

Staff Paper P70-15

July 1970

RURAL DEVELOPMENT AND THE WELFARE OF RURAL PEOPLE

by

Arley D. Waldo

University of Minnesota  
Department of Agricultural and Applied Economics  
St. Paul, Minnesota 55101

## RURAL DEVELOPMENT AND THE WELFARE OF RURAL PEOPLE \*

by

Arley D. Waldo \*\*

Five years ago, when I last had the pleasure of appearing before your annual conference, my assignment was to discuss United States farm policy. In concluding my remarks at that time, I emphasized the obvious, but frequently neglected, fact that agricultural price and income policy cannot be relied upon to solve all of the economic problems affecting either agriculture or the rural communities of our nation. I now have the opportunity of reviewing some of the nonagricultural problems and issues that I regard as relevant to the welfare of rural people and critical to the future of rural communities.

### Economic Growth--Mixed Effects

The American people today enjoy the greatest prosperity ever known to mankind. We have just concluded a decade of enormous economic progress. Over the past ten years, the total output of goods and services produced by the U.S. economy has grown by around 50 percent; per capita personal income after taxes has increased by about one-third, after taking rising price levels into account; and the number of jobs provided by an expanding economy has increased by approximately 20 percent. This is an impressive record of economic growth. Moreover, while growth of national output has

---

\* Prepared for presentation at the sixteenth annual conference of the Upper Midwest Agricultural Credit Council, on June 25, 1970, in La Crosse, Wisconsin.

\*\* Professor, Department of Agricultural and Applied Economics, University of Minnesota.

been momentarily arrested and our attention has swung to the problems of inflation and a rising level of unemployment, the long-term prospects for future economic expansion appear bright.

Economic growth in the United States has not been simply a fortuitous occurrence. Rather, it has been greatly enhanced by our ability to develop economic, political, and social institutions that contribute to economic expansion and by our firm adherence to the support of actions, both public and private, designed to speed the process of national economic growth.

But the remarkable expansion of the American economy has been, in many respects, a mixed blessing. Some people--and some entire communities and regions--have been adversely affected by the very forces that have contributed to economic growth in our nation. Only now are we beginning to take into account some of the sectoral and regional inequities of national economic policy.

Neither the costs nor the benefits of economic growth have been shared equally by all members of our society. As a direct consequence of urban-industrial growth, massive adjustment problems have been thrust upon rural and urban communities alike. And a shamefully large number of Americans have been relegated to poverty amidst the rising affluence enjoyed by most of our population.

### The Transformation of Agriculture

Many rural communities have been hard-hit by the forces of change that have characterized urban-industrial growth in the United States. We are still in the midst of fundamental changes in U.S. agriculture which are having a dramatic effect on many rural sections of the nation. And many rural communities have found it extremely

difficult, if not impossible, to develop alternative economic opportunities for their residents as the manpower needs of the farm industry have plunged downward.

Swift and far-reaching technological change has been a major factor in shaping the course of agricultural development in the United States. Broadly speaking, advances in agricultural technology have impacted upon rural communities in two ways.

First, as farming has undergone the transformation to a commercial-industrial sector of the nation's economy, it has spun off many of the economic functions which were once performed on the farm. Farming is no longer dominated by a tie to natural resources; it now is a technologically-based industry that constitutes but one link in a food and fiber sector in which the nonfarm firms that produce farm inputs and those that handle, store, process, and ultimately market finished products are growing in relative economic importance. Many of the firms engaged in the production of farm inputs and the conversion of the raw products of the farm into consumer goods are located far from the places in which raw farm products are produced. Thus, the rapid expansion of the farm input and output industries has only infrequently resulted in rural economic growth.

Second, advances in agricultural technology have affected the farm industry by (1) substantially altering the optimum combination of capital and labor in the farm industry in a way that provides a powerful incentive to substitute capital for farm labor and by (2) making possible an enlargement in farm size and a decline in farm numbers. The net effect of these circumstances has been a rapid advance in output per farm worker. Since 1947-49, labor productivity in U.S. agriculture has tripled.

Advances in the productivity of farm labor have far outstripped increases in the demand for raw farm products. Thus, technological change has sharply reduced the

manpower requirements of the farm industry.

From a social viewpoint, perhaps the most important aspect of economic change in the farm industry is that the principal burden of adjustment has fallen directly upon farmers, hired farm workers, and their families. In 1940, the farm population numbered 30.5 million and accounted for nearly one-fourth of the nation's population. Today, the farm population has shrunk to around 10 million persons and 5 percent of our population. Further reductions in farm population and employment are virtually inevitable, but future adjustments cannot match the magnitude of those of the past--there simply are not as many people living on farms today as left farming over the past twenty years.

Rural communities across the nation also have been hard-hit by declining employment opportunities in other industries based, at least partially, upon natural resources. As a source of employment growth, the traditional mainstay of the economy of rural America has been severely weakened, and the results have been evidenced in their effects upon both rural people and rural communities. Rural poverty may be close to bankruptcy as a political issue in the nation, but it is all too real to the approximately nine million rural residents living in poverty today and to the countless urban poor who fled the deprivation of rural poverty in a futile attempt to join the mainstream of American life. The effect on many rural communities has been equally devastating. We are all familiar with the problems of rural unemployment and underemployment, sagging rural tax bases and inadequate public services, outmigration of the mobile segments of the rural population, and the cumulative impact of these conditions upon the social fabric of rural America.

### Concentration of Employment Opportunities

A salient feature of U.S. economic growth has been the concentration of employment in and around the metropolitan centers of the nation. The decline in employment, both relatively and absolutely, in many rural communities has worked an extreme hardship on many rural people, especially those who are poor and lacking in the skills and training necessary to obtain a decent job in an economy that has increasingly less need for unskilled workers. Rural people and communities in much of the Upper Midwest have been particularly disadvantaged because of their lack of proximity to metropolitan areas and to regional growth centers.

The consequence of urban concentration of employment opportunities were enormous during the decade of the 1950's. From 1950 to 1960, total employment in the nation increased by 14.5 percent. However, employment changes ranged from an increase of about 33 percent in the metropolitan counties of the nation to a drop of around 22 percent in the 1,600 counties in which the size of the largest city was less than 5,000. These shifts in employment opportunities represented discouraging news for those concerned with stimulating rural development, and they also served to heighten the anxiety of those who believe that further concentration of our population in already overcrowded metropolitan areas is bad economic and social policy.

Since 1960, the rate of population growth in metropolitan counties has declined relative to the rate for other counties. However, the record of the past decade is not likely to be very encouraging to those who live in rural sections of the Upper Midwest. For example, preliminary figures for Minnesota from the 1970 Census of Population,

which were released earlier this month, revealed the following population shifts:

1. More Minnesota counties lost population between 1960 and 1970 than in the previous decade. (Forty-eight of the state's 87 counties lost population in 1960-70 as compared to 37 counties with population losses in 1950-60.)
2. Almost twice as many counties had population losses of 5 percent or more. (Thirty-eight counties in 1960-70 as compared to 20 counties in 1950-60.)
3. Nearly half (41) of Minnesota's counties have a smaller population today than they had 20 years ago.
4. The concentration of population in the Twin Cities metropolitan area and other urban counties has continued. Half of Minnesota's population now resides in the seven-county Twin Cities area, up from 40 percent in 1950.

Almost certainly, population shifts in other Upper Midwestern states have been in the direction of further urban concentration and away from the open country.

In his State of the Union Message, President Nixon declared that "We must create a new rural environment that will not only stem the migration to urban centers but reverse it". I personally view Mr. Nixon's concern with population settlement policy as commendable. I remain, however, pessimistic about the chances of actually reversing present trends. Our nation has become--and will remain--an urban nation. We cannot return to the settlement patterns of the past. Instead, we must seek ways of making our present, and future, cities more livable.

#### Rural Development--A Longstanding Problem

Last September, President Nixon appointed a Task Force on Rural Development to determine what could be done to stimulate the development of rural areas of the nation.

In arguing the importance of rural development, the March 1970 report of the Task Force declares:

"If this is to be a happy and healthy Nation in the years ahead, our growing industry and our increasing population must spread out instead of continuing to pile people and industrial plants into compacted urban areas."

Another government - sponsored study put it this way:

"The time has come when we must give as much attention to the constructive development of the open county as we have given to other affairs. This is necessary not only in the interest of the open country itself, but for the safety and progress of the nation."

The latter statement comes from the recommendations of President Theodore Roosevelt's Commission on Country Life in a report issued in 1909. Obviously, public concern with the economic development of the countryside and the welfare of rural people has a long history, even if efforts to achieve rural development have been less than completely successful.

In large measure, past efforts to enhance the growth potential of rural communities were rendered ineffective by our inability to foresee the magnitude and character of technological change. Today our ability to anticipate future developments may be little better than it was fifty years ago, but at least we can attempt to monitor more closely the side effects of future economic policy intended to promote economic growth. Furthermore, we can step-up our efforts to ameliorate the economic disadvantages thrust upon many rural people through no personal fault of their own.

What is required to improve the economic opportunities of rural residents and the economic future of rural communities? I view the problems of rural America as the problems of people who are denied access to opportunities afforded other (but not all other) segments of American society. Consequently, I view the task of stimulating rural development as one of expanding the quality and range of economic, social, and cultural opportunities available to people.

A comprehensive effort to improve the welfare of rural people and the viability of rural communities must encompass four related elements:

1. National economic growth,
2. Regional development,
3. Human resource development, and
4. Income maintenance.

Let me comment briefly on each of these elements.

#### National Economic Growth

First, it is essential that we pursue national economic policies designed to stimulate the growth of employment opportunities. To a large extent, the economic well-being of the rural poor, of children growing up on farms and in small towns, and of rural people generally are heavily dependent upon the vigorous pursuit of full employment in our national economy. Without the development of new job opportunities, wherever they may be located, the outlook for many rural residents is dismal, indeed. Especially for the sake of those who have been left in the backwash of our American affluence, we must seek to promote national employment growth.

We have ample evidence concerning the crucial role played by full employment in

achieving adjustments in agriculture. And the record of progress in reducing poverty in the United States over the past decade attests to the fact that the development of more, and better-paying jobs is an important component of our efforts to improve the well-being of rural and urban residents alike. We cannot achieve rural development in the absence of national economic growth.

### Regional Development

Second, the future well-being of rural people rests heavily upon the implementation of regional strategies, on a multi-state level, to shape the spatial location of future economic growth and to begin to re-build the timeworn economic, social, and political institutions of rural America. The need for multi-state regional planning, and the implementation of the plans that are developed, is particularly acute in Mid-America, where many persons are located far from existing centers of urban-industrial growth.

Virtually everyone concerned with the problems of rural development agrees that more jobs are needed in rural areas; beyond this point, there is a wide disagreement about how new jobs can best be created and, particularly, where they should be located. Although their attitude is understandable, too many people still view rural development as a means of preventing further population loss in all rural places and stemming the downward trend in farm numbers. The actions that would be required to achieve these results would almost certainly be both politically intolerable and economically unwise. Conversely, any regional development strategy that is politically acceptable and which, on balance, satisfies widely-held social and economic values will not succeed in boosting the employment opportunities in agriculture or in halting the outmigration from many rural areas.

In my judgement, rural development should properly be regarded as a process for improving the economic opportunities available to rural people on a statewide and multi-state basis. Depopulation of rural sections of the nation obviously creates social and economic distress for many rural communities and adds to the problems confronting many of our metropolitan areas. The answer to these problems, I would argue, lies not in futile efforts to prevent further population loss and create new jobs in each rural village and small town, but rather in cooperative efforts to ease the personal burdens of economic and social adjustment and to increase employment opportunities and improve the economic environment on a regional and statewide basis. Success in achieving regional development, if it is to be accomplished, requires that we exploit the linkages that exist between the larger metropolitan centers, regional growth centers, and outlying communities.

#### Human Resource Development

The third element in designing an effective program for rural development is the development of human resources. Let me emphasize what I regard as a critical point: For too long, in my opinion, public investment policy for rural America has been biased in favor of animals, plants, and land and biased against people. Both farmers and other rural residents have been slow to recognize the importance of public investments in human resources, and they have supported vigorously public programs that have worked chiefly to inflate the value of land and other rural assets.

One researcher described the situation in this fashion:

"The action programs relating to agriculture are primarily attached to the physical resources in agriculture rather than

to human resources. They attempt to improve or maintain the land resources, increase the amounts of available capital resources, or strengthen the prices of their products . . . . Old-age pensions are virtually the only subventions attached to the individual rather than the resources."

This statement is from an Iowa Agricultural Experiment Station bulletin published in 1942. Citing this document a few years ago, Jim Bonnen observed that:

"Now here we stand a full generation later just beginning publicly to re-identify the same problems. Only now the problems are many times worse and we are no further along in any effort to design a solution."

Rural economic policy in the United States has concentrated on physical resources at the expense of investments in people. We have substantially under-invested in rural education, health, and other social services that contribute to the productivity of people. And as a result of this unfortunate choice, we have severely restricted the opportunities and potential of many rural residents. We badly need to explore ways of further improving the access of rural residents to decent health and medical services. And we still need to improve the quality and quantity of education and training available to rural people.

#### Income Maintenance

Fourth, we must recognize that neither investments aimed at developing the productivity of rural people nor investments designed to increase the number of rural jobs will be sufficient to insure the well-being of all rural people. For many rural

residents--such as the elderly, many of the families without a male head, and those who are physically unable to work--income transfer programs are the only realistic way of increasing the opportunity of many individuals to participate fully in the American standard of living.

The welfare reform proposals of the Nixon Administration, if adopted, will represent a significant step forward in achieving parity in the quality of life afforded the aged and disadvantaged of rural America. Within a few years, we may be able to look back and point to three major pieces of national legislation that have had a profound impact on the well-being of rural people--the extension of social security to farmers and hired farm workers in the 1950's, the enactment of Medicare in the 1960's, and the passage of the Family Assistance Plan in the 1970's.

#### In Conclusion

Let me emphasize that these four elements of efforts to improve the welfare of rural people--national economic growth, regional development, human resource development, and income maintenance--are highly interrelated. A comprehensive attack upon the problems confronting rural people requires action in all of these areas if an effective program is to be mounted.

Finally, I must point out that many of the concerns and problems that affect rural people also are important to those living in our metropolitan areas. We must, in my judgement, come to recognize that both the problems of the countryside and the problems of the city are national problems, not merely the problems of special interest groups. We all have a stake in seeking a speedy and effective solution.