

Chapter 2. Revitalization: An Essay

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The Big Picture

One could be forgiven for concluding that devitalization seems to be the fate of rural areas. They have industrialized and opened to globalization, yet at the same time, decades of decline have been a fact of life for many rural economies worldwide. Fateful decline appears to be destiny for rural economies as long as commodity supplies outstrip population and income growth and climate change is slow.

Rural revitalization is about processes that create wealth and wellness, about vitality and endurance. Devitalization is a consequence of interrupted wealth creation. The most obvious signal is young and ambitious rural people walking away to seek better opportunities. And they did walk as the world industrialized. The best continue to walk as wealth generation is digitized.

Revitalization moves to the top of the list of things to do when creative processes are disturbed or perturbed. Will digitization reinforce creative processes or simply extend fateful rural outcomes into the long future?

This book contends that revitalization is a choice. Digitization seems likely to individualize this choice more than ever before, changing both the scope and process for public choice about revitalization. Devitalization may be viewed as the elimination of choice. The outcome may be fateful if this process becomes irreversible and individual choice to stay or walk is extinguished.

The word 'fate' implies inevitability, usually associated with a result that would not otherwise be the preferred choice. Choice is about accessible options and the power to exercise them. For many rural communities, their fate therefore is their perspective on vitality.

Significant territories within the developed rural economies of the OECD are in decline despite being subsidized and protected by their urban trading partners. Trade liberalization and globalization of technology are making today's rural low cost producers in many parts of OECD countries uncompetitive in tomorrow's markets. In response, rural economies are repositioning their assets. However, artisan work and resource-based occupations still define peoples' identities, such as fishing, forestry, agriculture and mining. The consequences for disrupted livelihoods are often uncomfortable, such as poverty, loss of identity, depreciation of wealth and self-respect. Small elites of world-competitive farms are emerging from within a former middle income farm majority. Higher commodity prices should reinforce this trend. Most rural households in the OECD now depend on wages rather than self-employment. The informal economy grows. Rural poverty draws more heavily on social safety nets and the urban fiscal base, as rural households join the ranks of the urban and rural poor.

Debate is vigorous and wide ranging about whether urban taxpayers are well served by putting money into rural economies, beyond what is paid for through markets. Rate-of-return arguments are complicated by intangibles and delineating the parameters for estimating

opportunity costs. Metropolitan populations are unaware that their affluence depends in part not only on off-loading a number of costs into their own rural areas, but also on dumping social and environmental costs onto developing countries.

So far OECD countries have been able to compensate for rural devitalization with national health care, social security, universal education, employment and income transfers. The model for addressing third world rural devitalization has been foreign aid, technical assistance and trade. The trade component remains controversial for its devitalizing side effects. Compensation and aid have been characterized as tape to mend a torn page. Rural revitalization seems to be really about the emerging global interventionism by insecure developed economies and the ruinous cost of the two models of aid and compensation.

Far from being able to resolve the debate, we adopt the 'global co-dependence' otherwise called the 'co-evolution' line of reasoning for metropolitan cities' reliance on rural revitalization. Co-evolution points to a strategic need to build common interests between metropolitan residents and rural economies on matters of environmental security, food security and safety, governance, markets, finance, and investment. Urban sponsorship for revitalization of rural economic functions at present will save unaffordable future costs of global and national insecurity.

Learning more about how to do this is the purpose of this book.

Global rural/urban co-dependency

Industrialization policies reinforced by imperfect markets have put rural productivity to work for the good of urban populations. That is as it should be. Urban growth during industrialization depended on a strong productive rural economy. Urban needed rural. Rural has also profited by increased urban productivity and often generous compensation from urban taxpayers. Rural households grew affluent gradually with rural to urban migration and pluriactivity enabled by productivity gains even as the monetary value of these gains was being extracted.

What was once a domestic relationship is being globalized by trade liberalization and the transition to a global knowledge economy from a regionalized industrial economy. Beginning in the late 1700s, the industrial revolution applied mechanized power to create machinery for agriculture, manufacturing and transportation. All-metal machine tools added to the process in the first two decades of the 1800s, with steam engines gaining widespread use by the mid-1800s. The process continued to spread from its earliest applications in Britain to the rest of the world and all economic sectors today. But for its immutable power to change societies, economies and governance, the industrial revolution is giving way to the digitization of information and its communication. Now in the early 2000s, the world is in the last stages of globalizing the industrial revolution as part of this transition with the extraction of wealth from rural economies transcending national borders as in the colonial era. The relationship of global metropolitan economies to the global rural economy parallels the relationship between urban and rural economies within nations.

The New Rural Economy (NRE) at the start of the digitized knowledge revolution has a different relationship to the urban compared to the old rural economy. In the OECD countries at the present time, the rural population is much smaller than the urban population. In particular that part of the population actively involved in farming is often under two

percent of the national workforce. Urban owned and researched inputs and knowledge have displaced most rural inputs and knowledge. Moreover, per-capita rural wealth remains below that of urban, suggesting that market imperfections continue to extract wealth against the backdrop of place-fixed rural assets.

If urban continues to extract rural wealth as before and also rolls back its financial support and services for rural economies, rural will become extinct in the future unless it finds new functions. This requirement is much more than simply adding value to the old commodity functions, such as making jam from strawberries.

Today urban growth depends more on global-metro relationships than on its domestic rural-urban relationship, especially for trade and knowledge. Digitization is global. Commodity markets are global. Financial markets are global. Metropolitan economies generate their own labour supply and tap into global labour markets. Rural is just an open-air industrial plant in the national growth equation.

If urban needs domestic rural, it is for reasons other than growth. The reason in our view is security: namely, food, water, and environmental and personal security. So far urban has not 'had to pay' through market prices to obtain these rural functions as much as compensate rural for lost welfare. The result is a 'missing markets' problem.

As we enter the 2000s, urban is rebelling against the old subsidy solutions to this problem. Resistance is growing to payment by income transfer. Income transfers are characterized as social subsidies of lifestyle choices for the many, and payments to the few rich land owners, farmers and resource companies that now account for most commodity production in many OECD countries. Urban taxpayers oppose paying costs they cannot connect to benefits. Many even argue that agriculture, mining, forestry, and fishing are putting long run global security at risk, especially on the water and environmental fronts.

On the other hand, OECD urban dependency on 'foreign rural' is increasing, especially for commodities and environmental security. Dependency on this infinitely larger 'foreign rural' territory is growing because foreign commodity trade is an alternative to paying the costs of security at home. Developed countries can obtain low cost commodities by shifting their domestic rural ecological and social costs off their 'balance sheets' to foreign societies. These in turn cannot afford to support their domestic rural economies the way OECD countries have. The metropolitan economies of less developed countries could be viewed as taking on an 'agency' role, forwarding wealth generated in their rural economies to metro populations in the developed countries of the OECD, including Japan and Canada.

We argue that developed metro economies actually contribute to global insecurity when they avoid their own domestic rural issues in the present, by shifting future insecurity to developing countries' rural economies from which disaffected youth cannot migrate to urban opportunity. These 'blind spots' expose us to risks of terrorism and destabilizing regional war. Future global issues promise to be much more costly to resolve than domestic rural issues as shown by the war on terrorism.

Global competitiveness for Japan and Canada revolves around the ongoing restructuring of the functions and property rights of both our rural and urban economies. Metropolitan demand for rural functions globally is shifting away from commodities only, toward environmental security, food and water security and safety, and amenities for human

habitat, recreation and leisure. But these new interests are dynamic and individualizing beyond national and corporate governance as the digitization revolution gathers steam. These interests are segmenting rapidly far beyond the old commodity interests in food and fibre, raw materials, and cheap labour. Rural and metro populations continue to have a strong common interest, but it is a different and more fundamental common interest. It is global security and the spirit of citizens.

It is also evident that rural enterprise cannot survive if rural does not improve its productivity *in the context of new functions*. Rural citizens individually may choose to ignore the demand for new functions and the productivity of their assets. They could become survivalists, with the corresponding slow lifestyle. However, neither the Japanese nor the Canadian rural economies as a whole could afford this subsistence option. Slow life may be and will always be an individual choice for those who can afford it, but as a revitalization strategy, slow life means no-life and chronic dependency.

Promoting productivity to keep the rural parts of society affluent is a necessary condition for rural revitalization. If rural affluence erodes, the rural demand for food, water and environmental security also erodes. The rural basis for discovering a common rural-metro 'general will' weakens, and this necessary condition for rural revitalization is jeopardized.

The metro's demands for new rural functions related to security are the demands of affluence. They arise after basic needs are met. They are shared by all people globally, as they gain affluence. Rural vitality is about gaining affluence in the broadest possible sense and moving onward to self-actualization.

Rural vitality

Rural revitalization raises the usual political and social economy questions: Markets, tradables, retained earnings, multipliers, investment, labour, property rights, technology, risk and uncertainty, scarcity, entrepreneurship and so on. On the social side, answers to these questions lie with capacity-building centered on organization and self-organization, social capital, and relational frameworks within which social and economic transactions are sustained. Social cohesion is also a consideration, both as an outcome and an issue for revitalization, because inclusion as opposed to exclusion is thought to be a necessary condition for persistence of vitality in the new rural economy.

Vitality means that individuals acting alone or collectively are willing to invest time and energy to create wealth and wellness. Uncertainty weighs heavily on vitality. Economic vitality means handling the uncertainty arising from new functions with new knowledge in a complex world, not simply breathing new life into an old economy.

We contend that rural communities cannot handle uncertainty without blending both wealth and wellness, especially when they are part of the larger affluent societies that define the developed world. It is well known that wealth is the capitalization of income into asset value. Although less tangible in terms of health, self-respect and spiritual peace, wellness contributes to asset value but forces tradeoffs among assets used for economic gain. Self-actualization measured by quality of lifestyle and community lies in the pursuit of both wellness and wealth. Anything that thwarts this pursuit thwarts vitality.

Rural assets are typically the talent and skills of the labour force, land, water, forests,

minerals, amenities and the environment (ecosphere). These are organized in households, farms and firms, communities and municipalities using social capital. The ability of rural populations to experience wealth comes from aggregated personal productivity based on access to property rights to these assets, either in common or in individualized forms. In the new digitizing economy, access to global knowledge and a capacity to organize assets are now acknowledged as essential to creating and retaining wealth.

A not-so-well understood rural asset is social capital, though it is used in organizing all assets. Social capital seems to be part of the explanation of how communities lag or lead in the wealth creating process. At the same time social capital is part of the quality of lifestyle and community and is considered a measure of collective wellness. Social capital may be likened to a gearbox on a truck, transmitting power from the engine to the wheels of wealth and wellness.

Social capital becomes obsolete and depreciates just as gearboxes wear out and become obsolete, and as the demands of process for wealth creation and wellness change. Revitalizing the function and form of social capital does not mean going back to earlier designs for gearboxes, but upgrading to the social equivalent of hydraulics and electronic governance. Digitization is part of this upgrade. Just as tough lightweight composite materials replace steel in new airplanes, reflexivity (responsiveness to information flows) replaces precedence and convention, and knowledge replaces prejudice in social capital.

Rural and urban tastes and preferences blend together in both rural and urban people. Lifestyle and community reflect individual blends of urban and rural value, culture and living standard. Community and lifestyle are also about the cohesion of social relationships expressed through public infrastructure, the culture of organizations and social communications. Industrialization since the 19th century has generated wealth while redefining wellness in increasingly material terms through the process of urbanization. This redefinition has allowed rural wellbeing to be concentrated, with consequent equity and justice issues. Industrialization, urbanization and information have accelerated changes of rural lifestyle and community, displacing traditional norms for wellness.

Paradoxically, as populations achieve a wealthy life they appreciate returning to former rural norms for wellness that emphasize a less intensive lifestyle over profit and the value of community. The paradox is even deeper when one recognizes that these rural norms were born from hardship and a prey identity.

As we enter the 2000s, rural revitalization has become a strategic and tactical issue. New thinking is required with the reality of jobless growth in traditional rural sectors of agriculture, forestry, mining and fisheries. Suitable blends of science with ethics are required to work with the long term tendencies that slow rural economic growth, namely rural depopulation and aging, relatively high transactions costs and chronic uncertainty. This new thinking has to be achieved hand in hand with metropolitan interests, going even so far as to understand that rural governance and markets must be understood as extensions of metro markets and governance.

Fate and choice

In modern rural Canada and Japan, it is far from clear whether rural populations are interested in revitalizing their economies. The reasons are far more complex and varied than

whether they choose to leave or remain in a rural place.

Revitalization is not inevitable. But is it really a choice? Perhaps the real question is whether devitalization is inevitable, the destiny of rural economies, recurring, foreordained and inescapable because of technology, the nature and distribution of global property rights and commodity markets. Rural success stories do abound. However, they are almost always about strategic choices based on a correct reading of demand, and special talent that circumvents or mitigates uncertainty about devitalization. Success stories almost always have a secret ingredient that cannot be replicated.

The chronically poor with their multiple generations of dependency are fated to continue poor and dependent when national and now global leaders place priority on competitiveness rather than on global security. In the language of complex systems, whole sections of the rural economy may enter a low level equilibrium trap under particular conditions. Improvements in wealth and wellness are possible within the trap, but provide temporary respite only. Revitalization means changing the equilibrium conditions, weakening the trap.

We argue that the choice to change the trapping conditions lies mainly at the national and global levels, and within trade and property rights agreements. The required combinations of power and authority can only merge in policy-making. Rural capacity to organize economic, social and political power locally to merge with top-down authority in new governance models seems indispensable for rural capacity to remain vital or to regain lost vitality.

Local initiative is a co-requisite to organizational capacity. Fate is usually discussed in terms of whether a rural population has an inevitable orientation to the future; even whether it sees any future. This issue is the basis for the social animation and social action literature of the 60s and 70s. Extreme and enduring poverty is thought to be associated with the day-to-day subsistence mentality, which has abandoned hope of self-actualization. Outsiders may see all kinds of potential in assets and technology, but devitalized rural people only see certain fate. The consequence is no investment, because there is no confidence in an uncertain payback. The self-reinforcing consequences feed fatalism.

Many of these circumstances are consequences of choice of initiative. Co-operatives and business breakfast clubs, for example, can challenge and reform rent-seeking behaviour in business. Isolation may be broken by international and metropolitan interchange programs. Rural health improves with nutrition awareness, community health centres, food banks, and volunteer home care—all are matters of political choice. Low educational attainment may be addressed by parent volunteers, special education programs as well as by fund-raising for libraries, sports, and science equipment care—all are matters of choice by citizens.

The New Rural Economy: It really is new.

The NRE looks 'rural' and traditional in both Japan and Canada. It retains the 'old' appearance of a resource extraction economy with its bucolic farm landscapes including towns and villages, wetlands, lakes, wildlife, forests, and coastal seascapes and ports. The NRE also remains largely a residual claimant on global income as it was in the industrial age. However, it is much more diverse, dynamic and complex, over 75% services and increasingly a residential space or habitat economy. Most of the technology is global, with the intellectual

property rights held in metropolitan-global hands.

The NRE is the rural face of globalization. The NRE is the outcome, sector by sector, aspect by aspect, of retooling the whole rural economy through digital technology in all its forms. The money to be made in today's NRE comes from learning how to organize access to global knowledge. Rates of return lie in combining it with local relatively immobile assets to make them more mobile.

Rural economies cannot transform themselves into vital NREs until they self-organize to gain new property rights and then rebundle them in productive profitable tradable ways that are not easily imitated. These purposeful changes are key to holding on to profits and rents, to invent exclusive ways of doing business not available or understandable to others in their markets.

Property rights and branding emerge as strategic instruments to generate economic rents from a clean environment, such as the 'White Sail' brand of smelt from the formerly polluted Lake Kasumigaura, the second largest lake in Japan. The logo of white sails against blue water and sky represents pre-1960s lake fishing boats, symbolizes people's activity harmonized with clean lake water, fresh green fields and marshes. The white sail against the now clearer bright blue sky communicates values of both heritage and cleanliness.

The defining feature of the formal rural economy is the unique forms of uncertainty and volatility around rates of return on investment in new business organization. The informal rural economy is a way of organizing to handle some of these forms of uncertainty. It features considerable job mobility, transactions based on relationships, incomplete pricing and audacious nascent entrepreneurs. These build equity from very little start-up capital. Revenue accrues by providing services to the formal economy.

New tradables for both the formal and informal parts are driven by the global demand for an ever-widening array of rural functions. These are increasing in value within the wider economy. However, markets are not generally forming fast enough to offset the weakness in the old commodity base. Consequently, the missing markets syndrome. A different governance is also a necessary companion to the rural investment process, because this process involves knowledge-based property rights as opposed to resource-based property rights. The emerging NRE raises profound implications for a whole different strategic agenda for rural households, governments, NGOs, and businesses.

The principal governance issue for the NRE has not changed. It is to synthesize individual initiative, now being reinforced by digitization, into public choices. The new different part is about replacing the courtier style of petitioning for entitlements created and maintained by politicians and bureaucracies, with power-sharing among government, business and civic institutions.

We contend that rural/metro alliances are promising ways to tie rural into global governance, to mitigate the subsistence dependency syndrome of survivalist rural economies. The routes into global levels of governance pass through all three major player groups in local governance; namely, government, civil society and the private sector.

Alliances are needed because rural social and political power is no longer any match for metropolitan market power in adopting the rural programs expected by rural political supporters of parties in power. Witness the recent decline in the political fortunes of the

Liberal Democratic Party in Japan and the failure of Conservative governments in Canada to support prairie agriculture and rural development. Paradoxically Conservative governments in Canada tend to hold almost all Prairie seats in Parliament, even when not in power. The LDP, on the other hand, has lost seats in rural Japan after keeping its leading position in both the Lower and Upper Houses of the Diet since 1955. The political situation in rural Japan has changed since the mid-90s, as the Party was forced by metropolitan needs to cut back its rewards to rural constituencies. Predictably, the Party lost control over the Upper House in the 2007 election as rural voters reacted.

Trade liberalization, which has benefited metropolitan economies mainly, is now targeting many hard won rural institutions and programs originally put in place to offset market-driven extraction of rural wealth, such as the Canadian Wheat Board. New rural governance cannot so much protect these valued social contracts as work to replace them with new arrangements that anticipate the emerging global governing processes needed to address huge global disparity and diversity.

Opening the rural economy

This essay has emphasized that rural futures are inseparable from the evolution of global relationships. Systems theory insists that being closed to interactions such as markets, knowledge and governance dooms a system to extinction in the absence of a strong perturbation that opens the system to outside forces. Digitization seems to be one of the significant factors opening the rural economy.

In fact, rural economies have a tradition of being open to trade as they buy industrial products and sell their labour, natural resources and commodities such as grain, livestock, fish and fibre. But the result has been a two-speed economy. At the end of the day, rural people, leaders and governments have agreed that the effects have been devitalizing. How do we reconcile this consensus with the arguments that rural economies need to be open to global markets and technology?

For our purposes, we adopt the reasoning that the instability of commodity markets coupled with their structure and conduct has strong devitalizing effects on commodity-based rural economies. Industrialization of commodity production has depopulated rural places leaving the least mobile resources behind and depreciating rapidly. The more closed are the labour, land and resource commodity sectors by isolation, the wider and deeper the rural poverty characterized by subsistence household livelihoods, substance abuse and incompetent governance. Isolation is both a feature and a result of high transaction costs, self-definition by rural interests as exceptionally entitled, social exclusion, and 'warlordism' in local politics.

Industrialization of rural enterprise may be expected to continue, even for the dominant and often subsistence service sectors. The digital revolution is the new shock challenging rural popular opinion that rural economies need to become more self-reliant, slower and somehow protected from metro and global forces, yet rural economies cannot resist. They must anticipate in order to position themselves strategically; Otherwise they will be forced to play catch-up through adaptation. Late adapters/adopters are consigned to breakeven or loss positions, a lesson to be remembered from the earlier impacts of industrialization on farm households and business.

People could not discuss rural revitalization in these terms without placing future rural

dynamics into the perspective of a global cosmopolitan knowledge-based society. The most noticeable aspect of a knowledge-based society is that it creates dynamics through the knowledge creating process. Where economies of size and specialization of labour were needed for people to improve productivity during the industrial era, which resulted in the 'agglomeration benefit' for metro business locations, a digitized knowledge-based society may operate efficiently with geographically dispersed tangible and intangible (intellectual) assets. Openness may no longer be a choice but a consequence of this revolution. Only the strategy, or the answer to the 'how' question, will be a choice. Quite new and closer, more immediate rural-urban relationships may be expected to emerge. The transformation of the industrialized to the knowledge-based society started in the fourth quarter of the 20th century (Nakano & Takeuchi, 1995; Burton-Jones, 1999).

Understanding the spirit of the times is important for finding the opening strategy for revitalization and to mitigate uncertainty. To understand the spirit of the times better, people, and especially their leaders, need knowledge of the history and the cosmopolitan nature of regions, nations, and the world. Social and economic changes since the industrial revolution call for study. Furthermore insight or perspective is needed about by-products of industrialization such as the relationship between rural and urban, and between developing and developed countries. This is a lot of understanding, difficult for individuals and their governing institutions, rural or metropolitan.

Rural-metro and international interchange, however, can increase understanding of the spirit of the times. This is one of the immediate and most important opportunities arising from these early stages of the digital revolution. Rural-metro accords and social contracts are the future building blocks for improving predictability and therefore reducing uncertainty for rural investment.

As a society becomes affluent, people's interests shift from basic needs and material satisfaction to quality of lifestyle and self-actualization. This is another way of saying that people chase scarcity because of the high value of what is scarce. The digital revolution is making scarce knowledge and understanding affordable, thereby extending the scope for self-actualization. The spirit of the times, therefore, may be expected to change faster and more unpredictably in the future.

The willing support by the rural public for an open rural economy seems to be a more and more elusive goal for political leaders. Time and uncertainty are the enemies of political innovation and investment. Yet we are speaking of timeless processes in which rural societies are engaged that have for centuries become more and more metropolitan. When these processes were intergenerational, irreversible damage could not be recognized.

Furthermore, the growing interest in self-actualization easily becomes an offsetting and closing force, harder to resist as the baby-boomers retire. Expressed only as the preservation of rural identity, self-actualization resists the need for metro and international interchange of learning and conjures up contradictions of vision.

Conclusion

The fundamental issue underlying the challenges for rural revitalization is that urban global competitiveness and national security cannot continue to be built in any country, by shifting costs and risk off the metro balance sheet onto rural balance sheets, whether domestic

or foreign. Metro could never pay the cumulating ecological and social cost of that choice. Maintaining rural as a 'zoo', 'theme park', or 'museum' is not a lower cost option either. Nor should rural be looked upon as a social cost to society. Nor is the deadweight cost of unproductive rural assets, especially its human assets, affordable because of their drag on productivity for overall national competitiveness.

Revitalization is an alternative. The principal difference between the possibility of rural revitalization and the probability of devitalization is the choice a society makes to balance its security account between rural and metro populations, both domestic and foreign. In a pure sense, such a Utopian balance is unlikely and certainly unlikely to be timely, as Jared Diamond points out. Nevertheless, devitalization is a choice, so certain a choice as demonstrated by history, as to be viewed as the fate of rural economies. Industrialization and now digitization were and are not choices. Neither is globalization a choice. It is the outcome of a continuing process of human endeavour and discovery. The requirement of a vital and productive rural economy for global security will one day be one of the discoveries.

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