

## Speak Your Piece: Rural Economies Must Change or Die

If we bail out New York City, what about New York Mill? Are we in this together, or are we on our own?

By Karl Stauber



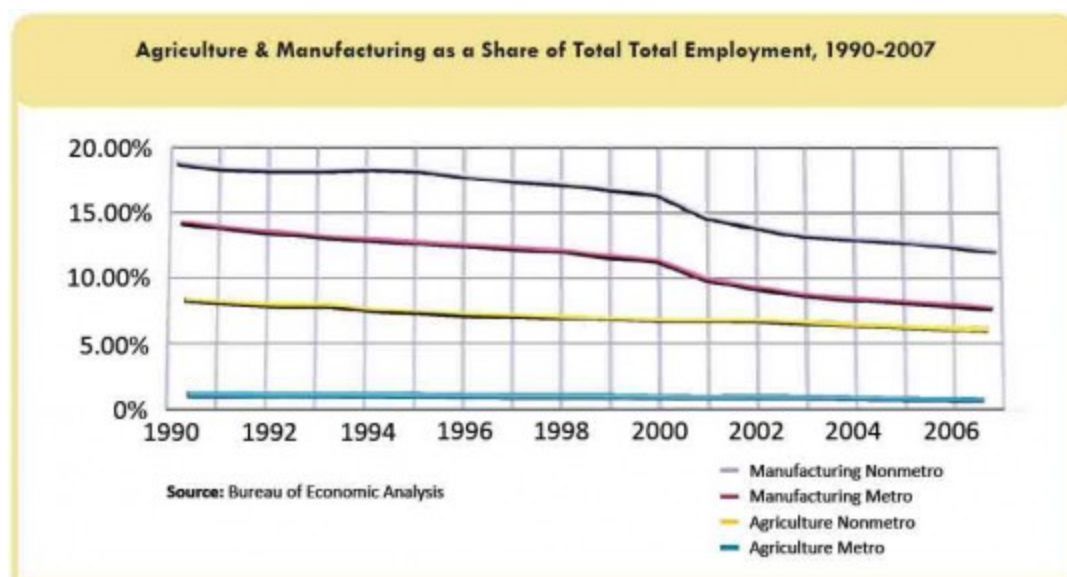
*Danville Regional Foundation* Rural economies can be both old and new. Here in Danville, Virginia, an 1898 railroad trestle has been converted into a pedestrian bridge. Dear Mr. President:

Your presidency occurs at a critical time. Americans are afraid; we are having trouble seeing the future and our places in it. We can see that you are trying to create a new social contract and a renewed faith in the common good. The vast majority of Americans want prosperity for themselves and their families and are willing to work hard and play by the rules to achieve it. But people must believe, and that includes the 20 percent of America that is rural.

Rural America needs your help. But from the outside, it appears you are surrounded by pro-metro advisors. If rural Americans were a minority, we would be America's largest. But we have trouble seeing ourselves and our future in your White House. We need your help changing this.

I have spent the last thirty-five years working on community economic development, especially in rural areas. I served in several capacities in the Clinton Administration's Department of Agriculture, so I have some sense of the challenges and opportunities facing the executive branch. I've also worked with state, tribal and local governments throughout the US, as well as with private business.

For many metro-Americans, the financial crisis started last year. In most of rural America, it started over a decade ago. Rural America has been the battleground between the Old Economy, the New Economy, and No Economy. And many rural people face a choice between moving out or becoming part of the growing rural ghetto.



*Rural Realities* Manufacturing and agriculture get most of the attention in the rural economy, but they are a small part of the picture.

Rural America is very much affected by the loss of manufacturing jobs. Once we were a region dominated by agriculture, but that was 100 years ago. Today less than 6.5% of all rural jobs are in agriculture, and agriculture provides only 2% of the living wage jobs. Rural Americans pay an economic cost to live in this part of our country. For example, a rural high school graduate will earn 13% less than her urban cousin; a rural college graduate (bachelor degree) will earn 23% less.

Rural employment opportunities are in decline due to international competition, which often disproportionately hurts rural areas more dependent on low-wage, low-skill jobs. And there are fewer jobs because of increased production efficiency. (Modern farming, after all, is one of the most labor efficient industries in America.) Much of rural America has been in decline because it is so tied to this Old Economy.

The Old Economy was largely about cheap manufacturing and the production of great quantities of commodities—feed, fiber, food, and energy. The old manufacturing jobs are largely gone and the commodities are in a race to the bottom on price. The old economy is producing opportunity for fewer and fewer people, thus the declining population and income in rural areas.

Defenders of the Old Economy have much of the political power in rural America. This is most apparent in Congress. They argue that America's farmers feed the world and that agriculture forms the base of the rural economy. This hasn't been true for decades. America's farmers don't even feed America; over half of our food, measured by dollar value, is imported.

The Old Economy, especially where it is subsidized, actually holds rural areas back, according to research done by Mark Drabenstott, formerly of the Kansas City Federal Reserve Bank and now head of the RUPRI Center for Regional Competitiveness.

Rural America needs your help in making the transition to the New Economy. The New Economy will be more diversified and faster moving; it will focus on early stage products, rather than mature ones. (In a sense, there will be many New Economies, not just one.) It will focus on growing and recruiting businesses that "spin-out" entrepreneurs, rather than consuming minimum wage workers.

Rural communities used to be able to re-invent their competitive advantage every 50 to 75 years. Now they must do this every 10 to 15 years. Examples of regions building new economies include the areas around Tupelo, MS, Paducah, KY, Danville, VA, Manchester, NH, Wisconsin Rapids, WI, and Pelican Rapids, MN.

You have been a great proponent of the transition to the New Economy in metropolitan areas. But where is rural America in that discussion? Providing more dollars for agriculture will help only a few places; building new buildings at Land Grant Universities may help even fewer. Expanded broadband access will help, but it should be universal, not incremental.

It appears that you are listening to smart urban strategists like Bruce Katz of the Brookings Institute. Katz lays out a compelling strategy for increasing America's competitive advantage over the next several decades. He argues that America's future is metropolitan, rather than national. He argues:

- Metro areas are the economy
- The 100 largest metropolitan areas generate two-thirds of U.S. jobs and three quarters of the nation's output.
- Metro areas are the locus of the four drivers of national prosperity: innovation, human capital, infrastructure, and quality places.



poverty, 48 are rural. Without your leadership, significant parts of rural America are on the path to becoming the new symbols of economic failure.

We need your leadership in five areas:

1. Make rural a clear focus at this White House. On March 10, 2009, 41 Members of Congress from both parties called upon you to create an office of rural policy within the White House. Create this office and give it a real place at the table in policy development, budget preparation and oversight of rule making. USDA will be a critical part of this, but if there's not an office in the White House, it will not work.

2. Free your departments to innovate in helping communities create solutions. Rural and urban communities are hampered by categorical programs that disadvantage cooperation and regional solutions. Allow departments to use up to 5% of their discretionary budgets to help communities and regions create their own solutions, rather than being tied down by inappropriate federal regulations.

3. Pass a national health program that does not disadvantage rural hospitals, clinics and private providers. Earlier national health proposals have actually proposed weakening rural health care

as a way of building inner city services.

*Danville Regional Foundation* The Institute for Advanced Learning and Research is the space where a new economy could begin in Danville. This is an example



of the "Competitive Advantage Institutes" that ought to be sprinkled all over rural America.

4. Create a contemporary and appropriate intellectual engine to build rural prosperity. End the federal status and support of land grant universities. That is, terminate the Morrill Act. Hold a national competition on a regional basis to create new research and outreach institutions that have as their mission significant new economic opportunity for rural communities.

Former land grant universities, private companies, state agencies or regional non-profits could run these New Competitive Advantage Institutes. The Institutes would focus on increasing opportunity in the persistently poor regions of rural America over a 20 year period. These NCA Institutes, based in rural areas, would be tailored to the needs of specific sub-national regions, rather than abiding by the "one size fits all" approach of some current policies.

5. Pass a rural civil rights act. People living in rural communities and regions should not be denied opportunities because of their location status. There about 50 million people living in rural America. If rural were a category like "race or ethnicity," it would include more people than "Hispanic" or "African-American." Separate and un-equal should not be tolerated for any group. Access to opportunity should be a right, not an accident of locale. Start by ordering your new office of rural policy to conduct a comprehensive review of how existing policies discriminate against rural communities, intentionally or not. Then change those policies.

Much of rural is in decline for one basic reason —opportunity is shrinking. The demand for rural workers (skilled or unskilled) is less today than previously. Rural areas have more people than there are jobs, especially living wage jobs. The English quaintly call this "redundancy." In America it is most often called poverty.

The economic crisis in much of rural America began more than a decade ago. In some communities, it goes back over 50 years. You can tell if a place is in decline by asking two questions. First, is the population increasing? Second, is the region creating a growing number of living wage jobs? For much of rural America, the answers have been "no" and "no" for many years. People left rural communities and went to where opportunities were expanding.

Now opportunity is shrinking in most of America, and we are all looking for ways back to prosperity. There are many rural areas in America that have been hard at this work for years. We must invest in them, help them succeed and learn from their success. These places are filled with lessons all of America needs to learn. Mr. President, we need your help now. We need help creating strategies for specific places, not national canned answers.

There are many of us in rural communities who are ready to be your “on-the-ground” partners. Together, we can create new places of hope and opportunity. But Mr. President, we need your help now.

*Karl Stauber works on the economic and cultural transformation of rural areas in south central Virginia and north central North Carolina. He served as an under-secretary at USDA in the 1990s. He has written and spoken widely on rural development over the last 30 years.*