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PEOPLE LEFT BEHIND: TRANSITIONS OF THE RURAL POOR

Joseph J. Molnar and Greg Traxler

ABSTRACT

Compared to their urban counterparts, the rural poor are more likely to be employed, more apt to be members of married-couple families, less likely to be children, less likely to be minority, and more likely to have assets but a negative income. This paper examines poverty rates and factors that affect mobility in and out of poverty among major categories of the rural poor. Particular attention is paid to farm workers and the rural farm population in the South. It endeavors to identify both structural conditions that perpetuate rural poverty and government interventions that ameliorate human suffering and break the cycle of poverty reproduction.

Key words: poverty, minorities, rural development

A discussion of rural America's "people left behind" could be organized around either of two concepts. The first would focus on those individuals who are "chronically poor," unable to rise above poverty for more than brief periods. Unfortunately, relatively little is known about this segment of the population. The information that is available allows us to surmise that the chronically poor constitute about half of those Americans officially defined as living in poverty (Bane and Ellwood, 1986). A much larger portion of the U.S. population has experienced a "spell of poverty," to use Bane and Ellwood's terminology. Duncan found that 24.4 percent of those surveyed in the Panel Study of Income Dynamics (PSID) was poor during at least one year between 1969 and 1978. Our discussion will focus on the statistically well defined and documented poverty rate which has been tracked for various demographic categories for several decades.

Rural poverty appears to have become more entrenched relative to urban poverty in the past ten

years. During this period, rural rates have remained higher, and rural residents have been trapped below the poverty line for a longer time (O'Hare). Rural poverty is more likely to be caused by low wages, unemployment, depression in the agricultural and other extractive sectors, and state and local welfare eligibility rules that exclude significant proportions of those who are poor by national standards.

The rural poor also are less likely to be children, less likely to be minority, more likely to be employed, more apt to be members of married-couple families, and more likely to have assets but a negative income (Harrell and Weiher). This paper examines poverty rates and factors that affect mobility in and out of poverty among major categories of the rural poor. Particular attention is paid to farm workers and the rural farm population in the South. It endeavors to identify structural conditions that perpetuate rural poverty as well as government interventions that ameliorate human suffering and break the cycle of poverty reproduction in different segments of the population.

DEFINING POVERTY

Starting with the intuitive concept of poverty as lack of income and perhaps assets, it is important to understand the statistical definition of poverty that dominates the policy dialogue and empirical knowledge base (Bryan; Bonnen). The official poverty level was developed in the mid-1960s by determining how much income a family needed to maintain a minimally adequate diet and then multiplying by three—since low income families spent roughly one third of their income on food. Varying by family size, the standard has remained largely unchanged since initiation. Nonetheless, it is adjusted each year for overall inflation as measured by the Consumer Price Index (Bane and Ellwood, 1989).¹

¹ The decennial census is the primary source of detailed specification of poverty rates for specific socioeconomic categories and geographic units. The Current Population Survey conducted in March of every year is the main source of annual poverty estimates for States and the nation. The Survey of Income and Program Participation (SIPP) is a major source of information on the economic situation of persons and families in the U.S. The 35,000 household surveyed annually provide metro-nonmetropolitan comparisons and a great deal of information on the distribution of cash and noncash income (Nelson, McMillen, and Kasprzyk).

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In testimony to Congress, Datta advised that poverty estimates should be viewed with extreme caution. The GAO's analysis of 11 different issues related to noncash benefits, asset holdings, and the classification of poor or nonpoor showed that all but one alternative treatment had sizeable effects, and eight caused significant shifts between statuses. The analyses also showed that blacks, the elderly, and individuals in families headed by women are particularly likely to be affected by definitional variations. Sawhill concludes that adjusting income for in-kind transfers would reduce poverty rates by two to four percent. Adjusting for asset values would reduce rates "a few percent" more.

The share of the U.S. population living in poverty has changed relatively little since the late 1960s, remaining between 11 and 14 percent for the last twenty years (Levy). The geographic and demographic composition of our poor, however, is very dynamic. One of the great successes of recent times, for example, is the dramatic decline in the poverty rate among the elderly population, which has fallen from 28 percent to 11 percent. Black and Hispanic populations, on the other hand, have seen little improvement and have poverty rates nearly three times that of the white population. More importantly for the purposes of this study, the poverty rate in rural (or nonmetro) areas has increased relative to that in other locales.

The fact that rural poverty levels are higher than urban poverty levels is often treated lightly, because the rural cost of living is assumed to be lower. However, since cost of living data are not collected in rural areas by the Department of Labor, there are no commonly accepted means of assessing actual rural-urban price differences. Rural people tend to spend proportionally more on transportation than urban residents, the same on food, but less on housing and on nonessentials such as entertainment (Ghelfi). This may suggest that lower living costs do not compensate for rural-urban income differences, but it is indirect evidence. Assessing the rural costs of living is a policy objective difficult to accomplish with currently available information (Starr).

Sawhill identifies the factors which have most influenced the dynamics of the measured poverty rate over the past two decades. The two factors most influential in keeping the national poverty rate down have been the large increases in government transfers and in human capital development that have occurred. Total real transfers increased by 37 percent from 1975 to 1984. The proportion of U.S. adults possessing a high school diploma increased from 26 percent to 48 percent between 1970 and 1985. The gains from these phenomena have, however, been

offset by demographic changes (primarily the huge increase in female headed households) and the slower growth and higher unemployment rates of the 1980s, leading to a nearly constant national poverty rate for the period.

Rural areas, and particularly the rural South, have been less successful in exploiting the benefits either of education or of government transfers than the nation as a whole (O'Hare). Meager allocations to education and direct transfers have been insufficient for alleviating the experience of poverty and preventing the reproduction of poverty. Compounding this is the higher vulnerability of the rural South to the cyclical downturn and economic restructuring of recent years. Nationally, a one percent increase in unemployment increases the poverty rate by 0.7 percent. Southern and rural economies have performed even more poorly than the U.S. economy as a whole.

The extent and nature of rural employment problems and disadvantages vary with the definition "rural" (Bailar and Rothwell). For instance, unemployment is lower in rural areas than in urban areas, but higher in nonmetropolitan than metropolitan areas. This inconsistency arises because of the distinction between "rural" as a residence pattern and "rural" as a labor market (Berry; Bogue and Beale). People living in open country areas may commute to large urban centers and thus participate in urban economies (Fuguitt, Brown, and Beale). In general, researchers tend to be most concerned with job opportunities and income, suggesting that nonmetropolitan - metropolitan is a useful contrast, but that there may be better distinctions which could be made (Molnar, Nelson, and McGranahan).

SPATIAL DISTRIBUTION OF RURAL POVERTY

For the South, as the nation's poorest region, it is clear that the Civil War liberated a large portion of the labor force, but is also represented a long-term setback to the nation's economy. Resources and wealth were lost to the war effort, and the loss of infrastructure and the fragmentation of human capital and organization turned what had been the wealthiest part of the country into the poorest. These effects, coupled with fundamental changes in the cotton economy and other economic shifts resulted in the South's inability to fully regain the productive position and capability it had held when its economy was based on slavery.

Nationally, wealth is concentrated in coastal cities and the large urban centers of the Midwest. The East is the wealthiest region in terms of per-capita income, and the South is the poorest. Poor people are

concentrated on Indian reservations in the West, in the Eastern and Southern mountain areas, in the Mississippi Delta counties, and in the Southern Black Belt of remote counties with high proportions of minority residents. Mississippi is the poorest state in the nation, but New Mexico, South Dakota, and Maine are the poorest states in their respective regions (Bureau of Census).

MAJOR CATEGORIES OF RURAL POOR

Rural Farm Residents

Less than 10 percent of the rural population resides on farms. Poor farm residents tend to be older, in bad health, and many have suffered financial reversals associated with the agricultural economy (Tickameyer and Duncan). Debertine and Infanger conclude that poverty in low-income rural regions where a subsistence agriculture dominates is caused primarily by deficiencies in human and physical capital. Rural poverty occurring as a result of farm financial crises is caused by a different set of factors, many of which affect the general farm economy and are outside the control of the individual farmer (Molnar).

Farm Workers

In 1980, only 2.8 percent of the total U.S. work force, 8.5 percent of the work force in rural America, and 7.2 percent in nonmetropolitan areas could be classified as agricultural workers even by the most inclusive definition [wage and salary, self-employed, and unpaid family] (Elo and Beale). Farm workers include farm employees with relatively stable year-round jobs, part-time farm workers, and migrant laborers. Full-time farm employees have been growing in number in recent years, while part-time employees have been declining. Little data is available on the terms and conditions of benefits associated with full-time employment.

Part-time farm employees are engaged to meet seasonal labor demands. Although many youth and second-job individuals supply this type of labor, some part is filled by individuals in between jobs or in long-term unemployment. Rarely are individuals who rely on low-paying, sporadic farm employment able to generate annual income above the officially defined poverty threshold.

Migrant laborers comprise the poorest segment of the farm worker population. Ginsberg maintains that farm workers should be considered as a separate ethnic group, as their problems are so complex and widespread. Near constant travel inflicts particular hardship on families which do not experience the continuity of housing, schooling, and neighbor-

hoods that define the central parameters of normality for most Americans. Disrupted schooling inflicts particular hardships on young people who fail to develop endowments that might otherwise lead to more stable and productive livelihoods.

Training programs specifically targeted to nonmigrant migratory and seasonal farm workers include the U.S. Department of Labor CETA 303 and JTPA 402 programs. These are primarily intended to enhance job skills of farm workers either for farm work, especially in machinery mechanics and welding, or for nonfarm jobs, mainly clerical. Huffman notes that little information is available on the actual impacts of the substantial sums spent on these programs.

Farm unions exert little influence on farm worker conditions in the South. Unionization has been viewed as one means for improving the status of migrant laborers by increasing their ability to influence wage rates and working conditions. Martin and Abele find that farm worker jobs covered by the six California unions now number 12,400 — the largest number in the country, though a decrease from the 1980s.

During the 1970s and early 1980s, the California unions set the pace for farm wage increases statewide. The number of contracts peaked at 100 in 1978. Today only one commodity, mushrooms, is predominantly unionized. Employers now tend to offer wage increases that depend on local conditions, and these wage increases are often less than rates achieved through union bargaining. In general, union activities had few spillover effects in non-union commodities in the 1980s.

Blacks

Most rural blacks reside in the South. Poverty rates for blacks are higher than for whites (Wilson). Rural blacks tend to be concentrated in remote agricultural counties that have few alternative employment opportunities, poor school systems, and a regressive political structure. There is some evidence that local elites retarded the development of adequate school systems to protect agricultural labor supplies, as educated human capital tend to flee to cities and other regions (Molnar and Lawson).

Poverty rates among rural blacks tend to be highest for children and the elderly. In some rural counties in the South, poverty rates for elderly minorities exceed 50 percent. Some of the high rates can be attributed to the legacy of segregation that denied jobs, fair wages, and developmental opportunities to whole generations of black people.

High rates of out-of-wedlock births and other indicators of a disintegrating family structure in part

reflect the continuing dearth of stable employment opportunities for black males. Some of the highest out-of-wedlock birth rates for blacks are found in Southern states. Some of the lowest rates, as well as some of the highest, for whites are also found in the South. Informal adoption and other alternative family arrangements that distribute child rearing among grandmothers, aunts, and other relatives also are symptomatic of the structural conditions that retard the parents' acquisition of education and entry into stable occupational endeavors.

The dynamics of poverty among black Americans give great cause for concern. Bane and Ellwood (1986) find not only that blacks face reduced employment opportunity, but also that the average duration of a spell of poverty is nearly twice as long for a black person as for a white (6.5 years vs. 3.4 years). The plight of black children is alarming indeed. Fifty-seven percent of minority children in the rural South live below the poverty line (O'Hare). These children can expect to spend an average of almost two decades in poverty (Bane and Ellwood, 1989). This means that many young black Americans will spend the critical years of education, career choice, and family formation in poverty.

Indians

Native Americans are the poorest rural minority and the group that seems to have the greatest difficulty making the transition out of poverty (Snipp). High rates of alcoholism are indications of the underlying legacy of injustice and disruption imposed on Native Americans. It is important to note that there are significant intertribal differences in levels of accommodation to the dominant culture, corporate development of tribal resources, and group efforts to exploit tourism, gambling, and other recreational enterprises.

Appalachian Whites

Poor whites outnumber poor rural minorities (Flynt). Appalachian whites face particular disadvantages associated with difficult terrain, isolation, limited economic opportunities, and external control of local resources. They confront fundamental economic disparities with respect to large landowners, bankers, coal companies, factory owners, and other wealthy interests (Walls and Billings).

The Appalachian Regional Commission represents one policy response to the chronic problems of these counties. Better highways, improved telecommunications, and other technological advances have all operated to the advantage of isolated areas (Dillman). These factors have been particularly important in reducing the distance between mountain people

and the agencies and institutions designed to serve them.

Women

Women comprise the largest numerical category of the rural poor and the largest proportion of each of the aforementioned categories. Particularly vulnerable to job insecurity and limited opportunities, women experience widespread underemployment (Lichter). As long as parents are responsible for children, and this responsibility is born disproportionately by women, women will disproportionately bear the burdens of poverty (Fuchs). In the rural South, tradition and culture only widen the gap between women and men.

REASONS FOR RURAL POVERTY

The "liability of rurality" will continue to be a controversial issue and a rationale for directing special efforts to the needs of rural people (Gibson, Goodin, and Le Grand; Nathan). Sparse settlement, great travel distances, weak economies, and weak institutions each represent a barrier or disadvantage associated with rural residence.

Rural areas are dependent on resource extraction—minerals, wood, fish and game, agriculture. Much of the processing and adding of value to the basic raw materials takes place in other locales. Employment and local economic benefits from extractive industries are centrally tied to cyclic fluctuations in national and world commodity markets (Rees; West). Uneven demand for coal, pulp, and other commodities represents intense cycles of boom and bust for many rural locales dependent on these industries for employment (Rees). Often, these places have few alternatives to allay the ebb and flow of employment and income from the extractive sector. Thus, workers often experience spells of intensive production and overtime followed by spells of unemployment, during which savings and government benefits are expected to provide support.

The processing plants and distribution systems for rural commodities are often owned by corporate entities located in distant urban areas and, in many cases, other nations. Matters such as employment continuity and local economic development are secondary issues for these firms, at best. In some cases, firms have opposed efforts by rural leaders to attract alternative sources of employment that may compete for available labor.

Technological change improves productivity by increasing output per worker. Existing workers produce more product with better machinery or equipment. In some cases, fewer workers are required, creating unemployment. Where few alternative jobs

exist, long-term displacements associated with new technology create unemployment and thereby have additional debilitating effects on the broader local economy.

Technological change can exacerbate rural poverty when plant closing and worker displacements are abrupt and without mitigating efforts (Summers). Retraining, outplacement, and other measures to reallocate workers to new livelihoods can minimize unemployment spells and represent developmental changes to the local economy. Nevertheless, technological change can also produce new jobs in rural areas by altering demand for rural-based resources or allowing the further decentralization of manufacturing and other economic activity.

FACTORS MAINTAINING RURAL POVERTY

Migration

The propensity of individuals to endeavor to escape poverty by seeking opportunities in other places has been major source of change in rural areas. Most migration today is by young workers to urban areas and the coasts. Migration, therefore, can be a problem for the communities left behind.

Net rural outmigration in 1986-87 reached 952,000 people, one-third of whom were 18-24 year olds (O'Hare). In part because of the small pool of skilled workers, it has been difficult to attract "high tech" industries, so the rural demand for skilled labor remains low relative to demand in urban areas. Lacking attractive professional opportunities in their home communities, educated rural young adults migrate to urban centers to begin their careers.

Those migrating from rural areas are twice as likely to be college graduates as those who stay behind (O'Hare). Those with the greatest propensity to leave also represent the most able and productive human capital. Migration may alleviate some rural poverty as workers seek better opportunities in other places. Remittances to those who remain are not generally an important source of income. Residents staying in the rural county may have an easier time obtaining what jobs do exist. Nevertheless, outmigration is symptomatic of declining opportunity in a locale.

Almost 27 percent of those who left rural areas in 1986-87 had four years of college. Rural communities have been unable to capture the social benefits associated with public support for education. Local governments often use this inability to rationalize their low investment in education, perpetuating the downward spiral in the rural human capital pool, and further reducing their attractiveness to industry.

Deavers suggests that the magnitude of this external-ity calls for an increase in the federal subsidy to rural educational programs.

Age Structure

In some rural areas, poverty will fade because natural decrease is reducing the resident population and younger generations are able to find livelihoods to sustain their presence. In other places, young adults will continue to seek opportunities outside the home county. The migration of working age people often has deleterious effects on those left behind. Children and the elderly are the least likely to have the resources and ability to seek better conditions. They often are the most dependent on the services which rural governments cannot afford and are ill-equipped to perform.

Children

Children comprise the fastest-growing category of the rural poor. Nationally, Bane and Ellwood (1989) find that there is a gradual and relatively stable upward trend in the fraction of children who are poor and living in female-headed households. In addition, virtually all of the year-to-year fluctuations in poverty among children, including true increases in the 1980s, can be traced to changes in the numbers of poor children in two-parent homes. Poverty rates for children in single-parent homes have averaged roughly 50 percent since 1965. If welfare benefits are not counted, poverty rates are higher still. Much of this poverty is long term.

Differential rural birth rates and the declining opportunity structure of rural America make the problems of children in poverty particularly serious. Coupled with the weak institutional structure of services and income support for poor families, rural children in poverty promise to be the source of the next generation of adults who experience extreme problems participating in the labor market.

Local Political Arrangements

The attitudes of local elites toward the poor and development of the area economy in general have a great bearing on the structure of opportunity and the eventual poverty rate that characterizes an area (Ford). Some local elites may exhibit passive or active opposition to potential employers who present competition for existing firms or are perceived to disrupt the local wage structure. Ultimately, this opposition denies opportunities to the poor (Molnar and Lawson).

The literature on the impacts of new industry and economic growth in rural communities suggests that most of the immediate benefits accrue to local elites,

with only secondary and delayed benefits to working people and the poor. Property value increases, subsequent real estate speculations, and other sudden shifts flow primarily to the monied segment of a rural community. Some have questioned the relative fairness of attracting new industry with the offer of taxpayer subsidies associated with the provision of infrastructure and worker preparation. So-called leakages of the benefits of new industry are many and tend to flow to the larger region. Nevertheless, without such extra assistance, the poor often lack the skills, work experience, and other desirable worker qualities that lead to improvement in rural poverty rates.

Little research has explored the experience of welfare recipients in rural locales relative to discrimination and differential access to benefits. Clearly, discrimination plays a role in the recruitment of minorities to available jobs and in the location of new industry. The so-called "30 percent rule," whereby corporations have purposively avoided developing facilities in counties with minority populations greater than 30 percent, reflects an explicit bias against poor counties. The exclusion of locales on the simple basis of racial composition directly perpetuates rural poverty.

AMELIORATING RURAL POVERTY

Many of the problems of rural poverty are societal, generational, and not directly tractable through local initiative. Rural poverty remains a product of power relations with urban centers, nonresident landowners, and resource corporations that determine the course of life in many rural communities. Externally determined investment decisions, lack of corporate reinvestment in institutions for rural populations, and an urban bias in national policy making serve to extend the conditions that reproduce rural poverty. Given the dispersed nature of rural populations, the interest-oriented nature of their political representation, and the overall organization of the economy, few prospects for private sector solutions for rural poverty can be said to exist.

A number of federal policies and programs have focused on the problems of the rural poor. Food stamps have provided a comprehensive floor for the well-being of rural people and have a stabilizing effect on the demand for food for agricultural producers and manufacturers. Mechanisms to alter the fundamental structural conditions that cause and perpetuate rural poverty are subject to retrospective evaluation (Deaton and Weber).

Institutional structures such as the Tennessee Valley Authority have combined conservation, agricultural development, and poverty alleviation

objectives to effect major transformations over a 60-year period. Similarly, the Appalachian Regional Commission endeavors to coordinate and fund projects giving special attention to the problems of mountain areas in the East (Lapping, Daniels, and Keller).

Southern policy makers have been unwilling or unable to effect direct transfers as a primary source of poverty alleviation. This is based, in part, on acceptance of the suspected adverse effects of welfare payments on family structure, work, and savings. Despite the many studies, little convincing empirical support has been found for such linkages (Sawhill; Danziger *et al.*; Ellwood and Crane). The majority of people in poverty did not receive welfare assistance in 1986; rural people are less likely than urban residents to be beneficiaries.

State development programs are highly variable and, until recently, have tended to center on manufacturing as the primary mechanism of rural development. Growing recognition of tourism, recreation, and the service industry in general have somewhat enlightened the efforts of these entities. Nevertheless, most of the rhetoric remains focused on the aggregate flow of income and jobs, and not on the distribution of employment and the net gains of what development does take place.

The failure to invest in education has placed a burden on rural communities. Few would argue, for example, that rural and suburban schools comparably equip their graduates to compete for high paying jobs in today's economy. Low per pupil expenditures are explained not simply by the more modest tax base of rural schools, but also by lower federal and state assistance levels, which are rationalized by the presumed lower cost of living in rural areas. The generally lower educational attainment of rural populations perpetuates rural economies based upon low wage, unskilled industries (O'Hare). Poultry production and processing is a particularly striking example of an industry which has expanded rapidly in the rural South, but which has done little to alleviate poverty. However, even the expansion that has occurred in "low tech" industries has failed to increase demand sufficiently to raise rural unskilled wage rates (Lyson).

The family is the crucible for the reproduction of poverty, and rural areas are often in the weakest position to support families in need. School systems often lack the resources and leadership to focus on family reinforcement and development. Families without stable, productive breadwinners with self-esteem cannot imbue offspring with the attitudes, values, and desire to develop personal capabilities and seek opportunity.

Poverty associated with agricultural activity seems to be largely a phenomenon of the past, as mechanization and other trends have already released the great mass of agricultural laborers. The industrialized agriculture of the 21st century seems destined to employ largely full-time technical staff. Studies of the California workers displaced by mechanization seem to suggest that after the transition, most families were better off with stable urban jobs.

Because the agriculturally-related poor is such a small segment of the overall problem does not mean that there are no problems and situations in need of special attention. The migrant workers who remain still have many unmet needs and difficult circumstances which are not as yet attended to. Housing arrangements, wages, sanitary facilities, and other conditions of employment all represent direct costs to agricultural employers. Regulation in these areas has been effectively circumvented or diluted for many generations. The terms of employment and working conditions facing caneworkers in Florida and Louisiana, for example, represent anachronistic situations maintained by raw political power though there are few other examples as egregious as this.

CONCLUSION

Rural poverty rates will likely remain high for some time to come, but the demographic character of those in the state of poverty is likely to change. More families and children will replace declining numbers of extremely poor elderly individuals, particularly among minorities. Local efforts to provide employment and exploit situational resources will assume growing importance.

Community self-determination will be a significant theme in coming economic development efforts. For the poor who possess sufficient education, appropriate skills, and productive work attitudes, the opportunities generated by local initiatives will lift families out of poverty.

For the poor unable to participate in the world of work by reason of incapacitation, substance dependence, or other social-psychological reason, the welfare system will continue to be the support of last

resort. Food stamps, health care subsidies, and housing allowances will continue to provide a meager existence. National-level crises in health costs, budget deficit, and nonsocial spending priorities will also adversely affect the well-being of the poor and nearly poor in rural areas.

Migration has long been an answer to rural poverty, but national economic declines tend to reduce the value of moving as an alternative to poverty. Perversely, rural poverty is exacerbated by high levels of outmigration because the most able tend to leave first, leaving a dependent population of the very old and the very young.

Bootstrap solutions that employ an inductive approach to internal job creation and economic development will ameliorate poverty for some locales. New industry will bring employment to some rural communities, but the overall effect of rapid changes associated with new plants or extractive facilities are not without their detrimental social and fiscal impacts (Summers).

Differential migration and the cumulative liabilities of rural residence seemingly will always lead to higher rates of rural poverty. In the context of a healthy national economy, state and federal efforts to ameliorate rural poverty must recognize the structural and demographic realities that perpetuate rural poverty in the long term. At the same time, programs and institutions must continue to alleviate human suffering and endeavor to break the internal cycle that reproduces poverty in subsequent generations. When the national economy falters, the prospects for improvement seem bleak indeed (Reid and Frederick).

It is difficult to improve on the 1966 conclusion of the National Advisory Commission on Rural Poverty which established poverty as a result of a web of issues related to: poor health and nutrition; inadequate housing and sanitation services; marginal educational and vocational training programs; the lack of accessibility to services and economic opportunities; and in many cases, racism, sexism, and age discrimination. Only by addressing all of these matters can rural poverty be conquered.

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