



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

March 31, 1997

MEMORANDUM

TO: Erskine Bowles
Chief of Staff to the President

FROM: Dan Glickman
Secretary of Agriculture 

SUBJECT: Union Issues at the Department of Agriculture

This responds to a memorandum from Bob Nash dated March 17, 1997. Bob has asked me to provide you with a recommendation for responding to a request made by certain union officials for a meeting at the White House to discuss several issues of the concern at the Department of Agriculture (USDA). Specifically the unions have noted their concern with the reinvention and reorganization of USDA, with special emphasis on the leadership commitment to the USDA field service center initiative.

You should know that I will be meeting in the next few weeks with Gerald W. McEntee, International AFSCME President. The discussion will include all of the issues identified in the correspondence with your office. In addition, other issues will be discussed which have been identified in our discussions with his staff.

Deputy Secretary Rominger has also scheduled a meeting on April 16 with USDA local union representatives (USDA Service Center Union Coordination Council). At this meeting, Deputy Secretary Rominger will reiterate our strong support for the USDA service center initiative. The Deputy has been directly overseeing these efforts and will be able to fully inform these individuals of our activities and key issues of concern.

I would also note that USDA has a successful Labor-Management Partnership Council. I visited with the Council at its last meeting and discussed my views on the need to move forward jointly with union participation on a number of issues at USDA.

My recommendation is that you defer consideration of the request for scheduling a meeting with the union officials until the conclusion of the ongoing discussions noted above with me and Deputy Secretary Rominger. While the issues raised by the unions are significant, they should be fully addressed at the Department prior to a meeting at the White House.

Please let me know if I may provide further information.

cc: Bob Nash, Office of White House Personnel
Bruce Reed, DPC
Elaine Kamarck, Office of the Vice President

THE WHITE HOUSE
WASHINGTON

March 17, 1997

MEMORANDUM

TO: DAN GLICKMAN, SECRETARY
DEPARTMENT OF AGRICULTURE

FROM: BOB J. NASH
ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF PRESIDENTIAL PERSONNEL 

SUBJECT: Union issues at the Department of Agriculture

Attached is a letter that I think I sent to your office regarding union issues at USDA. Several union leaders are asking for a meeting with Erskine Bowles and myself.

Would you please prepare a paper for Erskine on how you would recommend this issue be handled? We need to respond to this request for a meeting.

BJN:vdp

cc: Bruce Reed, DPC ✓
Liz Montoya, PPO
Elaine Kamarck, VP Office

December 20, 1996

To: John J. Sweeney
National AFL-CIO President
Washington, D.C.

COPY

Vicki -
Please follow up

John N. Sturdivant
National AFGE President
Washington, D.C.

Robert M. Tobias
National NTEU President
Washington, D.C.

Gerald W. McIntee
International AFSCME President
Washington, D.C.

Jim Cunningham
National NFFE President
Washington, D.C.

Ref: Union Coordination Council Letter Dated October 23, 1996

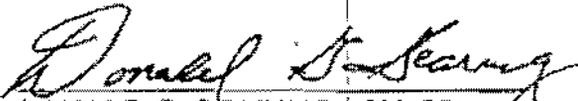
As representatives of USDA employees from the various organized states, it has become necessary to ask for your assistance on a very important and critical matter. Recently, our USDA Service Center Union Coordination Council contacted the former Whitehouse Chief of Staff, Leon P. Panetta and the Director of Official Presidential Personnel, Robert J. Nash. A copy of this letter is attached and a copy was provided previously to your office for your information and review.

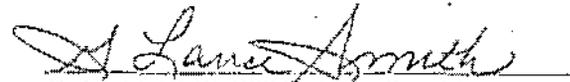
To date, we have not received a response to our request from either the Chief of Staff nor the Director of Official Presidential Personnel. Your assistance is needed in securing a response and establishing a meeting with these key individuals as requested in our letter of October 23.

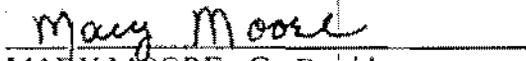
As indicated in our letter, the reorganization of the United States Department of Agriculture is in serious jeopardy unless immediate corrective actions are taken. The USDA reorganization is a cornerstone of the government reinvention and reorganization process and is a model for many of the other agencies. We cannot afford to let this process fail. As Union members we represent a coalition of the various Federal Unions that represent our USDA agencies and the employees at the "front lines" - our field offices. Who knows more about how our programs operate and how they can be delivered to our rural customers than the federal employees who are located in these field offices?

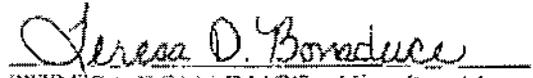
We ask for your assistance as our National Union Leaders in elevating the *USDA National Service Center Implementation Initiative* to a level which will be accountable and responsible only to the Secretary of Agriculture or his Deputy. It has become apparent that if experienced select key members of this Team are not elevated to such a level, much of the USDA reorganization will have been in vain and will have cost the American Taxpayer millions of dollars. Our mission and the delivery of our federal programs to our rural customers is suffering and in many cases has stopped. Customer service dwindles each day. Many of our federal employees are losing their jobs because of the downsizing efforts, but many of these job losses are unnecessary and can be prevented if this Service Center Implementation Initiative can be elevated to a position in which they will be heard. We also ask for your help in securing a meeting in which we as the Union Coordination Council can meet with the new Chief of Staff, Erskine Bowles, Robert Nash and other key Whitehouse officials who are associated with the reinvention and reorganization of government.

Sincerely,

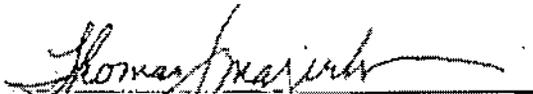

DONALD G. GEARING - Chief Steward
AFSCME Local 3929 - Washington, D.C.

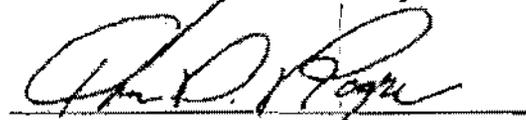

G. LANCE SMITH - Vice President
NFFE Local 571 - Texas


MARY MOORE - Co-President
AFGE Local 3499 - Colorado


TERESA BONADUCE - Vice President
NFFE Local 108 - Arkansas


CLYDE W. EVANS - Vice President
AFGE Local 2831 - New Jersey


THOMAS MAZERBO - President
AFGE Local 2831 - New York


THOMAS D. ROGERS - Vice President
NFFE Local 1585 - Montana


VICKI WISER - Steward
NFFE Local 7 - Oregon


LINDA J. BURNS - President
NFFE Local 758 - Washington


GLORIA BIEKER - Chief Steward
AFGE Local 3354 - Kansas

Attachment: Union Official Signature Page
Enclosure: Union Coordination Council Letter

cc: Mr. Al Gore - Vice President - Washington, D.C.
Mr. Dan Glickman, Secretary of Agriculture, Washington, D.C.
Mr. Richard Rominger, Deputy Secretary of Agriculture - Washington, D.C.
Mr. Robert J. Nash, Director of Official Presidential Personnel - Washington, D.C.
Mr. Erskine Bowles, Chief of Staff - Washington, D.C.

THE FOLLOWING UNION OFFICIALS AND REPRESENTATIVES SUPPORT THE EFFORTS AND CONCERNS OF THE UNION COORDINATION COUNCIL REPRESENTATIVES OF THE SERVICE CENTER IMPLEMENTATION INITIATIVE

Raymond J. Ryel

RAYMOND RYEL
NFFE - President Local 7
Oregon

Steven M. Hollis

STEVEN M. HOLLIS
AFGE - President Local 3354
St. Louis, MO

Kim M. Wardensky

KIM M. WARDENSKY
AFSCME - President Local 3870
Washington, D.C.

Bernice E. Williams

BERNICE E. WILLIAMS
AFGE - Co-President Local 3499
Colorado

Steve Beasley

STEVE BEASLEY
AFSCME - President Local 3976
Washington, D.C.

Richard Bowman

RICK BOWMAN
NTEU - President Chapter 264
Kansas City, MO

Ed Rall

ED RALL
AFSCME - President Local 3925
Washington, D.C.

Sandra K. Lamoreux

SANDRA K. LAMOREUX
NFFE - President Local 1585
Montana

Bette Vaughn

BETTE A. VAUGHN
NFFE President Local 108
Arkansas

Michael K. Klein

MICHAEL K. KLEIN
NFFE President Local 571
Texas

COPY

October 23, 1996

The Honorable Leon P. Panetta
Chief of Staff
The Whitehouse
Washington, D.C. 20502

FAX -- 202-456-2883

Mr. Robert J. Nash
Assistant to the President
Director of Official Presidential Personnel
Office of Presidential Personnel
153 Old Executive Office Building
Washington, D.C. 20502

FAX -- 202-456-2259

Dear Mr. Panetta and Mr. Nash;

The reorganization of the United States Department of Agriculture is in serious trouble unless immediate corrective actions are taken. The cornerstone of the Administration's efforts in government reinvention could fail on the current path that USDA has now taken. We apologize for the length of this letter, but we felt the concerns expressed in this letter are of the utmost importance to the well being of the United States Department of Agriculture and its associated reorganization and reinvention. The information that we have addressed in this correspondence is needed to fully understand the addressed problems and the concerns of the unions that we represent.

The USDA National Food and Agriculture Council (FAC) established the Service Center Implementation Team task force that is chaired by Gregory L. Carnill. Greg is also the Executive Officer of the National FAC committee. This team over the past several months has had employee input from various USDA agencies. The Farm Service Agency (FSA), National Resources Conservation Service (NRCS), and the Rural Development are the key agencies and employees that are involved with this implementation team. The mission of this task force is the development, implementation, and improvement of our USDA Service Centers that are located within each state. The goals of this team, in partnership with people and communities, are to deliver agricultural, rural development, and natural resources programs with a continuity and quality of service that exceeds customers' expectations and achieves the maximum efficiency possible in delivering these programs. The creation and implementation of the Service Centers have and continue to be a commitment by our current Administration and by the Secretary of Agriculture. Mr. Glickman has followed this commitment so the highest possible service can be delivered to our customers -- Rural America, through the idea of "one stop shopping." The Service Center concept fulfills the vision and commitment of the Administration and the Secretary and continues to follow the directives of the Vice President's Government Reinvention and Reform.

As union members representing AFGE, NFFE, and AFCSME, we were selected by the National FAC to represent the union organized states as a field point of contact. Our purpose is to provide information, suggestions, and concerns directly from the field to the task force regarding the Service Center concept. Our role as union representatives also fulfills the Presidential Executive Order 12871 that mandates improved labor and management relations through *partnership*.

As representatives of USDA employees from various states, we felt it was necessary to express our grave concern about the status of the Service Centers. Over the past several months we have come to realize that agency heads and some state officials of the respective agencies apparently are not committed to the Service Center idea and its efforts to improve Rural America. In some cases, many state officials are completely ignoring the directives from the Secretary of Agriculture and are not committed to the success of the Service Center concept. This appears to be even more true with agency officials in Washington. Our employees and the union representatives have worked hard and diligently to make the USDA reorganization and the Service Centers a success to meet the needs of Rural America. As federal employees, we do not want this concept to fail.

Mr. Leon P. Panetta and Mr. Robert J. Nash

Service Center Implementation Team

October 23, 1996

Page 2

A serious concern to our employees that is now very evident and continues to grow is the lack of emphasis now being placed on the Service Center Implementation Team's mission. This task force has worked hard to develop and initiate creative ideas and provide direction for the success of the Service Centers within our states. Our agency heads continue to ignore and in most cases, avoid the recommendations made by this group. USDA has expended a considerable amount of time and the taxpayer money to maintain this task force and it is a travesty to not use the beneficial information and recommendations that are being made regarding the Service Centers. Unfortunately, many of our top agency heads and state officials are not considering the recommendations that have and are being made by this group. It has come to our attention that many of the key members of this task force have been harassed, retaliated against, and their careers have been threatened because of their participation and activities while serving on this team. There have been many good ideas and solutions crafted and recommended by this group. Many of these ideas have been the direct result of information and recommendations received from our rural customers -- the people whom we provide our services. It appears that one of the primary motives for these negative actions is the belief that certain officials may lose power or that an agency may not be the "lead" agency. There is one question that our employees ask daily -- What has happened to **TEAM USDA?**

As representatives of our field employees and as members of the Service Center Implementation Team, we feel that our input is valuable to the success of the Service Centers. The value and necessity of the Service Center Implementation Team must not be ignored or allowed to be destroyed by the few agency heads that feel they would lose power or influence with their own particular agency or other closely associated agencies. We feel the success of the field Service Centers, as well as the survival of our agencies as a whole, is contingent upon keeping the groups and task forces such as the Service Center Implementation Team alive and well. The members of the Service Center Implementation Team, along with other similarly created task forces, are being negatively impacted by their own agencies as well as by associate agencies. The members of the Service Center Implementation Team were detailed from their current jobs and represented their agencies on this task force. They have been told by their own agency officials and others that they will be demoted when they return from their detail. How can employees serve effectively on a special assignment such as the Service Center Implementation Team and still attempt to follow the commitments made to the American Public by the President and the current Administration regarding the reform and reinvention of government? This sends a clear signal to all of our employees (both in the field and in Washington), to our rural customers, and to the taxpayer that USDA agencies are really not serious about the reorganization and its Service Centers. We ask that you look into this matter and make sure that this task force and other special groups similarly committed to the success of our USDA reorganization survives and continues in the true spirit and capacity in which they were originally created.

To accomplish this, we suggest that the Service Center Implementation Team with its members in Washington, be placed on a long term permanent appointment to this task force. The team should be made accountable and directly responsible solely to the Secretary of Agriculture and not to the respective agency heads.

This would eliminate and avoid the constant harassment and threats received by the task force members by agency heads and officials. This would also provide the backing that the Service Center Implementation Team employees must have that would prevent the recommendations being made by this group from being "watered down" by agency heads and officials. Currently the recommendations made by this team are not properly being presented in their true form and spirit to the proper officials. We ask that you strongly consider our recommendation. Unless something is done, our USDA reorganization will have been in vain and the original intent and goals of this USDA reorganization and reinvention will never be met. The American taxpayer and more especially our Rural Customers and federal employees will again be burdened with an unnecessary expense and non-performing agency. Our USDA agencies will once again not succeed in meeting the needs of our customers -- Rural America.

Mr. Leon P. Panetta and Mr. Robert J. Nash

Service Center Implementation Team

October 23, 1996

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We also ask that a personal meeting be scheduled to meet with us and the other members of the Service Center Implementation Team to discuss these matters in more detail and present solutions to the problem. We suggest that this meeting with you and other key officials (Whitehouse and Agency) be scheduled for January 7-8, 1997 in Washington, D.C. We would prefer an earlier meeting day if possible, but we realize and understand that your schedules are very full at this time. If your schedules should permit an earlier meeting date appropriate arrangements can be made by us and the Service Center Implementation Team.

The unions want to work with the Administration and fix the problems now occurring within the USDA reorganization. We want the reorganization and reinvention process to be a success and to meet its original intent and goals. Hopefully, with your support and assistance it can and will be done. Our federal employees and union representatives are 100% committed to a successful USDA reorganization. Without your support it may be necessary to seek assistance from the Senate Agriculture Committee and other key Congressional groups.

If you have any questions or comments, please direct them to Don Gearing of the Farm Service Agency in Washington, D.C., our union point of contact. Don can be reached at 202-720-3691. He will be able to secure any additional information that you may desire or if you have any questions Don will be able to provide the necessary answers. Arrangements for our proposed meeting in January concerning meeting times, travel, and accommodations can also be made through Don. Please note that our union representative from Oregon has recently taken a position with another federal agency and we are currently in the process of appointing a replacement.

Sincerely,

Mary C. Moore

MARY MOORE
AFGE Local 3499
Colorado

Teressa D. Bonaduce

TERESSA BONADUCE
NFFE Local 108
Arkansas

G. Lance Smith

G. LANCE SMITH
NFFE LOCAL 571
TEXAS

Clyde W. Evans

CLYDE EVANS
AFGE Local 2831
New Jersey

Tom D. Rogers

TOM ROGERS
NFFE Local 1585
Montana

Thomas Mazerbo

TOM MAZERBO
AFGE Local 2831
New York

(vacant)

NFFE Local 7
Oregon

cc: Al Gore - Vice President of the United States, Washington, D.C.

Don Glickman - Secretary of Agriculture, Washington, D.C.

Greg Carnill - Chairperson of the Service Center Implementation Team, Washington, D.C.

Elizabeth
 "Is there anything
 in this?"
 Elena
 in Prison

Inmate Accused of Collecting Internet Child Pornography

By NINA BERNSTEIN

In a Federal grand jury indictment unsealed yesterday, a Minnesota prison inmate has been charged with conspiring to collect and trade child pornography via the Internet using a prison computer.

The inmate, George G. Chamberlain, 57, is a convicted pedophile whose role in the prison computer operation was reported in a front-page article in *The New York Times* on Nov. 18, 1996. The article dealt with a list of thousands of children that had been secretly compiled, annotated and stored along with a cache of child pornography in the prison computer used by Mr. Chamberlain.

The list of children does not figure

A case that raises extraordinary issues, prosecutors say.

in the indictment handed up by the Minneapolis grand jury, but it will be used as evidence in Mr. Chamberlain's trial, said a source close to the investigation who spoke on condition of anonymity.

The two-count indictment says that as early as January 1994, while he was a prisoner at the Minnesota Correctional Facility at Lino Lakes, Mr. Chamberlain used a prison computer and the Internet to obtain child pornography, used E-mail through an anonymous retelling service in Finland to discuss with others how to avoid detection, and possessed an optical disk containing 247 visual depictions of minors engaged in sexually explicit conduct.

"This case raises extraordinary and timely issues," United States Attorney David Lillehaug said yesterday. "The idea that a prisoner had this kind of access to the Internet, and was able to collect explicit child pornography and communicate with others on how to hide it is almost unbelievable."

Mr. Chamberlain has been in prison since 1979, but his adult history of sex-related felonies began when he was 18 and spans a 20-year period punctuated by prison terms in three

states and six failed attempts at treatment, according to court records. His youngest recorded victim was a 6-year-old girl. State law requires his release from prison in 2002, when he will have served two-thirds of his current sentence.

If convicted of the new charges, one count of conspiracy to distribute child pornography and one count of possession of child pornography, Mr. Chamberlain faces up to 15 years in prison, a \$250,000 fine or both.

After finding the pornography and the list of children, corrections officials brought him up on disciplinary charges, seeking to extend his prison stay. But Mr. Chamberlain denied involvement and blamed another inmate in the same prisoner-run computer programming and telemarketing business. An administrative hearing board found the case unproved.

Mr. Chamberlain has been the target of a Federal criminal investigation since the list and the child pornography were discovered during an outside audit of the computer operation in the fall of 1994.

"It takes a long time to detect and analyze a hard drive when one false move can destroy critical evidence," Mr. Lillehaug said.

In the aftermath of the article about the list, the Minnesota Department of Correction was flooded with inquiries from worried parents asking if their children were on it. Shari Burt, a spokeswoman, said. The department set up a toll-free number and took from 15,000 and 15,000 calls, she said.

Children on the original list were mostly from small towns in northern Minnesota. They ranged from babies one month old to children in their early teens, but most were girls between 3 and 12. The list contained such personal details as "latchkey kids," "cute" and "Little Ms. pageant winner," apparently compiled from local newspaper articles.

An additional list of about 3,000 children in the Minneapolis-St. Paul area, including street addresses, was discovered in January on the computer hard drive. The department notified those parents by letter, Ms. Burt said, and sent them material with tips on keeping their children safe. There is no evidence that the list was distributed by inmates over the Internet or any other way, Ms. Burt stressed.

U.S. Is Asked to Take New Steps to Prevent Mad Cow Disease

By MARIAN BURROS

WASHINGTON, March 27 — A coalition of consumer groups, veterinarians and Federal meat inspectors asked the Federal Government today to improve its meat inspection system and to take other measures to help prevent the spread of mad cow disease.

Earlier this year, the Food and Drug Administration proposed a ban on using tissue from animals that chew their cud — cows, sheep, goats, deer and elk — in animal feed. The

coalition asked today that hogs be added to that list. There is strong evidence that mad cow disease, bovine spongiform encephalopathy, spreads through contaminated animal protein. Mink are included in the ban because they have carried a similar ailment.

Hogs have been excluded because the Government says it has no evidence that the animals have ever had the disease. But the coalition says there is evidence that hogs can develop a form of the disease. The

Consumer Policy Institute of Consumers Union, part of the coalition, has asked the Government to institute the same kind of ban that is in effect in England: one that prohibits the use of protein from all mammals in the feed of any food animal.

No case of mad cow disease has ever been detected in the United States, but it has afflicted more than 140,000 cattle in Britain since it was discovered in 1986.

Thomas J. Budy, administrator of the Agriculture Department's Food

Safety and Inspection Service, said further measures were not necessary. He said that the agency was concerned about the possible risk in hogs used in feed but that there was "no evidence that argues for broadening what we are doing."

Dr. Stephen F. Sundlof, director of the center for veterinary medicine at the F.D.A., said the agency "would take the evidence presented today into consideration." The problem with a wider ban, he said, is that officials would have to find some way

to dispose of the animal renderings that are now used in feed.

In asking for a wider ban, Consumers Union and the Government Accountability Project, a Washington-based whistleblower support organization, cited evidence from 1979 suggesting unusual symptoms in the central nervous systems of young hogs. At the time, scientists were not aware of mad cow disease. But after the announcement by the British Government last year that there may be a link between mad cow disease and the human ailment Creutzfeldt-Jakob disease, which is always fatal, some Government scientists recommended a re-examina-

tion of the 1979 slides from the hogs. Although more recent readings of the slides have been inconclusive, experts in the field say that the evidence suggests transmissible spongiform encephalopathy. The coalition also noted that mad cow disease had been experimentally induced in pigs. It is asking the Agriculture Department to conduct further research and to step up inspections at hog slaughterhouses.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 2/21

TO: *Bruce Reed*
T.J. Glavin

FROM: Staff Secretary

Sylvia wanted you to be
sure to see Sec'y Glickman's
follow-up to Cong. Norwood's
letter.

Phil Capron



THE SECRETARY OF AGRICULTURE
WASHINGTON
20250-0100

'97 FEB 15 PM 3:36

February 12, 1997

MEMORANDUM TO THE PRESIDENT

From: Secretary Dan Glickman

Subject: Seasonal Base Plans for Southeast Dairy

I read Congressman Norwood's letter to you on seasonal base plans in Federal milk marketing orders and want to let you know the background and status of this issue.

The authority to operate these plans, which reward producers for shifting production from the spring to the fall, when milk is often in short supply, expired on December 31, 1996. We fought to extend the authority in the 1996 Farm Bill as well as in our appropriations legislation but were unsuccessful. Efforts to extend this authority in the FY 1997 omnibus appropriations measure also failed.

We will seek legislative authority again this year. Usually, the Department must conduct rulemaking before it implements changes in Federal milk orders. However, we have drafted our current legislative proposal so we can simply reinstate the previous seasonal base plans without going through a new rulemaking and thus avoid any delays. The proposal is in the clearance process and will be sent to Congress as soon as possible.

Senators Cochran, Coverdell, and Helms recently introduced legislation, S. 277, to accomplish the same outcome as the Department's proposal. While the Department has not taken a position on this legislation, we would be able to support it if some technical changes are made so that it achieves effectively the desired result. We will be providing Senator Cochran with these changes. Congressman Norwood has indicated that he wants to introduce a similar bill, and we will provide him technical assistance.

The Administration supports seasonal base legislation because it encourages stable milk production and results in higher dairy prices for dairy producers in marketing orders with seasonal base plans. Five marketing orders in the following 16 States had seasonal base plans at the end of 1996: Pennsylvania, Delaware, New Jersey, Maryland, Virginia, North Carolina, South Carolina, Tennessee, Kentucky, Indiana, West Virginia, Georgia, Alabama, Mississippi, Louisiana, and Arkansas. Dairy producers in the following 9 States market milk to handlers who are regulated under these orders: Missouri, Vermont, Ohio, Texas, Illinois, Michigan, Florida, New Mexico, and Oklahoma. There is strong interest in reinstating seasonal base plans because many dairy producers in these States were expecting the higher returns received under a seasonal base plan. The lapse of these plans is creating financial hardship on these producers.

Administration support of this legislation would be well-received by the States that have had seasonal base plans in their milk marketing orders. However, Congressman Stenholm, ranking Democrat on the House Agriculture Committee, has not supported legislation to extend the seasonal base plan authority in the past. While seasonal base plans do not have any adverse effect on dairy producers in other regions of the country, these regions, particularly the Midwest, have not supported such legislation, and are likely to object to the Administration's legislative proposal.

I will keep you posted on our efforts.

*New rule
checked
out*



THE PRESIDENT AND SENATE
2-6-97

HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

CHARLIE NORWOOD
10TH DISTRICT
GEORGIA

February 5, 1997

The Honorable William J. Clinton
1600 Pennsylvania Avenue
Washington, DC

Dear Mr. President,

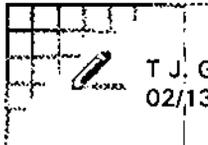
Last fall the milk excess base plan expired. This will have a significant negative impact on dairy farmers throughout the southeast. I would appreciate any help that you might be able to provide. Secretary Glickman can certainly provide you further information on the subject.

I look forward to working with you in the future. If there is anything I can do for you, please do not hesitate to let me know.

Sincerely,

Charlie

*Mr. Bennett and Mr. Okey did this
on the last vote of the 104th. It was uncalled
for and punitive, to say the least!*



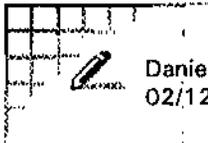
T J. Glauthier
02/13/97 07:41:11 AM

Record Type: Record

To: Sylvia M. Mathews/WHO/EOP, Bruce N. Reed/OPD/EOP, John L. Hilley/WHO/EOP
cc: Franklin D. Raines/OMB/EOP, Jacob J. Lew/OMB/EOP, Rebecca R. Culberson/OMB/EOP
Subject: Request for Information on Dairy Prices

Sylvia, the attached email responds to the question you raised earlier this week about dairy prices. This was a response to a comment from Rep. Norwood to the President. If you need additional information, please give me a call.

----- Forwarded by T J. Glauthier/OMB/EOP on 02/13/97 07:35 AM -----



Daniel D. Heath
02/12/97 06:17:55 PM

Record Type: Record

To: T J. Glauthier/OMB/EOP
cc: Ronald M. Cogswell/OMB/EOP, Mark A. Weatherly/OMB/EOP, Alecia Ward/OMB/EOP
Subject: Sylvia Mathews' Request on Dairy

The President has requested background on Rep. Norwood's comment to him that a "milk excess base plan" would have a positive impact on dairy farmers in the Southeast U.S. Mr. Norwood is urging legislation to reinstate a provision that expired last year. (I'm sending you a copy of his letter to the President.)

The comment reflects a broad and perennial dairy industry theme, dissatisfaction with the Federal pricing of dairy products. It is provoked by the 25 percent decline in prices from September to December 1996. (The 1996 annual average price was a record high, and even after the drop prices remain above levels of most years and recently have risen.) The price swings resulted from market forces (high feed prices, and farmers' responses), but the Federal milk pricing regime is seen by the dairy industry either as the underlying problem or the solution to disenchantment with prices.

More narrowly, the "milk excess base plan" refers to a former scheme in the Federal marketing order system for the Southeastern U.S. to smooth seasonal swings in milk production and corresponding price and income effects of the milk price cycle. This "seasonal base plan" paid farmers higher-than-normal prices throughout the year for a "base" level of production established in the months of short supply, but paid below-normal prices for "overbase" production in the flush months. The effect was to generate more milk in the Southeast from local supplies in the short supply periods, and to boost incomes for Southeast dairy producers. The scheme was authorized in past farm bills, was officially supported by the Administration in the 1996 Farm Bill deliberations,

Many dairy producers are concerned about the recent decline in milk prices, and Secretary Glickman has suggested that the issue may be raised during the National Governors Association meeting. Despite reaching record highs during 1996, milk prices declined sharply in the fourth quarter. The price of 40-pound blocks of cheddar cheese on the National Cheese Exchange, for example, fell by 30 percent between early October and mid-December. Over the past few weeks, milk prices have strengthened -- but dairy state Governors, Senators, and Members of the House are still pressing for Administration action. The Department of Agriculture has taken several steps to strengthen milk prices, as described below, but has resisted establishing a price floor as some dairy interests are advocating. A price floor would be incongruous with the Congressional mandate embodied in the Farm Bill, and would pit regions against each other since some are disadvantaged by price floors.

Q: What are you going to do about milk prices? Are you willing to establish a Floor price for milk?

A: I am aware that milk prices declined sharply at the end of last year, and that the Department of Agriculture has already taken several steps to strengthen milk prices, including:

- Purchasing \$5 million worth of cheese for use in domestic food assistance programs, in addition to the accelerated school lunch purchases already underway;
- Stimulating exports by reactivating the Dairy Export Incentive Program for butterfat, which has been idle since mid-1995; and
- Working with private voluntary groups to boost the flow of dairy products into international food assistance programs

In addition, Secretary Glickman announced on January 29 that he is taking steps to address concerns raised by dairy producers about how milk prices are calculated.

I also understand that prices have strengthened in recent weeks. So I hope we can continue to work together to address the concerns that have been raised.

[If pressed on a price support: As instructed by Congress in the Farm Bill, we are moving away from price supports and toward a consolidation and reform of the federal marketing order system. Milk pricing is complicated and has been subject to extensive government intervention over a long period of time. The Farm Bill instructs us to reform this entire pricing system, and it's best to consider any proposals for a price floor within the context of reforming the federal marketing order system. I am confident that Secretary Glickman will continue to work with the industry to address your concerns in ways that are consistent with the thrust of these reform policies.]



THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

October 13, 1995

Bowie Reed

MEMORANDUM TO ~~██████████~~

FROM DAN GLICKMAN

RE: FOLLOW-UP TO OUR MEETING REGARDING CONCENTRATION ISSUES

*Fda.
Agreement
Bowie -
Will you
look at these
ideas to see
if any have
merit. Thanks
DGL*

The following briefly reviews the concentration issues that we discussed during our recent meeting. It includes a summary of ongoing Department of Agriculture actions as well as a review of the currently-identified options available to the President. The issue of "concentration" is a key source of contention and discord throughout U.S. rural areas, but particularly in the Midwest. Farmers and ranchers are deeply concerned that increased concentration has resulted in the control of marketing and transportation options by a select few, thereby restricting marketing alternatives and profit margins for farmers and ranchers.

I. IDENTIFICATION OF PROBLEM AREAS

We have identified several problem areas concerning concentration which relate to the Department of Agriculture.

-Packer Concentration

Packer concentration is a key concern to beef, pork and lamb producers. Although the primary media focus has been on beef production and to some extent pork production, all three species have been significantly affected by the reduction of the number of packinghouses in the United States. Extensive media attention has been focused on packer concentration and its possible negative impact on beef prices.

-Vertical and Horizontal Integration

Vertical and horizontal integration have significantly affected production agriculture, particularly hog and poultry production. Poultry production is already highly vertically integrated, but there are specific issues of concern such as farmer-processor contracting relationships and an increasingly limited number of processors with whom poultry growers can contract. Many claim that the pork sector is moving in a similar direction toward vertical integration as processors are perceived as relying more on contracting arrangements and/or larger hog operations rather than smaller producers. By providing a "captive supply", the growth of large operations is perceived by some as accelerating the movement toward vertical integration and the resulting demise of smaller independent producer family farms.

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Vertical and horizontal integration, as well as the trend towards larger operations have also had significant environmental impacts. The increase of large poultry and pork operations in states such as Iowa, North Carolina, Missouri and Minnesota have drawn extensive media attention and public concern particularly in regard to the impacts of these operations on air and water. While these States are trying to address these problems, the growing number of large operations remains controversial.

-Railroads

Farmers and local grain elevators are very concerned about the lack of availability of railcars for grain shipments in the Midwest states. USDA has a report that is ready to be released which indicates that railcar shortages can have a significant effect on the price farmers receive at their local grain elevator as well as impact U.S. competitiveness in the world market.

The agricultural community is also concerned with major mergers in the railroad industry. This concern is shared in many areas of the country besides the Midwest.

II. USDA ONGOING ACTIONS

-Packer Concentration Study

The Department is currently completing a statutorily mandated packer concentration study. It is expected to be ready for release by the end of the year. The study's broad objective is to examine causes and impacts of meat packing concentration. The study should increase the Department's understanding of the changes in the competitive forces in the beef and pork packing house industry, and improve USDA's ability to monitor the industry, thereby improving enforcement of the Packers and Stockyards Act. Preliminary results indicate that there will be insufficient data to identify packer concentration as the cause of falling beef and pork prices to producers. This outcome will be controversial and many will likely criticize the study for its failure to directly relate falling producer prices to increased packer concentration.

-Administrative Actions Against Packers

The Department recently filed an administrative action alleging a violation of the Packers and Stockyards Act against IBP, Inc., the largest packer in the country. The Department's action alleges that IBP contracting practices placed many ranchers at an unfair disadvantage because they were unable to receive similar contracts.

III. OPTIONS FOR THE PRESIDENT

-Establishment of A Concentration and Integration Commission

The President could direct the Secretary of Agriculture to establish a Commission to immediately investigate the identified aspects of concentration as well as vertical and horizontal integration. The Commission would be charged with specific duties and deadlines to ensure a meaningful and timely outcome. The charge would include a review of statutes, regulations and USDA policy guidance and recommendations.

Page Three

The thrust of the Commission would be to identify areas where the Department of Agriculture, or the federal Government, lacks the necessary statutory or regulatory tools to address the implications of concentration and integration on farmers and ranchers.

-Railroad Mergers

President Clinton could release USDA's study demonstrating the impact of railcar shortages on prices and competitiveness. This study is completed and ready for release. (It should be noted that a draft of the study was obtained by persons outside of USDA, and the study was the subject of one article in the Des Moines Register several weeks ago.

The President could also direct the Secretary of Agriculture to address agricultural transportation problems. This could begin by the Secretary hosting a roundtable with railroads, grain elevators, farmers, processors, and others to address short term problems. The outcome of the roundtable could be to establish an agricultural transportation advisory committee which would analyze the longer term transportation needs of American agriculture.

IV. ANTICIPATED ACTIONS

Senator Daschle is expected to introduce legislation on Wednesday, October 18 to direct the Secretary of Agriculture to establish a commission to immediately investigate packer concentration. Senator Daschle has indicated his support of the Secretary acting without adoption of the legislation.

During a speech before the National Press Club on Wednesday, October 18, I would indicate my growing concern about packer concentration and integration and the Department's intention to move aggressively to address these issues.

On October 20, President Clinton could then direct me to immediately establish the Commission. The President's direction would include additional details regarding the charge of the Commission and the timeframe.

RURAL
DEVELOPMENT
POLICY
PERSPECTIVES



**National Rural Development Consultation
Briefing Book**

**U.S. Department of Agriculture
Rural Economic & Community Development
March 1996**



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

April 22, 1997

TO: Bruce Reed, Director
Domestic Policy Council

FROM: Arthur Campbell, Deputy Under Secretary
Policy and Planning, Rural Development, USDA

RE: "A Report On Rural Policy And Strategy Development"

Attached is "A Report On Rural Policy And Strategy Development" completed after numerous consultations. The report is an initial attempt to present a framework for refining a long range national policy over the coming year. I am soliciting final comments from key individuals such as yourself, who have a strong interest in rural policy, and whose input into the final document I feel would be valuable.

I hope to finalize the report within the next few weeks and would appreciate your comments by Wednesday, April 30th. If you have any questions, or would like additional information, please feel free to call me at 202-720-4581, or my assistant Alicia Petersen at 202-690-0569.

A Report on Rural Policy and Strategy Development

April 1997

**US Department of Agriculture
Rural Development**

Send Comments to:

**Art Campbell
Deputy Under Secretary
Policy and Planning
Fax: (202) 720-2080
E-mail: acampbell@usda.gov**

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PREAMBLE

The United States Department of Agriculture (USDA) was charged in 1980 with leading the development of a national rural policy and strategy, and reporting annually to Congress on progress toward their implementation. During the ensuing years, various policy reports have been prepared, but none has comprehensively addressed the rural challenge, fully reflected the lessening role of agriculture in rural America, nor adequately defined ways of implementing policy. This report seeks to identify critical challenges to rural development, and emerging opportunities and policy directions for overcoming them. The report also proposes to refine the core policy directions which bear the greatest promise, and to build them into a national rural development strategy comprised of broad based state strategic plans, and a national strategic plan for delivering coordinated federal assistance to rural development.

The purposes of this report, therefore are: to set forth the broad outlines of a national rural policy; to provide a framework for enhanced intergovernmental coordination towards its implementation; to communicate to the Congress and other policy makers key problems and challenges facing rural America; and, to provide a process for refining the policy positions and for developing a national strategy to implement the policy.

The report draws upon consultations with a broad range of private and public sector individuals and institutions including representatives of private foundations, universities, community-based non-profit organizations, private companies, state and local officials, and various departments of the federal government (see Appendix - A, Summary of Consultation). The report also draws upon input from six rural forums held by USDA Secretary Dan Glickman in the spring of 1995. Emerging from these consultations were the following themes:

- Rural development must be driven by local initiative, visioning, and planning
- The Federal government should facilitate empowerment of local initiative
- Increased flexibility and authority are needed to tailor federal programs to local conditions and needs
- Accountability in the development process is essential
- Collaboration and coordination are needed to expand capacity
- Rural development potential is limited by lack of capacity
- Fragmentation of Federal effort limits its effectiveness
- Targeting of scarce resources is needed to obtain desired results
- Lack of equity capital and business expertise are barriers to economic development.

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INTRODUCTION

Most observers will agree that no coherent national rural policy exists, but that significant changes in rural America -- in agriculture, in its demographics, in its development patterns, in its economy, and in the adequacy of present policies and programs to effectively address this new reality of rural America -- almost demand such a national policy. As times and conditions changed, policy changes emerged, albeit not comprehensive policy, in legislation such as the 1996 Farm Bill which provided state directors of USDA Rural Development with greater flexibility in determining how to spend nationally allocated resources, and in administrative procedures. But the rural policy and program architecture and structure are so antiquated, nothing short of a major revamping of policy, it appears, will have much impact.

This report seeks to sketch the broad outlines of a national policy with the understanding that its details must be filled in by the people and institutions of the country, if it would reflect understanding and uniqueness of regional character and state and local capacity. Therefore this report starts a process that is to be completed by a national intergovernmental, public and private effort to refine the policy and then set forth strategies to implement it. The object of this follow-up process is to blend the resources and capabilities of the public and private sectors, and to place those in the service of a grand vision of rural America, enunciated and embraced by a broad spectrum of the country.

THE CHALLENGE

The challenge in addressing the needs of rural America is twofold: first to identify the significant problems in rural areas which must be addressed to assure emergence of vibrant rural communities and sustainable development activities; and second, to establish a national, state and local strategy driven by consensus from the public and private sectors.

Consultations have concluded that the most significant problems are a lack of leadership, resources, and consensus at the federal level and a lack of appropriate institutional structure and capacity at the local level to deal with the following types of problems and challenges:

Poverty Level Income

Poverty income correlates with low educational attainment and high inability to afford such basic requirements as housing, potable water and sewer.

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health care and educational opportunities. And, low educational attainment limits earning potential. The market does not provide basic services to households unable to afford them. Costly governmental subsidies are needed to induce the market to provide affordable housing and other services. With the steep national debt and growing budgetary concerns, resources to offset the inabilities of poverty are shrinking. To ameliorate the adversity of poverty level income people must be helped to help themselves by improving the rural economy and the educational attainment of workers.

Infrastructure and New Technology

Infrastructure development in rural America is a challenge because of distance, density and economies of scale. Rural America has 80% of the land mass and 20% of the population. Generally, economies of scale drive market forces to invest in urban and suburban areas. A well functioning infrastructure network (transportation, water and waste, telecommunications and other public facilities) is critical to attracting investment capital, and is a critical component of rural economic development.

Local Capacity

Density, scale, and absence of development infrastructure make it difficult for rural needs to be addressed by market forces. Community based and voluntary institutions where they exist, are small with limited missions. Most lack the professional capacity, funding or technical knowledge to advance community economic development. Limited access to information and poor leadership skills act as barriers to effective rural development.

Special Issues/ Sub Regions

Regional differences make designing national programmatic solutions difficult. Pronounced differences now exist among regions. The south

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suffers from high rates of poverty and low educational attainment; the Great Plains from out migration and job loss; and the Northwest from sensitivity to depletion of natural resources.

Crafting national policies and strategies to aid rural development within regions, while supporting national interests, is a difficult policy challenge.

Developing Institutional Consensus

Fragmentation of responsibility for rural issues and different perspectives on rural problems make institutional consensus hard to achieve, especially within the federal government. Because rural development programs are administered by governmental institution with more dominant agendas, they may not get concentrated attention from policy makers. Also the interconnectedness of issues is not readily seen when those issues -- health care, social security, and education, for examples -- are outside of the purview of a given institution with a limited rural focus, such as the Congressional Agriculture committee.

A VISION FOR A NATIONAL RURAL POLICY

Rural policy should articulate a vision of the ideal common good for rural America that is believable and shared by a wide range of Americans. Its practical objective is to develop sustainable rural communities where rural citizens can live a good and prosperous life. Achieving this objective requires wise use of natural resources; using knowledge, capital and labor to add value to raw agricultural crops; more effective education and technical preparation of the people of rural America; expanding economic and trade opportunities; and, strengthening the capacity of local communities to, in partnership with the federal government, continue development over time.

The elements of a vision include:

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Strategic Processes For Implementation

Rural policies should guide development and implementation of rural strategic plans. Funds and resources allocations should support projects and strategies envisioned in such plans. Investments will be made primarily in building local capacity rather than just using subsidies to temporarily ameliorate adverse conditions. The Federal government will help facilitate development and tailor resources to local needs to the maximum extent possible, while preserving national interests.

Community Empowerment and Self Reliance

Rural policy will be vested in the ideals of self reliance and empowerment. It recognizes that local civic capacity and participation of community residents are indispensable to sustainable development. Rural policy envisions a partnership with people in rural communities that shifts the focus of governmental assistance programs from government compliance and procedures to meeting the developmental needs of rural people and communities. Federal policy supports the development of local leadership with strong technical skills to build local capacity. This policy seeks to find ways of moving rural communities from competition to cooperation.

The New Technological Revolution

Rural policy acknowledges the importance of new technology to rural American's access to information, new educational approaches and the delivery of services, such as health care. Our policy is to increase access to critical technology for all rural residents. It emphasizes the importance of education and leadership development through greater use of programs such as distance learning through institutions such as secondary schools and community colleges.

We must rethink what rural America should become. In rural America, neither governments, nor market forces nor the voluntary non-profit sector can alone create the basic opportunities required for a good and fulfilling life. Ideal rural development will require a spirit of collaboration, cooperation and shared responsibilities.

EMERGING POLICY DIRECTIONS

Historically, government has provided assistance to rural areas through categorical programs aimed at such issues as health, housing, transportation, and veterans' affairs. Legislation beginning in 1972 and running through the 1996 Farm Bill has attempted to provide a more

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comprehensive and collaborative approach to rural development.

Recently, federal policy sought to operationalize the ideal of empowerment through the Empowerment Zones and Enterprise Community program. Other federal policy adjustments are emphasizing making the federal government serve rural communities better. Out of the budget crunch arising from federal deficits, more attention has been given to achieving impact without increased spending. Increasing private sector participation, targeting resources to geographic areas and populations with special needs and conditions, and investing limited federal dollars with a greater sense of strategic direction have emerged as sensible approaches. The 1996 Farm Bill in fact required USDA Rural Development to develop state strategic plans for the delivery of its resources within each state.

The dominant policy directions emerging from recent years are: empowerment of local initiative, flexibility in delivery of federal programs, increased use of public-private partnerships, targeting of federal resources to areas with special needs and conditions, and more attention to alternative uses of agricultural crops as a base for rural economic development. These policy notions are viewed as the core of a rural policy framework and are discussed in more detail below.

POLICY DIRECTION: AUTHORITY, FLEXIBILITY, LOCAL CAPACITY, AND EMPOWERMENT

Although not always done effectively, it is commonly agreed that successful rural development requires the initiative of local people and communities. Local initiative implies local commitment, long range focus, community visioning and ownership. Empowerment involves people and communities developing the capacity to help themselves.

But the local capacity in many poor areas of rural America is weak and largely underdeveloped. Small communities, without full time development staff or resources for consulting assistance, often cannot effectively compete in the grant application process. Another disadvantage is often the lack of effective local leadership. Such needs have been recognized as significant barriers to development by rural residents themselves.

POLICY: The policy will be to deliver all programs and

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assistance in ways that support empowerment of rural people and communities. In the awarding of federal resources, administrative priority will be given to communities who demonstrate that projects for which funding is sought, are based upon local plans prepared with input and guidance from a broad and diverse section of the local population. Innovative actions will be undertaken to assure the easiest possible access to federal resources by rural people and institutions.

Federal staff will be required to engaged local initiative and will be evaluated on how well they work to provide funding to implement projects that are part of local plans. Federal resources will be invested in projects with the greatest potential for sustainability. The federal government will package resources to address local capacity needs, as well as the cost of specific infrastructure projects. In all aspects of rural development, the policy will be to conduct training and skill development exercises that involve non-federal government people from the public and private sectors. This cross-entity training should increase understanding among the different sectors and promote wider cooperation, collaboration and partnering.

CURRENT EFFORTS:

The major federal empowerment effort underway is the Empowerment Zone and Enterprise Community (EZEC) program. To apply for designation communities were required to develop strategic plans with input from a cross-section of local citizens. Early indications are that the federal requirement that all segments of the community work together is having a positive benefit on the community. People have developed greater understanding of their communities and are developing leadership skills by participating in the process.

USDA Rural Development proposes to distribute its funds pursuant to the Rural Community Advancement Program (RCAP) provision of the 1996 Farm Bill which provides local flexibility to better match up the expenditure of resources with local needs. This flexibility increases the federal ability to respond positively to local assessment of needs and thereby

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increases the empowerment of rural people and institutions.

STRATEGY:

Extend to state and local governments the authority to make substantive decisions, and the flexibility to tailor development efforts to address unique local needs and conditions.

Invite rural residents into training and skill development exercises conducted by the federal government.

Revise grant and loan application requirements to minimize the application burden placed on rural communities. Develop a computer-based system to achieve the virtual consolidation of all rural development programs and make the system accessible to rural communities, possibly through community colleges and secondary schools.

Develop a federal strategic plan for federal government -wide delivery of resources to rural communities. This plan will address issues such as: single applications, management of projects by a single federal agency involving multi-agency funding, and technical issues such as a single environmental review. Preparation of this plan should help increase cooperation and collaboration among federal agencies in program delivery, which should help mitigate the burdens small communities experience in applying for federal resources.

Additionally, we will:

- Encourage flexible local plans tied to partnerships and collaborations
- Commit to support and facilitate local initiative by providing technical assistance and training
- Promote skill transfer and the sharing of technical expertise among communities
- Simplify loan and grant applications
- Encourage decision making for project development and implementation at the local level
- Draw on the EZ/EC model to engage, empower and enable rural communities

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- Promote and require broad based plans which are agreed to by all Federal rural agencies, and
- Encourage local institutional development and leadership

POLICY DIRECTION: COORDINATION, COLLABORATION AND PUBLIC/PRIVATE PARTNERSHIPS

Small models of operation are cropping up here and there within the federal government. Numerous public- private initiatives are providing affordable housing and assisting with community economic development. These, notably, involve banks, foundations and private corporations. These partnerships usually focus on a societal need and bringing business pragmatism and know how to its alleviation. The objectives include a mixture of altruism and recognition that strong communities make for stronger markets.

The Pacific Northwest Timber Initiative involved coordination among government agencies to help this region make adjustments to the local economy caused by restrictions placed on the harvesting of timber in the area. Through regular communication over proposed development initiatives the agencies were able to successfully blend financing to quickly get projects under way. The mere identification of projects allowed the agencies to spot ways of participating in deals brought to the collaboration table.

POLICY: The policy in the delivery of federal resources is to have a designated agency take the lead on rural projects where funding is coming from multiple federal agencies, to arrange federal participation and to minimize the burden on the applicant to package similar resources from different agencies.

The federal government will identify and eliminate barriers to the coordinated use of federal programs.

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The federal government will encourage local communities to work across political boundaries to create local strategies for broader geographic areas so as to mitigate obstacles to rural development such as sparse population, small markets and limited management capacity within local governments. The policy objective is to create critical mass for development through cooperation on a larger scale.

The policy is to build incentives into federal funding decisions, first, and later requirements, for local and sub-state strategic planning with broad-based participation from the public and private sectors. One objective of this policy is to promote broadening the base of investment finance beyond public sources to include private wealth.

CURRENT EFFORTS:

A well documented history has been established describing the fragmentation of federal development efforts. The Report of the National Performance Review recognized the importance of collaboration and suggested increased emphasis on intergovernmental collaboration.

The Empowerment Zone/Enterprise Community (EZ/EC) program is revealing considerable energy and force from a ground up, locally led planning and development process. Numerous reports indicate the EZ/EC communities have uncovered a strong civic resolve from the required collaborative strategic planning process that did not previously exist. Applicant communities not receiving designations as EZ/ECs are having success in implementing their strategic plans.

The United States Department of Agriculture's Rural Development Action Team, (REDAT), which is comprised of representatives from all USDA agencies has a mission to improve program delivery of the Department's resources through improved collaboration and cooperation.

The consultation process of preparing strategic plans followed by USDA Rural Development has laid the groundwork for increased collaboration and partnering. This planning served as an interactive tool for USDA to get exposed to new ideas and establish the beginnings of new partnerships.

STRATEGY:

In the distribution of federal funds , to the maximum extent that

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current law allows, give priority consideration to projects that include partnering, leveraging of resources, collaboration and cooperation.

Pursuant to the requirements of the 1996 Farm Bill, establish an interagency working group to establish and manage rural policy and coordinate all federal rural development efforts. Such coordination could potentially lead to uniform program applications and expedited access by communities to all federal agencies.

Continue and expand USDA strategic planning, to better engage state and local entities in its enlargement, refinement and implementation.

Facilitate local community economic development by bringing together local stakeholders and the various sources of resources, to plot development strategy. Early federal involvement can maximize the impact of federal investments by assuring that local strategies understand federal priorities, goals and objectives.

- Commit Federal resources to encourage strategic planning and to engage local communities in collaborations.
- Provide incentives for partnering and resource leveraging.
- Provide technical assistance to rural development initiatives in the early stages of collaboration
- Rewrite legislation and regulations to permit the use of loans and grants for project pre-planning and development expenses

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POLICY DIRECTION: ENTREPRENEURIAL GOVERNMENT TO AMELIORATE BUDGET CONSTRAINTS

Adding to this dilemma is the realization that most federal programs are designed to address very specific problems, but are not as effective in the comprehensive assistance needed to eliminate structural problems brought on by decades of poverty and other disadvantaging conditions.

The Administration's National Performance Review clearly articulates a mandate for reinvention. Government must review its processes, abandon those that are outmoded or irrelevant, and adopt modern business practices. This also means empowering managers to manage their resources and be held accountable for results. Similar themes are apparent in the Government Performance and Results Act (GPRA). In different ways, the Administration, Congress, and rural stakeholders are saying that government should act more entrepreneurial.

POLICY: As a matter of policy, USDA, the lead rural development agency, is reshaping its business processes to become more of a development agency rather than just a provider of loans and grants. Employees' performance will be evaluated on how well they actively assist local communities with development as well as manage risk associated with loan-making.

CURRENT EFFORTS

The private sector and some state and local governments are modernizing their operations by empowering smaller units, identifying and listening to their customers, and setting goals that can be measured. The federal government is actively moving into this new field in a search for ways to more effectively utilize resources.

Over the last ten years private, non-profit philanthropic organizations have markedly changed their approach. A stricter,

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business-like discipline has been adopted and applied. "Tough minded" philanthropy has taken root regarding private non-profit organizations. More attention is now paid to the preparation for "development readiness" in communities. There has been a recognition of the importance of soft, up front money in assisting communities in this preparation for development. Now, as a result, scarce capital funding is being used more wisely. There is an emphasis on partnering and bringing multiple participants into a project. Leveraging of funding is essential. This community based, private sector approach is showing remarkable successes

STRATEGY:

Expand and reward the development by federal personnel of innovative partnerships with the private sector, to provide basic services and development opportunities to rural communities.

Establish management tracking procedures to assure that outcomes desired are obtained.

Build in greater flexibility into management procedures to allow focus on obtaining the desired end product instead of slavish adherence to bureaucratic process.

Train employees in the elements and process of comprehensive rural development to demonstrate how infrastructure programs connect to and serve a comprehensive rural development strategy.

Revamp program procedures to eliminate, to the greatest extent practicable, barriers to entering into partnerships with potential private sector partners.

POLICY DIRECTION: TARGETING ASSISTANCE TO AREAS OF SPECIAL NEEDS

A variety of rural areas have special needs that current programs, procedures and approaches do a poor job of reaching. Some of these have intractable poverty, which has not abated over the years in spite of extra federal focus to relieve it. More than five hundred counties have remained persistently poor with a poverty rate of twenty percent or higher over several decades. These areas have infrastructure needs greater than many other rural areas, but also have the least local institutional capacity to develop viable

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strategies to arrive at solutions.

POLICY: The policy is to target loan and grant resources to areas of special need as a way of bringing concentrated attention to chronic conditions which refuse to yield to normal activity.

Demonstration projects involving the private and public sectors will be organized to address selected areas with special needs. The intergovernmental working group will manage the coordination of federal resources to these areas to maximize the impact of federal investments.

CURRENT EFFORTS:

Aside from the rural EZEC program, water and sewer loans and grants are targeted to Colonias, impoverished communities occupied by Mexican-Americans, which are situated along the border between Mexico and America and to native Alaskan villages.

USDA Rural Development acting through a cooperative agreement with the Housing Assistance Council (HAC) is working to prepare a strategic action agenda to address the colonias problem as well as those of the Lower Mississippi Delta region. Two private sector entities, Bank of America and the Ford Foundation, have joined USDA in this partnership to provide funds to prepare the action agenda. Valley Interfaith, a Texas-based non-profit community organization, is leading the planning effort in Texas. The objective of this effort is to structure new approaches and financing arrangements to these chronic poverty-based conditions.

STRATEGY:

Set aside targeted funds for poverty concentrated areas as well as other areas with special needs. Enter into partnerships with private sector institutions to bring comprehensive development assistance to these areas to augment federal resources.

Work with local communities, directly and through cooperative partners, to encourage wider collaboration within states to achieve results within targeted areas. Through the interagency working

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group package federal assistance to fund development strategies prepared for these areas. Convene sub-state regional and state public and private entities to help design and implement such strategies.

Coordinate research from the public sector to help identify market options for targeted areas that are viable and sustainable.

POLICY DIRECTION: AGRICULTURE - MARKET ORIENTATION

Over the last 40 years farming employment fell from almost eight million workers to just over three million. The number of farms declined from 5.8 million to 2.1 million. Rural area employment is now dominated by the service sector, as services account for 50.6 percent of rural workers while farming accounts for only 7.6 percent.

But the agriculture sector remains an integral part of rural communities and the American economy. Agriculture is a significant part of U.S. trade markets, contributes to the health and welfare of many underdeveloped countries and supports a number of nutritional programs that provide a healthy, nutritious food supply to the needy in the U.S.

Welfare Reform, changes in Farm Price supports, shifts in the rural employment base and in population distribution will significantly alter the role of agriculture in rural America.

POLICY: The policy will be to maximize the use of research and technical assistance to develop marketing alternatives to offset fluctuations which may occur in farm income due to the impending cessation of price supports.

CURRENT EFFORTS:

The Federal Agricultural Improvement and Reform Act of 1996 (FAIR Act), represents a marked change in Federal production agriculture policy. This act accelerates the reduction in Federal government influence over agricultural production and prices. It supports the trend in making agriculture more responsive to global market forces. Specific agricultural sectors, including sugar,

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peanuts and milk, will be dramatically affected. Price support programs that have been in effect since the 1930s are being removed. Over time there will be an increase in the volatility of farm sector incomes. Farmers will be free to make their own decisions over the best allocation of resources to maximize their incomes.

STRATEGY:

Promote agricultural exports and provide information on risk management techniques and opportunities to assist the transition of agriculture to a market orientation. Actively develop foreign market opportunities in under-marketed areas such as Africa. Develop a clearinghouse for foreign market information to match new market leads with potential domestic suppliers. Undertake a concentrated initiative to persuade farmers of the need to understand and use modern risk management practices.

- Continue efforts to uncover and expand foreign markets
- Continue to promote international trade, breaking down protectionist barriers
- Create a central clearinghouse for international agricultural trade opportunities
- Provide technical assistance concerning risk management tools and techniques
- Ensure that strategic planning recognizes the important role that agriculture holds in specific small communities and regions.

We propose to evolve these policy directions into a national rural policy and a national strategic plan for rural development comprised of individual state plans and a national plan for the federal government to engage and work with the intergovernmental and public-private initiative reflected in these plans. By bringing people from all walks of rural life into the strategy development work, we believe that the likelihood for engendering broad support for the policy is increased; but more importantly, the chances for implementation are enhanced.

We envision the work outlined in the section below being undertaken over the next twelve to twenty-four months.

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FRAMEWORK FOR A NATIONAL RURAL STRATEGY

A national rural strategy means that all of the country is covered; it does not mean that it is drawn at the national level. We propose a national strategy comprised of individual state strategies laid out in state plans for rural development, drawn up with broad-based public and private participation, and relying for implementation on a collection of partnerships and funding strategies involving the public and private sectors. State strategic plans drawn up by USDA Rural Development would be linked with these plans. These plans should reflect regional differences, local flavor, and solutions carefully tailored to local character and uniqueness.

We call for and will vigorously support the following actions:

STRATEGIC PLAN FOR FEDERAL ASSISTANCE

A strategic plan for a comprehensive intergovernmental collaboration to support rural development prepared by a working group convened jointly by the White House Domestic Policy Council and USDA

PRINCIPLES:

Sustainability should drive all rural development efforts

Federal program procedures should be adjusted to encourage private participation with government in developing rural solutions

Federal rural assistance programs should be virtually consolidated through the use of computer technology, to the extent that accessing and using the programs place no undue burden on potential applicants

Federal agency jurisdictions over rural assistance programs should be rendered transparent to rural residents and institutions who use these programs

It is desirable to alter the federal program mechanism to better support development strategies that deal comprehensively with a broad geographic area as opposed to just supporting projects, one at a time

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Local strategic plans help provide many of the elements required for locally driven sustainable rural development

Public/private support of local community strategic planning involving sub state planning districts, national and regional intermediaries, private foundations, and local governments is desirable.

ACTION: The Secretary of Agriculture will convene an interagency- working group to provide guidance and support to refining, managing and implementing rural policy. The working-group will be tasked with the responsibility of developing the strategic plan for federal assistance to rural development.

BROAD BASED STATE PLANS

States shall develop broad based state plans for rural development prepared with broad participation from the public and private sectors.

These plans should be holistic, encourage flexible approaches, allow communities to craft their own solutions, widen the focus of rural development from just agriculture to natural resources and the environment and the non-farm economy, and involve the public and private sectors in their preparation.

PRINCIPLES: State plans should be linked to federal rural development plans for the state.

Rural programs should be flexible and should allow communities to craft their own solutions.

Rural development efforts should emphasize natural resources and the environment as well as agriculture

Resources should be targeted to sustainable projects which are supported by careful assessment of needs and which support federal policies.

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Multi-county collaboration should be encouraged

Government Performance and Results Act (GPRA) requirements which emphasize selection of the most important task and obtaining the desired outcome should be adhered to.

Outreach and technical support from universities, State Rural Development Councils, Councils of Government, and USDA Extension Service should be encouraged.

ACTION: The Secretary will issue a call for the development of plans for rural development to the states and offer the assistance of federal offices and the Rural Development Councils to facilitate their development.

NATIONAL RURAL DEVELOPMENT PILOT INITIATIVE

Establish a pilot project to demonstrate innovative ways and means of delivering federal support to help implement a broad-based, multi-county or multi-state strategy to promote rural development. The interagency working group will be tasked with developing and managing the implementation of this project.

PRINCIPLES: Broad area strategies which cluster rural development efforts to achieve scale and critical mass are important strategies which should be supported. They minimize the adverse impact of sparse populations and weak markets on rural development.

Greater effectiveness in the use of federal resources can be achieved by coordinated planning.

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The policy positions established in this document will be refined and/or expanded during the course of the foregoing described work. Additionally, a comprehensive set of recommendations for accomplishing the proposed actions -- including federal participation in implementing the broad based state strategic plans, new legislation where needed, and, the creation or strengthening of organizations -- and an assessment of the resources needed to effectively implement the recommendations will be developed.

SUMMARY

The current effort to consider development of a national rural policy began in March, 1996 with a meeting of federal and non-federal interest groups including corporate, foundations, community based organizations and universities. In September the President's Domestic Policy Council in conjunction with USDA Rural Development convened a working group of federal agencies. The National Rural Development Partnership hosted a forum in January, 1997 for non-federal interest groups to comment on what they thought was important to their rural constituencies and how the federal government should respond. Also during January, 1997, USDA Rural Development state directors from the states of Mississippi, North Carolina, California, North Dakota and South Dakota convened meetings of small groups of non-federal interests to offer suggestions about issues and challenges a national rural policy should address. A survey was taken of federal agencies to determine the type of activities in rural areas they were involved in.

This report is another step toward a comprehensive national rural policy. We have listened to a wide variety of interests and fully realize the magnitude of our responsibility. Developing a rural policy and strategy will need to involve rural communities themselves, federal agencies, state and local government representatives, and the private sector both non-profit and for profit. The proposed follow-up process to this report should include these interests in developing a shared vision, common goals to work on and a set of strategies to achieve the goals. This body of work, when completed, will constitute the rural policy and strategy called for in the statutes and hopefully provide the galvanizing vision for rural development widely believed needed.

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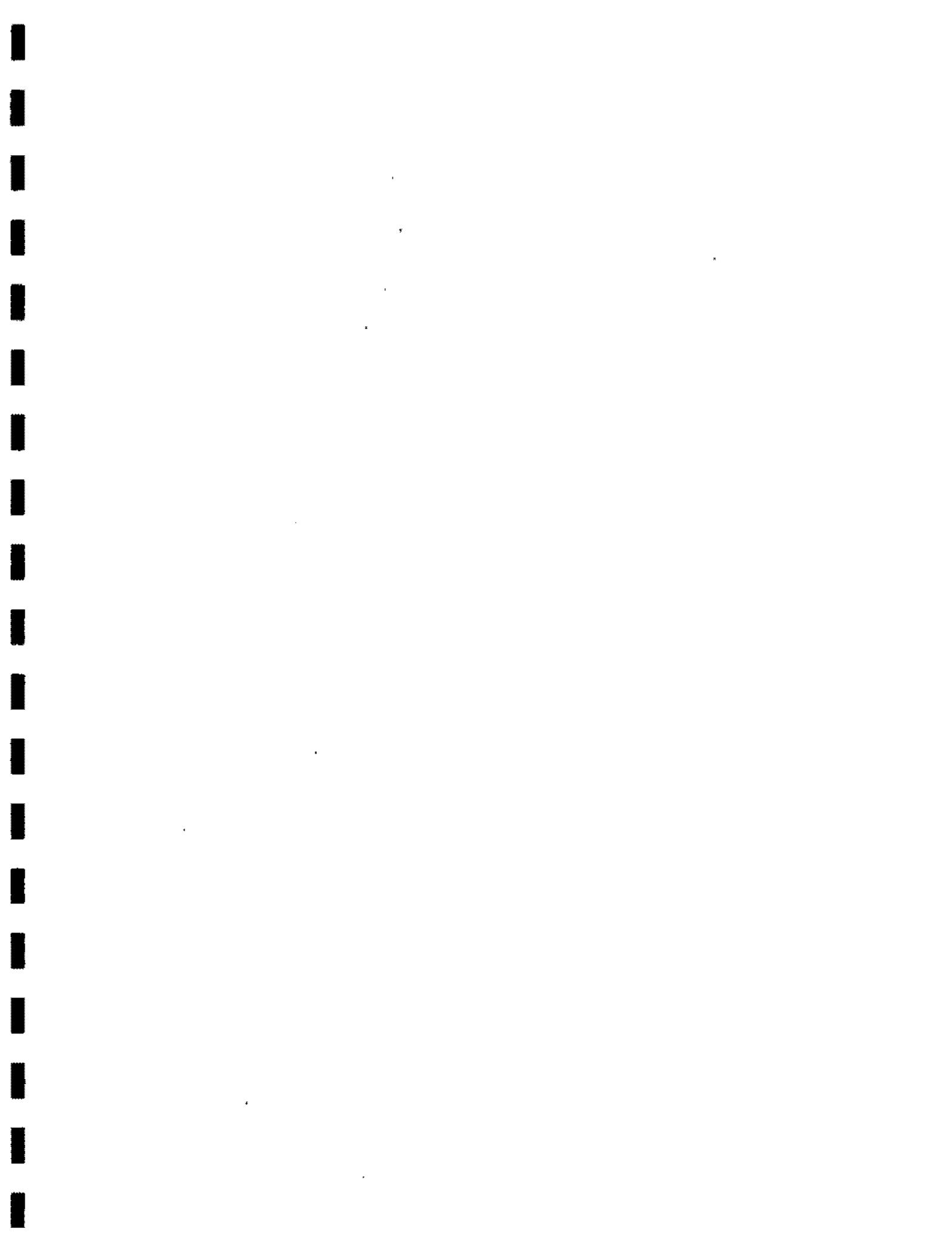
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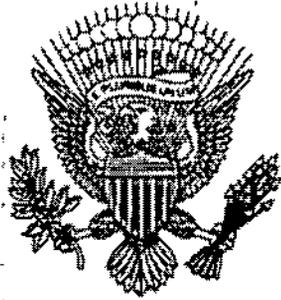
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Section 2

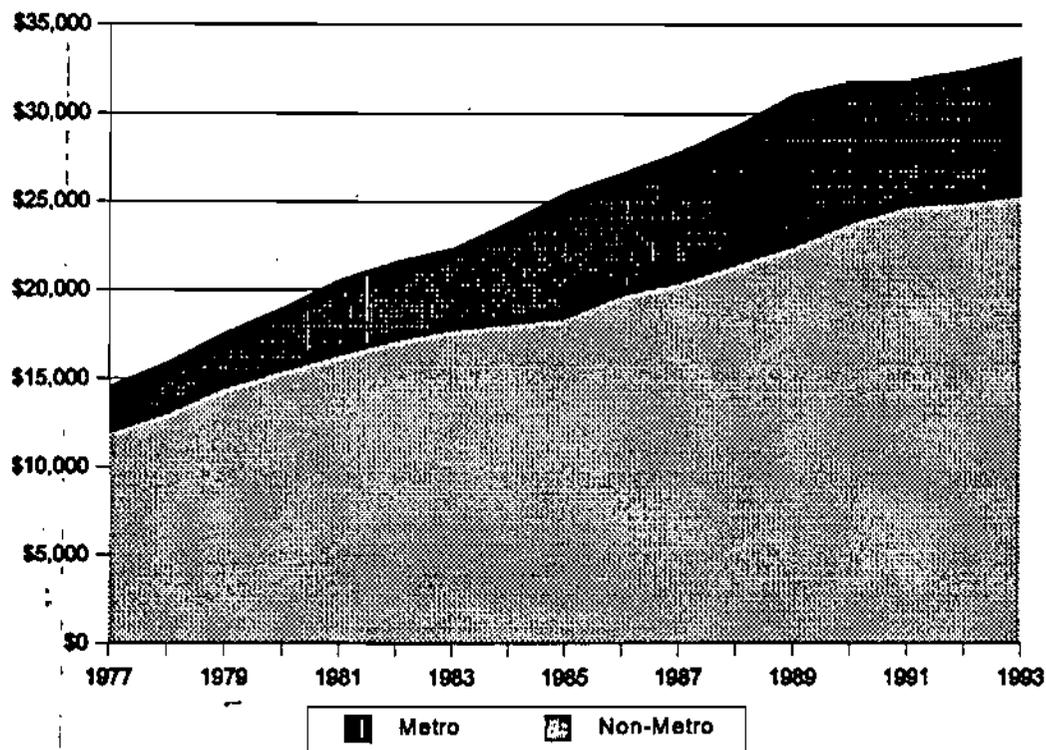
Rural Development

Rural America, once primarily agricultural, is now very different from region to region. The rural economy has long been more non-farm than farm. Although some of the Nation's 65 million rural Americans still live and work in agriculturally dependent communities, most do not. During the last 20 years, the percentage of the rural workforce employed in farming has declined from 14 percent to about 8 percent. At least 80 percent of rural residents are supported by non-farm employment.

Neither the farm nor the non-farm portions of rural America are islands unto themselves. The viability of one augments and supports the viability of the other. For example, more than 40 percent of farmers work off the farm more than 100 days during the year. Rural America needs a healthy agricultural sector but it also must have health clinics, affordable housing, sustainable agricultural related ventures, water and sewer systems, fire stations and town halls, and businesses and industries.

Rural places still lag behind their urban counterparts as measured by a number of economic and social indicators. Chronic problems in Rural America persist, including

Median Household Income



lack of employment opportunities, poor housing, high poverty rates, high illiteracy and low levels of education, lack of development skills within the local governments, a general lack of institutional and organizational infrastructure, and a lack of access to credit.

Thirteen percent of rural Americans have incomes below the poverty line, which almost matches the poverty rate for central cities. Rural poverty is particularly pervasive and persistent within several concentrated geographic areas, such as the lower Mississippi Delta, Appalachia, Indian reservations, and along the U.S.-Mexico border.

Lack of affordable housing remains an especially acute problem in rural areas. Poor non-metro households frequently pay more than they can afford for housing and many families pay more than half of their annual income for housing. The last national census indicated that 3.8 million very-low income households were not able to find affordable units. There is a growing reliance upon used, poor-quality mobile homes.

Another facet of the rural housing problem is homelessness. It is well known to exist, but is largely invisible. The rural approach to residential instability involves doubling up, moving frequently, occupying substandard housing, or illegally siting manufactured housing. The primary issues contributing to rural homelessness are directly related to the overall need for rural development, affordable housing, economic support of the working poor, and assistance to prevent the loss of adequate housing.

Not all areas are in difficulty. Some rural areas are growing or stable because of tourism, in-migration of retirees, and industrial and government relocations. But other areas, facing remoteness and economic disparities, are suffering population declines. And, young people continue to leave rural areas.

As a matter of policy, the Federal government should commit to the principle of focusing much of its limited rural development resources to people and places with the greatest need for development. These are the 500 persistently poor counties, those sections of the country where the trajectory of poverty and economic depression has historically headed downward: the Colonias of the Southwest, the Delta of Mississippi, the Appalachian region, and the Native American lands.

Federal efforts must overcome past duplication and fragmentation in the delivery of resources for rural development. USDA commits to leading this effort. This will involve coordination of Federal activities and the utilization of USDA's extensive field network to facilitate local rural initiatives.

■ *Investing in Rural Economies*

Issue

As we enter the 21st century, the principal challenge facing rural economies is to build the capacity to survive and prosper in the global marketplace. This means creating sustainable new businesses that generate strong and rising incomes for workers and that can help reverse the downward economic spiral that plagues many regions. Current public policies provide neither enough tools nor the right mix of tools to attract financial capital for rural economic revitalization.

Discussion

Rural America is served by a wide variety of financial institutions, including a sound system of community banks and the Farm Credit System--a network of cooperatively owned banks which finances farms, farmer-owned cooperatives, rural utilities, and some rural housing. Although these institutions generally satisfy the normal credit needs of farmers and others in rural communities, some specialized but important forms of credit and capital appear to be less readily available than in urban areas. In particular, business start-ups and other high-risk rural ventures tend to be underserved. The greatest needs are for equity capital, secondary market capital and credit, and infrastructure and economic development financing. A recent study by the American Bankers Association identified a number of problems in rural credit markets, including: 1) a shortage of lendable funds in some areas, 2) a lack of a secondary market for economic development loans originated by rural financial institutions, 3) the unavailability of sufficient equity capital for financing rural businesses, 4) a lack of technical expertise in economic development lending, and 5) a failure to support intergenerational transfers of existing farms and community businesses.

At the National Rural Conference in Iowa in April 1995, President Clinton and Secretary Glickman heard overwhelming support for efforts to promote investment in rural America. It is imperative that the 1995 Farm Bill expand rural economic opportunity by ensuring rural communities have the tools to attract capital.

Guidance

To ensure that adequate financial resources are available in underserved areas, the Administration proposes the following:

- Utilize the resources of financial institutions in rural areas to help capitalize Community Development Financial Institutions (CDFIs). CDFIs offer capital and technical assistance to low-income communities, the areas most lacking in capital. Despite great potential for promoting economic development in rural America, CDFIs currently face limited funding.

- Expand credit availability by encouraging the use of the Federal Home Loan Bank System's general advances program and lower-cost Community Investment Program for rural economic development.
- Implement regionally based one-stop capital shops to provide comprehensive financial and business technical assistance to firms in rural areas. The capital shops would be geographically dispersed and tailored to address regional (including cross-state) needs. They would aggregate the expertise and resources of USDA, the Small Business Administration, and other Federal agencies; coordinate with regional financial institutions as well as local and State governments; and serve to focus regional economic development efforts.
- Authorize commercial banks to underwrite municipal revenue bonds.
- Authorize bank holding companies to devote a small percentage of their assets (e.g. 5 percent) to venture capital investments, including rural investments.
- In addition, the Administration will form an interagency working group to make specific recommendations for legislative changes. This group will draw on the expertise of the private banking community as well as representatives of the Farm Credit System, Farmer Mac and other organizations to examine options for rural credit. The working group will complete its recommendations within the next 45 days.

■ **Targeting Programs to Those Areas of Greatest Need**

Issue

Traditionally, rural development programs have been delivered on a "first-come, first-served" basis. Too often, this has ensured that rural America's poorest and most isolated communities have gotten the fewest resources. The Administration believes that this disparity should be corrected.

Despite the Congressional intent embodied in the Rural Development Policy Act of 1980 to provide the Secretary of Agriculture the authority and responsibility to address the full spectrum of rural development needs, there is a need for mechanisms and incentives at the Federal level to encourage participation of other Departments and Agencies in rural development efforts. In addition, rural development programs, like most categorical programs, are too restrictive and too narrowly focused to provide the enough flexibility to respond to the needs of most rural communities.

Discussion

USDA initiated the State Rural Development Councils as a means of bringing all of the rural development players within a State to the table to resolve problems with Federal programs, eliminate statutory and regulatory barriers, and cooperatively respond to State and local needs. While there have been some successes in this area, such as the Kansas Rural Development Council developing a single application for all federal rural water finance programs, more needs to be done to encourage cooperation among the Federal departments.

Currently, the mix of funding for various rural economic and development programs often does not match local needs. In its FY 1996 budget, the Administration has proposed the Rural Performance Partnership Initiative (RPPI) to provide the flexibility needed at the State level to adjust the mix of assistance under various programs.

With RPPI, USDA has developed an approach that enables its field structure to deploy financial and technical resources to initiate development projects. RPPI represents a change in the culture of Rural Economic and Community Development that gives staff the direction and authority to work with State and local officials on development of rural ventures. RPPI can eventually become a conduit for the coordinated delivery of other federal agencies' funds to rural America.

The Administration also found that resources can be focused on selected geographic regions with positive results. This approach involves concentrating attention on a selected area and addressing the problem by: combining public and private resources, targeting program resources, and coordinating the delivery of resources from other Federal departments and agencies. This is the premise for the Empowerment

Zones/Enterprise Communities (EZ/EC) program which also starts with locally determined plans jointly developed by business, local governments, civic organizations, and other community-based organizations. Regional initiatives can create the framework for support and implementation of local development strategies, but should not create new regional economic development planning structures. Planning should be at the grassroots level, with broad participation from both the public and private sectors. Regional initiatives can augment local efforts through technical assistance and improved access to Federal and State resources. They need to be based on partnerships.

Guidance

- A very high proportion of rural community development assistance should be targeted to chronically economically distressed communities and places facing economic disruptions. Examples include:
 - **Pacific Northwest Timber Initiative**--USDA has the lead role in developing financial assistance initiatives to mitigate the effects of the declining timber and fishing industries. In the FY 1996 budget, USDA has earmarked \$85 million in direct loans, guaranteed loan and grant programs, including business development, community facilities, and water and waste disposal programs.
 - **Empowerment Zones/Enterprise Communities (EZ/EC) and Champion Communities**--USDA has the lead responsibility for the 3 Empowerment Zones and the 30 Enterprise Communities authorized by the Omnibus Budget Reconciliation Act of 1993. The FY 1996 Budget includes earmarks totaling \$125 million in a variety of direct and guaranteed loan and grant funds for business development programs, rental housing, community facilities and water and waster disposal programs.
 - **The Delta Initiative**--USDA should take the lead in a Federal-State-local initiative focusing on poverty alleviation in the region covering the lower Mississippi River and surrounding areas.
 - **The Great Plains Initiative**--USDA, in cooperation with other governmental entities, should create a redevelopment and environmental improvement program for the Great Plains based on the recommendations of the newly created Great Plains Commission.

- **The Native American Initiative**--Native American governments are to be given special consideration when working with USDA programs, program funds or cost-sharing. This Administration has made improved relations with tribes a high priority and created a multi-departmental effort to design new approaches to Native American economic development.
- **The Colonias Initiative**--The poverty of the Colonias areas along the U.S. - Mexico border is profound. USDA has spent \$75 million over the past three years, primarily in water and sewer improvements in this area. But the effort pales in comparison to the awesome scale and severity of need. Here, USDA proposes to launch a more focused initiative with the sense of urgency that is normally reserved for natural disaster relief. Using its rural coordinating responsibility, and its new approach to investing typified by RPPI, USDA will work with HUD and other departments of Federal government to address the Colonias problem.
- **The Appalachian Initiative**--While Federal, State, and private organizations have been at work in Appalachia for decades and there is evidence of improving conditions (especially in counties covered by the Appalachian Regional Commission), significant areas of this predominantly rural region remain isolated and desperately poor.
- To coordinate rural development efforts, the following steps should be taken:
 - The Consolidated Farm and Rural Development Act should be amended to incorporate the provisions of the RPPI.
 - The Rural Development Policy Act of 1980 (1980 Act) should be amended to authorize joint financial participation of various departments in projects, demonstration or pilot projects, and in the support of the State Rural Development Councils. Many Departments wishing to participate in joint ventures, including financial support of the State Rural Development Councils, are unsure of the authority to do so because of other provisions of law.
 - The 1980 Act also should be amended to require that a single application for financial assistance is sufficient for projects in which more than one Department or Agency participates.

The 1980 Act also should be amended to provide authority to enter into cooperative agreements with States when it is mutually beneficial to both the Federal government and the states. Presently, cooperative agreements are authorized only for research and education.

■ Improving the Information Infrastructure for Rural America

Issue

A modern, sophisticated telecommunications infrastructure will mean more jobs, improved education, and better health care for rural communities. Earlier in this century, public/private efforts enabled farms and rural homes throughout America to get access to electricity and telephone service. Similarly, to develop and implement a modern and affordable information infrastructure in rural America, we will need public/private partnerships, an infusion of largely private capital, and effective coordination of policy.

Discussion

A national information infrastructure (NII) will have dramatic and lasting effects on the 65 million Americans living in rural communities. Already, information technologies make medical services more accessible and less expensive for rural residents. Farmers get vital information such as commodity prices and weather information through telecommunications. And rural schools that are connected to the information superhighway use computer networks and distance learning to enhance education.

Unfortunately, many rural communities today are not in a position to take advantage of these new opportunities. For example, while almost 80 percent of libraries that serve cities of 250,000 or more people have a connection to the Internet, only 17 percent of rural libraries do. Moreover, many Americans living in rural areas find it prohibitively expensive to use the Internet and commercial on-line services because they must pay for a long-distance call to the nearest "point of presence" of their network service provider.

USDA's Rural Utilities Service (RUS) lends money to small rural telecommunications companies and cooperatives to build advanced information infrastructure; for every dollar RUS lends, borrowers invest \$4.50 of their own funds. In FY 1994, \$12.2 million in RUS funds generated more than \$500 million in federal loans and loan guarantees; those loans and loan guarantees in turn leveraged \$2 billion in private investment in rural telecommunications infrastructure. In a typical year, RUS borrowers will use the limited federal subsidy to provide initial telecommunications services to 62,119 families, install 6,000 miles of fiber optic facilities, and purchase 214 new digital switches.

RUS also operates a Distance Learning and Medical Link Grant Program, which has already given hundreds of students attending rural schools in 28 states access to previously unavailable courses, and has established medical link facilities for more than

a hundred hospitals and clinics in 19 States. Proposed for FY 1996 is a new \$100 million loan program to finance Distance Learning and Telemedicine projects throughout the country.

The National Agricultural Library (NAL) is a reservoir and disseminator of information on all aspects of agriculture and rural development. NAL is the coordinator and primary resource for a nationwide network of State land-grant university libraries and USDA research libraries that serves Federal, State and local officials as well as the general public. The Administration's FY 1996 budget requests a \$1 million increase for the Electronic Information Initiative to further NAL's goal to become a fully electronic library.

Other Federal agencies also provide support for rural telecommunications. The Department of Education (DOEd), for example, is working to provide telecommunication linkages among all classrooms across the nation. The National Telecommunications and Information Administration (NTIA), with the Department of Commerce, makes grants to rural schools, hospitals and local governments to improve their service delivery through advanced telecommunications. And the Rural Telemedicine Grant Program, managed by the Office of Rural Health Policy at the Department of Health and Human Services (HHS), is developing ways to increase the cost effectiveness and quality of telemedicine in rural areas. With USDA as a partner, these agencies could afford to fund a larger number of meritorious proposals.

Guidance

The National Information Infrastructure will be built, run, and maintained by the private sector, but State and Federal governments have key roles to play, particularly in the area of telecommunications policy, regulation and procurement.

- In telecommunications reform legislation currently before Congress, adhere to the principle of universal service by ensuring that rural Americans have affordable access to the National Information Infrastructure. Provide for use of universal service funds to equip rural schools and hospitals with telecommunications devices and services.
- As USDA connects its field offices electronically, explore ways to leverage this procurement to encourage network service providers to locate "points of presence" in rural areas. Work with states to identify regulatory policies that will make access to on-line services more affordable.
- Accelerate USDA efforts to deliver services electronically and put on-line information of particular interest to rural Americans (e.g., data on domestic and international markets for agricultural products, soil data for natural resource planning, and information on integrated pest management).

- Encourage USDA to partner with NTIA, DOEd and HHS and pool resources to fund meritorious proposals in rural areas.
- Enhance efforts to expand USDA's technical capacity to use new information and communications technologies, through training and intergovernmental personnel transfers.
- Increase training and technical assistance on rural telecommunications and information infrastructure by the Cooperative Extension Service. Explore making information infrastructure a "National Initiative" under CES.
- Continue to focus the Rural Utilities Service on cutting-edge telecommunications technology.
- Designate a limited number of "information grant" universities that would function as modern-day analogs to land grant universities in areas of rural poverty. The federal government would award grants on a competitive basis to colleges and universities that provide telecommunications access to rural residents, ranging from telemedicine and distance learning to telecommuting. The federal government is itself a major source of data and information that could be made accessible to rural businesses and consumers in this way.
- Privatize the Rural Telephone Bank; the resulting ability to leverage the net worth of the Bank will mean a strong and continuous source of financing for rural telecommunications.
- Establish a Rural Telecommunications Clearinghouse to demonstrate "best practices" and thus minimize duplication of effort in building rural telecommunication systems.

■ *Improving Housing in Rural America*

Issue

There is a significant lack of affordable housing for home purchases and rental properties for many rural citizens. There also is a growing need to rehabilitate the existing stock of rural housing.

Discussion

The quality and availability of safe, sanitary, and affordable housing for low- and moderate-income families in rural areas is vital to sustaining economic viability and growth. The programs available through USDA's Rural Housing and Community Development Service (RHCDS) help those needing assistance in rural areas. The programs are vital components of the community and economic development mission. With diminishing Federal resources, RHCDS will expand initiatives to leverage additional public and private capital to sustain the improvements in the availability and quality of housing for rural families. The recommended changes would occur outside of the Farm Bill process, since these programs are not under the jurisdiction of the House and Senate Agriculture Committees.

Guidance

- The guaranteed rural housing loan program can be enhanced by expanding the current lending authority of RHCDS to offer more diversified lending products to consumers, including the ability to use the guaranteed program to refinance existing direct single-family housing loans. The 30-year, fixed rate mortgage is overwhelmingly favored by borrowers in a low-interest rate environment. However, more innovative products such as 15-year, adjustable-rate mortgages, bi-weekly mortgages, and participation loans, would allow RHCDS to meet the needs of consumers faced with high or fluctuating interest rates, and offer products similar to commercial lenders that would encourage increased participation of other institutions such as the Federal National Mortgage Association.
- A home buyer education program for applicants and existing borrowers should be developed.
- Authority should be provided to use the guaranteed loan program to encourage the graduation of direct borrowers to commercial credit.

■ *Improving Water Quality for Rural Americans*

Issue

More than 1 million Americans live in rural areas without safe drinking water in their homes.

Discussion

USDA's Water 2000 initiative aims to target public and private investment in safe, affordable drinking water to unserved households in order to improve the health, productivity, and economic opportunities of rural communities and control the long-term public costs related to drinking unsafe water. This effort is a partnership between USDA, State agencies, non-profit organizations and citizen groups.

Guidance

- Change eligibility requirements for loans and grants. Present requirements for the lowest interest rate are restricted to health or sanitary standard eligibility. The requirements should be expanded to include income levels.
- Increase funding for grants to construct water facilities: An increase in the authorized grant funding level would enable poor communities to build water facilities and implement pollution prevention efforts such as well head and source protection at an affordable cost to rural families. Consideration should also be given to authorizing 100 percent grant assistance for very-low income communities experiencing financial hardship, provided that these communities can demonstrate their ability to operate and maintain the system.
- Expand the technical assistance and training grant program to provide funds to help rural communities and organizations identify and evaluate economically viable long-term, regional solutions to providing safe, affordable drinking water to unserved families and those who may be served better by regional supply systems.
- Eliminate duplicate National Environmental Protection Act (NEPA) environmental reviews. Legislation is needed to authorize Rural Utility Service to accept State NEPA procedures to satisfy Federal NEPA and related laws.

■ Developing Business Activity

Issue

Employment is the key to economic prosperity. Unfortunately, many rural areas have a very limited economic base and, when there are declines in that base such as have occurred in the mining, forestry, and some manufacturing industries, unemployment and outmigration accelerates. Economic shocks often have a much more pronounced impact on rural communities because of their undiversified economies and the limited financial and technical resources they have for coping with unexpected change.

Most rural communities need to find ways to diversify their economic base for more financial stability and growth. New approaches, including promotion of value-added industries, are needed to nurture business development in rural areas.

Discussion

The characteristics of rural areas--remoteness, low population density, lack of complete infrastructure--makes business development in rural areas difficult. The low income and lack of employment skills also keep new businesses from starting in rural areas.

The lack of economic diversity in many rural areas limits economic opportunity for rural residents and makes communities vulnerable to economic shocks affecting individual industries. For example, there are 556 farming dependent counties that are generally remote, predominantly rural, and sparsely populated. These counties have been losing population through outmigration. Shrinking populations jeopardize the viability of existing businesses, discourage new investment, and strain local governments' ability to provide vital public services. Another 146 counties may be classified as mining-dependent and vulnerable to declines in oil, gas, and coal markets. The narrow economic base in many rural places limits employment opportunities.

Some steps have been taken to foster business development. The Administration has proposed increased funding for the business and industry loan guarantee program, from \$250 million available in 1994 to \$750 million for 1996. Furthermore, the Empowerment Zone and Enterprise Community initiative provides substantial incentives for job creation in designated areas.

Production of value-added agricultural commodities is a potential rural development tool that can also support farm incomes. Efforts to locate value-added processing in rural areas where raw agricultural commodities are produced can provide needed rural employment opportunities, first in the start-up phase when there is investment in new plant construction and later once processing goes on line. Unlike manufacturing industries which must compete globally against low-wage suppliers, value-added industries that build on the advantage of locally supplied agricultural inputs may be a more sustainable rural development strategy. Furthermore, value-added and high-value products are the fastest growing segment of U.S. export trade.

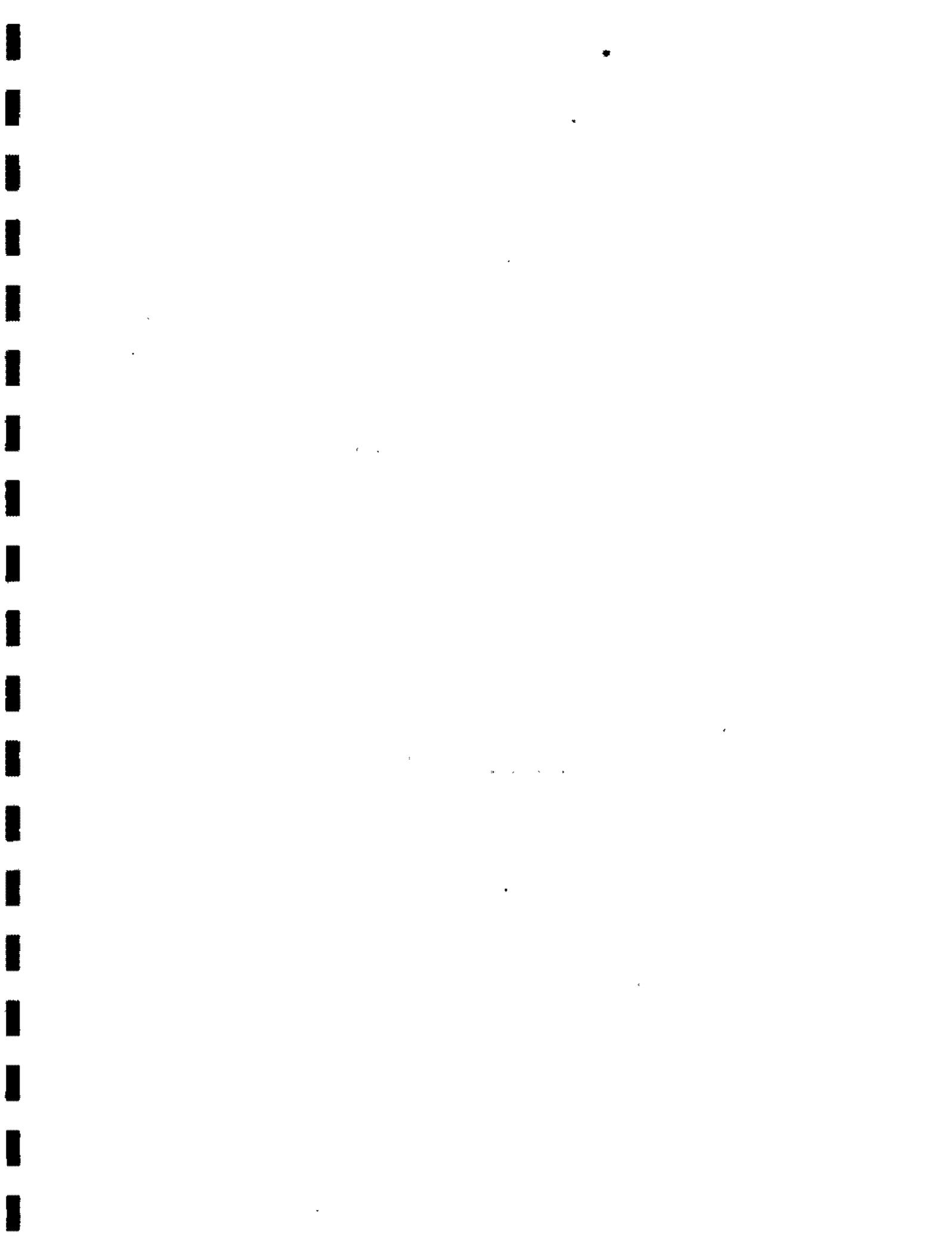
The location of value-added processing today is largely the result of historical relationships involving technology and economic factors including economies of scale, labor supply conditions, and transportation costs, and the structure of demand. However, these relationships have changed over time and may now provide opportunities for rural development through value-added processing.

Research into new uses can contribute to the rural development process. While traditional value-added processing must compete with established processing capacity, value-added processing for new uses can establish a niche right from the start. This requires an on-going program to develop new uses and new crops suitable for rural processing. Ethanol is an excellent example of successful large-scale value-added processing which has provided rural jobs. Milkweed production for floss used in comforters is an example of small-scale value-added processing.

Guidance

New efforts are needed to extend business development activities in rural areas. These could include:

- Provide funding for agricultural extension offices and other organizations that would undertake activities known to support business formation and expansion. Funding would support delivery of technical assistance to businesses, development of business incubators, and establishment of manufacturing networks. Funding would be on a competitive basis.
- Maintain an on-going research program to develop new uses for agricultural commodities that have potential for value-added processing in rural communities.
- Support collaborative economic and technical research involving federal, state, and private parties to identify viable products for local processing.
- Support human capital investment in the skills needed in value-added processing and to provide supporting infrastructure improvements.
- Support providing financial and technical assistance for rural businesses that develop and serve export markets for processed agricultural products. This can be achieved by earmarking a portion of the funding or establishing statutory priorities under existing programs. For example, the President's FY 1996 Budget includes \$50 million in direct loans in addition to \$750 million in loan guarantees under the Business and Industry Loan Program and \$90 million in direct loans under the Intermediary Relending Program. A portion of this funding could be targeted to export linked businesses. Technical assistance could be provided through existing grant programs, such as Rural Business Enterprise Grants.



Federal Rural Development Policy Since 1972

In the last 20 years, rural life has witnessed a series of demographic, economic, and political changes that increased the complexity of rural problems and the difficulty of implementing proposed solutions. The rural population expanded then contracted, the job base shifted, and five administrations alternated agendas. With the establishment in 1992 of the Rural Development Administration marking a new Federal commitment to rural development, a review of the past two decades may provide some perspective and context for new ideas and actions to come.

THE 1970's marked a critical change in the orientation of Federal rural policy from the poverty focus of the Kennedy and Johnson administrations to a focus on the effects of rapid urban growth. Although most Federal rural policy in the 20th century arose from concern about declining rural populations, the policy of the early 1970's responded also to a growing sense of the insurmountability of urban problems, punctuated by the urban unrest of the late 1960's. Language in the Agriculture Act of 1970 underscored this motivation for a Federal rural development policy. Congress committed itself to "a sound balance between rural and urban America," which it considered "so essential to the peace, prosperity, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas."

Shared Goals, Opposing Strategies: The Nixon/Ford Administrations and the Rural Development Act of 1972

The Nixon administration entered the rural development policy arena with two primary proposals. In his State of the Union address in January 1970, President Nixon noted the need to "not only stem the migration to urban centers, but reverse it." He proposed a rural revenue-sharing plan that would earmark Federal funds for rural development. The Nixon administration also proposed the creation of a new Cabinet department for community development, part of a comprehensive reorganization of the executive branch into four super-departments. The Department of Community Development would have brought together community facilities and infrastructure programs from the Departments of Agriculture, Transportation, and Commerce, as well as most of the Department of Housing and Urban Development.

Neither of these two proposals survived Congress, however. The New Federalism, of which the rural revenue-sharing plan was a part, evoked fears that local governments would control Federal funds, and the Cabinet-level reorganization plan suggested to many a super-bureaucracy even more unwieldy than the one it would replace. The Community Development Department worried rural development advocates in particular, because it appeared that urban programs, with their larger constituency, budget, and bureaucracy, would dominate the new department. Instead, majority support in Congress lined up behind what became the Rural Development Act of 1972 (RDA), in which funding remained a federally controlled categorical grant system and the Department of Agriculture emerged as the designated leader in the Federal rural development effort.

The RDA increased credit to improve facilities and infrastructure to promote small businesses and industrialization, expanded programs for soil and water conservation and pollution control, initiated Federal financial and technical assistance for rural fire protection, and supported increased research and extension programs focusing on rural development. The RDA authorized a new Assistant Secretary for Rural Development (William Erwin), who formed the Rural Development Service to carry out the Department's new responsibilities. While the RDA embodied many of the Nixon administration's expressed goals for rural areas, rejection of the administration's revenue-sharing and reorganization proposals led to a lack of cooperation between Congress and the administration in implementation of the act.

The Nixon and Ford administrations did not hide their preference for State and local direction of rural development policies. Congress stopped an attempt by Secretary of Agriculture Earl Butz in 1973 to delegate rural development funding decisions to State govern-

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ments. Also that year, in response to fiscal stress, the Nixon administration began efforts to reduce the Federal budget and proposed to rescind funding for a number of rural development programs. Congress restored that funding, but in 1974 President Gerald Ford ordered a second impoundment of funds. By 1975, accusations surfaced that the USDA had not taken its responsibilities under the Rural Development Act seriously. But Assistant Secretary Erwin defended the administration's implementation of the act, reporting that all appropriated funds had been obligated and insisting that delays in funding programs reflected careful preparations before initiating new projects.

As a result of the divergent positions of Congress and the Presidents, both Nixon and Ford, national rural development policy remained limited. Congress included provisions for grants to rural communities in the Housing and Community Development Act of 1974, which created Community Development Block Grants. Similar provisions in the Local Public Works Capital Development and Investment Act of 1976 guaranteed funds to rural areas for local public works. But the comprehensive, coordinated Federal rural development policy advocated by supporters of the RDA never emerged.

Rural Renaissance: New Policy Questions for the Carter Administration

Meanwhile, a startling demographic trend came to light in 1975. Demographer Calvin L. Beale, of the

USDA's Economic Research Service, reported a reversal of the rural-to-urban migration pattern that had prevailed in the United States since World War II. Although the rural or nonmetro counties with the greatest population increase were located adjacent to metro areas, nonmetro counties remote from metro areas also gained population at a faster rate than metro areas.

Beale identified such factors as decentralization of industry, increased rural employment in trade and service industries, slowing losses of population in agricultural and traditionally Black counties, the rise of recreation and retirement communities, and the expansion of State colleges and universities as responsible for the increases in rural population. Beale noted, additionally, a preference for rural or smalltown living indicated by urban respondents to a national survey of residential preferences. Improved transportation and communications systems, as well as increased employment opportunities, finally allowed individuals and families to choose to live in smaller communities.

The consequences of these changes for rural development policy were twofold. On the one hand, interests wishing to reduce spending suggested that rural America had begun to thrive again on its own and so needed no special Federal attention. On the other hand, interests advocating a stronger rural policy claimed the changes showed the effectiveness of Federal rural policies and required continued intervention to help rural counties cope with an influx of population. Conflict between these two points of view fueled

<p>Grover Cleveland 1893</p> <ul style="list-style-type: none"> 42% of population lives on farms Office of Road Inquiry (USDA) organized to run demonstration/educational programs 	<p>Theodore Roosevelt 1905</p> <ul style="list-style-type: none"> Office of Public Roads (USDA) replaces Office of Road Inquiry, constructs object lesson roads, and tests road materials <p>1908</p> <ul style="list-style-type: none"> 33% of population lives on farms 64% of population lives in rural areas Country Life Commission appointed to write major report on needs of rural population 	<p>William Taft 1912</p> <ul style="list-style-type: none"> Office of Public Roads receives appropriations to supervise building of rural post roads 	<p>Woodrow Wilson 1914</p> <ul style="list-style-type: none"> Smith-Lever Act established Cooperative Extension Service <p>1916</p> <ul style="list-style-type: none"> Federal Highway Act authorized funds and began widespread construction of rural roads <p>1920</p> <ul style="list-style-type: none"> 30% of population lives on farms 	<p>Warren Harding 1921</p> <ul style="list-style-type: none"> 3.2 million miles of rural roads exist <p>1922</p> <ul style="list-style-type: none"> Capper-Volstead Act encouraged growth of rural cooperatives 	<p>Calvin Coolidge 1925</p> <ul style="list-style-type: none"> 11,329 miles of Federally aided rural roads completed, the largest number since passage of the 1916 Federal Highway Act
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debate on the question of Federal rural policy for the next 15 years.

Advocates of a federally directed rural policy expected advancement of their cause with the election of Democratic President Jimmy Carter in 1976. Carter initiated a study of rural development policy by the Rural Development Service that concluded the Federal rural development effort consisted of programs, rather than policy. The study recommended substantial reorganization within the USDA, and even across Cabinet-level Departments, and a more explicit focus on policy and goals. The study also recommended the development of State and local government capacities to support and coordinate the large number of rural development efforts funded by the Federal Government. The Rural Development Service had operated training schools for rural leaders since its establishment in 1973, but the new recommendations encouraged funding of "policy management staffs" to help States learn to administer Federal programs.

In response to the study, the Carter White House issued a series of Rural Development Initiatives to address complexities of funding local programs, while the administration continued to work out more permanent solutions like reorganization and increased funding. The Initiatives, one of which appeared every couple of months from October 1978 through June 1979, focused on such program areas as health care, water and sewer facilities, transportation, energy, and communications. At the same time, the merging of the Rural Development Service into the Farmers Home Administration (FmHA) in 1978 indicated the promi-

nence of housing loan programs within the Carter rural development strategy. In March 1979, Secretary of Agriculture Bob Bergland offered additional Federal assistance to State and local governments by establishing State Rural Development Coordinating Committees made up of "appropriate USDA agencies, other Federal agencies, State agencies, colleges and universities, and private organizations." Secretary Bergland also established a USDA Rural Development Coordinating Committee "as a vehicle for coordinating rural development policy and activities within the Department of Agriculture and assisting State committees with their rural development responsibilities." Although the Carter administration stressed the need for a national rural development policy, the Federal approach to rural development policy continued to include a strong orientation toward facilitating efforts by local communities and State agencies, rather than imposing national solutions.

The Carter administration's comprehensive policy and program statement appeared in December 1979 after 2 years of consideration. The new policy goals focused on providing for "basic human needs," full employment opportunities, population management, and "responsible use" of natural resources and the environment. Pursuit of these goals would follow a set of principles oriented toward recognizing State and local priorities and powers, encouraging private investment, developing the capacity of State and local governments to obtain and use Federal funds, and targeting funds "to disadvantaged persons and distressed communities." This new policy thus combined the poverty focus of the Kennedy/Johnson rural policy with the

Herbert Hoover	Franklin Roosevelt	Harry Truman	Dwight Eisenhower	John Kennedy	Lyndon Johnson
<p>1929</p> <ul style="list-style-type: none"> Agricultural Marketing Act passed, a bold attempt to improve rural income <p>1930</p> <ul style="list-style-type: none"> Unprecedented drought relief legislation enacted 	<p>1933</p> <ul style="list-style-type: none"> 10% of farms electrified 28% of population lives on farms Tennessee Valley Authority established <p>1935</p> <ul style="list-style-type: none"> 35% of farms electrified Rural Electrification Admin. (USDA) organized to bring electricity to farms Resettlement Admin. organized to resettle farm laborers and disadvantaged rural residents in part-time farming communities <p>1940</p> <ul style="list-style-type: none"> 23% of population lives on farms 43% of population lives in rural areas 	<p>1949</p> <ul style="list-style-type: none"> Rural Telephone Loan program begun Senate Joint Committee of the Economic Report issues an extensive report on rural poverty <p>1950</p> <ul style="list-style-type: none"> 12% of population lives on farms 	<p>1953</p> <ul style="list-style-type: none"> Interstate Highway System receives first appropriations <p>1954</p> <ul style="list-style-type: none"> USDA committee asked to report on agricultural development calls attention to rural development problems <p>1955</p> <ul style="list-style-type: none"> Rural Development Committees organized to help local communities establish new training programs and other activities <p>1959</p> <ul style="list-style-type: none"> President established interdepartmental Committee on Rural Development to coordinate Federal rural development efforts <p>1960</p> <ul style="list-style-type: none"> 8% of population lives on farms 10,000 miles of Interstate Highway System completed 3.1 million miles of rural roads exist 	<p>1961</p> <ul style="list-style-type: none"> Office of Rural Areas Development (USDA) and Rural Area Development Committees (replaced Rural Development Committees) established to sponsor rural underemployment (unemployment) <p>1962</p> <ul style="list-style-type: none"> Rural removal program authorized by Congress 	<p>1964</p> <ul style="list-style-type: none"> Economic Opportunity Act (enacted Section Poverty Model) organized to train disadvantaged youth Housing and Urban Development Act passed to improve rural and urban housing Rural Community Development Service (USDA) established to coordinate USDA's rural activities Integrating Task Force on Agricultural and Rural Life established <p>1965</p> <ul style="list-style-type: none"> National Advisory Commission on Rural Poverty (NACRP) organized <p>1967</p> <ul style="list-style-type: none"> NACRP publishes <i>The People Left Behind</i>, calling attention to rural poverty

State and local direction of the Nixon/Ford New Federalism.

Reducing the Federal Role: Fiscal and Policy Restraint by the Reagan Administration

Culminating the Carter era of Federal rural development policy, the Rural Development Policy Act of 1980 required the Secretary of Agriculture to develop national goals and strategies for the achievement of rural development, established the position of Under Secretary of Small Community and Rural Development, and reauthorized the funding of rural development research. The 1980 act acknowledged some lack of national direction and coordination inherent in the 1972 Rural Development Act and required a more carefully focused effort.

Following the election of Ronald Reagan in 1980, however, White House commitment to a federally directed rural development policy evaporated. Within months of taking office, Secretary of Agriculture John Block asked for deep cuts in the Department's budget, including slashing of rural development funds within the FmHA and the Rural Electrification Administration (REA). Although Congress refused to make those cuts, rural development programs still shrank. Federal spending on rural development programs within USDA dropped by over 50 percent during the 1980's.

Secretary Block did create the Office of Rural Development Policy (ORDP), in October 1981, to coordinate the Department's responsibilities under the Rural Development Policy Act of 1980. ORDP announced its official

rural development strategy in February 1983 in a report titled *Better Country: A Strategy for Rural Development in the 1980's*. The Reagan administration's rural policy focused on the benefits to rural areas of general economic reforms already implemented by the administration, including tax relief, regulatory reform, reduced Federal spending, lowered inflation and interest rates, emphasis on international trade, new job-training programs, and the consolidation of categorical grants into block grants for flexible administration by local governments. Specific rural development policies continued the administration's overall theme of increased local and State control of funding and reliance on the private sector to initiate economic recovery and added an emphasis on agricultural policy as a central component of rural development, as well.

An ORDP update of the Reagan administration's rural development strategy in 1985 reiterated the strategy of encouraging private investment and job creation, returning government responsibilities to local communities, training local officials to "meet the challenge of the expanded role of local government," and focusing attention within the Federal Government on the impact of national policies on rural areas. ORDP reported that "much of rural America seems to be sharing in the prosperity and economic progress of the 1980's." ORDP acknowledged some pockets of difficulty, particularly in manufacturing and farming counties, but maintained that a continued national policy of economic growth would bring recovery to those areas as well.

Many rural advocates in Congress still viewed ORDP as a cover for Reagan administration neglect of rural

Richard Nixon	Gerald Ford	Jimmy Carter
<p>1969</p> <ul style="list-style-type: none"> • Presidential Task Force on Rural Development recommends programs for public and private sector <p>1970</p> <ul style="list-style-type: none"> • 3.7 million miles of rural roads exist • 26% of population lives in rural areas • Departmental Rural Development Committee replaces Rural Community Development Service as coordinator of USDA rural development programs • USDA Committee for Rural Development set up in each State to coordinate USDA rural development programs at the State level <p>1971</p> <ul style="list-style-type: none"> • Rural Development Service organized to direct USDA rural development programs • Rural Telephone Bank organized to finance rural telephone cooperatives • First Regional Rural Development Center established to carry out regional extension and research for rural development <p>1972</p> <ul style="list-style-type: none"> • 6% of population lives on farms • Rural Development Act signed into law, giving broad authority for rural development programs to USDA <p>1973</p> <ul style="list-style-type: none"> • Congressional Rural Caucus organized to emphasize needs of rural areas 	<p>1974</p> <ul style="list-style-type: none"> • Housing and Community Development Act of 1974 requires grants to rural communities <p>1975</p> <ul style="list-style-type: none"> • Economic Research Service reports reversal of rural-to-urban migration during 1970-73 <p>1976</p> <ul style="list-style-type: none"> • Local Public Works Capital Development and Investment Act of 1976 requires grants to rural communities 	<p>1978</p> <ul style="list-style-type: none"> • White House Rural Development initiatives on health, water, sewers, communications, energy, and transportation issued to secure cooperation in solving rural problems • USDA's Rural Development Service merged into FmHA, emphasizes rural housing needs <p>1979</p> <ul style="list-style-type: none"> • 99% of farms electrified • The Carter White House Small Community and Rural Development Policy articulates rural development goals to provide for basic human needs and full employment opportunities, relieve isolation and control growth, and encourage responsible use of natural resources and the environment <p>1980</p> <ul style="list-style-type: none"> • 41,000 miles of Interstate Highway System completed • Rural Development Policy Act passed by Congress, extends authorization for appropriations • USDA establishes National Advisory Council on Small Community and Rural Development to give varied groups opportunity to participate in policy and program planning

needs. Evidence suggested that the 1981-82 recession had hit rural areas much harder and much longer than urban areas. Moreover, the farm crisis of the 1980's continued unabated in many areas in 1985. Congress refused to continue funding ORDP, and the office was abolished at the end of 1985.

A further reduction of Federal aid to rural areas came with the end of local revenue sharing in 1986. Revenue sharing, begun during the Nixon administration, returned a portion of Federal tax receipts to State and local governments for spending at their own discretion, within specified program limits. The Carter administration had renewed the Federal revenue sharing plan but ended the State component in 1980, as State tax revenues began to increase with inflation and Federal budgets began to rise rapidly, also the result of inflation. Local revenue sharing, however, had continued through the early years of the Reagan administration, helping local governments to support development activities of their own design. Loss of these Federal funds created a crisis for some local governments, forcing reduction of services and curtailment of economic development plans.

The Reagan administration, in 1988, acknowledged the economic difficulties experienced by rural America. Secretary of Agriculture Richard Lyng, who had replaced John Block in March 1986, issued a Six-Point Rural Regeneration Initiative in May 1987, designed to invigorate the Department's rural policy. The initiatives committed the Extension Service to increase its emphasis on rural education and training, organized Rural Enterprise Teams at the State level to assist com-

munities with business and employment problems, created a Rural Information Center at the National Agricultural Library, increased research on rural development topics, and redirected FmHA Business and Industry Loans toward job creation in communities with high unemployment.

A 1988 report by the Office of the Undersecretary for Small Community and Rural Development noted that population migration had returned to its former rural-to-urban pattern. This reversal reflected the loss of manufacturing jobs and accompanying service opportunities to increasing international competition, and the loss of employment and business opportunities in the farm sector as a result of the farm crisis. Although the overall rural economy had diversified throughout the 1960's and 1970's, the economic troubles of the 1980's indicated that most rural areas still depended on a narrow range of industries.

Secretary Lyng appointed a new National Advisory Council on Rural Development in August 1987, and that body issued its "Final Report to the Secretary" in January 1989. While acknowledging the continued importance of agriculture in the rural economy, the Council noted the need to emphasize the nonagricultural aspects of rural development, going so far as to suggest the Department of Agriculture be renamed the Department of Agriculture and Rural Affairs. The group still insisted State and local governments should lead in rural development work, but also suggested an increased role for the Extension Service and an effort to make the Department's rural development programs better known on the local level.

Ronald Reagan

1981

• USDA establishes Office of Rural Developmental Policy (ORDP) to formulate policy and coordinate rural development efforts

1982

• 3% of population lives on farms; 97% of farms have telephone service
• National Advisory Council on Rural Development established to identify rural problems and support rural development policies

1983

ORDP report, *Better Country: A Strategy for Rural Development in the 1980's*, articulates goals to increase local and State control of funding, rely on the private sector to initiate economic recovery, and renew emphasis on agriculture's role in rural development

1985

• ORDP closes when Congress refuses to fund it
• Food Security Act establishes a National Advisory Commission on Agricultural and Rural Development Policy to address the future of development policy in light of the farm crisis of the 1980's

1987

• Six-Point Rural Regeneration Initiative issued
• National Advisory Council on Rural Development establishes a new citizens advisory panel to help develop policy

1988

• 75% of U.S. counties and 26% of population are nonmetropolitan
• National Rural Information Center established at National Agricultural Library to serve as development information clearinghouse

George Bush

1980

• Rural Revitalization Task Force recommends actions to increase effectiveness of USDA rural development programs

1980

• Presidential Initiative, *Rural Economic Development for the 1980's*, articulates rural development plans, establishes a Presidential Council and State Rural Development Councils, funds a series of demonstration programs, provides a rural development information hotline, targets programs for maximum socioeconomic benefits, and establishes high-level Working Group on Rural Development

• Food, Agriculture, Conservation, and Trade Act of 1990 includes rural development, authorizing establishment of a Rural Development Administration in USDA

• Report of National Advisory Commission on Agriculture and Rural Development Policy, *Future Directions in Rural Development Policy*, emphasizes diversity, flexibility, cooperation, and strategy

1987

• State Rural Development Councils pilot program begins, testing effectiveness of greater coordination, flexibility, and local initiative in implementation of rural development programs

1992

• Rural Development Administration receives funding and begins coordination of rural development
• Remaining States and territories invited to form State Rural Development Councils

Cooperation, Innovation, and Information: The Bush Administration Renews the Federal Commitment

Under the new Bush administration in 1989, Secretary of Agriculture Clayton Yeutter appointed a Rural Revitalization Task Force that recommended 17 specific actions to "enhance the effectiveness of USDA's rural development efforts." Yeutter focused on streamlining and targeting rural development efforts, rather than increasing funding or initiating new programs. In January 1990, the White House released its initiative on "Rural Economic Development for the 90's." The initiative had six elements: (1) a Presidential Council of farmers, State and local officials, rural business leaders, and high-tech industry representatives to advise on Federal rural development policy; (2) State Rural Development Councils to coordinate already existing Federal rural development programs; (3) a series of rural development demonstration programs, funded from already existing budget resources; (4) a rural development information and technical assistance hotline; (5) targeting of Federal rural development funds to programs determined to provide the "maximum net economic benefits"; and (6) a Working Group on Rural Development within the President's Economic Policy Council.

Congress joined the rural development arena again with the Food, Agriculture, Conservation, and Trade Act of 1990, which included a title on rural development. Provisions within this act authorized a rural development partnerships investment program to support local investment; State rural economic development review panels to make recommendations for program funding; and programs to improve telecommunications access for rural communities. To carry out this activity, the legislation authorized a Rural Development Administration within the Department of Agriculture.

At the end of 1990, a long-awaited report by the National Commission on Agriculture and Rural Development Policy, mandated by the Food Security Act of 1985, addressed the question of future rural development policy. The report emphasized rural economic diversity; the need for improved information on rural conditions; the importance of a comprehensive approach and better cooperation among programs; the necessity of flexibility, innovation, and experimentation; the fundamental role of education in rural development; and the value of a strategic approach to rural development policy goals. The new Secretary of Agriculture, Edward Madigan, incorporated these recommendations in his rural development strategy report for 1991.

By early 1992, the Bush administration's rural development policy had begun to take shape. The President's

Council on Rural America had prepared recommendations to the President to be released in July 1992. State Rural Development Councils piloted in eight States showed promise and the administration planned to initiate councils in additional States. The Rural Information Center at the National Agricultural Library, established in 1988, had expanded its information network to incorporate cooperative projects with a number of Federal agencies. Following negotiations to secure appropriations, the Rural Development Administration opened its doors in January 1992, promising increased coordination of Federal activities on behalf of rural development.

Uncertain Legacy, Promising Future?

Rural development policy since 1972 has followed a rather frustrating path, repeatedly reaching a comprehensive set of national goals and a coordinated strategy for achieving them, only to find a new set of political and economic circumstances as attempts at implementation begin. Efforts born during the era of Federal intervention in the 1960's confronted the New Federalism of the Nixon/Ford administrations, while the demographic and economic progress of the countryside was not recognized until the mid-1970's. The Carter administration's support for a federally directed rural development policy was complicated by worsening economic conditions and pressures for Federal fiscal restraint. Almost by default, healthy State economies and their governments took more responsibility for carrying out the rural development effort, gaining in the process the technical and leadership capacity for implementing programs on their own.

Yet the improved capabilities of State and local governments confronted another obstacle as the serious recession of the early 1980's ended the economic expansion and population growth of rural areas. At a time when State and local governments might have implemented rural development programs and strategies, they faced falling revenues and rising costs, restricting their fiscal capacity to pursue rural development. By the time the Reagan administration acknowledged the economic problems of rural areas, Federal capacities to provide relief had been eroded by rising deficits, and the national economy itself had begun to weaken.

The early 1990's have witnessed further weakening of the national economy. The prospects for increased Federal funding of rural development programs have not improved. State and local governments experienced fiscal stress from reduced revenues and increased expenses accompanying the 1990-91 recession. Yet it may be that the 1990's will present a renewed opportunity to bring improved State and local capacities into concert with available Federal programs.

Although economic difficulties have not disappeared, support for Federal funding of rural development remains.

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True D. Morse: The Link Between Farm Management and Early Rural Development Policy

True D. Morse recognized that, even in farm-dependent areas, farms are part of a broader rural economy. His understanding of both farm management and regional economics coalesced in a vision for rural communities in which technological changes in farming did not necessarily lead to the demise of rural areas.

In 1955, the Department of Agriculture began a pilot rural development program that encouraged local leadership in promoting economic growth. The program was headed by True D. Morse, USDA Under Secretary and leader of the rural development program from 1954 to 1960. The program, which was supported by technical advice and limited financial assistance from the Federal Government, grew from the New Deal Programs and the activities of an agricultural consulting firm, Doane Agricultural Service in St. Louis, MO.

Doane, headed by True D. Morse, provided planning assistance to individual farms. It drew up detailed plans, analyzed soils and productivity, investigated local markets and community structures, and then produced a farm management plan.

Doane began, in the late 1930's, to assist large lending organizations in setting up farm loan programs. The firm conducted regional analyses of farm loan territories. As a result of this work, Morse's understanding of farm management expanded to include farm management within a regional system.

Morse's experiences with farm management and regional analysis converged, forming his vision of rural development. On July 27, 1944, Morse presented a talk, "Rural Community Development," to the Southwestern Institute for Commercial Executives in Dallas, TX. His speech was certainly one of the earliest (if not the earliest) public uses of the expression "rural community development." In this precient speech, Morse discussed many of the issues that would become staples of the rural development program of the 1950's.

Morse began by warning his listeners of the drastic changes that would affect agriculture when the war was over. In particular, he predicted that Southern agriculture would lose thousands of jobs to

mechanical cottonpickers. Agriculture was facing a major shakeout that would cause the collapse of many rural communities. However, those communities that planned for the future would have a much better chance of surviving.

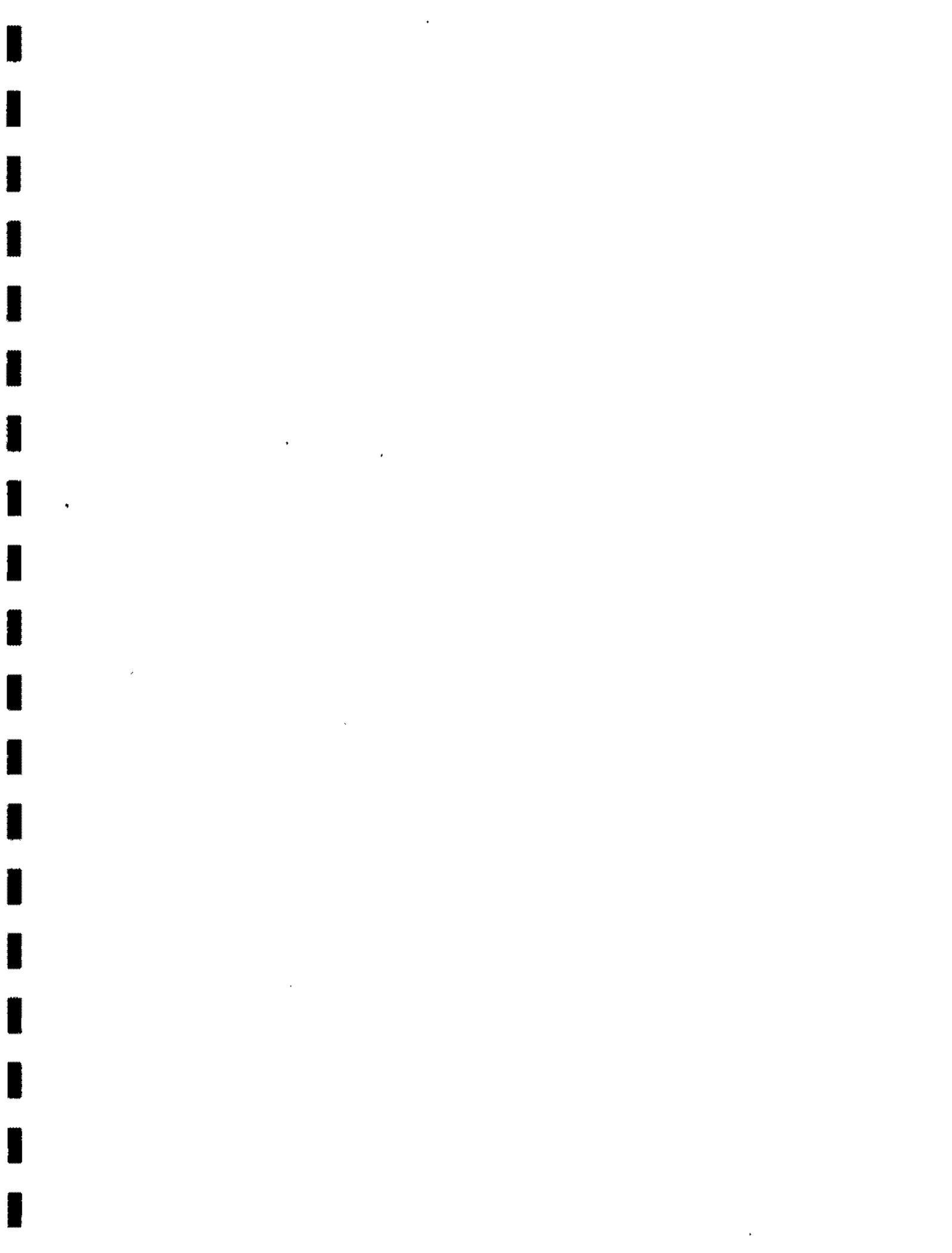
Morse called for community surveys that included all physical, biological, social, and economic factors affecting an area. Morse, who saw community development as a long-term process, counseled his listeners that such a time-consuming survey should be undertaken only if the community was strongly committed to putting it to use in a development program. According to Morse, "Nothing could be more fascinating and productive of greater benefit than building a program for a permanently progressive community and then, through the years, molding it to fit the pattern."

Morse's plan linked farming and technological changes in agriculture with rural community development. His plan included steps to optimize farm productivity and rationalize the distribution of credit. In addition, Morse saw the need to diversify farm operations so they would be less vulnerable to market fluctuations. He observed that off-farm labor had become increasingly important to farmers and speculated that diversified farms could absorb much of this labor. He saw what today is known as value-added agriculture as a means of absorbing farm labor freed by technological changes in farming.

Morse also foresaw the need to increase the amount of nonagricultural industry in rural communities, although this was more of an afterthought than a centerpiece of his proposal. Agriculture was still the overwhelmingly dominant rural industry in 1944, but Morse's brief discussion of the role of nonagricultural industry anticipated the expanded approach to rural development in the 1950's.

Morse saw development as more than income growth. He reminded his listeners that the objective of economic development is to enhance the health, recreational, religious, domestic, and governmental aspects of rural life. "Increasing the earnings of the people in an area is only a means to an end, not an end in itself."

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Poverty Is Persistent In Some Rural Areas

From the invisible poor of Appalachia's Southern Highlands to the former black tenant farmers in the old South and the Hispanic farmworkers in Texas today, poverty in rural areas and small towns often matches or exceeds what is found in large central cities. While farm poverty is now a small share of total rural poverty, historical connections to farming play a role in some poor populations. Most areas of persistent poverty can be classified in distinctive racial and/or cultural contexts.

Nearly 23 percent of all nonmetropolitan counties had high levels of poverty at the beginning of the 1990's, compared with 4 percent of metropolitan counties. In nonmetro counties of persistently high poverty, the poverty rate was twice that of all other nonmetro counties.

Defining & Measuring Persistent Poverty

Very low income can stem from many circumstances. Some causes may be personal, reflecting poor health, or a family situation such as failure of an absent spouse to provide child support. Other cases result from economic events, such as a factory shutdown. But much poverty is less event-specific, and is related instead to long-established factors such as the legacy of race discrimination, or the structure of regional economies where even full-time workers earn only poverty-level incomes.

Given these varying conditions, periods of very low income may be only temporary for many people, ended by a change in personal circumstances or by a new job. For others, low income may be of long duration.

For entire areas as well, the duration of poverty can vary. A rural and small-town community may have a current high poverty rate only because of a poor year for farm income. Asset levels may remain high, and incomes may rise the next year.

Conversely, there are numerous rural areas where poverty has been persistently high for decades. Rural areas are defined in this article as nonmetropolitan counties—counties with populations of less than 100,000. County-level census data can be used to identify nonmetropolitan counties that had high poverty rates in each of the last four censuses, 1960 to 1990. In this article, such counties are defined as having persistently high poverty. A county with a high incidence of poverty is defined as having 20 percent or more of its population living in households with poverty-level income.

Statisticians measure the size of the poverty population by comparing total money income to a poverty threshold that varies by size of the household. Poverty thresholds are adjusted annually by the Consumer Price Index. No allowances for regional variations in costs of living are available.

Illustrative poverty income thresholds from the 1990 Census are: less than \$6,451 for a person under 65 living alone, \$8,343 for a two-person household with the head under 65, and \$12,575 for four persons, including two children under 18 years. Income includes wages and salaries and other earned income as well as that received from cash transfer payments such as Social Security, public assistance, retirement or disability income, or child support. While the threshold measures poverty after the receipt of cash assistance, it excludes the cash value of such programs as public housing, food stamps, and Medicare. Thus, the data overstate the incidence of poverty after accounting for all ameliorative programs, but they understate the number of people who would be poor without public income support.

Among nonmetro counties, 540 have had poverty levels of 20 percent or more in each of the last four censuses. This is nearly a fourth of all nonmetro counties. The national incidence of poverty was 13.1 percent in the 1990 Census, based on 1989 income, up slightly from 12.4 percent in 1980. For nonmetro areas, the figure of 16.8 percent in 1990 was a somewhat greater rise from 15.4 percent in 1980. The poverty rate in nonmetro counties of persistently high poverty was 28.7 percent, twice that of all other nonmetro counties (14.4 percent).

A map of persistent poverty nonmetro counties shows large numbers in the coastal plain and highlands regions of the South, along or near the Rio Grande from its source to its mouth, portions of the Texas plains, and scattered counties elsewhere. Persistent poverty counties are not found in the Northeast or on the Pacific coast, and are rare in the Corn Belt. In terms of demographic and cultural geography, the vast majority of the counties fall within four types. They are counties in which the source of the high overall poverty rate is primarily in the black population, the Hispanic population, the American Indian or Alaskan native population, or the population of the Southern Highlands.

Areas of high black poverty.—In 255 of the counties, the high overall poverty rate reflects conditions in the African American population. These are counties either where blacks are a majority of the poor, or where a high incidence of poverty among blacks produces an overall county rate of 20 percent or more.

These counties are in the heart of the old agricultural South—once dependent mostly on cotton. Blacks make up 67.5 percent of all poor persons in these counties. Rural poverty had been endemic among blacks in the past, when they were principally small-scale tenant farmers. Comparatively few blacks today are still involved in agriculture, however, either as farmers or laborers. But, although there have been major improvements in education, employment, public assistance, living standards, and access to public life, the level of black poverty is still over 50 percent in more than 100 of these counties and less than 30 percent in only two of them.

The areas dominated by black poverty have several features typically associated with low income, such as a high ratio of population to workers, early childbearing, low availability of year-round full-time work, and low education.

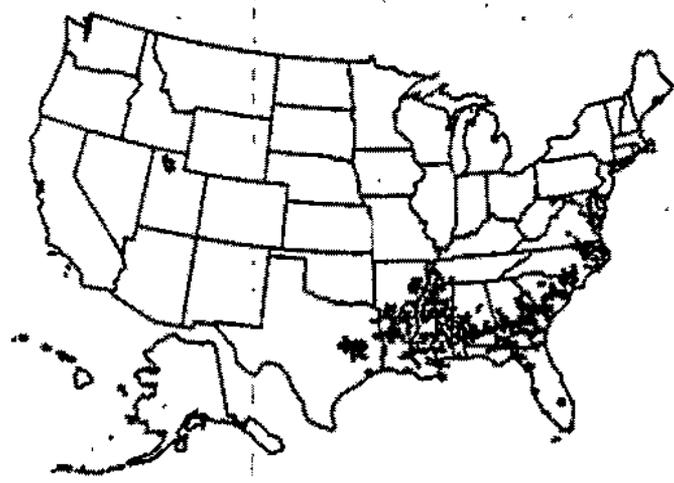
Compared with other nonmetro counties, these counties have an especially high percentage of children under 18 whose families are not headed by a married couple (31 percent), a situation frequently associated with low income and welfare dependence. Some 29 percent of the black households do not have a motor vehicle—a condition likely caused by poverty but which also hinders employment.

A striking feature in many of these counties is the vast difference between poverty rates for blacks and whites. In 1990, persistent poverty counties in Alabama, Arkansas, Louisiana, and Mississippi had average poverty rates of 51.4 percent for blacks, compared with 15.4 percent for whites, reflecting social and economic conditions that are still radically different for the two racial groups. On the more industrialized east coast, in the Carolinas and Virginia, the black poverty counties have an average poverty rate of 37 percent for blacks and 11.6 percent for

Rural Development

Persistent Nonmetro Poverty Is Concentrated in the South

High Black Poverty



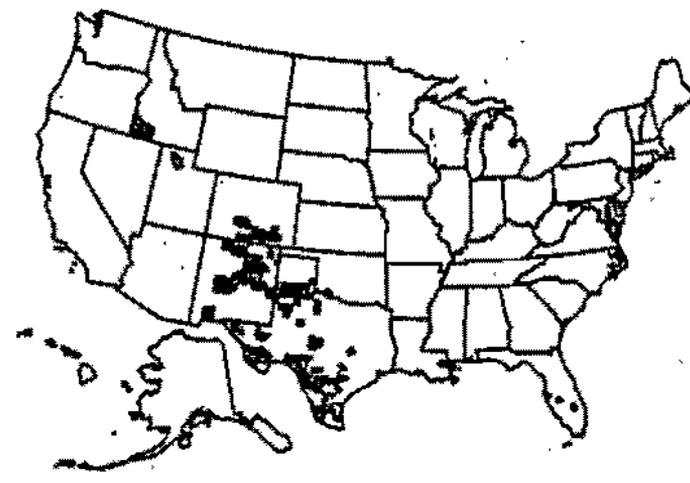
Southern Highlands



High American Indian or Alaskan Native Poverty



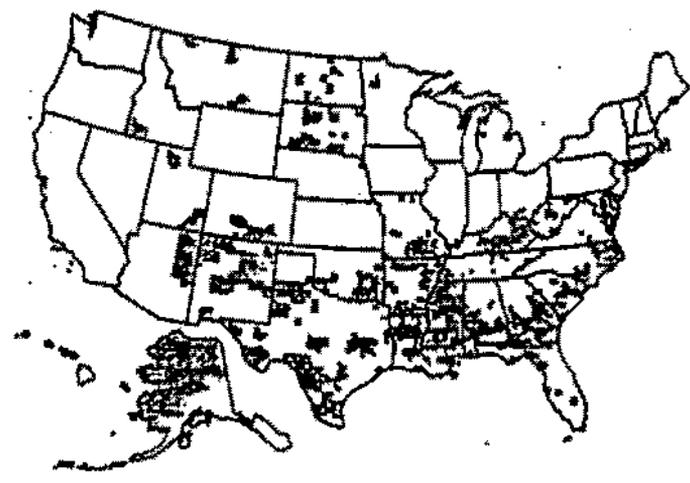
High Hispanic Poverty



All Other Persistent Poverty Areas



Total Nonmetro Persistent Poverty Areas



Nonmetro counties with persistent high poverty—overall poverty rates of 20 percent or more from 1980 to 1990. A nonmetro county has a total population of less than 100,000. Source: Bureau of the Census.

whites, but nowhere did the rate reach 50 percent for blacks. All told, blacks make up 67.5 percent of the poverty population in the counties characterized as black poverty areas, while comprising 40.3 percent of all persons.

Areas of high Hispanic poverty.—Persistent poverty counties where low income occurs primarily in the Hispanic population are in Texas, New Mexico, and Colorado. Within the 73 such counties, 76 percent of all poor persons are Hispanic. Many of these counties are on or near the Rio Grande, where Mexican settlements already existed when the U.S. acquired the land. The counties on the Mexican border in Texas include many recent immigrants, while those in New Mexico and Colorado have few.

Other areas with high Hispanic poverty rates reflect the extensive migration of Mexican Americans to High Plains counties as farmworkers over the last two generations, following the introduction of irrigated agriculture. Over time, many of these people have remained in the Plains, but have moved into other occupations. Because their proportion in the population is steadily growing, their susceptibility to poverty is increasingly important in determining the overall poverty rate of the Plains counties.

Hispanic poverty counties as a group do not show the highest incidence of any of the socioeconomic measures shown to be associated with poverty. These counties are, however, well above nonmetro or metro areas as a whole in the ratio of population to workers, men who lack full-time year-round work, adults who did not complete high school, youth who have dropped out, and incidence of early child-bearing.

The Plains counties with high persistent poverty are the areas where poor families are most likely to work in agriculture. In 1980, 29 percent of all employed Hispanics in these counties worked in agriculture, compared with only 7 percent of nonmetro workers nationally. For men, the percentage in agriculture was closer to 40. The vast majority were not operators but hired farmworkers (91 percent), an occupation characterized by low wages and seasonality of work. In the

Hispanic poverty counties of Texas, poverty has been more widespread than would be expected from per capita income levels, because of the manner in which income is distributed.

Areas of high poverty among American Indians and Alaskan Natives.—There were 35 counties and equivalents in 1990 where low income levels among native Americans—Indians and Alaskan Natives—are the source of persistent poverty. Outside Alaska, all affected counties contained Indian reservations, except in Oklahoma where they encompass former reservations and nations. In the Alaskan areas, the residents are principally Eskimos.

The Indian and Alaskan Native counties are the least populous of the poverty types. They have distinct characteristics that affect the incidence of poverty and their development potential. They have the highest overall poverty rate of any of the county types (34.2 percent), with rates for the Indians and Alaskan Natives themselves averaging 50.9 percent. Most seriously, over three-fourths of the poor are severely impoverished, with incomes less than 75 percent of the official poverty level. Some 26 percent of the entire population had severely low income even including all forms of cash assistance.

With limited work availability and below-average labor force participation, workers in the Native American counties have a much higher level of dependents per worker than is true in other rural areas. In 1990, there were 312 persons of all ages per 100 employed people, compared with ratios of 227 in nonmetro counties without persistent high poverty, and 206 in metro areas. Further, among men who had employment in 1989, only 35.2 percent had full-time year-round work, compared with the norm of 50 percent in the U.S. as a whole.

Poor people in Native American persistent poverty counties have a different age composition from those in the areas of black and Southern Highlands poverty. In poor households in the latter areas there are two children under 18 for every person 60 years and over. But in the Native American areas, poor children outnumber poor older people by four to one.

In part this reflects the low average age of Native Americans in general, given their above-average family size and their lower life expectancy. Among other factors are the comparatively high rate of childbearing among younger women (under age 25), which adds more members to families whose earnings are still low, and the relatively low percentage of Indians who live alone in old age.

Southern Highlands.—A fourth large bloc of nonmetro counties with chronic high poverty is in the Southern Highlands, mostly in the Cumberland Plateau and Highland Rim country of the Southern Appalachians, but also including parts of the Ozark Plateau and the Ouachita Mountains. Here racial and ethnic minorities are few, and 95 percent of the poverty is in the white population.

A satisfactory explanation of why income levels for the white population in these counties remain so much lower than those elsewhere is elusive. The topography of the area offers limited farming potential. Settled by people of modest capital, the area has remained exceptionally rural, with three-fifths of the persistent poverty counties having no town of even 2,500 people, limiting the variety and complexity of occupations available. Both the eastern and western parts of the Southern Highlands became regarded at an early date as isolated, culturally divergent, and poor.

Conditions in the modern era have not been static. The Blue Ridge and Great Smokies areas of the Southern Appalachians have emerged almost entirely from persistent high poverty. But the 106 counties defined here share a number of conditions that contribute to current poverty levels.

In education, only 47.7 percent of the population 25 years of age and over were not high school graduates in 1990. This is exceptionally high. College graduates were just 7.9 percent of the population, the lowest for any of the poverty areas. Thus, for every adult with a college degree, there were more than six without a high school diploma. Outside the persistent poverty counties the national nonmetro ratio was just two to one (28.5 to 13.5), and in metro America the

Rural Development

Characteristics of Nonmetro Counties with Persistent Poverty

	Persistent poverty county classification						
	Black	Hispanic	Indian & Alaskan native	Southern Highlands	Other persistent poverty	Total persistent poverty	Other nonmetro counties
Population (1,000)	5,355	941	558	1,791	829	9,464	45,414
Persons in poverty (1,000)*	1,479	299	191	514	230	2,714	6,508
Percent in poverty: 1990	27.6	31.8	34.2	28.8	27.8	28.7	14.5
1980	27.2	28.9	29.2	26.4	24.7	26.9	13.2
1970	28.7	34.1	35.8	30.7	24.3	27.7	16.6
1960	59.8	47.1	48.2	59.1	52.5	57.9	29.7
Percent in poverty by race:	14.7	NA	15.3	28.5	23.3	20.6	12.8
White	46.3	--	--	--	54.2	46.6	32.5
Black	27.5	--	50.9	--	--	45.1	33.5
Indian	--	43.6	--	--	--	42.2	28.4
Hispanic							
Population per 100 workers	259	274	312	266	271	259	227
Children ever born to 1,000 women age 15-24	443	455	535	419	439	444	335
				Percent			
Male workers with year-round full-time work	42.1	40.2	35.2	35.5	39.0	40.0	47.2
Population 16-64 with work disability	11.7	9.4	9.8	18.2	13.7	12.4	9.5
Education—age 25 & over:							
Not high school graduates	41.1	42.8	36.4	47.7	42.9	42.5	28.5
College graduates	10.9	11.1	10.9	7.9	9.0	10.2	13.5
Children under 18 not living with married couple	91	18.9	28.0	17.5	22.5	26.1	17.4
Households with no motor vehicle	14.9	10.1	16.7	12.6	11.9	13.8	7.9
White	6.8	--	7.2	12.4	9.5	6.8	7.0
Black	29.5	--	--	--	32.7	29.4	24.3
Indian	13.1	--	29.9	--	--	23.9	14.6
Hispanic	--	13.8	--	--	--	13.6	10.1
Persons in households with income below 75 percent of poverty level	19.6	22.3	28.2	20.4	19.1	20.4	9.4

Data are for 1990, unless otherwise indicated.

NA = Not available.

-- = Population base less than 50,000.

* Numbers do not total due to rounding.

Source: Census of Population, U.S. Bureau of the Census.

percentages are nearly equal (23 to 22.5). Many young people in the Southern Highlands who attain a standard level of education move elsewhere for economic opportunity, and the high school dropout rate continues to exceed that in other areas.

The earnings ability of Southern Highlands residents is also impaired by lack of full-time year-round work. Among men living in the area who worked in 1989, only 35.6 percent had worked at least 50 weeks of 35 or more hours. This is similar to the low level of full-time work reported in the Indian poverty areas.

Earning potential is also hindered by a relatively high level of work-limiting physical disability reported by adults 16-64. Sixteen percent reported disabilities that either limited their ability to work or prevented them from working at all. This compares with just 9.5 percent in nonmetro counties other than the persistent poverty areas. Some disabilities stem from coal mining injuries and diseases, but many of the high rates are not in mining counties. The unusual prevalence of disability restricts the potential efficiency of economic solutions to Southern Highlands poverty.

Other persistent poverty areas.— Only an eighth of the persistent poverty counties fall outside the four identified types. Many are counties that do not quite fit one of the other types. Some have high rates of black, Hispanic, or Indian poverty, but white households comprise most of the poor. Others adjoin Southern Highlands areas, but are not part of them. About a dozen are Midwestern corn or wheat belt counties of marginal productivity that have no urban places. The characteristics of the "all other" group tend to fall in the middle range among persistent poverty counties, except that they have the highest percentage of older people among those in poverty (20.6 percent) and the lowest rate of severe poverty (19.1 percent).

Change Since 1960

The greatest progress in reducing the occurrence of poverty level incomes since 1960 has been made in the black and Southern Highlands areas. Starting at similar levels of poverty in 1960 (59.8 and 59.1 percent), those areas were down more than half to 27.6 and 29 percent in 1990. This is a major change. However, all the progress occurred from 1960 to 1980. In the decade from 1980 to 1990, the poverty rate in the Southern Highlands areas reverted to a higher level, rising from 26.4 to 28.8, and the rate in the black poverty counties rose slightly from 27.2 to 27.6.

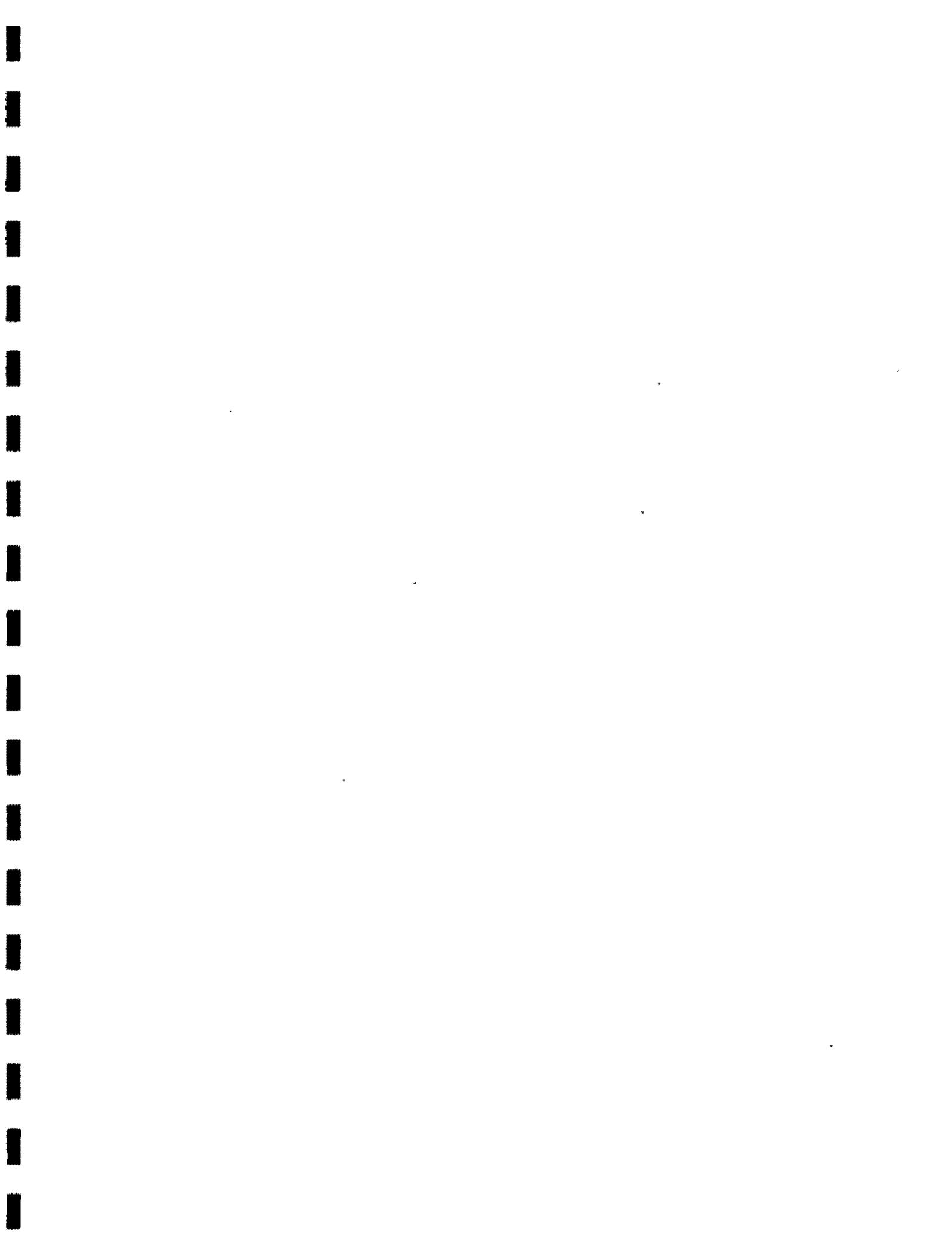
Far less improvement has occurred in the Hispanic and Indian areas. Somewhat less than half their populations lived in poverty in 1960 in these areas (47.1 and 48.2 percent), but the rates remain above 30 percent today (31.8 and 34.2).

Rural and small-town counties of high persistent poverty accounted for 29.2 percent of the total poor nonmetro population in 1990, a somewhat smaller percentage than in 1960 (32.4). Thus it must be stressed that they do not dominate the nonmetro poverty problem. Rather, they are the areas where poverty is most entrenched at levels well above the norm.

Other research has shown that most people who experience poverty do not do so on a permanent basis. And most poor nonmetro residents do not live in counties that show high area-wide poverty decade after decade.

But the 2.7 million who do so live in counties where the high incidence of poverty becomes in itself an impediment to self-generated progress. It limits the tax base and imposes a poverty of services. The lagging education of the labor force makes it difficult to attract new jobs other than those of low skills and modest wages. And the distinctive racial and/or cultural context of most of the persistent poverty areas makes it clear that their problems cannot be solved without addressing their specific problems.

[Calvin Beale (202) 219-0535] 



The Rural

Rural areas are enjoying widespread population gains in the 1990s. This surprising reversal is based on several new trends. Lower fertility combined with heavy migration from cities is creating thriving rural counties with few children. Farm jobs remain scarce; today, rural growth depends on commuters, retirees, vacationers, and manufacturers. The result could be a long-term return to the country.

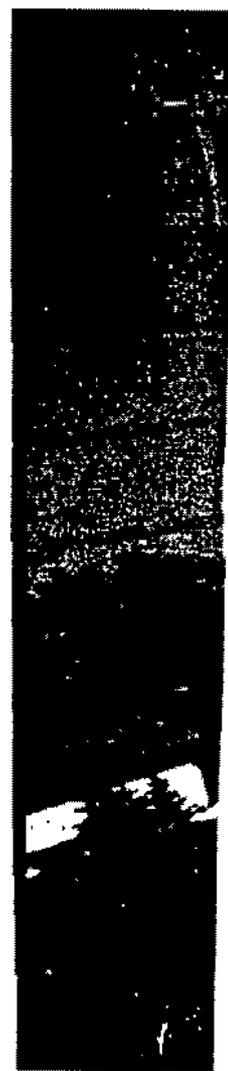
by *Kenneth M. Johnson*
and *Calvin L. Beale*

The revival of growth in rural America is one of the biggest demographic stories of the 1990s. Three in four nonmetropolitan counties gained population between 1990 and 1994, a stunning reversal following a decade

Kenneth M. Johnson is a demographer and professor of sociology at Loyola University of Chicago. Calvin L. Beale is the senior demographer at the Economic Research Service of the U.S. Department of Agriculture in Washington, D.C.

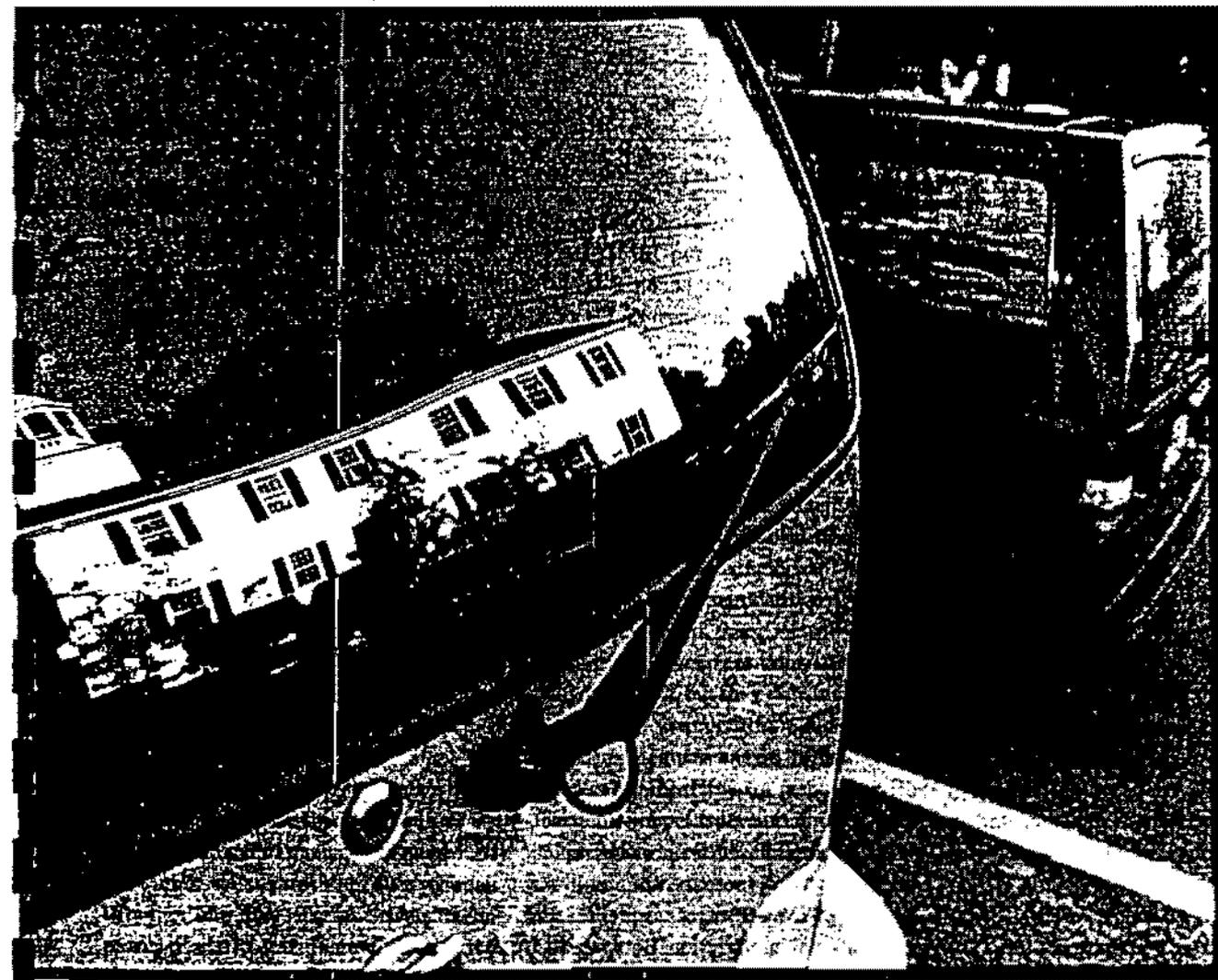
of rural decline. Now the pace of rural growth seems to be accelerating, and the implications for business are substantial.

More than three-fourths of Americans live in the nation's 837 metropolitan counties, but 81 percent of the nation's land area is in its 2,304 nonmetropolitan counties. For most of this century, net migration from nonmetro to metro areas has been a constant demographic trend. During the 1980s, for example, nonmetropolitan counties—those without an urban hub—grew by only 1.3 million people, for an average annual growth rate of 0.3 per



Rebound

R E V I S I T E D

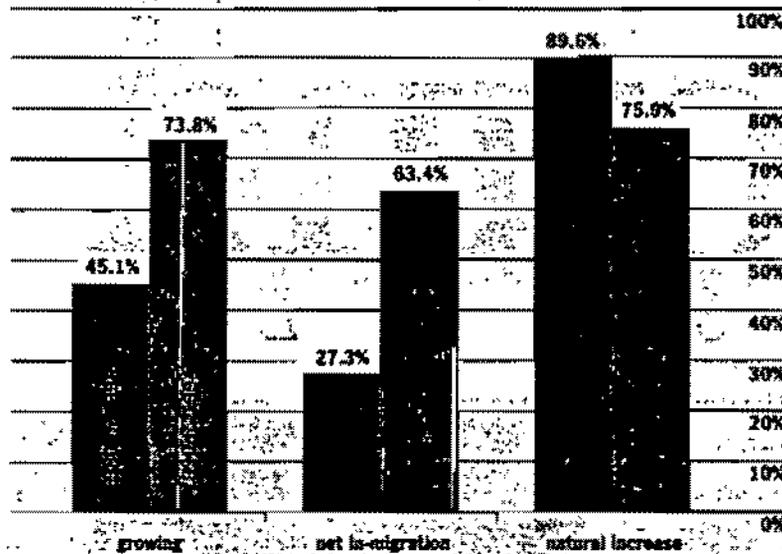


DEDE NATCH (PHOTO) BOBBY ACETO (HAND COLORING)

Going to the Country

Three in four nonmetropolitan counties are growing. The main reason: people are moving in faster than they're moving out.

(percent of nonmetropolitan counties growing and percent experiencing net in-migration and natural increase, 1980-90 and 1990-94)



Source: Census Bureau estimates

cent. Meanwhile, metropolitan counties gained 21 million people, with an average annual growth rate of 1.1 percent.

Now the pattern is changing. Nonmetro counties gained 880,000 residents between April 1990 and July 1992. And the latest estimates from the Census Bureau show that the new trend is getting stronger, as nonmetro counties gained about 1.2 million people from July 1992 to July 1994. The nonmetro population of the U.S. had an average annual growth rate of 0.9 percent between 1990 and 1994. This is still not as fast as the 1.1 percent growth rate in the metro population, but the gap has narrowed considerably.

Population in nonmetro areas has already grown more than three times as fast in the 1990s as it did in the 1980s. The current growth spurt is rooted in long-term economic changes that favor nonmetro areas, along with the strong conviction of many Americans that small-town life is better than big-city life. Nonmetro counties also grew rapidly in the

1970s for many of the same reasons that fuel their growth in the 1990s. It now appears that the rural hard times of the 1980s were only a brief reversal of a fundamental population shift.

FEWER CHILDREN, MORE MIGRANTS

The rural rebound of the 1990s is fueled not by births, but by more rural residents staying put and some metropolitan residents moving to small towns and rural homes. Specifically, 56 percent of nonmetro growth between 1990 and 1994 came from net gains in migration. This represents another change in long-standing trends.

For most of this century, the "natural increase" of births minus deaths has driven modest growth in America's nonmetro population. At the same time, metropolitan areas have been growing rapidly through natural increase, the net in-migration of former rural residents, and international immigration. Between 1920 and 1970, the nonmetro population grew

by only 8.8 million, while metros gained more than 88 million residents.

In the 1970s, the direction of migration shifted toward nonmetro areas. Nonmetro natural increase also continued, and the result was that nonmetro counties grew faster than metro counties. Then the traditional pattern seemed to return. Nonmetropolitan areas lost nearly 1.4 million residents to out-migration in the 1980s. They gained 2.7 million through natural increase during this decade, but natural increase in nonmetro areas was slower in the 1980s than it had been in previous decades.

Now, as a new wave of migration fuels rural growth, nonmetro natural increase is slowing even further. In fact, the net gain to rural areas from migrants between 1990 and 1994 (1.1 million) was greater than the net gain from natural increase (875,000).

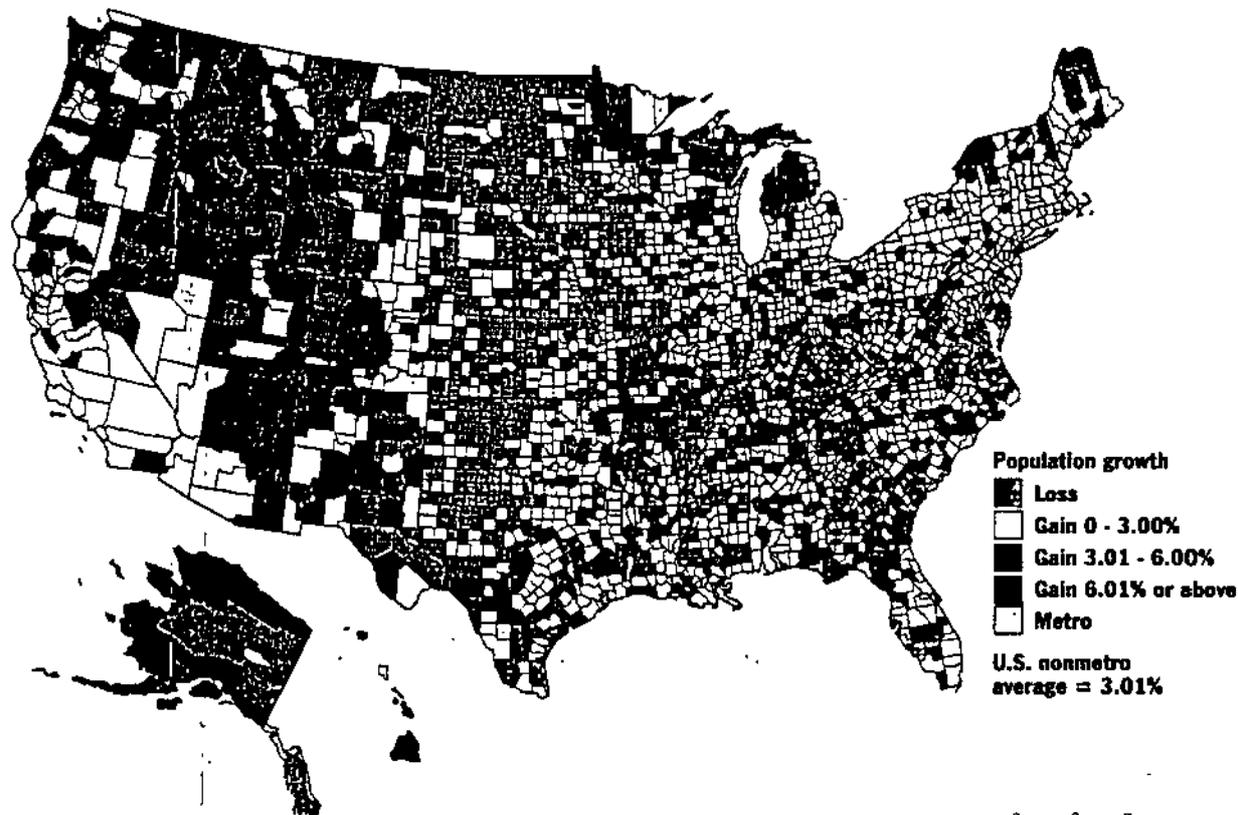
Between 1990 and 1994, an estimated 556 nonmetro counties experienced natural decrease, the demographic condition where deaths outnumber births. County-level natural decrease is more common now than at any point in U.S. history. Moreover, preliminary estimates for 1993 and 1994 suggest that as many as 700 counties may now be experiencing natural decrease. Most of these counties are losing population, such as those in the northern Great Plains. But others have rapidly growing populations due to in-migration, such as those in the Florida retirement belt.

The unprecedented level of natural decrease in nonmetro America results from three interrelated trends. First, many nonmetro counties have seen decades of out-migration by young adults coupled with the "aging in place" of older residents. Second, the traditionally higher birth rates of rural women have been going down, while those of urban women have been increasing. Third, rural women usually have children earlier than their urban peers. As a result, the aging of baby-boom women out of their prime childbearing years reduces births in ru-

Rural Rebound Redux

Nonmetropolitan counties are gaining population in much of the nation, except for the Plains states.

(nonmetropolitan counties with population gains and losses, 1990-94)



Source: Census Bureau estimates

ral areas first. If this trend continues—and it appears that it will—it will be a significant turning point in patterns of nonmetro population growth.

COMMUTERS AND RETIREES

The new rural migrants are not moving out to work on farms or get away from civilization. In fact, a new pattern of urban development is one of the main reasons for the rural rebound.

During the 1980s, major metropolitan areas developed commercial and employment centers at or near their outer boundaries. These "edge cities," often with suburbs of their own, exist at some distance from the old central cities. As a result, 84 percent of nonmetropolitan counties

that are adjacent to a metropolitan area gained population between 1990 and 1994, and 73 percent had net in-migration. The net migration gain in adjacent nonmetro counties was 2.6 percent in 1990-94, compared with 1.3 percent in the metro areas themselves.

Other rural migrants may be getting away from it all, but they're bringing their money with them. Of the 190 nonmetro counties designated as retirement destinations by the USDA's Economic Research Service, 99 percent gained population between 1990 and 1994. These counties are concentrated in the Sunbelt, coastal regions, and the Upper Great Lakes.

Near-universal population gains were

also seen in nonmetro counties where the economy is based on recreation. Of 285 counties in this category, 92 percent

In an unprecedented number of counties, deaths outnumber births.

gained population and 85 percent gained migrants. Many rural recreation counties began attracting migrants in the 1970s, continued attracting them through the 1980s, and are still gaining in the 1990s.

Many counties with recreational amenities also attract retirees; 101 recreational counties also fall into the retirement cat-

egory. These recreation-retirement counties grew by 12 percent between 1990 and 1994, the fastest pace of any economic group in the USDA categories.

Population gains were more modest, but still widespread, in nonmetro counties that depend on manufacturing and government jobs. Of the 506 nonmetro manufacturing counties, 88 percent gained population and 70 percent had net in-migration between 1990 and 1994. Manufacturing counties are most common in the Southeast and near the Great Lakes. Of the 242 nonmetro government counties, 87 percent gained population and 73 percent had net in-migration. Many of these also contain state prisons or universities.

There are 269 nonmetro counties where 30 percent or more of the land is federally owned. Many of these are in the West, and many are also classified as recreation or retirement counties. Ninety-four percent of these federal-land counties gained population in the 1990s, and 86 percent saw net in-migration, mainly by younger people and retirees who are attracted by the scenery and mountain recreation.

Three other types of nonmetro counties are registering widespread growth. Eighty-six percent of the 381 counties with a large proportion of the work force commuting to jobs in other counties are growing; most are adjacent to metro counties. Eighty-four percent of the 323 nonmetro counties where the economy is based on service-sector jobs are growing; many are also classified as recreation or retirement counties. In the 381 counties that depend on federal transfers such as Social Security payments, older people and those with low incomes are numerous. Three-quarters of these "mailbox economy" counties are growing, and 66 percent are gaining migrants.

The nonmetro counties least likely to grow are those where the economy is based on traditional rural enterprises. Only 47 percent of the 556 nonmetro counties dependent on farming are growing, and just 44 percent are gaining migrants. Of the 146 counties that depend on min-

ing jobs, 63 percent are growing, but only 47 percent are gaining migrants. But even in such traditional rural counties, growth is now more widespread or losses are smaller than during the 1980s.

The poorest and most remote counties in the U.S. are not joining in the new land rush. More than seven in ten of the 535 rural counties with persistent poverty are growing, but only 53 percent are gaining migrants. And 55 percent of the 407 "low-density counties" (with fewer than six residents per square mile) are growing, but only 45 percent are gaining migrants.

The fastest-growing nonmetro counties are located in the Mountain West, the Upper Great Lakes, the Ozarks, parts of the South, and in rural areas of the Northeast. Only about one-fourth of all non-metropolitan counties are still losing population in the 1990s, and these are concentrated in the Great Plains, Western Corn Belt, and Mississippi Delta.

LONG-TERM GROWTH

The rural slowdown of the 1980s was a response to a set of national economic conditions that included a prolonged rural recession, a farm crisis, and faster job growth in metro areas. In retrospect, it now seems likely that these conditions caused a short-term interruption in a general nonmetropolitan growth trend that began in the 1970s.

Demographers have developed several theories to explain the sudden reversal and growth of nonmetro areas in the 1970s, and they have struggled to explain the reversion to metro dominance in the 1980s. One of the most persuasive theories is the idea of deconcentration, which predicts a long-term and gradual dispersal of the U.S. population into smaller, less densely settled cities and towns. This deconcentration is driven by technological changes, the decline of industrial jobs, and other factors that make distance a less important factor in the organization of society.

Population change from 1970 to 1994

CALIF



Steve Daniel watched the snow and ice on television last winter. At 37, the Boston native has traded his New England roots for the Golden State. Steve loves his new life in California, where he kayaks on weekends, socializes with a diverse group of friends, and holds a key post with software giant Silicon Graphics. "It's so upbeat that it's ridiculous," he says. "Is this really happening to me?"

Ten years ago, Daniel could have represented a typical interstate migrant in America. But now he's unusual. Cuts in federal defense spending and other economic jolts have been cruel to California. The migration tide reversed in the 1990s, and magazines have joyfully reported the end of the Pacific dream. Middle-class families fled California for points north and east, adding to fast growth in smaller states like Washington, Idaho, and Nevada.

California has been battered by riots, floods, fires, earthquakes, unemployment, congestion, crime, high taxes, and wildly fluctuating home prices. But now the economy is perking up, and there are early indications that California is making a comeback.

Fewer people left California in 1994 than in 1993, according to a survey of ten major movers by the American Movers Conference. Automobile registrations show a similar

THE

CALIFORNIA COMEBACK

pattern, according to demographic analysts. And economist Jozi Kotkin says that numbers from the U-Haul Corporation show a net in-migration for California in 1994.

Kotkin, a senior fellow at the Center for the New West, says the flow out of California was never as big as "the Easterners" would have you believe. "There was a net out-migration, which was very small, given the total population," he says. "The migration out of New England was much worse." Those people who left were retirees and less-educated workers who couldn't hack the recession, Kotkin says. He cites a 1993 Rand study that showed for every 10 people over age 30 who left California, eight under age 30 moved in. "Who's going to move here?" asks Kotkin, who is based in Los Angeles. "Younger, better-educated people who can get jobs in the kind of economy California now has—entertainment, software, biomedicine, biotechnology, international trade."

Kotkin believes that any exodus out of California was purely economic. So does Stephen Levy, founder and director of the Center for the Continuing Study of the California Economy in Palo Alto. "The big

years of out-migration were two years after the recession started," he says. "It's very clear that migration follows but lags the economy: If it was other things, you would have seen people leaving right when the recession hit. California had a serious economic downturn when the rest of the country was improving. Why would anybody move here for a job?"

In the past five years, California's net growth due to migration—

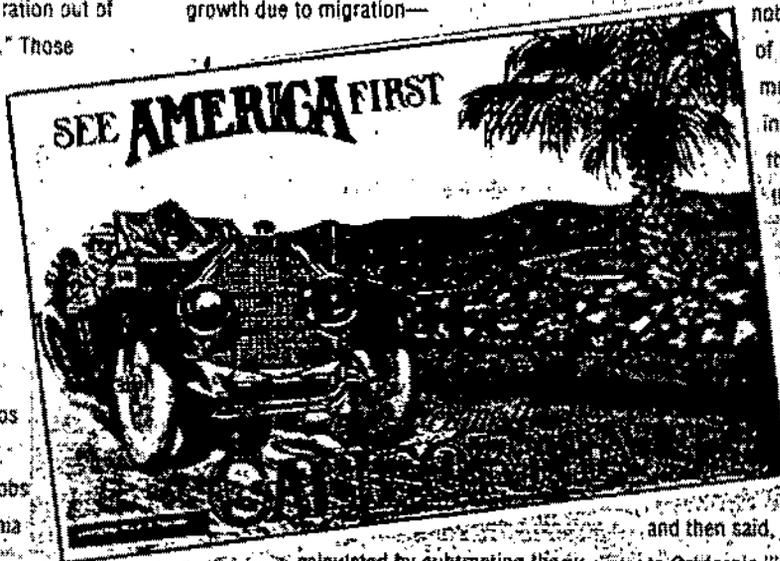
and early 1980s, she says. "When the economy improves, it's gangbusters again. It seems like there's a makeup factor."

Domestic migration out of California may be fueling rural growth in Oregon and Idaho, but it doesn't have much impact on the nation's largest state. The American Movers Conference figures for 1994 show 95,517 people moving out and 54,273 moving in. These are

not significant numbers in a state of 32 million people. "We get so much more growth from natural increase and foreign migration—that domestic growth is a throwaway," says Gage.

Don Delaney, the operations manager of A and P Bekins, a moving company in northern California, knows that the California dream is still alive. Last year, he says, "We loaded a guy for Texas. The guy spent a week or so there and then said, 'Turn around and take me back to California.'"

Steve Daniel is another true-blue California believer. "The weather's the best," he says. "And the people in Boston were so uptight. People here are a little more puffed, a little more forward-thinking." The call of a laid-back, sun-drenched lifestyle still draws them West. —Dan Foss



calculated by subtracting the natural increase (births minus deaths) from the total population increase—dropped from 453,000 in 1990 to 33,000 in 1994. But now "We're beginning to see a stabilizing of out-migration and more in-migration," says state demographer Linda Gage. This pattern also followed state recessions in the early 1970s

PHOTO: PUSIC/ANDR

From Farming to Fun

Rural retirement and recreation counties are hot; farming and mining counties are not.

(number of nonmetropolitan counties, percent change in population, and percent experiencing growth in total population and components of change, by type,* 1990-94)

county type	number	population change		net migration		natural increase	
		percent change	percent growing	percent change	percent growing	percent change	percent growing
Retirement	190	10.7%	99%	9.4%	97%	1.4%	69%
Federal lands	269	9.8	94	8.9	86	2.7	87
Recreational	285	7.8	92	6.0	85	1.9	81
Manufacturing	506	3.0	88	1.8	70	1.7	91
Commuting	381	5.0	86	3.4	80	1.6	83
Government	242	4.3	87	1.3	73	3.0	82
Service	323	5.8	84	4.3	74	1.5	77
Nonspecialized	484	3.9	80	2.6	72	1.3	77
Transfer	381	3.6	75	2.5	66	1.1	67
Poverty	535	3.2	71	0.8	53	2.4	84
Mining	146	2.1	63	0.1	47	2.0	79
Low density	407	4.3	55	1.8	45	2.5	65
Farming	556	2.3	47	1.0	44	1.3	56
Total nonmetropolitan	2,304	3.9	74	2.2	63	1.7	76

* Types are not mutually exclusive; recreational counties defined by Johnson and Beale; low-density counties had fewer than 6 persons per square mile in 1990; all other types defined by the Economic Research Service of the USDA.

Source: Authors' analysis of Census Bureau estimates

appears to be following the path of deconcentration, although economic conditions produced a detour in the 1980s. It is also possible that metro and nonmetro areas have reached a kind of equilibrium, so that short-term changes in the economy, politics, and culture could produce big changes in migration patterns.

Since 1988, the pace of job growth in nonmetro areas has been faster than job growth in metro areas, according to the Economic Research Service. As a result, young people living in rural areas have had less of an incentive to go to cities to find jobs. Also, widespread concern about crime, pollution, and poor-quality urban schools have persuaded rural residents to stay put while persuading some city residents to leave.

Rural businesses saw significant gains in sales during the first wave of the rural rebound. Wal-Mart, for example, became the nation's largest retailer by expanding rapidly in nonmetropolitan areas throughout the 1970s and 1980s. In the 1990s, rapidly growing rural areas are dealing with

new kinds of growth that create new opportunities for businesses.

Rural governments in areas of rapid growth are more likely to experience fiscal crises as new, more sophisticated residents demand higher levels of service. Private businesses may fill the gap by offering transportation, education, and health care where governments cannot. Health care is an especially thorny problem for rural retirement areas, because doctors and hospitals are still concentrated in major urban areas.

The deconcentration of America could marginally slow the growth of large shopping malls while it helps catalog and online retailers. Nimble retailers who use demographic and economic data to identify emerging rural growth centers will also benefit.

Rural growth may also create new kinds of political conflict. In states such as Texas, Idaho, and Montana, environmentalists and old-timers are

watching with dismay as formerly open land is carved up into 35-acre ranchettes. The people living in these homes are in the vanguard of a new trend, but the rural rebound is rooted in an old-fashioned American dream—the dream of a better life in a new land.

Behind the Numbers In this article, the words "rural" and "nonmetropolitan" are used interchangeably, along with the words "urban" and "metropolitan." Figures on total population, births, deaths, and net migration come from the decennial censuses and the Federal-State Cooperative population estimates series of the Census Bureau. The typology used to classify counties by economic function was developed by the Economic Research Service of the U.S. Department of Agriculture. The recreational classification was developed by the authors. The 1993 definition of metropolitan areas is used for all points in time. A net of 32 counties shifted from nonmetro to metro status between the previous (1985) definition and 1993, so the authors' constant use of the 1993 definition results in greater nonmetro losses during the 1980s and slower nonmetro gains in the 1990s. For more information, contact Kenneth M. Johnson at (312) 308-3461 and Calvin L. Beale at (202) 219-0482. For a look at 1990-92 trends, see "The Rural Rebound," *American Demographics*, May 1994, page 24. For a map of natural decrease, see "Birth Takes a Holiday," *March* 1993, page 64.



Rural America in the 1990's Trends and Choices

Shifts in the national and international economies have reduced the demand for primary U.S. products and eroded the comparative advantage of rural America. New technologies require less labor and have reduced agriculture's and manufacturing's shares of rural jobs. These trends restrict policy options. The future of rural America depends on the choices made among available options and the collective action (political, civic, and market) used to implement those choices.

THE difficulties rural America experienced in the 1980's are in large measure the product of vast shifts in the national and international economies. Three trends are prominent: increased productivity and a decreased demand for labor, decreased demand for (U.S. nonmetro-produced) primary products, and, finally, decreased government investment. These changes determine available policy options and necessitate the coordinated efforts of all levels of government as well as the private sector in determining and implementing policy options. These trends are briefly discussed below, followed by a prescriptive solution.

First, tremendous advances in output have been accomplished with ever-shrinking amounts of labor. This is a familiar phenomenon in U.S. agriculture, where productivity growth has resulted in a decline in farm operator labor. However, somewhat less familiar is that this laborsaving trend also exists in manufacturing.

Second, primary products, the strength of rural economies, are now a less significant share of the economy because other countries increased their agricultural and materials output in the 1970's and 1980's, reducing their demand for U.S. goods. Domestic demand for primary products has also declined because U.S. production has shifted toward service-sector activities.

Finally, U.S. investment has fallen behind that of our major competitors, and future investment promises to be hard to come by. Additional public funds will be

difficult to obtain, and pressures on (and struggles over) existing resources will likely intensify. Consequently, there is likely to be an increasing demand for more efficient, less bureaucratic forms of public-sector activity—a process David Osborne has called "reinventing government."

As a result of these trends, and the need to compete more effectively in the international economy, public programs that can be justified as investments in long-term productivity and growth will have a decided edge. Rural strategies will have to be defended as contributions to overall national well-being, not just in place-specific terms. National and local interests may not always converge. For example, human capital investment (a person-specific strategy) makes eminent sense as a national strategy, but it will not succeed in staunching the outflow of trained young people from rural communities unless rates of return to human capital are simultaneously increased in these communities (a place-specific strategy).

These broad trends imply that rural America has entered a new era. The challenge in the 1990's is to shape new strategies responsive to both enduring rural realities and changing national and global circumstances.

Rural Comparative Advantage

To succeed, rural development strategies must be built on a realistic assessment of the rural comparative advantage. The development of rural America has historically depended primarily on place-specific resource advantages: land, timber, and minerals. The central rural disadvantage—distance—was overcome in part by natural features (for example, long, navigable rivers), and in part by publicly guided development of communication and transportation systems. Resource advantages have not disappeared, but their significance

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has declined, given the changes in the structure of production and demand.

In the 1960's and 1970's, the primary basis of rural comparative advantage shifted from resources to factors such as cheap land, low-cost labor, relatively relaxed regulations, and weak or nonexistent unions. Combined with a new burst of public investment in transportation (the interstate highway system), these advantages spurred a significant expansion of manufacturing in rural America: from 1960 to 1980, the rural share of manufacturing employment rose from 21 to 27 percent.

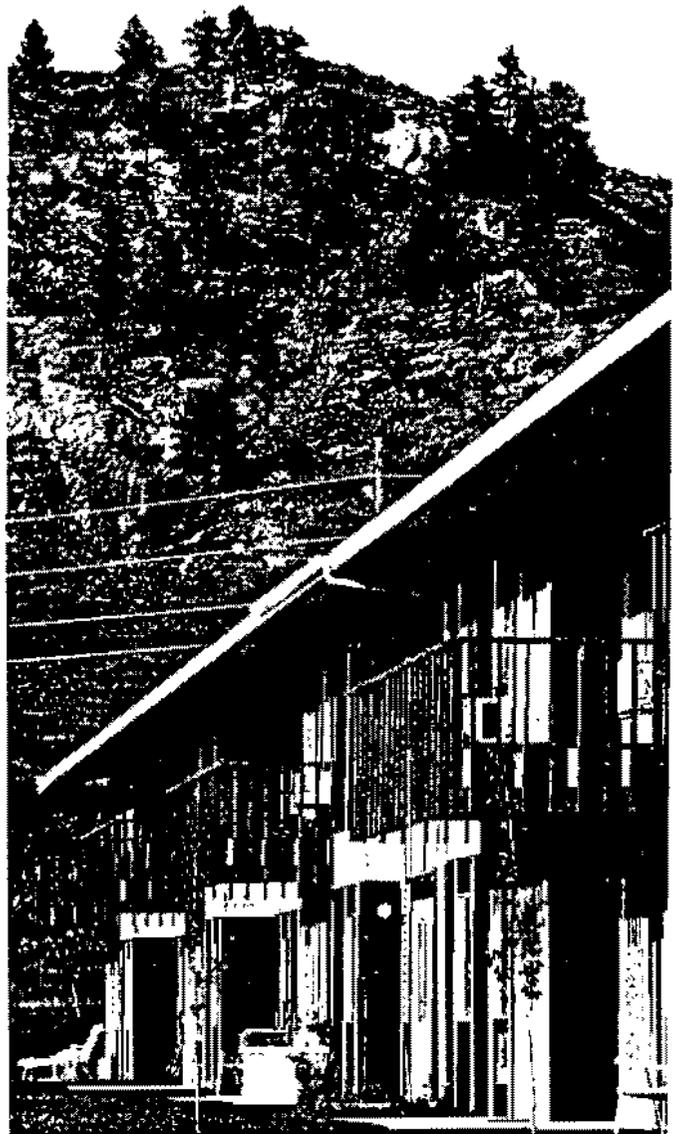
But these advantages, too, have been eroded by economic change. The importance of land costs in plant location decisions has diminished, and in a global marketplace with fully mobile capital, cheaper labor can be found and employed outside U.S. borders. Further, labor will likely continue to shrink as a component of manufacturing costs, and, therefore, as a determinant of production siting.

During the 1980's, rural America entered its third major phase. The kinds of natural characteristics regarded as "amenity values" by retirees, vacationers, and certain businesses emerged as the chief new source of rural comparative advantage. Rural places with substantial locational assets have commanded the lion's share of nonmetro population and employment gains.

There is, however, a downside. The characteristics—small populations and low densities—that give some rural areas amenity value frequently limit opportunities for broad-based development. Three factors are key. First, small size and low density make it difficult—in some cases impossible—to achieve significant local diversification, leaving communities (and even entire regions) highly vulnerable to downturns in their prime economic base.

Second, small population and low densities are correlated with larger average distances between individuals and economic activities, raising communication and transportation costs. Third, population and density may increase with successful amenity-based development, thus eroding the area's original advantage.

Not surprisingly, nonmetro counties that are adjacent to metro areas did better than remote counties during the past decade. As Emery Castle notes, "the economic welfare of the more sparsely populated areas is linked with, and dependent upon, economic activity in the more densely populated areas.... It is not a coincidence that the most prosperous rural areas have close economic links with other parts of the world and the large urban centers." Thus, a central challenge for rural



USDA/Farmers Home Administration

development in the 1990's will be to forge new kinds of linkages between metropolitan areas and remote communities. Absent such innovations, the prospects for remote communities without significant natural amenities are bleak.

Collective Action Failures

The foregoing may be misinterpreted as an argument that the decline witnessed throughout so much of rural America in the past decade is the inevitable consequence of immutable national and international trends. That is not my intention. I argue a more complicated case: while these broad trends do set the agenda and restrict options, the outcomes for rural areas reflect the choices made among available options, as well as the forms of collective action used to implement these choices.

In modern societies, there are, broadly speaking, three principal ways in which individuals can organize themselves collectively to get things done. The oldest of these is politics, the sphere of authority in which the legitimacy, office, persuasiveness, or power of some people induces others to accept their judgment and command as the basis of action. A second sphere, the market has emerged since the 18th century. The market is governed by the principle of exchange: transactions that leave all parties better off (as they themselves define their own well-being) than they were before. The third sphere is civil society. Civil society encompasses all voluntary associations based on shared principles, loyalties, or sentiments: families, churches, neighborhood groups, nonprofit or charitable organizations, and so forth.

Like the market, civil society can exist only if the sphere of politics refrains from occupying the totality of available social space. Markets and civil societies are thus linked to what may be called the liberal principle, that government should (for reasons of efficacy as well as morality) be limited in crucial respects.

Market forces, on balance, did not promote rural development during the 1980's, and the unchecked market's indifference to issues of spatial distribution was nowhere more clearly demonstrated. Nor, in spite of heroic efforts, was rural civil society able to address effectively the problems with which it was confronted. Churches, communities, and support groups ministered to distress and occasionally warded off worst-case outcomes, but without reversing underlying negative trends. The public sector did no better: in spite of unprecedented spending on programs regarded as "rural," the Federal Government did almost nothing to improve the long-term prospects of rural families and communities.

James Bonnen has argued that U.S. rural policy is a classic example of Government failure. The reason, he contends, is that over the past century the political economy of rural America was institutionalized around key industries rather than communities. For much of the period, this political configuration was not too damaging. But in the crisis of the Great Depression, Congress created legislation that, for the most part, provided selective support to specific groups, usually agricultural. This evoked a mobilization of agricultural interest groups to defend and expand public benefits (as Anne Krueger's model predicts) at precisely the time that the agricultural sector was rapidly shrinking as a percentage of rural population and economic output. The result has been the domination of national rural policy by an increasingly narrow and unrepresentative segment of rural America.

The inadequacy of rural political institutions has been exacerbated by population mobility. As rural residents leave their communities in search of opportunity elsewhere, the rural population declines as a percentage of the total population, reducing its representation in State and national legislative bodies. This trend was accelerated by the one-person, one-vote Supreme Court decisions of the 1960's, which left the U.S. Senate as the last bastion of rural representation.

Another consequence of population mobility is less obvious, but just as important: the weakening of internal forces pushing for change. As Albert Hirschman has argued, "exit" and "voice" constitute the two major forms of response to organizational decline. Individuals dissatisfied with the performance of firms or communities can choose either to leave or to stay and speak out for reform. The problem is that the availability of the exit option tends to inhibit the development of effective voice. Exit serves as a safety valve that removes the most energetic and upwardly mobile members of the community, leaving behind a stratified mix of those who are relatively satisfied with the status quo and those too old, weak, or downtrodden to muster an effective protest against it. (A number of studies suggest that the portions of Europe with the highest rates of outmigration during the 19th century were less prone than others to social protest and violence.)

One difficulty, particularly acute in the U.S. context, is that voice—collective action through politics—is labor-intensive over an extended period and typically requires coordinated action with others, while exit is a once-and-for-all act that can be performed by isolated persons or families. Effective voice faces special impediments in a country whose public culture celebrates mobility and individualism. Still, an initial display of political effectiveness can serve as a magnet, inducing some who would otherwise leave to believe in the possibility of local improvement. This suggests that "public entrepreneurship" must play a key role in the revitalization of rural America.

Conclusions

The future of rural America is determined by a set of structural facts and by public choices made within that structure. Analysis goes astray if either of these factors is ignored. We must not overlook the powerful national and international winds now buffeting so many rural communities, but neither should we slight the ways in which, even in the face of these inhospitable conditions, skilled hands at the public helm can artfully tack and move forward.

In this complex interplay between structure and agency, it is important to maintain the distinction between macro-level trends and micro-level choices. What is

true in the aggregate may not be valid for individual communities. For example, within an overall pattern of sectoral stagnation, opportunities for local growth may nonetheless persist. A sounder understanding of broad developments will create a context in which policy analysts and local decisionmakers can more realistically evaluate the odds of success for each of the options before them. Rural communities need not always "go with the flow," but they should at least understand the nature of that flow.

Consequences for Research and Public Policy

The pressures of international competition require productivity increases in agriculture, natural resources, and manufacturing; reducing employment in these traditional economic sectors. To maintain and expand the rural job base, local communities and national policy must turn increasingly toward the substantially nontraded sectors of the economy, such as services for the retiring elderly, tourism, and the siting of Government activities. This new emphasis is consistent with the shift of rural comparative advantage to a third phase, one that emphasizes amenity values rather than natural resources or the costs of production.

The fiscal crisis of the public sphere, which has now spread to every level of the Federal system, means that large new rural programs are unlikely and that continuing pressure on existing programs is inevitable. This is a situation that cries out for innovation in the basic structure of public action. Government programs must increasingly employ cost-effective, nonbureaucratic mechanisms, and they must discriminately use public resources to catalyze action in the private sector and in rural communities. As one analyst has put it, government in the 1990's can steer the boat, but it cannot row.

The continuing, perhaps even enhanced, importance of rural linkages to metro areas means that efforts must be intensified to find effective functional substitutes. Hopes for greater spatial dispersion of the service sector have proven overly optimistic. Rural policy in the 1990's must focus on sectors, such as advanced telecommunications, that can give rural communities more complete, timely access to information and lower existing barriers to fuller rural participation in the most vigorously growing parts of the economy.

The emerging importance of size for community health, even community survival, suggests that institu-

tional change is essential. Small rural communities must seek to break down political boundaries and form new cooperative political units for education, service delivery, and public entrepreneurship—units that more closely correspond to the real scope of contemporary rural economic and social life. Recent trends suggest that only through such consolidation can many of the smallest communities hope to survive.

The progressive globalization of advanced economies has led many analysts to conclude that the skills and cumulative learning of the workforce are the new keys to competitiveness, the real sources of the "wealth of nations" in the next century. While there is debate as to the rate at which new or enhanced workforce skills will have to come onstream, the basic conjecture is widely accepted. It does not follow, however, that what enhances national wealth will necessarily benefit particular subnational regions. There are many reasons for local communities and the Federal Government to embark on a new partnership to upgrade education and training. But rural communities should be under no illusion that such initiatives by themselves will create local job opportunities and stem the outflow of young people.

For Additional Reading...

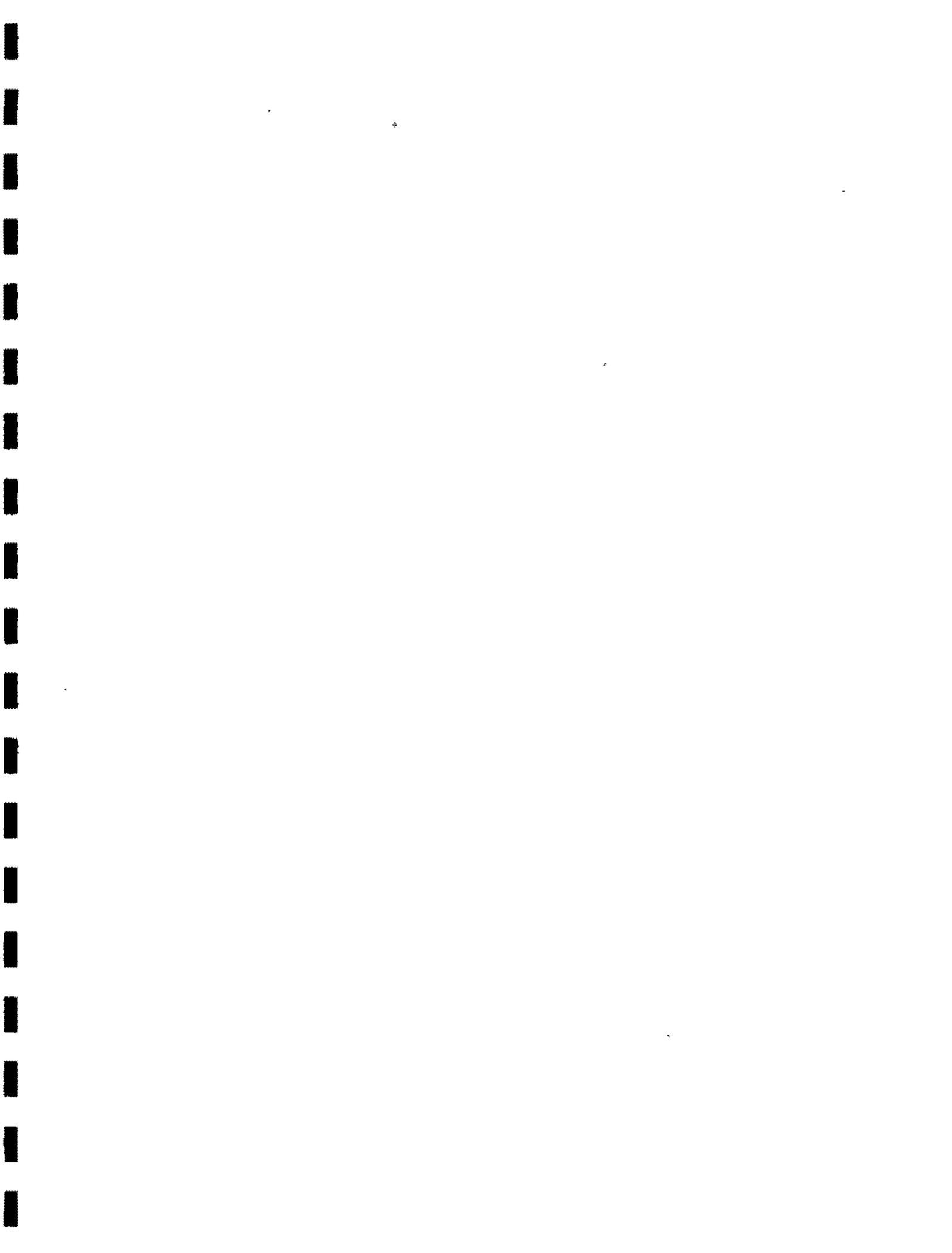
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The Political Economy of U.S. Rural Policy: An Exploration of the Past with Strategies for the Future

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Why has a coherent, successful policy addressing modern rural problems never been created in the United States? What are the current obstacles to rural policy? What possible strategies and coalitions might hold promise for developing a U.S. rural policy? These questions will be addressed in a political-economy focus on interest-group development, behavior, and role in U.S. rural policy. The purpose of this paper is to develop a strategic sense of the terrain of rural development policy. Such strategic understanding is one of the most important missing ingredients in U.S. rural policy. This paper argues, contrary to Reagan era policies, that a national rural policy of some sort is needed today.

Understanding the Past

In the middle of the 19th century, the United States made a national policy choice for rural America. We chose to invest major public resources in the development and welfare of the farm sector. This effort was calculated to prevent market forces from pushing "independent" American farmers back into a rural peasant society. The 19th century United States was a rapidly growing industrial and, increasingly, urban nation. In the course of this growth, the terms of trade between agriculture and the nonagricultural sector inevitably turned against agriculture, and the welfare of those in agriculture

lagged further and further behind the rest of society (Anderson, 1987). Nineteenth-century urban industrial incomes and productivity were rising, and with them came a middle-class fear that the American farmer would be forced into a low level of welfare, indeed, into a European-style peasant-class existence. Middle-class professionals believed that such a situation would undermine the Republic's democratic institutions, which, in turn, would threaten the growing middle class (Bonnen, 1987, pp. 268-271).

The Agrarian Transformation

Thus, we invested in the improved productivity and welfare of farmers. To do this, we created new institutions. A national system of state land grant colleges was founded by the Morrill Act of 1862 to educate farmers (the rural "working class") and mechanics (the urban working class). In the same year, the U.S. Department of Agriculture (USDA) was established, and the original Homestead Act passed. The Northwest Ordinance of 1787 and the Homestead Acts established a settlement pattern and distributed property rights in a manner to assure rapid settlement of the land with fee-simple titles in the hands of many "independent" farmers (Osborn, 1988). Nationwide agricultural research (1887) and extension (1914) institutions were eventually added to the land grant system. Land reclamation and drainage were encouraged by laws and new institutional arrangements. We invested in the basic infrastructure of agriculture, developing institutions and programs for rural free delivery of mail, rural roads, common market standards for farm products, and, later, rural electrification, soil conservation, and long-term, intermediate and short-term farm credit—all through national policy (Bonnen, 1987, p. 286). Public policy was used to create a successful rural

I am greatly indebted to William P. Browne for discussing this subject with me, for suggesting ideas from his consummate knowledge of U.S. interest groups, and finally, for a critical review of an early draft of the paper. I am also in the substantial debt of Lynn Harvey and David Schweickhardt for critical reviews of a draft of this paper.

elite, built around farming and other related agricultural industries.

The fundamental force behind agrarian economic development is compelling. It accompanies successful industrial development in all industrial nations. Failure to improve the productivity of farming prevents the transfer of labor and capital from the agrarian sector and eventually constrains, if not halts, industrialization. As the nonfarm sector grows, the demand for labor accelerates (outrunning population growth), labor and capital costs rise, the nation loses its competitive edge in trade and its economic growth slows—if there is no movement of labor and capital from farming to urban, industrial employment. Thus, not only is an agrarian transformation absolutely inevitable in a successfully developed nation, but also are the consequent problems of the transformed rural community left behind.

What are these problems? Continued improvement in the productivity of farming, with low price and income elasticities and competitive markets for farm commodities, inevitably means that fewer and fewer farmers are needed to provide a growing supply of food. This economic transformation creates the social dilemmas and value conflicts that we now face in American agriculture. National policy has increased farm productivity, but political rhetoric, since World War II, has also promised to save all family farms while assuring good incomes for all. Those farmers who have the least financial strength or are least efficient and adaptable to the new technologies and new institutions eventually leave agriculture for other employment. In effect, we have forced the potential peasants to the city or at least to other employment. Most of these people (but not all) improved their level of welfare beyond what they experienced in farming. The next generation after migration often had access to improved education and employment. Despite agrarian rhetoric to the contrary, most migrants moved to seek greater opportunities elsewhere, and not because of farm foreclosures by evil bankers or the loss of jobs to technology.

What did *not* happen, however, was the development of rural political institutions and economic structures independent of farming and agriculture. Forestry and mining should perhaps be included with farming in this generalization. The political economy of rural America was thus organized around agriculture, and to a lesser degree, forestry

and mining. Only farming was controlled locally. These industries became the power centers of late 19th- and early 20th-century rural America. All three were natural resource-based industries. Most public policies created in this period were not focused on rural communities or people but were industrial policies. Our concern in the 19th century was for conquering the continent and exploiting the great bounty of resources then unconquered and underdeveloped. We paid little or no public policy attention to rural communities, their institutions and people, or to the environment. This is not what the agrarians wanted. Until the Great Depression, farmers were generally reluctant, uncomprehending participants in most of the policies imposed on them by the larger society (Scott, 1970).

Between 1920 and 1978, 41 million people migrated from U.S. farms—31 million since 1940 alone (Historical Statistics, p. 457; Statistical Abstract, p. 649). But that movement was not just a transfer of population. The agrarian transformation disorganized rural America, eroding the base of the human and institutional resources of these rural communities, including political structures, small-town businesses, churches and schools. This transformation first focused power in farmer organizations and interest groups and then, with the decline of the agrarian sector, left behind rural communities whose basic institutions were underdeveloped and weak. No empowered rural community political institutions or interest groups developed as the farm sector declined.

Such a radical transformation of the institutional structure of rural America might have created a clear-eyed understanding of the resulting rural community problems, resulting in some policy response. But it did not. This failure is partly caused by the lack of well-organized rural community institutions in the state, region, and nation to provide a voice for rural society. The failure is also partly caused by an agrarian fundamentalism, which whatever its original validity, is today a myth promoted by cynical farm interests (including many advocates of alternative agriculture), and by the media (Montmarquet, 1989; Davis, 1935; Griswold, 1948). Even country music (especially singers such as Johnny Cash and Willie Nelson) promotes agrarian fundamentalism, as Farm Aid concerts have demonstrated. These songs usually project a romanticized rural landscape inhabited only by farmers on their farms. The reality

of rural life is distorted, and the transformation of rural society has thus remained obscured and misunderstood by the larger society.

U.S. agrarian policy has also undergone a major transformation during the period since the mid-19th century. Until the Great Depression, most legislation enacted to support rural society (that is, agriculture) was general social legislation. This legislation created primarily public goods that were made available to all members of rural society. During the Great Depression, however, general social legislation was pushed into the background as Congress created the Agricultural Adjustment Act of 1933 and other specialized pieces of farm legislation that provided mainly selective goods. Selective goods provide material benefits only to specific groups in society. This legislative change had a great impact.

Interest Group Formation and Public Policy

In the 19th century, farmer organizations were expressive, having only the common emotional or value ties of their vocation to hold them together. Such organizations tended to be unstable and short-lived, even though some were influential for brief periods in the late 19th century, when decades of depressed prices created a farm revolt in the form of the Populist movement. This radical political movement led to the first antitrust legislation and to the regulation of U.S. railroads (Hicks, 1961). When legislation is enacted that provides specific benefits to limited groups, such as farmers or even, only wheat farmers, and when those selective goods substantially affect the welfare of that group, a sufficient incentive is also created for organizing permanent, stable, interest groups. Such groups appeared after the Agricultural Adjustment Acts of 1933 and 1938. Wheat farmers and other farm commodity producers were already organized, but these were self-help organizations devoted mostly to communicating with other farmers and to improving farm productivity. These groups had little or no relationship to government or public policy. With the introduction of national commodity legislation, these organizations quickly developed a new purpose and a national presence in Washington, D.C. They began to participate in policy formation because each commodity group's welfare was so directly and significantly affected by commodity policy decisions made in Congress and the U.S. Department of Agriculture. Agrarian policy has not

been the same since. Farm interest groups have become active policy participants, and the expression of intense interest in agricultural policy has narrowed largely to commodity policy since the farm legislation of the 1930s (Bonnen, 1980).

Thus from the mid-19th century on, farm policy has been equated with rural policy. The political players at the national level have understood themselves to be improving rural life when they improved farm welfare. This belief was not unreasonable when farm people were 50 to 90 percent of the rural population and accounted for a similar share of rural economic activity. But, today farm residents account for less than 8 percent of the rural population, and the earlier belief is no longer reasonable. Still, this belief will continue to deflect concern from other dimensions of rural community welfare as long as the power structure of rural society is dominated by narrow agricultural interests, and as long as almost all national support for rural institutions is focused on agrarian interests. Commodity interest groups and their contentious partners in agribusiness and the general farm organizations have dominated what passes for rural policy since the Great Depression. Because agrarian interests dominate the existing institutional structure, rural communities have great difficulty in getting their issues on the agenda and expressing effectively any other voice for rural policy. Governors and various rural professional organizations express periodic concerns about rural community welfare, but rural community interests have not effectively organized. The executive branch and Congress have joined in close partnership with these agricultural interests to manage the agrarian policies created since the 1930s (Bonnen and Browne, 1990). This partnership has institutionalized an agrarian voice for rural America that effectively excludes other rural community interests.

The Media's Role

In the period since World War II, the media have become important participants in the policy process affecting the outcomes of U.S. policy. The farm crisis of the early 1980s leading up to the passage of the Farm Security Act of 1985 provided insight into the role of the media. The media influenced the public perception of an economic and social crisis of rural America in several ways. The media focused almost exclusively on farms and on farm problems and

created a distorted image of rural life, in turn distorting the problem that policy was expected to address. The ultimate media event was one in which several prominent actresses, who had recently starred in movies celebrating the agrarian myth, testified in Congress on farm policy. Jane Fonda told Congress that farmers were in the worst shape they had been since her father starred "In the Grapes of Wrath." Jessica Lange shed copious tears for the demise of small farmers in Minnesota where she grew up, and Sissy Spacek added the credibility of a good East Texas country accent to an otherwise urban-accented chorus. CBS News subsequently produced a series featuring the farm crisis that aired during its regular newscast. The series projected the values of agrarian fundamentalism and focused entirely on agriculture and farmers, ignoring the problems of the majority of people attempting to survive in a depressed rural America.

But, the media are more dupes than villains in this drama. The ideological roaring of factually self-confused but righteous agrarian advocacy groups and radical new farm organizations drew the media's attention to the rural crisis. Because the rage of these groups took the classic agrarian fundamentalist form of "save the family farm" from being gobbled up by evil bankers and corporate America, the media, in producing their 30-second spots for television, became fixated on farm auctions, crying farm wives, beautiful sunsets, and tranquil rural landscapes. The public was transfixed, and despite the largest peacetime federal budget deficit in history, opinion polls surged with support for saving the family farm with more public dollars (CBS, Plissner, 1987).

Traditional commodity and commercial agricultural interests (which had been very quiet up to this point) proceeded to wrap themselves in these symbols of the agrarian myth so conveniently provided by advocacy groups and the media. Traditional farm interests cynically exploited this distorted public sense of crisis to extract more of the usual public subsidies for commercial agriculture from the 1985 farm legislation. The farm groups behaved in what they saw as a perfectly rational manner (Browne, 1988, ch. 4 and 5).

Although an increasing number of highly leveraged farmers were in trouble, and the migration out of rural America in the search for better economic opportunities had begun anew in the 1980s (after temporarily reversing in the late 1970s), the flow was

primarily of rural residents who did not live on farms. The rural distress of the 1980s was only partially caused by the loss of economic welfare among farmers. The globalization of international commodity markets and the resulting competition are now affecting the employment potential of many firms in rural America. For a decade, U.S. monetary policy and the slow economic growth of the nation have also hurt rural community employment. Except where buoyed by a spillover of growth from adjacent metro areas or by recreation and retirement community growth, rural America is now in decline—with little or no national policy response.

The Current Obstacles to Rural Policy

What is the nature of the rural policy problem and its political context today? What are the obstacles today to development of a U.S. rural policy (Swanson, 1989)? Agricultural institutions and their power structure dominate rural policy, and the media consistently communicate to the American public an agrarian myth of an idealized rural society populated only by farm families, feed stores, and implement dealers. Thus, as long as farmers are doing all right, everything is fine in rural America. No vision of rural America is needed; we have an agrarian vision, even though it has little relationship to the reality of modern rural life or even to the facts of today's agriculture. In such a context, politicians in the Congress and, indeed, in most state legislatures ignore rural society and want concrete prescriptions backed up by evidence of political support before addressing issues of rural communities. They want both a clear definition of any nonfarm rural problem and a persuasive prescription for what to do about it. This means that Congress does not have any coherent vision with respect to rural society. After all, "rural" is "farm," and Congress has done and continues to do enough (indeed, many congressmen believe, more than enough) for farmers. For similar reasons, neither the U.S. Department of Agriculture nor the President generally feel any need to have a policy position or to take action on rural policy. It's already taken care of.¹

It makes a difference what the public believes: what it believes about facts as well as about values. These beliefs become supports for, or obstacles to, specific policy goals. Besides the dominant image of

rural as agricultural, urban people tend to value the rural landscape as an attractive place to visit, in which to recreate and relax. This image holds a positive potential for political support of rural community issues. However, at present urban people probably do not consciously associate an attractive rural landscape and its recreation potential with rural nonfarm people and their problems.

The factor that hardens public misperceptions of rural society into political concrete is that there are no well-organized national interest groups with significant influence that focus on rural community issues. This situation is a by-product of the lack of a viable institutional structure for rural society and of the current concentration of rural power in farm interest groups and institutions. A few vocal rural (in contrast to agricultural) advocacy groups exist, but they have never developed much real political clout. During the Reagan Administration, most faded away, some completely. A select few have obtained some resources from foundation sources in recent years and are now more active and visible again. But, so far, this has had little apparent effect on the policy process.

A Multiplicity of Obstacles

In the literature, the lack of a political base for modern rural policy is attributed to many sources. One suggested source is the heterogeneity of economic and social conditions and value beliefs in rural America. Another is the basic weaknesses of local units of government. Even though these units have grown substantially since World War II, demand for services has grown faster. But, such a lack of political base contributes to the larger society's misconceptions about the nature and needs of rural society, to the confusion of agrarian with rural, and romanticizing farm life. In addition, farm interest groups have preempted the rural political process. Also, in the post-World War II period, the growing interdependence of nonmetropolitan and metropolitan markets and, more recently, global markets have blurred the identity of what is rural and has made more complex the construction of any vision of rural policy. Such factors are among the major reasons commonly given in the literature for the lack of a coherent political base for U.S. rural policy. As William Nagle puts it, rural policy is "a policy in search of a constituency" (1990, p. 235).

American and Rural Values

American, and more especially rural, values do not support collective action even at local levels. Nowhere is rugged individualism stronger than in rural America. Individualism at its worst leads to violence as a means for resolving conflicts, behavior which we have romanticized and made heroic in the western movie and on TV where, of course, the good guys always win. This interpretation is important, because Americans now seem to learn most of their history from the entertainment media. (The real history of rural America, and particularly the frontier, demonstrates that it is the powerful who usually win, and that they are not always the guys with the white hats.) Rugged individualism is equated with freedom and liberty (for those with power), both as values and as constitutional rights. Such beliefs support the strong American commitment to the economic value of free enterprise. This strong value set must be partly overcome to achieve collective action.

Reinforcing and extending these values are the 19th-century decisions of the Supreme Court establishing the practice in which property rights are assigned in fee simple. When property is transferred, few, if any, rights are reserved, either by the seller or by the community unless such rights are made explicit in the contract of transfer. The main exceptions involve local zoning ordinances, some government regulations, and the use of eminent domain to condemn property for public or quasi-public purposes. More recently, regulation and zoning constraints have become more onerous as population pressures have increased and with the development of more complex technologies which endanger people, the food chain, and the environment. Nevertheless, the absolute allocation of property rights in the United States remains common practice and often creates obstacles to collective action. For example, the expectations governing property rights for real property have been extended to public and private services and to government program benefits. Many people suppose that anything that has been allocated by government has been allocated in perpetuity and is part of some social contract. These rights and expectations create large transaction costs that must be overcome or compensated when policies are changed.

Collective action, however, in the form of federal subsidies and public investments and programs was critically important to the original development of

the nation, for example, in the construction of highways, waterways, and the railroads. In the development of U.S. agriculture, some have said that "we socialized the costs and privatized the benefits." These public investments were complements to private sector investments. Public investments made faster growth possible with higher rates of return on private investments than would otherwise have been the case, and in some cases, prevented returns so negative and so sustained that private investment never would have occurred. Large-scale infrastructure investments especially required public spending. U.S. laws and other institutions were so tilted to favor exploitation of resources that it became very difficult to deflect private sector investors (speculators) either through collective action or litigation. The values of agrarian fundamentalism and the romantic image of rural life as an ideal society also stood in the way of collective action on rural policy, for reasons cited above.

Rural Development in a Federal System²

Today, an additional barrier to an effective rural development policy is the lack of adequate vertical linkages among various levels of government. Although rural economic problems are predominately location-specific, requiring any national policy to be tailored to local needs, underdeveloped rural areas ultimately have an effect on the economic welfare of citizens beyond the boundaries of any local government. Rural education, for example, can impose a distorted distribution of costs when graduates of rural schools migrate to other states in search of better economic opportunities. When an adequate education is exported the rural community loses human capital to the students' new home state. But, if the rural school underinvests in education, it not only loses some of its human capital but the recipient state may be forced to bear the cost of an inadequately educated work force (Tweeten, 1988, pp. 103-111). Given the many jurisdictions of national, state, and local government which rural public services affect, the benefits of any rural development policy (or, the costs of continued rural underdevelopment) will be widely shared throughout American society. This multiplicity of jurisdictions has both political and economic consequences.

The lack of a coordinated national, state, and local organizing effort for a rural development policy provides farm commodity interest groups with an immediate political advantage. Farm interests are able to portray rural development as a one-dimensional issue (it will be solved by maximizing farm program spending) and can concentrate on one level of government (national) to promote their agenda. But, broader rural issues can only be addressed by multiple levels of government, thereby creating high transaction costs for developing a broad rural policy. As a result, farm interests are able to promote a narrow agenda, and the wider rural agenda is neglected.

This multiplicity of jurisdictions and consequent spillovers requires the various levels of government to develop a coordinated system for sharing the costs of a rural development policy. If there is truly a national interest in promoting the economic health of rural areas, then the costs of restoring such health must be shared in an equitable manner by national, state, and local governments. Ironically a model of such a cost-sharing program is provided by the success of the agricultural programs of the land grant system.

Part of the genius of the land grant system was that it was the prototype of subsequent cost-sharing systems. To the extent that federal dollars matched each state dollar spent on agricultural research and extension, the national government internalized most of the spillover of benefits created by state-level research. Thus, the Government promoted the development of a coherent national research policy—one that addressed local research needs and provided an adequate level of research investment nationally. In a federal system of government, public service benefits often accrue to persons outside the immediate jurisdiction in which the service is provided. Without a cost-sharing system to internalize these benefits, local jurisdictions have little incentive to provide a socially optimal level of investment in such public services. Without such a cost-sharing system, the establishment of a rural development policy that is both location-specific and national in scope is unlikely to occur.

The eight years of the Reagan Administration's "new federalism" was intellectually confused and probably destructive of the society's larger interests. This "new federalism" held that there was no legitimate national role in rural policy, and that location-

specific economic development was a state and local responsibility as was the provision of a safety net for the poor (such as Aid for Dependent Children and the Food Stamp program). Federal roles were devolved to the states. But, categorical grants to states and local governments were consolidated into block grants, and then block grants were subsequently eliminated. Thus, the Reagan new federalism was little more than an effort to dismantle the existing coordinated structure of fiscal federalism by eliminating the role of national government (Conlan, 1988). Such a procedure runs completely counter to the current state of knowledge on fiscal federalism in the public finance literature. How responsibilities should be distributed and what the appropriate funding devices should be are reasonable questions, which are in part political and in part empirical economic questions about the existence and nature of spillovers from one jurisdiction to another.

Lack of Intense Rural Interests

Rural development lacks an effective political base, not only at the national level, but also at state and local levels. In the political landscape of rural America, we do not find many already-organized, concentrated interests. As a consequence, there are few influential interest groups working for rural communities, even at local and state levels. The cause for this lack can be found in the historical development of interest groups. Almost all interest groups are formed when an intense interest flows from large-scale private sector activity benefitting or injuring specific groups or, more frequently, following federal or state programs that create major selective benefits for (or impose significant costs on) some small identifiable group. The creation of the program providing significant selective benefits (or costs) creates an intense interest, which leads to organization. But, so few public programs have been created for rural America that very few well-organized interests have arisen, and even rarer are those organized at both the state and federal levels. Also, due to the diversity of rural society there is no closely related bundle of issues to which most rural people respond, around which they might be organized. Thus, there is no natural constituency around which to form a broad-based rural interest group.

In addition, local politicians today reflect the current diversity of rural and state interests. Few

commonalities of interest exist among such leaders, making it hard for them to organize around any issues and all-but-impossible to organize around broader, more general subjects. At the local level, the politician typically faces conflicts among rural interests. At the state and national level, politicians typically represent, at the same time, both rural and urban interests. Such a situation creates very complex politics and makes it difficult to build the political base to represent rural interests.

Even those interests that have successfully created national, state and/or local organizations usually face such diverse views internally, so that there are few issues that bind them together. But, some organizations do already exist with relevance to rural society. There are, for example, the National Association of Towns and Townships, the National Association of Counties, the National Governors' Association, and the National Conference of State Legislators, plus many professional associations organized around common local and state elected or appointed positions, such as sheriffs, mayors, police chiefs, planning officials, attorneys general, and so forth. Since these groups also have diverse views and perceive a relatively limited overlap of interests, they also have great difficulty acting in concert. Thus, the transaction costs of informing a decision, negotiating an agreement, and enforcement in organizing such groups are high, and there is little to hold even narrow-issue-oriented coalitions together. And, the old-style broad coalitions of earlier years have now effectively disappeared from the national scene (Browne, 1990).

Major groups with an intense and nearly exclusive interest in rural society include the National Rural Electric Cooperatives Association (NRECA) and the National Rural Health Association (NRHA). The demand for electricity in rural areas is dependent on economic development, and thus the rural electric cooperatives are dependent on that growth for their own economic vitality. NRECA focuses its support on infrastructure and recruiting industry to rural areas. This is an example of a national program (the Rural Electrification Administration) established by Congress to provide selective benefits not just for farmers but for rural communities and all their people, around which there is now an interest-group organization (NAREC) that is relatively strong. NRECA leadership's views have varied over the years, and their leaders have

found very few allies alongside whom to fight the rural development wars. The other interest group with an exclusive rural constituency is the relatively new, and still developing, NRHA. Much of the impetus for NRHA comes from the long-standing discrimination against rural people in payment schedules for Medicare.

Strategies for the Future

Having suggested the many obstacles that lie in the way of effective rural policy, we will now ask what possible strategies and coalition tactics hold some promise.

Some Conceptual Notions

Any recommendation for action and any decision to act is prescriptive. Prescriptive statements are "ought" or "should" statements, and any claim about what we "should" do contains some set of persuasive beliefs about values (value knowledge). In addition, all such statements contain some set of persuasive beliefs about factual knowledge, "relatively value-free knowledge," that also supports the prescribed end in view. These two types of knowledge are processed through the decision rules that govern policy making to produce a prescriptive statement. Decision rules, in turn, are made by the power that currently dominates the relevant decision making process. All too frequently, we identify only part of this process as a prerequisite for policy action (Johnson, 1986, pp. 54-63, 94-103).

Historical patterns of major (not minor) policy innovations demonstrate three distinct stages. In the first of the three stages, a problem is broadly defined, and an ideology or value system that supports the general goal of creating rural policy is developed. This step is necessary to persuade the public and the power elite that a problem exists and that we ought to do something about it—indeed, that we have a moral obligation to act. Involved here are both kinds of knowledge, value knowledge and relatively value-free knowledge, in a strong prescriptive and ideological form. This stage finds a growing public profession of faith in the moral necessity of a rural policy, the need to convert the heathen—the unbelievers.

This stage is evident at the start of the nearly two-decade-long debate preceding the Agricultural Adjustment Act of 1933 (AAA), as well as at the

beginning of the long effort leading to the Soil Conservation Act and other major innovations in policy. In these cases, an adequate base of support was lacking from which so large a policy change could have been mounted; the prerequisites were not in place. That is the situation today in rural policy. If there is to be a future rural policy separate from agriculture, we must go through the three stages for establishing an effective policy innovation. Most major changes in societal commitments are preceded by such a recognizable social movement. But, many academics, especially those inclined toward logical positivism, do not recognize the need for this first stage, since it is value dominated.

After sufficient commitment has been mobilized, a second stage is reached in which the believers say, "OK, we agree on the necessity for rural policy, and we have mobilized enough societal support to get moving. What are the realistic alternatives for action? What are the alternative policy actions that might be followed to achieve our agreed-on but still broadly defined goal?" This stage is primarily an analytic and educational one, although it, like the first, can also be one of great conflict. The second stage involves ordering the expected costs and benefits of alternative paths for action. After sufficient time has been spent examining options, one option or—more commonly—some combination of several options will evolve as the most desirable, and a choice will be made.

At this point, the third stage is reached. In this stage, specific legislation is designed, lobbied through the Congress or state legislature, and carried out. The questions then arise, "What details do we put into the legislation? What organizations (for example, institutions) and what resources do we create to implement our choice?"

During this entire period, the scope of the debate is steadily narrowed, increasing the odds of coming to some successful conclusion, even though that conclusion is typically a compromise. In some instances, the population to address, convert, and educate is very large, as was the case with the Soil Conservation Act, where most farmers and landlords had to be persuaded to a substantial degree. Once laws are passed, the average person will tend to accept them, although some people will not, just as everyone was not fully persuaded that soil conservation was a good idea until after that legislation was enacted. So, the stages often overlap, interact, and are—to some extent—pursued simultaneously.

Thus, it is absolutely necessary to develop both a morally persuasive value belief base and a factually persuasive base for policy action. Also, in designing strategies, one must tailor them to existing decision rules (and the power that lies behind those) if you are to get beyond good intentions in developing a successful major policy innovation. This involves a degree of pragmatism that many "true believers" find hard to accept.

Possible New Actors

The conventional wisdom on achieving a goal in the policy process is to form a winning coalition. So far, this has not been possible for rural policy. But, let us explore the possibilities of coalitions with new actors. Who could be potential new actors? Under what conditions can coalitions with such new actors be formed? What kind of coalitions? The only kind of coalitions with other actors that are possible today are narrow, often single issue, coalitions (Browne, 1990). The broad classic coalitions of yesteryear are no longer possible, given the diffusion of power in Congress, the executive branch, the political parties, and the other centers of government. The only possibility for coalition now lies in organizing around specific, narrow issues. Thus, it is not possible to form a broad-based coalition behind rural policy as a whole.

Two sets of potential new actors might be considered for strategies for new rural policies. They are the environmental movement and central cities. The environmental movement is made up of many different organizations of increasing influence (Morrison, 1990). These advocacy groups are now consolidating the first stage (and entering the second stage) of convincing people of the need for action to protect the environment. In the process, the environmental movement is stripping from farmers the public's belief that farmers are the stewards of the land. Increasingly, environmentalists, not farmers, are viewed as the real stewards of the land. Unless farm organizations join issue coalitions with the environmental movement (rather than stonewalling), public support for agrarian policies must eventually be undermined, because public support for the environmental movement is growing. But, what issues do rural communities and environmental interests have in common? What values support these interests? What interests are already organized? Answers to such questions must be sought. The

environmental movement contains a diverse, often conflicting, set of organizations. We will need greater knowledge of the advocacy groups in the environmental movement, and will have to give real thought as to what rural policy issues might form a possible basis for rural organization.

If coalitions are to be formed with the environmental movement—if the environmental movement is to replace the agrarian power structure with rural community institutions—we must begin to organize the rural environmental interests into something more coherent. Many environmental issues involve rural areas, but such issues are primarily driven by middle-class, urban and suburban values. Urbanites are not generally concerned about the rural people who would be affected by the many proposed environmental policies. Indeed, there are direct conflicts of interest between rural jobs and some environmental, especially preservationist, goals. Only certain rural and environmental issues are compatible with each other, and some issues will have to be reformulated to make coalitions feasible. Even temporary rural coalitions with environmental interests will not otherwise be possible.

The other set of possible new actors may be found in the central cities where, as with rural areas, there is as yet no identifiable social movement. The central cities contain many local-level organizations and a few national groups. However, except for racial and civil rights issues, intense interests have not yet formed at the national level. But, central cities face many of the same social pathologies and problems that rural areas do. Some central city members of state legislatures have periodically formed temporary coalitions with rural legislators around specific issues for shared legislative goals.

Strategically, many issues will have to be framed to appeal to an urban and suburban middle class in order to organize effectively. By 1992, a majority of the U.S. voters will live in suburban areas. This demographic shift, combined with the decline of big city political-machine influence, will push central city politicians toward coalition formation in state legislatures. However, the tendency of many advocacy groups to focus solely on poverty issues is self-defeating. The middle class is not very responsive to appeals about poverty. Some issues will have to be framed so that middle class interests are clearly seen to be affected.

Prerequisites for Success

The development of rural societal interests is clearly in the earliest stage. With the potential decline of the agrarian dominance of rural society, one sees glimmerings of opportunity, but a solid base for organization must be developed first. An advocacy professing the moral necessity for action is a necessary first step in raising issues of relevance to rural society, as noted above. Thus, private foundations and other non-public sources of funding must promote advocacy groups to explore morally attractive beliefs which will improve the welfare of both rural people and of society as a whole. The Aspen Institute and the Ford Foundation have begun such work, as have a few others. The middle class, urban or suburban, has the power, and if we do not define a problem that is believable for them, action is not possible. Eventually, a media campaign will be needed to persuade intellectuals and other opinion making elites. Issues must constantly be constructed around problems embedded in values with broad appeal. The media must be drawn away from their policy-disordering, romantic, agrarian views of rural life, and must be led to focus on other values and symbols more relevant to the rural society of today. Advocacy groups must explore the potential for local, state, and national issue coalitions for political action.

Advocacy also requires factual knowledge about the issues that affect rural America. Such facts and their implication for society as a whole are needed to attract both media and society to rural issues. We must improve the rural data base which, as it stands, is inadequate. Without past USDA data collection and research on rural society, however limited, we would know even less. But, now, we would find USDA-university research and policy analysis useful to broaden this knowledge base. We also need new concepts of rural and urban entities. We need a continuum or set of categories that is more realistic than the naive definitions now in use—for example, "urban" (places 2,500+), all else being "rural"; or "metropolitan statistical areas" with all else being "nonmetro." These current concepts hide so much heterogeneity that, for many analytical purposes in rural or urban problems, they are next to useless (Butler, 1990; Bender, 1985). Only broad-brush generalizations are possible, which are often suspect. We also need better integration of data bases for rural decision making. Data bases relevant to rural decision needs, which are now

scattered across two-thirds of the cabinet agencies in Washington, need to be more accessible. But, many presently-existing data sources are built around the differing sets of concepts or definitions, and are collected and maintained for different purposes through diverse institutional systems, often with varying collection methods. Thus, the data are not compatible and cannot presently be easily combined. Many other improvements are needed in the rural data base (Deavers, 1992).

Only a handful of land grant colleges keep alive rural development as an area of research. The Economic Research Service (ERS) of the USDA has been the primary source of such research. ERS, together with the National Agricultural Statistics Service, will continue to make major contributions to a rural data base.

Advocacy groups must use this improved data and analysis on rural issues if they are to be successful. Indeed, many young advocacy groups lack accuracy in problem definition and in the prescriptions they profess. They need good analysts and researchers. The bridge of cooperation between advocacy and science is difficult to construct, but it is necessary.

After problem definition and the advocacy of rural policies, other questions arise. Should we organize a broad coalition around all issues, that is to say, a rural development coalition? Or organize and selectively attack individual issues? The latter is the best option today. Since stable, intense interests generally form only with a program in place, we need to identify and develop statewide and nationwide programs focused on specific issues that deliver selective goods to a significant number of rural (and other) people. Then, and only then, can intense political interest groups be organized around those issues. Programs creating intense interest are absolutely necessary for the long-term organization of politically influential interests. Strategically, we must locate those rural issues or problems that are most urgent, most potentially organizable, and most easily understood by the public. It may help if such issues are already partly organized.

Once targets are identified, what strategy should we follow for narrow, interest-based foci for legislation? It seems to me that we should start with focuses on the existing organized interests and institutions of rural society. Many are weak, but some are growing in strength, and a few already know and dominate their issue.

Perhaps the most rapidly growing group with high potential can be found in rural medical and hospital service systems, where major problems have appeared over several decades. Discrimination in federal medical program payments has given the NRHA an organizing boost. As small rural hospitals have closed, some urban hospitals have developed various responses ranging from helicopter medivac services to branch clinics in rural areas. Metropolitan hospitals face a problem with the growth of substantial excess capacity of hospital services (for those who can afford them) in some metropolitan areas. These hospitals have developed a vested economic interest in the success of feeder clinics, air ambulances, and other services in suburban and rural areas. Such programs need public financial support, and this has been received from some state and local units of government. We can build on this trend to develop political pressures for national-level support. Another approach might be to organize around existing rural public housing projects, some of which go back to Sam Rayburn's original legislation for rural retirement housing, and in which many rural communities now have a substantial interest. An advocacy group, the National Rural Housing Coalition, is already operating in this area.

Rural school systems (including community colleges) also present a potential for organizing. They offer a broad base, and if organized from the grass roots to the national level, they would have substantial power. In addition, some rural transportation systems are being developed. Some of these are purely public in nature, while others are mixed public/private, but they represent a growing response to the deregulation that has left many rural communities isolated from the national network of bus, rail, and air transportation. Transportation is a significant need in many remote urban and rural areas, but it has, so far, often been an unorganized need with no clear focus. And, as another opportunity, rural tourist and recreation interests have various associations that might be developed into a more coherent force. Such organizations are strategic in the approximately 500 rural counties that depend on recreation and tourism for growth. Finally, the associations of manufacturing in many states have substantial links to small manufacturers in rural areas. All of these varied interests should be explored for their potential as centers around which organization may take place.

Characteristics of an Institutional System for Rural Development

Similar to agricultural development, rural development is predominantly location-specific. Also, as is the case with agricultural development, the diversity of rural community culture, resource endowment, human capital, and institutions makes it difficult to pinpoint sources of successful development. Indeed, it is my hypothesis that all development processes may share many of the same characteristics which I have deduced from studies of agricultural development (Bonnen, 1986, 1987). This section is developed from these studies.

1. *A Decentralized System of Institutions:* When much of development is location-specific but the opportunities and constraints are diverse, successful development becomes the product of a decentralized system of separate institutions with high adaptive capability. A system has necessarily a common purpose, and if separate institutions are to constitute a system with such a shared purpose, their behavior must be coordinated. The economic market can provide information necessary to coordinate private sector purchasing, production, and marketing. The political process is made up of national, state, and local political markets that coordinate public institutions and regulate private and public sector roles and relations. Over time, these two quite different coordination processes (economic and political) tend to behave as one interactive, tension-ridden communication and coordination system. Over time, the public and private sector institutions of the system become increasingly interactive, so that sometimes distinguishing between public and private institutions becomes difficult. Such interactions have been called public/private partnerships. In part, this interlinked dependence comes about when society instinctively tries to limit and constrain economic and political power—not always successfully. In the long run, society will not tolerate significant concentrations of unaccountable power.

2. *A System with Interactive Linkages:* The performance of a successful system is more than the sum of its parts. If a set of institutions is a system, its individual parts are interlinked or articulated, and they communicate and cooperate to achieve some common goal. These institutions do not, of course, pursue totally compatible or solely common goals.

being, not mechanical, but human social systems, after all.

Successful systems evolve in an iterative and interactive manner. They are not conceived or planned as a whole and then put into place. Human knowledge is never sufficient to do that successfully. Policy and institution-building decisions are made under great uncertainty, with imperfect understanding. As a consequence, many mistakes are made, and therefore systems must be iterative and interactive in both inquiry and action in order to maintain an adaptive capability.

Successful institutional systems must have substantial adaptive capacity to deal not only with uncertainty and mistakes but also with the tensions and conflicts of multiple goals within the system. In the U.S. political system, conflicting institutions have ultimately compromised and cooperated because of the interdependence and diffusion of power in the system. Much of this tension is constructive. Indeed, it is through such continuing tension between institutions and the communications that accompany them, that the commonality of goals is repeatedly rediscovered, adapted to change, and revalidated. The same constructive tension and interactive linkage allows the system to adapt to mistakes in policy and to changes in the economic and political environment.

3. Decentralization of Decision Making: Also necessary for any system of successful rural development institutions is decentralization. Although a national system is necessary, authority is not concentrated at the national level. Decentralization lends strength to the system, not because it is inherently superior to centralization but because it is responsive to the diverse nature of the rural universe. To manage development over a continental land mass requires some decentralization of decision making for both efficiency and effectiveness.

Also, although articulation of the system of developmental institutions is necessary, decentralization adapts institutions, knowledge and technology to the highly varied local environments of rural society. All sorts of political, cultural, and social variations require that the institutional structure accommodate to local polities and resources for a politically inclusive, legitimized, and coordinated system.

4. Shared Decision Making: Decisions affecting all or large parts of the system must be developed by

consensus, if they are to be accepted as legitimate and effectively carried out. Unilateral power plays to achieve major facets of strategy often create excessive conflict, reduce cooperation, and end in failure.

5. Replication of Successful Innovation: Successful and tested innovations tend to be copied throughout the system. Replication of successful institutional forms, programs, and policies is thus commonly observed in effective developmental systems.

6. Societal Problem Solving and Knowledge Generation: Another characteristic of a successful system of developmental institutions is the concomitant existence of societal problem solving and the pursuit of knowledge for its own sake. The pragmatism and political expediency necessary to sustain effective societal problem solving involves organization, values, and expectations that seem to be inconsistent with the pursuit of knowledge. Yet, in agriculture and medicine, the United States has achieved high productivity by managing sustained interlinkage of both theoretical research and practical application in a working balance.

These characteristics discussed above—interactive linkages within the systems, decentralization of decision making, shared decision making, replication of innovation, and a balanced pursuit of basic and applied science, technology development and societal problem solving—are fundamental to the success of any effective development process.

In conclusion, we will consider the nature of the social environment within which developmental institutions must function. The social climate is an important aspect of the development process. What demands are made on institutions by the social environment in which national rural development must occur?

Bruce Johnston and William Clark (1982) vividly describe this environment. They observe that the development policy problem is not an easily defined problem. Such problems are complex, messy, and uncertain, and involve conflicting interests and values. Also, an existing distribution of power and a set of actors and institutions is already in place, about which we can do little. The problem is an ill-structured mixture, not a single well defined problem or set of problems. Each actor has his own perspective and pursues his own interests. Thus, development policy addresses numerous overlap-

ping and often conflicting problems, from which policy must extract those few aspects on which some constructive action can be taken.

A pragmatic process of problem definition, policy formation, and action involves the capacity for mutual adjustment of means and ends. A learning process is formed, out of which the participating institutions and actors develop a social consensus. Social action to carry out policy is not possible without such a consensus.

The imperfect knowledge that all policymakers must necessarily endure requires combining the interactive "thinking through" of solutions while simultaneously "acting out" possible solutions. Learning from mistakes, modifying beliefs, and changing policy is an ongoing task. By "thinking through," Johnston and Clark mean analysis (such as systems modeling or benefit/cost analysis) that tries to anticipate all possible policy options to seek out the best. By "acting out," they mean adjusting present difficulties while the future is still unknown. This defines the problem which a successful system of developmental institutions is meant to address.

Some Specific Imperatives

Some fairly specific rules should be followed, if rural development policy is to succeed. First, we must learn to accept limited successes. We must learn to work issue by issue. We must take small steps before large ones. The learning process is an iterative, interactive one, which takes time. For these reasons, people willing to commit only to marvelous, broad, national visions, who expect quick successes, will not be much help. Universities, government, foundations, and advocacy groups must know that rural development will be a long, slow, collaborative process to which they must commit themselves—or else stay out of the game.

We will not succeed unless we aim our longer-run goals towards specific targets. Funds must be targeted for physical infrastructure as well as for human resources that rural communities are so short of, both for primary leadership and for the educated manpower to oversee implementation. We cannot continue to follow the typical congressional and state legislative strategy of spreading program dollars thinly over many electoral districts. The Economic Development Administration experience (which was a failure) does not need to be repeated. Enough money will never be available to save all

rural communities, no matter how much money is invested. For example, it seems doubtful whether some areas in the Northern High Plains will have more than a handful of communities left in another two or three decades. Some other highly rural plains states are also declining in population. Other U.S. rural areas exist in which decline is probably inevitable. Appropriate targeting of development investment will have to focus public resources on those communities where success is probable at some minimum acceptable level. We need to start with the rural communities where the odds of success are highest and, from there, work down to cases that are more doubtful. Current political practice does not now acknowledge targeting as an accepted principle. But, triage is necessary. Rural society receives very little development investment as matters stand. Policy cannot provide equal opportunity for all communities. A nested set of area and regional development strategies must be chosen within which these longrun investment choices can be legitimized. Such a strategic approach would, of course, be both controversial and complex.

Also, equity requires some equalization of essential services. Those investments that improve human mobility and employability need to meet some minimum standards (such as those of education and health) in the interests of the larger society as well as of the rural community. Those who choose to—or are fated to—remain in a declining community should be assured access to some minimum level of essential services both to maintain well-being and to avoid the social costs otherwise imposed on the larger society by poverty, poor health, homelessness, and other social pathologies. Strategically, we need to distinguish between policies for developmental investments and policy for minimum maintenance requirements involving essential services critical to human welfare.

Congress and other politicians sometimes believe that they have solved a problem when they have dealt with only the most obvious symptom. Politicians operate in a milieu in which the long run is the week after next, the end of the legislative session, or the next election—at best. Interest groups tend to develop a similarly nearsighted view of the world. If a national policy for rural economic development is ever to exist, we must work on complex, multiple dimensions of rural society for a generation or two—and probably much longer than that.

Rural development, like all development, is the product of the four general sources of change in societal capacity to achieve its goals. These sources are improvements or modifications in technologies, human capabilities, institutions, and the physical and biological resource base of society (Bonnen, 1987). All four are complementary in use—that is to say, all are necessary, and no single one is sufficient to develop an enhanced capacity. In designing a development strategy for a rural community, a region, a state or the nation, all of these four must be included in some balanced mix in the policies for development.

Leadership is absolutely essential. When we weakened the institutions of the rural community in transforming the agrarian sector, we often created a void in community leadership. The difference between successful community development and its failure is frequently the presence or absence of leadership. The land grant colleges have demonstrated that leadership can be trained. Such training is vital in today's society, both in rural communities and in the central cities.

Conclusion :

The successful effort to avoid an agrarian peasantry involved a transformation of rural society that is now creating another, different kind of rural peasantry. Most states of the United States now have counties plagued by significant low-income retired, or working poor, with welfare populations scattered through rural areas or concentrated in isolated rural communities. The education, work experience, health, age, family size, and job opportunities of these people condemn them to a marginal existence. Poverty is as common in nonmetropolitan areas today as it is in the central cities, and it is rising. These rural poor are truly the "people left behind" by the great increases in productivity that transformed farming but, at the same time, weakened the institutions of rural community life (Porter, 1989; O'Hare, 1988). We must ask: Can a democracy afford the inequality in opportunity and human welfare that is being created? What kind of amenities in the rural landscape will a middle class, urban America support?

Notes

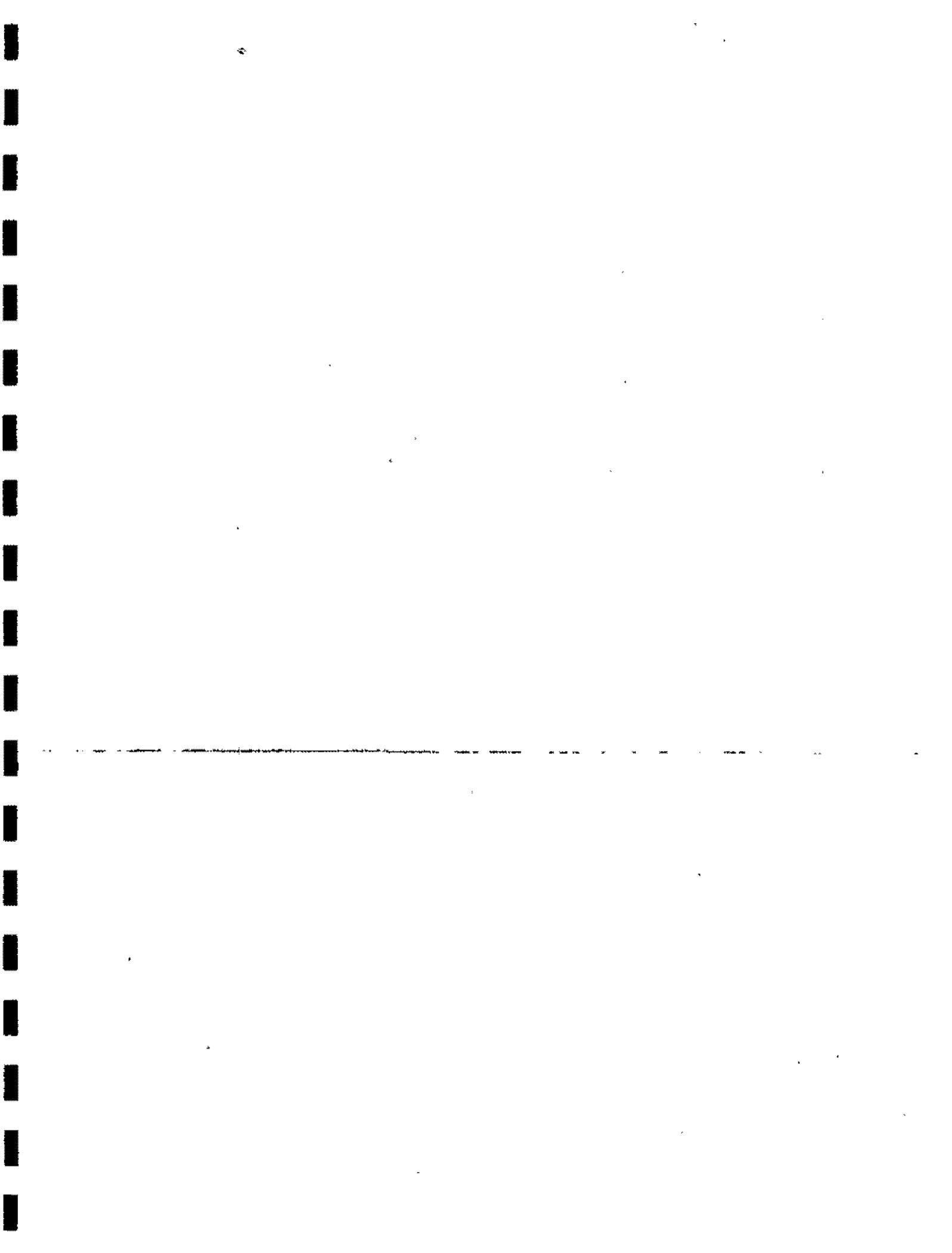
1. William Nagle has recorded the few exceptions that prove this rule (Nagle, 1989).

2. I am indebted to David Schweikhardt for reminding me that our work on fiscal federalism in another context is quite as relevant to the economic development of local communities and states. This section is constructed around his cogent comments.

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