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ACHIEVING SUSTAINABILITY IN RESOURCE DEPENDENT COMMUNITIES: SOME IMPLICATIONS FOR POLICY

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ABSTRACT

Realistic approaches to improving the quality of life in Canada's resource dependent communities are being hampered by philosophical ambiguities, misplaced assumptions, and poorly defined terms of reference. A dominant development theme in communities of this type has been diversification, particularly in terms of the economic base. However, for a variety of reasons, resource dependent communities in this country have experienced very little diversification. A major obstacle lies in the locus of decision-making. Most natural resource developers are transnational firms which maximize profits by manipulating labor inputs and extraction costs across national boundaries. Consequently, even communities predicated upon renewable resources may find their goal of long-term stability undermined by global circumstances. This inherent antagonism between philosophy and economic reality seems to have been largely ignored by those who see chronic instability in these communities as essentially deriving from deficiencies in local decision-making and entrepreneurial ethic. Moreover, there is evidence to suggest that government policy has been counterproductive in fostering a belief that solutions lie in local empowerment. But local enfranchisement seldom has any impact on the global environment within which decisions affecting extraction and marketing of the resource are made. Non renewable resource based communities are in an even more precarious position. In both cases, any hope of economic diversification tends to be totally dependent upon the fortunes of the core resource. The drive for sustainability in resource dependent communities has also indirectly fostered a 'fortress mentality'. The alienation and powerlessness created by dependence upon a single employer has encouraged many communities to strive for autonomy, particularly in terms of infrastructure, in the assumption that long-term stability derives from institutional completeness. Again, some government programs have aggravated this rationale by encouraging communities to become unrealistically and inappropriately entrepreneurial in what is seldom an entrepreneurial environment. The outcome is frequently disillusionment and a costly duplication of scarce resources. This paper argues that a dominant cultural ethic in this country, which places a high priority on individual security, has compromised the importance of economic diversification programs.

BACKGROUND

Resource dependent communities are an integral part of Canada's cultural heritage. No province or territory in this country has escaped their impact at some point in our history. Today, the weathered bones of long-dead mining and logging towns dot the rural landscape from coast to coast. The social experience of these communities has been well documented by both the popular press and academia, particularly with respect to the range of problems they have engendered (Bowles, 1982: Gartrell, 1984; Murri & Haigh, 1989). Resource dependent communities, while housing workers in the important primary sector, are generally viewed these days in a negative light by most people who have studied them. But this was not always the case. In fact, until the Second World War they were widely accepted as a vital component of Canada's economic base. During the late 1800s and into the early decades of this century, little thought was given to the welfare of those who dug the coal or iron ore, or felled the trees. Indeed, it was assumed that having a job was an employee's only consuming need. Long working hours, low pay, poor working conditions, and negligible worker protection were all characteristic of an era in which the employer's only significant obligation was profit. It was also an era which had not yet witnessed a coalescing of work and community into a holistic concept of well-being. People created a place to live by working in a given industry and location, and when the industry no longer provided jobs, the place no longer had any good reason to be there. Indeed, many writers of the period acknowledged- and accepted- the cyclical expansions and contractions of the resource extractive sector as no different from any other industry, a condition once described by Bradbury (1984) as 'the rhythm of business.'

Worldwide, the single most important determinant of change in public perception of the natural resource extractive industry has been, as in most sectors of society, the emerging dominance of the state. International trade, political emancipation, increased literacy, and technological change all produced a need for stronger national governments with the power to dictate broader economic policies. Moreover, the rise of labor movements, in themselves a product of political and technological change, forced the state to adopt a greater brokerage role in labor relations. Canada's 'social conscience', which began to emerge on the labor front following the First World War, prompted a gradual expansion of state involvement into social welfare. These processes thrived within a political environment which has always been contrasted with that of the United States. Canadian society was founded upon a highly centralized federal system, closer ties to the Old World, and a subsequent concentration of executive power. It was a system that placed considerable emphasis upon the 'responsibilities' of government, and one that has evolved into a level of pervasiveness that borders on paternalism.

Closer public scrutiny of resource dependent communities was an inevitable product of state involvement in the private sector. But it also coincided to some extent with the blossoming of town planning and expansion of Canada's cities in the early 1900s. While, as Hodge (1986) notes, many of the new towns which sprang up on the resource frontier were unspectacular, several represented a deliberate attempt to create a healthy, attractive place to live. He cites Nanaimo, originally predicated on coal extraction, dating back to the late 1800s. However, creating a pleasant community answers only part of today's residential needs. Of equal importance is the question of how long the community can be expected to survive. Only in recent decades has this issue been addressed, and even more recently as an element of policy and planning. There are two major reasons why this is becoming an increasingly critical issue. The first is that human time horizons are expanding. The socializing influences of science and education have created a view of life that has lengthened as well as broadened. The desire for security is not a recent evolution, but it now operates within a much longer temporal framework than it did before. Secondly, the globalization of economic enterprise has created profound changes in business conduct. Today, multinational firms dominate this country's primary and secondary industries, and the trend has tended to externalize those levels of decision-making which can be crucial to a community's economic survival. It is also a trend which has added another dimension to the concept of economic viability and to the problem of vulnerability, and it is one which has had grave implications for single enterprise communities, particularly those dependent upon non renewable resources. At one time these communities could be expected to thrive under two conditions: on-site availability of the resource, and the procurement of markets. These are no longer guarantees of community survival. Dozens of resource dependent communities across Canada are presently at risk, not through economic or even total exhaustion, but because the developer has used its global capacity to manipulate various costs of production, notably labor inputs. In short, a community may die because the developer has either found a cheaper source of labor or raw material, or both, somewhere else. Thus, the fortunes of resource dependent communities, lockstepped with their economic base, may now turn largely on the law of comparative advantage operating at a global level.

This paper briefly examines the failure of current policies and programs to achieve economic diversification in Canada's resource dependent communities. It suggests that much of the effort which has flown under the banner of 'diversification' is more correctly 'crisis management'. Moreover, the authors argue that governments continue to be influenced by two dominant social themes which, while not mutually antagonistic, have complicated policy formulation. The resulting confusion has introduced a degree of cynicism into the development process and created frustration among the community stakeholders.

DIVERSIFICATION VERSUS CRISIS MANAGEMENT

In a free market economy, the private sector's efforts to maximize profits may be dismissed as normative behavior, so long as it conforms to prevailing legislation. The real problem, assuming that governments in this country persist with existing policies toward the activities of multinational firms, lies in some of the strategies aimed at stabilizing resource dependent communities. Most revolve around efforts to diversify the local economy. Despite the boom and bust nature of natural resource extractive industries, resource development projects continue to play an integral role in Canadian regional development policy (Detomasi & Gartrell, 1984). Provincial governments have recognized this fact and over the past several decades have attempted to articulate development policies which, among other things, might help to 'bust proof' resource dependent communities. It might be claimed with some justification that this effort has been seriously compromised by confusion in the terminologies associated with resource development policy and planning. For example, a considerable body of literature deals with 'bustproofing', while other writers discuss 'resilience', 'diversification' and 'sustainability'. Clearly all do not refer to the same thing, although there is a tendency for the terms to be used synonymously. Certainly, 'bustproofing' and 'resilience' do not necessarily imply economic diversification. Even the latter term is frequently applied without adequate qualification. This is important because there are in fact two dimensions of the term, with each imposing very different conditions upon diversification strategies. 'Vertical' diversification refers to development which relies heavily, often totally, upon the core industry. 'Lateral' diversification enjoys more autonomy from the core industry, although crucial linkages may still remain. The experience of resource dependent communities shows that 'diversification' successes have been largely confined to the former dimension, regardless of whether the resource is renewable or finite. Communities dependent upon finite resources have shown a particularly dismal record in their diversification efforts. Indeed, many of the policies adopted by senior levels of government and noted earlier could at best be described as palliative. Most have focused upon the application of state control in planning and a brokerage role in re-vamped risk sharing arrangements among the parties-at-interest. Enforcing an equitable distribution of financial responsibility is laudable but a far cry from achieving community resilience. Federal schemes, such as the Canadian Jobs Strategies' Innovation Program, the Community Futures Program, and the DRIE initiatives have scored significant achievements in some sectors but not, for the most part, in the diversification of resource dependent communities.

THE BROKERAGE ROLE OF GOVERNMENT

A considerable proportion of recent domestic natural resource development policy is a reaction to the favored position that many critics claim the development companies have come to hold with respect to their investments in Canada. Multinationals, aware of the urgency with which governments view rural development initiatives, have leveraged substantial tax supported concessions in exchange for their involvement in resource extraction. Public attitudes are beginning to change. Chomyn (1989) cites British Columbia's government, which moved from a distinctly expansionist resource extractive policy during the 1960s to a position that there should be a more equitable distribution of private sector profits. Central to this position was a rejection of the 'company governance' approach which had prevailed until the New Democrats were elected to the B.C. legislature in 1972. In keeping with NDP philosophy, a 'public governance' policy emerged with the purpose of putting some substance into the 1960s 'Instant Towns' legislation. The new approach, implemented by B.C.'s Ministry of Municipal Affairs (MMA), sought to establish resource dependent communities as an 'equal party-at-interest' in development ventures. A number of key assumptions were inherent in this new approach. The first was that the development companies, while always attempting to maximize efficiency, usually recognize a well-developed viable community as fundamental to labor stability, and that this in itself will contribute to production efficiency. The second was that community health and resident satisfaction are symbiotic; combined, they can dramatically enhance community resilience. The third assumption was that government can, and should, play a positive brokerage role in exploiting the full potential of Canada's natural resources and the resource dependent communities. At the same time, however, the B.C. government had come to the conclusion that the taxpayer at large was beginning to assume a disproportionate share of the costs and risks involved in resource development. Consequently the new approach took a position that they should be more equitably distributed among the parties-at-interest.

The MMA pursued its risk-sharing philosophy through negotiated, but binding, Development Agreements. These agreements recognized five major 'mechanisms' which the B.C. government saw as contributing to community resilience: local self-governance, financial stability, capital expenditure, land allocation and development, and housing. Effectively, they shifted financial responsibility away from the provincial government and onto the community and resource developer. Local self governance was designed to enable the communities to 'hit the ground running' by appointing a commissioner to initially act as mayor and council. Financial stability would be achieved by municipal incorporation (thus making the community eligible to raise money through all the traditional channels enjoyed by municipal communities), and by making the resource developers shoulder a proportion of the infrastructural costs, not only those associated with plant construction but also those related to the townsite. At the same time, however, government acknowledged that it would have certain priorities above and beyond those of the community and the private sector, and that the cost of affecting these should be borne by the taxpayer-at-large. But in a sharp departure from established policy the government decided that capital expenditures should be reflective of the resource developer's own projections of future output and labor requirements. In other words, if the town committed itself to certain capital expenditures based on company projections which proved later to be misjudged, the company would become liable for those expenditures.

Land allocation and development, under the new approach, became a municipal responsibility in instances where the land is Crown owned. Here, the B.C. government argued that municipal control would permit a much broader interpretation of local development than that which had prevailed under company control. Again, the developer was made liable, as a result of forecasts presented to the municipality, for a proportion of land development costs. One of the more contentious elements of this policy was the so-called 'Take-up Agreement' which obliged the resource developer to purchase developed residential land if the municipality failed to sell it within a specified period of time. The significance of this policy becomes readily apparent in light of the fact that housing stock can account for well over 50 percent of the total capital costs associated with new community development. Unfortunately, the policy's latent effect was to shift a high proportion of the long-term risks associated with house buying to the homeowner.

Housing, the government's fifth mechanism of resilience, was viewed as a way of increasing local tax revenues, improving local enfranchisement, and giving local residents a greater stake in their community. In short, housing was seen as an important factor in stabilizing the local workforce and, at the same time, discouraging rapid workforce exodus during periods of economic downturn.

Ostensibly, British Columbia's new policy was intended to foster community resilience, with the government pursuing a brokerage role to ensure that all the parties-at-interest fulfilled their obligations and enjoyed full benefits accruing from the development agreements. However, as Chomyn and others have pointed out, this optimism has been far from realized. Coal dependent communities in British Columbia's Elk Valley were devastated by the severe contractions which occurred during the early 1980s. All were encouraged to diversify their economies but it is interesting to note that the towns which had emerged more or less exclusively as a response to coal extraction (for example, Elkford and Sparwood) conspicuously failed in this regard. A notable exception was the town of Fernie. In her incisive examination of the Elk Valley's coal experience, Chomyn notes that a number of factors, some of them historical, distinguished Fernie from other communities in the region. To begin with, the town was older and had longer to diversify its economy, a fair proportion of which is now based on tourism. Moreover, it strongly resisted the temptation during the boom period to go too far into debt. This caution stands in sharp contrast to Elkford, which is presently awash in red ink. Perhaps the most interesting of Chomyn's conclusions is that the success of entrepreneurship depends very heavily upon the 'social experience' of a community. Although it began as a coal town, Fernie has been in existence since the late 19th century and has survived several booms and busts in its long history. The hard lessons were not forgotten. Fernie's experience also suggests a possible maxim of some relevance to development planning: the longer a community survives, the longer it is likely to survive. B.C.'s policies, which appear to assume a logical link between local enfranchisement and community resilience, have contributed little to the latter, and even less to economic diversification. In the case of the Elk Valley coalfields, municipalities were eventually faced with the responsibility of long-term debt, eroded revenue bases, and virtually no flexibility in manipulating expenditure categories. To make matters worse, several mining companies in the region, claiming diminished physical plant values due to shrinking markets and poor coal prices, have successfully appealed their tax assessments. Some of the judgements are retroactive to previous taxation years and the refunds, amounting to millions of dollars, are payable by the local municipalities.

Other provincial governments have gradually become involved in the regulation of resource dependent communities. Alberta enacted its first New Towns legislation in 1956 and amended it in 1967. As Robson (1988) notes, Drayton Valley was the province's first 'publicly planned' new town and it emerged under the Townsite Act of 1954. This Act did little more than dampen land speculation. Alberta's experience with resource dependent communities has been marked by increasing government control in both planning and development; this can be clearly seen in the 1956 legislation and amendments eleven years later in 1967.

Saskatchewan's initial involvement in resource dependent communities was prompted by the emerging need for uranium following the Second World War and the onset of the Cold War. Deposits found in northern Saskatchewan led to the development of Uranium City, but it was not until 1954 that the provincial government began to enforce zoning practices within designated townsites. Later, potash extraction resulted in similarly regulated developments such as Lanigan. Like Alberta, Saskatchewan's involvement in townsite development shows a marked concern for physical efficiency or, as Robson puts it, 'orderly growth'. Whether this was seen as predictive of stability is difficult to judge.

Manitoba has also had a long experience with natural resource extractive industries, and like the other two prairie provinces has become progressively more involved in a regulatory capacity. Initially this found expression in the Local Government District Act of 1944. By the 1970's the government's involvement had broadened into a novel strategy of establishing Crown corporations to supervise local development. By way of example, Robson points to the town of Leaf Rapids, which housed the Sherritt Gordon Mines workforce. The Lead Rapids Development Corporation (a subsidiary of the Manitoba Development Corporation), while allowing the company to control initial development, insisted on jurisdiction over the overall planning and later imposed a cost-sharing formula for townsite maintenance. Manitoba distinguished itself from the other two prairie provinces by amending the Mining Tax Act in 1970 to permit the establishment of the Manitoba Mining Community Reserve Fund. This pioneering legislation enabled a small proportion (3%) of mining taxes to be set aside for the purpose of offsetting economic downturns in these communities.

WHY DO POLICIES FAIL?

It would be grossly unfair to dismiss rural development policies in this country, carte blanche. But in the context of fostering resilience in resource dependent communities they have not been successful. This obviously begs the question, why? Government initiatives in this area become more readily understandable when viewed in the context of their theoretical underpinnings, and their shortcomings become more understandable by similar virtue. Keynsian economics, which fired the imagination of many Western countries during and following the Great Depression, implicitly lingers in much of Canada's regional development policy. Public allocations in the planning and financing of extractive infrastructures reflect the assumption that government intervention is an acceptable mechanism for reducing the impact of boom and bust cycles in open market economies. It also reflects the preoccupation of both senior levels of government with 'planned' development and the political quest for regional equity since the Second World War.

British Columbia's policies show a significant departure from, or perhaps more correctly, expansion of, the Keynsian doctrine. By shifting a high proportion of risk burden to the community the B.C. government is implying that the prescription for successful diversification and resilience lies in fostering an 'entrepreneurial ethic', not just within narrow economic parameters but extending to the social-psychological realm. This is consistent with classical development theory which assumes that underdevelopment is characterized by a chronic deficiency in entrepreneurship. Thus, at the individual level, local enfranchisement, developing a stake in the community, and putting down roots, are all necessary elements of resilience enhancement.

It also becomes evident that the traditional interpretation of process within the finite resource dependent community is, in itself, poorly reconciled with today's vision of community resilience. Lucas (1971) was one of the first to conceptualize the economic and social experience of this type of single industry town. Within a 'life cycle' framework he suggested four logical stages, each characterized by distinctive economic, demographic, and social events: construction, recruitment, transition, and maturity. More recently, Bradbury and St. Martin (1983) have added two subsequent phases: wind-down, and closure. The organicism inherent in life cycle theories dictates that finite resources, and the communities which depend upon them, will experience birth, development, maturity, decline, and eventually death. In contrast, most resilience strategies appear to reflect the ecological perspective which replaces the notion of terminal decline with that of invasion and succession. Clearly, for the ecological perspective to successfully find expression in regional and community development there has to be the promise of a supportive economic base. A fundamental problem here is that resilience strategies run counter to the normal evolutionary process; most resource dependent communities are only there because of the resource deposits. Consequently the exercise becomes one of finding an industry to keep the town alive once the original reason for its being there has disappeared. This is of more than passing interest because it suggests that decisions affecting the life or death of a community are being increasingly predicated on social rather than purely economic imperatives.

Natural resource extraction itself places severe constraints on the flexibility of communities which emerge in response to the development. In fact, in most cases the community would not be there in the absence of the resource. This usually leaves municipal governments with few viable alternative assets to exploit. Secondly, senior government financial support can have only a marginal influence on the survivability of these communities, regardless of whether or not they are incorporated, largely because critical decisions, many of them the prerogative of the developer, are outside the control of domestic governments. Crisis management is one thing; dictating policy to multinationals operating within the law at the global level, is another. This underscores the fact that key decisions which affect the community are seldom made within the community. Thirdly, and perhaps most importantly, it could be claimed that in view of the fact that community survival these days is largely a moral issue, economically rationalized strategies are becoming an increasingly specious exercise. No attempt is being made to negate the importance of an economic base here, but if the collective social conscience deems it morally wrong for these communities to die, then economic diversification prospects, whether good or bad, become somewhat meaningless. Indeed, an examination of current diversification programs suggest that this conclusion may have been reached by politicians and bureaucrats. Nevertheless, a double agenda continues to be played out in both the political and administrative branches of government.

CONCLUSIONS

The economic diversification of resource dependent communities has failed because, in strategy, it finds itself at odds with a far more dominant and pervasive cultural ethic of entitlement which places the 'bottom line' secondary to a stable environment. Of course, on the other side of the coin is the question of whether the allocation of public funds to develop a community which has, at best, a tenuous future, is itself morally justified. These questions demand immediate attention because they contain important ramifications for both the survivability of resource dependent communities and those who live in them. Current policies have unquestionably fostered an isolationist mentality which some writers have already criticized (Detomasi, 1986). In the mistaken belief that institutional completeness proxies for stability, many rural communities, with the encouragement of senior governments, have sought to capture as much service and administrative infrastructure as possible in direct competition with their neighbors. The inevitable result has been a costly, and unnecessary, duplication of effort, borne by the taxpayer at large. The limited capacity of resource dependent communities for diversification must be acknowledged. For their part, senior governments will have to decide whether economic rationalization or the collective social conscience is to be reflected in future development policies of this type.

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