



## **ECONOMIC DEVELOPMENT IN CANADA'S MIDDLE-EARTH**

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The recent coverage by the *Citizen* of the layoffs affecting communities in Eastern Ontario<sup>i</sup> and the issue of economic development in smaller Canadian towns and villages more generally, has painted a rather bleak picture. That pessimism may be warranted if the communities do what is traditionally done, which is to say, try and stave off change and cry loudly until either the provincial or federal government bails them out. Yet having observed for a number of years how communities can create new prospects for themselves, I believe there is a more optimistic future in store when communities are prepared to take the lead in realizing new possibilities for themselves. Indeed, the evidence suggests that much can be done by communities on their own, and that when local strategies and commitments are generated, senior governments may actually seek out them out as targets of funding.

Economic development is far from a uniform phenomenon. It is led by creative individuals and companies, working in supportive environments that are distinctly suited to their success, allowing for the formation of clusters and regional hubs that drag the rest of society along with them. In tackling local development there is a range of options for community leaders to consider - from “place-based” to “people-based” strategies - but there remains much uncertainty about what may work in any given locale. Traditionally, regional economic development strategies are constructed to support the development of physical and social capital that underpins economic and community progress in a given area. These strategies can involve investments in assets and capacities by various levels of government but frequently by private and civic groups as well, such as the Chambers of Commerce or the United Way.

However, economic development is often unplanned, evolving in fits and starts in response to broad macro economic conditions, the fashions of public sector philosophy and entrepreneurial enthusiasm. Where direction is consistently applied, it has often taken the form of “placed-based” strategies that try either to mitigate the effects of economic decline or to catalyze new economic growth with supportive infrastructures, cluster strategies, or sector investments (the picking of future economic winners).

Placed-based policies can work – but only indirectly. Such strategies have been used for years by governments to try and causally address the conditions that give rise to local poverty and economic sluggishness. They are often politically popular, but they have received mixed reviews by researchers. Some claim that place-based policies reduce the incentive of disadvantaged people to migrate to other places that offer better opportunities and therefore contribute to the formation of regional ghettos of dependency<sup>ii</sup>. Other

researchers suggest the logic of place-based strategies is rarely adhered to in real life. Yet despite these short-comings they can be effective, especially when conditions of workforce isolation or low worker mobility allow for more of the benefits of place-based strategies to be retained locally<sup>iii</sup>.

On the other hand, traditional “people-based” policies put public resources directly into the hands of distressed individuals in the form of income augmentation, training, assisted housing, relocation subsidies, etc. They reduce pain in the short term, however, there is little evidence that they are anything other than palliative<sup>iv</sup>, often proving costly for society in the long run because they do little to change the conditions that gave rise to the socio-economic distress in the first place and therefore fail to reduce the demand for support.

Regional development strategies are further complicated by the increasingly distributed nature of the decision making required to coordinate the local knowledge, resources and authorities that may be involved in addressing local challenges. Given that each community has a varying mix of contributors and capacities, this coordination challenge also necessitates effective processes of *learning-while-doing* and a strong emphasis on experimentation, social learning and unique patterns of collaborative governance. Unfortunately these processes and capacities are not always in place.

The OECD has observed<sup>v</sup>, for instance, that in Canada, “there is a tendency for performance gaps to widen between regions, and the cost of maintaining cohesion is increasing. On the other hand, rapid technological change, extended markets and greater use of knowledge are offering greater opportunities for local and regional development but demand further investment from enterprises, reorganization of labour and production, skills upgrading and improvements in the local environment”. In other words, to benefit from the global knowledge economy and close the performance gaps between regions, greater attention is needed [in Canada] to help regions self-mobilize to provide better coordination of people, capacities and assets. The OECD also observed that it in the rural, non-major-metro adjacent towns, where roughly 1/3 of Canadians reside, only limited capacity and few sponsors exist to effect this community mobilization.

The OECD assumes this is due to scant attention from federal or provincial governments. And while it is true that senior governments tend to be fixated on either major metropolitan or northern regions, this assumption presumes it is the responsibility of those senior governments to “fix things” in small-town Canada – despite the fact that the necessary resources and capacities are most likely locally rooted. Not surprisingly we hear, as we have in the *Citizen* over the past month, the cries of concern about the futures of these towns and villages.

Yet I would suggest the key barrier to the adaptiveness of rural towns is not so much that no one is listening but the erroneous assumption that someone should be listening, that someone should be “in charge” and can make things better. Couple this paternal expectation with similar claims being made to the same authorities by hundreds of small communities across the country, then it is no wonder senior governments appear deaf.

The true development challenge for this middle region is two-fold – ownership and differentiation. Ownership accepts that the future belongs to the residents of the community: that the primary responsibility rests with them to marshal local resources, talent and capacities to realize their common future: and to do so sufficiently and in such a manner that it attracts the attention of non-residents – workers, companies or governments

– who can see in their commitments to place an opportunity. Differentiation identifies the unique possibilities, contributions and leadership that distinguish one community from another and make it worthy of the engagement of non-residents as co-creators of a shared possibility.

Here the capacity to sustain community dialogue proves to be a fundamental development competence. The history, buildings, economy, infrastructure and culture of any community are essentially artifacts of the conversations that occur within it. To change the community, change the conversation. This is confirmed in results from the federal government's Action for Neighbourhood Change program and from the Vibrant Communities Initiative, led by McConnell Foundation and the Caledon and Tamarack institutes. Through specific processes of conversation, residents assume ownership of both problems and solutions, often providing essential direction or assets that allow place- or people-based solutions to take root.

No one disputes that communities like Smiths Falls, Cornwall or Renfrew are not without attractors but they will prosper on the basis of the strength of their community – the very thing the mega-urban centres often have in short supply. In some small towns, effective community dialogue will generate clear ideas of who they are and what want they want to become. In others, it will foster shared ownership and creative contributions that enable new possibilities to unfold. Some communities will find better ways of coordinating their capacities and resources. Some will devise new ways of collaborating and governing together. Yet all of these conversations will demonstrate the power of community itself, of being together, and where, at the end of the day, creative enterprising individuals can find that they and their families are not alone.

Thus here in this middle-earth between mega and northern communities, economic and community development will hinge less on grand schemes and romanticized leadership and more on shared stories and local commitments. Facilitating these interactions will be of prime concern as it will serve to distinguish these communities from the larger centres. As a result, Canada's rural communities should invest not only in marketing to persuade others of the fairness of their towns, but also in generating the kinds of conversations that can identify and engage residents and newcomers in possibilities that both can fully live into. For it is not an area's past that newcomers typically seek -- it is its future and its promise of belonging.

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<sup>i</sup> Adam, Mohammed, "Small town meltdown", *The Ottawa Citizen*, December 8, 2008

<sup>ii</sup> GLAESER, E. L. "Are Cities Dying?" *Journal of Economic Perspective*, 12(2),1998: 139-160

<sup>iii</sup> PARTRIDGE, Mark and RICKMAN, Dan, *Persistent Pockets of Extreme American Poverty: People or Place Based?* W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, 2005

<sup>iv</sup> ROSS, Nancy and DUNN, James, *Canadian Neighbourhoods, Social Exclusion and Place-Based Policy Prescriptions: An Overview*, An issue paper prepared for Human Resources and Social Development Canada, October 2005

<sup>v</sup> *OECD Territorial Reviews - Canada*, OECD, September 2002