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CHALLENGES FOR THE 90'S AND BEYOND

by

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THE VIABILITY OF RURAL COMMUNITIES: CHALLENGES FOR THE 90'S AND BEYOND

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ABSTRACT

The challenges associated with (back-) migration of people to rural communities in the 1990s are examined. It is argued that reducing the "brain drain" from rural areas, through the creation of job opportunities for college-educated individuals, is central to an effective rural (community) development strategy. To survive, rural communities must increasingly provide incentives, services and opportunities to economic agents operating outside the agricultural sector.

INTRODUCTION

Programs designed to enhance job opportunities, incomes, and the quality of life for residents of rural communities during the 1970s and 1980s have seldom fulfilled their potential, despite the fact that people are once again beginning to find that living in a rural, rather than a suburban or urban area is increasingly attractive. The 1960s might be viewed as the decade in which people moved from rural areas to the cities. The 1970s and 1980s were marked by a flight from congested urban centers to the suburbs. In some areas, there now is a movement of people from the suburbs to small towns and to farms surrounding population centers. Living on a small farm or within a small rural community is becoming increasingly attractive to many who once dwelled in urban America (Bender et al., 1985; Reimund and Petrulis, 1987).

In this article, we explore some of the potential for and problems associated with the migration of people back to rural communities. The movement of people back to rural areas now occurring in some communities might be greater if better job opportunities and better services were available in the rural communities.

Section I argues that federal farm programs do not constitute an effective rural development strategy, while Section II examines the limited opportunities of well-educated individuals in rural areas. The last section reviews related issues affecting the survival of rural areas and argues that to survive, rural communities must increasingly provide incentives, services and opportunities to economic agents operating outside the agricultural sector. In the paper we attempt to raise questions for future research; consequently, some of the discussion is cast in the form of hypotheses.

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I. FEDERAL FARM PROGRAMS: NOT A RURAL DEVELOPMENT STRATEGY

Federal farm program payments in many communities have done little to enhance the quality of life of non-farm rural residents. To the extent that federal farm programs have provided farmers with more income than would have otherwise been the case, rural businesses that supply inputs and other services to farmers have benefitted. The implement or auto dealer in the rural community is better off when farmers have money to spend. The benefits of increased farm program payments may be felt throughout the rural economy, although certain businesses, particularly businesses that sell durable goods to farmers, may receive the greatest benefits (Stone, 1987).

However, government funding of federal farm programs does not represent a comprehensive strategy for rural America. Many rural communities are located in areas that produce agricultural commodities that are not supported under current federal farm legislation. Farm program benefits largely go to commercial farmers. Furthermore, a recent study reports that, among commercial farmers, a small percentage (3.6% or 60,000 farms) receives a disproportionate share (42%) of the direct payments (Shaffer, 1990). Using aggregate data for 1940-85, Barkley (1990) fails to establish a statistical relationship between government payments and outmigration from production agriculture that differs (significantly) from zero. It is not clear to what extent, if any, government payments also stem the flow of labor out of rural areas. Rural communities in which subsistence and part-time farming predominate receive little benefit from federal farm programs (Pasour, 1986; U.S.D.A., 1987). Many of the regions in the U.S. with considerable subsistence agriculture have a high incidence of rural poverty and are not likely to benefit much from federal farm program payments (Cochrane, 1986; Rodgers and Weiher, 1986). In many rural counties agriculture is no longer the primary or even an important source of income (Bender et al., 1985). Finally, unlike well-organized farmer groups, rural communities *per se* are also unable to articulate and generate support for a well-defined agenda for public action (because of the divergent interests involved).

II. OPPORTUNITIES FOR THE WELL-EDUCATED IN RURAL COMMUNITIES

The centerpiece of effective rural development strategies for the 1990s must involve the development of job opportunities that permit college-educated individuals to return to their local communities. A lack of high-paying jobs, particularly for those who have college degrees, has limited the potential for economic development and expansion of many rural communities. This is the underlying cause of the "brain drain"--the migration of the "best and brightest" from rural communities to urban centers. The less-educated who are left behind are unlikely to develop into strong community leaders (Johnson, 1989). One study of rural Maine towns suggests higher quality stocks and flows of human capital are related to higher income levels and hence rural vitality (Rudnicki and Deller, 1989). Communities near enough to large population centers that act as satellite bedroom communities for urban centers have fared better, at least in comparison with towns in more isolated rural areas.

Public spending on higher education in rural areas (for example in Community College systems) will have direct and indirect effects on the local economy (see, e.g., Commonwealth of Kentucky, 1987), aside from providing employment opportunities for educators. In addition, there are likely to be significant long-run benefits from higher education in terms of economic development. Also, the Maryland State Board for Higher Education (1987; quoted in the preceding reference) reports "the presence of academic institutions ranks fourth out of twelve factors which influence high technology companies to locate in a region."

That the college-educated who wish to live in rural areas often face limited employment choices is not a new problem. Policymakers in states in which the economies are primarily based on agriculture have often spoken of the so-called "brain drain" of college graduates to urbanized states with more diverse economies and where job opportunities for college graduates are better. In isolated rural areas with little, if any, small industry, jobs for those with college educations are generally limited to (1) public school teachers and school administrative personnel, and (2) doctors, dentists and other health-care personnel. A few administrative jobs which might require a college degree may be available in other sectors, particularly in businesses that sell to or purchase from farmers such as managers of firms that purchase from farmers and farm input suppliers, and in positions such as loan officers in rural banks, but even these options are usually very limited.

The remaining jobs for college graduates in isolated rural areas are generally closely linked to agriculture or the firms that serve agriculture as input suppliers or as purchaser of farm products. Positions for which a college degree might be desirable, and in some instances essential, include the following:

- (1) grain elevator manager.
- (2) manager of a firm that sells fertilizer, agricultural chemicals and other inputs to agriculture. (Grain elevators are often in this business as well.)
- (3) stockyards manager. Usually, however, stockyards are located near or within the larger cities.
- (4) manager or loan officer for a rural commercial bank. Agricultural loans make up a large share of the loan portfolio in many rural commercial banks. Given the financial crisis within agriculture and the need to spread the risk of agricultural loans over a large and partly non- agricultural portfolio, the need to be competitive with city banks in interest rates and in the financial services offered to rural residents, and the need to achieve economies of size in operation, rural banks are now increasingly merging with larger banks in the urban centers. Most likely, the bank in a rural community will soon be a branch of a larger bank located in a nearby city. As a result, jobs in banks for those with college educations are more likely found in the city where the main branch of the bank is located, not out in the small rural community. This again limits job opportunities within the rural community.
- (5) manager or loan officer for a Production Credit Association and Federal Land Bank branch. Again these tend to be located in the larger towns and cities, and many branch offices have recently closed.
- (6) manager or engineer for a regional rural electric or rural telephone cooperative. Most of these jobs are also located in the regional center within which the coop is based, not in the small rural town.
- (7) employee of the local ASCS office.
- (8) county agent, home economist, or other extension worker. These are generally located in the county seat, which is usually not the smallest of rural towns.
- (9) instructor or administrator at a community college or area vocational school. Individual states have widely varied approaches for post-secondary or other specialized education. Some states have many community colleges and specialized vocational schools--others very few.
- (10) farm equipment dealer. In many areas farm equipment sales are combined with automobile sales. Again, in many instances, owners or managers are not college graduates. In some instances, rural automobile dealers are able to prosper because they

can have lower overhead and sales commission costs than their counterparts in urban centers. In some instances, they are even able to attract consumers from urban areas.

(11) local (weekly) newspaper publisher. Many of these are not college graduates, however.

(12) ministers and priests.

(13) owner or manager of a firm that sells consumer goods to farmers and others in the rural community. These people are generally not college graduates. Owners or operators of grocery stores and bars generally fare somewhat better than other businesses. Hardware store and gas station owners sometimes survive. Restaurants sometimes survive if they build a reputation and clientele from a large area in the surrounding community or if they are located on a major highway but isolated from the larger urban centers. Other businesses such as clothing and appliance store owners find it increasingly difficult to compete with the malls and discount stores located in the regional centers. Success in these businesses in part depends on the degree to which the rural town is isolated from the urban areas with isolation being somewhat of an advantage.

These potential jobs for college graduates provide few real opportunities for employment growth in rural areas. For example, data from departments of public instruction in many states reveal that public school teachers in rural areas are often paid less, even substantially less, than their counterparts in suburban and urban schools.² While the public school system might continue to employ college graduates, given the current low level of birth rates, public school teaching in most rural communities can hardly be considered a growth industry. This is true unless the rural community succeeds in attracting new residents who have other new employment opportunities.

The structure by which health care is provided to rural communities is changing, with fewer health care workers ultimately living in the rural communities. Many rural communities find that they can no longer support both a physician and the other needed personnel in a separate rural clinic if high-quality medical care equivalent to that which can be obtained in urban areas is to be provided. The same is true of emergency medical services such as ambulances (Winchester and Harvey, 1990). Doctors from a regional medical care facility which likely includes a clinic and a hospital might work part-time, on a rotating schedule, seeing patients within the rural community. These doctors, while serving part-time as primary-care physicians, determine which medical problems require the attention of a specialist at the regional clinic. Residents of rural communities find that less and less of their medical needs are taken care of within the community, and medical care is increasingly obtained at the regional clinic or hospital. According to federal standards, nearly one-quarter of the rural population lives in areas considered to be deficit in terms of medical personnel (Winchester and Harvey, 1990, quoting U.S. Congress, 1989). Thus, the real opportunities for medical work within many rural communities are in jobs relating to the provision of ancillary services to this increasingly regionalized system. Again, employment opportunities for the college-educated are very limited.

²Reforms currently underway in Kentucky are designed to equalize per pupil spending across school districts. It is unclear to what extent the reforms will equalize teacher salaries in rural and urban areas.

III. RELATED ISSUES AFFECTING THE SURVIVAL OF RURAL COMMUNITIES

The survival of rural communities increasingly must be based on more than merely serving the needs of farmers and community residents who primarily serve farmers. Even without the current crisis facing agriculture, it would have been very difficult for most rural communities to survive based solely on a service-to-agriculture strategy. This is not a new phenomenon--agriculture has been a declining employer of labor for a hundred years or more. The current agricultural crisis has merely exacerbated the long-run trend.

In some respects, the problems of survival faced by a rural community are analogous to the problems faced by a small-businessman. A unique niche must be found in which the small-businessman can provide at a competitive price a unique product or service not obtainable elsewhere. If a rural community is to survive, it must similarly find a unique niche for the products or services it provides. This is particularly important for a rural community which is attempting to attract a new plant or other potential new employer. Unfortunately, there is a drab sameness to the communities in many rural areas, with little that distinguishes one community from another to an outsider.

Furthermore, rural communities in desperation sometimes believe they must attract industries at any cost. The difficult questions which must be answered include, in which way(s) will the community be better or worse off with new industries, and what are the net consequences? Hence communities must be selective in attracting new industries. Have job opportunities for those already residing in the community improved? Have incomes risen? In what ways have newcomers associated with the new plant benefitted the community?

New industries locating plants in rural communities generally provide few employment opportunities for college graduates.³ Firms seeking a plant location do so with the intent of finding a location for production that provides (relatively) low-cost labor while still meeting other criteria. We thus hypothesize that if rural communities can provide a significant number of jobs requiring college degrees or other specialized training, they will be successful. Indeed, strong rural communities appear to be successful in at generating these types of jobs.

Why would a firm be interested in locating a plant in a rural community, given many other options? There are several possible explanations:

(1) The firm is seeking a lower-cost source of employable labor than would be available in or around an urban population center. Firms now generally compete in world markets both in the sale of products and in the employment of resources used in production. For example, some firms might choose plant locations in communities that do not have a history of labor union activity. A potential plant location within a rural town now competes not only with other similarly situated rural towns, but also with locations in other countries. In recent years, many firms have shifted production back and forth, not only to foreign plants but also in some instances returning to the U.S., as economic conditions warrant.⁴ If everything else were equal, a firm would probably choose to locate near a larger city, but everything else is not equal, and one of the unequals is at least the (short- to intermediate run) potential for lower labor costs in some rural communities.

³At the same time, Barkley et al. (1988, p.569) report that high technology firms--requiring better-educated and more skilled workers--in general had stronger effects on local economic development than did low technology firms.

⁴Lionel Trains is an example of one such company; it first moved its production sites to Mexico but later returned to the U.S.

(2) A strategic location near a source of inputs for the plant or near the users of the product of the plant might prove advantageous. Labor costs are not the only costs affecting plant locations. There are transportation costs, both for the materials used by the plant and the products produced by the plant. This strategic location has been particularly important to firms such as small plants expecting to produce parts for new auto assembly plants in Kentucky and Tennessee. Special tax breaks and the availability of a low cost site for a plant may also prove attractive.

(3) International currency fluctuations make the stability of a U.S.-based plant in a rural community appealing. The potential for more legislation restricting trade, including quotas and tariffs on foreign production may make a domestic plant site in a rural community increasingly attractive.

(4) Rural communities, even those in remote locations, can provide high-quality living conditions, education and other services for plant managers and others brought into the community by the firm, at least compared with what might be available at some foreign locations. Relative to urban centers, they also provide a lower risk and smaller scale environment for new business ventures (Gladwin et al., 1989).

Successful new U.S. plants in rural communities will likely be highly automated, requiring few workers for a specific production level. This is particularly true if the new plant is looked upon as a replacement for or compared with another aging plant in the community that was closed. Thus, a new plant should not be viewed as a panacea for the unemployment or underemployment problems in the community. While the firm will likely employ some workers who have previously been residents of the community, most of the college-educated employees will likely be transferred in and will have been previously employed by the firm. This is particularly true for management and engineering personnel.

Personnel being transferred in will generally have expectations about the provision for public services that go beyond the levels considered acceptable or tolerated by the local residents. The best example is elementary and secondary education, but other services provided by the local community are concerned as well, such as water and other utilities, parks and other recreational facilities, streets, and libraries. Thus the industrialization brings with it new opportunities to upgrade these facilities, but also the potential for increased tax burdens on long-term residents as well. These increased expectations, the resultant tax burden and related externalities are seldom taken into account when communities are attempting to put together a bid for a new plant. Tax breaks extended as part of the location package may mean that tax revenues from the plant are insufficient to cover these added costs.

The new residents almost always create unique and unanticipated problems for long term residents. In the 1960s, when workers were transferred in for the Minuteman missile installation near small rural North Dakota towns, local grocery store owners found that they were receiving calls for special cuts of meat and other foods not ordinarily consumed by the long-term residents. This was a problem but also an opportunity for local grocery store owners. Conflicts in local school systems between newcomers and long-term residents are another potential problem. For example, course offerings in high schools are generally built around the needs and desires of long-term residents and not those of newcomers. The perception that rural people are "clannish" and suspicious of outsiders may hamper the development or founding of new businesses by non-locals (Gladwin et al., 1989). More generally, in this regard it is unsurprising that locally-owned firms tend to perform better in terms of locational stability and benefits to the community than do branch outlets of urban-based firms (Barkley, 1987).

Generally, newcomers being transferred in will not quite "fit in" to the local communities' existing ethnic and religious mix and the existing set of community values and some animosities are almost certain to develop. Churches in most rural communities, for example, are

generally limited to a few that dominate within the area. Newcomers and temporary workers associated with plant construction may result in unanticipated demands for rental housing, demands not easily satisfied in the short run. If the local community gears up to handle the needs of temporary workers involved in the construction phase, there may be disappointment as the community finds itself overbuilt once the construction phase has ended and employment reaches its long-term level.

Most rural towns came into being because their locations served a particular need given the existing transportation infrastructure of the day, and many will not be able to survive given the current highway and transportation infrastructure. During "horse and buggy days", the rural town had to be no more distant than a comfortable days journey, with enough time for shopping. Rural towns developed along railroad lines as shipping points for grain. With modern transportation systems, the close spacing of towns is no longer needed. Through modern telecommunications, furthermore, distance is becoming less of a consideration, especially for emerging information exchange industries.

The financial crisis of the 1980s brings with it a new set of problems and a new set of opportunities for rural communities (Drabenstott, 1986; Stone, 1987). Farmers that only recently earned all their income from the farm are now looking toward off-farm employment for supplemental income. Pursuing off-farm employment has been a successful strategy for many farmers who otherwise might have gone bankrupt. However, these new part-time farmers have placed an increasing burden on the ability of rural towns to supply the needed employment. A few towns have been quite successful in accommodating these new job-seekers; many have not. Jones and Heffernan (1987) have even called for government payments (relocation subsidies) to exiting farmers.

IV. CONCLUSION: COMMUNITY DEVELOPMENT AT A CROSSROADS

During the 1970s, when earmarked federal monies for research and extension programs in rural industrialization and community development were available, Land-Grant Universities actively developed programs aimed at dealing with some of the issues raised in this paper. When the federal government no longer provided funds specifically for community development, in many states research and extension programs were either cut drastically, or abandoned. It is now becoming apparent that these efforts were aborted just when they were on the verge of being most needed.

The recent farm financial crisis puts even greater pressure on the ability of the rural community to provide employment for exiting commercial farmers, and farmers who now need part-time off-farm employment. This has implications for priority planning for both research and extension programs. In addition, the ultimate effects of the "brain drain", which results in the brightest and best-educated young people leaving rural communities for other employment opportunities, will increasingly be felt by rural communities. Thus, rural community development is now no longer a luxury but a necessity, and it is essential if rural communities are to survive and prosper.

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