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ABSTRACT

This paper examines social and economic forces affecting rural areas at the beginning of the 21st century and lists potential strategies to cope with those concerns. Rural development is necessary to place rural and urban areas on a more equal footing, compensate for the youth "brain drain," preserve the retirement-option value, relieve urban congestion and achieve optimal population distribution, accommodate rural living preferences, bring jobs to rural people, protect family farms, and assist the 12 percent of the Northeast population that is not participating in the current economic boom. Rural development trends and concerns include the widening rural-to-urban income gap, the increasing pressure on natural resources from urban sprawl and other land uses, and the challenges to small units of local government presented by federal devolution. Current and emerging actionable rural development issues facing the Northeast are grouped into three broad categories: community economic and social development, environmental issues, and local governance and the development of community leaders. Subdivisions of these categories related to educational needs, entrepreneurship, leadership development, and the links between environmental quality and economic growth are presented in question form, and readers are asked to identify the single most important issue that the Northeast Regional Center for Rural Development should address and what, specifically, the Center should do to address this issue. (TD)

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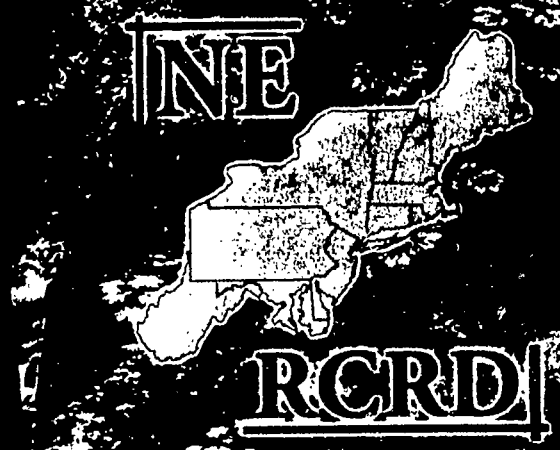
Rural Development Issues in the Northeast: 2000-2005

Stephan J. Goetz



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Rural Development Issues in the Northeast: 2000-2005

NE Center Working Paper No. 99-1

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Background

Two central features of rural areas—their low population density and their remoteness—can make them highly desirable places in which to live, but also create serious economic development challenges. Low population density raises the cost per person of delivering basic infrastructure and services, such as roads, electricity, telephone and water. Low population numbers also preclude some rural communities from participating in certain federal programs that require a minimum population threshold. For example, a minimum number of people are needed in order for an area to benefit from the Workforce Investment Act of 1998. Further, it is often difficult for rural areas to muster the resources, such as grant writers, and leadership needed to benefit from the numerous federal grants available to distressed areas.

There is also considerable evidence, and concern among decision-makers, that many rural areas have not participated in the booming national economy of the 1990s. In other words, rural residents appear to be left behind in the so-called *new* economy. The rural-to-urban income gap is growing, and the number of people affected is not negligible. In the Northeast, there are close to 7 million rural residents, making up about 11.6 percent of the total population.

Rural areas are being buffeted by numerous changes originating from the outside, and over which they have little or no control. The areas are usually poorly equipped to deal with these forces, which include globalization, technological change, urban sprawl, federal devolution and welfare reform. In some rural communities the issue is too much growth, often in the form of urban sprawl, which can lead to serious conflicts over optimal land use and be highly divisive for communities, while in others a lack of growth is the major concern. In either case, rural communities have difficulty addressing their concerns.

The purpose of this paper is to examine social and economic forces and changes affecting rural areas at the beginning of the 21st Century. Issues that arise from these forces are subsequently discussed, and a short and preliminary list of potential strategies that may be developed to cope with the underlying concerns is presented. The paper starts by making the case why rural development is needed or justified.

The Case for Rural Development

1. *Place rural areas on a more equal footing.* As indicated above, rural communities usually lack the critical mass of people needed to participate in federal programs. Thus, rural development assistance is justified on egalitarian grounds. Also, a study a few years ago showed that public grants going to rural areas tend to be used more for consumption than investment purposes. In other words, the funds were used to a lesser degree to create future capacity for growth.

2. *Compensate for the "brain drain".* For many years, rural areas have lost their most highly skilled young residents because of a lack of local job opportunities. The youth went off to college, but never returned to work (and pay taxes) in the rural area. This means that the local community lost the benefits associated with the investment of local tax dollars in the local school system. The argument has been made that urban centers should compensate rural areas for the implicit benefit associated with the investment in early education (for example, the taxes paid by the former rural resident are one measure of the benefit to the public that is lost). This would be difficult to implement in practice.

3. *Equal treatment subsidy.* Urban areas benefit from sizeable public transfers in the form of transportation and road construction projects, which can lower the monetary and psychic costs to urban residents of employment. As an example, consider the massive tunnel construction project in Boston, MA. One can argue that rural areas should received similar subsidies on equity grounds.

4. *Retirement option value.* Many of the now elderly once left rural areas to pursue better opportunities in urban environments, and have the desire to return to their rural roots upon retiring. Thus, an economic value is associated with preserving rural areas, and making the necessary investments in medical services, etc., that the elderly require.

5. *Urban congestion and an optimal population distribution.* There are costs to individuals associated with living in urban areas, and not having the entire U.S. population agglomerate at a single point has

public benefit. One such cost involves health, and individuals' longevity, which studies show are related to pollution and traffic congestion.

6. *Rural living preferences.* The two previous points are reinforced by the fact that Americans consistently respond in surveys that they would rather live in "smaller places" than in urban centers. This is another reason for investing in or maintaining rural areas.

7. *Moving people to jobs vs. jobs to people.* An important debate among social scientists is whether people should be moved to jobs, or whether jobs should be moved to where people live (e.g., in declining rural areas). Simply moving rural residents from depressed areas to urban jobs will not work if they lack the skills needed to compete with urban residents. Also, rural residents may be worse off if their family and social ties are broken as a result of relocation, or they cannot find comparable quality of housing in urban areas.

8. *Family farms rely heavily on off-farm income and thus have a direct stake in the economic vitality of the region in which they are located.* To the extent that protecting family farms (whether to preserve a way of life or to keep the landscape green) is a public goal, rural development is important to provide off-farm employment opportunities to farmers. This is especially urgent since about 80 percent of average farm household income is earned off the farm. Of course, trade-offs may exist over industrial development and preservation of green space, including farmland.

9. *The sheer number of rural residents makes their social and economic wellbeing a regional and national concern.* In the Northeast, as indicated above and shown in Table 1, there are nearly 7 million people, who make up almost 12 percent of the total population. And, as we will see in the next section, as a group they are not participating in the current economic boom. Vermont has the largest relative share of rural residents (67 percent) both in the Northeast and the nation, followed by Maine (60 percent), while Pennsylvania has the largest absolute number of rural residents (1.8 million).

Population Estimates and Growth Rates for the Northeast, by Metro/Non-metro County Status, 1990-1998

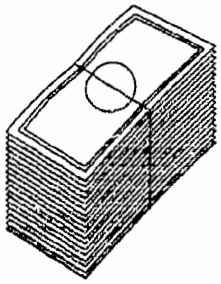
State Name	Population Estimates in Thousands, and percent population change, 1990-1998				
				Non-metro	
	State Total	Metro	Non-metro	Adjacent	Not-adjacent
Connecticut	3,273	2,986	286	286	0
	-0.5%	-0.8%	3.3%	3.3%	n/a
District of Columbia	521	521	0		
	-13.6%	-13.6%	n/a		
Delaware	744	607	137	137	0
	11.2%	9.3%	20.5%	20.5%	n/a
Maine	1,248	500	747	513	234
	1.3%	0.8%	1.7%	3.4%	-2.1%
Maryland	5,130	4,755	375	199	176
	6.9%	6.8%	8.9%	10.1%	7.6%
Massachusetts	6,144	6,052	92	71	22
	2.1%	2.0%	5.0%	0.5%	22.8%
New Hampshire	1,186	743	443	292	151
	6.7%	8.0%	4.5%	6.0%	1.6%
New Jersey	8,096	8,096	0	0	0
	4.4%	4.4%	n/a	n/a	n/a
New York	18,159	16,679	1,480	928	551
	0.9%	0.9%	0.1%	0.3%	-0.3%
Pennsylvania	12,002	10,143	1,859	1,625	234
	0.9%	0.5%	3.2%	3.6%	0.1%
Rhode Island	988	905	83	83	0
	-1.7%	-1.3%	-5.6%	-5.6%	n/a
Vermont	591	193	398	149	249
	4.6%	8.4%	2.9%	3.5%	2.5%
West Virginia	1,812	758	1,053	261	792
	1.1%	1.3%	0.9%	3.4%	0.1%
TOTALS	**59,372**	**52,418**	**6,954**	**4,544**	**2,410**

Source: Compiled by author using Census Bureau data.

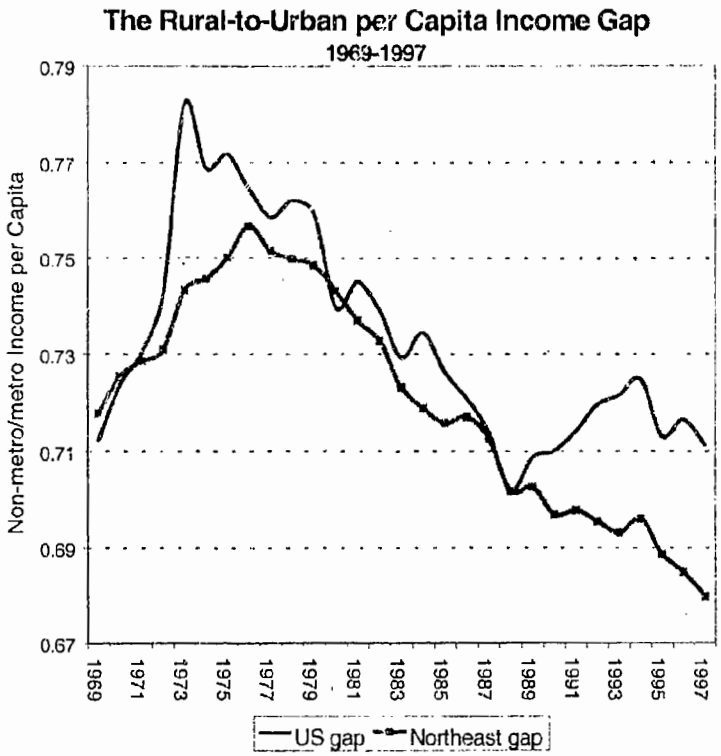
Rural Development Trends and Concerns

Three distinct broad trends are discussed here. First, rural areas are falling behind in the new economy, as manifest by an increasing per capita income gap between rural and urban areas. Second, the rural natural environment and resources are under increasing pressure from urban residents seeking new development, as well as from industrialization trends within production agricultu Third, federal devolution is severely taxing the ability of many rural government officials—who are often volunteers—to cope with the increasing levels of responsibility and decision-making.

1. The Widening Rural-to-Urban Income Gap



Rural areas in the Northeast have not participated to the same degree as urban areas in the national economic boom of the 1990s. The per capita income gap between non-metro and metro areas—that is, the amount of income generated per person in non-metro areas relative to that generated per person in metro areas—has been growing since the mid-70s, after narrowing during the commodity crisis of the early 1970s (related to OPEC's oil embargo and unusual weather events). In 1976, the average income per person in rural areas was just over three-quarters of the average income per person in urban areas. Towards the end of the 1990s, rural income represents only about 67.5 percent of urban income, which is a 32 percent increase in the gap, and the trends suggest that the gap is worsening. There are no indications that any of the major factors causing this gap (such



as workers' skills and the quality of local jobs available) are changing, so there is no reason to expect these trends to reverse themselves in the near term.

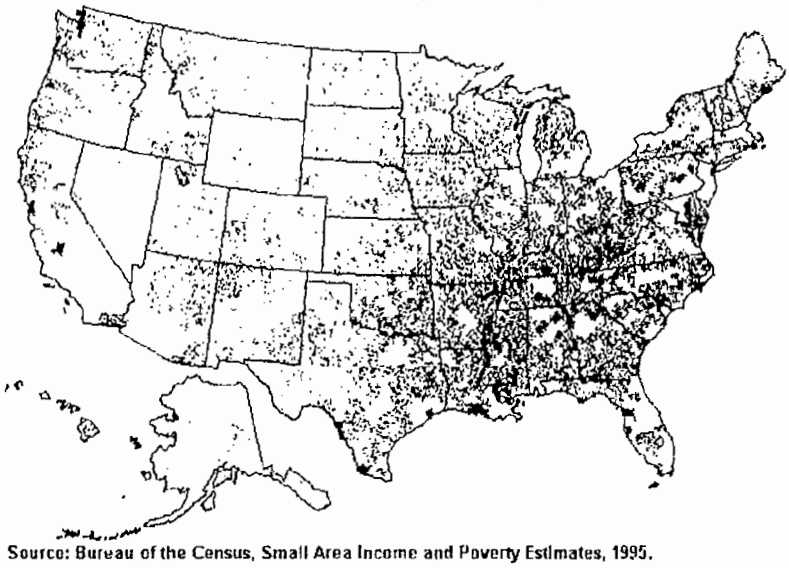
Between 1977 and 1988 (years of farm financial crises), the income gaps nationwide and in the Northeast followed very similar paths, and were at almost identical levels. Since 1988, these paths have diverged, with the Northeast gap growing larger even as the U.S. gap, at least initially, became smaller. In fact, the Northeast gap has increased in all but four of the last 21 years. Clearly, a critical question facing rural areas is not only how to create jobs, but also "what types of jobs should be created?"

It can be argued that the lower per capita income figures in rural areas merely reflect rural residents' willingness to accept lower wages because they live in areas with more or better amenities (e.g., a cleaner environment and lower population densities, less commuting time, lower land prices, etc.). In other words, the amenities represent a form of implicit income.

Recent migration studies provide some empirical support for such an argument (e.g., Knapp and Graves and others). However, it is also the case that large numbers of rural people in the Northeast live in poverty (see the map below), suggesting that for many the lower income is not a deliberate choice.

Where are the Rural Poor?

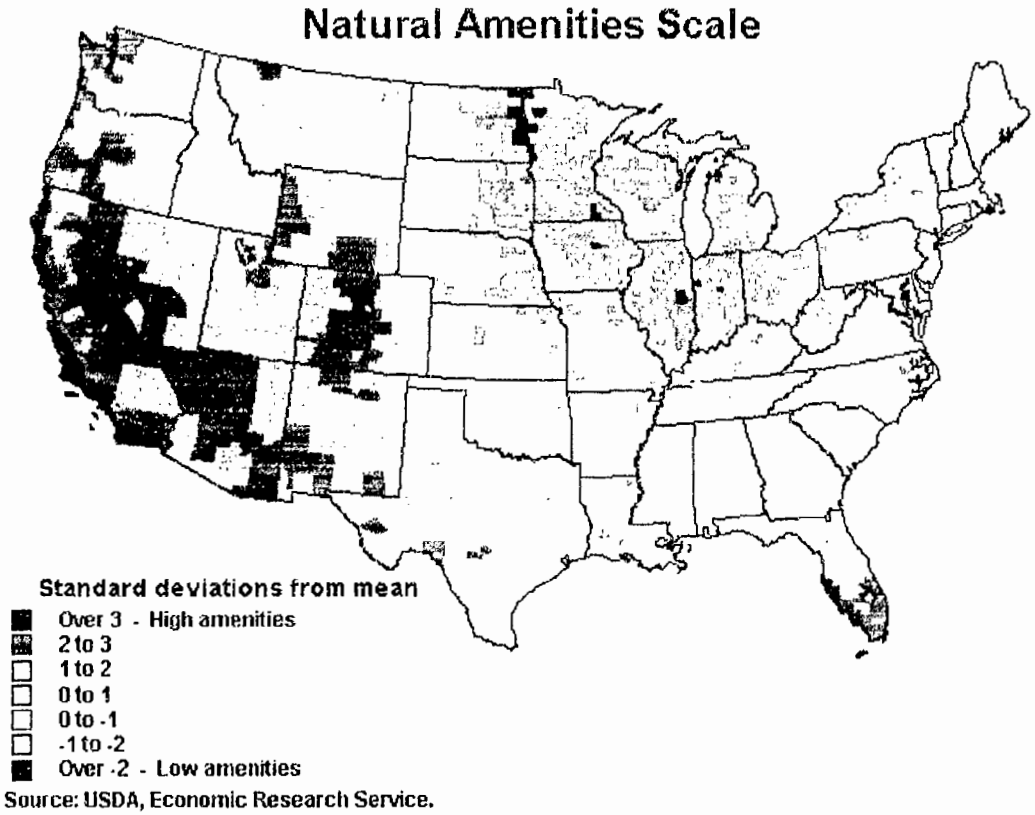
Each dot represents 200 persons with below-poverty income living in a nonmetro county



Source: Bureau of the Census, Small Area Income and Poverty Estimates, 1995.

http://www.econ.ag.gov/briefing/rural/Ruralecn/whpoor.gif

Furthermore, it turns out that amenity levels are actually *lower* in rural areas than in urban areas of the Northeast, as the following map prepared by the USDA shows.



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Another argument is that costs of living are lower in rural areas, so that the same income affords a higher standard of living. However, the cost of basic necessities is sometimes higher in remote, rural areas where retail competition is limited and costs of delivering household goods are high. Thus, even if land prices are lower, the overall cost of living in rural areas is not necessarily lower than in urban areas.

Other possible reasons for the growing income gap between rural and urban areas include the digital divide, the fact that rural residents have not invested as heavily in the stock market as their urban neighbors, have less access to health care (which affects their productivity), and so forth. This raises questions about how rural economies and societies can be sustained over time.

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2. Urban Sprawl and Land Use: Increasing Pressure on Natural Resources

If there is a single rural issue that sets the northeastern US apart from the rest of the Nation, urban sprawl is probably the leading contender. A recent USDA study on the influence of urban pressure on land prices concludes that: (see www.swcs.org/POLICY/FarmBillConf/Abstracts/barnard.htm):

> ...the effect of population influence on state-level average [land] values of agricultural states and regions is small. *The Northeast provides notable exceptions*, showing large effects on regional farm-land values that are attributable to urban influence. [emphasis added]

While urban sprawl is certainly an issue elsewhere in the U.S., it takes on particular urgency in the Northeast—which is home to 22 percent of the nation's population but only 6 percent of the nation's land area. This includes very densely populated parts such as New York City, and remote, rural areas in Northern Maine that are under-populated (see also *Redirections for the 1990s*).

The following Table, prepared by the USDA, shows the rate at which both farm and non-farm land is being converted for development purposes across the Northeast. In the period 1992-1997, the average rate of conversion was highest in New Jersey and Massachusetts. Note that not all the land converted was necessarily used for farming purposes prior to the conversion.

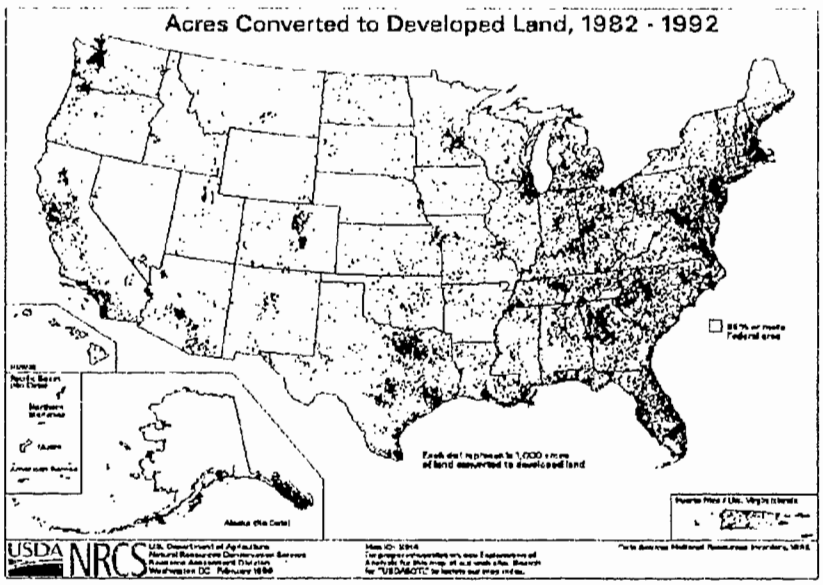
The states with the greatest acceleration of land conversion (measured as the 1992-1997 annual conversion rate divided by the 1982-1992 annual rate) were Pennsylvania (5.21), West Virginia (4.83) and New York (4.37). In Rhode Island (0.77) and Vermont (0.80) the rate of conversion actually slowed down.

Table 2: Land Conversion Rates, Northeastern States

1992-1997 National Rank (rate of conversion)	State	1982-1992 Average Annual Conversion Rate (Acres)	1992-1997 Average Annual Conversion Rate (Acres)	1992-1997 Total Land Area in Farms (Acres)	1992-1997 Percent of Total Land Area in Farms Converted (%)	Rate of Acceleration between 1992-1997 and 1982-1992
43	Connecticut	8,420	12,680	400,000	3.2	1.51
47	Delaware	3,530	7,020	600,000	1.2	1.99
32	Maine	9,250	33,560	1,200,000	2.8	3.63
28	Maryland	14,690	44,460	2,200,000	2.0	3.03
23	Massachusetts	23,310	56,300	500,000	11.3	2.42
38	New Hampshire	14,920	21,460	400,000	5.4	[illegible]
21	New Jersey	29,860	56,640	800,000	7.1	1.90
11	New York	22,510	98,480	7,300,000	1.3	4.37
2	Pennsylvania	43,110	224,640	7,200,000	3.1	5.21
49	Rhode Island	2,650	2,040	100,000	2.0	0.77
48	Vermont	6,490	5,200	1,300,000	0.4	0.80
24	West Virginia	11,410	55,120	3,500,000	0.2	4.83

Source: USDA-Natural Resources Conservation Service, 1997 National Resources Inventory, and author's calculations using *Statistical Abstract* data.
The percent of total land area in farms converted refers to the percent of total non-federal land in each state.

The map below shows the number of 1,000 acre blocks converted to developed land between 1982 and 1992.



http://www.econ.ag.gov/whatsnew/issues/landuse/map.htm

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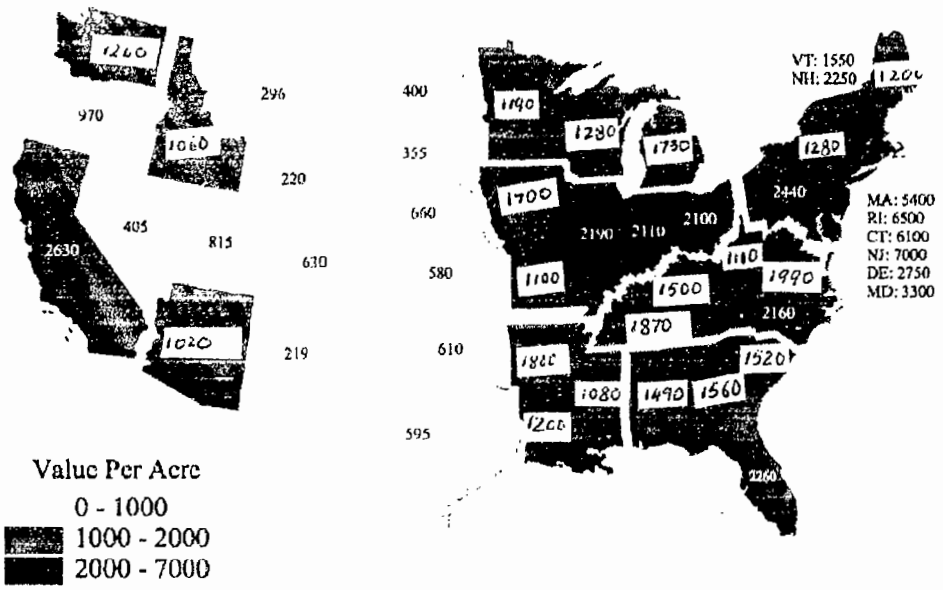
The next map shows the average value of land and buildings per acre at the state-level.

Average Value Per Acre of Farm Real Estate
January 1, 1999



Source: National Agricultural Statistics Service, Sp Sy 3 (99), April 1999

www.econ.ag.gov/Briefing/landuse/Rvalqa2x.htm

Other important questions surrounding desirable or non-desirable land-uses involve industrial agriculture and the associated animal waste problems. In particular, confined animal feeding operations (CAFO) have been a source of considerable controversy in a number of states, and there are indications that large-scale operations are expanding in the Northeast to take advantage of market access.

Many Small Units of Local Government: Challenges of Devolution and Search for Local Leadership

The Northeastern U.S. has a plethora of local government units, as is evident from Table 3. Often the elected officials are part-time volunteers, who have difficulty addressing the increasingly complex and controversial problems that confront their communities.

State	County	Muni-cipal	Town-ship	School District	Natural resources	Housing & CD
Connecticut		30	149	17	1	94
Delaware	3	57		19	236	3
DC		1				
Maine	16	22	467	98	16	30
Maryland	23	156			156	20
Massachusetts	12	44	307	85	18	252
New Hampshire	10	13	221	166	10	21
New Jersey	21	324	243	552	16	2
New York	57	615	929	686	2	912
Pennsylvania	66	1,023	1,546	516	7	91
Rhode Island		8	31	4	3	26
Vermont	14	49	237	279	14	10
West Virginia	55	232		55	15	39
Total	**277**	**2,574**	**2,851**	**2,343**	**257**	**1,403**

Source: U.S. Statistical Abstract

This problem is particularly acute as state and local leaders are given more and more responsibility until federal devolution. A more general question is, how can rural areas make up for reductions in the number of leaders that is associated with the decline in local ownership of businesses such as banks?

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Current and Emerging Actionable Rural Development Issues Facing the Northeast

Issues are not listed in any particular order
For discussion

The range of rural development issues facing the Northeast region is broad and comprehensive, and well beyond the scope of an organization the size of the Northeast Regional Center for Rural Development. The purpose of this document is to solicit your input to help us select the more limited set of issues the Center will focus the majority of its resources in a given year.[1] We would be grateful if you would identify from this list (1.) what you believe is the single-most important issue that the Center should address and (2.) what, specifically, the Center should do to address this issue. Please provide your input using the NE Center Stakeholder Address and Issues Survey Form, or send an e-mail to <*sgoetz@psu.edu*>.

The following is a first attempt to compile and organize a list of issues facing the region, based on three broad issue areas: 1. Economic and social community development issues; 2. Environmental issues; and 3. Local governance and the development of community leaders. Sub-issues are grouped according to the overriding research question within each issue area. To a large extent this list is drawn from responses received in a survey administered during the summer of 1999.

1. Community Economic & Social Development [declining counties]

A. How can rural communities in the Northeast, including those that depend primarily on extractive industries, remain viable in a global economy?

1.A.1. What is *community/economic sustainability*, and how can different communities achieve it? Do downtown areas have special requirements for sustainability, and what are the local and social and economic impacts of "big box retailers"?

1.A.2. What is the role of the Internet and e-commerce, and information technologies in general, in achieving sustainable rural development, including the development of niche markets in agriculture?

[1] To formulate a strategic plan for action, we are updating the 1990 strategic planning document, *Redirections for the 1990s*, taking into account new developments affecting the rural Northeast. Regional rural development data and indicators will be updated, and the research questions that need to be more deeply explored to develop action agendas for extension and outreach on the issues will be clearly defined. A broad regional action agenda designed to address the strategic issues will be articulated as one important outcome of this process.

1.A.3. What is the most cost-effective balance between industrial recruitment, business retention and expansion, and stimulating entrepreneurship, as strategies designed to improve and diversify the economies of depressed areas (including job creation) with different underlying conditions?

1.A.4. With profound changes in workforce demands and employment relations, how can the supply of and demand for labor with different skills be more effectively balanced? More generally, what are the relative economic and social benefits and costs of place-based vs. people-based development?

1.A.5. What are the social and economic consequences within rural communities of concentration and industrialization of agriculture (including contract farming and vertical integration)?

1.A.6. What is the effect of demographic change (aging, diversity, single-parent families, etc.) on rural communities, and what are implications for the types of services (including transportation) and physical infrastructure needed; what determines migration patterns in the rural Northeast, and what are the local economic and social consequences of migration?

1.A.7. Other:

B. How can the local capacity for individual and community entrepreneurship be enhanced in the rural Northeast?

1.B.1. What is the role of self-employment (including home-based- and small- or micro-businesses) in achieving sustainable development, and preserving family farms?

1.B.2. How can wages of self-employed workers be increased; more specifically, what are the constraints faced by business owners to expand their operations, and young and minority entrepreneurs in particular, to start their own businesses?

1.B.3. What are the common features or characteristics of communities that are entrepreneurial, and are these features transferable to depressed communities?

1.B.4. What are the common characteristics of counties with high relative numbers of female-owned businesses?

1.B.5. Other:

C. What are the determinants and consequences of poverty in the rural Northeast?

1.C.1. What have been recent trends in poverty in different parts of the rural Northeast; what is happening over time to the welfare of children in low-income families?

1.C.2. What is the relationship between youth poverty and the performance of children in schools?

1.C.3. How do low-income families cope when the primary income earner becomes unemployed?

1.C.4. What strategies exist for raising the productivity (wages) of the poor and coping with problems such as shortages of affordable housing?

1.C.5. Other:

D. What is the effect of federal policies on rural areas in the Northeast, and does it differ from the effect on urban areas?

1.D.1. What are the impacts of devolution and the Workforce Investment Act? Under what conditions is the WIA successful in rural areas?

1.D.2. How do other federal policies enacted during the 1990s, such as the telecommunications act, NAFTA, the new farm bill, the balanced budget act, and utilities deregulation affect rural areas?

1.D.3. Do macroeconomic policies (interest rate policy in particular) have different effects in rural than in urban communities?

1.D.4. What are the implications for local tax burdens of state-mandated expenditures?

1.D.5. Other:

2. Environmental Issues [growing communities; urban fringe]

A. Land use issues in the Northeast

2.A.1. What have been recent trends in land use, land prices, and the distribution of benefits and costs associated with changing land uses?

2.A.2. What are the public and private costs and benefits of urban sprawl (and the development of high-cost housing) in different types of communities?

2.A.3. What is "smart growth" and what are its costs and benefits?

2.A.4. Other:

B. Environmental quality issues in the Northeast

2.B.1. What are the impacts of agricultural industrialization on the environment (air, soil and water quality) of different communities (includes nutrient management issues)?

2.B.2. How do environmental regulations affect local economies? How do local environmental conditions influence environmental regulations over time?

2.B.3. What are the keys to developing a competitive agricultural system that is compatible with the long-run protection of the environment and natural resources (e.g., area-wide biological control of agricultural pests)?

2.B.4. Other:

C. Synthesis: *What trade-offs exist between development and the environment?*

2.C.1. Can quantitative models be developed for individual counties showing trade-offs between job growth and migration, wage growth and changes in environmental quality and local quality of life in general, so that county decision-makers can make choices that best fit their unique circumstances and preferences?

3. Local Governance and the Development of Community Leaders

3.A.1. How are communities in the rural Northeast responding to devolution, and which success stories can be highlighted (creating a database of success stories)?

3.A.2. Which economic development strategy is most closely associated with, or dependent upon, the creation of new local leaders?

3.A.3. What are the most effective ways of improving a community's capacity to deal in a democratic manner with emerging problems? What specific tools, training and education do volunteer local leaders and citizens need to become effective agents of change and deal with increasingly complex social and economic issues?

3.A.4. What are the policy and management needs associated with a changing rural landscape from predominantly production agriculture as an economic engine to alternative agricultural, natural resource, and other human land uses?

3.A.5. How can local revenue systems be adjusted to provide local revenue flexibility, and the ability to tap growing sources of tax revenue while relieving the tax burden on real property.

3.A.6. Other:

Opportunities:

1. Educational programs—what is the role for land grants?
2. The Internet and *e*-commerce
3. Entrepreneurship: growing leaders at home (niche markets)
4. Interdependence between economic growth and the environment