

**(Re)Constructing Rural Places in a
Globalized World I:
Insights from Place-Based Development,
New Regionalism, and Competitive
Advantage Theories**

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That rural and small town places are changing is not a new phenomenon. What is new is that the pace of that change has accelerated. This presentation reviews and shares a series of ideas about how we can understand the changes affecting our rural and small town places.

One of the great challenges with defining a pathway to the future is understanding the pressures that are driving change. A key problem for rural and small town renewal in North America is that many of our approaches are still being constructed as if it was the year 1970. The processes of change today, however, are not those of 1970.

(Re)Constructing Rural Places: Insights from theory

- Introduction
 - What is the new rural economy
- Towards a new understanding
 - Restructuring and neo-liberalism
 - Place-based development
 - New regionalism
 - Comparative vs competitive advantage
- Discussion

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By way of outline, this presentation starts with some comments about the nature of the New Rural Economy.

The presentation then reviews ideas from the theoretical literature about where trajectories in the global economy may be leading. These literatures include:

Restructuring and neo-liberalism,
Place-based development,
New regionalism, and
Comparative vs. competitive advantage.

Once we better understand those foundations, then local places and regions can evaluate for themselves where they think they may wish to go with community and economic development planning.

Problem

Restructuring

- Social
- demographic,
- economic
- political
- Issues of rural peripheries (hinterlands and norths) raise additional challenges and processes

As background, in both developed and developing economies, rural and small town regions are experiencing dramatic social, demographic, economic, and political restructuring.


These pressures of change are made more acute in rural and northern peripheries where the geography raises additional challenges.

Presentation

- Focus today:
 - OECD economies
 - Resource-dependent hinterland regions
- Question:
 - How to build an understanding that will allow us to create sustainable rural regions

To narrow our focus, the issues and literatures are discussed in the context of the developed, resource-dependent economies of northern BC.

Across this hinterland region, the goal is to help build an understanding that will allow northern BC's rural and small town places to create viable community and economic futures for themselves.



- Part 1
- Context of change

As background, for the last 50 years northern BC has been a dynamic landscape of change. So it is probably better to think of, to understand the changes going on right now in that broader context of ongoing change.

Global Economy I

- An integrated global economy, managed by multi-national firms, is NOT new
 - Many historical examples
- To re-organize our approach to regional development, we must recognize:
 - Historical processes within our economies
 - Current processes of change

While there is a good deal of media interest around terms like the 'global economy' and 'globalisation', we know that a globally organized export and trade economy has been with us in northern BC for a very long time. From First Nations trade networks, to the Fur Trade and Gold Rushes, to the coming of transcontinental rail lines, there exist many historical examples.

To figure out where we are going, we need to recognize two critical elements. The first is: How did we get here? This is important because our histories have a tremendous momentum. They have a momentum that sometimes is difficult to change.

To frame the future we not only need to know how we got here, but we also need to better understand the current processes of change.

Global Economy II

- What is new:
 - It is more connected and complex
 - Interactions and effects more quickly and frequently felt
 - Faster paced
 - If we get a workable solution today, we need to start on a new workable solution for tomorrow
 - Booms come faster; busts go deeper



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If a globally organized economy is not new, if many of the internationalized trading consortia and management tools for running a global economy are not especially new, what is new? In many respects, it is simply *more* of everything from the past. It is *more* connected, it is *more* interwoven and interlinked. The impacts and affects of those interactions are now much more quickly and frequently felt. The experience from 2008 demonstrates this point clearly as a small set of challenged lending institutions set off a 'tidal wave' of global economic collapse in a very short period of time.

That fast pace means that more constant attention to economic renewal will be a fact of life for rural and small town places. Our economic booms, as the last 40 years have demonstrated, are coming faster and going higher, and our busts are also coming quicker and going deeper.

Global Economy III

- What is new:
 - Industry is global (compete to get them; compete to get share of jobs/services)
 - Shift to competitive advantage
 - Low cost production regions
 - Shift from commodities to mix of values, commodities, and economies
 - Amenities, unique local assets

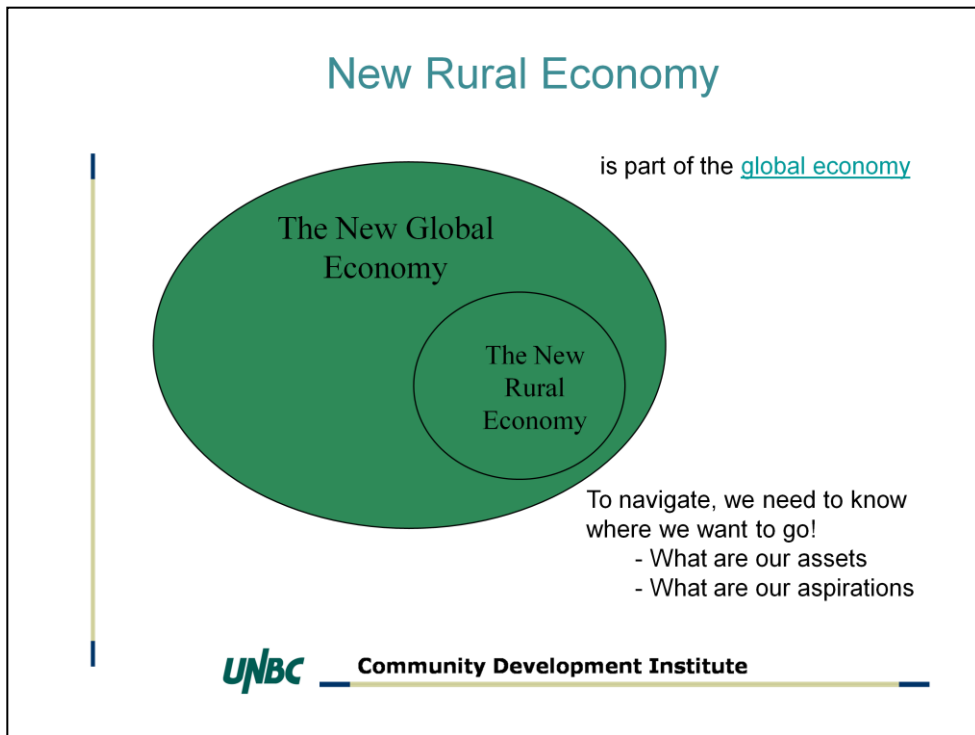


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What is also new is that industry is managing its activities in a much more integrated global fashion. So you not only have to compete for an economic activity, such as fishing, but you have to compete for the components within that economic activity. You might fish in northern BC, but if the fish are processed in southern China you have lost all of that employment and opportunity for value-added.

A second change that has been particularly difficult for northern economies is the transition from a comparative advantage economic model to a competitive advantage economic model. A comparative advantage economic model, simply put, says that if you have lots of trees then you should sell lumber. The global market place is now more competitive and many low cost production regions have lots of trees that can be turned into lumber. The transition involves finding out what commodities, or characteristics within our commodities, can out-compete those low cost production regions. The world economy has shifted to a competitive advantage model and we must as well.

A third shift is that the global economy is not just about commodities anymore, it is about ideas, it is about knowledge, it is about images, and it is about information. Questions now include “What do we have in those new commodities, how can we take advantage of new ways of valuing, and what are the new products we can successfully market?” If we have unique amenities and local assets, they become potential new commodities with which we can out-compete other places.



The new rural economy, like the old rural economy, is set within the global economy. To navigate the future, we need to know, first of all, where we want to go. We can be lots of things as we change, as we break away from the momentum of the past. But what do we wish to be? What are our assets? And what are our aspirations?

Historical (Post WWII) Context

- Natural resources traditionally maintained rural economies
 - Required many labourers
 - Communities were 'service' centres to local hinterlands
- Significant engine of growth from 1950-1980

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After the Second World War, resource extraction and export became the centerpiece of rural development policy. The industrial economies of the world had a voracious appetite for raw material input, and BC's hinterland regions could supply those needs.

These industrial resource economies needed lots of labour. For nearly 30 years after the Second World War, it served as a good engine for community growth and infrastructure development across northern BC.

Long run changes (post 1980)

- Resource industries are concentrating
 - Ownership
 - Location
- Technology is labour-shedding
 - Steady process of job losses
 - Little left in rural places but the 'wage' (diminishing)
- Job losses and out-migration

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While there have been significant changes since the global economic recession of the early 1980s, much of northern BC's economy and towns are still following the older industrial resource model.

Additional long run pressures of change include that resource industries are concentrating into increasingly large multi-national firms managing diverse interests around the world. Another long run change concerns the loss of local jobs as capital is substituted for labour in an effort to make resource industries competitive. The significant benefit left in our northern BC communities is the wage – and this is diminishing as our workforces shrink.

A significant question needs to be asked: In BC, why do we have resource industries? What is their purpose? Historically, the purpose was to provide revenue to the state, profit to global capital, and lots of jobs in our rural and northern communities. But the jobs are disappearing. So, why do we have that industry from the past? If we imagine a different purpose to that industry, maybe it should be organized in a different manner. If a purpose is to support vital rural places, then the current structure of these industries is not meeting that purpose.

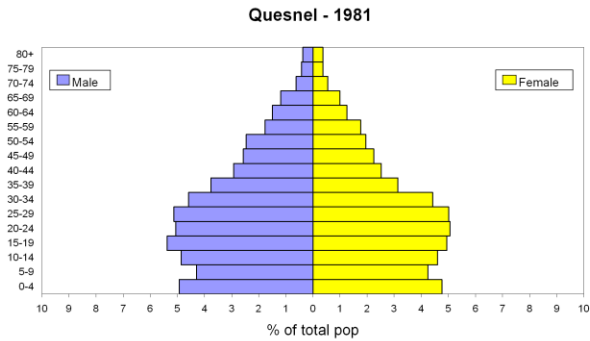
Job losses mean out-migration and, without alternative economic development options, this affects community viability.

4 Rural 'Re-' Development Pressures

- Industry restructuring is dramatically changing community viability
- Services cutbacks further underscore reciprocal processes of change
- Lack of investment in needed social and physical infrastructure
- 'Environmental' change is dramatic

Long run changes are impacting how we can engage with the future. Resource industries are changing dramatically. Coupled with that has been a process of change in the way senior governments have engaged with rural places. In the 1950s and 1960s, the state invested in hinterland and rural regions as a foundation for economic growth. Today they are withdrawing their supports. In addition to service cutbacks, there has been a notable lack of renewal in needed social and physical infrastructure. Today, government commitments are too often viewed as expenses rather than investments. Lastly, the impacts of environmental and climate change are going to be very significant in our northern rural places.

Population Pyramid A

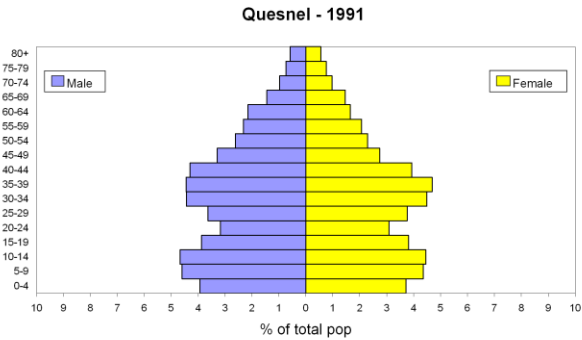


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To illustrate the collective impacts of these pressures, we can use the topic of population. The next slides show three population pyramids for Quesnel – although they are very similar for most places in northern BC. A population pyramid is a picture of the local population. In yellow are the shares of the local population comprised of females within each age category; in blue are males.

In 1981, most of the population in Quesnel was between 18 and 35 years of age. This was a new resource economy, with many new jobs to which young people and young families came for work. It was a growing region.

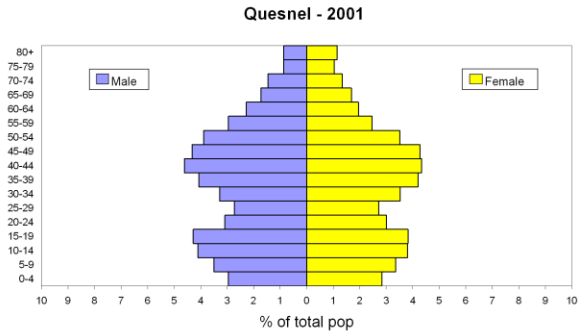
Population Pyramid B



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By 1991, there were no major sources of new jobs being created in the local economy. As a result, the people who came earlier for forestry jobs are staying, but they are getting older. For the young people graduating from high school, there are limited employment options and many of them are leaving to pursue additional education, training, or career opportunities.

Population Pyramid C




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If we look at the 2001 population pyramid, again the cohort of workers from the 1970s who came for those first resource jobs are staying, and they are aging in place. With few new jobs for young people, these youth continue to leave the community.



- Part II
- Building blocks of a new understanding to ground rural regional development

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The impacts of stagnant rural development policy, and the changes driven by the global economy, are quite clearly seen in the demographic structure of our communities.

With that as background, let us look at some of the ideas from the research literature that can help us understand what is happening with respect to local renewal and redevelopment.



The first two research literatures include 'restructuring' and 'neo-liberalism'.

To start, 'restructuring' is about economic change, and it is a highly contested and debated topic in the academic literature.

Theorizing 'Restructuring' I

- Economic
 - Debates over globalization
 - Amin, Thrift, Storper, Wallerstein
 - D. Harvey – time/space compression but the fundamentals of capital remain unchanged
 - R. Hayter; T. Barnes – placing the periphery at the core of economic geography
 - Accelerating pace
 - Refinements in relation of capital to labour and communities via 'flexible production' regimes

A range of researchers, working across a host of theoretical frameworks, have engaged in debates about the form, nature, and implications of economic 'restructuring'. One of the commentaries instructive for a community development audience is from David Harvey, who keenly identifies that while we can talk about change we must remember that this is still a capitalist economy. As such, while the forms may look different, the fundamentals of capital, such as the need to make a profit, remain unchanged. While capitalism is still driven by the same requirements, it is operating at a much faster pace.

For two BC researchers, Roger Hayter and Trevor Barnes, this speeding up of the need by capital to secure profit has resulted in a new set of relationships between our communities and resource industries. Specifically, the application of 'flexible accumulation' models of production have resulted in fewer workers producing more output using enhanced technology. While profit has accelerated in good market cycles, the local benefit in terms of jobs has been reduced.

Theorizing 'Restructuring' II

- Political
 - Neo-liberalism
 - Role of the private market in establishing standards, norms, and measures
 - 'Discipline of the market' applied to economic and social development
 - 2008-2010 global economic crisis undermined the legitimacy of the neo-liberal argument
 - Era of regional development 'expenses'
 - Public and private sector 'off loading'



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In addition to economic restructuring, we also need to consider the implications of political restructuring. Specifically, this refers to the pressures within globalization debates about 'neo-liberalism'. The neo-liberal argument, pushed by a specific sector of economic thinkers, involves the notion that the private market can use its discipline to properly price both economic, as well as social goods and services. The notion of letting private sector market discipline price social goods and services was extended widely in North America.

One result has been the application of many public service review and evaluative tools that are often inappropriate to rural settings. This can lead to the loss or collapse of rural service provision, reductions in rural service funding, and a transition away from investing in rural infrastructure for the future to thinking about it only as an expense that must pay dividends in the short-term.

Of course, the 2008-2010 global economic collapse has undermined the legitimacy of the neo-liberal agenda and shown the fallacy behind the market discipline argument. That said, however, 25 years of neo-liberal policy action has left a government structure that is fundamentally weakened in its ability to respond to global economic change. For instance, Canadian governments are now limited in how they can support the creation of rural industry or support infrastructure because a series of international trade agreements raise the spectre of sanctions over perceived subsidies.

Not only do we have a weakened state, but it is also a state that has offloaded many of its responsibilities onto local governments. In Canada, many of those responsibilities were offloaded with no additional funding supports.



Another element in theoretical debate is that of 'place-based' development. To set a context for this, new information and transportation technologies allow companies to control – in real time – production and processing activities around the globe.

Context

- “Place” in the “Global” economy
 - As space becomes less important...
 - Place becomes more important
- Places as meeting point for global and local institutions
 - Interconnections
 - Embeddedness between social, economic, and political systems
 - Mediation of ‘place’



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As a result, the role and value of places in the development process is changing. If globally connected companies can be anywhere in the world, where they choose to locate is becoming an increasingly important question for them. The unique characteristics, amenities, and idiosyncrasies of places now loom large in location decision-making. As space has become less important, place has become more important.

Places, the research literature tells us, are complicated. They connect the local with the global. They are embedded with older systems of social, economic, and political norms. In many respects, they form the mediating context where the impulses of the global economy are experienced at the local level.

'Place-based' Development I

- An economic focus remains; with greater consideration of culture, environment, and community
 - Sought after assets in the new economy
- A 'place-based' focus supports a greater diversity of values (and understanding of value)
- Appreciation for a more comprehensive or 'whole' economy
 - Externalized in the narrow 'space-based' interpretation of hinterland resource exploitation



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Place-based development tries to build on, and take advantage of, the special attributes of particular places. While economic factors are still important, the opportunities no longer simply involve economic variables. Rather, they now also include cultural, social, political, and environmental issues, as well as other local characteristics and amenities.

The success of local initiatives will be impacted by how well we focus upon our place-based assets and aspirations. A place-based focus will support a greater diversity of values, and understanding of value. As a result, we need to be clear about our aspirations and about how those aspirations may fit with local assets. The argument is that a broader understanding of place allows us to exploit a more holistic economy. Such new and diverse development opportunities were often ignored or externalized in a more narrow approach to hinterland resource exploitation.

'Place-based' Development II

- A place-based economy demands much more of local capacity
 - Actors and institutions:
 - Governance
 - Directing visions and investments
 - Social cohesion
 - Social capital

As you have already guessed, place-based development puts more demands onto local capacity. For example, local actors and institutions will play a much bigger role in governance, in directing visions, in managing networks of social cohesion or interaction, and in managing processes of trust or social capital. Managing these additional pressures can be difficult in circumstances where local capacity has been eroded by public service closure, resource industry downsizing, and population loss. To cope, small places are finding ways to work collectively as regions in order to support development.

'Place-based' Development III

- Local capacity must also accommodate new relationships and partnerships
 - Sources of support and innovation
- Creates social and economic variability across the rural landscape

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Working together requires the formation of new relationships and new partnerships. It is through partnerships, and through innovation in partnerships, that small places are able to develop the critical mass to take on major activities. Partnerships can be sources of information, support, and innovation.

This attention to local assets and aspirations also means that we will be creating diversity across our rural regions. In 1980, for example, a drive from Prince George to Prince Rupert along Highway 16 would have revealed successive small towns focused on large-scale forestry industries. By the year 2030, we would expect to find a host of different types of towns and economic drivers as different places choose different futures and mobilize different local assets. Place-based development means variability across our regions.

Looking ahead

- Conceptual collisions
 - Global / local
 - Social / economic / political
 - CD / CED / LED
- Question
 - How to equip RST places to exercise place-based advantages and meet development opportunities/challenges on own terms

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In moving place-based development forward, we need to understand:

- the links between the global and the local,
- our social, economic, and political heritage from the past,
- and how we want to approach development – whether via community development – where we build a broad community platform for success; or via community economic development – where we nurture local entrepreneurs; or via local economic development – where we recruit new industry.

Through it all, the question is how to equip our rural and small town places to exercise their place-based advantage to meet opportunities and challenges on their terms.



As noted earlier, one way small places are able to develop the critical mass to take on major activities is by working together. The academic literature around 'new regionalism' supports this process of regions working together.

New Regionalism I

- Renewed interest due to the ascendancy of 'place' in development debate
- Reflects Massey (1984):
 - Combinations of assets, populations, histories, and circumstances mean that general processes are always modified by the matrix of place
- This contextual turn is found in a variety of rural research themes:
 - Post-productivism
 - Comparative/competitive advantage
 - Territorial vs sector policy development



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The transformation, after 1980, to a more flexible economic model that recognizes the importance of regional competitiveness has been labeled 'new regionalism'. This renewed attention to rural regional development builds upon the increasing importance of place. It also builds upon the concept that general processes, such as global economic collapse, are felt differently in different places as a result of their histories, economies, populations, cultures, etc..

For academic researchers, this complexity has led to a tremendous range of applied and theoretical research work.

New Regionalism II

- Linked with economic transformation
- “New Regionalism” recognizes:
 - Reconfiguration of economic competitiveness
 - Development as ‘socially embedded’
 - Social capital influences economic performance
 - Governance via different institutional structures and relationships
 - Compensate for neo-liberal state withdrawal



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In addition to being linked with the complexities of places, the new regionalism literature also speaks to the complexity in economic transformation. While this includes various forms of change to the production processes themselves, it also recognizes that economic development is:

- dependent upon the social and economic assets of the region for economic competitiveness,

- it is also socially embedded, where places and regions have their momentums from the past that are difficult to change,

- and it recognizes that economic development is being built upon a new form of governance relationship between the community, local government, the region, the state, and the global economy.


New Regionalism III

- The region is a manageable scale
 - Understanding impacts
 - Designing mitigation
- Links with 'place-based' approaches
- Reaction to impacts of neo-liberalism
 - Places and regions 'taking control'

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The region is also valued in current approaches to economic development because it is a manageable and understandable scale for interactions and planning. It is a scale that is suited to senior government investment.

As well, the new attention to regions also links with the focus on place-based economies. For many rural and small town places in Canada that feel abandoned by their provincial or federal governments, working as a collective region is one way for them to take greater control over the development agenda.

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- Comparative advantage
 - A 'space-based' economy
 - Competitive advantage
 - A 'place-based' economy

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The last element to consider in our discussion involves the transition from a comparative advantage economy to a competitive advantage economy. It is about looking within your assets to see how you can mobilize something special to support new development.

Comparative Advantage

- Exercising “Comparative Advantage”
 - Foundational economic model for northern BC
- “Principle whereby territories produce those goods or services for which they have the greatest cost or efficiency advantage over others, or for which they have the least disadvantage” (Johnson *et al.*, 1994)
- BC’s abundant resources marketed into expanding industrial regions

A comparative advantage approach is how northern BC developed in the immediate post World War II period.

We can understand a comparative advantage approach as the principle whereby territories produce those goods or services for which they have the greatest cost or efficiency advantage over others.

On this principle, northern BC’s abundant resources were marketed into the more industrialized economies of the world.

A 'space-based' approach – BC in 1950s/60s

- Addressing the 'challenge' of space
 - Linking the interior resource regions to markets
 - Road, rail, and port investments
 - Creating resource extractions sites via 'instant' towns and growing regional centers
 - Social, service, and quality-of-life investments
 - Prefaces a concern for "place"

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The creation of a comparative advantage approach to the resource industry economy in northern BC meant addressing the 'challenge' of space. For BC, this focused upon linking the interior resource regions to markets through road, rail, port, and airport investments.

It also meant creating resource extractions sites that included new 'instant' towns and growing some of the existing regional centers. This also meant specific investments in social and quality-of-life services in order to attract and retain the workforces for the new industries.

Crisis of Restructuring

- 1980s resource commodity recession focused new attention on “BC in the global economy”
 - Hayter and Barnes: a ‘sea change’ for BC’s resource sector
 - Low cost production regions challenged comparative advantage frameworks
 - A need to be more ‘competitive’

The global economic recession of the early 1980s focused new attention on challenges for BC in the global economy.

One of the key challenges came from the entrance of low-cost production regions into the resource commodity markets. These low cost production regions, with their lower wages, limited environmental and workplace regulations, and low taxation regimes have attracted capital that could still access the global market and effectively manage in real time.

This has prefaced a need for rural BC’s economies to move into a more competitive framework.

Competitive Advantage I

- 'Pliable' concept
 - “Success with which regions and cities compete with one another over market share or capital, or workers ...”
- Older approaches used tax incentives, grants, etc
- Newer approaches focus upon learning, innovation, and positive place attraction



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Competitive advantage is about competing for all aspects of economic activity. It is about competing for market share, for capital investment, and even for the people who will work in new industries.

While older approaches to competitiveness used tax incentives and similar fiscal grants, newer approaches focus upon learning, innovation, and positive place attraction.

Competitive Advantage II

- Competitive variables:
 - Traditional factors of infrastructure, production, location, economic structure, and amenities
 - Newer factors include social capital, innovation, and institutions
- “If capital can invest ‘anywhere’ why would capital invest in your region or place?”

Investments now have to be made not just in physical infrastructure – these still have to be made of course – but now investments also have to be made in community and social development, local services, and flexible institutions and forms of governance. These are the tools that will allow us to respond in a fast-paced global economy.

These investments will help us address the key contemporary question:

If capital can chose to invest anywhere, why would they invest in your community? How will you attract them given that other places are competing with you.

From 'space' to 'place': A new approach to regional development I

- A:
 - Historically informed understanding of rural and northern development foundations
 - Deep understanding of the forces driving change and the opportunities they present



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Pulling this information from the research literature together, what do we need to think about as part of a new approach to regional development.

First, we must be mindful of how we got here and what the legacies of our rural and northern development foundations have been. This is because those trajectories from the past have a momentum and are very difficult to transform.

Second, we need to have a deep understanding of the forces of change that are driving us into the future. Understanding these forces is a crucial step in identifying potential opportunities in the new global economy.

From 'space' to 'place': A new approach to regional development II

- B:
 - Recent role of neo-liberalism and restructuring has weakened ability of the state to effectively shift regional economies
 - Place-based and new regionalist development trajectories identify key roles for local decision-makers in defining assets and aspirations
 - Bottom-up and top-down actions in concert needed to support competitive rural regions

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As we move forward with a new approach to regional development, we need to recognize that the state has been fundamentally weakened by political restructuring and the pursuit of a neo-liberal policy agenda. While they still have a vital and significant role to play, the capacity of senior levels of government to assist rural and small town places in effectively shifting regional economies is less.

At the same time, we need to recognize that many local places are taking a more proactive role in development by forming cooperative tools such as regional councils and alliances. Place-based and new regionalist development trajectories are identifying key roles for local decision-makers in terms of defining regional assets and moderating discussions about community aspirations.

The net result is that bottom-up and top-down actions are needed in concert with one another in order to support competitive rural regions. This will often occur through new forms of governance partnerships.

"New" Value of Place

- Renew public policy to equip rural and small town places to compete
 - Exercise place-based advantages
 - Supportive public policy
- Build capacity to support local demands for greater role in regional development
 - Regional leadership and capacity
- “Creating flexible, responsive and competitive regions”

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As we move forward, there is a need to renew public policy to equip our rural and small town places to compete – to exercise their place-based advantages to take up new opportunities as they arise. To start, this renewal of public policy needs to strongly state that rural and small town places *are* important to the collective future strength of BC’s economy.

Another aspect of supportive public policy involves recognition that we must pay attention to building individual, community, and regional capacity. The additional roles for local communities in regional development means they have to have more capacity.

Collectively, we have to create flexible, responsive, and competitive regions, because that is the key to success in the future global economy.



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