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ABSTRACT

Effective rural development planning depends on facts and analysis based, not on rural averages, but on the diverse social and economic structure of rural America. Programs tailored to particular types of rural economies may be more effective than generalized programs. Because of their unique characteristics, government policies and economic trends may affect these types of rural economies in different ways. This study identifies seven distinct types of rural economies grouped at the county level: (1) counties primarily dependent on farming, (2) counties primarily dependent on manufacturing, (3) counties primarily dependent on mining, (4) counties specializing in government functions, (5) persistent poverty counties, (6) Federal lands counties, and (7) retirement settlements. Descriptions of each county group summarize selected characteristics important to understanding the course and consequences of economic development. Maps illustrating the location of counties in each group and tables of selected characteristics for each group are included in the text; tables in the appendix compare county groups by urbanization class, population, racial and ethnic composition, income, age, employment, family situation, and income source. (LFL)

United States Department of Agriculture

Economic Research Service

Rural Development Research Report Number 49

The Diverse Social and Economic Structure of Nonmetropolitan America

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Abstract

Effective rural development planning depends on facts and analysis based, not on national rural averages, but on the diverse social and economic structure of rural America. Programs tailored to particular types of rural economies may be more effective than a generalized program. This study identifies seven distinct types of rural counties according to their major economic base, presence of federally owned land, or population characteristics: (1) counties depending heavily on farming, (2) counties depending heavily on manufacturing, (3) mining counties with economies based principally on natural resources, (4) counties specializing in government functions, (5) persistent poverty counties, (6) Federal lands counties, and (7) retirement settlements. Because of these unique characteristics, government policies and economic trends may affect these county groups in quite different ways.

Keywords: Economic base, farming, Federal lands, government employment, manufacturing, mining, rural development, social conditions, structural diversity, poverty, retirement areas

Acknowledgments

The authors acknowledge the participation of many colleagues in the Agriculture and Rural Economics Division in the preparation and analysis of this report. Tammy Skogen prepared the manuscript. The Rural Policy Advisory Committee of the Division provided guidance throughout.

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Summary

Rural policies based on an aggregate analysis of rural development needs cannot accurately reflect the extremely diverse social and economic structure of rural America. Programs tailored to particular types of rural economies may be more effective than generalized programs. This study identifies seven types of nonmetro counties according to their major economic base, presence of federally owned land, or population characteristics.

- Counties primarily dependent on farming (702 nationally) are extremely rural, with stable populations and high per capita incomes on the average. They have economies based on a highly capitalized farming industry and they are sensitive to agricultural policies, changing interest rates, and foreign trade. These counties are concentrated largely in the Plains portion of the North Central region.

- Counties primarily dependent on manufacturing (678 nationally) have larger populations, have somewhat lower per capita incomes, are more urbanized, are subject to goods-producing recessions, and may be vulnerable to foreign competition. These counties are concentrated in the Southeast.

- Counties primarily dependent on mining (200 nationally) have economies based principally on nonrenewable natural resources. Mining counties have been subject to wide swings in demand for their products, although wage rates and average incomes have tended to remain high. These counties are concentrated in the West and in Appalachia.

- Counties specializing primarily in government functions (315 nationally) are scattered throughout the Nation. These counties have had rapid population increases, and average incomes are lower than in most other county groups. Heavy dependence on Federal and State government activities means that shifts in governmental functions and in spending priorities will affect these counties. Changes in programs to provide special assistance to areas with high concentrations of government activities will also have an impact.

- The persistent poverty counties (242 nationally) ranked in the lowest income quintile for the past three decades. They are differentiated by their population profiles and their rural character, not by their mix of economic activities. High proportions of people in these persistent poverty counties have low educational levels, are disabled, have households headed by females, and are minorities. Such people have limited economic opportunity wherever they live and whether or not jobs are readily available. Transfer payments per capita (reflecting dependence on aid programs) in these counties do not differ from those of other counties with much higher incomes and fewer people in poverty. Persistent poverty counties are concentrated in the South, especially along the Mississippi Delta and in parts of Appalachia.

- Federal lands counties (247 nationally) are concentrated in the West. Their populations, along with those of retirement settlements, have grown more rapidly than those of other county types. They tend to be as urbanized as most other nonmetro counties even though average population density is very low. Federal ownership of land constrains the type and level of economic development. Furthermore, payments in lieu of taxes and special revenue-sharing programs are major sources of revenue for State and local government where Federal lands counties are concentrated.

- Counties characterized as retirement settlements (515 nationally) offer attractive development potential to State and local officials and entrepreneurs. Despite press coverage devoted almost exclusively to the Sunbelt, these counties are concentrated in several northern Lake States as well as in the South and Southwest. They have grown rapidly for the past two decades. Their populations tend to be located predominately in the open country, and many of these counties are completely rural. Retirement income from outside sources fosters development of a wide range of economic activities and the employment of people of all ages.

The Diverse Social and Economic Structure of Nonmetropolitan America

By Lloyd D. Bender (ed.), Bernal L. Green, Thomas F. Hady, John A. Kuehn, Marlys K. Nelson, Leon B. Perkinson, and Peggy J. Ross*

Introduction

The past two decades have witnessed unprecedented increases in employment and population in cities, small towns, and the open country of rural America. Important changes in the rural work force, in rural families and society, and in rural governments have accompanied this growth. In the aggregate, nonmetropolitan (nonmetro) areas have become much more similar to metropolitan (metro) areas, yet far more diverse among themselves. The sustained economic and social changes in nonmetro America raise the question as to whether rural development programs of the sixties and seventies are appropriate for the eighties.

Aggregate analyses often disregard the diversity among nonmetro areas and treat metro and nonmetro areas as a simple dichotomy. However, the diversity among nonmetro areas has been enhanced, not reduced, by the sustained period of economic and social changes in rural areas since World War II. Hence, the distribution of development policy impacts among rural areas and across regions is likely to be much more uneven than in the past.

This report attempts to summarize the diversity of social and economic conditions in nonmetro areas and to provide a better perspective on alternative rural development policies. Our objective is to aggregate nonmetro counties into a few selected groups with common characteristics and thereby provide insights into a few important policy considerations. Successfully delineating a small number of county groups should make it clear that not all rural areas are fundamentally different from one other and, therefore, that some national rural policy initiatives are feasible. Such descriptions should also indicate that grouping all rural counties together inappropriately disregards their differences, the varied effects of rural programs, and the importance of flexibility in program administration.

*The authors are economists (except for Ross, who is a sociologist) with the Agriculture and Rural Economics Division, Economic Research Service.

The aggregate changes in nonmetro areas are usually summarized in three ways. First, the nonmetro population growth rate of the seventies exceeded that of metro areas, reversing a decades-long trend of net rural outmigration in many places. Second, the overall industrial mix of metro and nonmetro areas has become more similar because of the long term decline in employment in agriculture and mining and increases in manufacturing, services, and government activities in nonmetro areas. Third, the disadvantages of rural areas and the poverty in these areas were greatly reduced, although serious difficulties continue in some areas and for some population groups.

The overall vitality of rural places is best indicated by data on population change. Between 1970 and 1980, population in all nonmetro counties grew overall by 15.8 percent, compared with 9.8 percent for all metro counties. Similar 1970-80 rates of nonmetro population growth occurred in many remote and completely rural areas as well as in partly urban areas or areas near large cities.

The reasons for the resurgence of rural areas are not the same across the rural landscape. One reason is the slowing of structural changes in the agricultural sector. After more than 40 years of decline in the farm population, further farm outmigration as a potential source of aggregate rural population losses and urban growth has been reduced or eliminated. Second, nonextractive economic activities have decentralized into rural areas. The economic character of rural life has diversified, and trade, services, and manufacturing are far more important employment sectors than before. Third, rural isolation has lessened, and many people now view the remaining isolation and cultural differences as advantages rather than disadvantages. Improved communications, transportation, and employment opportunities now enable many citizens who might otherwise have settled in metro suburbs to live comfortably in rural areas. Our Nation's population has long preferred to live away from major cities, as long as that choice could be supported by jobs or some outside source of income. The U.S. experience is by no means unique as other highly industrialized and urbanized nations have shared our experience of population decentralization (*19, 20*).[1]

These aggregate changes appear to make nonmetro conditions similar to those in metro places, and the industrial changes in rural America are often characterized as a process of diversification toward a metro norm. However, this characterization is somewhat misleading. Another conclusion is more nearly correct for individual rural areas; that is, nonmetro areas are becoming more diverse as each of them continues to specialize in different activities. Each rural county is sufficiently small that the process of development does not typically lead to economic diversification. Each local economy is not likely to be a small microcosm of the aggregate system. Instead, one finds that different types of basic economic activities tend to concentrate in separate locations.[2]

Rural areas have economic and population characteristics that differ from one another. These differences mean that policies and programs are likely to affect some rural areas differently from others. Some of the dimensions of nonmetro diversity have previously been documented and have proven successful points of departure for discussions of rural development policy and programs (*1, 3, 4, 7, 8, 17, 18*).

The procedures, data, and rationale for the county groups presented here are described more fully by Ross and Green (*17*), who developed the basic data file.[3]

Our report identifies and describes seven groups of counties and a set of counties that remains unclassified in the 48 contiguous States.[4] Four of the seven classifications describe the degree of rural economic specialization in broad classes of economic activities: farming, manufacturing, mining, and government. The fifth group of counties has a high proportion of Federal land area. The remaining two groups—destination retirement counties and persistent poverty counties—are based on social dimensions that are not necessarily related to their economic specialty, but are nevertheless of special interest to rural policymakers.

[1]Italicized numbers in parentheses refer to items in the references at the end of this report.

[2]Basic economic activities in a region's economy cater to the demands of people outside that region and generate an inflow of income that supports various kinds of local service (nonbasic) activities meeting the demands of people within the region.

[3]Throughout this report, the statistics expressed as averages are unweighted unless otherwise indicated.

[4]Descriptive data for each group are in appendix tables 1-5. Additional research will refine these groups.

The seven groups contain the following counties.[5]

1. Farming-dependent counties—Farming contributed a weighted annual average of 20 percent or more of total labor and proprietor income over the 5 years from 1975 to 1979.
2. Manufacturing-dependent counties—Manufacturing contributed 30 percent or more of total labor and proprietor income in 1979.
3. Mining-dependent counties—Mining contributed 20 percent or more to total labor and proprietor income in 1979.
4. Specialized government counties—Government activities contributed 25 percent or more to total labor and proprietor income in 1979.
5. Persistent poverty counties—Per capita family income in the county was in the lowest quintile in each of the years 1950, 1959, 1969, and 1979.
6. Federal lands counties—Federal land was 33 percent or more of the land area in a county in 1977.
7. Destination retirement counties—For the 1970-80 period, net inmigration rates of people aged 60 and over were 15 percent or more of the expected 1980 population aged 60 and over.[6]

These seven county groups include all but 370 of the 2,443 nonmetro counties.[7] The county groups are not mutually exclusive, but overlaps among them are not considered serious; 57.3 percent of the counties belong exclusively to one group. Another 22 percent are in two of the seven groups, leaving only 6 percent in three or more groups.[8] The ungrouped counties represent another 15 percent.

The number of counties in each group follows:

Farming-dependent	702
Manufacturing-dependent	678
Mining-dependent	200
Specialized government	315
Persistent poverty	242
Federal lands	247
Destination retirement	515
Ungrouped	370

[5]See (*17*) for details of procedures.

[6]The number of net migrants is the actual 1980 population aged 60 or over less the expected resident population that survived to age 60 or over from 1970 to 1980. That number of net migrants is divided by the expected resident population that survived to age 60 or over and is expressed as a percentage.

[7]The metro classification system is that of Hines, Brown, and Zimmer (*6*) as modified by Beale. Metro status is based on 1974 Office of Management and Budget designations. Adjacency is designated by 1970 commuting patterns, and the urban population in this system is from the 1970 Census. Independent cities have been recombined with their adjacent counties to form a total of 2,443 county units.

[8]The percentage of counties in each group belonging to another group is, farming, 32, manufacturing, 35, mining, 45, government, 64, poverty, 82; Federal lands, 83; and retirement, 65.

The description of each county group summarizes only selected characteristics important to understanding the course and consequences of development. The classifications provide a useful perspective for policy analyses. First, seven categories are sufficient for many policy purposes. Second, the counties in each group tend to be geographically concentrated. Yet, the groups highlight the diversity among rural areas that is often masked in more highly aggregated analyses. Each county group has some characteristics distinct from those of other groups. Third, these characteristics are important when one evaluates alternative developmental policies, and they often indicate the importance of other Federal policies and programs

Farming-Dependent Counties[9]

Counties dependent on farming account for 29 percent of all nonmetro counties—the largest group identified—yet for only 13 percent of the nonmetro population.[10] Labor and proprietor income from farming in these 702 counties averaged 32 percent of total labor and proprietor income in 1979, indicating their dependence on farming. About a third of the counties dependent on farming are also in another of the six groups.[11]

[9]The analysis in this section was conducted by Bernal L. Green For an earlier and more detailed description, see (7).

[10]Farming-dependent counties had a weighted annual average of 20 percent or more of labor and proprietor income from farming from 1975 through 1979.

[11]Most of these 225 farming counties were included in only one other of the following groups: retirement, 47; poverty 41; government, 27; manufacturing, 26; Federal lands, 22; and mining, 10. Another 52 of the 225 were in two or three other groups.

Counties dependent on farming tend to be regionally concentrated (fig. 1). Half are in the North Central region, especially the Great Plains. Other smaller concentrations, comprising another third, are along the Mississippi River Delta in Arkansas, Mississippi, and Louisiana, in parts of the Southeast, or in Montana. Idaho, or Washington.

Farming counties tend to have the following average characteristics (table 1) relative to other county groups:[12]

- Remoteness from metro areas and regional population centers.
- Large population losses in the sixties followed by below-average gains in the seventies.

[12]See appendix tables 1-5 for greater detail.

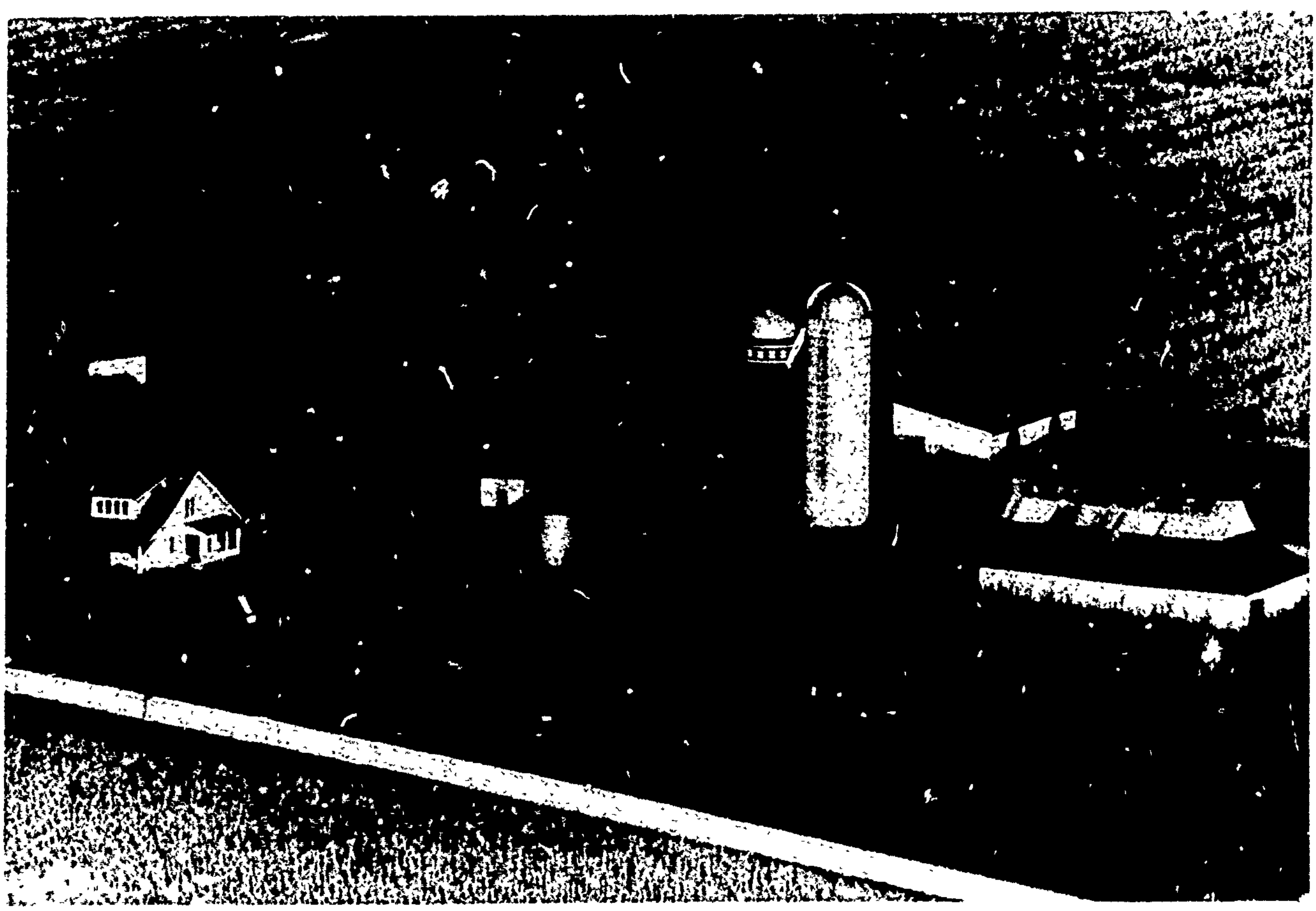
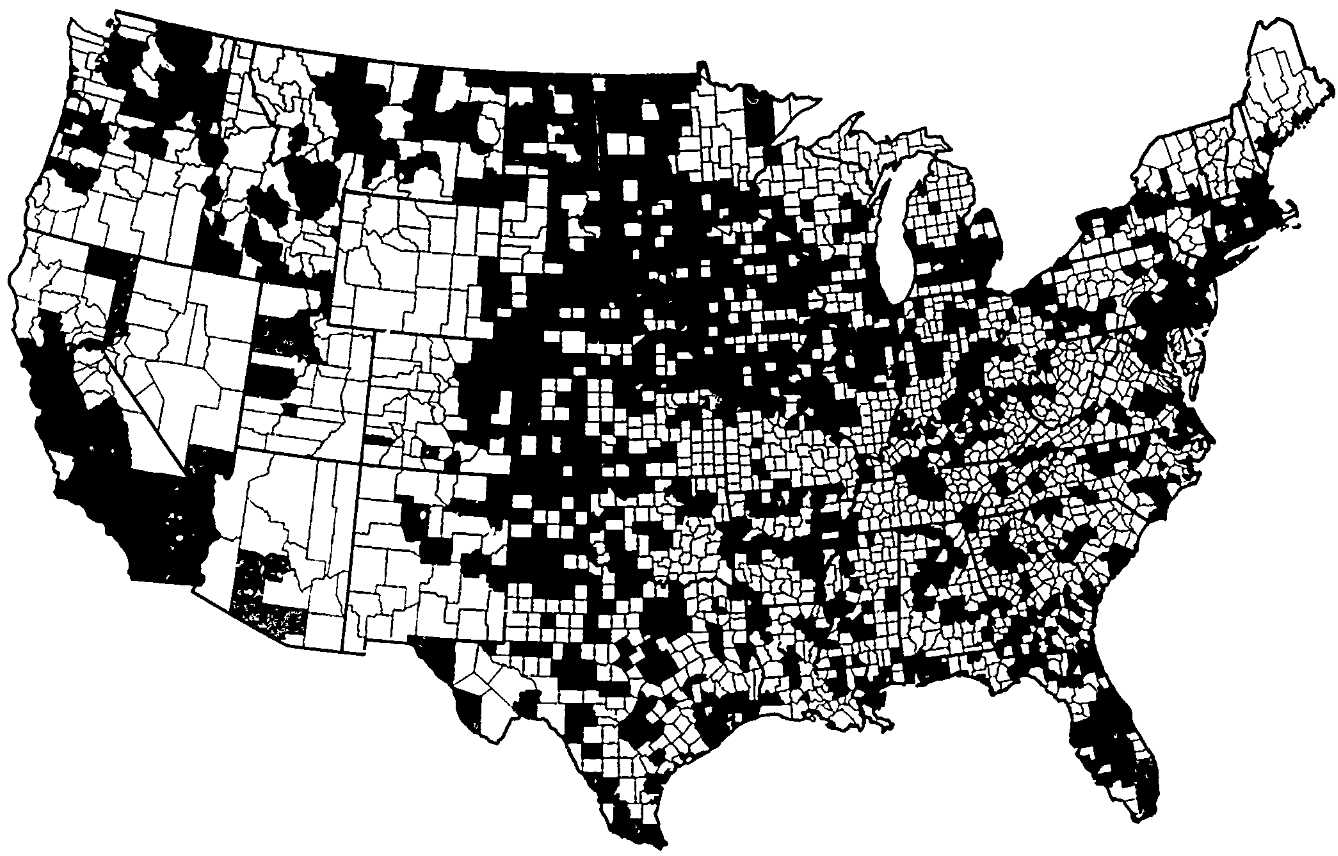


Figure 1

Farming-Dependent Counties



Farming Dependent Counties
Farming contributed a weighted annual average of 20 percent or more to total labor and proprietor income over the five-year period from 1975 to 1979.

Standard Metropolitan Statistical Area

Table 1—Farming-dependent counties: Selected characteristics[1]

Item	Unit	Farming counties	All nonmetro counties[2]
Counties, 1975-79	Number	702	2,443
Rural and not adjacent to an SMSA	Percent[3]	46.0	24.9
Population change, 1970-80	Percent[4]	4.8	14.6
Per capita income, 1979	Dollars[4]	7,264	6,980
Farm income, 1979	Percent[5]	31.9	14.6
Services-producing income, 1979	Do.	27.0	28.9

[1]Counties with a weighted annual average farm income of 20 percent or more of weighted annual total labor and proprietor income in 1975-79.
[2]Independent cities are combined with adjacent counties
[3]Percentage of counties in group.
[4]Unweighted county averages.
[5]Percentage of total labor and proprietor income, unweighted country averages.

- Uneven income distribution characterized by high average per capita incomes but low median family incomes.
- Only slightly lower than average proportions of labor and proprietor income from services-producing sectors.
- High average proportions of people who are over 65 years old and who receive Social Security benefits or other transfer payments.

The remoteness of farming counties is associated with an extensive type of agriculture. Very little labor operates very large acreages with modern equipment. Of the farming-dependent counties, 46 percent have no incorporated towns of 2,500 or more people and are not adjacent to a Standard Metropolitan Statistical Area (SMSA). Nearly half of all nonmetro counties without incorporated towns of 2,500 or more people depend on farming. The population of these counties averaged only 11,932 in 1980 compared with 25,613 for all nonmetro counties.

Farming counties have experienced high rates of population decline for decades, but declines have tended to level off and populations of some farming counties have even increased in recent years. Population decreased an average 6.6 percent in the farming counties in 1960-70, but increased an average 4.8 percent in 1970-80. Even gradual increases at this rate will stimulate demands both for State and local government services and for private services.

People in farming-dependent counties tend to have relatively high average incomes, but incomes may be distributed unevenly because of resource ownership and the structure of the county economy. Estimated per capita incomes averaged $7,264 in 1979, the second highest of any of the county groups. In contrast, median family income averaged only $14,928 in 1980, next to the lowest of any county group. The high per capita, yet low median, incomes mean that a few people have very high incomes, pulling the per capita average upward, but that most have low incomes as reflected by the low median family income, that is, income is unevenly distributed among people. The median is in the exact middle of all observations and is not affected by either the very high or low observations.

Two possible sources of income disparity (in addition to some farms' being very large or earning more in comparison with others) are the relatively high proportion of total income earned in the services-producing activities and the age distribution of the population in farm counties. The services-producing activities typically have many low wage jobs. In addition, farm counties contain a higher proportion of people aged 65 and over than is true for all nonmetro counties. Research has shown that current-income poverty among the elderly is high. Many rural observers believe that the farm trade bypasses local merchants in favor of regional trade centers, yet, a surprisingly high proportion of total income is generated in services-producing sectors in farm counties. This finding is especially noteworthy considering the small size of their urban populations and the remoteness of many of these counties. In farm counties, labor and proprietor income from wholesale and retail trade, personal and business services, and finance, insurance, and real estate averaged 27 percent of all labor and proprietor income in 1979. The average for all nonmetro counties was 29 percent. Thus, variations in farm-sector activities will likely affect the local nonfarm populations, not just regional trade centers in other counties.

Although the farming-dependent counties are not the only ones affected by traditional agricultural price and income-support policies, they are the counties in which these policies will be most important. Farmers are not the only ones affected by agricultural policies in these counties. Nonfarm families in the services-producing sectors will be affected in important ways as well. This group of counties is also affected by international trade, macroeconomic, environmental, and other national policy initiatives more than was true only a few years ago. Finally, the data suggest the particular importance of Social Security benefit levels to people in farming dependent counties.

Manufacturing-Dependent Counties[13]

Manufacturing continues to be a dominant sector in many rural counties although its regional distribution has changed in the past two decades. There are 678 counties in which 30 percent or more of 1979 labor and proprietor income came from manufacturing. These manufacturing dependent counties comprise 28 percent of all nonmetro counties, the second largest number of counties in any group. They are more populous than average and contain 39 percent of all nonmetro population.

Over half (57 percent) of manufacturing-dependent counties are now concentrated in the Southeast as a result of a shift of industry away from traditional locations in the Northeast and portions of the Midwest (fig. 2). The North Central region accounts for another 28 percent, while the West and the Northeast account for only 6 and 9 percent, respectively.

Manufacturing-dependent counties tend to exhibit the following average characteristics (table 2) relative to other county groups:[14]

- Larger urbanized population and locations near metro centers.
- Greater than average population increases in the sixties followed by average gains in the seventies.
- Larger than proportionate black population, reflecting primarily the regional concentration of these counties in the Southeast.
- Slightly lower proportions of labor and proprietor income from services producing sectors.

Manufacturing dependent counties tend to be much more urbanized and more often contiguous to SMSAs than are other nonmetro counties. County populations averaged 35,974 in 1980, with 32 percent of the population urban

[13]The analysis in this section was conducted by Marlys K. Nelson. See (*9, 13, 14*) for comprehensive analyses of manufacturing employment growth in nonmetro regions.

[14]See appendix tables 1-5 for greater detail.

and 12 percent black (the second highest percentage of blacks in the seven county groups). A large proportion of manufacturing counties (53 percent) was adjacent to SMSAs and a small proportion was rural (18 percent).

Like urban areas generally, specialized manufacturing counties tended to have below-average population increases in the seventies. The 1960-70 population increase of 4.6 percent was third from the lowest of the groups, yet was above the average for all counties combined. The continued population increase from 1970 to 1980 averaged 14 percent and was second from the lowest of the county groups. However, these rates of change applied to a larger-than-average population base.

The income performance of manufacturing counties was about average for rural counties, even though efforts to attract or expand manufacturing employment were a mainstay in many local development programs. Median family income in 1980 averaged only slightly higher in manufacturing counties than elsewhere. Employment in relation to population about equaled that in all nonmetro counties. Transfer income was somewhat less in relationship to labor and proprietor income than it was in other counties in 1979. The percentage of persons below the poverty level in 1980 (16 percent) was slightly smaller, but the percentage of families with female household heads was somewhat larger (11 percent) in manufacturing counties than the aggregate of all nonmetro counties.

The extent of specialization in manufacturing is striking in these counties. Manufacturing accounted for an average of 42 percent of all labor and proprietor income in manufacturing counties in 1979. The percentage of income from government employment was the lowest of any county group. Employment in the broad set of services-producing sectors averaged only 25 percent in 1979, next to the lowest of the groups, perhaps related to the adjacency of many of these counties to SMSAs where services are readily available and extremely competitive.

Manufacturing has been a major source of economic change throughout nonmetro America. Yet, with that growth have come questions concerning the appropriate

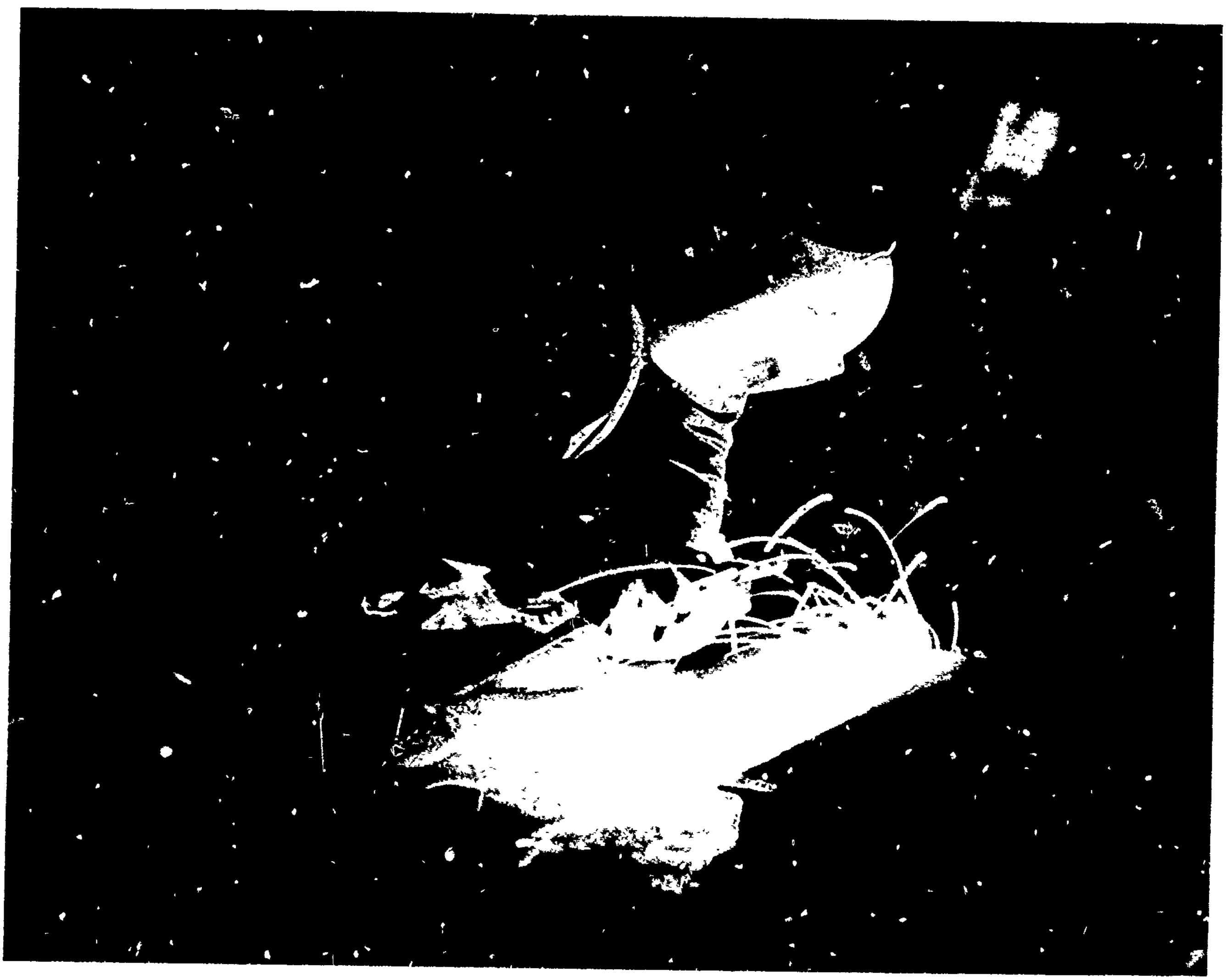
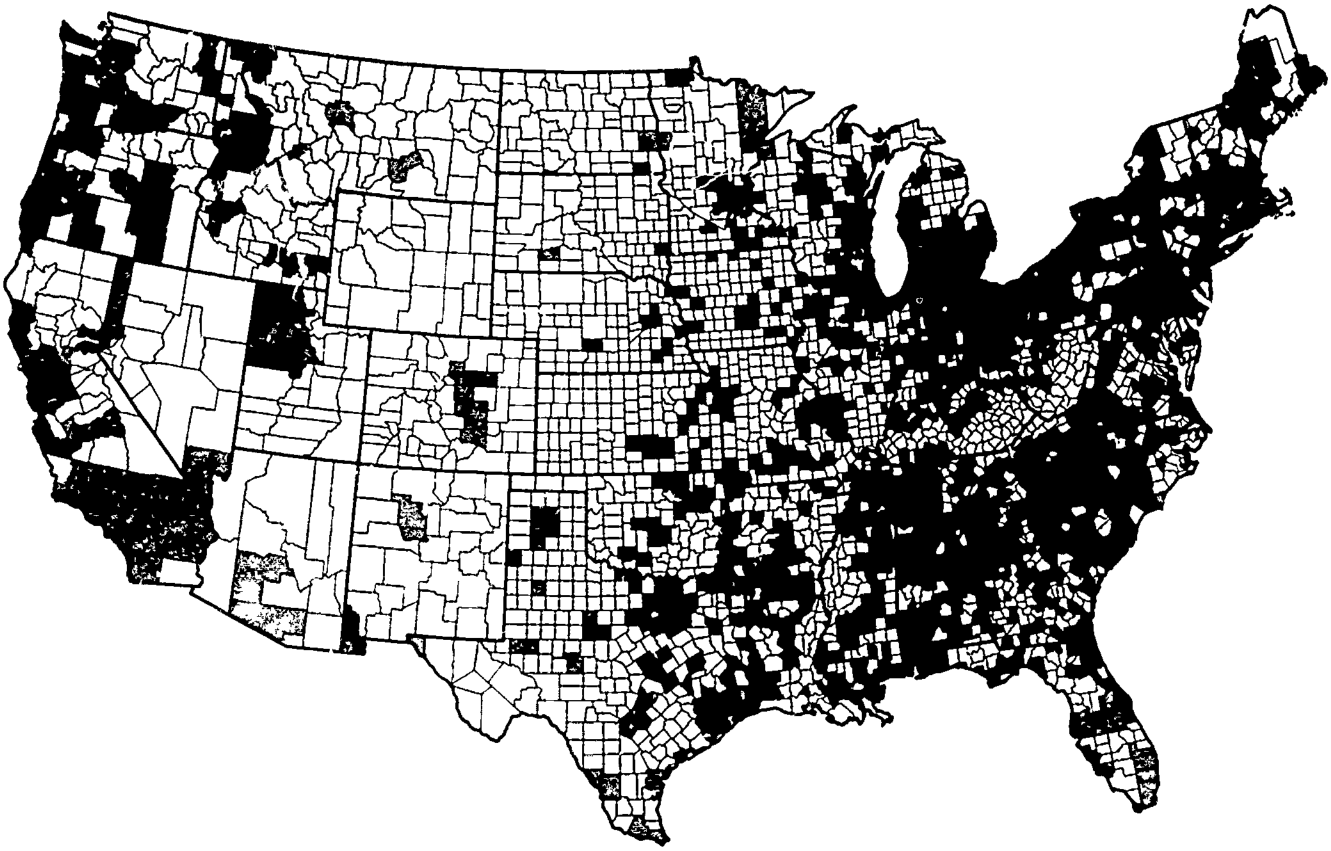


Figure 2

Manufacturing-Dependent Counties



Manufacturing-Dependent Counties
Manufacturing contributed 30 percent or more of total labor and proprietor income in 1979.

Standard Metropolitan Statistical Area

Table 2—Manufacturing-dependent counties: Selected characteristics[1]

Item	Unit	Manu-facturing counties	All nonmetro counties[2]
Counties, 1979	Number	678	2,443
Population, 1980	Number[3]	35,974	25,613
Adjacent to an SMSA	Percent[4]	52.7	39.5
Population change, 1960-70	Percent[3]	4.6	1.2
Population change, 1970-80	Do.	14.0	14.6
Black population, 1980	Do.	12.1	8.4
Services-producing income, 1979	Percent[5]	24.7	28.9

[1]Counties with manufacturing income 30 percent or more of total labor and proprietor income.
[2]Independent cities are combined with adjacent counties.
[3]Unweighted county averages.
[4]Percentage of counties in group.
[5]Percentage of total labor and proprietor income, unweighted county averages.

role of manufacturing in future rural development policies. First is the question of whether to expect continued manufacturing growth, with the same distribution, in nonmetro areas. Areas with the highest rates of population change in 1970-80 did not specialize in manufacturing. Furthermore, counties dependent on manufacturing tend to be concentrated near very large population centers rather than being dispersed throughout rural areas.

This group of counties is most affected by a broad range of policies toward business. These counties have an important stake in foreign trade policies, for example. A high value of U.S. currency in relationship to other currencies effectively curtails exports and encourages foreign imports, thereby reducing demand for domestically manufactured goods. Concentrations of low-wage manufacturing in rural areas make the manufacturing base quite fragile. Relocation of many types of manufacturing activities to foreign countries with low labor costs, automated factories, and protectionist trade policies can influence the welfare of people in manufacturing-dependent counties.

Mining-Dependent Counties[15]

The 200 nonmetro counties with 20 percent or more of their 1979 labor and proprietor income from mining are identified as mining-dependent counties. These counties account for only 6 percent of the nonmetro population. They are concentrated in the coal-producing areas of Appalachia and the Midwest, the oil-producing areas of Texas, Oklahoma, the Louisiana gulf coast, and the Northern Plains States, and are scattered throughout the Southwest and West as specialized mineral-producing counties (fig. 3).

The mining-dependent counties tend to have the following average characteristics (table 3) relative to other county groups:[16]

- Locations at natural resource sites, usually remote from very large metro centers, yet with average concentrations of urban populations.
- High rates of recent population increase accompanying energy demands, after decreases in the prior decade.
- High income levels.
- Lower than average concentrations of service activities.

[15]Lloyd D. Bender conducted the analysis for this section. See (*11*) for a more detailed picture of regional adjustments to rising coal production.
[16]See appendix tables 1-5 for greater detail.

The level of urbanization in mining-dependent counties varies greatly. The average percentage of urban population is near that for all nonmetro counties combined, but only 6 percent of the mining-dependent counties have urban populations greater than 20,000, and many are totally rural. The urban population of 30 percent in mining counties in 1980 is average for all counties, but a population density of 29 people per square mile is much lower than the overall average of all nonmetro counties, an indication of urban concentrations within mining counties. The population with Spanish surnames averages 8 percent for mining counties, the highest of any county group and a reflection of the Southwestern and Western counties in this group.

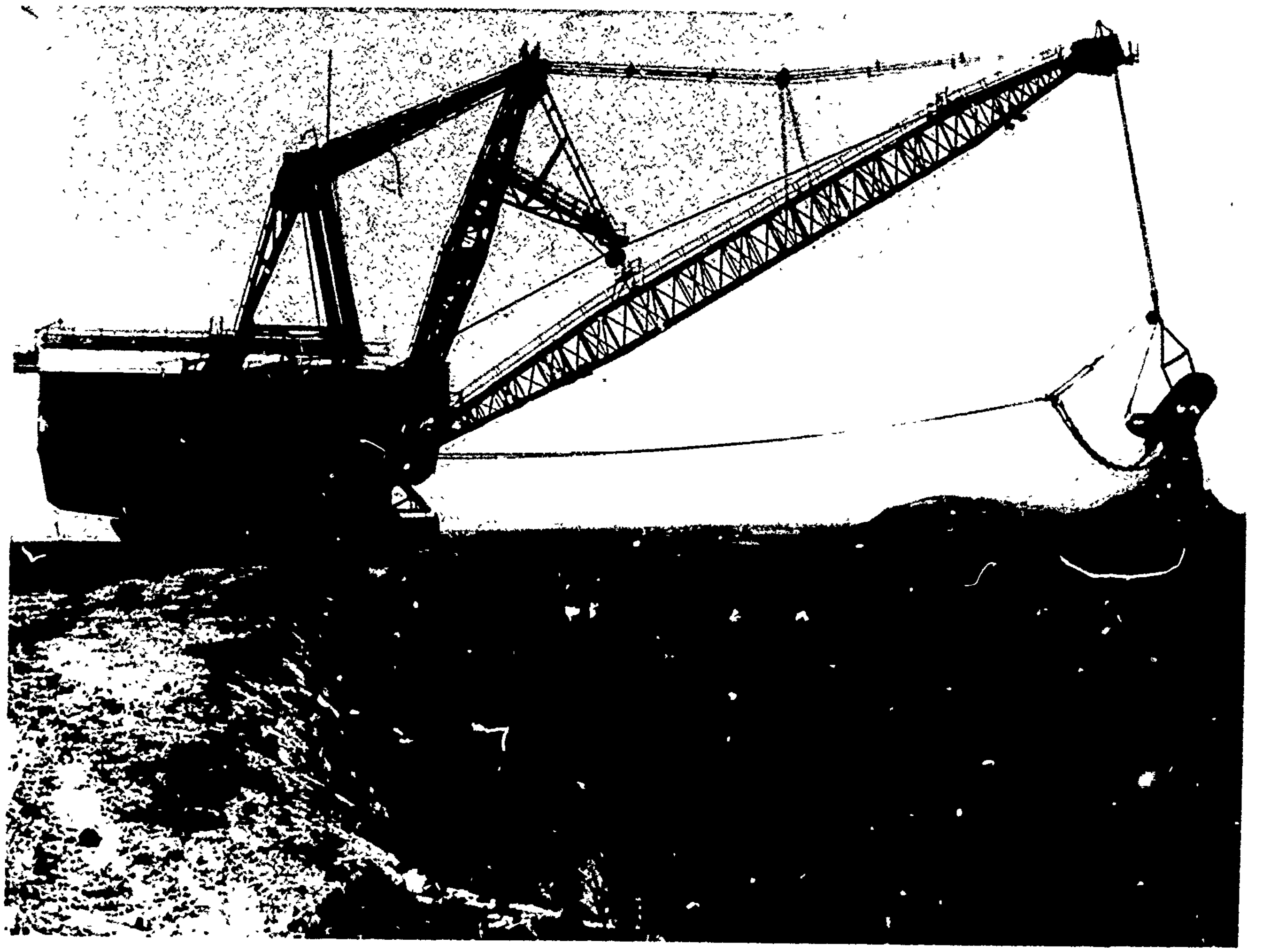
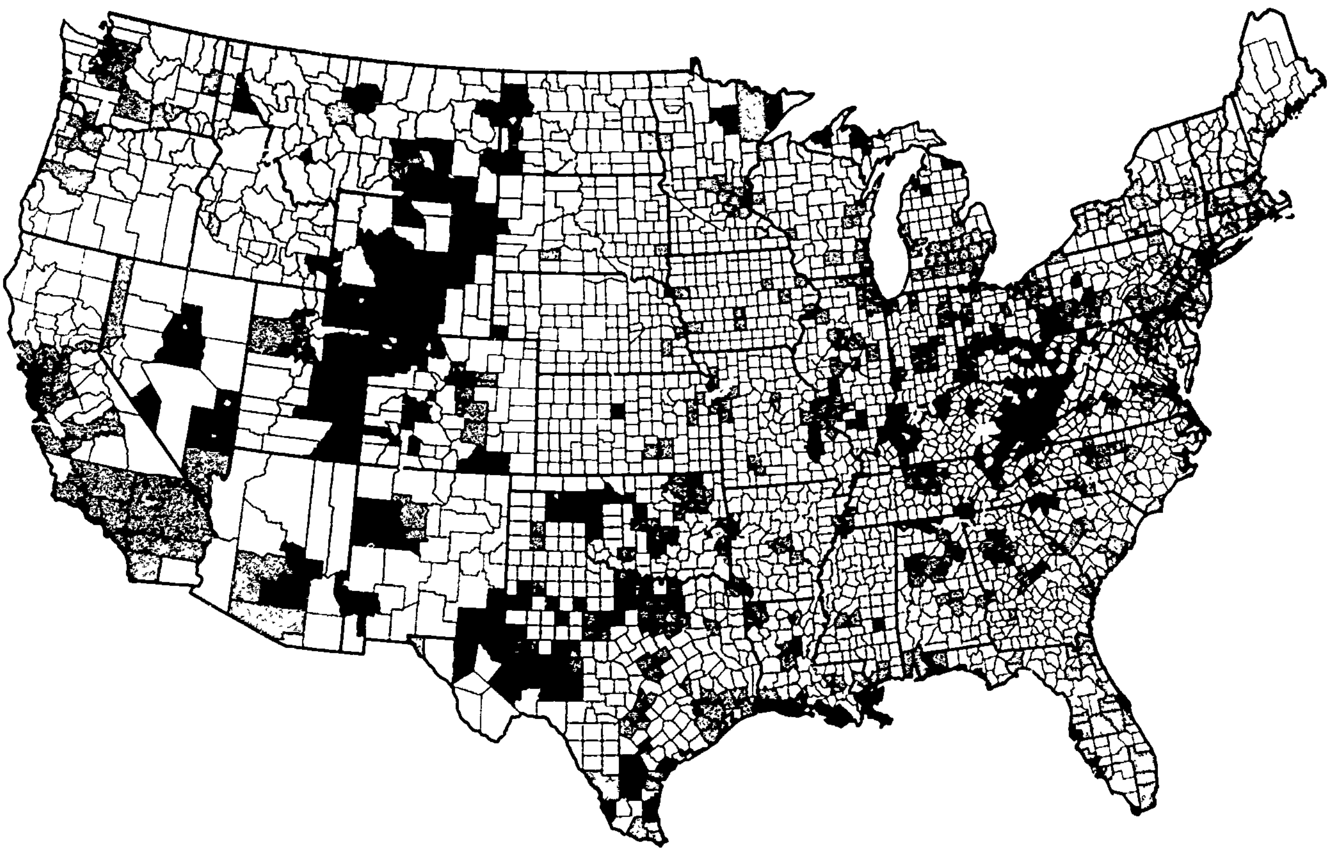


Figure 3

Mining-Dependent Counties



Mining-Dependent Counties
Mining income 20 percent or more of total labor and proprietor income in 1979.

Standard Metropolitan Statistical Area

Table 3—Mining-dependent counties: Selected characteristics[1]

Item	Unit	Mining counties	All nonmetro counties[2]
Counties, 1979	Number	200	2,443
Population change, 1970-80	Percent[3]	21.5	14.6
Urban population, 1980	Do.	29.6	28.6
Median family income, 1980	Dollars[3]	17,016	15;786
Population receiving Social Security, 1980	Percent[3]	16.3	18.6
Spanish population, 1980	Do.	8.4	3.8
Services-producing income, 1979	Percent[4]	23.4	28.9

[1]Counties with mining income 20 percent or more of total labor and proprietor income.
[2]Independent cities are combined with adjacent counties
[3]Unweighted county averages.
[4]Percentage of total labor and proprietor income, unweighted county averages.

Population changes in mining-dependent counties reflect the wide swings in demand for energy and mineral resources from one decade to another. Population decreased an average of 3.4 percent from 1960 to 1970. The high demands for petroleum and low sulfur coals in the seventies spurred population increases averaging 21.5 percent from 1970 to 1980, although the variations among counties in this group were large. Decreases in demand for fuels and minerals since 1979 have produced income and population declines (*11*), and changes in future demand will alter economic conditions in these counties.

Incomes in mining counties in 1980 averaged the highest of any of the county groups despite recent slack demand. Per capita income averaged $7,328 in 1979, and family income averaged $17,016. Mining wages remained high even during slack demand because of the structure of the industry, the skills required, and the structure of the work force.

Other income-related averages give a similar healthy picture in 1980. The percentage of the population receiving Social Security, of households headed by a female, of income from Federal transfers, and of people in poverty were lower in 1980 than the respective averages for all nonmetro counties.

The mix of income sources in mining counties may also contribute to higher incomes than elsewhere. Mining, a heavily unionized and high-wage industry, contributes an average 38 percent of the total labor and proprietor income in mining-dependent counties. At the other extreme, mining counties average only 23 percent of labor and proprietor income from the predominately low-wage services-producing sectors, the lowest proportion of any county group The low contribution from services producing sectors may also reflect the uncertainties of continued mining at particular sites or the uncertainty produced by the wide swings in demand for fuels and minerals.

Mining activities are located at the site of the natural resource being extracted. Resource depletion at each site is inevitable. In addition, demands for fuel and minerals are subject to wide episodic and cyclical swings. The problems arising from these conditions in Appalachia have been long recognized and have spawned a variety of Federal programs such as retraining and relocation programs and aid to local communities. Labor relations and safety are also subjects of Federal programs. Finally, the environmental concerns associated with mining activities have been in the spotlight in the past decade.

Specialized Government Counties[17]

Federal, State, and local government activities are extremely important employers in nonmetro counties. Income from State and local government jobs averaged 12 percent of total labor and proprietor income in all nonmetro counties in 1979. State and local activities are by far the most important components of government in most places. With Federal jobs added, earnings from Federal, State, and local government jobs in nonmetro counties averaged 17 0 percent of labor and proprietor income in 1979. There are 315 nonmetro counties where 25 percent or more of the total labor and proprietor income came from payrolls of Federal, State, and local governments. Those counties are identified as government counties in this analysis.

Specialized government counties are scattered throughout the Nation in locations likely resulting from political and historical precedents rather than from the influence of market forces that affect locations of most other types of economic activities (fig. 4). A higher average percentage of the population with Spanish surnames (6 percent) than in other nonmetro counties (4 percent) may reflect the

[17]Leon B. Perkinson provided the analysis for this section. See (*12*) for a detailed report of local government employment and earning trends in nonmetro America.

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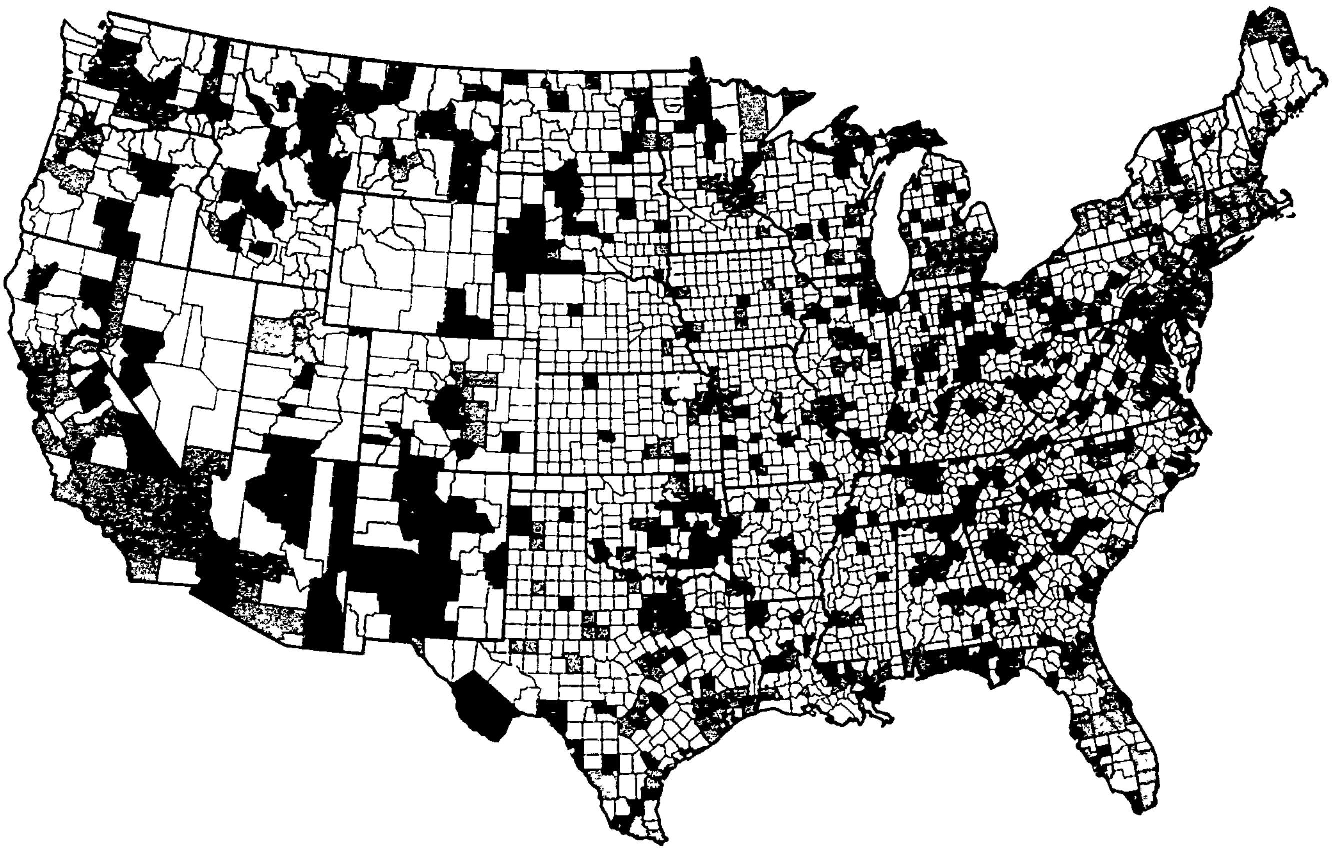
Figure 4

Specialized Government Counties



Specialized Government Counties
Counties in which local, state and Federal government payrolls contributed 25 percent or more to total labor and proprietor income in 1979.

Standard Metropolit.ı Statistical Area

slight western orientation. The high concentration of government jobs in these specialized counties is attributable to particular types of Federal and State activities. These include military reservations and bases, areas that serve as regional and area headquarters for State and Federal parks and forests, some State capitols, State institutions of higher education, and penal institutions.

Specialized government counties tend to have the following average characteristics (table 4) relative to other county groups:[18]

- Somewhat more urbanized,
- Higher rates of population increase,
- Lower average incomes, and
- Low-wage mix of economic activities.

Specialized government counties tend to be more urbanized than typical nonmetro counties. Nearly a quarter of government counties (23 percent) had urban populations between 20,000 and 50,000, although the population per

[18]See appendix tables 1-5 for greater detail.

Table 4—Specialized government counties: Selected characteristics[1]

Item	Unit	Government counties	All nonmetro counties[2]
Counties, 1979	Number	315	2,443
Urban populations, 20,000-49,000	Percent[3]	22.9	13.0
Population change, 1960-70	Percent[4]	6.5	1.2
Population change, 1970-80	Do.	18.8	14.6
Per capita income, 1979	Dollars	6,195	6,980
Percentage in poverty, 1980	Percent[4]	18.5	17.0
Employment per 100 population, 1980	Number[4]	37.0	39.1

[1]Counties with government income 20 percent or more of total labor and proprietor income.
[2]Independent cities are combined with adjacent counties
[3]Percentage of counties in group.
[4]Unweighted county averages

square mile was only 47 persons in 1980. Average total population of government counties was almost 29,000 in 1980, 13 percent more than the average for all nonmetro counties.

Population increased in specialized government counties despite overall lower average incomes and a relatively high level of urbanization. The population increase averaged 6.5 percent from 1960 to 1970 and 18.8 percent from 1970 to 1980. These are uncharacteristically high average rates for a group of counties in which 23 percent were areas containing urban populations of 20,000 or more.

The government counties had a relatively low average income of $6,195 per capita, 11 percent below the average for all nonmetro counties. Only poverty counties averaged a lower income per capita. Median family income in 1980 also averaged slightly lower than the overall average. Finally, the percentage of persons with incomes below the poverty level in 1980 was higher than the nonmetro average.

The average proportion of the population employed was also low. Other characteristics of the government counties make these facts even more striking. A larger-than-average percentage of the population was under age 65 in 1980, and a larger-than-average percentage of the people 25 years and older had completed high school. These factors typically boost average incomes and employment rates.

Income sources on average are predominantly of the low-wage variety in specialized government counties. State government employees and Federal military jobs tend to predominate. In addition, one-third of the labor and proprietor income was from services-producing sectors in 1979. Wages in many of the services-producing sectors are very low, and many of the jobs are part-time, especially in retailing.

The government group of counties are distinctive because of the diversity of their economic bases. Such characteristics qualify almost two-thirds as members of one of the other county groups; hence, theirs is a mixed system not solely dependent on governmental activities. Such a mixture of activities could influence the performance of the local economies and the characteristics of the people who choose to live there.

The heavy dependence of these counties on government functions has distinctive policy implications aside from the characteristics of their populations. They are directly affected by some policy decisions. First, they are more dependent than the average county on the amount and type of government spending. Government spending may vary from year to year and affect the economic base of these counties. Second, local governments containing high concentrations of Federal activities often receive special funds—such as grants and payments in lieu of taxes—that support local government activities. Such sources of revenue also may change from year to year as revisions are made in the formulas used to distribute such funds. Third, the tax base supporting local government facilities can be unique. Government facilities are not subject to local property taxes; hence, local government revenues depend more heavily on other types of property and on other types of revenue. Finally, governmental activities frequently consist of some type of service that may not require the purchase of large quantities of material and equipment; hence, the additional support given to the local business community from the purchase of supplies or equipment may be much less than would be true of manufacturing or some other types of establishments. In each instance, government policies can have a direct effect on the economies of counties that depend heavily on governmental activities.

Persistent Poverty Counties[19]

Poverty remains a chronic and serious problem in certain locations in nonmetro America. The 242 nonmetro counties designated as areas of persistent poverty had per capita incomes in the bottom quintile of all U.S. counties in 1950, 1959, 1969, and 1979. Poverty counties represent 10 percent of all nonmetro counties, and they contain 6 percent of the nonmetro population. Most of the poverty counties (82 percent) also fall into one of the other county groups, but we have separated them in this study because of the persistence of their low-income status.

Persistent poverty counties are concentrated in the Southeast; 92 percent are in Appalachia, the Ozark-Ouachita Plateau, and the Mississippi Delta (fig. 5). Others are scattered throughout the Southwest and the Northern Plains. Many of these persistent poverty counties are located where their populations contain a high percentage of racial minorities.

[19]The analysis in this section was conducted by Peggy J. Ross. Earlier analyses of persistent poverty counties were reported by Davis (2) and Hoppe (8).

Persistent poverty counties tend to have the following average characteristics (table 5) relative to other county groups:[20]

- A sparse and nonurban population settlement pattern,
- Low income levels that have persisted for decades, and
- Disproportionate numbers of people with disadvantages affecting their productive labor force participation.

The persistent poverty counties have fewer people and are less urbanized than most other county groups. Over 60 percent of the persistent poverty counties are totally rural compared with 35 percent of all nonmetro counties. An average of only 13 percent of their population was living in cities having 2,500 or more people in 1980, even less than the average of the specialized farming counties and a full 16 percentage points less than all nonmetro counties. Only two of these counties had urban populations of 20,000 or more people.

[20]See appendix tables 1-5 for greater detail.

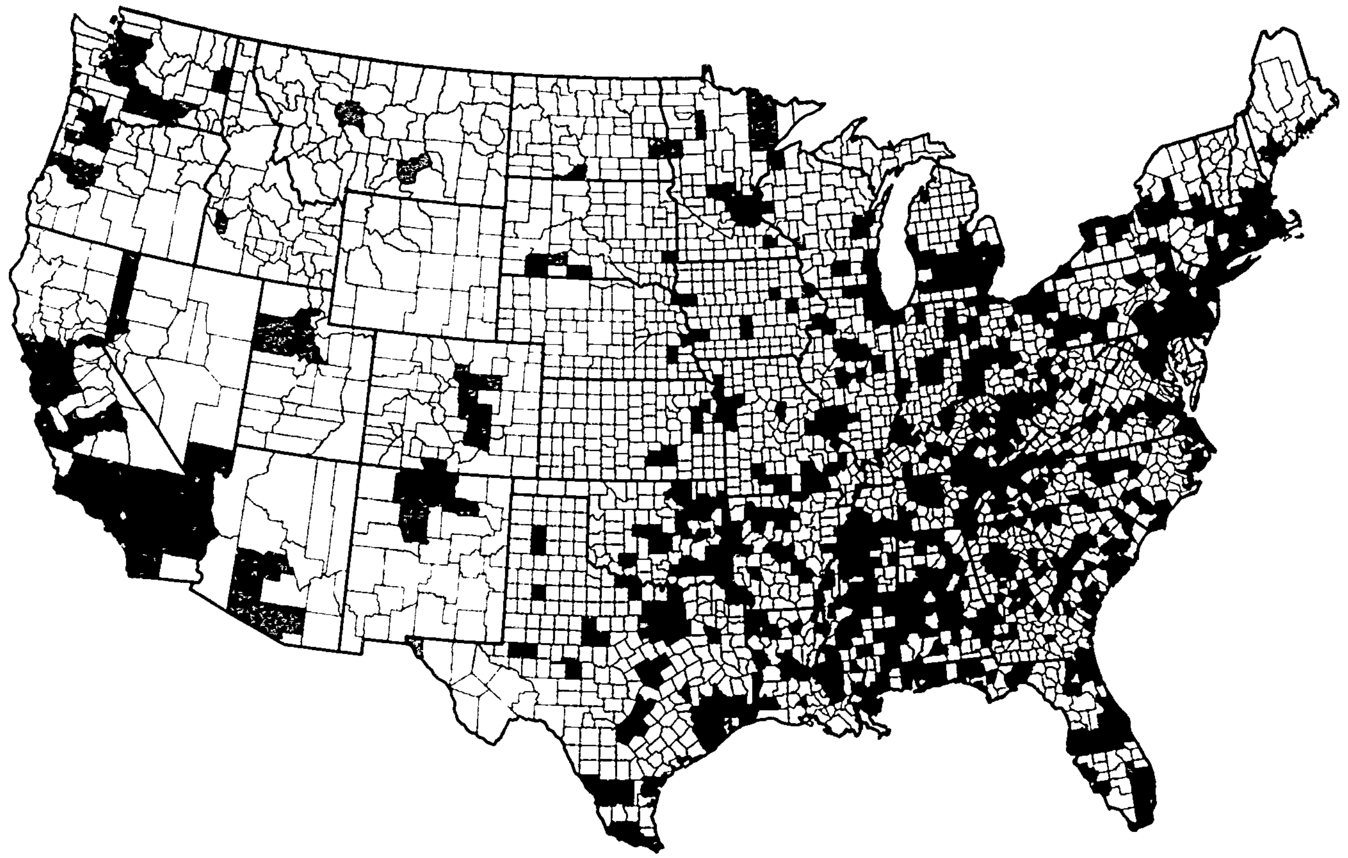
Income levels in persistent poverty counties remain markedly low after several decades. Their average 1979 per capita income was $4,914, and their average 1980 median family income was $11,923. Their mean 1980 poverty rate of 28 percent was at least 10 percentage points higher than that of any other county group.

The combined disbursements for entitlement programs, welfare, and investments in human resources, all of which are reflected in transfer payments, tend to average somewhat less than one might expect in poverty counties. Per capita transfer payments in 1979 averaged $1,049 in counties having persistently low incomes compared with $1,063 for all nonmetro counties combined. The earned income of people in these counties was very low, hence, the ratio of $41 of transfer income to every $100 earned by proprietors and workers was the highest of any county group. Consequently, the proportion of total spendable income from transfer payments was high.

The adverse income levels in poverty counties do not seem to depend on the economic mix of activities there. The overall industrial mix in poverty counties is remarkably similar to the profile for all nonmetro counties. Poverty counties do derive on average slightly more labor and pro-

Figure 5

Persistent Poverty Counties



Persistent Poverty Counties
Counties ranking in the lowest per capita income quintile in 1950, 1959, 1969, and 1979.

Standard Metropolitan Statistical Area

prietor income from farming, manufacturing, and government activities and slightly less income from mining and the broad group of services sectors than do those for all nonmetro counties. Either the productivity of the economic base of poverty counties is extremely low or income from economic activities is distributed very unevenly among the residents.

Table 5—Persistent poverty counties: Selected characteristics[1]

Item	Unit	Poverty counties	All nonmetro counties[2]
Counties, 1950-79	Number	242	2,443
Per capita income, 1979	Dollars[3]	4,914	6,980
Population aged 25 and over who completed high school, 1980	Percent[3]	41.9	57.5
Population aged 16-65 disabled, 1980	Do.	14.8	10.4
Households headed by females, 1980	Do.	14.0	10.0
Black population, 1980	Do.	23.3	8.4
Persons in poverty, 1980	Do.	28.4	17.0

[1]Counties with average per capita income in the bottom quintile in 1950, 1959, 1969, and 1979.
[2]Independent cities are combined with adjacent counties.
[3]Unweighted county averages.

The low incomes in poverty counties appear to be related to characteristics of the population that affect workforce participation and productivity. Nearly 15 percent of persons aged 16 through 64 reported a work-limiting disability in 1980. Only 42 percent of persistent poverty county residents aged 25 and over had completed high school in 1980. The proportion of households headed by females was 14 percent. Poverty counties had high concentrations of blacks in 1980, an average of 23 percent of their populations compared with 8 percent in all nonmetro counties. Furthermore, an average of 30 percent of black persons in poverty counties had incomes below poverty levels in 1980 compared with an average of 20 percent of blacks in all nonmetro counties. Finally, the average poverty rate among whites in these counties was 5 percentage points above comparable rates in all nonmetro counties.

The underemployment that results when a large percentage of the population has characteristics that inhibit workforce participation is apparent in poverty counties. Poverty counties have relatively more underemployment than any other county type as indicated by a ratio of 33 civilian employees per 100 people in 1980, as much as 18 percentage points lower than the ratios of other county groups. Low workforce participation contributes directly to low average incomes. Fully a quarter of the families in poverty counties had incomes below the poverty threshold in 1980.

The high proportion of people with characteristics that affect workforce participation and incomes is the single most notable feature of poverty counties. Not only do these counties contain high proportions of people who lack the personal skills and resources to improve their own economic condition, but these rural and often isolated counties are not likely to generate sufficient economic, community, and human resource levels to enable their disadvantaged people to overcome poverty conditions Finally, people who have difficulty participating in productive economic activities because of some personal characteristic will find that migrating to other places may not improve their lot greatly.

The persistent poverty counties are among those affected disproportionately by various Federal and State programs directed against poverty. However, such programs over the past three decades have not been enough to move people in these counties into the mainstream of economic activities.

Federal Lands Counties[21]

Counties with at least a third of their area in Federal ownership numbered 247 in 1977, of which 197 were located in the West (fig. 6). Other concentrations were national forests along the Appalachians and in the Ozarks and in the forested regions of Minnesota, Wisconsin, and Michigan. Federal lands counties contain 9 percent of the total nonmetro population. These counties tend to be some distance from metro areas. Only 23 percent are adjacent to an SMSA, compared with 40 percent of all nonmetro counties.

[21]The analysis in this section was conducted by Thomas F. Hady.

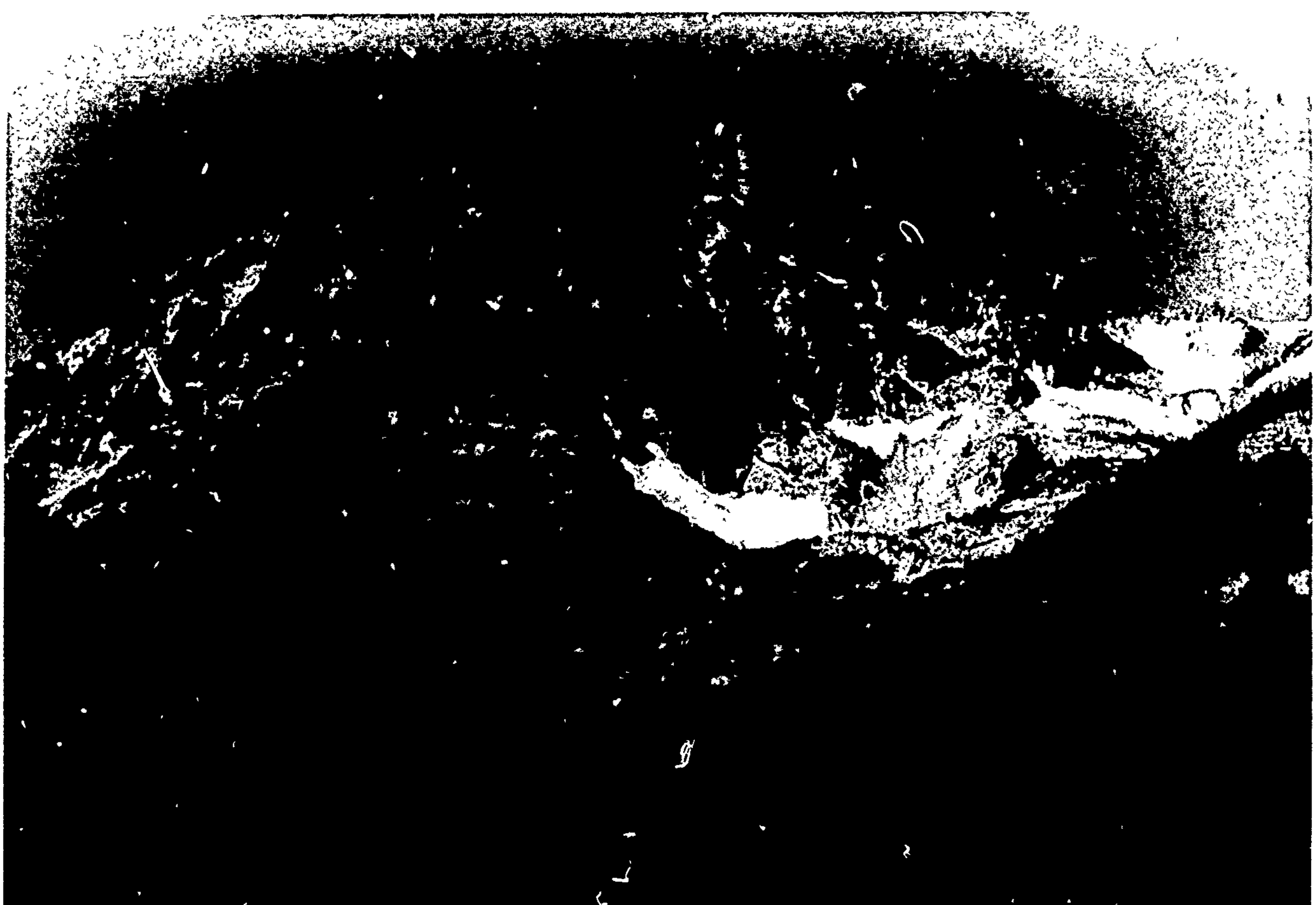
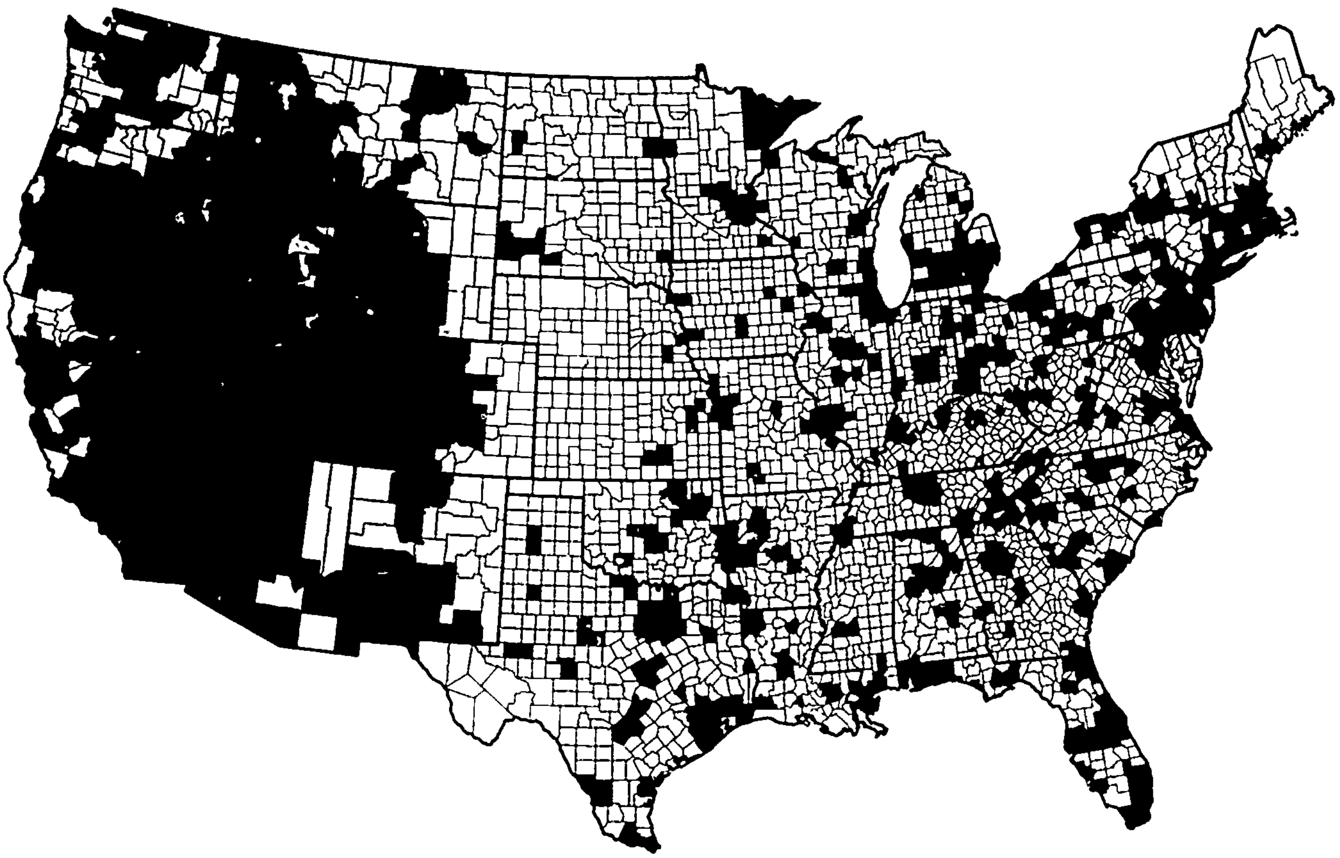


Figure 6

Federal Lands Counties



Federal Lands Counties
Counties in which Federal land is 33 percent or more of total land area.

Standard Metropolitan Statistical Area

Federal lands counties tend to have the following average characteristics (table 6) relative to other county groups:[22]

- Remoteness from large metro areas,
- People who tend to reside in small towns and cities rather than in the open country,
- Rapid population increases,
- Average proportions of income from services-producing activities even though population density is very low, and
- Large farms and ranches.

A distinctive feature of Federal lands counties is their population distribution. Forty-four percent of these counties are totally rural, a smaller percentage than the farming or poverty counties, but more than the nonmetro average of 35 percent. Population density averages only 15 persons per square mile, the lowest of any county group. However, the population does not live entirely in the rural portions of these counties. The proportion of the population that is urban (30 percent) averages slightly higher than in all nonmetro counties (29 percent). A number of substantial-sized towns lie in Federal lands counties, including Grand Junction, CO; Bozeman, Helena, and Butte, MT; Rapid City, SD; and Casper and Rock Springs, WY.

[22]See appendix tables 1-5 for greater detail.

Table 6—Federal lands counties: Selected characteristics[1]

Item	Unit	Federal lands counties	All nonmetro counties[2]
Counties, 1977	Number	247	2,443
Rural counties	Percent[3]	43.7	34.7
Urban population, 1980	Percent[4]	29.9	28.6
Population change, 1970-80	Do.	33.7	14.6
Median family income, 1980	Dollars[4]	16,722	15,786
Farm size, 1978	Acres[4]	1,225	505

[1]Counties with 33 percent or more Federal land.
[2]Independent cities are combined with adjacent counties.
[3]Percentage of counties in group.
[4]Unweighted county averages.

The population in Federal lands counties increased more than twice as fast as in the average nonmetro county in the seventies, which may partly be a reflection of their location in the fast-growing West. However, the presence of Federal lands may be associated with population growth within the West, population change from 1970 to 1980 is correlated with the percentage of the land area that is Federal. Spanish surnames are common in the Federal lands counties and blacks are underrepresented, reflecting a heavy Western orientation.

Income measures indicate that people in the Federal lands counties tend to be better off on average than those in other nonmetro counties. Median family income averaged higher in only one other county group and was nearly $1,000 greater than the average for all nonmetro counties. A higher than average percentage of the population is also above the poverty level, and housing is in better condition. Although median family income is high, per capita income averaged third from the bottom of the seven county groups, suggesting that the income distribution may be uneven.

The major basic industries in Federal lands counties are government employment, followed by manufacturing. The aggregate of several services-producing activities averaged the same as that of all nonmetro counties, again indicating the ubiquitous nature of services-producing activities even in remote areas. Mining accounted for a substantially larger-than-average portion of the income source in Federal lands counties than in other nonmetro counties. Nearly all the mining income came from sources other than coal, oil, and gas. Despite the great expansion of coal mining in the West, coal mining contributed proportionately less income than average in the Federal lands counties. Finally, the proportion of income from forestry was identical to the average for all nonmetro counties.

The farming activities are another unique feature of Federal lands counties. The semiarid conditions in much of the West and the availability of Federal lands for range influence the types of farming that are possible The average farm in Federal lands counties contained 1,225 acres in 1978 compared with 505 acres for all nonmetro counties. Farms in Federal lands counties have a lower average value per acre, but their much larger average size leads to a higher total value. Only 15 percent of the farmland in Federal lands counties was cropland in 1978 The distribution of farms by amount of gross sales differs remarkably little between Federal lands counties and other nonmetro counties, except that Federal lands counties have a slightly larger proportion of farms with less than $2,500 in sales.

Further economic development and the types of development possible in these counties are constrained. The potential for public and private economic development is altered materially by the presence of large proportions of land under Federal ownership and management Federal payments in lieu of taxes and Federal sharing of mining royalties and bonus payments are direct supports of State and local functions. The concentration of population in urban places in some cases is related to the availability of private land around settlements. Further urban expansion in some counties is expensive because private land is extremely scarce. The checkerboard ownership of private lands, resulting from vast land grants for railroad development, complicates both public and private resource management and development. Finally, the uses of public lands in agriculture are somewhat limited by regulations governing grazing and management practices

Retirement Counties[25]

Retirement settlements are an important part of nonmetro America. This study has identified 515 retirement counties, 21 percent of nonmetro counties. Retirement counties with a net inmigration of people aged 60 and over from 1970 to 1980 equaled 15 percent or more of the people in the county of that age in 1980.[24] These counties contain 24 percent of the total nonmetro population and 26 percent of the total nonmetro population aged 65 and over in 1980.

Retirement counties are located throughout the Nation with concentrations as follows: in a band from southern Texas northward through the Ozarks; in Florida; in concentrated groups of counties in the upper Great Lakes States, especially northern Michigan but also northern Wisconsin and Minnesota, in a narrow band of the Appalachian mountains from northern Georgia through Delaware; and throughout scattered locations in Arizona, New Mexico, northern California, and western Oregon (fig. 7). These counties are distinct in many ways that are closely related to developmental policies.

[25]The analysis in this section was conducted by John A. Kuehn. The concepts and original definition of this group of counties are those of Calvin L. Beale. Retirement areas in the Ozarks are currently under study by the Economic Research Service.

[24]The number of net migrants is the actual 1980 population aged 60 or over less the expected resident population that survived from 1970 to 1980 to age 60 or over. That number of net migrants is divided by the expected resident population that survived to age 60 or over and is expressed as a percentage.

Retirement counties tend to have the following average characteristics (table 7) relative to other county groups.[25]

- Very high population growth rates in the sixties and seventies,
- Remote rural locations,
- Large proportions of income from transfer payments, and
- Larger services-producing sectors.

Retirement settlements are a growth industry often nurtured by State and local officials and entrepreneurs. They will likely continue to grow as the average age of the general population increases. The average population growth rate of these counties from 1960 to 1970 was 11 percent, the highest of all groups. They averaged a 34-percent increase in population in 1970-80, the second highest average growth rate of the county groups, and averaged 19 percentage points higher than the rate for all nonmetro counties.

Retirement counties are located in rural areas that are not necessarily near population centers and, hence, seem to offer strong developmental potential. Few retirement counties have urban populations that exceed 20,000. Over 33 percent are totally rural, and another 53 percent have an urban population ranging from 2,500 to 20,000. Slightly more than half of all retirement counties are not adjacent to metro areas. Three-fourths of the population resides in relatively highly populated open country areas that average 42 percent persons per square mile.

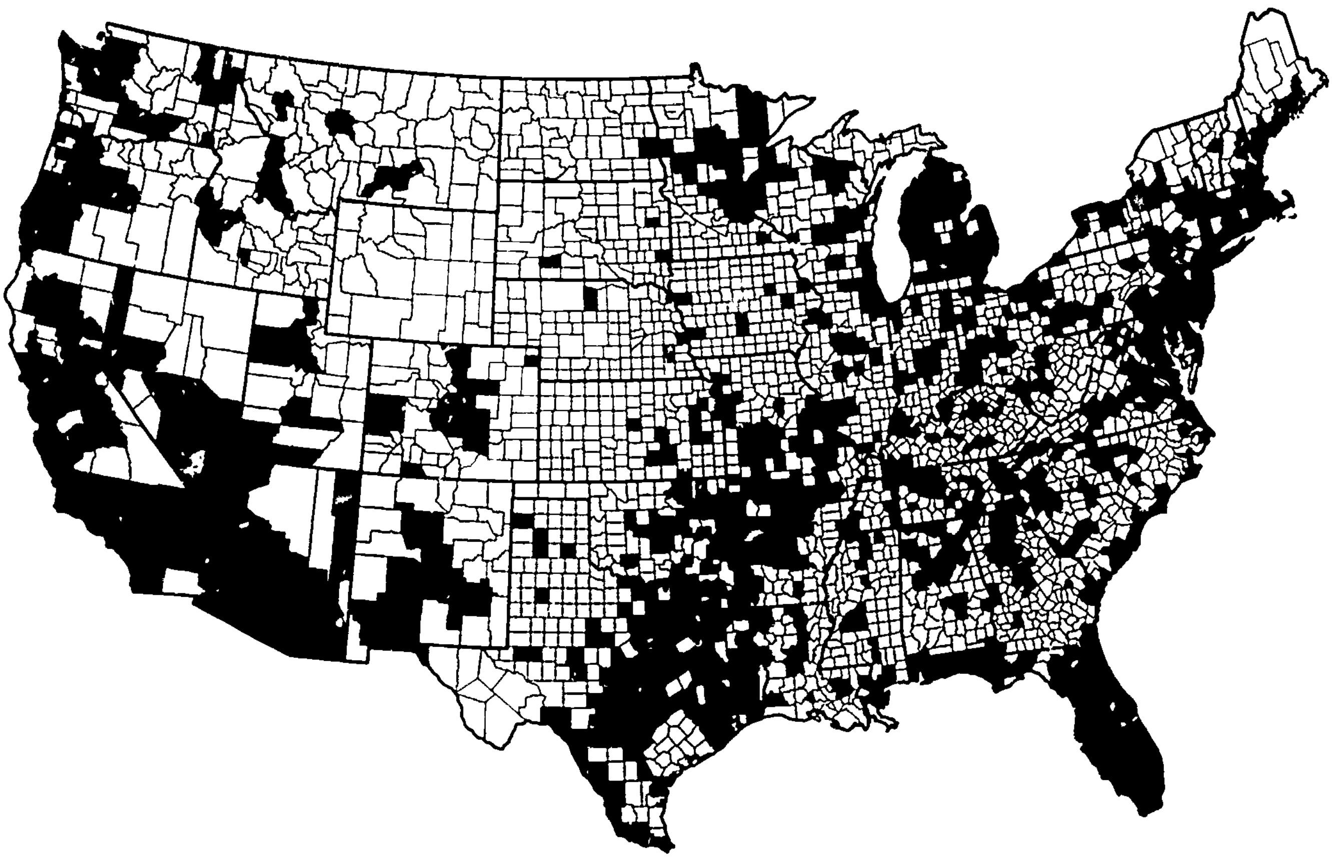
[25]See appendix tables 1 5 for greater detail.

Income levels in retirement counties are similar to levels in other county types, except mining and poverty counties. Averge per capita income in 1979 was $6,626, and median family income was $15,020 in 1980. Transfer payments were an important source of income; retirement counties had the highest amount of transfer income per capita, $1,148. About a fifth of the population received Social Security payments.

Retirement counties usually have robust economies compared with counties where people retire without moving to another place. The labor force is likely to be growing because young people also move into destination retirement areas to work. The proportion of residents aged 65 or older in these counties' averages 15 percent, only a few percentage points higher than in other county types. The

Figure 7

Retirement Counties



Retirement Counties
Counties with 15 percent or more net inmigration of cohorts age 60 and over from 1970 to 1980.

Standard Metropolitan Statistical Area

Table 7—Retirement counties: Selected characteristics[1]

Item	Unit	Retire-ment counties	All nonmetro counties[2]
Counties, 1980	Number	515	2,443
Rural or less than 20,000 urban population	Percent[3]	90.5	87.0
Adjacent to an SMSA	Do.	46.6	39.5
Population change, 1960-70	Percent[4]	10.9	1.2
Population change, 1970-80	Do.	33.5	14.6
Social Security recipients, 1980	Do.	20.2	18.5
Services-producing income, 1979	Percent[5]	32.2	28.9

[1]Counties with 15-percent or more net inmigration of people aged 60 and over from 1970 to 1980.
[2]Independent cities are combined with adjacent counties.
[3]Percentage of counties in group.
[4]Unweighted county averages.
[5]Percentage of total labor and proprietor income, unweighted county averages.

ratio of transfer payments to total earnings is only about 25 percent greater in retirement counties than for the nonmetro average. That difference may be attributed partly to the low wage rates associated with trade and service industries in destination retirement counties, as about a third of labor force earnings comes from these tertiary sectors. Finally, the percentage of the working age population employed (50 percent) is only slightly lower than that for most other county types.

Retirement areas offer opportunities for rural growth especially in activities catering to the needs of the aged, but several problems may emerge. Wage rates may be too low to retain experienced workers. Financial assistance and management training may be required for emerging small businesses. Provision of public services may become burdensome in open country areas, especially health services for older people. Sustained high interest rates and pending changes in entitlement programs can affect future growth. Nonetheless, competition for destination retirement counties offers an attractive developmental alternative for some areas.

Ungrouped Counties[26]

A total of 370 nonmetro counties were not a part of county groups identified on the basis of the seven criteria discussed. The ungrouped counties are scattered throughout the United States (fig. 8).

Ungrouped nonmetro counties tend to have the following average characteristics (table 8) relative to other county groups:[27]

- Contain urbanized places,
- Have high proportions of populations living in urban places,
- Have below average 1970-80 population changes, and
- Generate greater than average services-producing income.

Only 16 percent of the ungrouped counties are completely rural compared with 35 percent of all nonmetro counties. Over two-thirds contain urbanized places ranging from 2,500 to 20,000 in population, and 40 percent of those counties are not adjacent to SMSAs.

[26]The analysis in this section was conducted by Leon B. Perkinson.
[27]See appendix tables 1-5 for greater detail.

Per capita income in 1979 and median family income in 1980 averaged somewhat higher than those of other counties. A slightly smaller proportion of people had incomes in 1980 below the poverty level, reflecting the generally higher income level and perhaps its distribution among the population. The average ratio of 54 employed to every 100 working age people in 1980 was one of the highest of the county groups.

The average population in these ungrouped counties was about the same as in all nonmetro counties combined; yet, 40 percent of the population was urban versus a nonmetro average of 29 percent. Despite the urban concentration of population, population density in these counties did not differ from the nonmetro average. However, population changes in ungrouped counties differed significantly from those in other county groups. Population increased 10 percent from 1970 to 1980 compared with 15 percent for all nonmetro counties.

The average ethnic and racial composition of the population and the percentages of the population aged 65 and over in the ungrouped counties were about the same as for all nonmetro counties. The average percentage of the population receiving Social Security payments and the

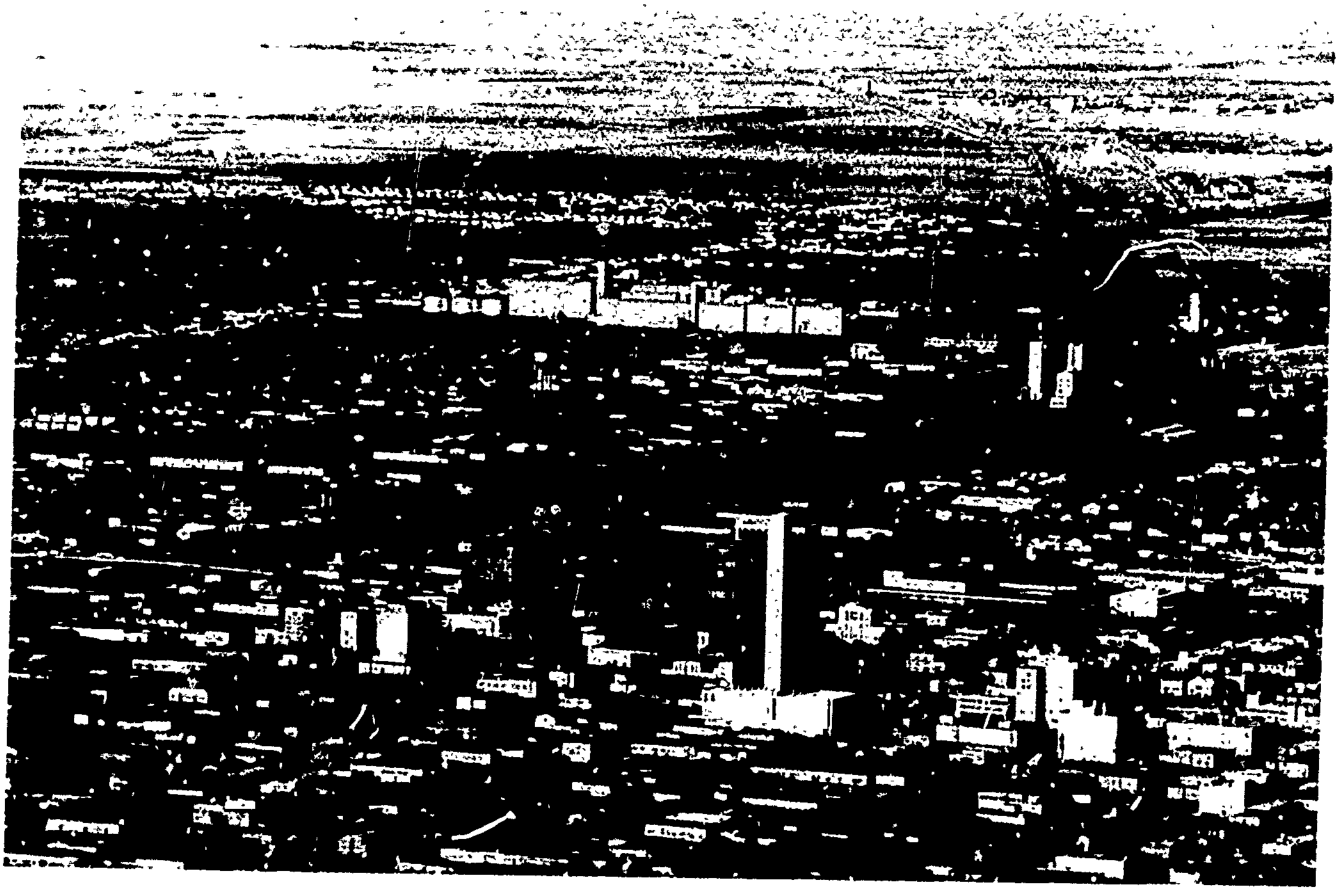
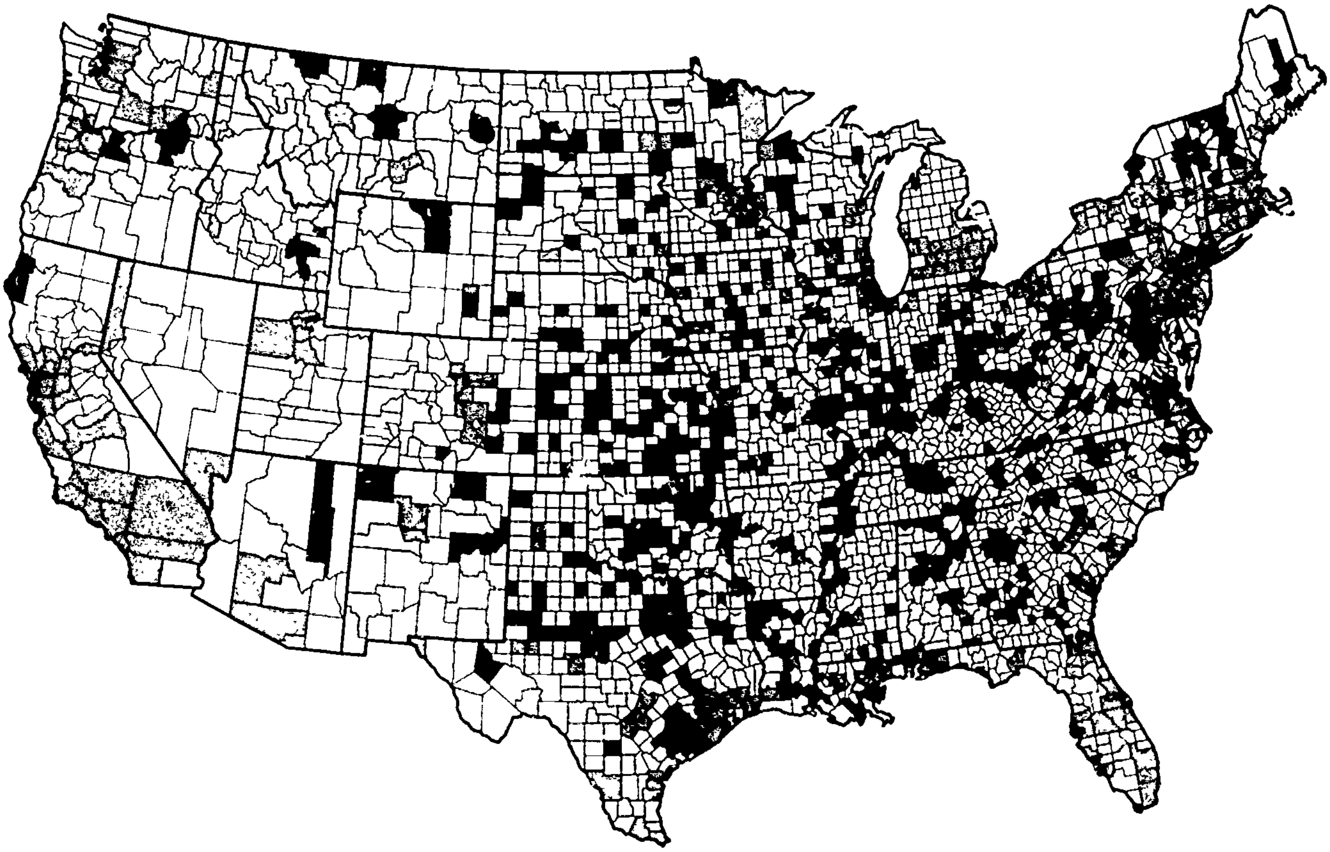


Figure 8

Ungrouped Counties



Ungrouped Counties
These counties did not meet the requirements for any of the other county groups.

Standard Metropolitan Statistical Area

percentage of families headed by females in ungrouped counties were also about the same as in other county groups. The 1980 rate of disability of the population in ungrouped counties was slightly lower than in other county groups. The percentage of people aged 25 and over with a high school education was slightly higher in the ungrouped counties.

Table 8—Ungrouped counties: Selected characteristics[1]

Item	Unit	Ungrouped counties	All nonmetro counties[2]
Counties, 1979	Number	370	2,443
Rural counties	Percent[3]	15.9	34.7
Urban population, 1980	Percent[4]	40 1	28 6
Population change, 1970-80	Do.	9.5	14.6
Services-producing income, 1979	Percent[5]	34.2	28.9

[1]Counties not belonging to farming, manufacturing, mining government, Federal lands, destination retirement, or poverty county groups.
[2]Independent cities are combined with adjacent counties.
[3]Percentage of counties in group.
[4]Unweighted county averages.
[5]Percentage of total labor and proprietor income, unweighted county averages.

The ungrouped counties hac diversified economies Based on their degree of specialization in traditional economic bases, no particular conventional economic sector dominated. The percentages of labor and proprietor income from farming, manufacturing, and government were slightly lower than the aggregate average of all nonmetro counties.

Ungrouped counties may also serve a wide market area, with economies based on servicing consumers and on productive activities in adjacent counties. The broad group of services-producing sectors accounted for a considerably larger percentage of total labor and proprietor income (34 percent) than that for all nonmetro counties (29 percent). Only specialized government and retirement counties averaged as much as 30 percent of their incomes in the services-producing sectors.

Policies affecting the traditional economic sectors such as farming, manufacturing, and mining seemed not to directly affect the economies of the ungrouped counties. The economic mix of activities in these counties is generally not specialized in any single sector, but indirect effects can be felt. The ungrouped counties that service demands from adjacent counties are affected by almost all policy changes through the derived demand for services.

The effect on the local economy of policies aimed directly at small entrepreneurs in the services-producing sectors is unclear. If those policies brought only a redistribution of income favoring the owners of the services-producing activities, the assets of those small businesses would increase in value. Entrepreneurs could easily sell these assets and migrate to other regions, leaving the local service economy with higher capital costs but not much higher profits than before. If business people did not sell their assets, their incomes would be higher than before, thereby benefiting the local economy.

Implications

Changes in rural areas in the past two decades require new policy perspectives. Federal policies in the past were designed to help disadvantaged rural people and areas. Economic and social conditions have enormously improved in many rural areas in the past two decades. The nonagricultural character of much of rural America is shaping its future and is at the heart of the revival of employment, income, and rural population growth. Programs tailored to particular types of rural economies may be more effective than generalized assistance to rural areas based on assumed universal conditions (either of disadvantage or advantage).

Those involved in rural policy analysis and formulation in the eighties are often presented with two distinctly different perspectives of rural America. One viewpoint is that the rapid changes in rural areas have led to economic diversification, making these areas more similar to metro America than at any time in the past. The other is that the process of change has increased dependence of rural areas on specialized economic functions and that this process and its changes have in turn altered social and economic conditions in these rural areas.

These two viewpoints imply distinctly different policy postures. Many observers have characterized rural industrial changes as a process of diversification. That characterization is accurate for rural areas in the aggregate, but it can seriously mislead those who attempt to apply it to individual rural areas. Rural economies are sufficiently small that the process of development often does not lead to diversification. One finds few economies at the county level with a balanced mix of agriculture, mining, manufacturing, services, and government. Instead, one finds that these activities tend to concentrate in separate locations, leading to a diversified rural economy only in an aggregate sense.

This report presents a different picture of the diversity of rural America. Those who seek to design rural development programs need to allow sufficient flexibility to adapt them to fit particular conditions. The differences among the county groups suggest that different types of programs might be appropriate for each one. In addition, such policy initiatives would likely not match the problems or potentials of metro areas.

What the diversity among rural areas implies for future policy may be illustrated if one considers, first, how major world trends might affect rural areas and, second, how a few major Federal budget outlays might relate to different rural areas. In each case, we discuss the associations between the county groups and the effects of trends and budget outlays only for purposes of illustration. Additional research is required to assess specific policy initiatives.

Influence of World Trends

We selected six major world trends for illustration: (1) world trade interdependence, (2) changes in the age structure of the population, (3) energy scarcity, (4) U.S. and world business cycles, (5) technological advances and obsolescence, and (6) concern over environmental quality (see table 9). The brief discussion here highlights only a few hypotheses.

World trade interdependence is important because it may alter continued resource development and productive capacity in other countries and because it affects the demand for U.S. goods at home and abroad. A high value of the U.S. dollar overseas both decreases U.S. exports to other countries and stimulates imports of foreign goods into the United States. Some components of the manufacturing sector are especially vulnerable to the continued development of foreign productive capacities; they are often disproportionately represented in the manufacturing-dependent rural counties. Farming and mining counties are also affected by foreign trade and by the development of competitive foreign production.

World trade interdependence also means that U.S. exporters are vulnerable to the effects of world recessions. Because production for export is extremely important to some segments of the U.S. economy, any wide swings in world demand are transmitted back to U.S. producers. The variability of world trade may be felt strongly in counties that depend on manufacturing and farming.

The average age of the U.S. population will increase predictably as birth rates decline after the last baby boom ending about 1957. The changing age composition of the U.S. population affects the aggregate supply of labor as well as the demand for certain goods and services.

Most baby boom children will have already entered the labor force by the early eighties, and the number of young people in the population who might enter the labor force will decline over the remaining 15 years of this century.[28] Despite an anticipated high rate of labor force participation by young people and an increasing rate for women, the proportion of the labor force made up of young people between the ages of 18 to 34 will decrease over the next two decades. Young people of this age group have traditionally filled entry-level positions and have participated in some segments of the burgeoning service sectors, particularly retailing and direct services. Meanwhile, the baby boom generation will age into mature workers and will increase the 35- to 54-year-old segment of the labor force by the turn of the century. Thus, local economies dependent on certain segments of the labor force such as skilled operatives will experience different labor market conditions than those in the past two decades.

The changing age structure will eventually increase the proportion of the population in the retirement age groups. The proportion of the population aged 65 or over in 1982 was 11 percent. If death rates remain stable and we experience no net immigration, the proportion will increase to about 12 percent by the turn of the century and to 18 percent after another 30 years. In the interim, labor force participation rates and retirement ages of older people are expected to change, but not necessarily in a consistent or predictable way. Although the number of students in elementary and secondary schools is now declining, the demand for services by people in the older age groups will continue to increase. Thus, counties that specialize in attracting retirees should continue to grow and to change at the same or even greater rates than before. Other county groups with higher-than-average proportions of older people in their work force today will have to compete for replacements from other regions.

[28]See (*5, 10*).

Mining counties were major beneficiaries of the energy price increases and supply disruptions of the seventies. For the first time in several years, employment in these extractive counties increased, and population growth was rapid. But the future for many of these counties is less certain, given the prospects for relatively stable or falling energy prices over the next several years and the apparent stability (and adequacy) of worldwide oil supplies. The economic vitality of many mining counties will likely be subject to unpredictable technological and market forces on an international scale, leading to the possibility of alternating boom and bust cycles. Resource depletion is ultimately an issue for many individual counties. Past experience in dealing with these issues through public policy or privately does not provide much reason for optimism.

The transformation of the rural economy from its agrarian and extractive past to its current dependence on manufacturing and service industries and its integration into national and international markets had enormously increased the rural interest in overall national development. The period of relatively sustained growth of the late sixties to midseventies showed that rural areas overall could compete successfully for new jobs in manufacturing, services, and government, for credit needed to provide these jobs, and the public funds for supporting services and facilities. The recent recession has also made clear just how vulnerable rural areas are to job losses in manufacturing and in other sectors. Rural unemployment rates exceeded urban unemployment rates for several quarters, peaking at 12 percent in the first quarter of 1983. By then, nearly 1,000 rural counties had unemployment rates exceeding 10 percent.

Table 9—Associations between the effects of major world trends and selected county groups[1]

World trend	County group						
	Farming	Manufacturing	Mining	Government	Persistent poverty	Federal lands	Destination retirement
World trade and resource development	*	**	*				
Product demand	**	**					
Age structure	*	*		*	*		**
Energy	*	*	**				
Business cycles	**	**	**		*		*
Technological change	*	**	*		*		*
Environmental quality	*	*	**			**	*

[1]Hypothesized above-average direct effects indicated by *. Hypothesized major direct effects indicated by **.
Blanks indicate not applicable.

Labor needs in manufacturing, agriculture, and extractive industries are particularly sensitive to the pace and nature of technological advance. Three labor market effects of technological change are possible: (a) reduced labor demand as technology substitutes for workers, (b) obsolescence of some workers' current skills, and (c) increased demand for workers with new skills required to operate new technological processes. Thus, whether or not technological change will cause a net reduction of labor demand (or how much) in affected labor markets is unclear. However, technological change will clearly heighten labor turnover and will increase the need for worker training (and retraining).

Public concern over environmental quality may also affect rural areas. Waste disposal and chemical use have recently been cited as problem areas. Some manufacturing activities have been curtailed or moved because of environmental constraints. Mineral exploration and extraction activities have been greatly affected. Environmental concern is also evident in retirement areas, especially those near pristine lakes and streams and those adjacent to mining activities. And, environmental pollution on or from the farm may increasingly affect the economic climate of agriculture and be a particularly important issue in agriculturally dependent areas.

Federal Outlays and County Groups

The potential usefulness of the county groups in analyzing alternative policies can be illustrated in another way. Each county group and its characteristics will influence the way changes in Federal budget outlays and the mix of those outlays[29] are felt and the way certain legislative actions affect future development. Four county types and numerous changes in Federal expenditures and legislative actions serve as examples.

Retirement counties will be disproportionately affected by entitlement programs benefiting the aged. Their rates of population increase and population retention and their business conditions depend on Federal retirement policies and programs. These include Social Security, disability pensions, Federal retirement benefits, and railroad retirement benefits. Funding for medicare and medicaid are also especially important in the retirement counties as well in as other county groups having a high proportion of people of retirement age. Recent changes in the amount of Federal funds directed toward the elderly have been enormous, between 1971 and 1983, spending grew almost fivefold to $217 billion, some $7,700 per recipient (*15*). Retirement mobility and the ability of the elderly to pay for the services they need (providing the market demand for local expansion) have clearly been fueled in part by these funds. The future course of the retirement industry will depend critically on future Federal policies toward the funding of programs for the elderly.

[29]See (*16*) for details on the regional distribution of Federal outlays by function in 1980.

Areas with exceptionally high concentrations of governmental activities are typically associated with specialized governmental functions—for example, military installations and national parks. Thus, shifts of government expenditures among functions will affect some specialized government counties and leave others untouched. Part of the local government revenues of counties with concentrations of Federal activities may depend on payments in lieu of taxes or on other types of aid formulas. Legislative changes in those formulas will alter local government revenues and the support of the local government infrastructure in ways that localities will find difficult to anticipate and impossible to control.

Counties heavily dependent on farming are directly affected by commodity programs that provide income support for farmers. Although numerous other areas also receive support from various farm programs, the specialized farming counties feel a proportionately greater effect. Furthermore, the presence of large proportions of older people in these farming counties means that changes in entitlement programs for the elderly also will be felt by local businesses. Environmental policy will likely be an increasingly important concern to these counties.

The economies of Federal lands counties are most directly affected by legislation and regulations controlling the use of those resources. These regulations include the ownership and management of forest and grazing lands and water and mineral rights. In these counties, Federal payments to local governments from royalties, grazing fees, and timber sales support local government infrastructure. Finally, certain types of environmental protection are of special concern to counties with high proportions of their land in Federal ownership.

This study has illustrated the associations between the diversity of economic and social characteristics of people in rural counties and Federal policymaking. Diversity will likely increase rather than decrease as development continues, but large groupings of counties are likely to be influenced in similar ways. Although the movement from a completely agrarian rural environment is far from complete in some areas of the Nation, other rural areas are changing and adapting to new conditions. These changes signal both a broader agenda for rural policies and a need to tailor those policies to local conditions.

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Appendix table 1—Selected characteristics of nonmetro county groups, by county urbanization class

County group	Total urban population and adjacency: 20,000 or more		2,500 to 19,999		Less than 2,500		Urban population, 1980[1]	Population per square mile[1]
	Adjacent	Nonadjacent	Adjacent	Nonadjacent	Adjacent	Nonadjacent		
	Percent of counties						Percent	Number
Farming	1.4	0.1	15.7	24.2	12.5	46.0	16.4	18.3
Manufacturing	13.3	6.8	32.2	29.6	7.2	10.9	32.1	65.9
Mining	2.0	4.0	20.5	31.5	13.0	29.0	29.6	29.2
Government	12.4	10.5	12.7	23.5	11.1	29.8	30.8	47.2
Poverty	.4	.4	12.4	24.0	17.8	45.0	12.7	29.9
Federal lands	4.0	6.5	11.3	34.4	8.1	35.6	29.9	15.4
Retirement	6.0	3.5	25.8	27.6	14.8	22.3	25.9	42.4
Ungrouped	5.9	12.4	25.7	40.0	5.4	10.5	40.1	44.1
All nonmetro counties	7.0	6.0	22.7	29.6	9.8	24.9	28.6	42.0

[1]Unweighted county averages

Appendix table 2—Selected characteristics of nonmetro county groups, by population and composition[1]

County group	Average population: Total, 1980	Change, 1960-70	Change, 1970-80	Racial and ethnic composition: Black	Spanish surnames
	Number	Percent			
Farming	11,932	−6.6	4.8	6.4	4.2
Manufacturing	35,974	4.6	14.0	12.1	1.2
Mining	20,049	−3.4	21.5	2.4	8.4
Government	28,819	6.5	18.8	7.4	6.4
Poverty	15,174	−3.4	14.2	23.3	2.8
Federal lands	22,094	8.2	33.7	1.6	6.9
Retirement	27,486	10.9	33.5	7.0	4.6
Ungrouped	27,798	−.8	9.5	8.2	3.4
All nonmetro counties	25,613	1.2	14.6	8.4	3.8

[1]All data are unweighted county averages

Appendix table 3—Selected characteristics of nonmetro county group, by income characteristics[1]

County group	Per capita income, 1979	Median family income, 1980	Transfer payments to earned income, 1979	Per capita transfer payments, 1979	Social Security recipients: All recipients, 1980	Social Security recipients: Persons aged 65 and over, 1980
	Dollars	*Dollars*	*Ratio*	*Dollars*	*Percent*	*Percent*
Farming	7,264	14,928	0.27	1,045	19.7	14.2
Manufacturing	6,855	16,272	.24	1,022	17.9	11.6
Mining	7,328	17,016	.24	1,009	16.3	10.3
Government	6,195	15,257	.34	1.085	16.8	10.9
Poverty	4,914	11,923	.41	1,049	18.8	11.0
Federal land	6,994	16,722	.25	1,030	15.9	10.5
Retirement	6,626	15,020	.34	1,148	20.2	13.5
Ungrouped	7,161	16,442	.26	1,087	18.7	13.0
All nonmetro counties	6,980	15,786	.27	1,063	18.5	12.5

[1]All data are unweighted county averages

Appendix table 4—Selected characteristics of nonmetro county groups, by age, employment, or family situation[1]

County group	Households headed by females, 1980	Disabled population aged 16-64 not institutionalized, 1980	Persons aged 65 and over, 1980	Persons aged 25 and over who completed high school, 1980	Employment of persons aged 16 and over relative to population, 1980	Employment relative to population aged 16 and over, 1980
	Percent	*Percent*	*Percent*	*Percent*	*Ratio*	*Ratio*
Farming	8.4	9.8	15.8	58.0	0.393	0.528
Manufacturing	11.4	10.9	12.9	54.4	.399	.538
Mining	8.9	10.8	11.5	56.0	.377	.521
Government	10.8	10.4	12.3	60.8	.370	.496
Poverty	14.0	14.8	13.5	41.9	.332	.458
Federal lands	8.5	9.8	11.3	68.6	.395	.540
Retirement	9.7	11.9	15.2	56.4	.374	.497
Ungrouped	10.4	9.6	14.4	59.1	.403	.539
All nonmetro counties	10.0	10.4	14.0	57.5	.391	.526

[1]All data are unweighted county averages

Appendix table 5—Selected characteristics of nonmetro county groups, by income source[1]

County group	Farming	Manufacturing	Government	Mining	Services-producing[2]
			Percent		
Farming	31.9	10.4	15.9	2.6	27.0
Manufacturing	7.5	42.1	13.2	1.3	24.7
Mining	1.1	7.9	14.2	38.1	23.4
Government	4.4	11.8	36.6	3.1	30.3
Poverty	15.4	22.4	20.4	4.2	25.9
Federal lands	9.8	15.6	21.8	8.6	29.0
Retirement	10.7	20.5	19.3	3.0	32.2
Ungrouped	10.7	17.1	15.6	4.0	34.2
All nonmetro counties	14.6	20.5	17.2	5.0	28.9

[1]All data are sale from unweighted county averages for percentage of total labor and proprietor income.

[2]Includes wholesale and retail trades, professional, technical, business and personal services, and finance, insurance and real estate.

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