

# THE CONTEXT FOR RURAL DEVELOPMENT



# A Few Things to Know About Rural America

Knowing what is true about rural places and people is a challenge. Too often, people lump all of rural America into one “flyover-country” stereotype. But saying that all of rural America is the same is like saying Detroit and San Francisco are the same, or Birmingham and Boston. Here are a few truths worth knowing about rural America.

**Rural America Varies Widely by Economic Base and Geography.** Rural is typically defined – even in national data – as “non-metropolitan” or “non-urban.”<sup>2</sup> This doesn’t tell us much. Perhaps due to this lack of precision and our nation’s agrarian roots, people still commonly equate rural with agriculture, fields of corn, cows and hardscrabble farmers. This is not only inaccurate; it is wide of the mark. From vibrant college towns to communities gone bust from the flight of paper mills or coal mines, from hopping cultural tourism locales to centers of furniture, machinery and textile manufacturing, rural America is anything but simply farmland, and it is anything but uniform. Rural New

England, New Mexico, Montana, Louisiana and Kansas may share some similar conditions, but have strikingly different geographies, with differing economic engines and assets, populations, cultural values and origin stories.

Here’s one statistic that surprises most: While still economically and culturally important, agriculture now employs less than 5% of the rural workforce. Indeed, across rural America, it is services (professional, health, retail, social, tourism), manufacturing, energy and the public sector that are the primary employers and increasingly important drivers of rural economies.<sup>3</sup>

**Rural America Is Growing, but Growth Is Uneven.** The too-conventional wisdom, repeated in the media and coffee shops, is that rural America is emptying out. The truth is that the U.S. rural population has been fairly stable in recent years and has shown modest growth each of the last two years, from 2016-18.<sup>4</sup> Another contributing factor



to the mistaken “emptying” perception: Due to growth, many once-rural places have simply been reclassified as urban.<sup>5</sup> And while the *percentage* of Americans who live in rural places has declined over time, the *number* of people living in rural America increased 11% from 1970- 2010.<sup>6</sup> Indeed, about half of our nation’s roughly 2000 rural counties grew in population from 2016-18. This has coincided with declining rural unemployment, rising incomes and declining poverty since 2013.<sup>7</sup>

The rural places that are growing are typically those near metropolitan areas, those with abundant beauty and natural resources, those attracting retirees, and those employing immigrants. Some rural places *are* losing population, such as farming counties in the Great Plains and deeply poor counties in the South.<sup>8</sup> But remarkably, every state in our union has both some growing *and* some declining rural counties.

### **Like All of America, Rural America’s Population Profile is Changing.**

While consistently older and whiter than the nation as a whole, rural America is increasingly diverse. People of color comprise 21% of the rural population – but produced 83% of its growth between 2000 and 2010.<sup>9</sup> Patterns vary across geographies, but job-seeking immigrants are a driving force behind recent rural population upturns: From 2010-2016, immigrants were responsible for 37% of overall rural population growth.<sup>10</sup> Other analysis shows areas with a rural “brain gain” of people aged 30-49 and 50-64<sup>11</sup> – age groups that tend to move rural for a simpler pace of life, safety, security and lower housing cost. In a nation where cities are increasingly crowded and costly, rural places offer an affordable and high-quality alternative. Some rural

communities have even launched recruitment campaigns for these age groups – and are succeeding.<sup>12</sup>

**Economic, Social and Health Outcomes Lag in Many Rural Places.** The great variation from place to place in rural America includes economic, social and health outcomes, which, on average, lag those of urban places, sometimes alarmingly so. Much of this has to do with poverty. Since the 1960s, when poverty rates were first officially recorded, the incidence of non-metro (rural) poverty has been consistently higher relative to metro (urban) poverty. The difference has narrowed, but it remains. In 2017, the rural poverty rate stood at 16.4% compared to urban at 12.9%.<sup>13</sup> For children, the rural poverty rate was 22.8%, more than five points higher than urban’s 17.7%.<sup>14</sup> The good news: The number of rural counties ERS designates as “persistent poverty” – those with 20% or higher poverty for the previous four decennial census counts – has declined since the 1950s. The bad news: Most rural counties where severe poverty persists are found in the Mississippi Delta, Appalachia, northern Maine, Indian Country, and colonias (unincorporated rural communities along the U.S.-Mexico border) – with a few exceptions, predominantly counties where people of color are the majority.

Educational attainment and economic outcomes are also closely linked. Recent data shows rural Americans are increasingly well-educated, with the portion of rural Americans holding at least a high school diploma on par with urban.<sup>15</sup> However, between 2000 and 2014, the gap between rural (19%) and urban Americans (33%) with a bachelor’s degree or higher grew from 11 to 14 percentage points.<sup>16</sup>

## **WHAT IS RURAL?**

Recently, the *New York Times* mini-crossword app provided this clue in its daily puzzle: “19.3% of Americans live here.” The answer was: rural. The 19.3% is based on the U.S. Census definition of rural – and equals about 60 million people.

But depending on what definition you use, the total rural population ranges from 60 million (19.3%) to 46.1 million – or 14%, based on the 2018 U.S. Office of Management and Budget (OMB) definition.

The definition of rural is an ongoing source of confusion. While what counts as urban has changed over time, the U.S. Census Bureau has consistently defined rural populations as a “non-urban population.” In 1910, the minimum threshold population to be considered “urban” was 2,500. Today, the Census and the OMB take into account density and “urban clusters.” Both now recognize urban centers as those with a population of more than 50,000 residents, with rural as places with fewer than 50,000 residents. It gets more complicated: There are additional definitions of rural for specific federal programs, plus a rural-urban spectrum used by the United States Department of Agriculture’s Economic Research Service (ERS).

Whether or not any of these is the “right” definition is not this report’s central concern. But in any discussion of rural people, places and policy, it is wise to acknowledge the core truth that rural conditions differ widely.

Using any simple rural-by-numbers definition to distribute resources does not account for critical differences. We need policies that work for all people and all places – we can and must do better.

At the same time, recent research documents rising rates of mortality and lower life expectancy in many rural places, particularly those with higher poverty rates and lower educational attainment.<sup>17</sup> Not coincidentally, rural places with poor health outcomes also have the most stressed health delivery networks; more rural hospitals have closed in poor than in other rural places.<sup>18</sup> In rural areas where opportunity is hard to come by, the opioid epidemic has taken hold, sowing chaos and deepening hopelessness. These rural places have captured the headlines and demand action and solutions. Even so, they do not reflect the full breadth of rural America's conditions or experience.

**Rural and Urban are Connected in Interdependent Regions.** Most rural areas and nearby cities are entwined in relationships that define regions. But this relationship is not always realized or acknowledged, much less acted upon, and it can be as complex and varied as the rural landscape. Rural-urban ties can have one or more underpinnings: common geographic conditions such as watersheds or mountains; supply chains that fuel industry sectors with services, goods and talent; transportation- and affordability-driven employee commuting patterns;

media markets; and the need (or mission) to secure a share of essential goods and services (such as food and energy) locally. In some areas, rural places and cities are reliable partners and provide important markets for each other. In others, intentional regional action is missing, and urban areas drain attention, energy or resources away from surrounding rural locales.

**Rural is Resource-Rich, Resilient and Creative.** Rural America has valuable assets, from water and natural resources to natural beauty, cultural capital, deep knowledge of place – and people with talent and resourcefulness. Some rural areas grapple with limited financial resources and acute infrastructure needs, such as antiquated water/wastewater systems or meager broadband. However, these constraints have also stimulated innovation and ingenuity in solving problems. The combination of few people, large geographies, challenges that extend across working landscapes (e.g., forest and watershed regions that span counties), and serious resource constraints can motivate collaboration across political boundaries. It can induce working together as partners, rather than as competitors, especially when there are too few resources to go it alone.

**Creative thinkers come from communities of different cultures and abilities – this diversity and engaging with underrepresented populations helps our placemaking be innovative.**

**Cheryl Lee Hills**  
Region Five Development Commission



# Rural Development and U.S. Policy: A Very Brief Recent History

**100+ Years Ago.** In 1491, North America was a predominately rural place – and had been for centuries. Hundreds of diverse American Indian and Alaska Native indigenous nations lived on these lands, and land was central to their worldviews, spiritual lives and ability to provide for themselves. When Europeans crossed the ocean for exploration and colonization, the control of land changed. Land west of the Mississippi was under French rule until the Louisiana Purchase of 1803. The Spanish controlled land from Texas to California and part of Mexico until 1845 and 1848. The British took hold of the Oregon Territories of the Pacific Northwest until 1846. Native Americans consistently questioned and resisted colonial claims.

Initially, the economy of the growing nation-in-formation was largely agrarian. Much of its success was built on the labor of Africans captured and brought to America as slaves, on indentured servants from Europe who worked for a contracted number of years in exchange for their passage to America and their room and board, and on other low-wage labor. The colonies of the “new world” produced raw material for the more industrialized “old world” to process and sell across their domains. Eventually rejecting this mercantilist system, the northern states and colonies launched centers of industry and cities to go with them. At the same time, southern interests that benefitted from the slavery-dependent agricultural “raw goods” trade economy fought to defend the status quo.

The size of the United States and U.S. territories grew rapidly during the 19th century. The federal government began developing policies to populate new areas with newcomers. Canals, railroads and road systems were constructed to move people and goods thousands of miles across the country. Efforts to relocate American Indians became increasingly aggressive.

Starting in the 1860s, the Homestead Acts – a series of laws establishing ways for Americans to acquire land – opened up millions of acres and westward population expansion began in earnest. For this still largely agrarian nation, President Abraham Lincoln in 1862 created the U.S. Department of Agriculture (USDA), and with it the Land Grant University and Cooperative Extension System. While discriminatory, for years, the Department of Agriculture’s policies were seen as a means of stabilizing

the rural economy and millions of rural families engaged in agriculture.

The end of slavery prompted radical change in the economic and social order of rural and urban communities alike. African Americans began moving north to largely urban centers in the Northeast and Midwest in search of opportunity. In the late 19th and early 20th centuries, with a larger, increasingly dispersed population, federal lawmakers paid close attention to the local and regional effects of federal policy. For example, the Interstate Commerce Act of 1887 sought to create an equal playing field for businesses in all regions, including less populated ones, by ensuring that railroad rates did not favor one community over another by size.<sup>19</sup> In 1913, President Woodrow Wilson plainly expressed the value of federal policy support for local economies: “...if America discourages the locality, the community, the self-contained town, she will kill the nation.”<sup>20</sup>

A majority of Americans still lived rural, connected to farming in some way, up to World War I. Even after that, at the height of the Great Depression, President Franklin Roosevelt signed into law programs designed to support the agricultural economy and improve conservation practices. At the same time, technology was mechanizing agriculture and reducing the demand for farm labor, even



Children of farm workers, El Rio, California, 1941.

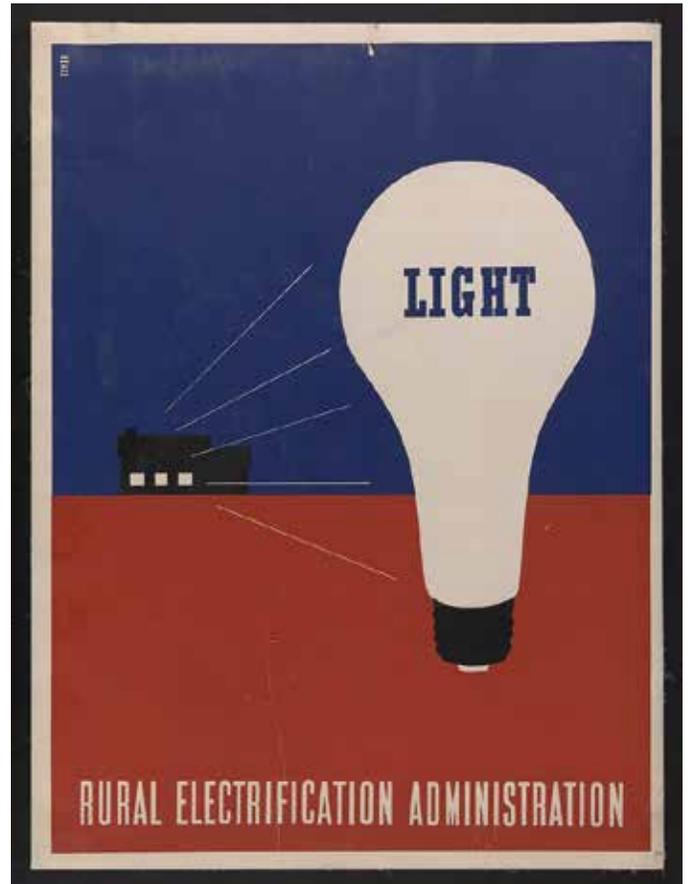
as demand for workers boomed in manufacturing centers. This prompted more migration to cities – including millions of African Americans moving from the largely rural south to the urban north to make a better living.

**50+ Years Ago.** In the 1930s and 40s, the federal government made a concerted effort to address rural poverty. The New Deal’s Farm Security Administration – known for stunning photography of rural poverty in the Dust Bowl – provided education and relocation assistance to families living on exhausted, unproductive lands. Its successor, the Farmers Home Administration, provided loans and grants for housing, water systems and rural development. Concurrently, the federal government made hefty investments in rural public works infrastructure through new programs including the Civilian Conservation Corps, Tennessee Valley Authority and Rural Electrification Administration. Social Security and other social initiatives, such as the Rural Housing Act of 1949, contributed to improving the quality of life in rural America. These ground-breaking, national-scale efforts were designed to usher all U.S. regions into the modern era, as technological innovation continued at accelerating speed.

Around the same time, the federal government enacted new “termination” policies in the 1950s, ending its recognition of a large number of American Indian tribes. With these policies, the government withdrew vital social services guaranteed by treaties and launched a relocation program that provided American Indians incentives to move to large American cities. This resulted in the urbanization of approximately 750,000 Native people.<sup>21</sup>

In the 1960s, images of abject poverty in Appalachia and other rural places hit national television screens via documentaries and political campaigns. In 1966, President Lyndon Johnson created a National Advisory Commission on Rural Poverty.<sup>22</sup> Among other things, the Commission recognized that the very technology changes driving increases in agricultural efficiency and production were exacerbating rural poverty. It also found much of America’s rural poverty to be structural in nature, the result of policies and laws that systematically – if unwittingly – put rural places at a disadvantage.<sup>23</sup> The Commission’s 158 recommendations ranged from increasing access to education to improving health care.<sup>24</sup> Many were implemented and measurably improved day-to-day life for millions of rural people. In 1975, Congress enacted the Indian Self-Determination Act, a vital piece of legislation that ended the destructive termination policy and provided tribes with a wide range of opportunities to contract directly with the federal government to provide health, education and other services.<sup>25</sup>

However, the rapid influx of corporate innovation and technology that jolted rural America before 1970 was a harbinger of quakes to come. The post-war growth of the 1950s and 1960s halted amidst double-digit inflation and two oil crises, prompting a political leadership change.



Rural Electrification Poster - 1930

The 1980s ushered in a new policy era favoring tax cuts and deregulation and, with them, significant reductions in federal funds to states and localities.<sup>26</sup> By the 1990s, the globalization of the economy and trade were in full force, hallmarked by the North American Free Trade Agreement and the World Trade Organization. These changes, coupled with a growing emphasis on productivity, efficiency and shareholder benefits, fundamentally changed the nature of rural economies. Big-box stores strained and drained independent businesses on Main Street. Corporate restructuring and consolidation transferred business ownership to outside holding companies and “accountability” to absentee shareholders far removed from the communities where their businesses were located – and where their employees lived and worked. Offshoring led to the closing of rural factories, call centers and firms up and down sector supply chains.

**In the 21st Century.** These changes forced small towns and rural places to reinvent their communities and economies. Despite many bright spots, hopeful data points and valid counter narratives, the breakneck pace of technology and economic restructuring of recent decades has been hard on rural America. Rural places took longer to recover from the Great Recession than most cities.<sup>27</sup> Though thriving rural towns and regions dot the nation’s landscape, the overall rates of unemployment, child

poverty, educational attainment, food insecurity, obesity, health coverage and other quality of life indicators are worse in rural than in urban areas.<sup>28</sup>

Today, manufacturing and natural resources – such as timber, mining, natural gas and oil – remain key pillars of the rural economy. But in many places, other sectors – service, outdoor recreation, tourism, health care and the public sector, including education – are increasingly important and dominant. Agriculture remains a key driver in some places, although nationally less than 5% of the rural workforce is employed in agriculture.<sup>29</sup> Each of these sectors is experiencing both positive and not so positive trends – depending in part on place, strategy and leadership. The devolution of government and the growth in unfunded mandates make it hard to develop and implement strategies to address these trends, no matter their direction. So do spotty broadband coverage in an increasingly information-connection economy, and the scant resources under local control in multi-community rural regions.

While policy in many cabinet departments and agencies affects rural places, the U.S. Department of Agriculture (USDA), at least on paper, holds responsibility for coordinating rural policy across the federal government. Today, the Rural Development section of USDA is home to modern-day incarnations of several (but not all) 20th century agencies, authorities and programs created to combat rural poverty and to improve the quality of life in rural America. Many (but not all) of the laws that govern USDA Rural Development's programs are reauthorized and revised via the "Farm Bill" – the omnibus farm, food and rural legislative package that Congress considers approximately every five years. Most attention to the Farm Bill – and lobbying around it – fuses around its component titles that deal with large commodity crops, land use

and nutrition (e.g., the SNAP/food stamp program). The Rural Development title of the Farm Bill, which contains critical programs that aid the non-agriculture side of rural community and economic development, gets much less attention in the Farm Bill reauthorization process. That is because the non-ag rural development components of the bill are dwarfed by the commodity and nutrition programs, and because their funding levels are not determined by the Farm Bill, but via the annual appropriations process. Today, many programs and policies important to rural America are found in agencies other than USDA. All the same, it is USDA that has the mandate to tend to national rural policy – and that has offices in small towns and rural regions throughout the country.

While rural places have both been subjected to economic change and have changed themselves in recent decades, proposals to build stronger rural places have largely stayed the same. Across the political spectrum, federal policy proposals recommend more strategic use of direct service programs (e.g., Medicaid) – via better coordination, implementation and/or service expansion – and investments in rural infrastructure, especially broadband. These proposals would markedly improve the economy and quality of life in rural America. But they are not enough to vault rural places into diversified, durable and inclusive economies that improve social and economic outcomes for all. These proposals do little to address the structures, systems and policies that routinely – if inadvertently – disadvantage rural people and places. Rural America needs some large-scale, systemic policy change at the federal and state levels, including an examination of whether or not the programs of USDA Rural Development align with modern rural realities. Rural America also needs a fresh approach to economic and community development – and more people and places that understand and practice it.



# A Fresh Approach to Community and Economic Development

Over the last century or so, economic development efforts have been dominated by one primary focus: attracting businesses to locate – or relocate – and then grow in a place. Though people in the development profession do many things in their jobs, business attraction’s prevalence, promises and ribbon-cutting visuals have mistakenly shaped the popular image of what “economic development” means. This, in turn, has induced multi-state competitions with business-attraction packages that nationally total \$80 billion a year – incentives whose zero-sum net effect is to starve many communities of the resources they need to finance essential services for their people and places.<sup>30,31</sup>

Parts of rural America benefited greatly from business attraction at one point – though often to the detriment of other places. For example, in the latter 20<sup>th</sup> Century, textile companies moved to the South from the Northeast, and auto manufacturing and supply chains moved from Great Lakes cities to rural locales around the country. A few decades later, many of those same businesses moved offshore, leaving those rural places behind.

Other parts of rural America – especially those capitalizing on their natural resource base through drilling and mining, corporate agriculture, timber and paper – have experienced booms and busts. The busts have been occasioned by corporate consolidations, trade policies and pricing, as well as by global change trends such as the transition to using and producing cleaner forms of energy.

Heavy on attraction and extraction, these “traditional” economic development approaches have been a rural mainstay. Their singular focus on growth and jobs as the primary measures of success has now proven insufficient – and sometimes ineffective – at improving rural economic and social outcomes over the long run. Resource extraction and business attraction will always have a place in rural economies. But especially in rural regions, it is time for a fresh approach to community and economic development.

The good news: Alternatives exist and Rural Development Hubs are practicing them. The emerging “wealth-creation”

method – whereby communities build on what they have in order to do community and economic development differently – is based in part on the asset-building approach to community development championed by John McKnight and Jody Kretzmer, as well as Cornelia and Jan Flora’s “Community Capitals” framework.<sup>32,33</sup> This approach focuses on generating and retaining a range of capitals within the community, reinvesting that wealth for future productivity, and improving the quality of life for community residents, rather than on viewing only growth and jobs as the primary measures of success.<sup>34</sup> Investments in local people, local institutions,

local resources, local partnerships and local systems are considered as essential and foundational in this development toolbox as are investments in infrastructure and firms. We call this asset-based, wealth-building and more encompassing approach “Doing Development Differently.”

Evidence of this new approach in action is mounting. Efforts to build regional and local food systems as well as “the 50-mile meal” (shortening the food-to-plate travel

distance) are perhaps the most widespread and well-known. Other clear examples can be found in North Carolina’s textile industry, Appalachia’s wood products sector, Delta biofuels production, housing-related community development in the Texas borderlands, modern wood heat and outdoor recreation in the Northeast’s Northern Forest region, manufacturing in rural Minnesota, helping rural low-income families get ahead in Maine and western Maryland, and among Great Plains entrepreneurs. Key to a few emerging community wealth-building strategies is using “anchors” such as hospitals and colleges or tribal enterprises to center and distribute new local economic activity.<sup>35,36</sup> A resurgence of cooperative-ownership initiatives in several industries is increasing inclusive local ownership and benefits. Practitioners in the “localism” movement have developed an ecosystem framework to guide communities in “how to build a healthy, equitable local economy.”<sup>37</sup> Also gaining traction, WealthWorks – which embraces many of these frameworks in one approach – focuses on developing “value chain systems” of regional activity in order to build

**We must do economic development differently. We must make bold moves to shift our economy away from inequitable extraction of resources and towards a collective, inclusive vision of the future.**

**Heidi Khokhar**  
Rural Development Initiatives

and root local wealth, while always including those on the economic margins in the action and the benefits.<sup>38</sup>

This emphasis on local people and institutions and regional systems flows from the understanding that people are at the heart of a community and its future. It is local people and institutions that must produce strategic and viable decisions, actions and investments to improve outcomes. But how does this get organized in rural places?

Large municipalities may have planning departments, economists and expert staff devoted to making their economy work, but most small town, rural and regional governments do not. In rural places, the work of identifying a region's assets and determining the investments that will help build a vibrant, inclusive and durable local economy is best done by community leaders and local organizations – such as Rural Development Hubs.

## DOING ECONOMIC DEVELOPMENT DIFFERENTLY: WEALTHWORKS

WealthWorks is a model of wealth creation practiced by many Rural Development Hubs, both intentionally and unintentionally. A systematic approach recently advanced by national/local collaborations, it involves identifying enterprising opportunities within a region and engaging a wide range of partners to turn those opportunities into results that create more value, rooted in local people, places and firms.

WealthWorks practitioners identify what an area can – or could – do or make with its existing assets to meet a documented market demand. They then map the regional system of transactions, firms, talent and know-how necessary to meet that demand and identify gaps in this “value chain” system. Investing in these gaps presents opportunities to increase eight connected forms of local capital – individual, intellectual, natural, built, social, political, cultural and financial – as well as to increase local ownership and control of that capital. WealthWorks also identifies where low-income people, places and firms land in the value chain, and includes them in the economic action and benefits.

In short, a WealthWorks value chain is a network of people, businesses, organizations and agencies addressing a market opportunity to meet demand for specific products or services—advancing self-interest while building rooted local and regional wealth. It can be applied in any sector – from manufacturing to health care, food, energy efficiency, housing, tourism and more. See [Wealthworks.org](http://Wealthworks.org).

