Highlights

Rural Income Growing And Changing

Herman Bluestone
Economic Development Division

Rural development policy since the 1960's has sought to arrest economic decline in rural areas and reduce the disparity between rural and urban incomes. And between 1968 and 1975, some progress was made. During this period, personal income in nonmetro counties grew 25 percent faster than in metro counties, reversing a trend during the fifties and sixties. Nonmetro income grew substantially faster than metro income in all regions except the South, but even there, nonmetro counties had a slight growth advantage.

In 1975, personal income totaled $278 billion in nonmetro counties and $979 billion in metro counties. During the 1968-75 period, income rose $138 billion—98 percent—in nonmetro counties compared with $431 billion—79 percent—in metro counties. These increases reflected some inflation and population growth, but also gains in real income. Nationwide, for example, per capita real income increased 2.9 percent yearly in nonmetro areas, well above the 1.5 percent rate in metro areas.

Per capita personal income, after adjustments for inflation, increased $920 in nonmetro counties, compared with $672 in metro areas. As a result, the nonmetro-metro income gap narrowed from $1,651 in 1968 to $1,403 in 1975. Per capita income in nonmetro counties also increased more than in metro counties in all regions except the South. Income gains were greater in the more rural counties, particularly those farther from metro areas.

Leading Income Sources

Manufacturing, property income, and Government employment are the three leading sources of personal income in both metro and nonmetro areas. Each accounts for between 13 and 20 percent of all personal income. In recent years, transfer payments have become an increasingly important source of personal income, especially in rural areas. Agriculture, once a dominant source of rural income, now accounts for less than 10 percent of all personal income in nonmetro areas.

Components of Income Growth

Considerable changes have occurred in the sources of personal income in recent years. In both metro and nonmetro counties, transfer payments grew more rapidly from 1968 to 1975 than any other component of personal income. They increased from 8.4 to 13.1 percent of total personal income in nonmetro areas during this period. While they increased at a faster rate in metro areas, transfer payments still were a much less prominent component of personal income than in nonmetro areas. The growing prominence of transfer payments stems largely from changes in national income maintenance programs and, particularly in rural areas, the growth in numbers of people receiving income through such programs.

Property and mining are growing sources of income. Although the mining industry still accounted for less than 3 percent of all personal income in nonmetro counties, it expanded at a more rapid rate than any other income component except transfer payments. Growth in mining income occurred largely from the growing demand and higher prices for energy. With national policy directed at increasing domestic energy production, modest growth can be expected in the importance of mining as a source of personal income.

Table 1—Distribution of personal income, by source, 1968 and 1975

Income Source	Nonmetro Counties		Metro Counties	
	1968	1975	1968	1975
	Percent			
Manufacturing	20.6	17.4	24.2	19.9
Government employment	14.4	13.7	13.3	13.8
Property income	14.2	14.7	14.2	14.5
Trade	11.3	10.5	13.9	13.3
Agriculture	9.6	9.4	1.0	1.1
Services	8.7	8.2	12.7	13.2
Transfer payments	8.4	13.1	4.6	8.9
Other[1]	12.8	13.0	16.2	15.3
Total	100.0	100.0	100.0	100.0

[1] Includes transportation, communication and public utilities; finance, insurance and real estate; contract construction and mining.

Sources of income growth differed considerably in importance from one part of the country to another. Manufacturing and transfer payments accounted for more of the 1968-75 increase in personal income than any other activity in many counties in the eastern United States. Agriculture accounted for much of the growth in the middle part of the country and throughout most of the West. Mining was the leading growth sector in Appalachia and scattered locations elsewhere.

Sources of Transfer Payments

This Nation's social security system was by far the largest component of transfer payments in 1975. Social Security retirement still account for only 13 percent of all transfer payments. Their growth was due largely to initiation of Supplemental Security Income (SSI) and vast expansion in both the Food Stamp program and Aid to Families with Dependent Children (AFDC).

Federal funds provided more than three-fourths of all personal income from transfer payments. State and local government programs provided one-sixth, and the balance came from private interests. Little difference existed in payments accounted for more than 40 percent of all transfer payments. Total social insurance benefits, including Social Security, other retirement systems, unemployment insurance and Medicare, made up nearly three-fourths of all transfer payments. By comparison, public assistance programs, while increasing at a more rapid rate than any other component, the composition of transfer payments from governmental sources between metro and nonmetro areas.

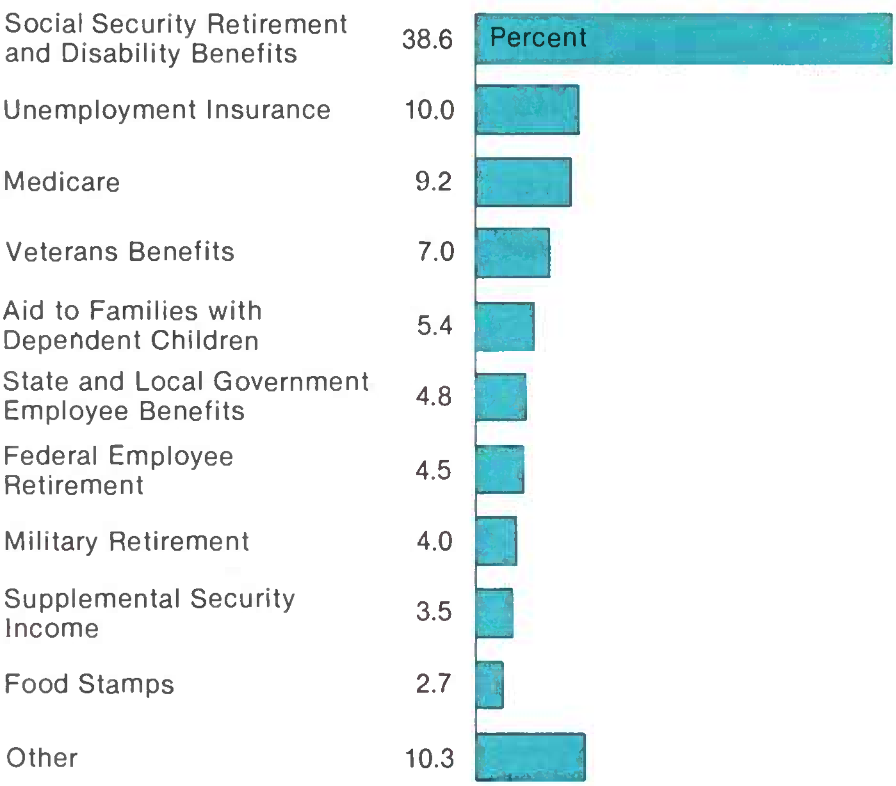
Components of Declining Importance

Although growth occurred in all components of personal income between 1968 and 1975, the relative importance of manufacturing declined significantly in both metro and nonmetro areas. Modest declines in nonmetro areas also occurred in the relative importance of several other major components of personal income—earnings from employment in Government, trade, agriculture, and services.

In nonmetro America, income growth from transfer payments, property, and agriculture, mining and manufacturing (industries that transport and sell most of their production outside the local areas) appear to have the greatest impact on overall activity in counties farther from metropolitan centers. Apparently, in the more rural counties, local income derived from such sources is largely spent within the area, stimulating further growth locally. By contrast, much of the income generated in counties near large urban centers probably is spent in the metropolitan areas. ■

Figure 1

Governmental Sources of Transfer Payments



1975 data. Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Reference

Bluestone, Herman. 1979. *Income Growth in Nonmetro America, 1968-75*. Rural Development Research Report No. 14. Econ., Stat., and Coop. Services, U.S. Dept. Agr., Aug.