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banking firms per county in 1986, compared with seven in metro counties. Thus, rural borrowers had few local alternatives should an experienced lender turn down a loan application. The options are to go to an inexperienced lender, who may be reluctant to accept the added risks involved in making an unfamiliar loan, or try another bank market, with the added inconvenience, cost, and risk of rejection associated with borrowing far from home.

Conclusions

Local banking conditions vary considerably, with some rural counties lacking vibrant local bank markets to ensure adequate supplies of credit to local businesses. But deregulation by many States over the last two decades has meant more rural communities are now served by large urban-based banking firms, in addition to the smaller independent bank firms normally associated with rural America. Whether this will benefit or handicap rural communities remains an open question, but we believe that locally controlled community banks can coexist with larger, geographically extended banking firms. If so, deregulation will not harm rural borrowers.

Future deregulation will probably change rural banking structure less than urban. New urban banks often promote themselves for specialized market segments. But rural markets cannot sustain such specialization, and less than a fourth of new banks are rural. For similar reasons, few rural banks are likely to be interstate banking targets, unless indirectly because they belong to urban-based firms. And some communities may regain local ownership of their banks because MBHC's decide to sell off rural affiliates that do not meet corporate growth and efficiency standards. **FDP**

For Additional Reading . . .

David L. Barkley and Glenn T. Potts, "Will Branch Banking Increase Credit and Competition in Rural Communities?" *Rural Development Perspectives*, June 1985.

Daniel L. Milkove, "Are Rural Banks Different? Or Just Small?" *Rural Development Perspectives*, October 1985.

Herman Bluestone and Celeste A. Long

Growth Falters in Most Rural Counties: Manufacturing Both Hero and Goat

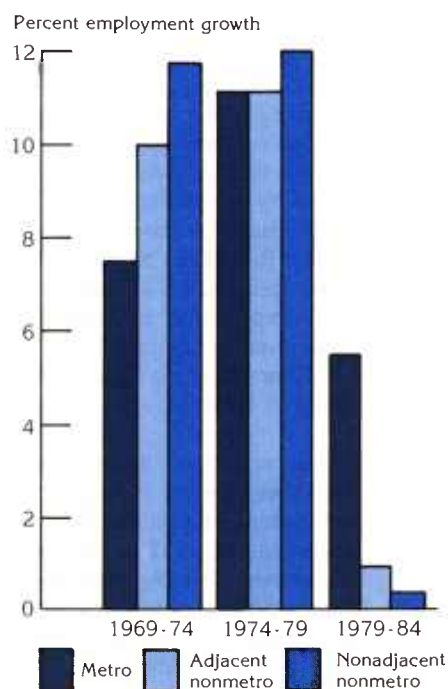
Nonmetro areas outpaced metro counties in employment growth in the 1970's but fell far behind in the early 1980's as the Nation's economic activity slackened. Nonmetro wage and salary employment increased only about 1 percent between 1979 and 1984, compared with a gain of almost 6 percent in metro areas. Only a third of nonmetro counties had at least moderate growth throughout 1969-84, compared with almost 60 percent of metro counties. Manufacturing was a leading source of growth in many nonmetro counties and a leading source of decline in others. Reasons may be different kinds of manufacturing and differences in the age of manufacturing facilities.

Nonmetro areas did relatively well and as a group outpaced metro counties in employment growth in the 1970's but fell far behind in the early 1980's as the Nation's economic activity slackened. Nonmetro wage and salary employment increased only about 1 percent between 1979 and 1984, compared with a gain of almost 6 percent in metro areas.

Some 74 percent of nonmetro counties enjoyed at least moderate employment growth in the 1970's but only a third grew that fast throughout the 1969-84 period. Only about 1 percent of nonmetro counties declined persistently between 1969 and 1984. Manufacturing was the leading source of employment growth in about a fourth of all persistently growing nonmetro counties and the leading source of decline in even more persistently declining counties.

Herman Bluestone is an economist with the Agriculture and Rural Economy Division, and Celeste Long, formerly with ARED, is a computer programmer with ERS.

Figure 1
Nonmetro employment growth way down, in contrast with earlier periods



Based on wage and salary unemployment.

Rural versus urban changes in national employment do not tell the whole story. They fail to reveal differences among counties and therefore do not portray the situation facing individual rural communities. To get at the variation in employment growth among rural areas, we classified counties by their employment change over three 5-year periods, 1969-74, 1974-79, and 1979-84. We identified how many metro and nonmetro counties had grown and declined persistently over the entire period and how many had grown at least moderately in the 1970's but had faltered in the 1980's. In addition, we wanted to determine the industries that had

contributed most to persistent employment change at the county level. Because the desirability of industrial recruiting or "smokestack chasing" (attracting branches of national and regional manufacturing companies) as a rural development strategy has been called into question in recent years, we focused on whether changes in manufacturing have played a role in bringing about county growth and decline.

Two Growth Patterns

Most nonmetro and metro counties fell into two major growth categories: early growth (at least moderate employment growth, 2 percent or more in both 1969-74 and 1974-79), or persistent growth (2 percent or more in all three 5-year periods). Some 789 nonmetro counties and 425 metro counties had persistent growth and 956 nonmetro and 192 metro counties had early growth. Only 26 of the Nation's 3,097 counties experienced persistent decline, losing 2 percent or more of their employment in all three periods. And 19 of these counties were nonmetro counties located far from metro areas. The remaining 606 nonmetro and 103 metro counties had mixed or erratic growth patterns, counties that failed to sustain either steady growth or decline during the 1969-84 period.

While sustained growth was the typical pattern of employment change for most counties in the 1970's, it was less so for

Photo © by J. Norman Reid



Rural manufacturers have boosted employment growth in some counties and hindered it in others. Counties with declining growth tended to be those with older plants in low-wage, labor intensive industries.

nonmetro than metro counties. About 74 percent of nonmetro counties grew at least moderately in both 1969-74 and 1974-79, compared with about 85 percent of metro counties. But during the early 1980's, employment growth faltered in many counties that had been expanding in the 1970's. Only a third of nonmetro counties achieved a moderate employment increase in all three periods, compared with 59 percent of metro counties. Thus, sustaining moderate employment growth has been more of a problem for nonmetro areas. The proportion of these counties that grew persistently was not much higher for adjacent than for nonadjacent counties.

States with the highest proportions of persistently growing counties clustered in three regions: California and Nevada in the West, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode

Island, New Jersey, and Delaware in the East, and Georgia and Florida in the South. The situation was much different in eight other States (Oregon, Washington, and Idaho in the Northwest, North Dakota, Minnesota, Nebraska, and Iowa in the Midwest, and West Virginia in the East), where many counties which grew during the 1970's faltered in 1979-84. The small number of persistently declining counties were concentrated in Pennsylvania and South Dakota.

Manufacturing Abets Both Growth and Decline

Four major industry groups—manufacturing, government, services, and trade—were leading sources of employment growth in many persistently growing counties. Manufacturing was the

Figure 2
Patterns of employment change

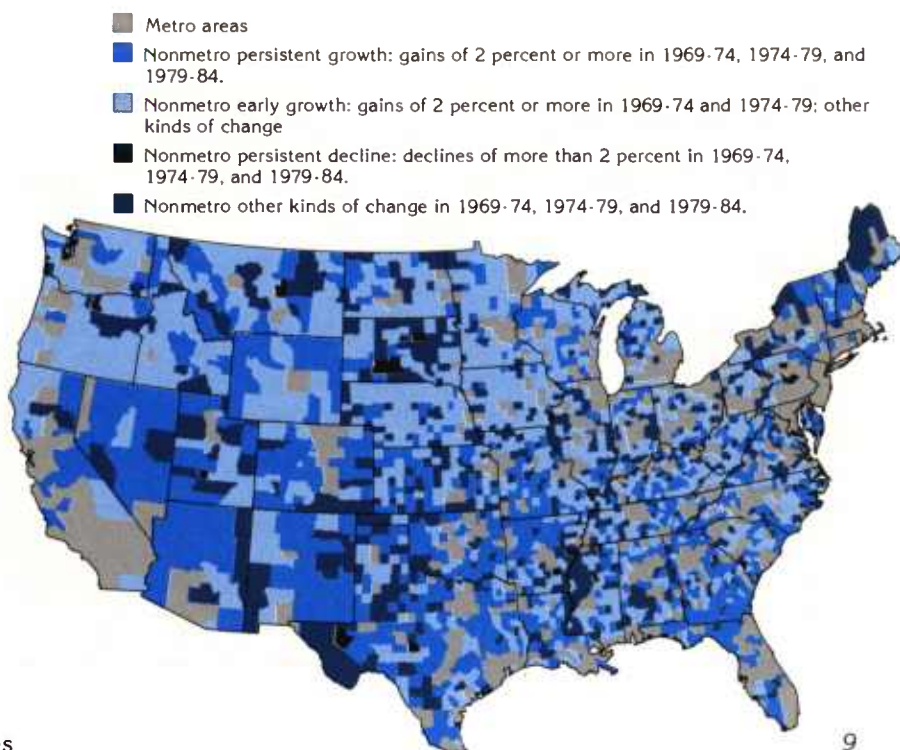
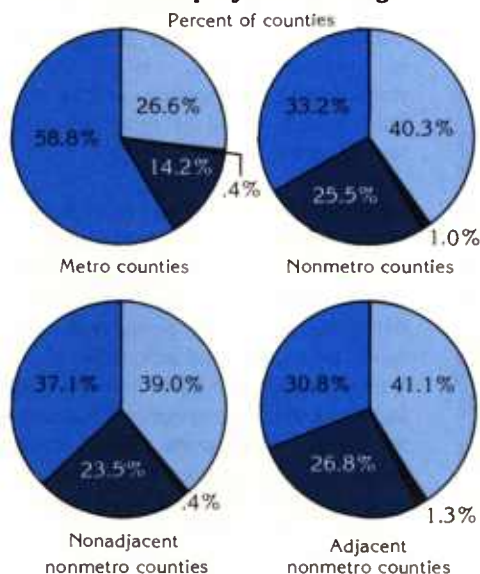


Table 1—Persistently growing counties by leading source of growth

Industry ¹	Metro	1969-74		Metro	1974-79		Metro	1979-84)	
		Nonmetro ²			Nonmetro ²			Nonmetro ²	
		Adj.	Nonadj.		Adj.	Nonadj.		Adj.	Nonadj.
<i>Percent</i>									
Extractive	0	4	3	2	8	11	1	6	9
Manufacturing	16	28	30	15	30	23	11	28	26
Government	26	34	24	15	16	15	10	14	16
Services	30	14	20	35	19	21	57	29	28
Trade	24	15	17	31	24	27	21	17	18
Construction	4	5	6	2	3	3		6	3
Total	100	100	100	100	100	100	100	100	100

Note: Among the persistently growing counties, there are 425 metro counties, 343 adjacent nonmetro counties, and 446 nonadjacent counties.

¹The leading industry is the one that accounted for the largest absolute increase in employment.

²Adjacent and not adjacent to a metro area.

Table 2 — Persistently declining counties by leading source of decline

Industry ¹	Metro	1969-74		Metro	1974-79		Metro	1979-84)	
		Nonmetro ²			Nonmetro ²			Nonmetro ²	
		Adj.	Nonadj.		Adj.	Nonadj.		Adj.	Nonadj.
Percent									
Extractive	0	0	0	0	0	0	0	0	5
Manufacturing	100	100	37	67	75	37	100	100	32
Government	0	0	16	33	25	32	0	0	10
Services	0	0	16	0	0	5	0	0	11
Trade	0	0	10	0	0	16	0	0	26
Construction	0	0	21	0	0	10	0	0	16
Total	100	100	100	100	100	100	100	100	100

Note: Among the persistently declining counties, there are 3 metro counties, 4 adjacent nonmetro counties, and 19 nonadjacent counties.

¹The leading industry is the one that accounted for the largest absolute decrease in employment.

²Adjacent and not adjacent to a metro area.

Source: Unpublished county data from the Bureau of Economic Analysis, U.S. Dept. of Commerce.

About the Study

The Data The county data used in this article are counts of wage and salary jobs developed by the Bureau of Economic Analysis, U.S. Department of Commerce.

Categories of Counties Counties were classified into four groups by their employment change in three 5-year periods (1969-74, 1974-79 and 1979-84). Counties that had employment gains of 2 percent or more in both of the first two periods but not in the last are called early growth counties. Counties that grew 2 percent or more in all three periods are called persistent growth counties. Counties that declined 2 percent or more in all three periods are called persistent decline counties. The residual group, counties with erratic growth patterns, is called other counties.

Counties were also classified by metropolitan status. Metro counties are those that were in a Metropolitan Statistical Area as designated by the Office of Management and Budget in 1983. All other counties are nonmetro. An adjacent nonmetro county is a nonmetro county that borders a metro county and has a minimal level of commuting to the central city of the metro area.

major contributor to employment growth in a fourth of the nonmetro counties. Nonmetro counties that succeeded in achieving persistent growth mainly through manufacturing did so by capturing a larger share of the Nation's total manufacturing employment since there was little change in total U.S. manufacturing jobs over the 15-year period.

Manufacturing also was the leading source of decline in a handful of persistently declining metro counties and adjacent nonmetro counties. However, the situation was quite different for nonadjacent nonmetro counties. While manufacturing was the leading source of decline in about a third of these counties, all industry groups except extractive industries were also leading sources of decline. Anecdotal evidence suggests that manufacturing in the persistently declining counties may have been adversely affected by more stringent environmental regulations and changing technology, which have made older manufacturing plants less competitive, especially in low-wage, labor-intensive industries.

Manufacturing Shifts and Restructures

Changes in manufacturing at the local level, especially in rural America, help explain why some counties enjoyed persistent employment growth while others suffered persistent decline. The fact that manufacturing was the leading source of employment growth in so many persistently growing counties also helps to explain why industrial recruiting continues to be a popular growth strategy in some areas, even though manufacturing employment has shown little growth in all of rural America in recent years.

Some traditional rural manufacturing industries appear to be declining in some rural areas while increasing in others. Some traditional industries which are dying out are being partly replaced by newly emerging rural industries. But, the areas losing the old manufacturing facilities are not necessarily those that are attracting the new ones. Newly emerging industries may require different economic conditions than the traditional industries, such as a more highly skilled workforce and closer ties to nearby large cities.

RDP