RURAL AMERICA ENTERING THE 21ST CENTURY: FORCES OF CHANGE

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Introduction

I am pleased to have this opportunity to speak with you today. Strategies to enhance the future of agricultural and rural communities are a local, state, and national concern, and we should all be involved. One hundred years ago, farming supported most rural communities. Today, the nonfarm economy anchors much of agriculture. Most small family farms are dependent on diversified rural economies that offer off-farm income opportunities. Nearly 90 percent of total farm household income in 1999 originated from off-farm sources. The health of the rural economy and effective operation of rural labor markets are of crucial importance to the future economic well being of both farm and nonfarm rural households.

At the beginning of the 21st Century, Rural America comprises 2,305 counties, contains 80 percent of the Nation's land, and is home to 56 million of its people. It is a great diversity of races, ethnic groups, terrain, climate, amenities, businesses, and institutions. No one dominant industry, no single pattern of population decline or growth, and no statement about individual and community well being applies to all places. Some rural areas have shared in the economic progress of the Nation, while others have not. The opportunities and challenges facing Rural America are as varied as Rural America itself. Rural residents and policymakers, indeed all of America, face many decisions that will affect, if not determine, Rural America's future.

Major demographic, economic, industrial, technological, and policy forces are shaping the future of Rural America, its communities, and its residents. In this presentation, I discuss the operation of these forces in rural communities and provide insights into effective strategies for enhancing and preserving rural community vitality in the future.

Changing Demographic Patterns

For most of the past decade, Rural America enjoyed widespread population growth, rebounding from much slower growth in the 1980s. The rural population grew by over 10 percent during the 1990s, up from 3 percent in the previous decade.

Population change varies widely across rural America. Many rural areas are thriving, and during the 1990s, almost 8 percent of rural counties grew in population at more than twice the national rate. Colorado was the epicenter of this high growth. Moderate climates, scenic features, and other natural amenities also stimulated rapid population growth, in particular retirement migration, in parts of the Rocky Mountain West, Southern Appalachia, and the Upper Great Lakes. In the Rural South, high population growth was due, in part to urban sprawl, especially around large urban areas of the South. However, these favorable trends were not universal. The majority of counties in the Great Plains and Western Corn Belt continued to lose population. Population loss also occurred in some low-income areas such as the Appalachian coal fields and the lower Mississippi Valley. These changing trends show the need to help declining areas diversify and attract new populations and businesses and help rapidly growing areas provide essential services and infrastructure to sustain their success.

According to the 2000 Census, the number of Hispanic people settling in Rural America is growing, emphasizing the role of minorities and immigrants in the changing social and economic fabric of Rural America. Growth rates for the rural Hispanic population exceeded 60 percent during the 1990s, higher than any other racial or ethnic group in Rural America. There are benefits and costs to this trend. In many places, new Hispanic settlement patterns are contributing to the revitalization of small towns; in others, the rapid growth is perilously straining community resources. While the proportion of racial and ethnic minorities in rural areas is lower than in urban areas, minority groups are concentrated in specific parts of the country. They often live in geographically isolated communities where poverty is high, opportunity is low, and the economic benefits of education and training are limited. Many who grow up in these areas and develop the skills to succeed must use them elsewhere, leaving behind an even poorer community. Policies and programs affecting the socioeconomic status of minorities are highly relevant in these areas.

The American population is aging. The number of people age 65 and over is expected to double in size by 2050. However, the growth of the older population slowed in rural areas during the 1990s, and in many places, ended altogether. A third of all rural counties, mostly in the Great Plains, Corn Belt, and lower Mississippi Delta, saw declining older populations. This trend stems heavily from the depletion of younger groups now reaching 65. Rural young people in these areas moved away to the cities in the 1940s or gave up farming in the 1950's. At the same time, the West and the Atlantic coast saw substantial increases in the older population, attracted largely by retirement and recreation opportunities. The diversity of rural areas in size, distribution and economic status of the older population affects the demand for and availability of services. Areas with increasing elderly populations must be prepared to provide essential services, resources, and programs for the elderly. Areas with declining elderly populations must consider economies of scale when insuring that necessary services are available and accessible.

Health of the Economy

Rural areas as a whole shared in the Nation’s good economic times during the 1990s. The nonmetro unemployment rate fell to its lowest level in 20 years. Employment continued to expand and real earnings increased, although more slowly than earlier in the decade. Rural poverty rates were the lowest on record.

In late summer 2000, the manufacturing industry went into a downturn. The subsequent recession beginning March 2001 led to higher unemployment rates and dampened earnings growth in both rural and urban areas. In general, the impact of this recession in rural areas has been mild compared to earlier recessionary periods, although the manufacturing downturn has disproportionately affected rural areas.

Much of the Rural South suffered large job losses in 2000-2001, fueled in part by the recent manufacturing downturn. Rural areas of the Northwest continue to wrestle with declining employment in natural resource industries. Despite the recession, many rural parts of the Great Plains and West had employment gains. Manufacturing, agriculture, and mining industries are highly dependent on exports, and global economic conditions can adversely affect these rural industries as well.

Rural areas do not fare as well as urban areas on key economic indicators. Rural areas benefited from the economic expansion of the 1990s, with poverty rates falling to 13.4 percent, the lowest level since the 1960s. Almost 8 million rural people lived in poverty in 2000. Rural areas have a higher proportion of people at economic risk. The poverty rate continued to be higher in rural than urban areas and almost one in five rural children under 17 was poor in 2000. About 20 percent of adults 25 to 45 had not completed high school. In addition, rural areas lagged urban places in median household income, per capita income, and earnings per job.

Industrial Restructuring

The rural economy has changed, shifting from a dependence on farming, forestry, and mining to a diversity of economic activity. This diversity means that global, macroeconomic, and financial events affect rural areas differently, resulting in different labor market conditions.

Farming no longer anchors most rural communities and economies as it did through the mid-20th Century. In 1969, 935 rural counties were dependent on farming for 20 percent or more of their total earnings. Thirty years later, the number had fallen to 262 counties. Manufacturing, services, and other nonfarming activities now dominate rural most counties. Small family farms are now more closely associated with diversified rural economies that offer off-farm income opportunities.

Jobs and incomes are decreasing in many areas that are dependent on natural resource-based industries such as farming, mining, and forestry. These industries together with manufacturing now comprise less than one-third of rural jobs. Other rural areas, with an abundance of natural amenities, are thriving. Moderate climates and scenic features have stimulated rapid population and employment growth, particularly in the trade and service industries in many rural areas.

Today, most rural regions of the country depend economically on one or more of three basic assets: natural amenities for tourism and retirement; low-cost, good quality labor and land for manufacturing; and natural resources for farming, forestry, and mining. These basic assets offer opportunities for improved sustainability.

Natural amenities have generally been a major boon to rural regions. Rural counties with natural amenities such as varied topography, access to lakes or coastal areas, and temperate climates, have tended to grow much more rapidly than other rural counties. Although natural amenities do not ensure rapid growth, recreation has been one of the fastest growing rural industries.

The advantage of lower cost labor and land traditionally encouraged manufacturers to locate in rural areas. Since the late 1980s, manufacturing labor needs changed, as some manufacturers, competing based on low-cost production, shifted their production overseas. Other manufacturers took advantage of new technologies and management practices and began to compete based on product quality. This shift meant a need for more highly skilled labor and more professional and technical workers and led to a manufacturing shift toward those rural areas with better schools and fewer high school dropouts.

Natural resources provided the motivation for settlement in rural areas when areas with good cropland or mineral deposits were highly valued. However, natural resources industries, particularly agriculture and mining, yielded lower total earnings in 2000 than they had a decade earlier. Both sectors have a long history of decline and areas dependent on these industries have tended to lose population. Focusing on amenities could help provide relief for these areas, but the very qualities that make for good farmland are often those that provide few natural amenities. Few counties that have extensive farmland are able to attract tourists and vacationers. However, recreation is not the only alternative for farming areas. The population in farming areas tends to have high education levels, with the potential for making farming areas more attractive to manufacturers. Between 1989 and 1997, manufacturing jobs grew by over 13 percent in farming counties.

A prosperous Rural America depends upon many of the same things as urban areas–good paying jobs; access to critical services such as education, health care, technology, transportation and communication; strong and safe communities; and a sustainable natural environment. Declining areas must diversify and attract new businesses, while growth areas must develop strategies to sustain their success.

Recent economic trends suggest two major emphases for enhancing rural development opportunities. First, higher education levels have become important ingredients for attracting new employers, particularly in manufacturing. Low wage levels are no longer sufficient to attract businesses. Second, enhancing rural communities as places to live, retire, and vacation will improve not only the quality of life for existing residents, but also the possibility of attracting new businesses and residents.

Policy Forces

Federal, state, and local policies from entitlement programs to zoning laws affect Rural America. Over the last 30 years, significant devolution in Federal policy has occurred, resulting in more decentralized decision-making in our Federal system of government. The most important recent example of devolution was welfare reform. The 1996 welfare reform legislation eliminated the long-term guarantee of benefits under a variety of programs in favor of a short-term temporary assistance program (TANF) to help families get back on their feet. TANF seeks to move people from welfare to work by imposing a lifetime limit on receiving Federal welfare benefits and requiring recipients to participate in work activities. States now have more flexibility in designing and implementing programs to meet their needs.

The U.S. Department of Agriculture, along with several other Federal agencies, has closely monitored how welfare reform has been working in rural areas. Devolution allows local areas to tailor assistance to local needs, which can help them to compete better in the global economy. Studies have consistently shown that the effects of welfare reform are smaller in rural than in urban areas. Many rural areas lack the capacity to provide good jobs, offer critical work supports, and effectively target hard-to-serve populations. Rural communities are often small, and many are poor, with limited local capacity to take on responsibilities formerly held by the Federal Government.

Research findings also suggest that poor and remote rural areas are hardest to serve and have fewer successes from welfare reform. For example, 364 rural counties have had poverty rates of 20 percent or higher consistently over the last 4 decades. For perspective, the U.S. poverty rate in 1999 was 12.4 percent. These counties contain one-fourth of the rural poor. They are heavily concentrated in the South, especially in Appalachia, the Ozarks, the Mississippi Delta, the Rio

Grande Valley, and the Native American reservations of the Southwest and Northern Plains. Successful welfare is more difficult to achieve in these persistently poor areas because of the disproportionate number of economically at-risk people and the generally weak local economies. Population and employment growth is slower; unemployment and underemployment are higher in these areas.

As the Federal system changes, it is important to devote attention and resources to improving how the system works with regard to rural development. The Rural Development Title of the recently enacted Farm Bill includes a variety of new provisions, ranging from value-added agriculture to greater use of regional organizations to foster rural development.

Technology and Knowledge

In 2000, average earnings per job for rural workers were 67 percent of earnings for urban workers. The wage gap between urban and rural workers reflects a rural workforce with less education and training on average than urban workers. In the past, many rural areas hosted industries that required a reliable pool of low-wage workers. Today, a labor force with low education levels poses a challenge for many rural counties seeking economic development. Many rural jobs historically held by workers with limited education have been lost to improvements in production technology or changing consumer demand. Employers are now more attracted to rural areas offering concentrations of well-educated and skilled workers. Rural areas with poor schools and lacking good universities and community colleges may find it hard to compete in the new economy.

Improved education is a key to the future of rural areas. Areas with high rates of high school completion such as the Great Plains and parts of the Rural West have been most attractive to employers. Areas with the lowest rates of high school completion are found throughout the Rural South. Persistently high levels of poverty and unemployment characterize many of these areas.

In January 2002, President Bush signed the No Child Left Behind Act into law, creating a new era of increased school accountability. However, policies predicated on the model of the large urban and suburban school district and high-skill urban economies may be less successful when translated to the relative isolation, small size, and less-skilled economy of rural areas. Of particular concern are those rural areas with poorly funded public schools, very low educational attainment, and high levels of economic distress. All of these are major obstacles to the educational progress of local youth and local development efforts.

Today's youth, regardless of where they ultimately live and work, will need an unprecedented level of education and technical skills to compete in the increasingly high-skill "new economy." In 2000, 16 percent of rural adults 25 and older had completed college, half the percentage of urban adults. Moreover, the rural-urban gap in college completion has widened since 1990.

Growth in high-paying jobs is needed to improve incomes and education in rural areas. The traditional approach for attracting firms into a region by offering tax breaks may no longer be sufficient to attract and keep firms. New approaches, such as efforts by local educational institutions to provide training and technical assistance to clusters of firms may offer more potential for success. At the same time, universities and community colleges can improve the education levels of the local labor force, helping to attract firms that require a more educated labor pool.

Over the last decade, knowledge to create and harness new technologies has been recognized as a key driving force behind economic growth and rising living standards. Regions with innovative economic activity generally experience favorable economic growth rates. This is true for rural as well as urban areas. Although distance has been an inhibiting factor for innovation in the past, it becomes less important with each improvement in communication. Information and communications technology–aided by financial and technical assistance–can help smaller communities enjoy the same benefits that at one time belonged solely to cities, such as higher standards of health care and virtually unlimited educational opportunities.

Key Principles Underlying Rural Development Strategies

In summary, major forces, including changing demographics, the health of the economy, long-term industrial restructuring, changing public policy, and knowledge creation and technology, are affecting the future of Rural America, its communities, and its residents. A better understanding of these forces reinforces some principles that can help us preserve and enhance rural community vitality.

Rural America, like the rest of America, is diverse and changing. All rural areas are not the same and differ in their needs and the resources they possess to address those needs. Farming communities in the Great Plains face different problems–with different solutions–than do poor areas of the Mississippi Delta, or counties in California's Central Valley. There is no single recipe for rural prosperity.

Rural is not synonymous with agriculture. Farming no longer anchors most rural communities and economies as it did through the mid-20th Century. Traditional commodity support and farm programs play an increasingly limited role in improving the prosperity of Rural Americans. The most effective rural policies for the 21st Century will recognize the increased importance of nonfarm jobs and income as the main drivers of rural economic activity.

Rural America has prospered, but continues to face challenges. During the 1990s, the U.S. economy enjoyed an unprecedented period of economic growth, and rural areas generally shared in the good economic times. Yet even during good economic times, poverty and unemployment are higher in rural than urban areas, and rural areas lagged urban in educational attainment, per-capita income, and earnings per job.

Enhanced sustainability depends on innovative income generation strategies. Areas that build on their asset base, diversify their economy, attract new businesses, and sustain their successes will be better placed to compete in the global economy and improve their economic sustainability. Many rural areas have successfully built on their assets and taken on new roles–providing labor for a diversity of industry, land for urban and suburban expansion, and natural settings for recreation, retirement, and enjoyment. These rapidly growing areas can help sustain their successes by insuring that the changing demand for essential services and infrastructure is adequately met.

Rural community issues are often most effectively addressed at the local and state level. Devolution of Federal programs, such as welfare reform, has allowed many local areas to better tailor assistance to local needs and improve program and service delivery. However, program outcomes may be less successful in smaller poorer rural areas that lack the capacity to provide good jobs, offer critical work supports, and effectively target hard-to-serve populations. The

Federal Government can have an important coordinating role as it sets goals for streamlining current programs, targeting resources, and improving program coordination.

Improved education is a key to enhancing community vitality. Young people will need higher levels of education and technical skills to compete and succeed in the increasingly high-skill "new economy." The wage gap between urban and rural workers reflects a rural workforce with less education and training on average than urban workers. At the same time, employers are now more attracted to rural areas offering concentrations of well-educated and skilled workers. Many rural areas will likely lose in the end if they do not make school quality and advanced education and training a higher priority.

Rural institutions have an important role to play in knowledge creation and technology. New approaches to attract and keep employers in rural areas, such as the provision of training and technical assistance to clusters of firms by local educational institutions may be more successful than traditional approaches involving tax incentives. At the same time, universities and community colleges can improve the education levels of the local labor force, helping to attract or promote firms that require a more educated labor pool.

Rural America--its conditions and its future--is a local, state, and national concern. Rural diversity presents opportunities for the creative application of programs and policies, and calls for unique partnerships among the range of American institutions interested in the future of Rural America. Different levels of government, the business community, public advocacy groups, and local organizations all have a role to play in enhancing the community vitality of rural areas.

Additional Reading

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