

S.S. 11: COUNTERPOINTS

CH. 16: PATTERNS OF ECONOMIC DEVELOPMENT – NOTES

INTRODUCTION

1. **economic disparity** = a situation where there is a large gap between people who have low incomes and those who are rich.
2. Wealth is distributed unequally among Canadians: the richest 10% earn 10.2 times the amount of money that the poorest 10% of Canadians earn.
3. Questions to consider:
 - How do economic forces that cause disparities develop?
 - What role does geography play in disparities?
 - How do disparities affect people's lives?
 - How do economic forces change over time, improving matters or making disparities worse?
 - How can we find ways to reduce poverty rates?

ECONOMIC DEVELOPMENT IN CANADA

1. **Economic activities** = processes that help produce wealth and maintain quality of life.
2. Activities that are part of the **money economy** include all the processes of extracting, producing, distributing, consuming, servicing, and conserving resources (materials of value, where the value can be determined). These activities result in both goods and services that we use in our daily lives.
3. Other economic activities belong to the **non-money sector**. See Figure 16-4 p. 396.

Classifying Economic Activities

1. **primary industries** = those that extract natural resources from the physical environment. **Natural resources** are materials such as minerals, lumber, and water, that we can use to produce other goods.

2. **secondary industries** = concerned with manufacturing and construction.
3. **tertiary industries** = provide services to both businesses and individuals.

Canada's Economic Structure

See Figure 16-6 p. 397.

CORE AND PERIPHERY

1. **agglomeration** = concentration of particular industries in one place
 - Factories making car parts have located in southern Ontario, where there are many automobile assembly plants.
 - The expanding television and film industry in the Lower Mainland region of B.C. has produced a boom in equipment rental, film processing, sound editing, and catering.
2. **economic core** = an area that leads the economic growth of a region. It generally has higher rates of growth, and higher rates of pay, than surrounding areas.
3. **periphery** = areas on the fringes of the core.
4. Vancouver's economic importance makes the Lower Mainland the core economic area for the province of B.C.
5. In Canada, Edmonton and Winnipeg are cores on the Canadian Prairies.
6. The strong concentration of manufacturing and service industries in southern Ontario and southern Quebec – Canada's **industrial heartland** – has created a core in the central part of the country.
7. Globally, parts of Europe and North America form cores, with Latin America, Africa, and Asia (apart from Japan) acting as peripheral regions.

The Disadvantaged Periphery

1. **regional disparity** = economic opportunities are not evenly spread geographically:
 - land is not suitable for supporting large numbers of peoples, i.e. mountains
 - some regions are too far away from markets, making transportation costs prohibitive
 - some regions do not offer the infrastructure necessary for business, such as inexpensive power, skilled workers, or research facilities
2. Resource industries such as farming, mining and logging predominate in the periphery in both B.C. and Canada.
3. Overall, industries in the periphery tend to attract less capital (cash) investment.
4. Governments sometimes *subsidize*, or give money for, the cost of infrastructure, including building roads or power-generating plants. E.g. – development of coal mines around Tumbler Ridge in east-central B.C. for long-term sale of coal to Japan.
5. Governments can also offer tax incentives to encourage industries to locate in peripheral regions.
6. **out-migration** = when skilled and educated people leave to seek economic success in places that appear to have more opportunities
7. **“brain drain”** = loss of talent – makes it even harder for the periphery to stimulate economic growth
 - The Atlantic region of Canada has been traditionally a source of migrants who leave to find work in Ontario, Alberta, or B.C.
 - Canada loses a minimum of 5000 people to the U.S. every year.
 - Educated young men and women leave Africa and Asia for jobs that allow them to use their skills in developed countries.

Comparing World Patterns

See Figures 16-12 p. 401 and 16-13 p. 402.

ECONOMIC CHANGE

1. The result of technological changes, such as the invention of electrically powered machines, or the introduction of personal computers
2. Sequence of changes: traditional economies transform into developing economies and, in time, into developed economies.

Traditional Economies

1. Depend largely on primary industries, particularly farming
2. E.g. Burkina Faso, a small country in Africa – 87% of workers are employed in primary industries and only 9% live in cities.
3. **subsistence agriculture** = farmers consume what they produce
Using hand tools, productivity is low, so it is difficult for countries to raise their standards of living.
See Figure 16-15 p. 403.

Developing Economies

1. A good example of a technological innovation causing economic change is the Industrial Revolution, when human and animal power were replaced with power-driven machines. Workers increased their productivity.
2. Construction of an infrastructure to support expanding economic activity – communications, transportation, and legal systems.
E.g. – In Canada, the building of the transcontinental railway in the 1870s and 1880s improved transportation and spurred business.
3. A banking system is an important part of the infrastructure, because it provides the cash that finances other changes.
See Figure 16-18 p. 405.

Developed Economies

1. Industrialized, economies are very diverse, with many areas of wealth generation.

2. Although resources are still being extracted, primary industries employ a relatively small part of the workforce.
Secondary industries are strong, even though they are less dominant than the tertiary industries in the economy.
Tertiary industries now employ the majority of workers.
3. These economic activities exist because consumers in developed economies expect to have a great variety of goods and services available to them, and they earn enough money to pay for them.
4. Countries with developed economies experience mass consumption of both material goods and services, and have a strong economy because of trade with other countries.
See Figure 16-20 p. 405.

DEVELOPMENT FACTORS

1. Factors important in encouraging development and in creating wealth:
 - available natural resources, especially when used as the basis for local industry
 - stable political system, so that there is continuity over the long term
 - a literate population that can take advantage of new ideas and technologies
 - an open attitude towards change and progress among the population
2. Japan and Singapore are exceptions – they have limited natural resources yet are well developed, because their industries have utilized resources imported from other countries.
3. Countries in Africa that began to modernize after 1950 are finding the catch-up process to be difficult.
4. Countries in Asia have been successful where industrial development was aggressively promoted by governments, in some cases run by dictators (e.g. South Korea) or aided by U.S. capital (e.g. Taiwan).
5. Factors that appear to be connected with a lower level of economic development:
 - having been a colony in the 20th century (this stifled independent development)

- current high levels of government debt
 - ongoing domestic and international conflict
 - political and economic corruption, including bribery and the black market
6. Exception: Singapore has developed economically despite having experienced colonial rule.
7. Countries that led the way to development have been working at it for 2 centuries – *evolutionary* process of small innovations and advancements.
8. Countries that have only just begun to develop can take advantage of the experiences of the more developed countries – *revolutionary* process involving rapid change and disruption.
9. ***New Technology and Development: The Internet***
- Work such as Web design and software development is a new area for employment.
 - In 1994, only 3 million people used the Internet; by 1998, 100 million users were connected.
 - An estimated one billion users will be linked to the “Net” by 2005. The vast majority of these users will be in the developed countries.
 - Developing regions face serious obstacles in expanding their use of the Internet:
 - About 70% of the world’s people do not have ready access to telephones, the most common method of Internet delivery.
 - Low incomes put computer ownership out of the reach of most families and even businesses.
 - People who communicate in a language other than English must first learn English before they can fully benefit from the Internet, as most Internet communication is conducted in English.
 - The Internet may increase the disparities between the rich and poor of the world, and worsen regional disparities.

Agriculture and Economic Change

1. In recent years, farming has started to evolve into **agribusiness** – farm businesses owned not by families but by corporations controlled by shareholders.

2. Agribusinesses produce specialized products to meet industrial demands. Computers are integral to the operations.
3. A **vertically integrated business** is one that controls all the inputs it uses. E.g. an agribusiness raising chickens might grow the grain on its own grain farms to feed the birds; process the chickens in its own meat-packing plant; and deliver the meat to retail outlets using its own transport company.

The Environmental Consequences of Development

1. The 20% of the world's people who live in developed countries consume natural resources at a far greater rate than those who live in developing countries.
2. **Non-renewable resources** – those that can be used only once, such as petroleum – are being used up very quickly.
3. **Renewable resources** – those that regenerate over time, such as forests – are being mismanaged to such a degree that their ability to regenerate is threatened.
4. **Sustainable development** – requires economies that do not harm the ability of future generations to sustain a similar way of life.
5. What we need are new ways of achieving a good standard of living that do not harm the Earth and use up resources at the same time.

DEALING WITH REGIONAL DISPARITIES

1. Regional disparities mean that some people do not experience the full advantages of development because of where they live – within a city, across a province, across a country, or around the world.
2. **scarcity** = resources, such as human labour and natural resources, are in limited supply and should be used in the most efficient way possible.
3. Should people not have the same opportunities no matter where they live in a country like Canada? Many people view regional disparities as a problem that can and should be solved.

Helping the Periphery

1. In Canada, Ontario and Quebec account for almost 2/3 of the national income. The periphery suffers from regional disparities. E.g. – the Atlantic provinces produce just over 5% of the national income.
2. One approach to solving the inequities is **decentralization** – the process of moving economic opportunities out of the core to the periphery.
3. **Government Services**
 - Some governments have decentralized their services in an attempt to move economic opportunity to the periphery. E.g. – the federal government established the Lester B. Pearson Canadian International Peacekeeping Training Centre in Cornwallis, Nova Scotia.
4. **Government Incentives**
 - tax breaks and other incentives to companies that choose to do business in the periphery of a region
 - helps reduce the costs of doing business, and improves a company's chance of being successful
 - E.g. – Moncton, N.B. attracts telemarketing and telecommunications companies, has relatively lower wage rates, and offers a fluently bilingual workforce.
5. **Government Rules**
 - forced relocation – e.g. – after WW II, the Soviet Union moved many industries from the vulnerable heartland of the country into Siberia.
 - This strategy is not possible in countries with strong human rights codes, such as Canada.
6. **Sunset Industries**
 - industries that are unable to compete and are non-competitive
 - may have been successful at one time, but, because of changing conditions, no longer make a profit
 - have to be shut down, causing the loss of employment for hundreds of workers

- E.g. – shipbuilding on the east coast of Canada, the closing of many Asian-owned plants in B.C. after the economic downturn in Asia, the closing of the Volvo car assembly plant in Halifax, N.S.
- Other sunset industries in Canada include shoemaking, textiles, consumer electronics, and some steel mills.
- fishing may be replaced in time by newer technology – the development of fish farming or *aquaculture*.
- Tumbler Ridge, B.C. is an example of a community that is working hard to overcome the decline of its sunset industry, coal mining. It is promoting itself as an ideal retirement community, emphasizing the advantages of its natural beauty, modern services, and close-knit social life.

SHOULD EQUALIZATION PAYMENTS BE USED TO SOLVE CANADA'S REGIONAL DISPARITIES?

Equalization Programs: Pro

1. The federal government's main strategy for equalization is to make direct payments to provincial governments.
2. The Government of Canada transfers tax revenues at a rate based on the number of low-income earners in the province and their income levels; the lower the incomes, the greater the equalization payment.
3. Also includes federal contributions towards post-secondary education and health and welfare programs. By partially funding these programs, the federal government can set social standards and maintain consistency across the country.
4. It strengthens Confederation. Provinces that see themselves as benefiting from equalization programs will be less likely to want to separate.

Equalization Programs: Con

1. Everyone in a recipient province benefits from equalization transfers from the federal government, regardless of personal need.

2. Critics suggest tailoring support more specifically to individuals in need, rather than the broader society's needs.
3. Another concern is their long-term nature, which can lead to dependency. Some argue that equalization efforts should be redesigned as temporary, short-term practices while changes take place.
4. Another criticism of equalization payments is that they make businesses across Canada less able to compete in a global marketplace. The higher level of taxation everywhere to support equalization in the periphery is a burden on all industries and businesses.

THE CHALLENGE OF ECONOMIC AND REGIONAL DISPARITIES

1. Rich and poor exist side by side in Canada and globally.
2. To an extent, disparities are the result of natural economic forces that encourage the development of core and periphery regions.
3. Canada is a country with a strong core-periphery development.