DOCUMENT RESUME

ED 463 102 RC 023 404

AUTHOR Freshwater, David
TITLE Delusions of Grandeur: The Search for a Vibrant Rural America. Staff Paper.
INSTITUTION Kentucky Univ., Lexington. TVA Rural Studies Program.
REPORT NO TVA-01-07
PUB DATE 2001-04-00
NOTE 13p.; Paper prepared for the Annual National Rural Policy Conference, "The New Rural Economy: Options and Choices" (12th, Alfred, Ontario, Canada, October 11-14, 2000).
AVAILABLE FROM For full text: http://www.rural.org/publications/Freshwater01-07.pdf.
PUB TYPE Opinion Papers (120) -- Speeches/Meeting Papers (150)
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Economic Development; *Government Role; Labor Force Development; Politics; *Quality of Life; *Regional Cooperation; *Rural Areas; *Rural Development; Rural Economics; Rural Education; *Social Capital
IDENTIFIERS Local Control; *Rural Restructuring

ABSTRACT

Rural development is rarely defined and there is no clear definition of what the development process intends to accomplish. The nature of the larger economy in which rural places must operate has changed in ways that reduce the relative advantage of most rural areas and have left them struggling to define new economic functions. The political process--the last great hope of rescue for too many rural people and places--is reorganizing in ways that will disappoint most rural communities. Economic development options for rural places are few. Those with high amenity value may become retirement or recreation destinations; places with good road and rail connections may capture a role as distribution centers; and the growing solid waste industry relies upon rural areas to accept waste. Many success stories in rural America are, upon closer examination, not really examples of rural development but of urban expansion. If rural America is to be competitive with other developed regions, it will have to improve the skill levels of the local labor force, and rural places will have to integrate themselves into markets. As the key factor in the future competitive position of states, education has become too important to be left to local control, and the independence of rural school boards is declining. Development entails specialization and scale effects, and rural places need to find ways to accomplish them without being captured by an urban center. To achieve scale effects and maintain local control, rural places will have to cooperate within some functional economic and political structure. (Contains 13 references.) (TD)

Delusions of Grandeur: The Search for a Vibrant Rural America

David Freshwater

April 2001
Staff Paper 01-07

About the Author

David Freshwater is a Professor in the Department of Agricultural Economics and in the Martin School of Public Administration and Public Policy at the University of Kentucky. Dr. Freshwater is also Program Manager for the TVA Rural Studies Program at the University of Kentucky.

Delusions of Grandeur: The Search for a Vibrant Rural America[1]

For much of the last half century there have been numerous efforts to define a new enhanced role for rural areas that demonstrates they continue to play an important function in the national economy and that shows the contributions of rural people to the nation are greater than their share of national income suggests (Drabenstott; Swenson; Castle; Hanson). Motivating much of the concern is the steady erosion of the rural share of national population, a declining share of national income accruing to rural areas, and an increasing marginalization of rural areas as the economy becomes less dependent upon traditional primary and secondary industries and knowledge-based activity becomes the dominant sector. Often embedded in the argument is a notion of entitlement, that is, rural people are different in some way from the rest of society and the differences are such that the rural populace is deserving of a special place in society, and so there is some obligation for the rest of society to provide resources to restore rural Americans to their rightful position. However, the basis for this sense of significance is never clearly explained, and one is often left with the sense that it may be little more than wishful thinking.

In some countries, particularly in Europe, rural people have recently seized upon the role of custodians of the natural environment and historic cultural resources as a way to demonstrate their importance to urban society. The new term that describes this idea is multifunctionality—it refers to the joint production that takes place in rural areas. For example, farmers produce visual amenities for passers-by, as well as food, but are only paid for the food production component. Because rural areas provide an important public service that has value to society at large, there is a potential claim for transfers from urban to rural areas. While this is an important argument that is becoming the basis for agricultural policy, it offers a mixed blessing. In many cases, rural residents are likely to find that, once having taken on the role of park ranger and museum curator, urban America will expect them to actually carry out that function, even when it requires forgoing development options that might be more attractive to rural residents. In addition, there are parallel arguments that urban areas are repositories of other services that are valuable to rural people, and nobody has yet determined whether the net effect of these functions is positive or negative for rural places. Finally, rural people may receive other subsidies that compensate them for providing benefits to urban dwellers, for example, farm payments. Conceivably once all the accounting is carried out rural residents may wind up owing money to their urban counterparts.

In the 1970s, a widely hailed "rural renaissance" was identified when the share of population in rural areas grew significantly after having declined for the previous fifty years. This, combined with an expansion of the manufacturing sector in rural areas at the same time that it was shrinking in urban centers, led to the hope that rural places were returning to a more significant role. In the 1980s, the earlier trends returned and the relative share of population and economic activity fell once again. In the 1990s, the rural share of population once again increased, this time driven by urban residential expansion into outer suburbs in rural areas and by the growth of residential development in some more remote high amenity areas that reflected retirement homes and the ability of people to use telecommunications to overcome the penalty of distance. In both cases, the aggregate rural effect comprised a wide diversity of individual rural conditions and very few rural places experienced the national average.

For a long time some rural places have grown faster than urban centers, while some have declined precipitously (Bollman and Biggs; Freshwater and Deavers; Freshwater). This reflects, in part, the inherent diversity of rural North America, where a wide range of different sectors drive local economies, some of which are inherently more profitable than others. In part, it also reflects a random process

[1] Invited paper prepared for The New Rural Economy: Options and Choices, October, 2000 Alfred, Ontario. In the paper, the word "America" is used in a broad sense, referring to Canada and the United States.

where given a large number of communities, it is likely that at any point in time some will perform well. And, it is also a function of the small size of rural places, since in a small economy any absolute change in economic conditions translates into a relatively large percentage change. Yet despite evidence of many places with significant economic growth, the general condition of rural areas has not greatly improved. More rural areas have declined than improved, and it is hard to point to a replicable internal dynamic that explains growth in rural places.

Before rural America can truly be considered prosperous, we will have to be able to identify a causal structure that explains rural economic growth in terms of some internal dynamic. Relying on external forces, such as urban sprawl or the residential choices of retirees to create development, is not an adequate mechanism for sustainable rural development. In each instance, the level of development does not reflect the workings of a rural economy, but is based upon "spread" effects from urban areas. Certainly this growth is welcomed by most residents of places that have experienced it and envied by those who have not, but a significant number of rural residents oppose the transformation of the community that comes with urban encroachment or being discovered as a recreation/retirement destination.

In the balance of the paper, I first review a number of important ideas that condition the development options of rural places. This is followed by a brief discussion of what rural development means, and some analysis of how the "new" rural economy differs from the old. The next section looks at the political environment in Canada and the United States, because local development initiatives take place within a set of government institutions. The last part of the paper contains an argument that many rural areas are unlikely to be successful in their search for a more high profile role in the Canadian and U.S. economies without a change in the way they engage in development. The traditional independence of rural communities is a major disadvantage in a world where they find themselves caught between pressures to modernize, which ultimately means urbanize, and become part of the American mainstream, and pressures to remain constant to their historical roots, which places them in a competition with the developing world. In either case, that which we now view as desirable in rural areas is likely to be lost, and most rural places will become less important.

What is Rural Development?

There is no well-accepted definition of rural development, which makes any discussion of development strategies difficult. For if the ultimate goal is not clear, it is difficult to develop a way to achieve it. At the most general level, the notion of development is captured in the desire to provide a better quality of life for rural people, but this statement offers little guidance in terms of what factors go into a better quality of life; how they are weighted in terms of individual preferences; and how one goes about achieving them. Certainly one might expect different individuals and communities to have very different perspectives on what constitutes a good life, and any given individual may have different perspectives on what constitutes a good quality of life at different points in time. Thus, while the notion of an improved quality of life has initial appeal as a way to define rural development because it encompasses a large range of aspirations, it is ultimately not an operational concept. You have to get beneath the term to more concrete elements that then rapidly become controversial.

More concrete notions of development include higher levels of farm income or total community income, more jobs for local residents, less variability in incomes among various groups in the community, better access to health care, a better water supply, higher school graduation rates, better quality housing, a revitalized downtown, a new dam to reduce the threat of floods, and a host of other specific projects or outcomes. Ultimately rural development in practice consists of defining and achieving some group of distinct objectives. The mix is both specific to a community and may even be controversial within the community. However, what has to happen for development to occur in a place is a set of specific projects.

While the set of things that make up rural development for a place has to be defined by that place, the list cannot be developed in isolation. Other people and places have to be involved because their resources are needed

and decisions made in one place have ramifications for others. Perhaps the major problem facing rural communities is a lack of recognition of the constraints the external environment places on their development prospects. Constraints come in many forms, including the physical environment and resource base of the community, the capacity of the local government to shape the community which is based upon the resources and authorities granted it by higher levels of government, and most importantly, the broader economy.

Finally, while there is more to rural development than economic development, there is little likelihood of a community having any meaningful quality of life unless it has a strong economic base (Shaffer). Because there is a widely held belief that the nature of the North American and international economies has changed greatly over the last decade, it is crucial that rural areas define their economic development strategy in terms of the new rather than the old economy.

Rural Development "Realities"

This list provides a concise list of major "factoids" about rural development. It is neither exhaustive, nor does it apply to every rural place, but it is offered as a way to define the fundamental nature of the development problem facing places in rural America.

- In the last twenty years, most successful rural areas have become prosperous because of some external urban based influence—either urban expansion into adjacent rural places or the relocation of urban people to more remote high-amenity rural locations.

- Jane Jacobs has argued that all economic progress comes from urban places, that cities are the source of economic prosperity, and the role of rural areas inevitably becomes less important as development takes place.

- History shows that rural interests rarely prevailed even when the rural population was the majority and the political system gave over-representation to rural areas. Arguably, rural influence peaked in the eighteenth century when landowners last controlled the political process. In the current environment, rural interests have even less chance of establishing a favorable set of policies.

- Rural policy is not development oriented—it typically either tries to reinvigorate old industries, like agriculture, or to preserve the natural environment and traditional culture. Because it is backward looking, there is less chance that policy will provide much support in developing rural areas.

- As rural development becomes less important to the national economy, the urban/suburban majority can easily form a vision of what rural places can and should be, and impose it upon rural residents.

- Rural areas have historically been a source of labor for urban centers, but the demand for people from rural areas is not what it once was because the mix of skills needed in urban centers does not match the skills of the rural population. If outmigration is not as easy as in the past, then it is more important to create employment opportunity in rural areas.

- Unlike the past, new immigrants to Canada and the United States rarely move to rural areas, which suggests they see little opportunity for advancement there. Yet immigrants in both countries remain an important source of innovation and economic development, and their absence in rural regions suggests a slower rate of development will occur.

The Old and New Rural Economic Environment

It is now generally accepted that in the last ten to fifteen years something has changed significantly in the economic structure of North America (Barkley). The changes have not had the same effect everywhere, but no place has completely escaped change. What can be said about how the new rural economy differs from that of the past? Figure 1 summarizes the discussion in the balance of

this section. It suggests those factors that are different now, and those that remain the same.

The key feature that remains the same in both economic environments is the dependence of rural areas on external markets as the source of both products and services that are not produced locally, and as the ultimate destination for most local production. If anything, this dependence has increased because over time rural communities have tended to become more specialized in their economic activities, and because the range of available goods and services that consumers in rural and urban areas have access to has also increased over time.

A major difference for rural areas in developed nations is that in the past much of their economic structure was oriented around the extraction and processing of natural resources. This included renewable resources, like agricultural land, forests, and fisheries, as well as nonrenewable resources, like energy and minerals. Indeed, the primary sector was often the principle contribution that rural places made to national economies. Because these resources are site-specific, there was little possibility of domestic competition in their production, so while rural places might experience variability in demand and income due to business cycles, they could be fairly certain that, given time, an economic recovery would occur. In the new environment, the primary sector plays a much smaller role, and primary product markets are global in scope. As a result, many rural areas in developed countries find their resources are too expensive to produce. Although there are still residual hopes that this is just a cyclical phenomenon, it would appear that for most rural places natural resources promise little future income growth.

The rural labor force has always been characterized by a lower level of educational attainment and formal skills than were to be found in urban areas. Historically, because of the spatial division of labor, this was not a major impediment to rural development. The activities that took place in rural areas tended to offset lower formal skills with either location- or occupation-specific experience that came from informal training provided within the family or community. High rates of occupational succession reinforced this process, as did a more limited set of occupational choices. However now many of these employment options are scarce and new opportunities require more formal training.

A second factor exacerbates the employment problem of rural places. In the past, urban areas provided an almost perfectly elastic demand for rural labor. Rural residents could leave the countryside and expect to find reasonable jobs in urban centers. Indeed, much of the expansion of the urban manufacturing sector relied upon internal labor flows from rural places to cities. Now, however, the jobs for the unskilled are scarce relative to the supply in both rural and urban environments, so there is little scope for a nation to resolve rural unemployment problems by encouraging outmigration to its cities. However, for rural places, outmigration may resolve some of their local problems, albeit at a cost to urban places, as the United States learned during the summer riots of the mid-1960s.

An important difference between the two types of environment has been the falling cost of transport. Transport of all commodities is both cheaper and far faster than was the case fifty years ago. The effect of cheaper and faster transport has been a large expansion of effective market areas. Goods and services can now be obtained from farther away at lower costs. For some rural people this has brought benefits in the form of more sales for their products, or cheaper purchases of goods and services. For other rural people, it has meant the loss of employment and wealth if the firm they owned or worked for was uncompetitive and lost its market.

Paralleling the declining cost of transport has been an increased efficiency of capital markets. In earlier times, significant interest differentials could exist among places and capital mobility among countries was constrained by exchange controls. Now there is almost a single global capital market and funds flow to the highest returning investments. Rural investments must demonstrate the same effective rate of return as urban investments now, and many of the traditional industries of rural areas have a hard time meeting this standard. As a result, capital leaves rural areas for more profitable opportunities. Unfortunately, to the extent that capital markets remain imperfect, they are often weakest in rural areas. This has had the effect of encouraging even greater outflows from rural areas as financial intermediaries mop up

savings, while return flows for investments are less likely due to imperfect knowledge and relatively higher fixed costs.

Rapid communication through the Internet and other forms of telecommunications have, for some people, defined an entirely new era that is comparable to the Industrial Revolution in its effects. While the magnitude of the changes the Internet is bringing are not yet known, it is clear they are substantial and they provide mixed blessings for rural places. For the first time, whatever information is available in a major center like New York or London is equally available in any small community around the world. However, many of the changes in the new information based economy are not likely to benefit rural places because the labor force lacks many of the basic skills necessary to take advantage of them and because it appears that there are still important agglomeration effects in the new industries.

Faster communication has had the effect of allowing coordination over long distances, and this, combined with cheaper transportation and global capital flows, has allowed new forms of business organization. Remote branch plants are now in constant communication with corporate centers and can adjust production and shipments to match changing conditions. New communications systems have allowed just-in-time production methods, flexible manufacturing systems and global production mandates for specific plants. Rural areas in the industrialized countries have obtained some of the resulting employment opportunities but they now must compete with rural areas around the world for these facilities, instead of experiencing a steady stream of new firms as the old product cycle moved production from urban to rural locations.

Political Structure and Policy Prescriptions

Historically, national governments have played the key role in rural development policy (Freshwater, 1998; Swanson and Freshwater, 1999). Consequently, most rural residents in Canada and the United States continue to look to national governments for assistance in addressing rural development problems, but the capacity of national governments to provide assistance is more limited than in the past, despite their recent growth in revenue. The first reason is the changing nature of the economy. In a global economy where economic opportunity appears and disappears rapidly, national government policy is a blunt instrument for managing economic activity. By its nature, government must move deliberatively, ensure that all places are treated fairly, and balance development against other interests. The main areas where national governments continue to play a clear role is in maintaining stable macroeconomic policy, ensuring that markets for goods and services remain open and competitive both within each country and internationally, and environmental policy. None of these fit neatly into the typical types of things that rural people typically desire from their national government—protection from competition, export subsidies, financial assistance for local business and subsidized infrastructure. In particular, stronger environmental policy has the potential to constrain the types of development options available to rural places.

In addition, as the structure of the economy changes the distribution of power in both the U.S. and Canadian federal systems has made the actions of provinces and states more important. Perhaps the most important evidence of the new power of state and provincial governments is the increased role that these governments are playing in education. While education has technically always been a state/provincial responsibility, it was one of the few areas where responsibility was delegated to local levels. In North America, independent local school boards were charged early on with running the primary and secondary school systems. While there was some supervision, most of the decisions were made at the local level. In the last few decades this has changed. In almost every province and state, the independence of school boards has declined. Education has become too important to be left to local control. It is now seen as perhaps the key factor in the future competitive position of provinces and states, and the quality of the workforce is the major factor in economic development. In addition, the high degree of variability in the quality of education when it was managed locally raised serious issues about the commitment of state and provincial government to equality of opportunity.

Finally, if you accept the premise that effective development strategies must be locally based, then clearly, states and provinces are the key political institutions in organizing the development process. Local government systems in North America derive all their authority from decisions of the state or province. The very nature of local government—how governments are organized, what powers they have, what territory they serve, how many layers exist, etc. flow from statutes and regulations set out at the province and state level. If states and provinces do not enable local government to act effectively, then there cannot be any meaningful local development activity. If David Osborne was correct in calling the fifty states the laboratories of democracy (Osborne), then we can surely think of the tens of thousands of local governments across North America as a massive series of experiments in democracy. Each does something different from all the rest, and for researchers the challenge is to observe the experiments and draw appropriate conclusions.

While the basic division of responsibility among the various levels of the federal systems in Canada and the United States has a lot of similarities, there are important differences that affect rural development. First, the mix of powers available to Ottawa and Washington is somewhat different, especially in terms of domestic authority. One example is the control of public lands. In the United States, most public lands are federal, while in Canada most are provincial. This means that for rural people in the United States, particularly those in the western United States, the major landowner is the national government. In Canada, each province plays this role. The ability of the federal government to regulate trade within the nation is also different. The interstate commerce clause of the U.S. constitution has been broadly interpreted to allow the federal courts to strike down a wide range of state efforts to manage economic activity within their border, while in Canada, there is no similar authority. Much of the highway system in the United States is federal, while in Canada the only federal road is the Trans-Canada Highway.

In addition to differences in constitutional authority, there are also differences in political practice. Provinces in Canada have been far more vigilant in protecting their responsibility and in minimizing direct national government contact with their citizens. For example, the United States Department of Agriculture maintains local offices in every county of the nation and delivers services directly to farmers and other citizens, while in Canada each province manages its own agricultural extension service. Further, in the United States, both the Departments of Commerce and of Housing and Urban Development provide significant amounts of money directly to cities and other local governments with no state government involvement in the process. Conversely, in Canada most provinces have linked their income tax to the federal tax, while in the United States each state manages its own tax system. This has given provinces a much more reliable and growing revenue stream than is available to states, and has allowed provinces to play a larger role. The broad effect is to make local government in Canada far more dependent upon provincial decisions than is the case in the United States where the national government plays a considerable role in local affairs.

A final major difference between the two systems is in the political process. Canada retains a British-style parliamentary system with its integration of the legislative and executive functions, and an emphasis on political party loyalty. Elected officials at the national and provincial level are arguably responsible to the party, first, and their constituents, second. In this system, it is virtually impossible for an individual member to accomplish anything outside the party structure. Voters recognize this and choose candidates as proxies for their party, not on the basis of their individual ability. However, at the local government level this structure breaks down. While party affiliations may exist, they are less important because each elected official operates in an environment where the party has no control. However, the simple existence of this dichotomy complicates the electoral process. Voters have to think differently when electing local governments than they do when electing provincial and national representatives. By contrast, in the United States the process is consistent. Parties are far less influential and individuals at all levels run on the basis of their personal characteristics, as much as political affiliation. For rural areas this

is an important difference. In the United States, a determined representative can provide assistance to his or her district by taking advantage of flexible coalitions and "political log-rolling," while in Canada individual representatives can only work through their party.

This suggests that there are more political opportunities for local development organizations within the United States than in Canada because it is possible to lobby both the national government and the state government; because state governments are less protective of their rights than are provinces; and because the political process is more open to entrepreneurial activity in the United States. It also suggests that in Canada local development is highly dependent both upon the willingness of the province to enable effective local action and upon the willingness to provide financial resources, either directly or by freeing up space for local taxes.

The Rural Development Dilemma

To this point three key impediments to rural development have been offered.

- Rural development, while often discussed, is rarely defined and there is no clear definition of what we intend to accomplish through the development process.

- The nature of the larger economy in which rural places must operate has changed in ways that reduce the relative advantage of most rural areas and has left them struggling to define new economic functions.

- The political process, which remains the last great hope for rescue for too many rural people and places, is reorganizing in ways that will inevitably disappoint most rural communities.

A final note of discouragement is that many of the success stories in rural America are upon closer examination not really examples of rural development but of urban expansion. If the conversion of rural communities to part of urban centers is the best we can offer, then the future of the majority of rural places is indeed bleak. An inevitable consequence of an expanding urban population is the growth of cities, and it is unrealistic to expect any other fate for places that are adjacent to metropolitan centers, but it is a process that many people, rural and urban, find objectionable.

If we ignore the adjacent communities, what are the realistic economic development options for rural America? Those with high amenity value may be able to attract revenue from urban populations as either retirement or recreation destinations and there is considerable growth opportunity for them, although the downside of being a tourist community are increasingly visible. While natural resource industries are less important than they once were, they are still a significant source of income and employment in many places, but they are unlikely to be a source of many more jobs even if they can provide greater income. Places with good road and rail connections may be able to capture a role as distribution centers, especially as concentration and economies of size lead to a smaller number of larger facilities which makes the availability of cheap land critical. A certain growth industry is waste disposal since the logical consequence of growing urban population is a growing stream of wastes. Garbage has to go somewhere and it is a question of which rural community, not whether it will be a rural area. Beyond these obvious functions, it is not so easy to define an economic function for rural places. Individual places may be able to find niches in manufacturing or specialized services, but they are not readily replicable strategies.

Traditional industrial recruitment approaches continue to remain the main hope of many rural places, but the number of places competing for relocations exceeds the number of plants that actually move in any given year by multiple order of magnitudes, so the raw odds of success are not great. Worse, unlike a lottery, where everyone has equal probability of winning, in the recruitment game, some places have a far better probability of success because of locational, work force, or marketing factors, than do others. However, despite the limited odds of success, it is foolish to ignore recruitment, if only because it is the first step in creating a development strategy. But given the low probability of landing a new plant, it makes sense to think about other approaches as well.

One way of thinking about development opportunities for rural areas that are outside the influence of urban places is to recognize that an important consequence of increased specialization and better communication and transportation links among all places has been to collapse distance and make rural communities in a sense equivalent to neighborhoods in a city[2]. There is no expectation that a neighborhood in a city is a functional economic unit, nor even a functional political unit, but it is clearly a community. Similarly within any given city some neighborhoods will experience prosperity and others decline, irrespective of the general fate of the city at large. In the same sense, the best way to think about economic development for rural places is to see them in the context of a larger region, which may or may not include a larger urban center. This is not traditional central place theory where a dynamic urban core is the economic motor for a larger region, although though such a model could be a particular case of the larger theory. Instead, it is the recognition that development entails specialization and scale effects, and that the trick in rural places is to find ways to accomplish them without being captured by an urban center.

Establishing this vision of rural places being a set of linked neighborhoods will not be easy. Traditionally, rural places have viewed their immediate neighbors as being their main competition, not their partners (Lackey and Freshwater). It will take a degree of commitment and sophistication by local elected officials to bring about anything beyond rudimentary cooperation. In addition, this type of horizontal cooperation may not be seen by state and, especially, provincial governments as desirable. It entails rural places defining their own structures for association, not the structures that higher levels of political authority define. It also clearly shifts responsibility for development from national or state/provincial government, back to the communities. It is in clear opposition to efforts to stimulate efforts to develop places through rent seeking behavior and claims of entitlement. But if you truly accept the rhetoric of the necessity for local control of the development process, then it seems to me there is really no other alternative. Returning to Osborne's analogy of laboratories and experiments it is inevitable that a large percentage of these efforts will fail, and perhaps the new role for senior levels of government is to clean up the failed experiments and provide some resources to allow those regions to try to adopt an approach that with new information has a greater probability of success.

The basic idea underlying the approach is that community is the building block for collective action by people. However, it is clear that community is a not identical with place, especially administrative political units like towns, counties, and regions. What is needed is a way to map community into place because both concepts are important for development purposes. Community is important because it is how social capital is formed and is where people best relate to each other. Places are important because they are the administrative organizations that can accomplish things. They have political authority, fiscal capacity, and a coherent structure. Perhaps part of our inability to articulate effective rural development strategies stems from our limited understanding of how to link community and place.

Howarth has argued that there is a fundamental tension in all rural places between efforts to develop and efforts to remain true to the past. When most rural areas could depend upon their natural resource base for income and employment, the tension was manageable. However, in a time of global economic change, the degree of competition facing rural places has increased. Increased pressure to preserve the past comes from some rural residents and most urban dwellers who value tradition more than change. However, rural places now face competition for many of their traditional economic functions from developing nations that can provide the same economic function at lower cost. As a result, the economic viability of many rural areas depends upon them moving into new activities that will almost certainly require changing local society

[2] Inspiration for this idea came from a comment made by Ken Deavers at a meeting we both attended several years ago. It has been rattling around in my mind since then, and this paper provides an opportunity to put it to use.

and possibly the nature of the place. If rural America is to be competitive with other developed regions, it will have improve the skill levels of the local labor force and each place will have to integrate itself into markets. This will not be an easy change, but it is a necessary one to develop the economy.

These ideas are neither complete, nor do they offer any assurance of success, not to mention, a method for implementing them. But when we look at those rural places that are successful and compare them to those that are not, one common denominator seems to be a strong sense of cohesion that stretches across political boundaries, whether they be city and county, or multiple rural municipalities. Ultimately successful rural development is not a function of the raw resources available to a place, nor simply its proximity to urban areas. These can make the development challenge easier, but they result in a development path that takes the direction of development away from the community and places it in the hands of external actors who inevitably do what is best for them. My conclusion is that if we believe in community based development we have to accept that communities have to work together within some functional economic and political structure to bring about that development. While people and organizations from outside can provide assistance, their role is ultimately minor.

Figure 1: The Old and New Rural Economic Environment

The Old Rural Environment	*The New Rural Environment*
External markets are important.	External markets are important.
Natural resource based industries are the focus of government development policy for rural areas.	Natural resource based industries are the focus of government development policy for rural areas.
Place-specific natural resource endowments are important in the local and global economy and dictate economic function - arable land, mineral deposits, etc.	Place-specific natural resource endowments are not very important to the global economy, while knowledge and skills are the main determinants of success.
Individual rural places are somewhat specialized, but many rural places are similar in function and character.	Individual rural places are specialized, with relatively few rural places being very similar in function or character.
Rural residents have lower levels of formal education and more limited employment opportunities than urban residents.	Rural residents have lower levels of formal education and more limited employment opportunities than urban residents.
Urban labor markets can readily absorb surplus low-skill rural labor.	Urban labor markets are unable to absorb surplus low-skill rural labor.
Transport costs are high, decreasing the size of markets and limiting trade.	Transport costs are low, allowing a single plant to serve continental or global markets and expanding trade.
Capital markets are segmented making rural places reliant upon their internal pool of capital.	Capital markets are considerably less segmented, so rural areas have to compete within a global pool of capital.
Communication is expensive and relatively slow, limiting coordination.	Communication is cheap and fast, making coordination easy
The product/service cycle starts in urban centers and diffuses to rural locations in the same nation.	The product/service cycle starts in urban centers and may diffuse to rural locations, but it may jump across national boundaries to less developed places.
Rural areas within a nation compete amongst each other.	Rural areas within a nation compete amongst each other and with rural areas in other developed nations and the less developed world.

REFERENCES

Barkley, David. 1995. "The Economics of Change in Rural America." *American Journal of Agricultural Economics.* Vol. 77, No. 5, pp. 1252-1258.

Bollman, Ray and Brian Biggs. 1992. Rural and Small Town Canada: An Overview, in Rural America. In R.D. Bollman (ed.), *Rural and Small Town Canada.* Thompson Educational Publishers: Toronto.

Castle, Emery. 1985. The Forgotten Hinterlands. In Emery Castle (ed.), *The Changing American Countryside: Rural People and Places.* University Press of Kansas: Lawrence KS.

Drabenstott, Mark. 1999. "Rural America in a New Century." *The Main Street Economist.* Center for the Study of Rural America, Kansas City Federal Reserve Bank: Kansas City, KS. October.

Freshwater, David. 2000. "Rural America at the Turn of the Century: One Analyst's Perspective." *Rural America.* Vol. 15 No. 3, pp 2-7.

Freshwater, David and Kenneth Deavers. 1992. Falling Farther Behind: Current Conditions. In R.D. Bollman (ed.), *Rural and Small Town Canada.* Thompson Educational Publishers: Toronto.

Hanson, Victor. 2000. "Democracy Without Farmers." *Wilson Quarterly.* Vol. XXIV, No. 2, pp. 68-79.

Howarth, William. 1995. Land and Word. In Emery Castle (ed.), *The Changing American Countryside: Rural People and Places.* University Press of Kansas: Lawrence KS.

Lackey, Brent and David Freshwater. 1999. "Economic Development Cooperation Among Local Governments in the Tennessee Valley." Staff paper 99-11. TVA Rural Studies, University of Kentucky: Lexington KY.

Osborne, David. 1988. *Laboratories of Democracy.* Harvard Business School Press: Boston MA.

Shaffer, Ronald. 1989. *Community Economics.* Iowa State University Press: Ames IA.

Swanson Louis and David Freshwater. 1999. "From New Deal to No Deal." *FORUM.* Vol. 14, No. 1, pp 84-89.

Swenson, Leland. 2000. "Sowing Disaster." *FORUM.* Vol14, No. 3, pp. 48-54.

U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)

Reproduction Release
(Specific Document)

I. DOCUMENT IDENTIFICATION:

Title: Delusions of Grandeur

Author(s): David Freshwater

Corporate Source: TVA Rural Studies

Publication Date: April 2001

II. REPRODUCTION RELEASE:

In order to disseminate as widely as possible timely and significant materials of interest to the educational community, documents announced in the monthly abstrac
Resources in Education (RIE), are usually made available to users in microfiche, reproduced paper copy, and electronic media, and sold through the ERIC Document
is given to the source of each document, and, if reproduction release is granted, one of the following notices is affixed to the document.

If permission is granted to reproduce and disseminate the identified document, please CHECK ONE of the following three options and sign in the indicated space fol

The sample sticker shown below will be affixed to all Level 1 documents	The sample sticker shown below will be affixed to all Level 2A documents	The sample sticker shown
PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY SAMPLE TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)	PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL IN MICROFICHE, AND IN ELECTRONIC MEDIA FOR ERIC COLLECTION SUBSCRIBERS ONLY, HAS BEEN GRANTED BY SAMPLE TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)	PERMISSION TO DISSEMINATE T MICROFICHE ONLY H SAMPLE TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
Level 1	Level 2A	Level 2B
X		
Check here for Level 1 release, permitting reproduction and dissemination in microfiche or other ERIC archival media (e.g. electronic) *and* paper copy.	Check here for Level 2A release, permitting reproduction and dissemination in microfiche and in electronic media for ERIC archival collection subscribers only	Check here for Level 2B release, permitting reproduction and dissemination in microfiche only

Documents will be processed as indicated provided reproduction quality permits.
If permission to reproduce is granted, but no box is checked, documents will be processed at Level 1.

I hereby grant to the Educational Resources Information Center (ERIC) nonexclusive permission to reproduce and disseminate this document as indicated above. Reproduction from the ERIC microfiche, or electronic media by persons other than ERIC employees and its system contractors requires permission from the copyright holder. Exception is made for non-profit reproduction by libraries and other service agencies to satisfy information needs of educators in response to discrete inquiries.

Signature:

Printed Name/Position/Title: David Freshwater

Organization/Address: Agr. Econ
University of Kentucky
Lexington KY 40546

Telephone: 859 257-1872

Fax: 859 323-1913

E-mail Address: dave@rural.org

Date: Apr 1 '02

III. DOCUMENT AVAILABILITY INFORMATION (FROM NON-ERIC SOURCE):

If permission to reproduce is not granted to ERIC, or, if you wish ERIC to cite the availability of the document from another source, please provide the following information regarding the availability of the document. (ERIC will not announce a document unless it is publicly available, and a dependable source can be specified. Contributors should also be aware that ERIC selection criteria are significantly more stringent for documents that cannot be made available through EDRS.)

RC023404