

FARM FOUNDATION FORUM
Economic Development in Rural America
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- 1. Three commonly-held beliefs about economic development in rural America:**
 - a. A healthy farm economy leads to a healthy rural economy
 - b. Attracting companies from elsewhere is the best way to stimulate economic development
 - c. Rural America has little contribution to make to the nation's global competitiveness.

- 2. Three key points:**
 - a. A healthy farm economy depends upon a healthy rural economy.
 - b. The keys to rural economic development are regional competitiveness, entrepreneurship, and innovation.
 - c. Rural America offers major contributions to the national economy – the answer lies in redefining the relationship between metropolitan and rural.

- 3. Essential context: Rural America is complex and changing**
 - a. Although non-metro America increased population by over 2 percent 2000-2005, half of all non-metro counties lost population – mainly in the Heartland but also in remoter counties nationwide.
 - b. Some non-metro counties had 10 percent or more growth rates in same period – DE, NV, FL, HI; largest increases in NC, FL, GA, TX.
 - c. Half of net growth due to migration – 60 percent from abroad. In mid-west, increases in population entirely due to immigration as natural increase offset by outward migration of young adults.

- d. 7.5 million of rural population is over 65 years (15 percent vs. US 12 percent) and increasing -- both to aging in place and migration to high amenity and/or warmer climates.
- e. Racial & ethnic minorities now at 18 percent and growing through migration and natural increase.
- f. Persistent poverty remains on tribal reservations, southwest borderlands, Delta & Black Belt, central Appalachia.
- g. Divides rural America into many segments:
 - i. Growing from healthy and wealthy – amenities and climate; growing from influx of poor and aspiring – affordable housing, lower skill jobs; growing from metropolitan expansion
 - ii. Declining from loss of traditional resource-dependent employment, flight of the young; stagnant from lack of opportunities, poverty, low education
- h. Each region has its own challenges and opportunities, but overall rural America is declining in its competitiveness in terms of employment, per capita incomes, and positioning in the global economy.

4. A healthy farm economy depends upon a healthy rural economy.

- a. Farming remains strategically significant but its impact is declining in all regions:
 - i. Farm earnings have remained stable over past 30 years while non-farm earnings have tripled
 - ii. Agriculture's contribution to total GDP has remained constant over past decade while overall GDP has increased by two-thirds
 - iii. Employment in farming has fallen from 14 percent in 1969 in non-metro US to 6 percent in 2005.
 - iv. Farm dependent counties (20% employment) have shrunk from over 1100 in 1969 to under 350 in 2005 – narrow N-S belt Dakotas to Texas

- b. Farming is no longer a stand alone economic activity – farm families depend on healthy local and regional economies for their very survival on the land:
 - i. 82 percent of all farm household income comes from off-farm sources – even large family farm operators rely on off-farm sources for up to 30 percent of their household income.

5. The keys to rural economic development are regionalism, entrepreneurship, and innovation. First regionalism...

- a. Complexity of rural America belies idea of a “one size fits all” set of policies for rural economic development – every region has its own challenges, opportunities, and capacities.
- b. Diseconomies of scale, remoteness, limited resources, institutional capacity – call for collaboration across sectors, jurisdictions – a regional approach to rural development
- c. The region increasingly recognized as the unit of global competitiveness:
 - i. Regional prosperity based on sustained productivity growth of all industries and assets, and all parts of the region (urban and rural).
 - ii. Movement away from exploitation of location, natural resources and low cost labor to converting assets into intellectual capital and added value.
- d. Regional competitiveness strategies need to be the cornerstone of future rural economic development – Regional Collaborative Investment Program in Senate RD Title.

6. Entrepreneurship...

- a. Attraction strategies generally are not a good public investment and largely irrelevant for much of rural America – the answer has to lie in homegrown development through stimulation of entrepreneurship.

- i. Public policy needs to encourage communities and regions to create a climate of entrepreneurship through integrated approaches to:
 - 1. entrepreneurship education in schools
 - 2. access to debt and equity capital
 - 3. training and technical assistance
 - 4. networking among entrepreneurs
- ii. Already many exciting and creative approaches across the country.

7. **Assets and innovation...**

- a. Move away from litany of woes that afflict us to identifying positive attributes – some already drivers of rural economies: amenities, climate, arts and culture, health care, higher education.
- b. Prosperity will come from entrepreneurs translating assets through innovations into marketable products and services. New leadership and supportive infrastructure can make this happen.

8. **Three additional prerequisites for effective rural development:**

- a. Providing, upgrading, maintaining essential infrastructure – roads, airports, and broadband, housing, schools, health facilities, water supply, sewage disposal are just as critically important in new economy.
- b. Recognizing role of intermediary organizations that act as anchors in rural communities – schools, community colleges, hospitals, community foundations, human services agencies, and regional development organizations – can be and are conveners and leaders for regionalism and entrepreneurship, providing expertise and resources for collaboration across public, private, nonprofit institutions.
- c. Emphasizing inclusiveness – economic development much too important to be left to the economic development profession -- needs active citizen engagement, broader perspectives, better tools, and better policy at state and federal levels.

9. Rural America offers major contributions to the national economy – the answer lies in redefining the relationship between metropolitan and rural.

- a. If we believe what the skeptics say about rural America then we are faced with the four defaults:
 - i. **Homogenization** – the loss of rural identity and comparative advantage, fail to capitalize on distinctiveness, leverage assets
 - ii. **Commoditization** – working landscapes radically changing; corporate farms, intensive production, power of retailers and processors, technology; exiting of small family farms
 - iii. **Urbanization** – desire to be urban/suburban; development pressures, no intrinsic value in non-urban
 - iv. **Resignation** – the loss of rural power; outsiders make decisions in name of national, special interests with/without rural say
- b. This skepticism is born of a lack of vision for tomorrow's rural American economy: such vision has to include renegotiated contract between urban and rural America.
- c. Suggest seven vital contributions that rural America makes to national prosperity:
 - i. **Food** – large scale agriculture and agri-business – but also organic, sustainable, low-mileage, foods for farmers' markets, niche urban markets, direct marketing.
 - ii. **Energy** – not just coal mining but also whole range of renewable energies.
 - iii. **Workforce** – not just outward migration to the cities but large scale commuting, back office operations, telecommuting
 - iv. **Stewardship** – not just natural resources to be exploited but a set of ecosystem services that provide beauty, flood and drought mitigation, clean air and water, climate stabilization, waste detoxification...

- v. **Congestion relief** – not just land waiting to be developed but communities that offer affordability, space, safety
 - vi. **Experiences** – not just flyover spaces and interstate backcloth but opportunities for reflection & recreation, arts & culture, active & extreme sports
 - vii. **Waste management & NIMBY uses** – not just dumping grounds but opportunities for creative partnerships for power generation, landfill, incarceration.
- d. All these offer enormous potential for entrepreneurial exploration and new areas for regional competitiveness. All rural needs in return are markets, supply chain integration, investment capital, and access to specialized services... and recognition that rural adds real value to the national economy.
10. **Thus economic development in rural America means regionalism, entrepreneurship, asset stewardship and development, and metropolitan-focused opportunities.**