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ASSESSING THE RESEARCH FRAMEWORK AND INSTITUTIONAL CONTEXT FOR RURAL DEVELOPMENT POLICY: DISCUSSION

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A discussion of rural development policy could focus on a number of issues surrounding the economic well-being of rural communities and rural residents. Research shows that rural America is experiencing many problems including widespread stagnation in job creation, reduced rates of population growth, substantial outmigration, and underdeveloped human resources (Brown et al.). According to Rasmussen, the first rural development efforts (e.g., improving physical characteristics of rural areas) met with quick and quantifiable success, but unemployment, persistent poverty, and inadequate housing may be more intractable.

This discussion focuses on rural development policies and the enhancement of human resources. Of particular concern are the likely effects of these policies on persons who are economically disadvantaged. First, we examine the scope and dimension of rural poverty in the South. Then we review the evolution of rural development policy, with emphasis on policies and programs to develop human resources. Lastly, we address the key elements of a rural development policy to aid human capital development and ameliorate rural poverty.

DIMENSIONS OF SOUTHERN RURAL POVERTY

The rural South contains several pockets of poverty, notably Appalachia, the Mississippi Delta, and the Ozarks. Moreover, the vast majority of the persistently poor counties are located in the rural South. According to Hoppe, 213 of the 231 persistently low-income counties (92 percent) are located in the South. Four states—Georgia, Kentucky, Mississippi, Tennessee—contain 20 or more of these low-income counties. Hoppe noted that the racial composition varied widely in the persistently low-income counties. He found some salient differences in the population characteristics of persistently low-income counties and of all nonmetro counties. Relative to the nonmetro average, the persistently low-income counties had a:

- Higher incidence of persons reporting work-limiting health disability
- Greater concentration of female-headed families
- Smaller proportion of population employed
- Lower proportion of population with high school diplomas.

In addition, a smaller proportion of the persistently low income counties was located adjacent to a metro area or contained a four-year college.

Data from the U.S. Bureau of the Census highlight the dimension of the poverty problem in the rural South. Deavers, Hoppe, and Ross examined 1980 Census data and found that all seven states with rural poverty rates exceeding 20 percent were located in the South—Mississippi, Louisiana, Alabama, Kentucky, Arkansas, Georgia, and South Carolina. More recent data from the Current Population Survey show that the 1990 nonmetro poverty rate was 20.5 percent in the South, 4.2 percentage points higher than the U.S. average for nonmetro areas (Table 1). Furthermore, the poverty rate was 5.7 percentage points higher in the rural South than in the rural West, the region that experienced the second highest rate of poverty. Not only did the South have the highest rural poverty rate in the Nation, it also contained the majority (55.3 percent) of the rural poor. In fact, 5 million rural Southerners lived below the official poverty level in 1990.

Examination of nonmetro poverty rates by race and Hispanic ethnicity reveals that the rural South has the highest poverty rates for whites, blacks, and Hispanics. Whereas the white poverty rate did not vary greatly by region, the regional disparity in both the black and Hispanic poverty rates was large, particularly between the Midwest and the South. These findings are likely the results of a southern legacy of slavery, share cropping, and *de jure* and *de facto* segregation. They epitomize the importance of assuring equal opportunity and equal access to quality education, training, health care, and other factors that contribute to human capital development.

Previous research has shown that persons with particular demographic characteristics are dispro-

Table 1. Poverty Rates by Region and Race, 1990

	All Races	White	Black	Hispanic
%				
United States	16.3	13.5	40.8	32.0
Northeast	10.3	10.2	B	B
Midwest	13.2	12.6	28.7	19.5
South	20.5	15.0	41.6	37.5
West	14.8	14.0	B	29.1

Source: *Poverty in the United States: 1990*.

B = Base too small to provide reliable estimate.

portionately represented among the poverty population. Sawhill's survey of the empirical literature on the persistence of poverty reveals that the chances of being in poverty are greatly enhanced if an individual falls into one of the following demographic categories: black, lives in a female-headed family, or is under age 18. She concluded that the best predictor of poverty was whether an individual was born into a poor family. Bane and Ellwood assert that the typical child will live in a single parent home (usually headed by a female) at some point during his/her childhood. They argue, —As long as contributions from absent fathers remain low and the social welfare system offers limited economic opportunities or incentives for disadvantaged women to achieve independence through part-time or full-time work, it will remain the case that half of these children will be poor.— Do these findings on the demographic characteristics of the poor hold for rural individuals? Recent studies indicate that the characteristics of the rural poor are similar to those of the general poverty population. However, the rural poor are more likely than the urban poor to live in a married couple family, which has implications for policies designed to improve the plight of the rural poor.

Research by Allen and Thompson reveals that the most important predictor of poverty among persons in rural families is family type. They estimated that the odds of persons in rural female-headed families

being poor was 3.28 times higher than for other family types. Children in these households are in a precarious economic position. In 1990, nearly three-fourths of children under age 6 in rural families headed by women were poor (U.S. Bureau of the Census). Sherman contends that:

Poor children in rural areas suffer from a distinctive web of problems. Although most rural poor parents have jobs, the jobs are frequently low-skill, offering limited pay and no health benefits. Further, rural states offer less generous public assistance and Medicaid. Low family income and poor health insurance combine with transportation difficulties to reduce rural children's access to routine medical care. Poorer families and poorer schools mean that rural children have a lower likelihood of completing high school or college, further limiting their ability to find better employment.

Molnar and Traxler also offer some insights into the demographic characteristics of the rural poor. They report that farm residents, farm workers (particularly migrant laborers), blacks, Native Americans, Appalachian whites, and women constitute major categories of the rural poor. Indeed, data from the U.S. Census Bureau reveal that in the South, women account for 57.9 percent of the rural poverty population, the highest proportion among the regions (Table 2). Molnar and Traxler suggest that the

Table 2. Characteristics of the Rural Poverty Population by Region, 1990

	Percentage Distribution				
	U. S.	Northeast	Midwest	South	West
Age					
Elderly	14.0	11.1	14.3	15.2	9.4
Adult	48.4	49.8	48.2	47.9	40.3
Children	37.6	39.0	37.6	36.9	50.2
Gender					
Male	43.1	43.8	44.8	42.1	43.5
Female	56.9	55.9	55.2	57.9	56.5

Source: *Poverty in the United States: 1990*.

characteristics of the rural poor will change, primarily due to the increasing numbers of poor families and children and the declining numbers of elderly persons who are poor.

Another determinant of rural poverty is education. Allen and Thompson found that education has a modest, but statistically significant effect on the odds of a rural family being in poverty. Specifically, they estimated that each additional year of education, *ceteris paribus*, decreased the probability of being in poverty by 1.5 percent.

Despite the growing body of literature on poverty, there is no consensus on the causes or persistence of poverty. In 1966, the President's National Advisory Commission on Rural Poverty pointed to a number of causes of poverty including poor health and nutrition, inadequate education and lack of training, lack of economic opportunity, and discrimination. Some researchers have pointed to a culture of poverty that consigns some individuals to a life of poverty while others emphasize human capital deficiencies, the opportunity structure, and the limited number of "good" jobs as the primary causes of poverty. In fact, Sawhill contends that "we still understand very little about the basic causes of poverty." Not only is the literature inconclusive about the causes of poverty, it is inconclusive about the effect of human capital investments on poverty reduction. Sawhill's review of studies on compensatory education, employment and training, and health programs showed a mixed record on the impact of these investments on the poor. Nevertheless, the available evidence led her to conclude that "the major factors tending to reduce the poverty rate over the past two decades have probably been income transfers and human capital investments."

The costs of poverty are exorbitant. Researchers have documented some of the costs, particularly those associated with providing cash and in-kind goods and services (e.g., food, housing, medical services). For instance, Deavers, Hoppe, and Ross estimated that the United States spent \$86 billion in 1983 (2.6 percent of the GNP) on public assistance programs. Other economic costs include foregone GNP, lost productivity, and higher expenditures associated with increased crime (e.g., loss of property, building and maintaining prisons), and additional health care costs due to poor nutrition, inadequate housing, and lack of funds for preventive care. Economic costs, other than those for public assistance outlays, have not been well documented. Moreover, society incurs noneconomic (social) costs due to the

persistence of poverty. Included in this category are the psychic costs of poverty, degradation, and loss of self-esteem. Tweeten and Walker argue, "The social cost of poverty can be viewed from two perspectives: the cost of allowing poverty to continue and the cost of eliminating poverty." Because of difficulties inherent in measuring the social cost of allowing poverty to continue, economists have focused almost exclusively on the cost of eliminating poverty. Nevertheless, social costs are important and provide another rationale for developing effective policies to ameliorate rural poverty.

RURAL DEVELOPMENT POLICY

A comprehensive rural development policy could improve the human capital of rural residents and promote more and better jobs in rural America. However, U.S. rural development policy lacks comprehensiveness and historically has focused on the development of infrastructure. Freshwater traces the origin of rural development policy to the recommendations issued by the Country Life Commission in the early 1900s.¹ These recommendations, many of which were enacted by the federal government, included improved infrastructure in rural areas and better access to public services and operating capital for farmers. Among the recommendations related to human capital development were better federal coordination of education and creation of an agricultural extension service.

Freshwater identifies three other eras (New Deal, Great Society, New Federalism) that characterize the evolution of rural development policy. During the New Deal epoch, most programs designed specifically to improve the economic well-being of rural residents focused on farmers. For example, agricultural programs (e.g., price supports, nonrecourse loans, production controls) were established during that period to support farmers' incomes. Because a high proportion of rural residents lived on farms, farm policy was nearly synonymous with rural development policy. However, this view still persists among some policymakers, with the result that policy does not address many of the problems of the rural poor, since the majority of them no longer live on farms. Through establishment of the Social Security Program, Aid to Families with Dependent Children (AFDC), and work programs such as the Works Progress Administration (WPA), the New Deal era laid the foundation for providing a "safety net" to the poor. Although these programs were not rural devel-

¹Freshwater provides an excellent analysis of federal rural development policy and this section draws on his recent work.

opment programs, *per se*, they played a critical role in assisting the rural poor.

The Great Society programs of the 1960s extended the scope of federal policy aimed at the disadvantaged. The expansion of the Food Stamp Program and creation of new food aid programs such as the School Breakfast Program and the Child Care Food Program strengthened the safety net. Some programs, notably the Jobs Corps Program, provided disadvantaged youth with the opportunity to obtain work experience while the community action programs helped to empower the poor. Although some of the rural programs administered by the U.S. Department of Agriculture (USDA) were broadened to serve non-farm residents, the programs that were most instrumental in aiding human capital formation of the rural poor were public assistance, food assistance, and employment and training programs and not rural development initiatives. This policy response to the rural poverty problem continued despite the Rural Development Act of 1972, which largely provided for improvements in infrastructure and better access to capital for business development.

The decade of the 1980s began with passage of the Rural Policy Act. This Act established broad policy goals, but did not authorize additional funds to meet the goals. Although it required the USDA to submit annual reports on rural development strategy to Congress, when the department did not meet the deadline or failed to submit a report, there was no Congressional action. Freshwater indicates that there was little interest, from either the administration or Congress, in the 1980s, in providing assistance to the rural economy, other than to the farm sector. Moreover, New Federalism, which is characterized by reliance on market forces and the shift of some responsibilities from the federal to state and local governments, resulted in a decline in expenditures for rural development programs as well as in some of the "safety net" programs. The continuing economic stagnation of rural areas, especially during the recovery from the recessions of the early 1980s, contributed to legislative activity which culminated in Title XIII—Rural Development of the 1990 Food, Agriculture, Conservation, and Trade Act.

The 1990 Act consolidates rural development programs, in particular the Farmers Home Administration's Community and Business Programs, into a new USDA agency—the Rural Development Administration. In addition, it provides for rural business assistance in the form of grants, loans, and technical assistance and for improvements in infrastructure (i.e., water and waste facilities, telecommunications). The human resources provisions of the

Act relate to enhancing learning and expanding rural opportunities by increasing access to telecommunications services, computer networks, and other technology. Given the dimensions of rural poverty as discussed previously, these rural development initiatives are not likely to greatly enhance the human capital of the poor or greatly expand their economic opportunities. Eighty years after the first rural development policy, the centerpiece of such policy is still infrastructure assistance and business development, despite the numerous studies that call for the inclusion of human resources policy. In fact, Hite argues, "It is time to recognize that a grants policy [for physical infrastructure] leads to substantial inefficiencies, and that it is time to shift the focus of rural development policy from places to people." Among the barriers that have prevented the adoption of a comprehensive rural development policy that incorporates the development of human resources, especially among the disadvantaged, are lack of political power of the poor, the size of the federal budget deficit, the perception that farm policy is rural development policy, lack of research on the costs of not reducing poverty, lack of mandate or concern from the public regarding poverty in general and rural poverty in particular, and the absence of political will to address the problem. If these barriers are overcome, the nation will be in a position to fully invest in rural human resources.

COMPREHENSIVE RURAL DEVELOPMENT POLICY

The rural poor in the South have many needs; these include the need for better schools, effective employment and training programs, jobs that allow them to escape poverty, support services (e.g., child care) that allow them to work, affordable standard housing, transportation, health care, political empowerment, access to public services, and improved infrastructure. A comprehensive rural development policy calls for the examination of institutions, technology, and human and physical resources. Arguably, the most pressing need is human capital development, especially for the persistently poor areas of the rural South. The Lower Mississippi Delta Development Commission concludes:

The human factor is the most important and human needs require the most work. Too many people in the Lower Mississippi Delta suffer in poverty and malaise, held back by generations of neglect and apathy. The only way the Delta can prosper is for its people to prosper. And for the people to prosper there must be action on top of action from every source, from all sectors and corners, from every philosophy and outlook.

Analysis of the available data and previous studies suggests that this observation holds for Appalachia, the Black Belt Counties, and other pockets of rural poverty. The following sections offer some critical elements of a comprehensive rural development policy for human resources. Emphasis is placed on policies that will help develop the human capital of the rural poor in the South.

Because of past market and policy failure, education is an essential element of a comprehensive policy. Reliance on private market forces results in a shortfall of the socially desirable levels of investment in education and training. Moreover, the mobility of people adversely affects the aggregate level of private investment in human resources. Government intervention helps to improve the way in which human capital markets function but this intervention has failed to fully develop the human capital of the poor. Policy failure—that is, the limits of current rural development and other government programs (e.g., education, employment, and training)—combined with market failure provides the rationale for arguing for expanded investments in education for the rural poor and a greater role of the federal government in such efforts. Arguments in favor of additional federal expenditures include the public goods characteristics of education, the mobility of human resources, and the limited ability of the Southern states to adequately fund education programs to compensate for decades of chronic underinvestment.

If the rural poor are to fully develop their skills and capacities, then education programs need to provide for life-long learning. Hence, pre-school programs such as Head Start are essential as well as are literacy programs, and programs targeted at high school dropouts. Yet Head Start is not an entitlement program, and programs to provide reinforcement to Head Start participants are generally lacking. Thus, while participants in Head Start and other compensatory education programs have some gains over nonparticipants, the effects are generally not sustained. A more comprehensive policy should assure the expansion of Head Start and other compensatory education programs so that all poor rural children can be served, and it should assure subsequent reinforcement of these programs so that the gains are preserved. Another element of a comprehensive policy would be to improve the quality of education in rural areas. This may require consolidation of some schools, state equalization aid, and increased federal expenditures. Access to post-secondary education is important given the higher skill levels of jobs in the United States. Consequently, policies that influence access to higher education play an important role in

the development of the human capital of the rural poor.

In addition to a high quality education, employment and training programs are important for enhancing the skills of the rural poor. Nevertheless, the rural poor may not have access to some employment and training programs. For example, the Family Support Act of 1988, which reformed the AFDC program, mandated that each county, if feasible, establish a Job Opportunity and Basic Skills (JOBS) program to provide education, training, and assistance with job search. However, some rural counties will not participate in that part of the JOBS program which is targeted at women who are long-term welfare recipients. However, without improvements in their human capital, it is doubtful that these women or their children will escape poverty. As shown earlier, they represent major categories of the rural poor. Thus, ensuring access to JOBS and other employment and training programs and providing sufficient funding for these programs is a critical component of a comprehensive package. Access may depend not only on the presence of a program but also on the availability of transportation and child care.

Human capital development of the poor could also be enhanced through providing an adequate safety net. Cash assistance under AFDC is meager, especially in the southern states, where benefits are far below the poverty level. For example, the maximum monthly AFDC benefit for a three person family was \$118 in Alabama in 1987 and \$120 in Mississippi (Schiller). If provided with a higher income, the rural poor would be in a better position to improve their knowledge and skills (e.g., by attending private schools if the public schools were of poor quality, enrolling in community or four-year colleges, and purchasing child care and other services needed to participate in employment and training programs). It is important that income protection, especially for those who are not expected to work, such as children, become an integral part of a comprehensive rural resource policy.

In sum, although support for building human capital is essential, no single policy is sufficient by itself to substantially improve the human capital of the rural poor. A comprehensive policy that attacks the human capital deficits of the rural poor, provides support services, and addresses their other needs is required to attenuate the economic and social costs of poverty. Economists can contribute to this effort by helping to fill in the knowledge gap about the causes of the persistence of rural poverty and the cost of such poverty. However, until there exists the political will to eliminate poverty and fully develop

human resources, the rural poor will continue to face degradation and foregone earnings.

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