.a.	n.a.	n.a.	13	0	0		
Northwest Territories	0	0	0	n.a.	n.a.	n.a.	n.a.	38	0	0		
Nunavut	0	0	0	n.a.	n.a.	n.a.	n.a.	49	0	0		
CANADA	100	100	100	100	100	100	100	100	100	100		

Source: Statistics Canada, Census of Population, 2006.

Figure 1.6**Farm and Non-Farm Population in Rural Canada**

Since 1956, farmers have been in the minority in rural Canada.



Source: Statistics Canada, Census of Population, 1931–2006.

Box 1.5**Demand and Supply of Local Food**

Beshiri (forthcoming) has calculated the “demand” for each type of food for Toronto, assuming that each citizen eats the same quantity of each food item as the average Canadian. He then calculated the production by census farms (assuming average yields of crops per acre and milk and meat per animal) within concentric rings around Toronto. Local production of meat and eggs is greater than the estimated consumption. Local production of vegetables, fruit, grains, dairy products, and sugar is less than the estimated consumption. However, not all vegetables are undersupplied. For example, estimated local production of carrots, sweet corn, cabbage, and mushrooms appear larger than estimated consumption by

residents of Toronto. Also, not all fruits are undersupplied. The estimated production of peaches and cherries is greater than the estimated consumption by residents of Toronto. Although estimated meat production is greater than estimated meat consumption, the estimated consumption of beef, mutton, and lamb is greater than the estimated local production.

The methodology used by Beshiri involves a number of simplifying assumptions. It can be replicated for your city. The results would give you a general idea of the situation. However, more detailed data and analysis would be needed to support a policy decision on the subject of local foods for any given city.

Recent Immigrants to Rural Canada

Immigration is contributing a continuously larger share of Canada’s population growth. Over the period of 1972 to 1976, immigration accounted for 37 percent of total population growth. Between 2001 and 2005, immigration accounted for 60 percent of Canada’s population growth (Statistics Canada, 2006). By about 2030, Canada’s natural balance (i.e., births minus deaths) is projected to be negative and, thus, all of Canada’s population growth will come from immigration (see Figure 1.7) (Statistics Canada, 2005b).

Table 1.3 Distribution of Rural and Small Town Employment, 2007

IN 2007, 8 PERCENT OF RURAL AND SMALL TOWN WORKERS WERE EMPLOYED ON FARMS, AND 13 PERCENT WERE EMPLOYED IN MANUFACTURING.

	GOODS-PRODUCING SECTORS								
	AGRI- CULTURE	FORESTRY, FISHING, MINING, OIL AND GAS	UTILITIES	CONSTRUC- TION	MANUFAC- TURING	ALL GOODS- PRODUCING SECTORS	WHOLESALE AND RETAIL TRADE	TRANSPOR- TATION AND WARE- HOUSING	FINANCE, INSURANCE, REAL ESTATE AND LEASING
Number employed in rural and small town areas in 2007 (,000)									
Newfoundland and Labrador	1	10	1	7	9	27	16	5	2
Prince Edward Island	3	2	x	2	4	11	4	1	1
Nova Scotia	4	9	1	9	19	40	25	5	5
New Brunswick	5	8	1	12	23	48	21	9	5
Quebec	48	17	5	49	142	261	111	41	30
Ontario	46	10	17	66	122	261	122	44	28
Manitoba	25	4	1	12	18	60	24	9	6
Saskatchewan	37	13	1	11	9	71	25	8	7
Alberta	41	42	4	41	24	151	60	21	13
British Columbia	15	19	2	29	27	92	41	14	13
CANADA	225	133	31	237	395	1,021	447	158	109
Percent distribution of rural and small town employment with each province, 2007 (row percent)									
Newfoundland and Labrador	1	11	1	8	10	31	18	6	2
Prince Edward Island	9	7	n.a.	8	12	37	13	4	3
Nova Scotia	3	6	0	6	13	28	17	4	3
New Brunswick	3	5	1	8	15	32	14	6	3
Quebec	6	2	1	7	19	35	15	5	4
Ontario	6	1	2	8	15	32	15	5	3
Manitoba	15	2	1	7	11	37	14	6	4
Saskatchewan	21	8	0	6	5	41	14	5	4
Alberta	10	10	1	10	6	37	15	5	3
British Columbia	6	7	1	11	10	34	15	5	5
CANADA	8	4	1	8	13	34	15	5	4
Percent distribution of rural and small town employment within each industrial sector, 2007 (column percent)									
Newfoundland and Labrador	0	8	2	3	2	3	3	3	2
Prince Edward Island	1	2	n.a.	1	1	1	1	1	1
Nova Scotia	2	6	2	4	5	4	6	3	4
New Brunswick	2	6	3	5	6	5	5	6	4
Quebec	21	13	15	21	36	26	25	26	28
Ontario	20	8	54	28	31	26	27	28	25
Manitoba	11	3	4	5	5	6	5	6	5
Saskatchewan	16	10	3	5	2	7	6	5	6
Alberta	18	32	11	17	6	15	13	14	12
British Columbia	7	14	5	12	7	9	9	9	12
CANADA	100	100	100	100	100	100	100	100	100

x Data suppressed to meet the confidentiality requirements of the Statistics Act.

Source: Statistics Canada. Labour Force Survey, CANSIM Table 282-0099 (<http://cansim2.statcan.ca/cgi-win/CNSMCGI.PGM>)

Table 1.3 Continued

SERVICES-PRODUCING-SECTORS									
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	BUSINESS, BUILDING AND OTHER SUPPORT SERVICES	EDUCATIONAL SERVICES	HEALTH CARE AND SOCIAL ASSISTANCE	INFORMATION, CULTURE AND RECREATION	ACCOMMODATION AND FOOD SERVICES	OTHER SERVICES	PUBLIC ADMINISTRATION	ALL SERVICES-PRODUCING SECTORS	ALL SECTORS
Number employed in rural and small town areas in 2007 (,000)									
2	3	6	13	2	5	4	5	62	89
1	1	2	3	1	2	1	2	18	29
4	6	12	20	4	9	6	6	101	142
4	6	11	20	4	9	7	8	103	152
27	22	38	87	20	50	39	28	492	753
30	32	52	89	29	50	32	38	545	806
3	3	12	21	4	7	7	8	104	163
4	2	12	20	4	9	7	6	103	173
17	10	26	35	11	28	22	13	257	408
10	10	15	25	10	24	10	8	180	271
100	93	185	333	90	194	136	119	1,964	2,985
Percent distribution of rural and small town employment with each province, 2007 (row percent)									
2	3	7	15	2	6	5	5	69	100
2	3	6	12	3	7	4	6	63	100
3	4	8	14	3	6	4	4	71	100
3	4	7	13	3	6	5	5	68	100
4	3	5	12	3	7	5	4	65	100
4	4	6	11	4	6	4	5	68	100
2	2	7	13	2	4	4	5	64	100
2	1	7	11	2	5	4	3	59	100
4	2	6	9	3	7	5	3	63	100
4	4	6	9	4	9	4	3	66	100
3	3	6	11	3	6	5	4	66	100
Percent distribution of rural and small town employment within each industrial sector, 2007 (column percent)									
2	3	3	4	2	3	3	4	3	3
1	1	1	1	1	1	1	2	1	1
4	6	6	6	5	5	4	5	5	5
4	6	6	6	5	5	5	6	5	5
27	23	20	26	23	26	29	23	25	25
29	34	28	27	32	26	23	32	28	27
3	3	7	6	4	4	5	6	5	5
4	2	6	6	5	4	5	5	5	6
17	11	14	11	13	15	16	11	13	14
10	11	8	7	11	12	8	7	9	9
100	100	100	100	100	100	100	100	100	100

Most immigrants go to metro centres. Within Canada's largest cities, immigrants (i.e., individuals born outside Canada) compose over one-quarter of the population, whereas immigrants make up about 6 percent of the rural and small town population (Beshiri and Alfred, 2002; Beshiri, 2004; Beshiri and He, 2009). In addition, as noted by Bollman, Beshiri, and Clemenson (2007), visible minority immigrants are quite evident in metropolitan Canada.

In rural northern regions of Canada, 35 percent of the population reports an Aboriginal identity (see Figure 1.8). Although some of the social and cultural issues are the same for visible minority immigrants and Aboriginal peoples, policy attention to these issues is generated from separate streams. The Employment Equity Act (1986) defines the visible minority population as those, other than Aboriginal, who are non-Caucasian in race or non-white in colour. The federal multiculturalism policies, for the so-defined visible minority population, are managed by Citizenship and Immigration Canada. The federal policy for Aboriginal peoples who reside on First Nations reserves is managed by Indian and Northern Affairs Canada. In 2001, 71 percent of Canadians with an Aboriginal identity were not living on reserves and, therefore, were not included within the mandate of Indian and Northern Affairs Canada.

In Manitoba and Saskatchewan, individuals with an Aboriginal identity are projected to represent about 20 percent of the provincial population in 2017 (see Figure 1.9) (Statistics Canada, 2005a). Growth of the Aboriginal population is projected to follow previous trends—with strong growth in the population on reserves and in larger cities. However, in absolute numbers, there are more people with an Aboriginal identity in Ontario than in any other province (see Figure 1.10). A higher birth rate among Aboriginals means that the average Aboriginal is relatively younger than the average Canadian. In 2017, Aboriginals are expected to compose 30 percent of the new workers in the province of Saskatchewan (see Figure 1.11).

Transportation Prices

A reduction in transportation prices (one of the aforementioned prices of rurality) would increase the size of the national pie. A reduction in transportation prices also influences the geographic location of production and people.

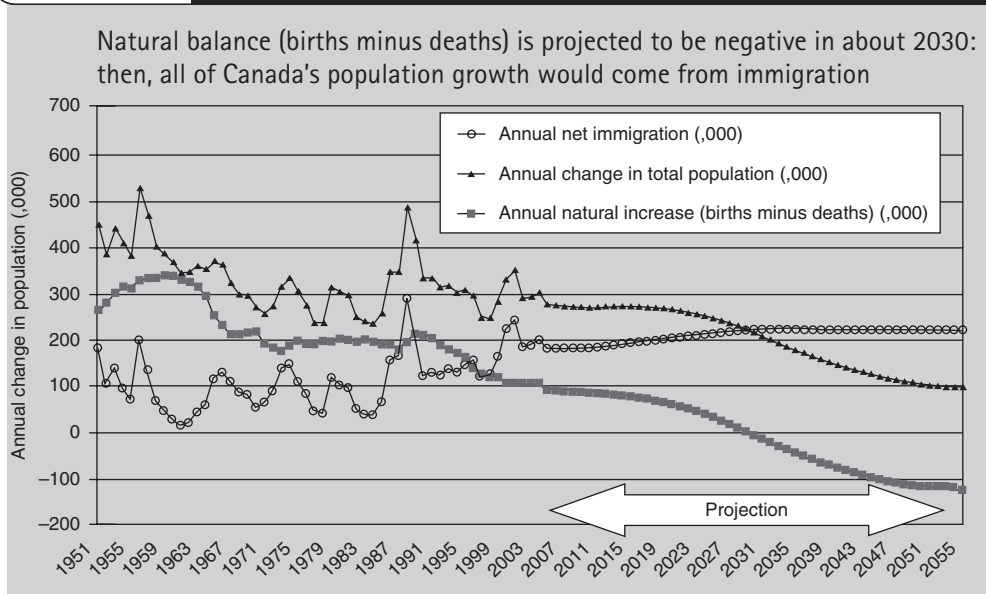
Communication Prices

Similarly, a reduction in communication prices would increase the size of the national pie—and would, relatively, improve the opportunities in rural Canada.

Networks

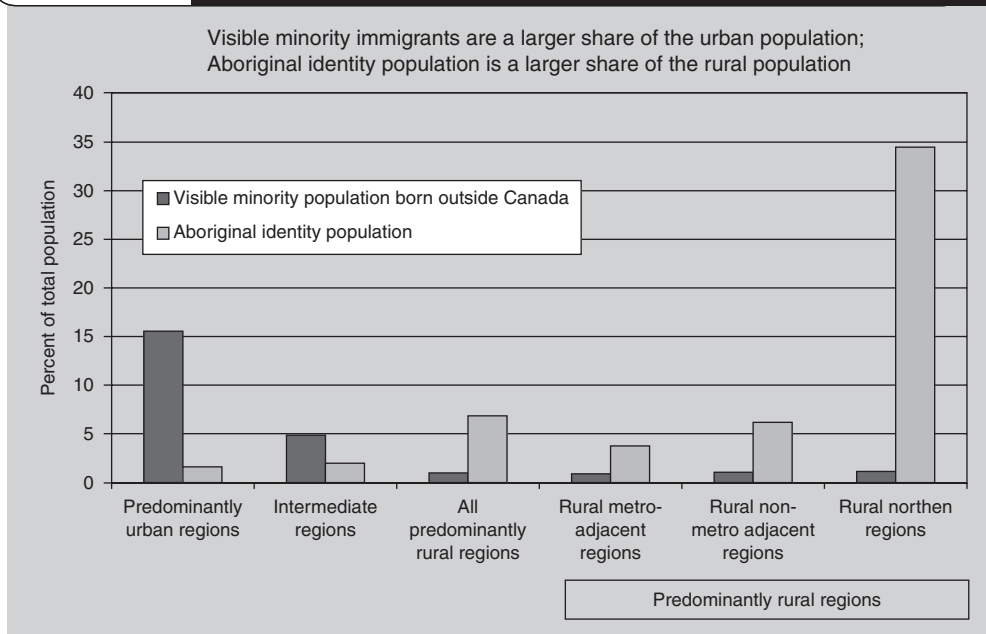
Extending the use of and improving the efficiency of networks (both formal and informal) would also help increase the size of the national goods and services pie. Following Putnam's (1995) approach to social capital, for example, Knack and Keefer (1997) demonstrate how the trust and civic norms accompanying social networks facilitate economic performance. If everyone in a group (firm or community) trusts his or her neighbour to perform the agreed-upon task in the agreed-upon way at the agreed-upon time, then fewer resources are required for monitoring and enforcement, thereby diminishing transaction costs. Coleman's (1988) example of Jewish diamond traders illustrates how this works: high-value transactions are completed on an informal basis since clients can be trusted to follow through on verbal agreements. A combination of cultural, religious, and social norms and institutions ensures that these verbal agreements are respected, and the exclusive nature of the recruitment into the trading network ensures that these institutions have the opportunity to enforce the norms. Hence, no resources are "wasted" on enforcement. (See Richman, 2006 for a more detailed discussion.)

Figure 1.7 Sources of Population Growth



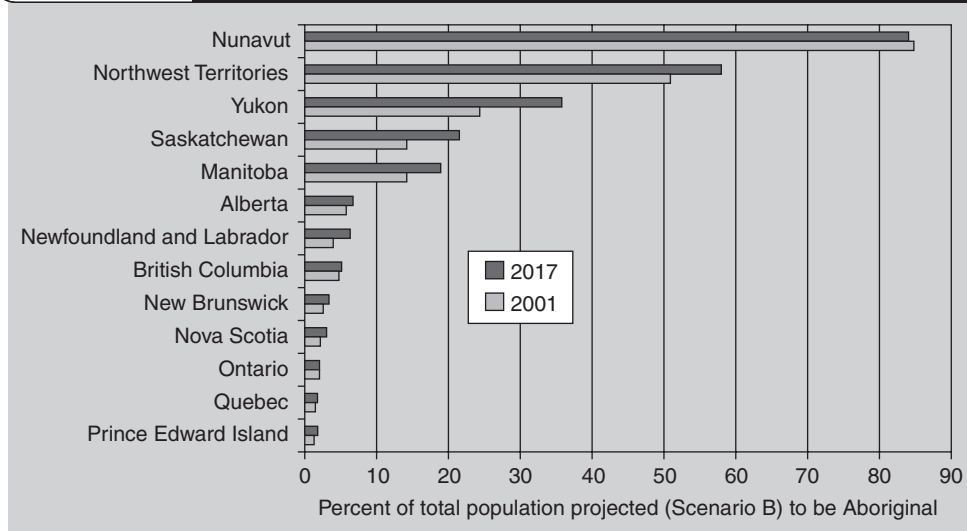
Source: Statistics Canada. (2005). Population projections for Canada, provinces and territories (Ottawa: Statistics Canada, Catalogue no 91-529-XIE). Retrieved from <http://www.statcan.gc.ca/bsolc/english/bsolc?catno=91-529-XIE#formatdisp>.

Figure 1.8 Visible Minority and Aboriginal Population



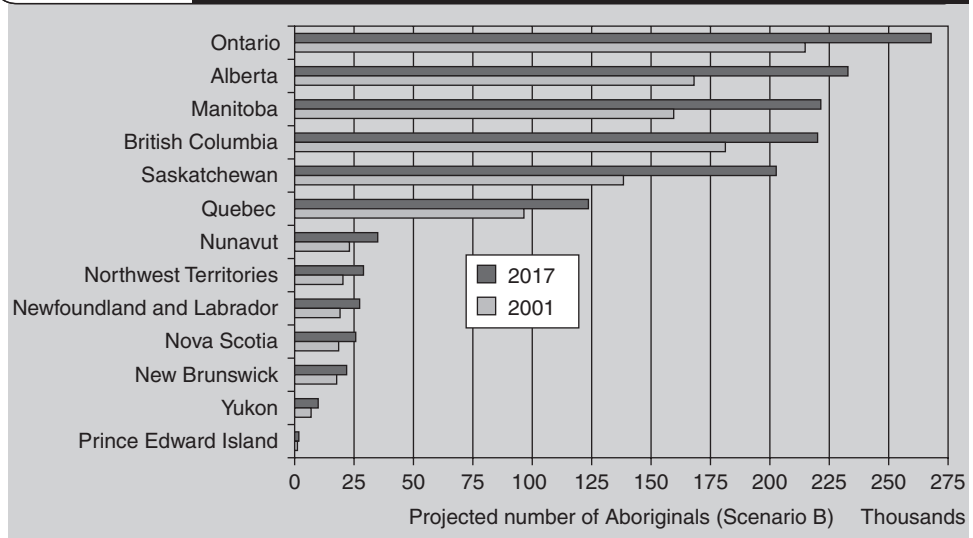
Source: Statistics Canada, Census of Population, 2001.

Figure 1.9 Projection of Share of Population That Will Be Aboriginal in 2017



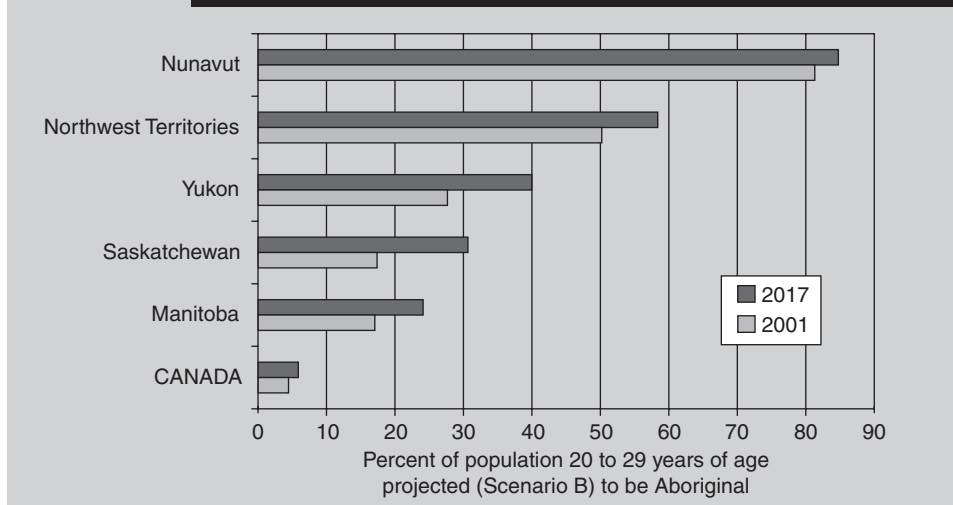
Source: Statistics Canada. (2005). Projections of the Aboriginal populations, Canada, province and territories, 2001 to 2017. (Ottawa: Statistics Canada, Cat No 91-547).

Figure 1.10 Aboriginal Population Projection in 2017



Source: Statistics Canada. (2005). Projections of the Aboriginal populations, Canada, province and territories, 2001 to 2017. (Ottawa: Statistics Canada, Cat No 91-547).

Others have shown how networks across diverse social groups (bridging) or geography (linking) play a particularly important role in generating economic opportunities (Woolcock, 2001; Flora, Flora, and Fey, 2004). These linkages provide knowledge and access to assets that can open markets, stimulate innovation, and provide solutions to local challenges that otherwise may not be overcome (Tiepoh and Reimer, 2004). Even weak links can become important sources of such support (Granovetter, 1973, 1983).

Figure 1.11**Projection of Share of Young Adult Population That Will Be Aboriginal in 2017**

Source: Statistics Canada. (2005). Projections of the Aboriginal populations, Canada, province and territories, 2001 to 2017. (Ottawa: Statistics Canada, Cat No 91-547).

These network assets are not always used, however. Reimer (2006) has shown that both formal and informal networks often exist within rural communities but remain unused for economic development since they operate on norms that are unfamiliar or unwelcoming to entrepreneurs and business leaders (see Table 1.4). The bureaucratic norms and requirements of governments, for example, are often decried as “red tape” or obstacles to business expansion by local entrepreneurs who are more familiar with decision making and business transactions built on more informal norms of exchange. Reimer (2006) suggests that there are at least four normative systems of this type, each of them creating potential bases for coordinating collective action: market (based on norms of supply and demand); bureaucratic (based on generalized roles and principles); associative (based on a shared interest or objective); and communal (based on common kinship, ethnic, or ideological identity). Communities that are able to bridge these different modes of relating can open up innovative opportunities with significant economic implications (Reimer, Lyons, Ferguson, and Polanco, 2008). A major opportunity for community development is to find ways in which these unused social networks may be used for economic enhancement, thus providing a type of social capital (Policy Research Initiative, 2003).

Perhaps surprisingly, the use of any one type of network or social capital does not appear to compensate for the lack of use of any other type of social capital. They are not substitutes. Instead, there is a positive association between the use of each type of social capital by households (see Table 1.5), suggesting that increases in one type of social capital are associated with (or perhaps even dependent on) increases in other types. The good news about a positive association is that the use of one type of social capital may strengthen another type of social capital. Community development practitioners might take heart—any contribution that they make toward building networks and capacity in a community may spill over to other types of networks.

Social networks associated with voluntary groups, businesses, and government organizations are most likely to involve individuals who have attained higher education (Turcotte, 2005; Rothwell and Turcotte, 2006). This may place rural areas at a disadvantage since education levels tend to be lower than in urban locations (Alasia, 2003). However, rural

Table 1.4 Availability by Use of Social Capital in Rural Households

THERE IS A WEAK ASSOCIATION BETWEEN THE "USE" OF SOCIAL CAPITAL BY HOUSEHOLDS AND THE "AVAILABILITY" OF SOCIAL CAPITAL IN THE COMMUNITY.

USE OF SOCIAL CAPITAL BY HOUSEHOLDS	AVAILABILITY OF SOCIAL CAPITAL IN THE COMMUNITY				Total
	Market	Bureaucratic	Associative	Communal	
Linear correlation coefficient "r" between "use" and "availability" of social capital					
Market	0.12	0.08	0.21		0.15
Bureaucratic	0.22	0.13	0.35		0.29
Associative	0.20	0.09	0.28		0.22
Communal	-0.18	0.09	0.07	0.05*	
Total	0.19	0.12	0.32		0.25

N=1,849 in 21 sites. Unless otherwise indicated, p<0.01; * p<0.05

Source: Reimer, B. "The Rural Context of Community Development in Canada." *Journal of Rural and Community Development* 1.2 (2006): 155–75.

communities have traditionally been strong with respect to social networks based on kin, religious, and cultural similarities, so it may be in these domains that development initiatives can begin. The challenge in this case is to build bridges to the market- and bureaucratic-based networks that usually enhance access to economic resources.

Human Capital Upgrading

The national pie would be larger if the quality of any or all inputs was augmented. Increasing the skills and capacity of workers is one component; however, rural communities face a

Table 1.5 Social Capital Used by Rural Households

A POSITIVE (ALBEIT WEAK) ASSOCIATION BETWEEN EACH TYPE OF SOCIAL CAPITAL USED BY HOUSEHOLDS INDICATES THAT ONE TYPE OF SOCIAL CAPITAL CANNOT COMPENSATE OR SUBSTITUTE FOR A FAILURE OF ANOTHER TYPE OF SOCIAL CAPITAL—BUT STRENGTH IN ONE TYPE MAY BE USED TO BUILD STRENGTH IN ANOTHER.

TYPE OF NETWORK (OR TYPE OF SOCIAL CAPITAL)	TYPE OF NETWORK (OR TYPE OF SOCIAL CAPITAL)		
	<i>Bureaucratic</i>	<i>Associative</i>	<i>Communal</i>
Linear correlation coefficient "r" between use of each type of social capital by households			
<i>Market</i>	0.18	0.28	0.27
<i>Bureaucratic</i>		0.37	0.41
<i>Associative</i>			0.29

N=1,995—sums of logged items, p<0.01

Source: Reimer, B. "The Rural Context of Community Development in Canada." *Journal of Rural and Community Development* 1.2 (2006): 155–75.

dilemma when pursuing efforts to improve the educational attainment levels of their community members. If there are no local jobs for those with a higher educational level, there is less incentive for individuals to achieve this educational level. Either the effort will be wasted or individuals will face extra costs (financial, social, and psychological) in moving to another community where their new skills can be employed. If there is a potential to lose skilled workers to another community, there is less incentive (i.e., a lower rate of return) for communities to invest in upgrading the “quality” of their work force (Alasia, 2005).

The slow but sure restructuring taking place within each industry results in the concentration of higher-skilled jobs in urban centres and lower-skilled jobs in rural areas (Alasia and Magnusson, 2005).

In Canada, universities are located in the big(ger) cities, and fewer rural high school graduates go to universities, compared to urban high school graduates. However, smaller technical and community colleges, typically located in smaller cities and larger towns, compensate for this (Frenette, 2002, 2003). As a result, students who graduate from a rural high school are just as likely to pursue postsecondary education as a student who graduates from an urban high school. More important for rural development, the curriculum of community colleges is better aligned with the skills and training needs of local employers. More rural development policy attention might be directed toward enhancing this pattern.

In addition to upgrading the quality of human capital through education and skills, we should also recognize the importance of health. A healthier work force is a more productive work force. Thus, investments in improving the health of the work force would increase the size of the national pie.

In general, health outcomes are more negative in rural areas (DesMeules and Pong, 2006; Mitura and Bollman, 2003, 2004). A smaller share of rural Canadians self-report “excellent” health. Life expectancy in rural areas is lower. Mortality rates from suicides and vehicle accidents are higher for youths. Rural citizens have no alternative but to drive to events on rural roads—and, importantly, they then have to drive home from events. Risk factors such as obesity and smoking are also more prevalent in rural areas.

Innovation and Research and Development

Finding new ways of doing new things increases the size of the national pie. How can rural areas participate in new ways of doing new things? For one, creating linkages and exchanges of individuals and project ideas between higher-education institutions and rural populations generates positive returns (Organisation for Economic Co-operation and Development [OECD], 2007); however, enterprises located farther from a university are less likely to be involved with the university in research and development projects (Rosa and Mohnen, 2008).

Environment and Amenity Enhancement

To the extent that the quality of the environment can be improved as an input into the production of goods and services, the size of the national pie would be increased. Improving and maintaining the quality of natural amenities (such as lakes and mountains), for example, could be valorized by entrepreneurs to create jobs.

All of the discussion above has focused on the characteristics of rural Canada in the context of policy opportunities to increase the size of the national pie. Getting prices right (reducing monopoly prices, subsidizing public “goods,” taxing public “bads,” reducing transaction costs) is an agreed-upon legitimate role for public policy. Public policy decisions are also involved in the second major concern we have identified: ensuring a fair and just distribution of the national wealth—in all its forms. The following discussion addresses some rural conditions relevant to this objective.

Redistributing the Pie

We might envision two broad groups of actions to redistribute the national pie in a manner that meets societal objectives for fairness:

1. We could change the stream of income generated from the employment of capital and labour. This is the role of the income tax system—to collect taxes from higher-income recipients and to transfer income to lower-income recipients and others (e.g., the disabled, students) who society deems to be deserving of receiving transfer income (see Box 1.6).
2. We could change the ownership or nature of various citizenship, social, or property rights. Thus, different people or groups would receive the stream of rents (or benefits) from the use of the property. Changes in the ownership of rights is most often accomplished through the buying and selling of property—including those circumstances in which governments operate as buyers or sellers. In other cases, changes in the nature of rights associated with property occur through legislation and associated legal processes that specify what can or cannot be done with particular property.

Changing the Stream of Income

Rural citizens pay less tax and receive more transfers per dollar of income than urban citizens (Murphy, 1992; Rupnik, Thompson-James, and Bollman, 2001a). Less tax is paid because rural citizens have lower income levels. More transfers are received for three main reasons:

- Unemployment rates are higher in rural areas (generating high levels of benefits from the Employment Insurance program).
- There is a higher share of seniors in rural areas (generating relatively more old age pension income).
- There is a higher share of children in rural areas (generating relatively more transfers from the Child Tax Credit program).

From a rural development perspective, where the focus is typically on the residents of a geographical territory, we should note that the federal/provincial equalization program has usually transferred revenue from more urban provinces to more rural provinces. The objective of this program is to achieve equal levels of services across the provinces to prevent the migration of labour in search of government services. Rather, labour is expected to migrate in search of jobs—or higher-paying jobs (i.e., to increase the size of the national pie). Thus, because provinces that are more rural are net beneficiaries (or were net beneficiaries) of this program, rural citizens in recipient provinces would benefit from this program.

The federal Community Futures program also targets money to specific geographic jurisdictions. This program has changed somewhat over time and has varying focuses in different parts of the country. In general, as a lender of last resort, a local committee of volunteers reviews proposals and approves loans for projects within their specific geographic region. The federal government provides loan capital to each committee that manages the Community Futures program in a given rural area. Some committees have expanded their base of loan capital using the interest they have earned on earlier loans. When funded projects generate a competitive rate of return, this program expands the size of the national pie—and when funded projects improve the well-being of local citizens (without requiring a competitive rate of return on the loan), some aspects of “social transfer” are evident.

Income Levels for Rural and Urban Canadians

The income gap between rural and urban families is about \$10,000 (in constant dollars based on the year 2000) (see Figure 1.12). This gap has not changed over the past two

Box 1.6 Taxing Capital versus Taxing the Capitalist

Understanding the distinction between taxing capital and taxing the capitalist is fundamental to our long-term well-being. Our economic policies generally assume that high levels of output are desirable for an economy (or a subsector of the economy). This output is most often measured in terms of the *gross domestic product* (GDP). GDP is the sum of the return on the two factors of production—capital (K) and labour (L). Simple labour productivity is calculated as GDP per worker (i.e., GDP/L). Note that GDP/L will be higher if K/L is higher. Simply

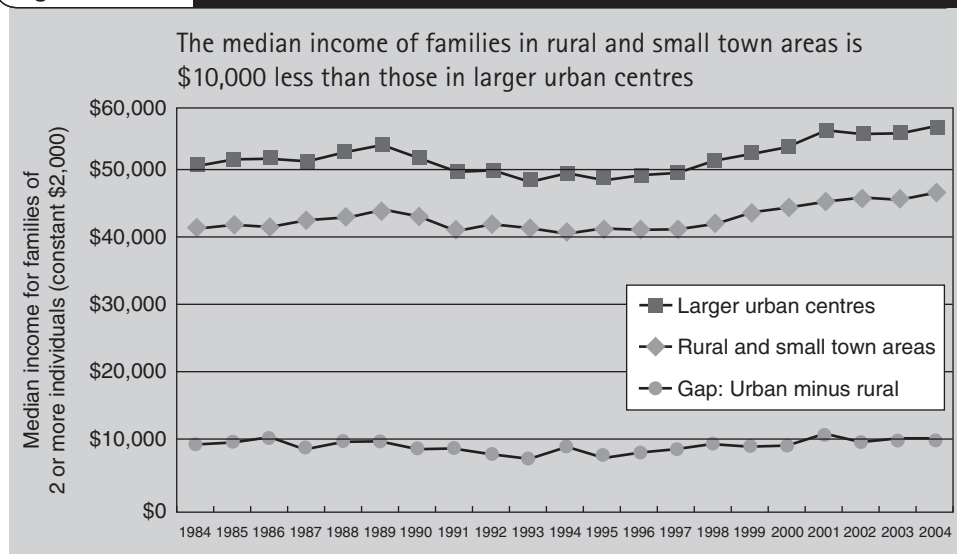
put, output per worker is higher if the ratio of capital per worker is higher. In general, workers will get better wages if they have more or better machines with which to work. Thus, anything that constrains the adoption of machines, such as tax on capital, is contrary to the interests of workers. However, if the owner of the capital has six- or seven-digit income from all sources, then this individual should have the income taxed according to his or her appropriate tax bracket. This is the distinction between taxing capital and taxing the capitalist.

decades (Bollman and Michaud, 2006; see also Rupnik et al., 2001a with provincial detail in Rupnik, Thompson-James, and Bollman, 2001b; and Singh, 2002). Most economists would likely interpret this consistency as an equilibrium between the lower cost of rural living and the desire of people to continue living in rural areas.

Incidence of Low Incomes

The incidence of low incomes (as measured by the low income cut-off measure) was higher in rural Canada up to the mid-1980s, but since the late 1980s, the incidence of

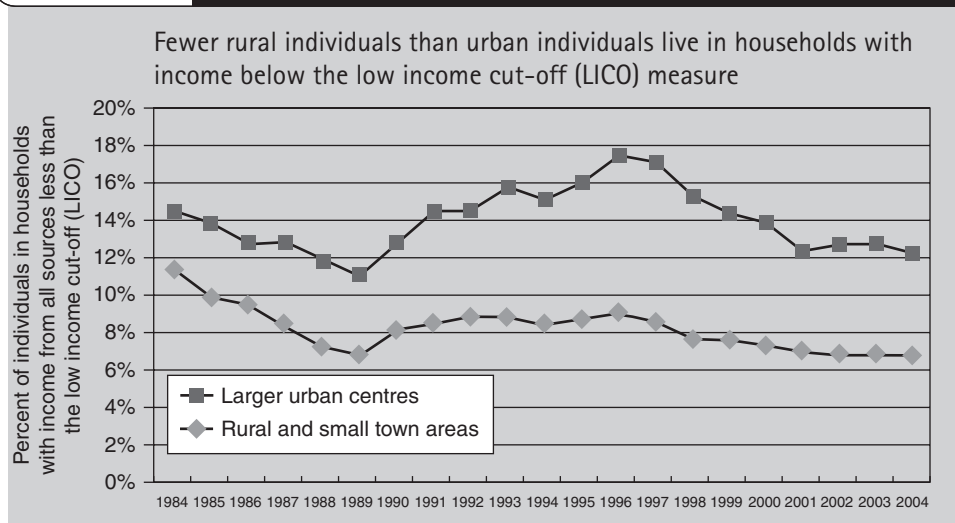
Figure 1.12 Median Incomes of Families in RSTs and LUCs



Note: Larger urban centres refers to CMAs (Census Metropolitan Areas) and CAs (Census Agglomerations). Rural and small town areas are non-CMA/CA areas.

Source: Statistics Canada. Survey of Labour and Income Dynamics (and survey of consumer finances for earlier years). Retrieved from <http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?lang=eng&canto=75F0011X>

Figure 1.13 Share of Individuals in Households with Low Income



Note: Larger urban centres refers to CMAs (Census Metropolitan Areas) and CAs (Census Agglomerations). Rural and small town areas are non-CMA/CA areas.

Source: Statistics Canada. Survey of Labour and Income Dynamics (and the survey of consumer finances for earlier years).

low income in rural and small town Canada has been less than the incidence of low income in larger urban centres (see Figure 1.13). Note that the low income cut-off (LICO) is adjusted for urbanization classes—the LICO for rural areas is lower to reflect lower living costs (largely, the cost of housing but also food and clothing). This is part of the reason there is a lower share of rural individuals living in households with income below the LICO.

Different ways of measuring the incidence of low income will give different results. For example, using the low income measure (LIM) (i.e., individuals in households with a household income less than half of the national median income, adjusted for household size) shows that the incidence of low incomes in rural areas is higher than in urban areas (Rupnik et al., 2001a). This result is solely due to the fact that the LIM makes no adjustment for the differences in costs of living between urban and rural areas. A third measure, in addition to LICO and LIM, is the market basket measure (MBM), which includes transportation costs in the calculation of the cost of living. Higher rural transportation costs due to the lack of public transit means that the minimum “market basket” of goods and services costs more in rural areas, and, consequently, the incidence of individuals living below the MBM is similar in rural and urban areas (Bollman and Michaud, 2006).

The incidence of low income associated with each measure is summarized below.

- LICO: There is a lower incidence of low income in rural areas, relative to urban, because the cost of the three “necessities” (food, clothing, and shelter) is lower in rural areas (due largely to a lower cost of housing).
- LIM: There is a higher incidence of low income in rural areas, relative to urban, because the LIM threshold is the same in rural and urban areas. Rural families have lower incomes, and, thus, a higher share have incomes below the LIM threshold.
- MBM: There is about the same incidence of low income in rural areas and urban areas because the cost of transportation has been added to the list of “necessities.”

Urban area residents have a monthly bus pass in their MBM. Rural area residents have the cost of operating an automobile in their MBM. This increases the rural threshold to be higher than the LICO threshold. The net outcome is a similar share of rural and urban individuals below the MBM threshold.

The discussion to this point has focused on individuals. However, if we get back to our focus on rural development, public policy interventions may be for specific geographical regions. Alasia (forthcoming; see a preliminary discussion in Bollman and Michaud, 2006) shows that, in 2001, within predominantly rural regions, we see that

- 1.2 million individuals (14 percent of all individuals residing in predominantly rural regions) lived in households with income from all sources (e.g., wages, farm or family business income, investments in property or firms, pension income, welfare payments) below the LICO (see Table 1.6); and
- only one-half of these individuals (0.6 million) lived in communities with a relatively high percentage of individuals living below LICO (specifically, communities with more than 15 percent of the population living below LICO).

Thus, one-half of rural low-income individuals live in low-income communities—and one-half do not live in low-income communities. This is grist for the policy debate regarding whether one should target “poverty” policy at individuals or whether one

Table 1.6 Low-Income Status of Residents in Predominantly Rural Regions

FOR RESIDENTS IN PREDOMINANTLY RURAL REGIONS,¹ THE DISTRIBUTION OF POPULATION ACCORDING TO LOW-INCOME STATUS OF THE INDIVIDUAL AND THE LOW-INCOME STATUS OF THE COMMUNITY.

TYPE OF COMMUNITY ²	TYPE OF INDIVIDUAL		
	<i>Living in a household with income less than the low income cut-off (LICO)</i>	<i>Living in a household with income greater than or equal to the low income cut-off (LICO)</i>	<i>All individuals</i>
	Number of individuals (millions) residing in predominantly rural regions		
<i>Low-income communities</i> (with over 15% of the residents living in households with income less than LICO)	0.6	2.5	3.1
<i>Non-low-income communities</i> (with over 15% of the residents living in households with income less than LICO)	0.6	4.9	5.5
All communities	1.2	7.4	8.5

Source: Statistics Canada. Census of Population, 2001.

¹ Following the OECD definition, a predominantly rural region has 50% or more of its population living in a rural community. Census divisions are used as a proxy for region.

² A census consolidated subdivision is used as a proxy for community.

should target “poverty” policy at communities—a discussion for both rural development policy and rural planning policy. Note that this is different than the discussion about the shift from a sector-based to a place-based policy. A place-based policy would focus on the best project in a place—and on valorizing underutilized assets in a place. A focus on investing in people in a place is part of a place-based policy (Bradford, 2005).

Rewarding Positive Externalities and Mitigating Negative Externalities

As noted above, *externalities* are unpriced goods and services. Pollution generated for the production of a good or service is an example of an unpriced part of the production process—it is a negative externality. My listening to a rock concert half a kilometre from the venue would be another example of an unpriced part of the flow of entertainment services from the concert—and it would be a positive externality for me (if I like the music; otherwise, it would be noise pollution—that is, a negative externality).

Typically, public agencies need to provide a positive price for positive externalities (which looks like a subsidy), and they need to provide a negative price for a negative externality (which looks like a tax).

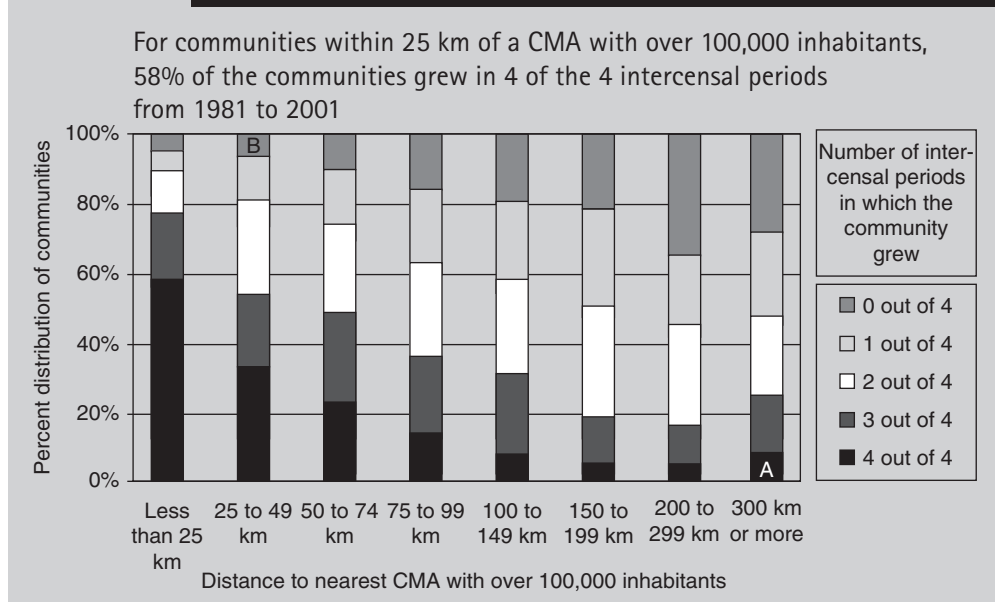
Sometimes the externalities can be internalized—specifically, the producer and the consumer of the externality can strike a deal. One example of this is the deal between the City of New York, as a consumer of fresh water from the mountains to the northwest, and the residents of the mountains, who receive payments from the City of New York to ensure that a clean supply of water flows downstream (Catskill Watershed Corporation, 2008; Cone, 2007).

Rural communities are involved in all sorts of “spill-over” issues. For example, more and more services for citizens residing in rural communities are being delivered in regional centres, not within the rural community itself (Halseth and Ryser, 2006). Health services provide the best example. The story is the same as the story for farming. Farms are getting bigger because farmers are using bigger and bigger machines. Similarly, doctors want to use the latest equipment (e.g., MRI, CT, and PET scanning equipment) to diagnose their patients. It is not economical to have this costly equipment in smaller hospitals where it would be used only occasionally. Consequently, regional hospitals are expanding their equipment, and hospitals in smaller communities are closing. We see three implications:

- Some rural citizens must now travel further to access health services.
- The committees (the “governance” structure) for these regional health services do not always include representation from the surrounding rural communities, so rural communities do not have an opportunity to voice their preferences for and concerns about hospital services (Halseth and Ryser, 2006).
- In addition, in many cases, the minimum size of a viable hospital (in terms of the number of doctors and the associated equipment) is growing faster than communities are growing. If a community cannot grow fast enough to keep pace with the population base to support a viable hospital, the community is in danger of losing the hospital—and losing a key service that would maintain hope for employment growth.

However, there is an important thing to remember about data regarding communities. Within a group of communities, there are always those that are successful and innovative (or perhaps just lucky) and others that are unsuccessful (or unlucky). When looking at groups of communities ranked by distance to a metro centre (as in Figure 1.4), some communities are able to show persistent growth and some communities show persistent declines (see Figure 1.14). Thus, some communities are able to overcome the disadvantages of being distant from a larger city (see A in Figure 1.14), and some communities are not able to benefit from being close to a larger city (see B

Figure 1.14 Distribution of Communities by Growth Pattern for Each Distance to a CMA



Note: A CMA (Census Metropolitan Area) has an urban core of 100,000 or more.

Source: Statistics Canada, Census of Population, 1981–2001.

in Figure 1.14). Local development initiatives to foster creativity and innovation may be part of the explanation for these results (as discussed in other chapters in this book).

Changing Ownership Rights

The second major approach to redistribution is through changes in the ownership of property or changes in the rights and responsibilities associated with that property. The former is largely governed by the operation of markets, and the latter by government legislation as interpreted and enforced by legal systems. It is important to note, however, that a number of the de facto property rights remain in the informal domain (especially in rural areas), with more formal systems of negotiation and enforcement brought in only to manage serious conflicts.

The structure and conditions of governments and governance are, therefore, of primary concern when addressing the issues of distribution. Having access to the centres of decision making is of equal importance for citizens as the ways in which those centres are organized and operate. In large governance structures, limitations may be imposed on the use of your lakefront, pasture, or woodlot by those with few connections to your town or region. If no regional organization exists for such decision making, the likelihood of common regional interests being articulated, debated, and resolved are much less likely. The existence, mandates, and structures of our governing organizations, therefore, are as important as the policies and programs they generate. It is for this reason that Aboriginal self-government, regional government initiatives, community-managed forestry, and municipal amalgamation issues have stimulated such intense debates and conflicts (see Chapter 9 for examples of the effects on Aboriginal peoples and provincial governments).

Governments and Governance

Governments and governance are not the same. Governments are elected officials who hire employees to deliver programs. We pay taxes to governments and receive services from governments. This is different than the concept of governance. Governance refers to the capacity of a society to make decisions. There are many institutions and individuals who participate in the governance of a community—and formal governments may or may not be a participant in any particular governance process.

One of the major challenges to understanding the relationship between governments and governance is the relative dearth of information about the more informal organizations that contribute to local governance. Municipal governments provide considerable information regarding their structure, decisions, and activities, but other key governance agents (clubs, religious groups, business organizations, charitable groups, etc.) are largely undocumented at the local and regional levels.

The Number of Municipal Governments

Rural development agents and rural planners typically interact daily with municipal governments (both staff and elected officials) in order to do their job. In Canada in 2006, there were 5,418 census subdivisions (CSD) (see Table 1.7); nearly all would have a local government because a typical census subdivision is an incorporated town or municipality (Statistics Canada, 2007b). Jurisdictions with too few people to support a local government are administered directly by the provincial ministry of municipal affairs. About 20 percent of Canadians live in rural and small town areas; the remaining 80 percent live in larger urban centres (Bollman and Clemenson, 2008). In terms of the number of local governments, the 20:80 relationship is reversed or, perhaps, is “perverse.” In terms of the number of governments, RSTs have about 80 percent and LUCs have about 20 percent (83 percent and 17 percent to be exact). In terms of perversity, RST areas have about 20 percent of the population and about 80 percent of the governments.

This relationship is not meant to imply that RSTs have too many governments. Within government budgets, the share paid to politicians to do their work is a very small share of government expenditure. Thus, there is no general argument that there are too many politicians. The issue is whether the governments of rural municipalities and small towns have the capacity to pursue rural development and rural planning initiatives. Since many rural communities have common development and planning interests, there is a strong case that they should work together to pursue common interests. This tendency to regional integration is often challenged, however, by municipalities concerned about their loss of influence and unique identity in the face of regional decision-making organizations. Thus, we are struck with another perversity—maybe more government or more “governance” structures are warranted. For example, rural municipalities and small towns could keep their present “authority” and identity yet still work together on a regionally governed “development authority” board to pursue projects in which they have a common interest (Douglas, 1999, 2005). A Quebec example about how this might be done can be found in Chapter 9.

Each Census Metropolitan Area (CMA) is typically composed of many towns and municipalities (with commuting linkages to the core CSD). For example, there are 91 CSDs within the Montreal CMA, 24 within the Toronto CMA and 39 within the Vancouver CMA. A CMA is delineated by Statistics Canada to show a functional labour market. For labour market and other economic development issues, all CSDs within a CMA have an interest in common governance protocols in order to avoid one municipality competing with another. The Greater Vancouver Regional District (GVRD) was established to meet this objective. Since residents in all municipalities will gain if the project undertaken is a good one and residents in all municipalities will lose if it is a bad one, decision making for projects of common interest should be decided jointly.

The same governance issues apply to rural and small town areas. There is considerable interaction among rural communities, as indicated by the data on rural-to-rural commuting flows (Green and Meyer, 1997; Harris et al., 2008). Given the large number of rural and small town municipal governments and given the generally small population in each municipality or town, it is obvious that most groups of towns or municipalities would benefit from a common project. Once again, a governance structure with a process for priority setting and decision making should be created to facilitate joint decision making regarding projects that have common benefits, impacts, and costs across jurisdictions. Some provinces have better mechanisms for the review and the making of decisions across jurisdictions when there is a common interest in a given project. In other provinces, the creation of governance protocols remains a challenge for rural development agents and rural planners.

Creating Policy for a Complex Society

There is no silver bullet. There is no single development or planning policy, program, or approach that could meet the diverse objectives of rural citizens. Often, the process of “doing” rural development and rural planning is, in fact, the biggest contribution that a rural developer or rural planner can make to a community. With this view, the outside “expert” cannot deliver the product but can, rather, deliver a process.

Many individuals view infrastructure (e.g., roads, airports, schools, Internet service) as a necessary condition for rural development. And many think infrastructure is a sufficient condition. This is akin to the message in the movie *Field of Dreams*: Build it and they will come. In the movie, the dreamer built a baseball stadium, and Shoeless Joe Jackson and his 1919 Chicago Black Sox teammates came to the stadium. In our view, building infrastructure would not be a driver of rural development (repairing well-used infrastructure is a different issue); building infrastructure is a response to rural development. The words of Mrs. Skinner, during a protest of the closure of her town’s hospital, resonate: “In time, we realized the truth—that we did in fact have a hand in making that decision. Fifty years of complacency had allowed our community to shrink in population, economic viability and regional importance” (cited in Scholz, 2002, 34).

Mrs. Skinner realized that saving the hospital would not save the town. Rather, the community needed to save the town in order to save the hospital. Citizens need to grow their town to justify the infrastructure—not vice versa.

As we are sure everyone recognizes, there is more to capital than buildings, machines, bridges, and airports. *Capital*, in whatever way the term is used, is an asset that is expected to generate an ongoing rate of return over time. Obviously, repair and maintenance is needed to keep the capital from depreciating. Even the environment may be viewed as capital and thus *sustainable development* may be defined as living on earth and not reducing the so-called environmental capital.

Similarly, in the case of people, one can conceptualize “human capital” or “human capacity.” A higher level of human capacity will generate a higher rate of return (again, assuming repair and maintenance to counter the effect of depreciation), or a higher income. Importantly for rural development, communities with a population with higher levels of human capital will experience more success. For example, if community success is defined as a higher rate of population growth, Alasia (forthcoming) shows that, after holding other factors constant, communities with a higher human capital complement have shown a higher rate of population growth. In addition, communities located within regions with a higher human capital complement have shown a higher rate of population growth.

Another type of capital is “social capital,” where *social* means the capital is not embedded within an individual. Rather, the capital exists between individuals or within

Table 1.7 Number of Census Subdivisions by Type of Geographic Area and by Population Size, Canada, 2006

Type of geographic area	Population size class of census subdivision																All census and over sub-divisions	
	No inhabitants	1 to 49	50 to 99	100 to 199	200 to 299	300 to 399	400 to 499	500 to 749	750 to 999	1000 to 2499	2500 to 4999	5000 to 24,999	25,000 to 49,999	50,000 to 99,999	100,000 to 499,999	500,000 and over		
Number of census subdivisions																		
CMA 1.5 million and over	5	5	2	2	1	1	1	3	1	14	10	22	36	20	16	11	4	154
CMA 0.5 to 1.4 million	2	6	0	1	3	0	3	6	5	15	11	19	13	3	2	4	5	98
CMA 100 to 499 K	3	4	7	9	4	7	6	10	8	38	23	14	33	8	9	22	0	205
CA	37	38	17	20	14	20	13	22	20	84	49	38	70	29	18	2	0	491
Subtotal: Larger urban centres (CMAs and CAs)	47	53	26	32	22	28	23	41	34	151	93	93	152	60	45	39	9	948
Strong MIZ	0	0	8	26	26	31	28	57	54	124	65	51	30	1	0	0	0	501
Moderate MIZ	0	0	6	72	102	114	104	192	135	307	146	75	28	1	0	0	0	1,282
Weak MIZ	2	1	2	29	61	73	81	152	129	291	137	91	15	1	0	0	0	1,065
No MIZ	352	285	188	223	129	101	67	96	49	34	1	0	0	0	0	0	0	1,525
RST Territories	10	98	1	1	8	9	5	12	7	15	2	1	0	0	0	0	0	97
Subtotal: Rural and small town areas (non-CMAs/CAs)	364	295	212	361	326	328	285	509	374	771	351	218	73	3	0	0	0	4,470
All census subdivisions	411	348	238	393	348	356	308	550	408	922	444	311	225	63	45	39	9	5,418
As percentage of the number of census subdivisions within each type of geographic area (row percent)																		
CMA 1.5 million and over	3	3	1	1	1	1	1	2	1	9	6	14	23	13	10	7	3	100
CMA 0.5 to 1.4 million	2	6	0	1	3	0	3	6	5	15	11	19	13	3	2	4	5	100
CMA 100 to 499 K	1	2	3	4	2	3	3	5	4	19	11	7	16	4	4	11	0	100
CA	8	8	3	4	3	4	3	4	4	17	10	8	14	6	4	0	0	100
Subtotal: Larger urban centres (CMAs and CAs)	5	6	3	3	2	3	2	4	4	16	10	10	16	6	5	4	1	100
Strong MIZ	0	0	2	5	5	6	6	11	11	25	13	10	6	0	0	0	0	100
Moderate MIZ	0	0	0	6	8	9	8	15	11	24	11	6	2	0	0	0	0	100
Weak MIZ	0	0	0	3	6	7	8	14	12	27	13	9	1	0	0	0	0	100
No MIZ	23	19	12	15	8	7	4	6	3	2	0	0	0	0	0	0	0	100
RST territories	10	9	8	11	8	9	5	12	7	15	2	1	0	0	0	0	0	100
Subtotal: Rural and small town areas (non-CMAs/CAs)	8	7	5	8	7	7	6	11	8	17	8	5	2	0	0	0	0	100
All census subdivisions	8	6	4	7	6	7	6	10	8	17	8	6	4	1	1	1	0	100

	As percent age of the number of census subdivisions within each population size group (column percent)																	
	1	1	1	1	0	0	1	0	2	2	2	7	16	32	36	28	44	3
CMA 1.5 million and over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CMA 0.5 to 1.4 million	0	2	0	0	1	0	1	1	2	2	2	6	6	5	4	10	56	2
CMA 100 to 499 K	1	1	3	2	2	2	2	4	5	5	5	15	13	20	20	56	0	4
CA	9	11	7	5	4	6	4	4	5	9	11	12	31	46	40	5	0	9
Subtotal: Larger urban centres (CMAs and CAs)	11	15	11	8	6	8	7	8	16	21	30	68	95	100	100	100	17	
Strong MIZ	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Moderate MIZ	0	0	3	7	7	9	9	10	13	13	15	16	13	2	0	0	0	9
Weak MIZ	0	0	3	18	29	32	34	35	33	33	33	24	12	2	0	0	0	24
No MIZ	86	82	79	57	37	28	22	17	12	4	0	0	0	0	0	0	0	20
RST territories	2	3	3	3	2	3	2	2	2	2	0	0	0	0	0	0	0	28
Subtotal: Rural and small town areas(non-CMAs/CAs)	89	85	89	92	94	92	93	93	92	84	79	70	32	5	0	0	0	83
All census subdivisions	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

A Census Metropolitan Area (CMA) comprises an urban core population of 50,000 or more with a total population of 100,000 or more, including the population of neighbouring towns and municipalities where 50% or more of the workforce commutes to the urban core.

A Census Agglomeration (CA) comprises an urban core population of 10,000 or more and includes the population of neighbouring towns and municipalities where 50% or more of the workforce commutes to the urban core. Metropolitan Influenced Zones (MIZ) are assigned on the basis of the size of commuting to any CMA or CA.

Source: Statistics Canada. (2007) GeoSuite: 2006 Census (Ottawa: Statistics Canada, Catalogue no. 92-150) (www.statcan.gc.ca/bsolc/english/bsolc?catno=92-150-X).

groups. For example, if everyone in our community trusts each other, then the community as a whole will be much more productive in business or community initiatives because less effort will be wasted on monitoring whether everyone actually is doing what he or she promised to do. Thus, trust is an important aspect of social capital.

Another important aspect of social capital is networks, or linkages among individuals, families, and organizations. In one sense, this is saying that you can get more done in less time if you know more people or if you know the right people. A group, or network, can accomplish more if the group pulls together, rather than pulling apart. As discussed above (see Table 1.4), in many communities, networks exist but are not used (Reimer, 2006). Somewhat surprisingly, the use of networks in communities is not highly correlated with the existence of networks in communities. Thus, there is a rural development opportunity to increase the use of networks that already exist.

Rural development opportunities can also be found by considering the type of norms guiding the behaviour in various networks. Reimer (2006, 2008) grouped networks into four types, based on the predominant norms that guided them: market networks, bureaucratic networks, volunteer group networks, and family networks. To achieve any given objective, different types of networks performed differently. Market networks such as those found in housing, labour, or commercial exchanges responded to supply and demand, for example, whereas those based on bureaucratic norms looked to the roles and responsibilities as identified in formal charters. This was not surprising. However, it was surprising that when one network failed to perform, the other networks did not act as (good) substitutes (Reimer, 2006). In the 22 rural field sites in their project, community performance was best if all four types of networks were hitting on all four cylinders. If one network was weak, the other networks could not completely compensate for this weakness.

The Organisation for Economic Co-operation and Development (OECD) has suggested there is a new rural paradigm driving rural development policy (OECD, 2006). The so-called new rural paradigm argues that rural development policy should shift from a sector-focused approach to a place-based approach (Bradford, 2005). This suggests that policy investment should be focused on implementing the best project in a specific place rather than trying to pick a winning sector. Thus, government departments focused on sectors (such as agriculture, manufacturing, fisheries, or tourism) should not be trying to drive rural development because, perhaps obviously, each department will support projects only within its "mandate." These projects will not necessarily be the best project for a specific place. Instead, policy investment in any (rural or urban) place should be in a project to valorize an underutilized resource. Arguably, this new approach incorporates many features of Canada's ARDA-FRED programs of the late 1960s and the successful nearly three-decade-old Community Futures program.

Do we see a pattern forming across rural Canada? Some geographic patterns across rural Canada are evident. The map of continuously growing communities and continuously declining communities for the period of 1981 to 1996 (Beshiri and Bollman, 2001) is essentially the same map that you would see today. The typology developed by Hawkins (1995) is also essentially the same pattern as you would see today.⁴ Alasia (2004a, with more detail in Alasia, 2004b) has mapped patterns of socioeconomic performance across Canada, and Alasia et al. (2008) have mapped patterns of community vulnerability to population decline. These patterns are broadly consistent.

These broad regional patterns are important since they capture fundamental features of development history and development trajectories. We must reemphasize that not all communities in any region follow the regional pattern. Nevertheless, the regional milieu in which a community is situated adds an extra benefit or burden (depending upon the variable) in determining the success of a community (Alasia, forthcoming).

Conclusion

"I've been telling my classes for some years now that urban versus rural is the most significant division facing the country," says Hugh Segal, the former Progressive Conservative strategist who now teaches public policy at Queen's University in Kingston, Ontario. "It's far more important than French and English, and far more important than East versus West" (Gillis, 2004).

Mr. Segal is now a senator in the Canadian Parliament. He would be very familiar with the stark urban–rural split among members of Parliament. In addition, there is an urban–rural split among the elected members of most provincial legislatures. Arguably, this dichotomy encapsulates different views on a myriad of economic and social issues. Rural development practitioners and rural planners can usefully examine the patterns of electoral maps in preparation for specific action.

There is an old saying among rural analysts—once you've seen one rural community, you've seen one rural community. No two rural communities are the same. Thus, rural development policy design and policy implementation need flexibility to achieve desired outcomes. A common feature in the statistics of rural communities is that the variation within a group of rural communities is greater than the variation between a group of communities. Of course, this is not unique to rural communities. University professors know that the variability of performance within any class is always bigger than the year-to-year variability in the class average performance. This simply emphasizes the point. We have shown patterns and trends. These apply to the average community. There is no average rural community—except in the charts

in this chapter! Principles of rural development and rural planning will provide a framework from which to start. Do not, however, let the framework constrain the development or planning for a specific rural community.

We started by observing that today's policy approaches in Canada assume that societal objectives must be discussed within the framework of the market economy that exists in this country (and not vice versa). We then observed that market failure and equity are legitimate rationales for public policy intervention. *Market failure* refers to the failure of the market system to assign positive prices to desirable outputs, such as clean water from an upstream community, and the failure to assign negative prices for undesirable outputs, such as polluted water from an upstream community. *Equity* refers to the policies and programs regarding the distribution of benefits arising from the market economy. As discussed above, there are many opportunities for rural policy intervention within both of these concerns.

Rural is distance and density. A strict economist's view of rural policy is to lower the price of distance and to lower the price (or cost) of the lack of density (i.e., the lack of agglomeration economies). A more general view of rural policy is to pursue the best project in a community, recognizing the regional milieu. Both the community characteristics and the characteristics of the regional milieu will influence community outcomes. But within any declining region, we will find a growing community. And within any growing region, we will find a declining community. Once you've seen one rural community, you've seen one rural community. No two rural communities are the same.

Endnotes

1. The "distance" to be evaluated depends upon the issue. The discussion of distance from your house (or your neighbourhood or your community) to a day care service is substantively different than the distance dimension for a discussion of marketing new skate blades to NHL hockey teams.
2. Before railways, commodities (e.g., whale oil, codfish, furs, and lumber) were shipped via rivers, lakes, and oceans.
3. "Primary sector" refers to the harvesting and extraction of commodities such as food, forest products, or minerals. The "secondary" sector is the manufacturing or processing of these commodities. The "tertiary" sector refers to the service sectors.
4. A colour version of this map is presented in Hawkins and Bollman (1994).

Questions for Discussion and Further Research

1. Identify two examples of market failure in rural Canadian society, their potential or actual negative impacts, and the government responses to them.
2. Consider the operationalization of rural as identified in Box 1.4. What types of Canadian regions does it include as rural that you consider not to be rural—and why? What types of Canadian regions does it exclude as rural that you consider should be included as rural—and why?
3. Identify two ways in which our (almost) universal education system has contributed to rural community sustainability. Identify two ways in which it has undermined this sustainability.
4. If the price of oil continues to climb, how is it likely to affect each of the processes of productivity identified in this chapter—and why? How is such an increase likely to affect the processes of redistribution—and why?
5. Identify some of the ways in which market-based relationships contribute to production in rural Canadian communities. How do they contribute to redistribution? In a similar fashion, identify how bureaucratic-based relations, associative-based relations, and communal-based relations contribute to production and redistribution.
6. Identify some of the externalities (positive and/or negative) of the Canadian government's policy to support large farms over small farms. What policies or programs have been put in place to manage each of these externalities?
7. Identify a rural community or region with which you are familiar. Discuss how it has been affected by agglomeration economies, immigration, communication technology, and changing government structures over the past 80 years. What have the local citizens' responses been to these changing conditions and how successful have they been?

Suggestions for Further Reading

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Every year, Statistics Canada publishes a number of articles relating to rural issues. Go to <http://www.statcan.gc.ca> and click on "Analytical Studies" in the left-hand bar and search "rural."

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