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RURAL TOWNS DON'T HAVE TO DRY UP AND BLOW AWAY

Rural communities all over America are shrinking. Consolidation of farms and agribusinesses reduces the number of local jobs. Those residents who remain must bear ever more of the tax base. As individual tax burdens grow, the towns no longer can support their schools, hospitals, and other amenities. As amenities disappear, fewer young people return. The average age gets older and older; in extreme cases, as the elderly die off, so does the town.

Outmigration from rural to urban areas is a necessary and important part of economic growth. Per capita urban incomes exceed rural incomes virtually everywhere. At low levels of development, agriculture accounts for the largest share of rural employment, and labor productivity is lower in farming than in most other lines of work. The essence of rural economic development is narrowing the gap between rural and urban incomes. To do this, the fraction of rural employment generated by agriculture must fall.

No country in the world has solved the rural income problem in agriculture alone. Every country that has solved this problem has created non-farm jobs -- both in faraway cities as well as in rural communities. The answer to low rural incomes is not to move all the rural poor to the large cities. Cities (generally) cannot create jobs fast enough to absorb the immigrants. Furthermore, rural migrants often lack skills that are salable in urban labor markets. For example, in 1968, Watts, Chicago and Detroit were literally in flames when they could not create jobs fast enough to employ the (mostly black) migrants from the rural South.

No country (or its politicians) wants to evacuate its rural areas, turning rural communities into ghost towns. While agricultural development is important to rural development, successful rural development entails much more. Reducing the fraction of local employment in agriculture is a necessary part of rural development. Every country that has solved the rural poverty problem has also created non-farm employment within commuting distance of its farms.

Most small farmers who escaped poverty in the U.S., Japan and Western Europe did so by becoming part-time farmers. New non-farm jobs should involve more than supplying services to agriculture and adding value to raw products. Agriculture is such a cyclical industry that there is great advantage in new employers' income streams being independent of it.

To create non-farm jobs, rural communities must have good infrastructure, including rural roads and bridges, reliable power, modern telecommunications (including broadband Internet access) and good schools, health care services and other amenities that make rural communities attractive places to live and work.

For a community to remain viable, some children who go away to college must be willing to return. Outsiders who come to manage new job-creating investments must be willing to bring their families and put their children in the local schools. Investments to upgrade infrastructure and rural schools and health care are essential for successful rural development. These take money, but the federal resources going to rural areas are concentrated in farm subsidies, not in rural development investments. The public investments (in infrastructure and human capital development) that are essential to creating non-farm jobs and successful rural development go begging.

Most U.S. farm organizations argue that agricultural policy makes good rural development policy. Unfortunately, there is little merit in this argument. Farm subsidies increase farmers' cash flow, with the largest farmers getting the largest payments. We need policy reform. Most benefits from farm programs get capitalized into land prices, with the largest landowners ultimately receiving most of the benefits, increasing the concentration of wealth. This facilitates large farmers buying up smaller farms, accelerating the consolidation. This accelerates the evacuation of rural communities, leaving them no longer economically viable, while doing nothing to make the investments essential to developing the non-farm rural economy and keeping rural communities alive.

In the present budget environment, rural America is not likely to receive more federal appropriations. If we are serious about rural development and keeping rural towns viable, federal assistance should be directed away from farm subsidies and into investments in rural infrastructure, broadband Internet access, education and health care.

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