Responses to a Changing World

by Jim Simmons and Larry S. Bourne

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1. The Canadian Urban System (CUS) in 2001

The 2001 Census of Canada marked a turning point for Canadian cities. Although the largest places – Toronto, Vancouver, Calgary, Edmonton, Ottawa, and their near neighbours – showed rapid growth, the post-war pattern of continuing urban growth no longer holds for most centres.

Of the 139 Census Metropolitan Areas (CMAs) and Census Agglomerations (CAs) identified by the census in 2001, 44% declined in population between 1996 and 2001, and another 12% grew by less than 1%. Only 31 places (22%) grew by more than 5% over the last five-year census period.

Altogether, the 139 CMA/CAs house a population of 23.8 million, or 79.4% of the Canadian population. The four largest places account for 37.2% of the population, and the 15 metropolitan areas with more than 300,000 population contribute 57.5% of the total. Central Canada (southern Ontario and southern Quebec) is home to 51% of all cities, and 65% of the total urban population.

The four largest cities – Toronto, Montreal, Vancouver, and Ottawa – generated 62% of total population growth, and the 15 cities with populations over 300,000 received 92% of the country’s urban growth. Meanwhile, non-urban areas as a whole lost 25,000 people.

Canada’s population is roughly one-tenth the size of the population of the United States, and that population is scattered across 8,000 kilometres, from Victoria to St. John’s. Many Canadian cities are closer geographically to their immediate American neighbours than they are to other Canadian cities – most Canadian cities are within 300 kilometres of the American border.

Regionally, 93.5% of the urban growth occurred west of the Quebec border, in Ontario, the Prairies, and British Columbia. Ontario alone contributed 55% of the urban population growth, including 419,000 additional residents in the Toronto region. This represents more than one-third of all the population growth in Canada.

Although the concentration of Canadians in the largest cities has accelerated, our political institutions have not responded in terms of changes in political representation, fiscal autonomy, or public administration. Agricultural programs and subsidies seem to go on forever; while urban issues seldom make the national news.

The problem of declining urban centres will become prominent, however, as more and more households find that their jobs, their assets (houses), and the public services they expect are eroded by factors beyond their control. Sixty-four cities lost population between 1996 and 2001. Ten cities lost more than 6.9% of their population – all of them peripheral resource communities – with Prince Rupert, B.C. (– 12.1%), and Elliot Lake, Ontario (– 11.8%), leading the way.

The pattern of interdependence among the cities, as well as links to cities in the United States can be studied through the movements of air passengers, which shows an intense concentration of flows within the Windsor-Quebec corridor. The most popular route is the Toronto-Montreal connection. Toronto-Vancouver is next, followed by Toronto-Ottawa.
On a continental scale, the largest cities – Toronto and Montreal – are linked to the largest American cities – New York and Los Angeles. Canadians also have strong links with holiday centres in Florida, Hawaii, and Mexico.

Tourism aside, however, flows to the major cities of the United States are roughly one-fifth the volume that would be expected to flow to Canadian cities of comparable size and distance apart. Thus, borders still matter. The predominant links for the CUS are still east-west, although the patterns continue to evolve toward increased continental integration.


Over the last 30 years, the number of urban places (CMAs and CAs over 10,000 population) has increased only slightly, from 135 to 145, while the overall urban population has grown by more than 40%, from 16.2 to 23.8 million.

Growth rates vary from east to west, with Alberta’s growth rate substantially higher than that of Manitoba and Saskatchewan. Ontario, with its large urban population base in 1971, and its high rate of subsequent growth, has generated 45% of Canada’s urban growth since 1971. Only 15% of all urban growth occurred east of the Ontario border.

Despite the amount of overall growth, and considerable variability by city size and region, the hierarchy of urban places has remained remarkably stable over time. The size differences among larger cities are so great that the ranking does not change easily. Most of the same cities remain on the list of the 25 largest places; and the urban rankings are similar at each Census (see table above).

By far the most significant shift was the replacement of Montreal by Toronto in the first position between 1971 and 1981, and the subsequent intensification of that dominance. Shifts in rank among Calgary, Edmonton, and Winnipeg have been important within western Canada, while Halifax and St. John’s have grown relative to other Atlantic region cities. Sherbrooke dominates the eastern townships of Quebec.

No new cities have broken into the top nine places, but several newcomers have appeared at the bottom of the list: Sherbrooke, Barrie, Kelowna, and Abbotsford have replaced Cape Breton (originally Sydney), Thunder Bay, Kingston, and Saint John in the list of the top 25 cities.

3. The Changing Environment of the Urban System

The Economy

Three changes in the Canadian economy shaped the Canadian urban system between 1971 and 2001.

First, this has been a period of substantial growth, as the population has increased by almost 40%, and the GDP grew by more than 140%.

Second, as part of this overall growth, the economy has shifted in terms of the sectoral and the spatial distribution of jobs and population. Private-sector services, and the large cities that support them, have gained most of the jobs, while primary and manufacturing activities have lagged behind.

Third, changes in the world economy and the liberalization of international trade, in which Canada actively participated, have significantly increased the levels of imports and exports relative to GDP – and these in turn have modified the sectoral and spatial patterns of


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<td>2001</td>
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Source: Statistics Canada, Census of Canada. Various years.
economic activity, as well as the networks of connections among places.

The net results of these economic shifts can be seen in differences in employment growth rates by region. Since 1971 Canadian employment as a whole has grown by about 86% – approximately the same rate as Ontario. Alberta and British Columbia have grown more rapidly than the average, by more than 120%; while the Atlantic region, Quebec, and the eastern Prairies have grown at rates of 40 to 60%. Job creation explains most of the regional variation. Interestingly, despite the attractions of larger cities, Montreal, which was Canada’s largest city in 1971, has grown very slowly. Lower levels of immigration and political uncertainty are part of the explanation.

Virtually all of the job creation over the last 15 years has occurred in the services, especially business services; these activities usually originate in larger cities. Primary and secondary activities have undergone substantial employment downsizing. The old economic base model no longer drives urban growth in Canada. Only Fort McMurray, Alberta, continues to grow rapidly as a resource-based boom town on the frontier. Alberta is also spending oil and gas revenues on health and education facilities to support small cities.

The globalization of the economy has increased Canada’s orientation to export markets. While the GDP overall has grown by 136%, the value of exports increased fivefold, by 424%, and shipments to domestic markets by only 62%. Interprovincial trade has grown only modestly since 1981, but exports have more than doubled, especially since the signing of the Free Trade Agreement in 1989. The implications of this shift for the urban system are threefold.

First, cities and regions that produce exports are favoured over those that produce for the domestic market.

Second, locations that are most accessible to the growing export markets have prospered. The external markets that have grown most rapidly are in Asia (served by Vancouver) and the United States, to which Southern Ontario is so closely linked.

Third, the decline in the relative importance of domestic trade flows and markets relative to exports reduces the incentives for richer export-oriented provinces to share revenues with poorer provinces. The latter are no longer viewed as essential to the domestic market, but as part of the competition for export markets outside the country. Pressures to maintain the political and economic integration of the country are thereby reduced.

The impacts of multinational corporations in Canada are difficult to evaluate. Between 1975 (the first year of the time series) and 1999, the proportion of Canadian corporate revenues controlled by foreign firms actually declined from 33.5% to 29.6%, as the economy shifted away from primary activities such as forestry and mining toward services. Nonetheless, these firms generate most of Canada’s exports and bring in most of the imports. They enforce international prices, technology, and standards upon Canada and are active in the implementation of trade agreements. Within Canada, investments by multinational corporations influence the sectors and locations of growth, as they choose subcontractors and parts manufacturers.

Perhaps the most worrisome implication of increasing globalization is the reduction of regulatory diversity, both interprovincially and internationally, as the result of continued lobbying by multinationals to reduce taxes, weaken environmental and labour regulations, and increase subsidies. As a result, Canada has become more specialized (and, paradoxically, probably more productive) within a narrow set of economic activities, but effectively excluded from other activities – and these choices are made for us by others.

**Demography**

Although the demographic processes of growth and spatial redistribution are also shaped by economic and political conditions, these processes have made substantial contributions to the changes in the urban system in their own right. The most significant processes include:

- the decline in fertility rates (the baby bust) and greater longevity, which have jointly brought about the sharp decline in the rate of natural increase;
- the expansion of international immigration in absolute terms, but especially in comparison to the level of natural increase;
- the relative decline in the importance of domestic migration as a factor in explaining urban growth.

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**The effects of economic shifts**

Since 1971 Canadian employment overall has grown by about 86% – approximately the same rate as Ontario. Alberta and British Columbia have grown more rapidly, while the Atlantic region, Quebec, and the eastern Prairies have lower rates of growth. Job creation explains most of the regional variation.
In 1961, natural increase added more than 300,000 persons per year (equivalent to 1.5% of the population), while net immigration added about 30,000. By 2001, the contribution of immigration surpassed natural increase, which had dropped to about 100,000 a year (0.3%). The latter is now only one-third of the rate during the peak growth period, well below the replacement rate.

The effect on urban growth patterns has been dramatic. Natural increase occurs everywhere there is population. In 1971 it guaranteed every community a growth rate of more than 1% a year – barring large-scale out-migration.

By 2001 the average rate of natural increase for the 27 CMAs was only 1.5% over five years, and many small communities had lost population. While a few cities in Quebec and Newfoundland still have higher birth rates, natural increase levels will drop there in future. Only cities that can attract in-migrants – particularly young adults – generate high rates of natural increase.

The decline in fertility levels eventually results in an aging population, and this further reduces the level of domestic migration, since migration is highly concentrated in the 15-24 age group. Many domestic migrants are now retirees, who are largely unresponsive to economic signals; in fact, they often reverse moves made to larger cities a couple of generations earlier, in order to live in less crowded, less expensive communities.

Reduced levels of natural increase affect all parts of the urban system, but net immigration is highly concentrated in the largest cities, especially in Toronto and Vancouver; as well as in locations near these cities, notably in Southern Ontario. Immigration to the Atlantic region and Quebec, outside of the Montreal region, is almost non-existent.

Immigration levels used to rise and fall with the strength of the Canadian economy, but recent levels have become more detached. Moreover, the composition of immigrants has changed over time. There are now more family members, and immigrants originate in countries that are less competitive in terms of economic opportunity.

Changes in the sources of immigrants suggest some reasons for spatial concentration. During the 1960s immigrants were overwhelmingly European, especially the United Kingdom. Recent immigrants are more likely to come from East or South Asia. They prefer to live, at least initially, where there are established networks and communities that share the same language and culture. Eventually they may disperse more widely throughout the country, but their initial location decisions tend to favour large and diversified cities.

Neither the rate of natural increase nor net immigration respond strongly to local economic growth. Thus, the only demographic mechanism remaining to adjust population to the needs of local labour markets is domestic migration.

The level of interprovincial migration depends on the age structure: young adults move more often than older adults. Interprovincial migration levels peaked during the 1970s as the baby boomers came of age. The FLQ crisis in Quebec 1969-70 generated a surge of migrants from Montreal to Toronto. A similar wave occurred after the election of the Parti Quebecois in 1976. The energy boom in the west in the late 1970s (and the subsequent bust in the 1980s) drew job-seekers from Ontario – and then sent them home again. A secondary peak occurred in 1986.

Substantial flows occur within provinces as well. During the 1950s and 1960s people tended to move from rural areas and small towns to the cities; the 1970s witnessed a reverse flow, temporarily, as the population dispersed into smaller places. More recently, larger cities are again attracting migrants from smaller centres.

Some cities are attractions in their own right (Calgary, Edmonton, Ottawa); while others attract large inflows from nearby larger cities, in the form of overspill suburbanization (Oshawa from Toronto; Abbotsford from Vancouver). Continued rapid economic growth and immigration – and associated high house prices – also encourage part-time workers or retirees in larger cities to relocate to small town and ex-urban settings, often outside the CMA boundaries.

In sum, as the overall level of natural increase continues to decline, a city’s growth will depend more and more on its ability to attract migrants, domestic or international.

Government

The influence of governments on the economy and lifestyles of Canadians, and on growth and change in the CUS is widely recognized, but only partially understood. The economy is shaped by economic and trade policies, as well as subsidies and taxes that target various industrial sectors. Immigration policy affects the rate of population growth. Infrastructure investments modify the distance barriers between places. Fiscal transfers and social programs redistribute income from richer to poorer regions.
The table on this page lists government decisions that have significantly affected the urban system. The most important changes modify the national boundary, making it either less permeable (with the usual result of centralizing growth within the country) or more open (thereby dispersing growth). Other policy initiatives have increased the spatial redistribution of income from wealthy provinces to poorer ones, and from big cities to smaller (and poorer) places, thereby reducing the variation in income per capita.

Certain significant political events have strengthened or weakened the political integration of the country. Canada is moving towards greater decentralization, with increased roles for the provinces and international agencies (read the United States), and a decreased role for the federal government.

Less visible actions of governments include changes in revenues (taxes) and expenditures that transfer money from wealthier (growing) locations to other poorer places. By improving services in the latter, and reducing the gap in regional incomes, these actions reduce the variance in urban growth rates. Taxes generated in the high-income provinces of Ontario and Alberta are transferred to the Atlantic region or Quebec by direct transfers or through payments for programs. A province may also redistribute income, usually from higher-income metropolitan areas to poorer rural areas and small towns.

Over the last 30 years, federal revenues have remained more or less stable, ranging from 15% to 18% of GDP, increasing in good times and declining during recessions. A wider variation occurs in the level of federal expenditures reflecting the trauma of debt and recovery between 1974 and 1997. The federal government’s ability to redistribute funds regionally is now about the same as it was in 1970, but has been reduced by 30% since 1992.

At the same time, demands on the provinces have grown rapidly. Provincial revenues and expenditures doubled from about 10% of GDP in 1960 (equivalent to 60% of the federal government level) to 21% in 2001 (115% of the federal level). Meanwhile, the level of transfers from the federal government rose and then declined, returning to the same level as 1961.

Most of the growth went toward the purchase of goods and services, notably health care, although municipalities also benefited modestly, at least until the cutbacks of the 1990s. When the federal government reduced its contributions to the provinces in the 1990s, the latter found themselves squeezed between growing health care costs and shrinking revenues from transfers. There was little money left for municipalities; their share grew from 2.1% in 1960 to 4.3% of GDP in 1992 but declined to 2.8% by 2001.

In sum, the ability of the provinces to redistribute income from larger to smaller cities has increased as taxes raised in the larger cities increased, but the pressures for expanded social services has meant that provinces targeted places according to their health and education needs.

The main sources of provincial variation are the level of federal transfers and the flow of revenue from resources. All provinces receive transfers to pay for

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**Public-Sector Events Affecting the Canadian Urban System, 1965-2001**

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<th>Date</th>
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<tr>
<td>1965</td>
<td>The Auto Pact</td>
<td>Accelerated growth in Ontario; created stronger north-south links with the Midwestern US.</td>
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<td>1967</td>
<td>Equalization payments</td>
<td>Current format initiated. Transferred funds for public services from rich provinces to poor.</td>
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<td>1968</td>
<td>Medical Care Act</td>
<td>Increased federal funding and provincial expenditures, hence increasing spatial redistribution.</td>
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<td>1970</td>
<td>FLQ crisis in Quebec</td>
<td>Frightened anglophones and their firms away from Quebec.</td>
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<td>1971</td>
<td>Expanded unemployment benefits</td>
<td>Transferred substantial sums to smaller resource communities, especially in Eastern Canada.</td>
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<td>1973</td>
<td>Foreign Investment Review Agency</td>
<td>Monitored acquisitions of Canadian firms; new investments by foreign firms. Did it discourage American capital from investing in Canada? In 1985 the agency was converted into Investment Canada.</td>
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<tr>
<td>1976</td>
<td>PQ victory in Quebec</td>
<td>Accelerated the flight of anglophones and capital from Quebec.</td>
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<tr>
<td>1978</td>
<td>Immigration Act</td>
<td>Established priorities and targets, expanding the level of immigration.</td>
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<tr>
<td>1989</td>
<td>Free Trade Agreement</td>
<td>Largely eliminated duties and restrictions on trade between Canada and the United States.</td>
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<tr>
<td>1993+</td>
<td>Federal cutbacks</td>
<td>Reduced level of transfers to provinces; in turn, reducing redistribution. Reduced unemployment benefits to Atlantic Canada.</td>
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<tr>
<td>1994</td>
<td>NAFTA</td>
<td>Extended Free Trade Agreement to Mexico.</td>
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Source: The Canadian Encyclopedia

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Corporations redistribute the income from one mine or plant to another part of the corporate network, either in Canada or abroad. Governments harvest taxes that flow to Ottawa or to the provincial treasuries for redistribution at a national or provincial scale.

At the same time, more and more people are now footloose within the space economy. They may survive outside the workforce, or find jobs in the consumer services that emerge wherever there is a market. Even service workers who support a resource-based business may work in a city far from the mine.

Alberta provides the model: the pipelines are invisible, and almost all the jobs are in services, both private or public, that follow the revenue flows from resource sites to corporations and to governments. Whereas local jobs used to generate revenue flows throughout the urban system; nowadays the revenue flows, after being pooled and redistributed, are creating local jobs for teachers or lawyers or fast food workers.

More and more, the future of the urban system will shift towards places where people want to live, instead of where they have to live; that is, towards consumption markets rather than production sites. The entire CUS operates like a single metropolitan area: we depend on the success of the overall urban economy for our jobs and pensions, but we are free to work and live in any neighbourhood that we choose: the big city or the smaller centre, Anglophone or Francophone, ethnic or not, milder or colder climate, nearer or farther from the family. But just as in the metropolis, the neighbourhood may be shaped by the particular municipality to which it belongs. Some jurisdictions (like Alberta) are rich in resources and low in taxes; others (New Brunswick, for example) have fewer comparative advantages.

The key to local prosperity may depend on the spatial organization of the corporate and public-sector links that tie the space-economy together. Each city depends on the network of connections generated by the corporations and governments that operate there. The city competes for resources against other locations in the same networks: for the right to produce a commodity, product, or service and sell it in markets to which it has access. This is as true for health care as it is for auto parts.

Large multinational corporations determine the locations of investment, production, and markets. These decisions depend on the value of the currency, the level of interest rates, or the relative strength of tax rates or labour legislation. The value of production is diverted into offshore banks, or to production inputs from around the world. Each corporation represents a different geography of redistribution, just as each level of government...
generates a different package of income transfers. Multinationals will probably play an increasing role in the CUS economy in future, as these firms define the nature and geography of the growth processes.

Governments have intervened to redistribute the value of production at certain locations into jobs in public services at other locations. Taxes permit them to hire nurses and teachers and build hospitals. The question is: which level of government will intervene? If the role of the provinces continues to increase relative to that of the federal government, the result will be greater regional diversity in growth rates, as redistribution becomes increasingly restricted to a single province.

Two kinds of cities tend to thrive in this competitive environment: the very large cities that attract the business, financial, and public services that continue to generate jobs and attract the immigrant groups that will provide most of the future population growth, and the smaller centres in amenity areas near the largest cities – in cottage country, or in tranquil countryside places that attract retirees or footloose service workers. But if the recent experience of Victoria or St. Catharines is relevant, these latter places will not grow rapidly.

Continental and Global Urban Systems

The opening of the boundary to international events and influences has been a significant part of the changes affecting the CUS. The events of the last year and a half have alerted us to the extent of this international integration, as the United States attempts to impose tighter controls on its borders, and to change Canadian policies on everything from the screening of immigrants to defence and drug enforcement.

Unlike the plans for European integration, the future integration of North America appears to be restricted to trade flows. Americans have few mechanisms for spatial redistribution within their own country, and would be shocked at the idea of redistributing income among the member countries of NAFTA. Despite Mexico’s aspirations, the United States is unlikely to open the border to immigrants without essential skills. And any form of political integration that would allow other countries to influence American policies is out of the question. Nonetheless, economic integration through trade will affect other dimensions of the CUS, but in a unilateral fashion.

For example, the North American economy will continue the trend toward closer integration, as multinationals link inputs, outputs, markets, subsidiaries, and finance across the border. The energy sector will lead the way. As networks pumping oil, gas, and electricity generate flows of income into Canada, reciprocal flows of goods and services northward will be required.

Pressures to increase the sales of American products will be felt in every sector, from agriculture to movies to financial services. While the United States may try to tighten control over its borders, businesspeople, especially salespeople, will likely be largely exempt. As well, pressures on Canadian governments to adopt fiscal measures and regulatory procedures that mirror American practice will continue.

Demographic integration will be more limited. Most immigration to Canada will come from Asia or Latin America; not the United States. The attraction of the United States for Canadians will depend on the relative strength of the dollar and the degree of institutional convergence (especially health care). Immigrants to Canada, however, will undoubtedly continue to be attracted to the United States.

One unknown in any population forecast is Canada’s ability to retain its immigrants, notably skilled immigrants, especially in the face of aggressive American recruitment. Cross-border travel will continue to increase, reflecting increased business flows as well as tourist travel. Travel within Canada will also grow over time, but domestic migration is limited by the aging population structure. Another unknown factor is the willingness of immigrants to move out of the cities in which they settle initially.

The political and institutional dimensions of the CUS will feel the greatest pressures for change, as economic integration requires policy convergence, and cultural integration conditions Canadians to accept American institutions. The most likely result is a restriction on the overall size of the public sector (to remain competi-
An uncertain future

Knowledge of the recent history of the CUS does not prepare us to project the future. As systems become more open, they become less predictable.

- Urban growth is volatile; and urban systems can evolve rapidly.
- Growth-rate variations among cities are greater for urban systems that are open to external influences such as trade and immigration.
- Globalization increases the likelihood of change within urban systems.
- In Canada, growth rate differentials are greater among regions than among city sizes in certain periods; while the reverse is true in other periods.
- The contrast between core and periphery has been replaced by a complex pattern of multiple cores and peripheries, with growing centres in declining regions (Halifax); declining centres in the original core region of southern Ontario and Quebec (Sarnia, Trois Rivieres); and emerging cores in central Alberta and the Lower Mainland of British Columbia.
- The dominant contrast in urban Canada is between regions around the largest metropolitan centres and smaller, more distant places.
- The places that grow are connected with the global economy – including trade and immigration – either directly or indirectly.
- The few smaller places that are growing are largely recreation and retirement centres for the expanding metropolitan regions.

The challenge for researchers is to understand the diversity of processes operating on the urban system and the effects these processes have on the growth of individual cities.
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