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FRAGMENTATION, TOWARD

A RECENT SERIES OF WASHINGTON POST ARTICLES highlight the differences in economic conditions among regions in the United States. The articles are generally upbeat and imply that the engine of economic growth has reached throughout America. The Midwest article, for example, highlights economic recovery in Peoria. But it ignores the depressed conditions in many rural communities that are small and remote from population centers.

While the 1980s were years of economic recovery and prosperity in most urban areas, this was not the case in rural America. An economic gap between rural and urban America has opened and widened. During the decade rural unemployment rates have exceeded urban rates, rural per capita income fell to one-fourth lower, and the proportion of the rural population living in poverty increased to one-third higher than in urban areas. The roots of current rural problems lie in the years of benign neglect, selective outmigration, incorrect diagnosis of rural problems, mispecification of solutions, and fragmented rural lobbies.

Rural leaders disagree on what should be done to correct the problems of rural America. Traditional development groups argue that improving infrastructure and recruiting industry are the keys to rural growth. Newcomers to the development process assert that infrastructure is not very useful if the rural labor and the management force lack the ideas and skills to use it. Farm organizations sit on the side-

Rural leaders have disagreed on what should be done to correct the problems of rural America. Most have argued that infrastructure is the key. A minority have believed that building human capital—education, health care—is the answer. These four myths, the disagreements on what to do and the aloofness of commodity and general farm organizations have accounted for the failure to gain political support for a credible rural development policy. All this may be changing. Rural leaders may be moving toward a comprehensive rural development policy that includes both infrastructure and building human capital.

line, afraid that new rural development initiatives will erode support for commodity subsidies.

These conditions led to a series of four rural development policy workshops designed to specify the rural problem, evaluate alternative courses of action, and move toward a consensus on the appropriate role for federal agencies and authorities. The workshops were sponsored by 10 federal agencies and organizations and 16 national

organizations with an interest in rural America. Nearly 700 rural leaders and rural development professionals from 50 states participated in the four regional workshops that were held in 1988.

Two Rural Policy Prescriptions

Fragmentation among rural development interest groups is a major contributor to the lack of a credible rural policy. The rural development workshops identified two distinct, but unorganized groups, that advocate change in rural America. There is no generally accepted names for these competitive groups, so we refer to them as the "infrastructure advocates" and the "human capital advocates".

The infrastructure advocates believe that the solution to rural problems lies in more and better infrastructure which will result in the successful recruiting of industry or job providing firms. They

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lobby for subsidies (grants) for rural roads, bridges, sewer systems, industrial parks, industrial revenue bonds, development planning, industrial recruiting and job training. Just as commodity groups are the establishment of farm policy, infrastructure advocates are the establishment of rural development policy. They have been and may still be, in control of rural development policy.

The human capital advocates believe that improved rural education, rural health care systems, and rural management systems are the keys to rural revitalization. In rural education, they see a need for equity in funding between rural schools and suburban schools in order to achieve equity in the quality of education. This means higher levels of subsidies (aid) per rural pupil by state and federal governmental units.

The human capital advocates desire equal access to quality medical services. This does not mean that all rural hospitals should be saved or that every rural community should have medical specialists. It does mean that systems need to be developed that will give rural residents reasonable access to quality emergency medical services and long-term health care within reasonable distance of their residence. It certainly means that rural areas should not be discriminated against in terms of subsidies for Medicare and eligibility requirements for Medicaid.

The human capital advocates are not currently well enough focused to be referred to as an organized lobby. However, they have the potential for becoming a major force in designing future rural policy. The infrastructure advocates view the human capital advocates as a threat to their role as the leaders of rural development policy. With greater vision, they could become a critical, perhaps strong, coalition.

Four Rural Development Myths

The workshops revealed several basic myths held in varying degrees by rural leaders and, presumably, by rural people generally:

Myth 1. The root cause of rural community problems is depressed conditions in agriculture and natural resource based industries.

By most measures agriculture and natural resources are not the driving forces of the economy in rural communities. Depressed economic conditions in agriculture and natural resources undoubtedly have contributed to the problems of many rural communities, but a recently completed West Texas and Kansas study shows that economic growth neither positively nor significantly relates to farm income on a consistent basis. Passive income sources, such as retirement income, are at least as important in influencing growth

MOVING CONSENSUS

by Ronald D. Knutson and Dennis U. Fisher

as farm income and nonfarm income is more important than farm income for most rural counties.

Myth 2. The best rural development policy is a strong farm policy.

Building on the first myth, many agricultural policymakers and farm organizations emphasize this myth in arguing for increased money for commodity programs. If agriculture is not the major force in the rural economy, farm policy cannot be the solution to the problems of rural communities. The solutions have to be deeper.

Myth 3. Rural economies benefit from a low cost, unskilled labor force.

The rural South may have gained short-run benefits from a low-skill, low-wage labor force in the past. Low cost labor was used to fuel the development of the textile and other labor-intensive manufacturing industries. In the 1980s, the benefits of low-cost labor began to vanish. Low-cost labor industries are the most vulnerable to low-cost labor in other countries and to competition from imported goods. Contrary to the myth, a low-cost, unskilled, and undereducated labor force is ill-equipped to make the transition to a service-oriented, high-tech economy. These circumstances will be a drag on the rural economies of the South for several years to come.

Myth 4. The costs of public services in rural areas are lower than in urban areas.

This myth is responsible for the lower rural federal reimbursement rates for Medicare services. The reason that medical service costs less is the lower quality of the medical service that is provided. In addition, rural doctors, clinics, and hospitals cannot possibly spread the medical cost over a large number of patients as is possible in metropolitan areas. Federal policies that reimburse rural physicians at significantly lower levels than urban physicians also provide strong financial incentives for doctors to locate in urban areas, thus widening the gap in the rural physician-to-patient ratio.

Rural schools often receive less aid per student because it costs less to live in rural areas. Lower levels of aid and, in turn, lower teacher salaries, are probably the reason rural schools are often unable to attract high quality teachers. Rural schools cannot spread the fixed costs involved in a quality education over a large number of students. The same reasoning applies to most rural public services. Therefore, one of the costs of living in rural areas has been a lower quality of public services—poorer schools, medical facilities, water, sewer, and communication systems.

Arguably, it is the lower quality labor force that has made it more difficult for the rural economy to compete in both domestic

and international markets.

That is, because of the disparity in a rural level of living and opportunity, the most highly skilled and educated youth have consistently left rural areas. Rural America is reaping the harvest of years of neglect—a harvest that is not bountiful and is not likely to be bountiful for years to come unless there is a decisive change in policy.

Unrealized Rural Political Muscle

What is amazing is that these myths have not already been addressed and dispelled. Put differently, with 25 percent of the U.S. population living in rural areas, with a large number of rural office-holders at all levels of government who should be politically astute in obtaining needed assistance, and with a demonstrably effective farm organization lobby, the absence of an effective rural policy is puzzling.

The blame is most frequently laid at the steps of reapportionment consistently reducing rural representation in our legislative bodies. No doubt the decline in the number of federal and state legislators representing rural constituencies has made it more difficult to enact and fund rural programs. But that excuse is not compelling. Despite reapportionment, farm organizations representing only 2 percent of the population have demonstrated surprising political muscle in support of agricultural subsidies. A lack of agreement on priorities and fragmented rural lobbies play a bigger role in the neglect and misdirection of rural policy than the more convenient explanation of a decline in the number of rural legislators.

Aloof Farm Organizations

The farm and commodity groups are clearly the best organized of the lobbies with a constituency. Nonetheless, the leadership of these organizations have never placed rural development policy in a priority position relative to commodity programs. In some respects, they have viewed rural development with hostility—rural jobs programs compete for farm program subsidy dollars. Such rationales may be considered to be a highly sinister perspective on farm organization motivations regarding rural development. This is particularly the case when it is recognized that farm families must live with the consequences of lower quality education, declining health care services, and less than adequate public services.

Members of farm organizations have much to gain from supporting a progressive rural development policy. By developing support for broad-based rural initiatives, farm organizations could solidify the rural constituency, 25 percent of the total population, in support of farm programs. This is a considerably larger constituency than the farm population which by itself constitutes only 2 percent of the total population.

There are three major reasons why the infrastructure advocates, the human capital advocates, and the farm organizations have not joined forces in support of a cohesive and comprehensive rural development policy.

- Limitations on the federal budget and the budget process have been interpreted as meaning that if programs are expanded in one area they must be cut in another area. This philosophy drives a wedge between groups that might otherwise have common interests. Both the urban and farm organization constituencies see rural development as a potential competitor for limited federal funds.



- The rural population has been willing to accept certain sacrifices that must be made as a price for living in rural areas. These include lower quality education, more difficult access to quality health care, and less ability to communicate with the rest of the world. The results of the workshops show that in the future, rural leaders will be less willing to accept a lower level of living in terms of such basics as education, health care, and other rural public services. The human capital advocates argue that the nation must be willing to redress the imbalance on equity grounds and in return for the use of rural resources for recreation and primary materials—and, in part, a fundamentalist and populist perspective.

- There has not been an appreciation for the complexity of the problems confronting rural communities. Specifically, the importance of human capital to rural development has been underestimated. As a result, there has not been a balanced approach to rural development. Tangible investments in industrial parks and job training have received priority over leadership development, education, and the elimination of illiteracy. The result has been a surplus of industrial parks and the need for even more job training. An emphasis on job training as opposed to education eventually creates the need for even more job training. An emphasis on education would reduce the need for job training.

A Credible Rural Development Policy

The workshop participants agree on certain basic needs. Flexibility is desperately needed to allow state and local governments the capacity to shape the policy package so that it can meet the diverse needs found in rural areas across the nation. Additionally, federal support is essential for dealing with many rural problems because they stretch across state lines and the rural tax base—local and in total—is inadequate. Many rural problems could be significantly reduced simply by coordinated targeting and redirection of existing resources. Leadership with flexibility was continuously emphasized at the workshops as a key ingredient in solving complex rural problems. Workshop participants dialogued about the interrelationships between infrastructure and human capital, but there was no clear consensus.

In retrospect and considering the workshop results, as well as the work of rural development scientists from 20 land-grant universities, we have developed the following rural development outlines that appear to have the potential for being politically saleable and be credible in solving rural problems if pursued over several years. Such a policy would necessitate being more comprehensive than present programs. It would require substantially increased public expenditures on rural problems at all levels of government—federal, state and local. However, substantial progress could be made by reorienting, targeting, and coordinating existing resources and programs. The following discussion is designed to indicate the required direction of change as seen by the authors.

Enhancing Human Capacity

The greatest need is for increased relative emphasis on dealing with the human resource capacity issue. In addition to tailoring current job training and infrastructure programs to the requirements of rural (as opposed to urban) conditions, major new thrusts are required in:

Rural Schools. The quality of education received in rural schools needs to be equivalent to that received in suburban schools. This requires equity in federal and state aid levels to rural schools. Educational quality is not only measured in basic English, math, and science skills but also in such things as remedial and enrichment programs. It is in the area of enrichment and remedial programs that rural schools have the greatest deficiency. New organizational arrangements and technological innovations such as distance learning need to be evaluated and promoted as potential solutions to rural education problems. Substantially increased resources are needed to solve rural education problems, particularly in areas such as the South. However, material progress could be made by targeting existing education resources to deal with specific rural issues.

Illiteracy. Adult illiteracy is a major problem in rural areas. It inhibits local adjustment to the requirements of a competitive, service-oriented, high-tech economy. Illiteracy needs to be attacked as a national problem but, distance makes the illiteracy issue particularly difficult to treat in rural areas. A starting point might be the inclusion of an additional education dimension to the WIC (Women, Infant and Children) program. Rural schools likely have a key role to play in dealing with illiteracy issues. But, increased resources will be required, and current problems confronting rural schools need to be addressed before the schools can be expected to deal with adult illiteracy.

Rural Health. Migration of youth to the city and the tendency of some to retire in rural areas means that the rural population is aging more rapidly than the urban population. This places increased burdens on currently inadequate rural health delivery systems. Inequities between rural and urban residents in current Medicare and Medicaid programs need to be addressed. Targeted programs are also needed to aid in restructuring existing rural medical delivery systems through universal availability of emergency medical services.

Infrastructure

Earlier comments, might infer that there has been overinvestment in rural infrastructure. The evidence on level of infrastructure investment is unclear. What is clear is that there is need to provide greater flexibility and balance in the type of infrastructure

investments that are being made. The historic mix of investments is not appropriate for the future. Many rural communities and related businesses have failed to even begin to enter the high tech era and are, in fact, constrained from doing so by the lack of access to such simple technologies as FAX and computer messages. Such deficiencies make it much more difficult for rural communities to attract outside business investments.

Building an adequate rural telecommunications system would require substantial investments that are not likely to be made under current policies. The requirement is not for large public investments, but for the development of private incentive and reward systems—a modern version of those used to electrify rural America in the 1930s, 1940s and 1950s. Such incentive systems might include cross-compliance provisions comparable to those utilized recently in farm programs.

Business Development

To date, the bulk of the effort in rural business development has focused on industrial recruiting, increasing the availability of debt capital, and infrastructure for industrial parks. There is increasing evidence that programs need to be complemented by those programs designed to foster creation of good ideas and improved skills in managing rural businesses. The requirements for carrying out programs designed to improve human business capital include:

Small Business Education. While business schools are beginning to teach courses on entrepreneurship, these courses are few in number and are directed toward the types of businesses found in urban centers. Little attention is given to the small firm where one or two people make most of the decisions. Business schools remain focused on larger, departmentalized, corporate businesses. Other institutions, like community colleges, have not stepped in to fill this void. Public investments in management training specialized for the types of businesses found in rural communities appear to be warranted.

Small Business Technical Assistance. Insufficient emphasis is being placed on rural small business management assistance by existing institutions. The Extension Service, Small Business



Administration, and Farmers Home Administration have the capacity to be of much greater service to rural business with a modest enhancement and targeting of their activities. For example, rural bankers often lack experience with some of the existing government guaranteed loan programs, making the application process inordinately long or causing them to refuse participation in such programs. Training for these bankers could significantly enhance the availability of debt capital to rural businesses. Much of the organizational infrastructure is in place, but some redirection of resources will be required to provide the needed technical assistance.

Rural Business Service Centers. In some remote rural areas, the complement of private and public service needed to support business does not exist. One idea for filling this void is to provide specific business services on a transitional basis. Such services might be provided on a pilot basis through offices such as existing local or regional development groups, the Extension Service, Small Business Administration, or Farmers Home Administration. The services could be provided much like business incubators have functioned in urban areas. A wide range of services could be made available at reduced cost initially with the cost increasing to full market value over time as a business continues in the program.

Disagreements will undoubtedly continue as the nation hammers out a credible approach to the problems of rural communities, but rural leaders have made unprecedented steps toward a consensus that reduces years of fragmentation. Based on recently published policy statements of many organizations with rural interests, rural leaders are moving away from polarization and toward a more comprehensive approach that recognizes the importance of human capacity building.

Even if a consensus does develop, finding the financial resources and discovering the necessary leadership within the rural areas present critical challenges. The chances for success are enhanced, however, by the fundamental condition that unless improvements are made now in the conditions of rural people, all of society will pay more tomorrow in terms of higher unemployment, welfare programs and lower productivity. **C**

For More Information...

For a copy of the publication that presents the results of more than two years of study and consensus building regarding rural policy write to:

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The cost is \$22.00.