

Rural America at the Turn of the Century

One Analyst's Perspective

David Freshwater

Change in rural places comes from many sources and often affects rural areas unevenly. The following list of factors important in rural change is not exhaustive, nor are the factors listed in order of importance. A minor force in one place can be the dominant force in another.

Resource Depletion

Resource depletion is a fact of life in mining communities. Mines have a finite stock of materials. And even before mines are physically exhausted, most are abandoned when the costs of production become too high and the mines are no longer economically viable. When the mine shuts down, the community must find an alternative economic base or decline.

Other forms of resource depletion are less certain. Renewable resources, such as forests or fisheries, can be depleted to a point that the community can no longer sustain itself. The cod fishery in Newfoundland and New England, once seemingly inexhaustible, is

The last 100 years have ushered in major change to the countryside. Once a majority, rural people are now a minority, while farmers have become a minority even in rural areas. Mines have opened and closed, creating and then eliminating communities. Forests have been harvested and restored. And in some rural regions, a wave of manufacturing has swept in and then largely disappeared. At the turn of the 21st century, one thing is clear: rural areas will not return to the way they were. If rural people and places are to benefit from ongoing changes, rural advocates must build coalitions, gain urban support, and promote sound policies.

depleted. Western Federal lands have been overgrazed by ranchers with little stake in preserving their carrying capacity. In these cases, depletion is not inevitable but the effect is the same: the community must adapt or decline.

Changing Government Policies

Numerous changes in national policy affect rural communities. The closing of military bases in the 1990's had major impacts in the Northeast and Central Plains States. The 1996 farm legislation, which shifted risk more directly onto farmers, will likely lead to further consolidation in agriculture. Deregulation of airlines, transport, telecommunications, and now electricity often reduces costs at the national level, but most rural areas see costs rise.

Changing Markets

Shifts in markets affect rural areas. For example, American ranchers lost sales in Europe when restrictions were imposed on the sale of hormone-fed beef. Likewise, the introduction of syn-

thetic fibers after World War II caused cotton production to fall, only to recover later as new markets opened and the population grew. Other examples include the opening of new markets for specialty mushrooms and organic crops; the burgeoning rural tourism market; and, of course, the widely touted introduction of genetically modified crops and the mixed consumer response. In each case, the rural people and places that relied upon a specific market were greatly affected.

Technological Change

Advancing technology is a driving force in rural America, with agriculture being the classic example. New equipment and new crop varieties have allowed ever fewer farmers to feed ever more people, thereby changing the nature of rural America. In other industries—steel, automobiles, and even health care—technology altered the minimum efficient scale, and brought about great change in rural areas. The mini-mill, for example, enabled steel production in small

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rural communities with access to scrap and cheap electricity, regardless of proximity to coal mines. The result: some small rural communities gained while others—coal mining ones—lost.

Globalization

Rural America has always depended heavily on international trade, especially for resource-based products. Consequently, the increased integration of national economies has had major impacts on rural businesses. For example, flows of capital and goods now follow international price signals, and many of the firms in rural areas—those producing textiles, fabricated metals, and some agricultural commodities—are no longer competitive with foreign firms.

Shift to a Service Economy

In the last 50 years, the production of goods has been eclipsed by the production of services and information. Modern services such as accounting firms, patent firms, investment banking, marketing, and management consulting generate large amounts of wealth but are rarely found in rural areas. Although it is possible to deliver these services from almost anywhere, there are clear advantages in being close to a major airport and in being near colleagues.

Even services like retailing and restaurants have changed in ways that affect rural places. Downtowns that consisted of small shops owned and operated by local residents have been displaced by large chain stores like Wal-Mart and fran-

chise restaurants out on the bypass. As a result, communities lose to corporate headquarters not only profits, but also local entrepreneurs who helped the community develop.

Lower Transport Costs

Steady declines in the cost of moving goods, people, and information have also changed rural America. Better roads, vehicles, and communications systems mean there is little need for many of the communities that once were service centers in rural places. Towns can now be further apart with little drop in the timeliness of service. Likewise, lowering costs removed barriers to trade and opened rural firms to urban and international competitors. On the other hand, new opportunities for rural tourism have been created by allowing people other than the wealthy to travel.

Urbanization

As the share of population living in cities increased, political and economic power eroded in rural areas. Congress, dominated by urban interests, focuses on urban issues and often ignores the effects of policies on rural areas. Examples include mandates to use the best available technology for waste treatment even though these technologies generally cost more and are no more effective than older technologies in rural environments, or developing job training programs that cannot be operated in rural areas because either too few people are eligible for the program or the minimum class size is so large that the graduates of the program would exceed the demand for workers with those skills. When attempts are made to modify policies to better fit rural places, they generally are limited to a sin-



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gle adjustment for all rural places, which ignores the diversity of rural areas.

Rural Development Policy: Whose Role Is It?

Rural development policy can help rural people and places adapt to change and benefit from it. Much analysis of rural policy in the United States focuses on national

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policy, reflecting both the history of efforts to spur western expansion and the domination of farm policy in discussions about rural development. The West, however, has been settled, and the changes outlined above have created a rural America that no longer responds to a national policy focused on farming or any other single sector. Furthermore, it is becoming clear that the Federal Government—once the dominant force in rural development—has been less than effective in playing that role.

Why? First, increasing rural diversity makes it impossible for one or even a set of Federal policies to adequately address the needs of all rural places. In fact, a single policy will be ineffective in most places simply because it must be designed to suit average conditions, and rural places vary so much that the average is not a good approximation.

Second, and at the other extreme, tailoring unique policies to specific places is impossible to administer from the national level. Such an approach—requiring that the Federal Government design assistance packages specific to each rural community—obviously is not going to happen. Even a compromise approach—one in which the Government developed 50 policies, one for each State—would probably still be too general to succeed in most communities.

Third, except for brief periods in the 1930's and in the 1960's, the U.S. Government has not engaged in systemic efforts to foster economic development in rural areas. While specific programs—such as the infrastructure programs of USDA or the business assistance programs of the Department of Commerce—have been available, they have not been well coordinated, nor has there been sustained commitment to either long-term funding or to making program assistance available to specific communities over time.

Finally, in the past, when farm policy was a good proxy for rural development, it was possible to set goals for rural areas and pursue them. For example, if farm incomes were increasing and government outlays on farm policies were modest, then one could argue that rural development was taking place. Now it is less clear. We no longer have a single definition of rural development. Is it synonymous with economic growth, or more than simple expansion? Some argue that targeting beneficiaries is necessary; others argue that “a rising tide lifts all ships.” Some see development as a matter of stability and endurance. Still others consider development to be a process of continuous change.

Not surprisingly, then, we have no national rural development policy. And absent one, the Federal Government's biggest influence on rural areas today comes through policies that affect individuals irrespective of where they live. Social Security, Medicare, minimum wage legislation, and national environmental standards have a great influence on rural people and places. In fact, their influence is far greater than the meager funding appropriated for actual rural development programs.

The case for State government leading rural development is also a difficult one to make. Historically, State governments have played a limited role in rural development policy, in part because the Federal Government had a clearly established policy and because States had limited resources for economic development activity, which they preferred to focus on efforts with higher potential return and visibility. In the late 1980's, when rural conditions were depressed, the National Governors Association outlined a rural development policy that would have meant a much larger role for the States (John, Batie, and Norris). State governments would take the lead in rural development since they were closer to actual rural communities and could better articulate a development strategy that fit the conditions of the people and places in each State. Unfortunately, the proposal called for a large transfer of Federal funds to the States, while requiring little accountability from them. This suggested that the States did not believe enough in this new vision of rural development policy to commit their own funds. Indeed, most State governments had no better idea of appropriate development paths for rural places than

did the Federal Government. Consequently, the State plans would have simply substituted one top-down program for another.

These difficulties notwithstanding, State governments do play a major role in rural development. State policies determine where roads go and which ones are improved, set performance standards for school systems, determine hospital locations, and effectively control local government revenues and expenditures. Local government power and responsibility are assigned by State governments; for this reason alone, all local development approaches require enabling legislation by the State legislature.

On that note, the role of local government in rural development has only recently received the attention it has long been given in urban development. While cities have long been seen as playing a key role in their own development, the notion that local governments could influence rural development is relatively rare. Most regional economists and planners see rural areas as part of an urban sphere of influence, with the fate of the smaller place dependent on what happens in the city.

However, rural policy in the United States seems to be coming to grips with the necessity of involving local governments and local leaders in rural development (OECD; Shaffer; Radin; Rowley and Ho). Diverse needs and opportunities are the obvious reason for doing so. If you cannot conceive of a national or State rural development policy that is both flexible enough to serve most rural places' needs and cheap to administer, then you are driven to locally based policies that allow the use of a variety of Federal and State programs

in ways that are appropriate to that place. In addition, the notion of locally based development fits into the current political culture of making people responsible for their own future and requiring them to invest their own resources.

Nevertheless, a locally based development strategy has drawbacks. First, it sets up competition among communities in the search for employment and income. Inevitably, this competition results in higher levels of financial and other inducements to attract, retain, or create businesses. In the process, communities transfer wealth to businesses and by doing so make themselves poorer than they would have been absent the competition. While it may be possible to develop a cooperative development strategy that cuts across multiple places, there will always be a tension that reflects the incentive to maximize short-term self-interest.

Second, locally based programs mistakenly assume that the national or State interest is best served by the individual decisions of local communities, each of which optimizes its own situation. While it was efficient for cotton farmers in the South to replace unskilled labor with machines, the resulting mass migration contributed to major urban problems in the 1960's.

Rural Development in the New Millennium

Regardless of which level of government takes the lead in rural development, rural citizens have a vital interest in influencing the decisions that affect them. With the exception of agriculture, however, rural Americans have been unsuccessful in channeling government policy. Success in the new millennium will depend upon build-

ing coalitions, gaining urban support, and promoting sound policies.

Build Coalitions

To gain the support and access necessary to promote policies that make sense for rural America (and make the best of its remaining political capital), rural interests

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must do what has so far been impossible: build a coalition able to advance the rural perspective on a broad range of issues.

To build such a coalition, rural groups will need to develop a new paradigm that allows them to see that their individual interests are best served by working to develop mutual interests. Unfortunately, rural residents generally lack the skills and experience necessary for organizing such partnerships and the rural ethos of independence and self-reliance is an impediment.

Gain Urban Support

With the ebb of rural influence in the past century, urban concerns have come to dominate in economic, social, environmental, and political issues (Freshwater and Reimer; Swanson and Freshwater). Consequently, those promoting rural development must find a strategy that is acceptable to the urban majority. Rural support is no

longer enough, required now is the endorsement of urban people. Unfortunately, many urbanites see rural development efforts—such as the extractive use of natural resources or the building of dams, highways, and other infrastructure—as inconsistent with national interests in preserving rural amenities.

Gaining urban support will not be easy. Urban America has become increasingly suspicious of rural decisions and behavior. Rural residents are no longer seen unequivocally as stewards of the Nation's resources. In this urban view, loggers are a threat to endangered species. Corporate farms pollute rivers and eliminate wildlife habitat. Mining companies level mountains and dump toxic wastes in valleys. Rural manufacturing firms pay low wages and import illegal aliens to do work that is too degrading for U.S. citizens. In addition, rural America has its share of crime, drugs, and social dysfunction. In short, the behavior of rural people no longer fits the urban perception of rurality (Howarth). Although these behaviors may differ little from 30 or 40 years ago, they are now—through television, modern communications, and rapid transportation—highly visible and often disturbing.

Thus, at a minimum, rural areas must address the growing conflict over environmental preservation versus development. While the comparative advantage of many rural areas will remain in resource-based activities, the urban population—removed though it is—is in the position to set the terms in which rural residents interact with the natural environment. Unless rural policy can influence the development of social and economic policy, particularly environmen-

tal policies, rural residents will find the options for economic restructuring fairly limited.

Promote Sound Policies

The future of rural America rests upon its ability—with governmental assistance—to define and develop competitive industries to replace the resource extraction and low-skill manufacturing industries upon which it has depended. Entrepreneurship, tourism, recreation, and retirement are frequently touted, and there are many successful examples of each.

However, problems remain. While entrepreneurship does promote rural economic development, how should it be instigated? Similarly, tourism, recreation, and retirement provide opportunities for some rural places, but not all. Such development strategies require some minimum level of desirable environmental characteristics, like climate, topography, and historical or cultural significance. Absent these, efforts to attract visitors and retirees are likely to fail.

Making the transition to industries that can compete and support rural communities in the new era will be difficult, and may even be treacherous. An open economy based upon global markets threatens the survival of many rural businesses, such as the manufacturing of standardized commodities that uses low-cost labor and simple technology. In fact, many manufacturing firms are so exposed to foreign competition that they moved to rural areas as a way to reduce costs enough to make them competitive. Now, however, the competitive advantage offered by cheap land, labor, and electricity—and by lax regulations—has eroded and the same firms are moving out of the country to even cheaper loca-

tions (Rowley and Freshwater). Many rural areas, particularly in the South, must compete either with developing countries for low-wage, low-skill jobs (on the basis of better proximity to markets) or with regions in North America and Europe that have better trained workers for higher value work. The first course requires continued efforts to drive costs of production down, often at the expense of workers. The second path requires major investments in worker skills, production technology, and community infrastructure, with no promise of success.

Unfortunately, the small size of rural places makes such investments especially difficult. Not only are they expensive—in absolute terms and, even more so, in per capita terms—they are also risky. In a city, if a builder overestimates demand and builds three more warehouses than can be used immediately, it will not take much time or much of a discount to fill them. By contrast, one extra warehouse in a rural area can overhang the market for a number of years and significantly depress rents for all warehouses in the vicinity. On top of that, there is generally less reliable information in rural areas for making investment decisions. Nonetheless, if rural areas are to be competitive, they will have to make significant investments in people, companies, and infrastructure.

Because the transition among rural industries will be so difficult, other policies must also play a role. First, although agriculture no longer drives the rural economy, commodity programs continue to be a source of income for rural residents. Second, because rural areas depend heavily on government decisions about trade, environmental protection, and financial institu-

tions, these indirect policies must be made rural-friendly. Third, social policy must help rural people unable to work to get health care, food, and other necessities of living. Simply increasing funds for existing programs will not do the trick because, designed as they are with urban areas in mind, they are ill-suited to meeting the needs in rural areas (Greenstein and Shapiro). Thus, it is critical that rural interests work to increase program flexibility to ensure that rural

residents can obtain the greatest benefit from government outlays.

The challenges for rural people and places are great. And many of the characteristics that define rural America only increase the difficulty. The alternatives, however, are few. If rural areas fail in their attempts to build coalitions, gain urban support, and promote policies that enable them to compete and succeed in the new century, they may once again enter a period of decline.

For Further Reading . . .

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