

FROM CHALLENGE TO STRATEGY

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THE CHALLENGE IS STRATEGIC



To position
for the new
WTO and FTAA

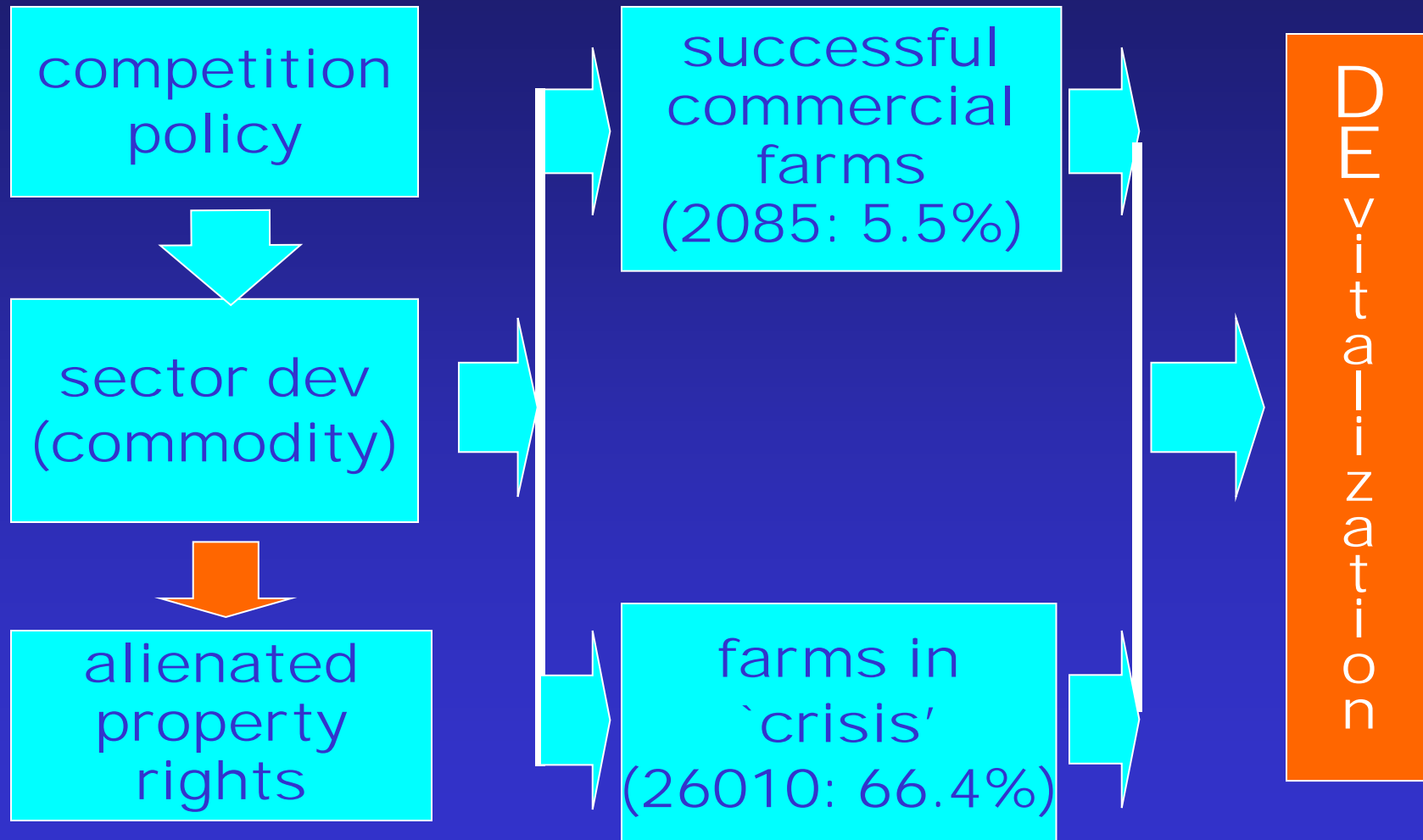
THE STRATEGY ?

To rebuild and sustain
the joint product
structure of the
New Rural Economy

DIAGNOSIS

- The rural economy is a *net user* of intellectual and proprietary rights.
- Returns to these rights (rents) are transferred out (commodity strategies) to the *net developers* of these rights, ...urban and global.
- Competitiveness strategies increase the speed and depth of this *income transfer*.
- Strengthening these rights through trade policy (*ceteris paribus*) will *intensify* this income transfer.

Example: Rural Alberta (1999)



excludes 9400 lifestyle and retirement farms

A WAY OUT ?

- The NRE is actually a joint product economy.
- Commodities (including tourism) are outputs of global intellectual property rights
- Joint products with commodities are mainly outputs of domestic proprietary rights.
- A made-in-Canada rural economy is possible by focusing on the joint products first and the commodities second.

WHAT ARE JOINT PRODUCTS ?

- Products/services that are inseparable in production. Eg. Agricultural commodities and a secure environment.
- Products/services whose qualities are jointly determined by production standards and business practices.
- Products/services whose combined value may be enhanced in markets by trade-marking (creating proprietary rights).

TIME to FACE REALITY WITH an NRE STRATEGY

- Rural property rights are declining in importance relative to intellectual and proprietary rights.
- Urbanization exercises common (real) property rights over land, water, air, carbon and animals, displacing private rural property rights.
- Globalization is privatizing, protecting and concentrating intellectual and proprietary rights.



FIVE
STRATEGIC
TURN-AROUNDS
TO THINK ABOUT

RURAL TODAY: RESULT OF OLD STRATEGIES

1. Rural majority is on the trailing edge of innovation, ...social and economic.
2. Rural governance is disintegrated and poorly positioned for global involvement.
3. Rural demographics are unfavourable.
4. Rural income and wealth based on commodities are global residuals.
5. Rural/urban interests are cast as adversarial.

RURAL TOMORROW NEEDS NEW STRATEGIES

1. Move rural to the leading edge for joint products, including commodities.
2. Connect rural governance (includes volunteer associations) to urban and global governance.
3. Restore demographics by habitat development around local schooling and services.
4. Transform rural households into primary claimants for income and wealth.
5. Align rural and urban interests politically.

1. ORE: ON THE TRAILING EDGE

- NAFTA Ch 11: property rights
- Technology: cost saving
- Self-organization: to avoid extinction
- Social capital: to protect lifestyle
- Economic multipliers: minimal, barely over 1.0
- Constitution: no rural political power
- Rural entrepreneurs: too many risk averse
'janitors'

NRE: ON THE LEADING EDGE

- FTAA: increase protection for intellectual and proprietary rights (engines of growth) over other rights
- Technology: joint product innovations
- Self-organization: to rearrange assets
- Social capital: to enrich lifestyle and mobility
- Economic multipliers: moving up to 1.5
- Constitution: substitute urban political power
- Entrepreneurs: back to school

2. ORE: DISCONNECTED GOVERNANCE

- Markets: remote, concentrated, extractive
- Justice: retributive, remote, bureaucratic
- Volunteer associations: bylaws, covenants, finance for social capital, services, safety nets
- Government: administrative, territorially competitive, poor, not positioned for the future
- Standards: fighting against ISO, WTO, NAFTA, federal, provincial, sector codes
- Kin/friends: exclusive, reciprocal, informal, about ethics and morals.

NRE: CONNECTED GOVERNANCE

- Markets: segmented, global, tied to urban growth
- Justice: healing, mediative (especially aboriginal)
- Volunteer associations: mediative, economic incubators, upgrading social capital
- Government: leadership for joint product infrastructure, democracy and diversity
- Standards: leaders for ISO, WTO, NAFTA, federal, provincial, sectoral codes
- Kin/friends: socially skillful, informal, learning culture, ethics and morals

3. ORE: UNFAVOURABLE RURAL DEMOGRAPHICS

- Aging
- Social cohesion: fragmentation
- Out-migration: positive selection
- Immigration: negligible
- Population growth: often negative except in metro-adjacent areas.

NRE: IMPROVING RURAL DEMOGRAPHICS

- Aging: rejuvenation
- Social cohesion: stronger tolerance for diversity,
- Out-migration: neutral selection
- Immigration: substituted for by in-migration and kinship networking
- Population growth: extending out from metro-adjacent areas.
- Deconcentration of habitat in the countryside

4. ORE: RESIDUAL INCOME AND WEALTH

- Employment: increasingly low-end, low wage
- Rent extraction: by remote owners of intellectual and proprietary rights = fewer wealth gains, lower ability to combat uncertainty and invest in innovation
- Property values: sporadic appreciation, general depreciation, stagnant tax assessments, low collateral
- Instability: limits size of projects, conservative economics, drives off finance.

NRE: PRIMARY CLAIMANT INCOME AND WEALTH

- Employment: Growth, low-end, low wage
- Rent extraction: Build rural amenity and proprietary rights for wealth gains, to improve ability to combat uncertainty and invest locally in innovation
- Real property values: Steady modest appreciation, broader base for tax assessments
- Stability: Larger ambitious projects, liberal economics, conservative financial policy.

5. ORE: RURAL/URBAN ADVERSARIES

- Environment
- Commodity prices and safety
- Habitat
- Services
- Income transfers
- Animal rights
- Endangered species
- Gun control

NRE: RURAL & URBAN POLITICAL ALLIES

Joint products = common interests

- Environment
- Services
- Joint product commodity markets
- Amenity-based habitat
- Animal rights
- Endangered species

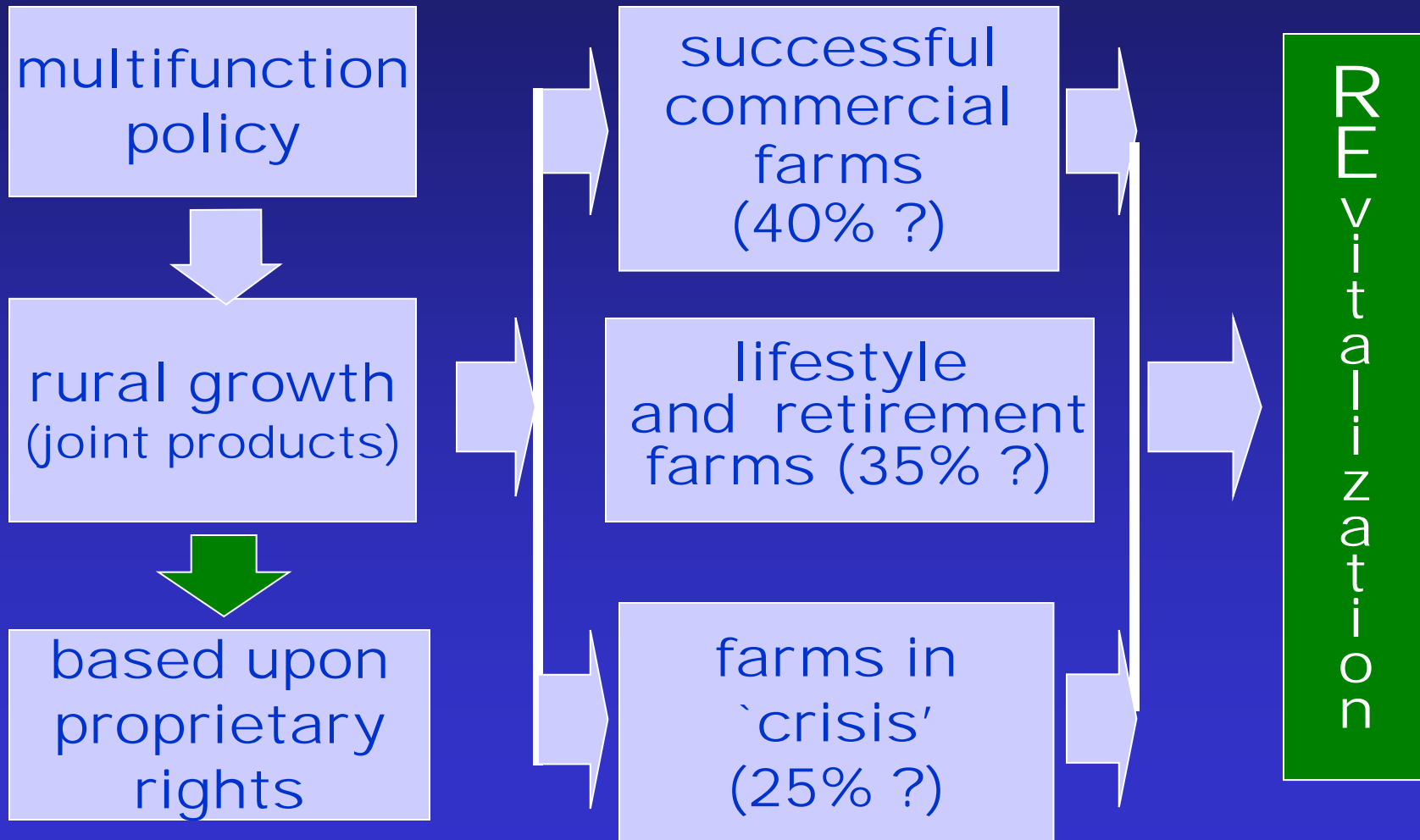
MAIN DIFFERENCE ?

With commodities, you **rarely** meet your customers.

With joint products, you **often** meet your customers.

For better or worse, they become your new neighbours, global, rural and urban.

Rural Alberta (2020) ?



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ACTION = STRATEGY

- Policy
- Place
- Household

POLICY

- Restructure cabinet tables to integrate rural policy
- Devolve powers for economic development to municipal and county governments or development corporations.
- Broaden tax base for rural development to include metro supermarket sales.
- Eliminate subsidies, grants and sectoral entitlements.
- Invest higher level tax dollars in rural learning culture, standards certification and distance reducing infrastructure.

PLACE

- Expand labour, product and service markets
- Reinvest in social capital
- Shift focus for volunteer associations from fund raising to development and social mediation.
- Enrich habitat, heritage and home
- Network globally for business and pleasure (reduce isolation distance)
- Connect to high school graduates

HOUSEHOLD

- Educate continually
- Accumulate property rights and proprietary assets
- Participate in associations
- Form innovation clubs
- Place priority on mental health
- Enhance mobility in markets

ACTION MODEL

Action: Harness Change

Build support-networks for:

- rural startups
- scaling up

Improve rural investment climate by:

- managing uncertainty
- increasing local retained earnings

Implement a strategy:

- social capacity
- secure environment
- strong property rights
- segmented demand