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America's Forgotten People and Places: Ending the Legacy of Poverty in the Rural South: Discussion

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ABSTRACT

These comments discuss the presentations by Christy, Wenner, and Dassie ("A Microenterprise-Centered Economic Development Strategy for the Rural South: Sustaining Growth with Economic Opportunity") and Freshwater ("What Can Social Scientists Contribute to the Challenges of Rural Economic Development?") in three sections. These are (1) a brief overview of the Southern Black Belt and its rural development needs, (2) an assessment of the microenterprise-centered economic development strategy for the rural South, and (3) a quick review of what social scientists can contribute to the challenges of rural economic development. This approach also emphasizes the authors' background at a historically black land-grant university, and the belief that as goes the Black Belt, so goes the rural South.

The Southern Rural Black and its Rural Development Needs

The Black Belt spans 11 southern states with 400 counties having at least twice the national percentage of African-American residents. The South has 34 percent of the US population and 41 percent of the nation's poverty. It also has 45 percent of the non-metro poverty. Despite considerable socioeconomic progress in rural America, many families in economically depressed areas of the rural South are still impoverished. There is a lack of full-time employment opportunities. However, during the late 1960s and early 1970s, economic conditions in the South improved slightly due to the migration of service and manufacturing firms

to rural areas. The 1980s, however, brought a decline in the number of jobs as a result of unsettling conditions in agriculture, mining, and manufacturing (Kortez)

If the rural south still represents America's forgotten people and places, it is primarily because of specific historical phenomena and the resulting socioeconomic conditions associated with its southern Black Belt. The southern Black Belt counties more specifically experienced important out-migration for African-Americans between 1880 and 1990 (Hollingsworth). They currently have 53 percent of the African-American population and 57 percent of the nation's African-American poverty. The region also has 91 percent of the non-metro black and 95 percent of the non-metro poverty (Wimberley, Morris, and Bachtel; Wimberley and Morris).

The Southern Black Belt still represents

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one of the nation's most underdeveloped economies. It has relatively high levels of poverty, low average income, few job opportunities, high unemployment, and a larger proportion of unskilled and uneducated citizens. Recent evidence also indicates that there is a persistent increase in poverty and a widening gap between the rich and the poor, and between blacks and whites in the Southern Black Belt. Traditionally, there has been reliance on natural resource-based industries for economic growth and alleviation of poverty. However, rural development depends upon the successful application and integration of its functional components to achieve success in implementation of economic and other related activities in key sectors. These functional components of rural development consist of strategies implemented by facilitators and practitioners for clients and on the basis of programs and policies that are knowledge-based. The goals to be achieved center around increasing jobs, income and/or capital in rural areas. One of the strategies increasingly being contemplated for the rural south in general, and its Black Belt region in particular, is microenterprise development. Its merits in terms of sustaining growth with economic opportunity are pretty much in question (Wimberley *et al.*; Boateng).

An Assessment of the Microenterprise-Centered Economic Development Strategy

The distinction between the terms *microenterprise*, *microfinance*, *microcredit*, *microloan*, and sometimes, *small business* is somewhat clouded. The concept being used here though refers to the "very small business", with one to four employees, and for which microfinance and microloans are critical aspects of viable microenterprise programs. As such, these terms that mean different things are often used interchangeably, as they are in the presentation being reviewed here. In the context of the US, a typical microenterprise has been further defined as a sole proprietor that has been in operation for two or more years with sales of less than \$12,000. This income is generally generated from nonfarm production, services and

trade. Microenterprises cover broad range of activities (Boateng; Light).

The microenterprise development model stems from the concept and advantages of entrepreneurship and very small businesses. It has been reported that microenterprise programs help the poor, the unemployed, and those on welfare to start small firms. They have been especially important, first in developing countries and, to some extent, in inner cities of developed countries by providing crucial linkages between traditional and modern production systems, agricultural and industrial, rural and urban areas, and production and consumption patterns (Schreiner). There seems to be at the outset an apparent consensus around microenterprise as a tool to address poverty and social exclusion in the North and South (Johnson). As such, Christy *et al.* emphasised this strategy as central to the economic development approach for the rural South. They have to be commended for bringing this very informative discussion to agricultural economists and rural sociologists in the South.

The strength of the paper is the approach used, starting with the conceptual framework, then comparing and contrasting related conditions and characteristics for developing countries and the rural South. The conditions and characteristics considered are availability of financial markets; population mobility and degrees of social cohesion; availability of wage employment; social safety net; and legal, regulatory, and economic policy framework. The authors explain these as enablers of microenterprise development at the micro- and macro-environment levels. Elements and types of policy instruments discussed further give a good general picture of policy goals, levers, and targets.

Although there are differences in the background conditions and characteristics of the environments in developing countries and the rural/Black Belt South, one apparent similarity is in the nature and degrees of social cohesion and networks (though not explicitly emphasized by the authors). We are referring here to social capital, that set of networks, norms and trust that facilitates coordination and cooper-

ation for mutual benefit. It is important to recognize the power of relations and the exclusion which results from being outside of these networks in communities of the rural/Black Belt South. Microenterprises and microfinance programs that have successfully used these informal systems tend to operate more within immigrant communities in the United States and United Kingdom (Johnson). Not only should those examples of systems be more closely examined and compared to realities of the rural South, but also efforts by agricultural and resource economists to study social capital should continue in collaboration with other social scientists interested in microenterprise and rural development.

Other concepts that are very important (borrowed from Navajas *et al.*; Cuevas; Himmes;) for a theoretical framework for microfinance organizations for communities such as the rural/Black Belt South are outreach and sustainability. With the history of being excluded from participating in economic activities in this region, outreach becomes a social value of the output of a microfinance organization in terms of depth, worth to users, cost to users, breadth, length, and scope. Outreach is commonly proxied by the sex or poverty of borrowers, the size or terms of loan contracts, etc. Sustainability is permanence. The goal is to maximize expected social value minus social cost discounted through time. In practice, sustainable organizations and programs tend to improve welfare the most. Incorporating concepts of outreach and sustainability in terms of the theory of social welfare would increase the relevance of the theory and understanding of microenterprise or microfinance development in the rural/Black Belt South.

Finally, the authors did not refer strongly enough to the question mark that still exists with respect to the effectiveness of microenterprise programs in terms of helping the poor, the unemployed, and those on welfare to start small firms. While public and private support for microenterprise programs has grown very fast, little is known about whether these programs are in fact good uses of scarce funds earmarked to help the poor (Joumard; Raheim; Morduch; Bates; Bates and Servon). There is

a tendency, for example, for rapid growth of microfinance organizations in both developing and developed countries when resources are "politically" made available, with no regard to efficiency, profitability, and sustainability issues (Navajas *et al.*). Because there is little knowledge on the effectiveness of microenterprises and related strategies for economic development in the rural/Black Belt South, there is less basis to assert that microenterprises constitute viable economic opportunity that can sustain growth in the southern region. Elements of the theoretical framework nevertheless offer an excellent contribution to this area of much-needed research and outreach for sustainable community development in the rural South.

What Social Scientists Can Contribute to the Challenges of Rural Economic Development

Freshwater defines the role of rural studies as one of providing useful research to rural leaders. He then uses his familiarity and intimate knowledge of rural development in the land grant system and with the Tennessee Valley Authority to question a number of things. These are (1) the level of real caring by social scientists about rural development, (2) what to do if we really cared, (3) the work to be done, and (4) implementation issues. He asserts, in essence, that social scientists really do not care about rural development due to limited experience of life outside the university, lack of proper incentives, and poor positioning to engage in bottom-up processes. If we truly cared, there are analytical and implementation issues that suggest what to do.

We agree almost completely with Freshwater's assessment. Our perspective comes from a specific illustration for having been involved in the EZ/EC (Empowerment Zone/Enterprise Community) Initiative (Round I in 1994 and Round II in 1998) by coordinating and participating in the efforts of a historically black university to help with the development of local strategic plans. It was obvious that social scientists in the land grant system were not well prepared to assist communities simi-

lar to those in the Southern Black Belt, where socioeconomic conditions and other historical factors were very challenging. For example, human resources were so underdeveloped that local communities did not easily come and remain actively involved for the process of strategic planning. Other basic resources were missing to afford consultants in most cases. And those university professionals who were involved did not have proper training in the areas of strategic planning and grant writing for local communities.

With limited access to knowledge-based technical assistance from the universities, the success rate was low for communities located in the rural/Black Belt South. Those few communities that succeeded had difficulties implementing the strategic plans, due in part to bureaucracy and local/state politics. Those that were not designated EZ or EC were known as CCs (Champion Communities) and were eligible for all kinds of government resources that were not requested in most cases (Baharanyi *et al.*). It was obvious that local capacity to do community development work was relatively weak in the rural/Black Belt. Leadership for governance and local citizen participation were missing. Additionally, organizations and institutions that elsewhere provided the basic framework for rural development work were not strong enough to make a significant and sustained difference. All of the above originates from an apparent change in the original mission of the land grant system. There has been a continuous focus on production agriculture and large-scale farming systems, and less on addressing the needs of the rural poor and community development. Political and other factors have also made obvious the lack of community-relevant leadership and understanding at higher levels of the system (including from the Secretary of Agriculture to the presidents of the land grant institutions), as well as the reasons given by Freshwater as to why we don't care. What is needed includes academic/political muscle to initiate real restructuring of the land grant system through visioning that favors knowledge creation and application to rural development.

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