Invited Presentation

Toward a Development Policy for Rural America

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Rural America can only be defined as non-urban America. It includes nearly all of America's land area and is home for over one-fourth of the nation's people. Although some rural areas are very prosperous and even in the not-so-prosperous regions, some individuals and families have succeeded in their economic endeavors, there seems always to have been an inordinate amount of poverty and a slow erosion of opportunity-generating activity in many or, more likely, most rural regions.

The question of how to bring economic development to lagging rural areas has been pervasive virtually since Europeans first settled in North America, and even after 350 years of settling and resettling, the issue does not seem to be losing its currency. Although it is certain that some national and regional problems have received more attention by researchers and policy makers, it is hard to name one other than national defense or civil rights—both issues that transcend all rural/urban boundaries.

Why should this be true? North America is and always has been a fundamentally rural area. We venerate rural things in our economy, our culture, and our poetry. We invest billions in activities that are rural in character. We preserve rural lands. We speak as if a rural upbringing provides a uniquely correct preparation for the rigors that even an urban life will bring. With all these perceived virtues, why isn't rural America thriving, or at least self-sustaining at some minimally acceptable level? To date, this question cannot be answered satisfactorily.

Unfortunately, our profession puts us in a position of having to recognize that, while rural America carries with it a heavy burden of mythological goodness and virtue, many (perhaps most) rural areas are filled with inequities, instability, alienation, poverty, immobility, and—perhaps most importantly—an incessant lack of opportunity. If these problems are not present in the rural parts of the Northeastern states right now, they probably have been at some time in the past or they will be at some time in the future.

These are not easy problems for economists to contemplate because in most regards, our theories fail us, our data is inadequate, and our skills at modelling so far seem to be ineffectual. In a situation as complex as this, we are quick to suggest sweeping policies that can right some wrongs and remove some of the economic and social disquietude now present in the nation's rural areas. The question then becomes: what kind of policy do we want, and what kind of policy can we get? These are never single-dimensional questions, but given the current volatility of economic conditions and the changing political climate that seems to characterize the closing years of this century, some attempt must be made to grapple with them. I propose to do this by recalling a bit of history, commenting on today's situation, and looking at some alternatives that might be considered for the future.

Some Policies in Review. It is hard to know exactly where to start, but a quick look at the beginning should not hurt. Policies for rural development were among the first to be put into place when the various settlers arrived to establish homes in the new land. There were policies regarding what could be planted where, the quantities of rural products that could be sold, the amounts of time that able-bodied men owed to the upkeep of the communities, and scores of others. These grew into an elaborate overlay of institutions designed to diminish the possibility of failure in the settlements and in the separate colonies.[1]

Rural development policies of the kind that we know today came fairly soon. Land policies designed to get people onto the vacant land in the Ohio Valley and other parts of the West were often

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[1] Later, England and other nations would impose their own layers of institutions on the colonies. While many of these were for special purposes, many were also designed to keep the rural areas productive. They were policies for rural America!

thinly veiled rural development schemes.[2] They increased the density of settlement, and in doing so made supplying retail goods and the development of social overhead capital much easier and more efficient. Rural development of this type carried with it effects that would be classified as agglomeration effects in the modern literature of economics. But there are thresholds for successful agglomeration, and it is clear that most areas, whether bent on forests, mines, or agriculture, have been unable to maintain these thresholds over long periods of time.

In the closing decades of the 19th century many rural areas began to exhibit the qualities of backwaters that could not help themselves. The Robber Barons who waged economic war in railroads, meat packing, and land speculation had taken their toll and left a rural landscape that was sparsely populated, generally poor, and woefully disorganized. The areas became the legitimate concern of various public policies and quasi-public agencies that provided several kinds of assistance. It was time for sweeping reform. That reform began at the hands of three New Yorkers: Liberty Hyde Bailey, Theodore Roosevelt, and G.F. Warren.

Although born and educated in Michigan, Liberty Hyde Bailey, Cornell's broad-gauged plant scientist, used the Country Life Movement to draw attention to the social and economic problems of rural areas. In addition to noting that rural areas were forever behind in such things as education, nutrition, and health, Bailey made much of the fact that rural areas were made up of groups of people who needed institutions like libraries, schools, and churches if they were to survive as participating members of the new century. Bailey had an uncanny feel for what we today would call sociology or anthropology. He used these skills to produce books and pamphlets about improving life and living in rural America. They remain as testimony to the breadth and depth of this consummate scholar.

Theodore Roosevelt, a real New Yorker, is a curious figure in the history of rural development policies. As a bereaved young man, he seemed to revel in the rustic and backward openness of the frontier. Later, he saw the need to generate broad-gauged development policies to bring rural areas up to the standards of literacy enjoyed by the remainder of the nation. It is unclear when this transformation in his thinking took place or who worked with him in re-thinking his ideas. No matter. Roosevelt appointed the Country Life Commission, which was to labor until 1909 when it delivered a report that, given some liberties with respect to changes in the language of bureaucrats, could well serve us as a policy for rural development today. The report was not ignored, but neither was it harbinger to sweeping legislation that would change the character of the nation.[3]

The active participation of agricultural economists in the rural development arena began in 1919 when G.F. Warren, the third New Yorker, published a rural development paper in the second volume of the Journal of Farm Economics. His concern was that the poor quality of rural towns was interfering with farmers' abilities to produce at optimal efficiency. He wanted the town improved, but gave only up-by-the-bootstraps advice; no public policy recommendations. Others joined the parade of scholars and politicians interested in the development of rural America, but there was no major theme or consistent thread that went through the early literature. We needed better schools. We needed transportation facilities. We needed health care. We needed market information. This was the way it would be until the post World War II period.[4]

The watershed event in modern rural development policy came from a 1955 USDA report entitled "Developing Agriculture's Human Resources." This was one of the many "no-author" documents that frequently emanate from government in response to either an immediate crisis or a festering wound problem. In this case, it was the latter. The report was different because it began to show that rural poverty or farm income were not problems that could be solved using production and price controls. Moreover, the report explicitly noted that the market was neither a faithful arbiter nor a reliable means of achieving second-order goals like income redistribution in rural areas.

J. K. McDermott, a graduate student at the Uni-

[2] To be sure, many of the land distribution programs were designed to use the public domain as a means of paying debts incurred by the Revolution, the War of 1812, and the Civil War. Whether this can be described as a developmental use is, of course, open to question.

[3] The Country Life Commission's report centered on the social, intellectual, and infrastructural needs of rural areas. At the time of its release, it was likely overwhelmed by the last surge of "pioneers," the policies to bring the last of the western lands into private ownership, and the tremendous hope that was being held for the Reclamation Act. If there was trouble in the country, it was because the farmers and the rural people were not using their resources in the highest and best way. The Country Life Movement also called attention to the need for a way to provide information to rural residents. It is often given credit for having made the way clear for the passage of the Smith-Lever Act of 1914.

[4] This leaves out the entire New Deal era. This is an unfortunate, but intended omission. The new deal, particularly those parts managed by Rexford Tugwell, brought new institutions that provided credit, technical information, cooperation, and relocation as a means of creating human capital to the arsenal used to battle rural problems. Unfortunately, Tugwell's ideas were subjugated to the needs of the New Deal's commodity and land programs as well as being before their time in terms of public acceptance.

versity of Wisconsin, picked up the themes mentioned in the USDA document, formed testable hypotheses from them, and set out to test them in rural Indiana. His interest broadened to include the possible role of the Land Grant Colleges in attacking such problems. The result was a PhD dissertation and a 1960 article in the Journal of Farm Economics. Both stressed that rural development was a local problem that had to be solved using non-local means. This cannot be ignored. The problems of an area or community are particular and unique. Even if they are not unique, they are packaged in different ways and overlain by different collections of institutions that make them particularly difficult to solve using sweeping legislation or general reform. The prospect for a policy for rural America appeared to be bleak in the 1960s, and it continues to appear so today.[5]

The USDA document that captured McDermott's attention also caught the attention of several Congressmen. In the years following 1955, a number of rural development bills, some specific and some quite general, were introduced into the Congress. Although I have not made an exhaustive search of voting records, it appears that none came close to passing.

The last broad-brush attempt to attack the problems of rural America through national policy was the Rural Development Act of 1972. At its inception, the 1972 legislation was expected to be as vital as the Morrill, Hatch, and Smith-Lever Acts. It came at an unfortunate time. The nation was still very unsettled in its involvement in Southeast Asia, Watergate was in its infancy, and, for the first time in decades, the nation's rural areas seemed to be on the verge of thriving by virtue of their ability to feed what then appeared to be a starving, Malthusian world. Continued funding for the 1972 Act was not forthcoming. Few, other than the workers who had been hired under its auspices, seemed to notice.[6]

The Situation Today. Even after decades of attempts to assist in bringing rural America into the mainstream of U.S. society, there are still vast gaps that separate the nation. Bits and pieces of the statistics are known to most agricultural economists. Even though only 2% of the population resides on farms, over one-fourth of the population lives in rural non-farm settings. The rural population is less well educated, has far higher unemployment rates, works at high-risk jobs in extractive industries, has higher rates of infant mortality, must travel long distances to obtain adequate medical care . . . the list is endless and is endlessly discussed at meetings of economists, planners, and social architects.

The list is not confined to demographic problems. Rural areas have poor schools, poor hospitals, poor social organization, and poor police protection. Moreover, they have such low assessed valuations per capita that they will be forever prevented from ever raising sufficient tax revenues to ameliorate these problems.

Put another way, we are dealing with a problem in n dimensions. More than this, n is an evasive variable. Even when it is identified, each of the n dimensions has m qualitative attributes that make general policies for rural America ineffective and elusive.

At this time, the developers and change agents themselves are generating curious stances with respect to a policy for rural America. They fill the contemporary professional and trade literature with contradiction and confusion.[7] On one hand, there is a strong emphasis, perhaps taken from agricultural production and marketing, to find a "niche" for each area and try to exploit it. Make an area as different as possible in the hope that some of these differences will make it attractive to some form of economic activity or allow it to generate a non-value added economic base. If successful, this path means that rural America would become a heterogeneous place where individuals could, by searching long enough, find the one place that included the particular collection of opportunities and amenities that cater to their peculiar sensibilities. While surely there is strength in diversity, and this approach has some logical appeal, it carries no guarantee. What if an area makes the wrong choice in its effort to differentiate and as a result appeals to no one? Or, how can the community that makes all the correct choices possibly cope with the influx of people who are bound to come? Examples close to either extreme are available.

At the other end of this spectrum is the tendency to want to provide equity in opportunity by making facilities equal for all. No matter where you live, you get your socially and individually correct share of everything except sunshine and rain. This has

[5] The McDermott article also suggests that the Land Grant Colleges are to assist in understanding local problems and to be "change agents" as local communities find coping strategies for their particular sets of problems.

[6] Admittedly, some parts of the 1972 Act have had long lives. One cannot however, point to them and say that they have made great, sweeping differences. The Act, while filled with promise, was victim to a set of external circumstances that insured its failure. Perhaps it would have been doomed even if funding had been forthcoming.

[7] By "trade literature" I mean the literature of planners, councilmen, city attorneys, civil servants, and the like.

been the thrust behind much of our collective thinking with respect to education and health care. It is this attitude that drives much policy, and forces communities to the center. Carried to the extreme, this pattern of behavior results in a society that is stifling in its sameness—reminiscent perhaps of the life that Carol Kennecott found in Gopher Prairie, the fictional mid-western town of Sinclair Lewis's *Main Street*—arguably the best twentieth century novel about rural, small town America.

Clearly, the appropriate stance belongs somewhere in the middle ground, but neither agricultural economists nor others who deal from a distance with these kinds of problems have been able to devise an agreed upon goal or policy position. The things that are agreed upon are hackneyed and trite expressions of the good life.

Considering Alternatives. America must make some deliberate choices about what it expects from its rural areas. Since it is unreasonable to think that there can be a caucus where representatives from rural America can get together and decide on common objectives for a rural policy, the goals will have to be overly grand, flexible, and few in number. They will have to reflect problems that arise out of felt needs, perceived needs, and deviations from some optimal situations. They will have to be designed to fit into the current disposition toward federalism in which the most that a local or regional government can expect from the central government is shared financial help and the imposition of costly quality standards on activities conducted at the local or regional level.[8] Developing a policy to take all these into account is no small matter.

Add to this the tremendous geographic and demographic diversity that now exists in rural America, and an even more muddled picture emerges. There are scores of "rural Americas." In the industrial areas of the east, rural is small manufacturing and marginal agriculture. In many parts of the Northeast and the middle Atlantic states, rural America is a weekend home—a place to consume amenity goods. In the South, rural America is a combination of poverty, small farms, large and small manufacturers, and retirement. In the corn belt, rural America is small towns designed to service an agriculture that is being buffeted as never before by changing economic incentives and relationships. In the West, rural America is space and isolation or it is small patches of open area pushed up against a rapidly growing city.

In all cases, the rural region is likely to have more than its share of poverty and unemployment. It is likely to have a high proportion of its population living on transfer payments, and it is likely to have a disproportionately large place-bound population that is either too young or too old to have reasonable options. And all are living with antiquated social overhead capital and institutions.[9]

The list of problems afflicting and affecting rural areas is lengthy. I intend to address only four, and these will be done all too quickly: each deserves (and frequently gets) a paper or a conference of its own. I will mention the young people and education, the residual population (aging), the infrastructure, and mobility.

The Young People. I pick this group because they face the longest time horizon. The history of twentieth century United States has been one of young people leaving their home towns. There are two options for dealing with the young. An area can either bring in something that will employ them and make their lives productive and satisfying, or the area can prepare them to leave to find fulfillment elsewhere. There is no satisfactory or morally correct middle ground. A few areas have made the first option work, but more will have to rely on the second. Federal, state, and local rural development policy must include large doses of human capital formation and the most important form of that type of capital is education.

The importance of education is well known and should bring little dispute. The question regarding who should pay is not so obvious. Locals, even those who have children who will benefit from the education, are reluctant to pay for a service that will bring no local return. Since it is not known where the educated youth (or retrained members of the adult labor force) will eventually make their homes, welfare criteria indicate that the general public, the only certain and identifiable beneficiary, should pay the cost. States have traditionally developed policies designed to equalize educational opportunity available to students in the K–12 categories. There is, of course, much slippage, but the efforts have been made. The unfortunate part of the equalization programs is that they usually provide an equal number of dollars to be spent per student in average daily attendance; they do not always prescribe minimum standards of accom-

[8] The New Federalism of the Reagan adminstration represents an extreme that may not last. The relationships among levels of government are mercurial, but one should plan on the cautious side. Given the current condition of the Treasury and the debt, even a liberal populist government would have trouble finding the financing for a comprehensive effort to do "something" about rural America.

[9] To be fair, it must be said that this is an economy-wide problem. All areas, rural and urban alike, are suffering from a deteriorating infrastructure and a set of governments that has adopted a more-or-less moribund attitude regarding its repair.

plishment. And accomplishment is how the world will judge the product.

The Residual Population. An increasing number of researchers, primarily rural sociologists, are commenting on the residual population as a source of growth in many areas. They are suggesting that communities actively recruit retirees in order to use their transfer incomes as an economic base. This theme gained currency in the late 1970s when the misunderstood population turnaround was bringing new people to old places (Barkley and Rogers).

Incisive researchers who studied the turnaround also noticed that a high proportion of the new residents were retirees who were coming "home" for their golden years. This phenomenon, while undoubtedly true, carries a very real danger. If people are like salmon or lemmings, then the nation is probably about to run out of individuals who will return to rural home towns. The cohorts of retirement age individuals are increasingly urban in origin and this economic base for rural areas, like all other economic bases before it, may soon be exhausted.

If the retirees cease moving back, the residual population will continue to shrink, leaving a group that is uneconomical to service and one that will move farther from the mainstream and closer to total alienation. The unfortunate aspect of this is the reluctance that we, and most other societies, place on asking people to re-locate. Rexford Tugwell was unable to encourage mass relocation in the 1930s, and it is unlikely that it can be done today. The important element of free choice is inculcated at an early age, and it surely extends to the choice of where to live. But residual populations have inherent difficulties. Perhaps it is time to build conscious efforts at population redistribution into our policy for rural America. This idea was mentioned by serious scholars some years ago, but it never acquired a wide following.[10]

Infrastructure. When the problems of the young and the old are taken together, they begin to form the outline of a policy prescription. Put most of your money in education and very little into gerontology. Why? Education is a process that requires vast amounts of operating monies, but can survive on little capital expenditure. Once the young are gone, they are gone. A tiny group of young people left in a community can, if necessary, be transported to obtain their education. The residual population, however, requires more and more capital fixtures that may be used only for a few years. Spending money to get the young people out and into a more benevolent world may have a higher social payoff than using the funds for activities that do not generate income streams.

The broader problems of infrastructure continue to be bothersome. Look closely at infrastructure. The word is tossed around quite easily on the evening news, but, so far as I know, the media and the masses appropriated it from economists. It refers to all aspects of economic overhead capital (public capital that increases the rents that accrue to private capital), social overhead capital (capital that expands economic and social opportunities for individuals in a given area), and institutions (the socially sanctioned bounds for acceptable individual and group behavior). All these aspects of infrastructure are deteriorating or inadequate in many parts of the nation. Although there is no definitive evidence beyond an occasional anecdote, it is supposed that rural areas are in comparatively worse condition in this regard than many intermediate or urban areas.

The problems of infrastructure are particularly severe: we know of the inadequacies, but we are hard pressed to demonstrate the nature of adequacy. Neither the production functions of processes that turn factors into adequate collections of infrastructure, nor the cost functions of adequacy are known.[11] This will remain a serious problem for policy makers bent on changing the character of rural America.

A Broad Suggestion. Some years ago, Niles Hansen and others began to champion the idea of "growth points." These were to be towns or cities that were carefully selected because of their location and their potential for serving the needs of a wider area. The state or the federal government would siphon development monies into these towns while consciously neglecting other towns—perhaps even some of those in the same vicinity. The idea was not popular at the time because of the political problems associated with such a policy and because of the insidious way in which the growth point interfered with local development policies.

It may be time to rethink growth points. Funds

[10] To be sure, we have had population distribution and redistribution policies in this nation. Most, like the Homestead Laws, have used incentive rather than force to accomplish their purposes. The coercive acts have usually been small scale, as in the case of the Love Canal incident. The intent in the 1990s would be quite different, however. It would not be designed to enhance productive economic activity for those who were asked to move. It would be designed to allow the efficient provision of essential services to a sedentary population.

[11] In another place I have described this somewhat differently. When talking of the infrastructure, the public does not know what it wants, does not know what it needs, and does not know what it will settle for. Some of the recent advances in contingent valuation techniques may have applications in helping to sort out what is wanted and what is acceptable.

are limited at all levels while needs are not. A surprising number of rural areas are doing well, but a discouraging number are not faring well at all. An infusion of funds in the correct places could allow creation of an overall rural economic landscape that is at once more congenial and more satisfactory to those who must or to those who choose to reside in it. It is worth a close look.

And in Summary. Of all the tasks that I have been called upon to perform over the past several months, this has been perhaps the hardest. It is not as if it is new ground, for it is not. Nor is it something that I have just begun to think about. But to outline a policy for rural America is no small task. There are patterns or models that can be followed. There is the industrialization pattern that is very fashionable. There is the clean-up-your-act model that is also popular. There is the make-the-feds-do-it paradigm. And there is the mood that says leave the problem alone and it will go away. Each has its place, and various scholars have made careers advocating each of these. But I am not happy with these even when they are well articulated and successful.

In general, my unhappiness stems for the inability of economic science to make significant inroads into understanding the dynamics of rural America. For all our skills at studying micro effects, and for all our recently developed understanding of how macro effects trickle down to rural areas, we are still unable to face the state Department of Economic Development and tell it what is going to happen, when, and where. The odd interactions among individual and collective utility functions; the existence of huge and incommensurable externalities; and the basic market failures associated with publicness and quasi-publicness leave us at a disadvantage except when dealing with one problem in one area at one time. Unfortunately, this does not lead us to even the semblance of a policy for developing rural America.

To be useful, a policy for the rural part of the nation must recognize that different groups want these areas for different purposes; different vested interests will have to be uprooted to make inroads into development problems; different definitions of development may be appropriated in different times and places.

To be useful, a policy must be flexible beyond belief. It must combine the interests and expertise of all appropriate levels of government, it must not be afraid of spending money, but it should not be as profligate as defense spending. It should allocate as much time to institutional change as to installing new tangible capital or to income transfers.

I have no ready answers, but I am desperately persuaded that rural America needs to be the focal point for additional public scrutiny and activity. We shall all hope that, once in place, a rural policy will not take on the inflexible qualities that have plagued many of the other federal policies that have been directed at parts of rural America in recent decades.

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