CSD Report

Wealth Building in Rural America: Perspective, Knowledge, Outlook

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George Warren Brown School of Social Work

Wealth Building in Rural America: Perspective, Knowledge, Outlook

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Gena Gunn at CSD managed the overall project. Jami Curley organized the rough outlines of the three reports, drawing from the background papers. Michael Sherraden and Margaret Sherraden helped to edit and revise.

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The team at CSD remains responsible for any shortcomings. Our biggest regret is the need to be subjective in the topics presented and to simplify in order to cover so much content. Our purpose and intention is to shine a light onto key issues and into areas of US rural history, social organization, and economy that are not always well illuminated. If we have succeeded modestly in this, the work of so many experts and thinkers will have been worth the effort.

Wealth Building in Rural America: Perspective, Knowledge, Outlook

Rural America has gone through a rough patch. Rural areas once played a vital role in US economic growth but are now struggling to maintain their community life and level of economic development. Over the past several decades, many rural communities have suffered from shrinking job opportunities, loss of young and skilled workers, and decrease in the demand for goods and services (Henderson, 2002; Pezzini, 2000). Increasingly, rural areas must draw upon alternative methods to foster development and compete globally. As Weiler observes, "each region is effectively in a race, not with other regions, but with the quickly evolving frontier of the global market itself" (2004, p. 1).

To be sure, wealth exists in rural communities in the form of the natural landscape and resources, culture, and human capital. The challenge is to identify underdeveloped assets and use them to build economic and social relationships within and among rural regions in order to compete more successfully in the global economy (Drabenstott, Novack & Weiler, 2004).

What do we know about existing wealth and the potential for wealth building in rural America? In this report, we examine knowledge and lessons from historical and global trends that have shaped the state of rural America today, and we explore opportunities to build wealth. This is the first in a series of three reports that focus on wealth building in rural America.

Wealth Building in Rural America: Perspective, Knowledge, Outlook is divided into five sections. The first section, Historical Overview of Rural America, provides a foundational context. The second section, Political Development and People of Color, traces political themes with particular attention to the huge roles of non-Whites in US rural history. The third section, Wealth and Development in Rural America, defines wealth creation, illustrates links to the rural economy, considers distinctions between rural and urban wealth, provides a historical overview of rural America, and describes current conditions. The fourth section, Communities of Wealth and Rural Development, explores possibilities for rural development and mutual wealth building opportunities. The fifth and final section, New Economic Opportunities, suggests some of the many possible directions for future growth.

HISTORICAL OVERVIEW OF RURAL AMERICA

Rural conditions in America today are vastly different from rural conditions at the time of the American Revolution. In 1776, over 90 percent of the U.S. population lived in rural areas where farming was the primary economic resource. By 1990, less than 25 percent of the population still lived in rural settings, and farmers constituted only 2.6 percent of the labor force (Danbom, 1995; United States Department of Agriculture [USDA], n.d.).

A variety of factors have altered the landscape of rural America. The out-migration of people and the changing economic base from agriculture to manufacturing to service have disproportionately affected many rural areas, leaving some regions in economic distress (Freshwater, 2000). Because of differences in assets, resources, geography, culture, and migration patterns, economic sustainability and growth of rural areas vary a great deal (Oakerson, 1995). In this section, we consider some of the factors that have shaped the economic landscape of rural America.

Pre-Industrialization

At the end of the 18th century, rural life was the very fabric of the newly established nation. All but a very few people resided in the countryside, and farming was the primary source of economic activity. In accordance with Jeffersonian ideals of agrarianism, particularly after the American Revolution and before the beginning of the Civil War, agriculture was considered a central economic, social, and political engine, not only in rural America, but for the American economy as a whole (Danbom, 1995). Owning land was widely considered to be a sign of independence and a virtue (Reid, 2001). During this period, farming as an occupation was encouraged by the government, and farmers were regarded as ideal citizens.

Agricultural trade spurred economic growth in related industries, such as flour mills, meat packing, and hide tanning—all of which contributed to the onset of industrialization (Danbom, 1995). This vibrant pre-industrial growth was an economic magnet, causing in-migration of a low-wage minority labor pool. During this time also, slavery was a deeply entrenched institution in the South, contributing to a stark division between landowners and laborers in wealth and power.

Industrialization

By the 1900s, with the expansion of the West and the arrival of the Industrial Revolution, rural residency had declined to approximately 66 percent of the population.

In 1920, it had dropped to 50 percent (Housing Assistance Council [HAC], 2002). Population losses in rural areas due to out-migration fluctuated over the next several decades, varying with birth rates and death rates, but the pattern was clear: out-migration was greater than in-migration (Johnson, 2003).

Notwithstanding changing population patterns and shifts in the economy, the first two decades of the 20th century ushered in the most productive and prosperous years for American agriculture. Enhanced by modern technology, innovations, high demand, and government support, farmers increased yields and profits and while decreasing the physical labor required to produce successful crops.

At the same time, growing cities attracted rural people in search of better job opportunities and more convenient living. Farming as a profession became a smaller share of the labor market. In 1880, farmers made up 49 percent of the labor force, but by 1920, farmers were only 27 percent of the labor force (USDA, n.d.). While the number of farms continued to decrease over time, the size of remaining farms grew larger and the crops became more specialized (Buttel, 2003).

Not all rural citizens enjoyed the success and recognition of farmers. Farmers were an elite group of mostly Caucasian men who benefited from the Jeffersonian romanticism—accompanied by government support—of agrarianism as a superior occupation and foundation for the wellbeing and health of society (Danbom, 1995). The key to status was in property ownership, not in rural labor. Laborers who toiled the land, but did not own it, were recognized little in terms of social status or compensation.

Although farming was a major economic resource, other trades and industries also played important roles in rural economies. Because of diversity in growth and economic stability of enterprises, and distinct geographic locations in rural areas, each industry has responded differently (Weber, 1995).

Seemingly endless natural resources attracted an array of businesses and economic activities in rural regions (McGranahan, 2003). Known as extraction industries because they remove natural resources from the land, these occupations, which include mining and forestry, also experienced their highest employment and productivity levels during the early 1900s (Freudenberg, 1992). Extraction industries brought with them a new pattern of relationships between landowners and laborers.

By nature, extraction industries are designed to be exploitive. Owners of the businesses often do not live in the regions where the extraction occurs and they often have little commitment to the population or community, pay meager wages, deplete raw materials, and pollute the landscape (England & Brown, 2003). According to Weber "counties dependent on extractive industries have smaller populations, lower household incomes, and higher poverty rates than the average U.S. county" (1995, p. 164). Once they have exhausted local resources, extractive businesses often leave the area, sending the local economy into a downward spiral and leaving residents economically stranded.

The "Hollowing-out" of Rural America

Historical trends have led to the "hollowing-out" of rural America. The decrease in agriculture and extraction industries, and stagnation of new job creation, have left many rural regions without a solid base for economic growth. This situation, in turn, has lead to an exodus of the younger and more educated population to urban areas, resulting in an overall decline in rural residency. With diminishing populations, existing rural businesses have to cope with smaller and lower-income customer bases and shortages of qualified workers. Under these circumstances, economic development wanes and tax bases shrink, leading to a weakening of infrastructures, decrease in government funding, decline in social services, and increase in poverty and hardship.

Not all rural regions are the same. Some regions have not experienced economic decline and do not seek to stimulate economic activity. Other regions seek to promote economic development. Some rural areas have innovative strategies to stimulate growth and development. Some have tapped into natural scenic amenities to develop sustainable economies. Others have used cultural and specialty niches to increase economic activity. Variations in land, resources, economic activity and population in rural areas make each community unique in its circumstances and opportunities.

Strategies aimed at sustainable development to reverse the so called “hollowing-out” of rural America should reflect these differences and use them to encourage growth. Policy initiatives should recognize distinctive opportunities for wealth building in each rural area and identify unique assets to draw upon.

POLITICAL DEVELOPMENT AND PEOPLE OF COLOR

In terms of political beliefs, rural policy has historically reflected the dominating philosophy of a particular period. Rural policy and programs have been enacted according to how the government views the value of rural resources at a given time. Castle (1993) identifies three time periods of distinctive rural policy. In each period, political development is very much intertwined with people of color. In the discussion below, we summarize key developmental issues and barriers for American Indians, Hispanics, and African Americans. The summaries are necessarily limited here, but nonetheless may provide a way of looking at rural development that differs markedly from the standard story. Our purpose is to somewhat restore the complex tale of many different peoples that in fact represents rural US history.

First Period: 1776 to 1900

The first period began in 1776 and ended in 1900. Public policy during this period encouraged economic opportunities and land ownership. Thomas Jefferson had envisioned the United States as a nation of farms and small businesses with limited government involvement.

A central piece of legislation during this period was the Homestead Act of 1862. This act granted U.S. citizens parcels of land at minimum cost if they would adhere to a small number of requirements over five years. The Homestead Act was designed to facilitate (white) population and economic growth in new territories. Much of this land, of course, has been taken from Native Peoples.

Government at all levels engaged in projects that supported the dominant philosophy of this era. Transportation infrastructure was developed, including roads, railroads, and canals, and trade polices were established to expand exportation of agricultural goods (Danbom, 1995). This period also saw the acquisition of huge amounts of land by the United States through conquests and treaties that were not honored, bestowing massive power to the U.S. government and leaving non-White populations such as American Indians and Hispanics vulnerable and without productive resources.

American Indians

During this first political period, the United States was busy making treaties with American Indians to acquire more and more land for non-Indian settlers, in exchange for certain commitments by the U.S. federal government. The government then engaged in a long pattern of not keeping these original agreements. The Louisiana Purchase in 1803 and the acquisition of Florida between 1812 and 1819 doubled the size of the United States in terms of land mass and shifted the course of federal Indian policy (Utter, 1993).

In 1830, Congress passed the Indian Removal Act, which was intended to move Indians westward, away from the approaching White civilization. This act also established reservations. Treaties were constantly violated by the federal government. By the late 1800s, the U.S. government decided that uprooting Indians and sending them to other locations was not working well, and Indians should be assimilated into the American way of life (Utter, 1993). The General Allotment Act of 1887 changed the ownership of tribal land from communal to individual, and each male Indian over the age of 8 was given an allotment of land. Remaining tribal land was considered to be in excess and was sold to non-Indians. This led to a two-thirds reduction of tribal lands (Utter, 1993). Indians were also granted U.S. citizenship at this time.

Hispanics

A large Hispanic population resided on American soil as it was annexed by conquest through the Treaty of Guadalupe Hidalgo in 1848. The property obtained was vast, approximately half of the territory that Mexico possessed in 1821 (Rochin, 1995). In 1853, the United States obtained another parcel of Mexican land in the Gadsden

Purchase. By this time, the prospect of gold brought many U.S. settlers from the East. Using judicial powers established by legislation, the settlers stripped Mexican titleholders of over 800 Mexican land grants that were deeded to them through the Gadsden Purchase (Rochin, 1995). The results of this action and the ensuing Homestead Act of 1862 provided thousands of U.S. settlers with land that rightfully belonged to the Hispanics and American Indians.

African Americans

Slavery in America began in 1691, when the British colonies were experiencing a labor shortage due to an expanding economy. Although slaves were used throughout the country, they were most prominent in colonies that produced labor-intensive crops to export, such as Virginia and South Carolina. As the number of slaves in the South began to increase with the onset of cotton farming, the numbers in the North began to diminish (Faragher, Buhle, Czitrom & Armitage, 2001).

Slaves were considered property and were treated as a commodity on the market. They were bought as capital in hopes that they would produce a profit for their owner. Thus, the fruits of their labor created wealth, not for them, but for their owners. Ownership of slaves was a distinct sign of wealth that created a clear divide between the rich and the poor (Danbom, 1995).

After slavery ended in 1865, freed slaves hoped to become landowners. But obstacles of poverty, White hostility, and little, if any, help from the American government proved to be too much in most cases. Also, because of their race and class status, freed slaves were often refused the privilege of an education. Turning to sharecropping, most African Americans continued to live and work in the rural South where agriculture was still prosperous and freed slaves toiled for subsistence (Danbom, 1995). Despite obstacles, a few did manage to gain ownership of property and live a comfortable lifestyle.

In each instance, racial minorities were either denied or robbed of their rightful claim to accumulate and possess assets and were left with little opportunity to improve their position. Whites prospered and expanded their wealth holdings at the expense of minority groups. These historical patterns laid the foundation for discrimination and inequality in wealth accumulation that minority groups would endure long into the future.

Second Period: 1900 to 1970

The years from 1900 to 1930 witnessed an emerging value of natural resource conservation. Although still concerned with rural development, policy shifted away from land acquisition and expansion and toward the potential value and future use of the natural resources. For example, the U.S. Forest Service was created in 1906 and the U.S. Bureau of Mines in 1910.

The Great Depression led to still greater participation of the government in the economy. Following the stock market crash and the instability of the American economy, the government became more involved and provided greater assistance to the American people in an effort to improve living situations. Introduced as part of the New Deal, programs and policies were instituted that "supported agricultural commodity prices, provided rural credit, and encouraged resource conservation and development" (Castle, 1992, p.15). With a page from the social theories of Thomas Hobbs, John Locke, and Jacques Roussseau, Franklin Delano Roosevelt offered a new social contract that gave government stronger powers and increased taxes, and in return guaranteed citizens basic supports. Many of the measures were aimed at preventing the loss of assets such as farms and homes. Because racial and ethnic minorities had been denied access to asset building opportunities in the past, their benefits from the new social contract related more to income maintenance than wealth protection. These New Deal policies had a direct effect on economic development in rural areas and continue to do so today.

American Indians

The Merriam Report of 1928 detailed daunting conditions of the American Indians on reservations. The study reported high infant death rates, high mortality rates for the whole population, appalling housing conditions, low incomes, poor health, and inadequate education (Utter, 1993). These findings indicated that assimilation was unsuccessful, causing the government to change direction on federal Indian policy again. Through the Indian Reorganization Act of 1934, the government restored a level of self-governance to American Indians. Legislation allowed tribes to organize and adopt federally approved constitutions and bylaws. The law temporarily restored portions of Indian land back to its original owners.

Fifteen years later, a 1943 report on living conditions of American Indians found the population not rebounding from deplorable conditions. This prompted the government to reevaluate American Indian policy, and again, to change direction. The result was an end to tribal self-governance and control of reservations. Denouncing the recognition of any Indian nation as a sovereign entity, the Federal government terminated over 50 tribal governments.

Hispanics

In the early 20th century, motivated by a peasant revolution over agrarian reform in Mexico and the increased demand for farm labor in the United States, Hispanic migrants began to cross over the border (Rochin, 1995). Immigration was not a problem at this point and US farm owners actively recruited Latino labor. By the 1940s, the labor shortage caused by World War II prompted the United States to negotiate an agreement between Mexico to allow migrant workers to cross the border legally. Attracting approximately one million workers through what was known as the Bracero program, it lasted until 1965 (Rochin, 1995). During this period, many Hispanic immigrants were farm workers in rural areas, particularly in the Southwest.

African Americans

Between 1910 and 1930, the “Great Migration” took place. The emancipation of slaves after the Civil War had brought high expectations to the freed slaves in terms of their living conditions. However, they soon realized that being free legally was a far cry from being free socially and politically. In hopes of a better life and to escape sharecropping, poor economic conditions, and fear of being lynched, African Americans began to make their way North, looking for higher wages and a better living. During the Great Migration, the African American population in the North grew by 20 percent

(Faragher, Buhle, Czitrom & Armitage, 2001). One effect of the Great Migration was to begin a long-term decline in rural property owning by African Americans in the South.

Racial inequalities remained throughout the country and there was growing discontentment among African Americans. Jim Crow Laws perpetuated separate facilities and institutions. Conditions for African Americans, particularly in the South, were not improving. These conditions ultimately brought about the Civil Rights Movement in the 1960s, aiming for equality of citizenship to all people.

Overall, this era saw many political and legal changes for minority groups, yet minimal increased opportunities for wealth creation. American Indians were shuffled back and forth from one policy to another. At one point there was some small gain in property, but it was soon taken back. Hispanics were exploited for their cheap labor, and in some respects, this oppression was made legal. African Americans were "freed" only to endure decades of racism and discrimination. The New Deal in the 1930s was intended to provide a better life for citizens, but it did little to protect or build the wealth of people of color in rural America.

The Third Period: Contemporary Era

Recent decades have witnessed a rapid flux in rural economic conditions, albeit with general rural decline. Agriculture has continued to mechanize and require less labor. After the 1970s, extraction industries in rural areas faced decreasing stability and productivity. Several macro factors contributed to the changing rural economy, including emerging global markets, depletion of nonrenewable natural resources, and environmental concerns (Weber, 1995; Freshwater, 2000).

As jobs in extraction decreased, blue-collar factory jobs in many rural communities increased. In 1970, 20 percent of rural employment was in manufacturing. With international trade competition, by 2000, manufacturing jobs had decreased to 15 percent of rural employment (Henderson & Weiler, 2004). The loss of manufacturing jobs—due in part to factories relocating overseas, looking for less expensive land and labor—had once more changed the rural economy. At the same time, new companies looking for cheaper land and labor costs sought out rural areas that were anxious to bring in new businesses.

Wal-Mart is an iconic example. Opening its first store in 1962, Wal-Mart has targeted rural areas, bringing minimum wage jobs with less than half of the employees covered by health insurance. Today, Wal-Mart has 3,700 stores across the country, with approximately 1,100 in rural markets. As the stores move into communities, locally-owned shops often close because they can not compete. This type of business may diminish wealth accumulation in rural areas.

As rural out-migration continued, many among the younger, better educated population began to move to cities in search of better opportunities, leaving a higher proportion of the aged population (Economic Research Service [ERS], 2004). This change, along with the in-migration of the elderly, most notably in counties that specialized in recreation activities and aging-in-place amenities, has contributed to the higher proportion of elderly residents in rural areas compared to urban areas (Rodgers, 2002).

Even though the elderly that tend to migrate to developed regions are normally wealthier and healthier, they still require certain resources. Consequently, the demand for resources such as health care, social services, and long-care facilities has also increased. This demand will continue to increase as “baby boomers” mature into senior citizens and either age-in-place or relocate. Demand will also grow in urban areas, but urban areas have infrastructures that help prepare them to better meet those needs. Services for the aging in rural areas are likely to remain less available, less accessible, and more expensive (Rogers, 2002).

In response to declining markets and population changes, some areas seeking to become more economically viable have begun utilizing natural amenities, such as lakes, mountains, and local specialties to develop new enterprises, including retirement and vacation venues. Still other rural communities have taken advantage of growth in the service industry and created jobs through telemarketing and reservation centers (Tarmann, 2003).

Prisons and casinos have also emerged as growing businesses in rural areas. Economic development that occurs with prisons has led the site selection process for these institutions to become a highly competitive practice in many regions. Furthermore, prison inmates are counted in the area population and, therefore, generate state funds for the counties in terms of per capita distribution (Tarmann, 2003). The disadvantages of many of these new economic activities are low-wages, part-time and seasonal work, and few or no benefits.

Political Factors

Beginning in the 1970s, growing environmental concerns about the depletion of nonrenewable resources and pollution from the use extracted minerals affected the direction of public policy in rural areas, where much of the federal support for economic development was still in agriculture. In addition, a transfer of responsibility from federal to state government concerning rural issues began in the 1980s, with the Reagan Administration trying to limit federal government involvement. Reductions also occurred in resource allocations, providing less financial support to carry out the responsibilities of improving rural areas (Brown & Swanson, 1995). Furthermore, after 60 years of federal farm policy favoring price supports and supply management for farmers, the nature of assistance to farmers shifted with the passage of the 1996 Farm Act, which ultimately transferred more of the financial risk directly to farmers, making them even more vulnerable (USDA, n.d.).

Present strategies for rural development have usually taken a macro approach, using blanket policies that are not designed to address diversity across communities. These policies are often inadequate and inefficient (Stauber, 2001). Most proponents for rural policy support more regional and local level strategies. For example, applying the description of rural topologies discussed earlier (urban periphery, sparsely populated, high amenity, and high poverty), Stauber (2001) suggests that policymakers design policies and programs targeted toward these areas and their unique circumstances, instead of legislating broad generic initiatives. He further states that rural policy should reflect three societal goals: survival of the rural middle class, reducing concentrated rural poverty, and sustaining and improving the quality of the natural environment. To achieve these benefits, Stauber proposes four objectives that should be undertaken: (1) increased human capital, (2) conservation of the natural environment and culture, (3) increased regional competitive investments, and (4) investments in infrastructure that support the expansion of newer competitive advantage, not the protection of older competitive advantage (p.49).

By means of shared resources, advocates such as Stauber believe that rural policy could be more effective if areas with the same or similar economic base joined together to develop specialized local initiatives. In this way, they could build on regional and local strengths and expand economic development where it is most needed.

American Indians in the Contemporary Era

Like the allotment policy before it, the "termination phase" had been considered a failure by 1961. Known as the "self-determined period," the federal government again recognized the sovereignty of Indian nations. The Indian Civil Rights Act of 1968, which is the current policy, granted American Indians the basic rights provided in the Bill of Rights.

In 2000, while minorities made up 17 percent of the rural population, Native Americans comprised only 2 percent of the rural population, even though 39 percent of all Native Americans lived on designated Indian reservations in rural areas. Living conditions are inadequate and overcrowded, and American Indians endure high unemployment and persistent poverty (Gonzales, 2003). Sixty-four percent of American Indians in rural areas live in seven states: Oklahoma, Arizona, New Mexico, South Dakota, Montana, North Carolina and Alaska. The majority of the poor (57 percent) live in the first five states (Probst, Samuels, Jespersen, Willert, Swan & McDuffie, 2002). The average income for rural American Indians is $6,667, compared to $10,109 for urban

American Indians. About 15 percent of American Indians work in retail jobs, followed by manufacturing (14 percent) and agriculture/forestry (5 percent) (Probst et al., 2002).

Probst et al. (2002) employ two measures to gauge community wealth in rural minority counties: total average personal income aggregated at the county level and total average bank deposits aggregated at county level. For rural counties with a majority of American Indian populations, the total average aggregate personal income ($186,302,080) was 48 percent of the average for all rural counties ($387,087,900). For total aggregate bank deposits, the average in majority American Indian rural counties ($59,061,000) was 23 percent of the average for all rural counties ($251,551,000). These are, in hard numbers, indications that American Indians live in very poor resource counties.

Hispanics

The Hispanic population, particularly those of Mexican descent, originally settled in rural areas to take advantage of available work opportunities offered by the agricultural industry. So regular was the influx of immigrants throughout the 20th century, many U.S. farmers began to depend on this group for inexpensive labor (Saenz & Torres, 2003). Currently, Hispanics constitute only approximately 6 percent of the rural population, but they are currently the fasted growing ethnic/minority group in rural areas. Between 1990 and 2000, the rural Hispanic population increased by a remarkable 70 percent. In general, Hispanics tend to be younger, poorer, and less educated than their non-Hispanic counterparts (HAC, 2002).

Seventy percent of the rural Hispanic population lives in Texas, New Mexico, California, Arizona, Colorado, Washington, Florida, and Kansas. They have an average income of $5,888 compared to $8,738 for their urban counterparts (Probst et al., 2002). Nearly three quarters (73%) of all rural poor Hispanics live in five Southwestern states: Texas, New Mexico, California, Arizona, and Colorado. Some of the Hispanic poor live in *colonias*, very poor neighborhoods within 150 miles along the Texas/Mexican border. Their homes are inadequately constructed and many lack sanitation resources. Agriculture and construction account for about 50 percent of the workforce, but unemployment is high (Texas Department of Housing, n.d.).

The majority of Hispanic jobs are held in manufacturing (24 percent), followed by retail (23 percent), and agriculture/forestry (10 percent). When community resources are examined, majority Hispanic rural counties total average aggregate personal income of $257,362,020 was 66 percent that of all rural counties, while total average bank deposits of $141,459,000 were 56 percent of all rural counties (Probst et al., 2002). Like American Indians, Hispanics live in low resource communities.

African Americans

The Civil Rights Movement led to important advancements for African Americans, yet they are still at disadvantages when it comes to wealth building opportunities. As discussed above, slavery legally ended with the Civil War, but because many former slaves had no assets, supplies, or source of income when they were freed, they were forced to remain on the plantations in the South to survive. Even though numerous African Americans migrated to urban centers in search of a better life during the first half of the 20th century, many remained and are still concentrated in an area of the rural South known as the “Black Belt.” The Black Belt is comprised of 147 counties with a population of at least 40 percent African Americans extending from Virginia to Louisiana (Falk & Lyson, 1988). Approximately 75 percent of the Southern African American population live in these counties, and all 147 counties are considered to be persistently poor (Williams & Dill, 1995).

Seventy percent of rural African Americans live in five Southern states: South Carolina, Georgia, Alabama, Mississippi and Louisiana, where the majority of the poor also live. The average income in majority African American rural counties is $5, 893 compared to $8,171 in urban areas (Probst et al., 2002). Manufacturing jobs comprise 28 percent of rural African American jobs, followed by retail at 20 percent and agriculture/forestry at 3 percent. African American rural counties total average aggregate personal income of $259,417,040 was 67 percent that of all rural counties, while total average bank deposits of $144,762,000 were 58 percent of all rural counties (Probst et al., 2002).

WEALTH AND DEVELOPMENT IN RURAL AMERICA

Definitions of “Rural”

Classifying different settlement forms is important for carrying out meaningful analyses. We begin by summarizing the definition of “rural” from key government sources. Two definitions of “rural” are common. The U.S. Census Bureau defines rural as territories with a population of less than 2,500 people and urban as territories with a population of 2,500 or more. The Census Bureau further divides urban into two categories: urbanized areas, which have 50,000 or more people, and urban clusters, which have a population of at least 2,500 and less than 50,000. In 2000, 21 percent of the US population lived in rural areas, 11 percent lived in urban clusters, and 68 percent lived in urban areas (U.S. Census Bureau, 2002).

A second definition is offered by the Office of Management and Budget (OMB). OMB uses metropolitan (metro) and non-metropolitan (nonmetro) to distinguish between urban and rural areas, respectively. This designation differs from the U.S. Census Bureau not only in name, but also in that it defines population sectors on the basis of counties instead of territories. Metro counties have urban centers of 50,000 or more people. Metro areas are central counties containing one or more urbanized areas and any connecting counties that are economically tied to the core counties. Measured by work commute, a county is economically tied to a central county if 25 percent of those employed commute to the central counties, or if 25 percent of those employed in the central counties commute to the connecting county. The remaining counties are considered nonmetro (OMB, 2002).

Nonmetro counties are subdivided into two groups according to population. Micropolitan areas contain a central city or cities with a population of 10,000 to 50,000. The OMB characterizes those counties with less than 10,000 residents as nonmetro noncore counties. Based on these OMB definitions, 17 percent of the population lived in nonmetro areas in 2000, and 83 percent resided in metro areas (ERS, 2002).

When the two definitions are combined, 40 percent of the rural population lived in nonmetro areas, and 59 percent of the nonmetro population lived in rural areas (ERS, 2002). The metro/nonmetro classification has an advantage over the urban/rural classification in that the former is defined by counties which gather yearly social and economic data, while the latter is defined by individual data from the decennial census (ERS, 2003). For the purposes of this overview discussion, specific definitions are not always necessary, and "rural" is used to describe both nonurban and nonmetro areas.

Wealth Creation

Wealth is the collective value of assets (minus liabilities) possessed at a certain point in time. Assets are a combination of resources, including financial, natural, and human. If invested wisely, assets can grow in value and produce more wealth over time. However, left idle, the value of resources can stagnate and their potential may be unrealized or even lost. Wealth creation plays a vital role in the social and economic well-being of people and sustainability of communities. In communities, assets such as land and water, culture and infrastructure, can create economic development and expand job opportunities. For individuals, studies have shown owning assets has a positive association with personal well-being, family well-being, and civic engagement (Sherraden, 1991; Page-Adams & Sherraden, 1997; Scanlon & Page-Adams, 2001).

Throughout American history, the United States has supported the ideal of wealth building, beginning with the Jeffersonian vision of a country consisting of individual small land owners and continuing today with benefits that encourage asset building. For example, homeowner tax deductions for home mortgage interest and property taxes and tax deferment of employment-sponsored pension plan contributions and earnings are public subsidies that promote wealth building in American households.

As we have described, social, economic, and political changes have left many rural areas vulnerable and economically unstable. Yet, in spite of these changes, rural areas still possess an abundance of wealth in natural resources, in communities, and among rural residents. The challenge is how to draw upon the existing assets and generate growth.

Wealth Creation and the Rural Economy

Although resources from outside a region are necessary to help build a successful economy, ultimately it is mobilization of assets and resources from within a community that sustain and expand economic development (Rans & Green, 2005). Wealth creation is critical for the preservation and growth of rural economies. As mentioned above, wealth comes in a variety of forms: financial, natural, and human, each with unique links to the economy.

Financial Wealth

Financial assets are the monetary worth of both communities and individuals that accumulates overtime. These assets include property, stocks, bonds, and savings accounts. Low (2005) suggests two reasons why financial wealth is important to rural economies. First, financial wealth provides both communities and individuals with a source of funds to invest in new and existing businesses. Financial resources can also help towns build infrastructures that support economic development, such as banks, hospitals, schools, and public amenities. Second, financial wealth provides consumers with more financial constancy and buying power, thus underpinning and strengthening consumer demand.

Natural Wealth

Natural assets are the environmental components that make up the rural landscape, such as air, land, water, soil, plants, and animals. Availability and development of these resources vary among rural regions. Some areas have taken advantage of their amenities and fostered economic growth (for example, Wisconsin Dells in Wisconsin; Branson, Missouri; and Hilton Head, South Carolina) while others either do not have the available amenity base or have not yet capitalized on their natural resources. According to McGranahan (1999), population growth is associated with regions that are close to water sources, offer pleasant climate conditions, and have topographic variation. In the 26 years between 1970 and 1996, rural counties that were rated high for natural amenities grew at a much faster pace than those that were rated low (McGranahan, 1999).

However, to maintain the value of natural assets, communities must be guarded on the use and management of those resources. In the past, extraction industries, which involve the removal of nonrenewable raw materials from nature (especially mining), have depleted many regions of important resources, leaving communities with altered landscapes, economic decline, and job loss (England & Brown, 2003).

Tourist-based economies that rely on natural amenities to create growth and economic development can also be subject to natural asset devaluation. Natural resources can be threatened or destroyed when they are exposed to a growing population and expanding economic base that may abuse or alter their original condition (Mitchell, Force, Carroll & McLaughlin, 1993). Therefore, communities that build tourism and offer recreational activities around natural amenities should do so with an awareness of protecting and preserving the environment so as not to diminish the existing value.

Human Wealth

Human assets, or human capital as it is often called, consist of the knowledge, talents, and abilities possessed by individuals, acquired through formal and informal education. This form of asset brings skills and leadership to a rural economy. According to Flora and Flora, “human capital includes those attributes of individuals that contribute to their ability to earn a living, strengthen community, and otherwise contribute to community organizations, to their families, and to self improvement” (2004, p.80). In addition, personal traits are brought together to help create the overall cultural and social capital within a community, linking individuals together. Cultural capital contributes particular values and traditions to a community, while social capital contributes to social networks, mutual trust within communities, and norms of reciprocity (Flora & Flora, 2004).

How Rural and Urban Areas Differ in Wealth Accumulation

Different geographic locations offer different socio-economic circumstances which affect wealth building opportunities for specific populations and communities. Rural and urban regions are contrasting geographic locations that vary along several economic dimensions, including socio-economic indicators, wealth accumulation, and other characteristics that may facilitate asset building. One socio-economic indicator is the unemployment rate. In 2003, the rural unemployment rate was 5.8 percent, just slightly below the urban rate of 6.0 percent; yet, for that same year, the average earnings per job in rural areas was $29,265 and $44, 937 for urban areas (Bureau of Economic Analysis, 2005). These figures suggest that, although a slightly higher percentage of people worked in rural areas, they either worked in lower paying jobs or worked part-time.

Poverty is another socio-economic indicator. In 2003, poverty rates were higher in rural areas than in urban areas, at 14 percent and 12 percent respectively (ERS, 2004). Furthermore, 340 out of 386 persistently poor counties[1] in the United States were located in rural areas (ERS, 2004), suggesting that rural poverty is more concentrated than urban poverty. The rural South, which constitutes over 40 percent of the U.S. rural population, has the highest rates of both poverty and persistent poverty in all regions (ERS, 2004). When figures are broken down by race, the differences are even more dramatic. Rural Native Americans have the highest poverty rate at 35 percent, compared to their urban counterparts at 19 percent. African Americans have the second highest rate at 33 percent, compared to their urban counterparts at 23 percent. Rural Hispanic have a rural poverty rate of 27 percent while the urban Hispanic rate is 21 percent. The Caucasian poverty rate is well below minority rates in both rural and urban regions, at 11 percent and 7 percent respectively. These poverty figures reflect, in part, historical conditions of racial minorities in rural America.

[1] Persistently poor counties are defined as those counties that had 20 percent or more of their population living in poverty in 1969, 1979, 1989, and 1999 based on the 1970-2000 decennial censuses (ERS, 2004).

When wealth holdings are examined, rural and urban areas also differ in asset ownership rates. Rural residents are less likely to participate in retirement plans compared to their urban counterparts, at 42 percent and 50 percent, respectively (Bureau of Labor Statistics [BLS], 2003). Moreover, opportunities to join a retirement program vary by location. The BLS (2003) reports that only 32 percent of rural establishments offer retirement benefits to their employees, whereas 51 percent of urban establishments offer benefits, which helps explain the lower participation rates in rural areas. It could also be an indication that rural establishments are smaller with less resources, and thus have less benefits to offer employees. Smaller businesses are the majority of rural enterprises and provide approximately 66 percent of rural employment (McDaniel, 2001).

Rural residents are also more likely to own their own business compared to their urban counterparts. The entrepreneurship rate is 20.6 percent in rural regions, compared to 17.4 percent in urban regions. Although the challenges of starting a business in rural areas may be more difficult, opportunities seem to outweigh the cost. Entrepreneurs in rural regions often have to contend with isolation, capital shortages, infrastructure deficits, weak local markets, and brain drain. However, microenterprise development provides rural individuals an opportunity to stay in their communities, generate an income, and provide a useful service to residents, even though traditional job availability may be scarce (Association for Enterprise Opportunity, 2004). Rural entrepreneurship can add to the local economy by creating jobs and increasing the workforce (Seymour, 2001), thus building assets for both the owner and the community.

Another area of asset difference is in housing. Homeownership is one of the most attainable means of wealth creation to low-income rural households (HAC, 2000).

Homeownership rates are higher for rural areas (76.3 percent) than for urban areas (67.3 percent). And although homeownership rates are higher for rural minorities compared to urban minorities (African Americans at 61 percent vs. 43 percent; Native Americans at 53 percent vs. 37 percent; and Hispanics at 55 percent vs. 40 percent), rural Caucasian homeownership rates (76 percent) are much higher than rural minority rates (55 percent) (HAC, 2000).

Although the age of all housing stock in rural and urban communities is fairly similar, the percentage of homes built before 1930 in rural areas is 25 percent higher than in urban areas. For homes built before 1919, it is approximately 33 percent higher (Bailey, 2005). In addition, according to ERS (2004), at least 30 percent of homes in 302 rural counties experience housing stress[2], in contrast to 235 urban counties. These figures partially explain the lower average home values in rural areas ($184,400) as opposed to urban areas ($264,900) as reported by the Federal Housing Finance Board (2005).

Even though both rural and urban areas retain high rates of homeownership, the types of housing stock and the strategies behind their attainment differ significantly. The proportion of housing stock in rural areas in relation to the rest of the nation has remained constant over the last 15 years at 22 percent (HAC, 2002). However, the types of housing units have shifted. One of the fastest growing housing types in the nation is manufactured homes. Some manufactured homes are permanent and stable, while others are "mobile homes." These units account for 18 percent of the housing stock in rural

[2] ERS defines housing stress as a household experiencing one or more of the following conditions: (1) housing expenses exceeding 30 percent of household income, (2) there are more household members than rooms (crowded), (3) the home lacks complete plumbing facilities, or (4) the home lacks complete kitchen facilities.

areas, compared to 6 percent in urban areas with 80 percent of them owner-occupied (Nitschke, 2004). Although rural regions account for less than a quarter of the total housing stock in the United States, they account for over half for the manufactured housing stock, of which 60 percent is located in the South.

The growth of mobile homes in rural America over the last decade is a response to two major housing concerns in rural regions today: affordability and quality. Although rural areas have a higher homeownership rate and, in many areas, a lower cost of living, the housing stock is in worse condition and incomes are less than their urban counterparts, making mobile homes an affordable option that can provide quality living (HAC, 2002). Nitschke (2004) reported that in a survey of approximately 22,000 mobile homeowners, 70 percent gave their yearly income as less than $40,000. Over the years, manufactured homes have increased in quality, size, and safety, producing much more durable models than in the past (HAC, 2002).

However, there are drawbacks to these homes that might affect the rate of asset accumulation. Even though improvements have been made in the construction and design, mobile homes especially decrease in value faster than a conventional home. Many mobile homes are still financed as personal loans, and thus are subject to higher interest rates and shorter terms. Even when longer terms are available, interest rates usually remain high, which reduces growth in equity (HAC, 2003). And when mobile home owners rent the land instead of buying it, returns are lower when they sell (Nitschke, 2004).

Another dimension of wealth is the asset-base each area draws from to generate economic activity. When rural and urban regions are compared, very different pictures emerge. Urban areas draw from more information-intense activities (such as legal, financial, research, and business services) that flourish in areas of close proximity to advanced technological resources (USDA, 2003). Urban areas also have the advantages of better access to financial resources, a solid base of customers and suppliers, a stronger labor pool, better transportation options, rich metropolitan infrastructure, and a wide variety of knowledge resources (Acs & Malecki, 2003).

Unlike urban areas, rural areas vary in topology, resources, and economic conditions depending on part of the country and the historical context. In an effort to organize a policy agenda for rural America, Stauber (2001, p. 48) offers the following typology:

- *Urban periphery*: rural areas within a 90-minute commute of urban employment, services, and social opportunities
- *High amenity*: rural areas of significant scenic beauty, cultural opportunities, and attraction to wealthy and retired people
- *Sparsely populated*: areas where the population density is low and often declining and therefore the demand for traditional services, employment, and social opportunities are limited by isolation
- *High poverty*: rural areas characterized by persistent poverty or rapid declines in income

"Urban peripheries" have the opportunity to take advantage of urban infrastructure to supplement and encourage economic activity. They are linked to the urban infrastructure either by direct employment in the city or by employment through a firm in the surrounding rural area that is supported by the larger economic structure. At the same time, the attractions of lower housing costs, serene surroundings, and less crime is still available.

"High amenity" rural areas are rich in natural conditions and recreational resources such as lakes, mountains, and scenic beauty. These areas can build economic development around natural resources and stimulate growth. However, as indicated above, abuse of natural assets can cause irreversible damage. One issue is extraction of nonrenewable resources. In the wake of this depletion, industries have abandoned these sites to find more profitable areas. The results of these dynamics are often that either the community dies completely or younger workers migrate out, leaving residents left behind to retire, rely on unemployment, or depend on the informal economy that remains (England & Brown, 2003).

Furthermore, tourist-based economies that rely on natural amenities to bring about growth and economic development may also be subject to unintended outcomes. Krannich and Petrzelka (2003) discuss several adverse outcomes associated with tourism: although tourism brings jobs, it often brings in lower-wage, part-time work that does not maintain a household. Also, because of the increased value of the area, property values go up, increasing the cost of living (Krannich & Petrzelka, 2003).

The final two types are the "sparsely populated" and the "high poverty." Unlike the first two types, these do not have a strong physical asset-base to build upon. Instead, because of historical factors and racial disparities, these areas are struggling to survive. Indian reservations are an example of the sparsely populated type, and the Black Belt and Appalachia Mountain regions are an example of the high poverty areas. Because of the lack of physical and financial assets, these regions will require policy and entrepreneurial initiatives to help build a successful economic base. By working with other communities and sharing strengths across regions, sparsely populated and high poverty communities can help each other grow. In addition, enhancing human capital strengths through increasing education levels and cultivating cultural and social capital may lead to economic activities that enable poor rural communities to share their culture and traditions with others.

COMMUNITIES OF WEALTH AND RURAL DEVELOPMENT

Today, large-scale, monocrop agricultural and agribusiness dominate the economic life of most of rural America. This dominant agricultural economy has little to do with shared wealth or sustainability. To take only one example, the creeks and rivers of bucolic Kansas, where one of the authors fished as a boy, are today some of the most polluted in the nation due entirely to agricultural run-off.

In these circumstances, it may seem odd to focus here on mutual wealth and sustainability, as we do in this section. Our purpose in this report is not primarily to describe and critique current conditions. We are holding up other lenses, not always common or well-known, through which to view rural America and its potential. One of the lenses is mutual wealth and rural development, with an acute awareness of sustainability.

The history of mutual and private wealth in rural development can be analyzed through four separate eras and the shifts across them that have taken place over the last 500 years, from pre-colonial time to the present. For the purpose of this discussion, *wealth* refers both to natural resources (land, water, plants, animals, minerals, climate, etc.) and to value-added assets developed by people (cultivated land, domesticated plants and animals, clothing, buildings, tools, knowledge, skills, etc.). *Mutual wealth* refers to natural and human-made resources that are controlled, owned, or used by a broad society or community. *Private wealth* refers to assets that are controlled or owned by an individual, family, or other group with restricted membership. In the discussion below, we point to four distinctive, though somewhat overlapping, periods.

Pre-colonial Wealth Era

The first model is the *Pre-colonial Wealth era* and involves the management of natural resources by pre-colonial American Indians. It was a time of socially coordinated natural resource management intended to meet short-term, mutual economic needs and provide for long-term, mutual wealth accumulation. There were a large number of pre-colonial inhabitants of the United States. They were skilled farmers, hunters, fishers and managers of their physical environment. Many Indian cultures viewed natural and human-made wealth as mutual resources, shared by members of the community.

The arrival of Europeans was catastrophic for the indigenous people throughout the Americas. Even before direct contact with Europeans, millions of Indians lost their lives from European and African diseases. Pre-colonial cultures and economies were destroyed. Millions of acres of managed farmland, forestland and grassland were transformed to a wild state. The mutual wealth that these managed resources represented was lost. Many Europeans viewed the destruction of the native populations as “a gift from Providence” and the vast areas in which Indian people had been virtually eradicated by disease as a “virgin” wilderness well suited to agricultural settlement. The perception of these settlers and even of most scholars until very recently was that America had always been a wilderness and that Indians had only a marginal impact on their surroundings. The role of Indians as sophisticated, sustainable managers of their environment is only now coming to light.

Rural Wealth, 1500 to 1900

The second model is the *Rural Wealth era of 1500 to 1900*. This period is associated with the distribution of crown lands and public lands to farmers. It was an era of fragmented natural resource management intended to meet short-term, private economic needs and provide for long-term, private wealth accumulation. One can view crown land during the colonial period and state and federal land after Independence as forms of mutual wealth. There are similar patterns in the way these lands—and the plant, animal, and mineral resources that went with them—were divided up as more and more Europeans immigrated to America. This era denotes some of the key issues and events in disposition of mutually owned land.

In reviewing land policy during the charter company period, the period of direct colonial rule by England, the early years after Independence, and the post-Civil War period, one key point stands out. In order to encourage land settlement during all of these periods, land was provided to small-scale farmers on a relatively egalitarian basis. This allocation of crown, state, and federal land over a time frame of 400 years was one of the most dramatic redistributions of land in human history. The farm population of European origin in America increased from zero to about 30 million during this time. This phenomenon should be understood in the context of the depopulation of the indigenous inhabitants of the Americas that preceded and accompanied the arrival and westward expansion of White settlers. Without the killing off and displacement of about 10 million Indians, the United States could not have been parceled up into almost 6 million farms and ranches by 1900.

The transfer of land to small and medium-sized farmers, especially in the North and East, brought about a new model of rural wealth and land management in America. For the most part, land and natural resource management became privatized. Millions of landowners owned and managed their land and resources independently of one another. This represented a relatively egalitarian distribution of rural wealth. However, the resulting *laissez faire* approach to land and resource management also created economic and environmental chaos.

Rural Wealth, 1875 to about 2000

The third model is the *Rural Wealth era from 1875 to about 2000*. This era is related to agrarian populism and the rise of rural cooperatives. It was a time of fragmented natural resource management, combined with coordinated political and economic activities intended to meet short-term private economic needs and provide for long-term private and mutual wealth accumulation.

This era saw a strong and rapid increase of both rural cooperatives and credit unions. The growth in number and financial strength of these rural cooperatives and credit unions brought about an unprecedented period of mutual wealth building in rural America during the 20th century. Farmers and other rural residents took control over a substantial part of their agricultural supply, marketing, insurance, financial, energy, and communications needs. In many cases, cooperatively owned businesses improved the pricing and quality of services provided by for-profit businesses, even when the co-ops only had a minority share of the market, because they provided competitive price and quality benchmarks.

The agrarian populist movement was grounded in resentment over the difficulties in making a living in farming and a campaign for fairer economic treatment. The farmers' revolt contained a political dimension aimed at electing candidates sympathetic to farmers' issues and creating a positive legislative environment for them. It also had an economic dimension based on creating cooperatives and other farmer-controlled businesses intended to address farmers' needs that were not being met in the trust-dominated marketplace.

The establishment of millions of small and medium-sized farms across the country in the 1800s was directly in line with Jefferson's vision of agrarian democracy (for white males). However, the huge increases in agricultural production from these farms ran up against two market forces in the latter half of the 19th century: too much uncoordinated farm production and a national economy dominated by large corporations. The rise of the cooperative movement and the accompanying political changes at the state and federal levels were successful in improving economic and social conditions on the farm and in rural communities.

One thing these changes did not accomplish was the creation of the kind of agrarian democracy envisioned by Jefferson. During the 20th century, the number of farms dropped from almost 6 million to about 2 million. Thirty-eight percent of the labor force was involved in farming in 1900, but less than two percent was in 2000.

Agricultural exports plummeted from almost 60 percent of all U.S. exports in 1900 to less than 10 percent in 2000 (Agriculture in the Classroom, 2005). Thus, social, political, and economic life in rural America at the beginning of the 21st century is vastly different from what it was at the beginning of the 20th century.

Rural Wealth, about 1975 to the Present

The fourth and most current model is the *Rural Wealth era from about 1975 to the Present*. This period coincides with the emergence, or reemergence, of the "land ethic." It has been aa period of coordinated natural resource management, intended to meet short-term private and mutual economic needs, and provide for long-term private and mutual wealth accumulation.

At the beginning of the 21st century, rural life is no longer centered around agriculture. During the entire history of the United States prior to the past three decades, the model for rural economic development and rural wealth accumulation has been built on fragmented ownership and control of natural resources, especially farm and forest land. This approach to land was thought to be consistent with the idea of agrarian democracy. Today, with fewer than four million families and individuals owning the large majority of farms and private woodlands in the country, fragmented land management no longer correlates with democracy.

Aldo Leopold wrote *Sand Country Almanac* in 1949. "The land ethic," according to Leopold, "enlarges the boundaries of the community to include soils, waters, plants, and animals, or collectively: the land…In short, a land ethic changes the role of *Homo sapiens* from conqueror of the land-community to plain member and citizen of it."

Another concept that has come into common usage during the past two decades is "sustainability." The United Nations defines sustainable development as: "Development that meets the needs of the present without compromising the ability of future generations to meet their needs." This concept is consistent with the land ethic.

A new paradigm regarding the land may be taking form consistent with Leopold's concept of the land ethic and the UN's definition of sustainable development. This paradigm is very relevant to mutual wealth and mutual wealth building in rural America. In this model, land and other natural resources are increasingly viewed as part of a public trust to be managed sustainably. Why is this paradigm shift emerging now? The following are a few lead reasons:

- The huge decrease in the farm population and the reduced dependence of rural communities on farm income has changed our perception of rural priorities.
- People are becoming more and more aware of the negative consequences of an exploitative approach to the treatment of natural resources, including depleted forests and farmland, water pollution and water shortages, rising prices of fossil fuels, and concerns about global warming.
- In the past several decades, ability to manage natural resources has improved dramatically. For example, there are better farm and forest management skills, better understanding of energy conservation and renewable energy, and better use of information technology.
- In many parts of the world, people lead reasonably comfortable lives instead of struggling for bare survival. This wellbeing allows consideration of the

> broader consequences of human actions. In Leopold's words, people are better aware of their role as "members and citizens of the land-community."

As with the agrarian movement of the late 1800s and early 1900s, the sustainable movement has both market-based and political components. In the marketplace, there is increasing demand for agricultural, forestry, energy, and other products that are produced sustainably. Certified organic and sustainable foods, wood and paper products from sustainably managed forests, and "green" energy from renewable resources are examples of market-based approaches to reward sustainable farmers, forest owners, and manufacturers. Some agricultural and forestry cooperatives are playing a leadership role in this certified sustainable marketplace. Another challenge of the sustainable marketplace is finding market-based or public-private solutions to a variety of rural problems from rural poverty to keeping small town main streets alive to health care. Co-ops, community development corporations, and community-based non-profits are organizations that can help sustain rural communities.

On the political side, a host of regulations and incentives have sprung up over the past three decades at international, federal, state, and local levels designed to encourage or enforce sustainable practices. International trade rules developed through the World Trade Organization increasingly restrict price subsidies to farmers, but allow for "green payments" for environmentally sound agricultural practices. International environmental agreements, such as the Kyoto Protocol, coordinate efforts to reduce pollution. World Bank and bilateral aid programs are increasingly requiring environmental impact analyses before approving development projects. Although there has been a weakening of some federal rules and incentive programs under the second George W. Bush administration, the long-term trend is toward more rigorous federal rules and enforcement and toward stronger incentives for creating more sustainable farms and forests and for improving water and air quality.

Together, private farms and forests make up well over half of the land area of the lower 48 states, so sustainable public policies related to this land are critical. The 2002 Farm Bill included a far-reaching new program called the Conservation Security Program (CSP), which provides significant incentives for farmers to carry out conservation practices on their farms. To date, CSP has been implemented only in a small number of watersheds, but in the coming decades, it could be available to every farmer and rancher in the country, depending upon legislation and appropriations.

There is no similar, broad program for private forestland, but there are more limited federal and state programs designed to encourage sustainable forestry practices. For example, the USDA Forest Service and state forestry divisions are working together to promote sustainable forest management through the use of Forest Stewardship Plans. There are lobbying efforts under way to establish a Forest Conservation Program similar to CSP in the 2007 Farm Bill.

Local governments play a critical role in developing and enforcing land use and other policies that relate to sustainability. Local rural communities are—or should be—at the forefront of the sustainable movement. Agrarian democracy is not the only image we associate with the early years of the United States. The exercise of democracy through town meetings is also at the core of our history. With the reduced role of agriculture in our society, agrarian democracy is no longer a workable concept, but town, village, neighborhood, and community decision making are still very much a central part of our democracy.

Prospects for Mutual Wealth in Rural America

In many ways, the paradigms regarding rural wealth in America have come full circle during the past 500 years. Pre-colonial Indians had a socially coordinated management system for agricultural, forest, and other natural resources. The last 500 years have been characterized by fragmented land management, primarily through family farm ownership. In the last 100 years or so, farmers and other rural residents have cooperated politically and economically to meet their economic needs, but the pattern of fragmented land management has continued. Recently, a sustainable land ethic has emerged that is attempting to "meet the needs of the present without compromising the ability of future generations to meet their needs."

The pre-colonial era of mutual wealth management appears to have worked well for hundreds, if not thousands, of years. The emerging sustainable paradigm is in its infancy and must overcome major political, economic, and social obstacles before it becomes the dominant paradigm. There is no guarantee that this will happen. The key will be the ability to meet short-term public and private economic needs, and in the long-term to build environmentally sustainable, mutual wealth.

NEW ECONOMIC OPPORTUNITIES

It seems very likely that, by the end of the 21st century, much of economic life in rural America will not be dominated by mono-crop agriculture or extraction industries, but instead it will be a highly diversified economic environment, with specialty and niche agricultural crops, many types of Internet-supported ventures and employment, alternative energy (especially wind energy) production, recreation of all types, along with natural and cultural tourism. In this section, we highlight only two of these potential areas of rural development: Internet connectivity and opportunities in recreation and tourism. These may illustrate potential that is often undervalued today.

Connectivity and the Rural Economy

Broadband telecommunications are now an essential part of the nation's infrastructure and a driving force for economic change and development. A cocktail of technical, business, regulatory, demographic, and educational issues has led to what is commonly referred to as the rural digital divide. The lack of cost-effective access to the Internet is just another barrier to rural communities being players in the global economy as the gap between urban and rural areas continues to widen. That said, there is much evidence to show that, with creativity and ingenuity, forward-looking communities in every part of the country have found ways to narrow this gap.

To regard broadband connectivity as essential infrastructure places it in the same category as highways, water, electricity, and telephone, all of which are necessary preconditions for rural development and prosperity, but in and of themselves insufficient, to ensure it. Broadband connectivity is no panacea for curing rural America's ills, but without it, the patient will take much longer to recover. It is perhaps helpful to think of broadband connectivity as a catalyst, which when added to other ingredients, will speed the processes of change.

The effects of the Internet on the lives of Americans as well as the U.S. economy over the last decade are profound. In addition, the expansion of broadband technology has only served to develop and increase the use of Internet services and products at a more rapid pace. A report by the U.S. Department of Commerce (2004) found that households with broadband technology participate in more online activities such as entertainment, banking, obtaining information, and purchasing products and services than those households without it. The report continued to state that, although the rate of Internet use between rural and urban areas are similar (54.1 percent and 54.8 percent, respectively), the share of broadband connections in rural households is much lower than the share of urban households and the gap is widening.

Several reasons are cited for this difference, including the dispersed and low population base, the isolation of many rural areas, and the sometimes rough topography, all of which makes broadband access and expansion expensive and difficult to invest in (Freshwater, 1997). Still, broadband connection capabilities is becoming essential for successful businesses to compete and operate effectively in the market. Without this technology, rural areas will quickly fall behind their urban counterparts (Freshwater, 1997; Fox & Porca, 2000). In a study for the Appalachian Regional Commission, researchers found that communities across the Appalachian Region developing up-to-date telecommunications technologies to broaden their economic base has been met with serious challenges, particularly in rural areas. The challenges include not only limited access, but also underdeveloped resources (Strover & Oden, 2002). To compound the issue, service providers often overlook less populated areas because of high cost and less demand, which in turn causes businesses to avoid these communities due to lack of sufficient infrastructure (Strover & Oden, 2002).

The technical issues associated with breaking this cycle are complex and beyond the scope of this discussion other than to note the following key points. The two primary ways of accessing broadband services in the United States are over cable modems and over the Digital Subscriber Line (DSL), both of which depend heavily on population density and are thus mainly deployed in urban areas. Other technologies that have greater potential in rural areas include fiber optic cable, wireless, and satellite systems, but these are expensive to deploy (Fox & Porca, 2000). In other times, the concept of universal service was applied to electrification, telephones, and paved highways in order to ensure that rural areas had equivalent infrastructure to their urban counterparts. But a combination of rapidly changing technologies and the federal deregulation of telecommunications have made the possibility of universal broadband access more problematic. Although the 1996 Telecommunications Act includes a number of universal directives, the Federal Communications Commission only monitors, but does not mandate, the spread of advanced telecommunications to rural areas.

There are, however, many who believe that in spite of these difficulties, there is some cause for optimism. Min, Sukhumaran and Varghese (2001) contend that distance is much less an issue for economic development in rural regions when the Internet and broadband technology is entered onto the playing field. When smaller communities have broadband services as part of their established infrastructure, certain types of businesses may consider it an advantage to locate their companies in these areas. One such company is Killdeer Mountain Manufacturing situated in a small town at the edge of the North Dakota Badlands. Killdeer employs 140 people at four locations making cables and other parts for aerospace companies. Some of the work is done in communities with barely 100 residents. The company's long-range vision is to locate 10 plants in similarly tiny towns across the state, networked together via a high-speed fiber-optics system (Kotkin, 2002).

The fear of being left behind coupled with excitement about the possibilities that might flow from broadband connectivity has encouraged several communities to take the initiative when incumbent telephone companies or other providers are unwilling or unable to invest. In McDermitt, Nevada, a one-time mining boomtown now with a population of 370, a school teacher worked with his students to create their own Internet Service Provider (ISP) and satellite service. They now have 200 subscribers including many of the area's ranchers and farmers using the Web to check prices, market their products, and keep tabs on the weather (Sierra Business Council, 2003).

In another example, a project known as the Tribal Digital Village of Southern California pulled together eighteen Native American reservations covering 150 miles of remote areas to become broadband connected through the use of WiFi devices. In spite of the many challenges, including difficult terrain, insufficient power sources (solar power was used in most cases, however, in one instance a car battery was utilized), and other technical challenges, the project was successful. Today 12,000 Native Americans are able to take classes at a distant university and the youth have access to the Internet and recordings of elders speaking Native languages, helping them to preserve their rich culture (Powell, 2004).

Value in Rural Experience: Recreation, Eco-tourism, and Cultural-tourism

While certain industries are shrinking in rural regions, others are emerging. Prompted by the economic decline in their regions, some areas have begun to capitalize on their natural amenities such as lakes, mountains, open spaces, and cultural heritage. And although recreation and tourism-based industries are not new to these regions, the growth of this market has risen considerably. The potential benefits resulting from the increase in economic activity have been an important catalyst in community level development initiatives surrounding this industry in recent years (Humphrey, 2001). Among other advantages, recreation and tourism development have the potential to generate income for local residents, contribute to the community tax revenue (which can add to the quality of life through improved community facilities), attract new businesses, and increase population (National Agricultural Library Rural Information Center, n.d.).

According to David McGranahan (1999) of the U.S. Department of Agriculture's Economic Research Service, population change in rural counties over the past 30 years has been strongly related to their attractiveness as places to live. Using mild climate, varied topography, and proximity to surface water (inland and coastal), as the main measures of natural amenities, he found that counties that scored high on these measures doubled their population, whereas low scoring counties remained static or lost population. Counties high in natural amenities and with strong population growth tended to be in the West and Southwest where the climate is mild, the topography varied, and lakes or the ocean are readily accessible. In fact, McGranahan found that county population change is more highly related to these natural amenities than to urban proximity, population density, or economic type, although these too play a role.

Nearly two-thirds of rural counties dependent on recreation industries and three-quarters of those classified as retirement destinations fall in the top quarter of counties in natural amenities. Natural amenity areas are tiered in their attractiveness. Some, like the Rockies or Florida, attract people from across the country; others, such as the lake areas of the northern Midwest, attract people from within the region for recreation or retirement.

As might be expected, McGranahan found that employment change is also highly related to natural amenities, with low-scoring counties experiencing little or no growth in jobs, and high amenity areas increasing their jobs three-fold over the past three decades.

Recreation

For the purpose of this discussion, recreation development refers to the economic activities communities engage in that take advantage of their natural amenities. These activities include not only the establishment of businesses related to tourism, such as restaurants and hotels, but also the subsequent attractions used to help draw a diverse population to these communities in order to enhance the quality of life and produce a wider variety of goods and services (Reeder & Brown, 2005). Recreation in rural areas strongly identifies with the leisurely pace of life and state of mind that is often associated with the relaxed rural landscape. Entertainment is often centered on outdoor activities such as camping, hiking, hunting, boating, freshwater fishing, and horseback riding.

Looking to escape the “hustle and bustle” of city life, many urban residents search for quiet remote places to vacation, as do retirees wanting to settle down in a more peaceful, serene setting (Warnick, 2002).

Due to the economic and population growth from these expanding industries, jobs are created. Although many of the new jobs are service-oriented and traditionally pay low-wages and few benefits, Reeder & Brown (2005) found that per worker total earnings were $2000 higher for recreation counties compared to other rural counties. They also found that recreational development draws a more educated population to rural regions and that the health of local residents is better, possibly due to higher opportunities for physical activity. However, some disadvantages are also noted. Recreation areas tend to have a higher cost of living, including higher housing costs. According to Reeder & Brown (2005), median rent is approximately $1,000 higher for recreation areas, but it is off set by a higher median household income of approximately $3,000. They caution, however, that just like all rural regions, recreation areas are diverse and aspects vary along socio-economic, population and available resource lines.

Branson, in Southwestern Missouri, is an example of the growth in recreation and tourism-based industry over the past several years that has capitalized on its natural amenities and built a successful industry. Located in Southwest Missouri’s Ozark Mountains, Branson started as a small community in the 1950s marketing a lake, a small theme park, and an outdoor theater. Today, it has transformed into a large tourist resort including such activities and amenities as Table Rock Lake, cavern tours, horseback riding, a nature preserve, over 100 music theaters, over 2,000 stores and, hundreds of hotels and restaurants.

Eco-tourism

An added concern associated with the growth of recreation and tourism-based industries in rural areas is the environmental consequences related to the increased number of people, which creates higher traffic volumes, changes in land use, and the disturbance of natural wildlife (Krannich & Petrzelka, 2003). One way to safeguard the natural landscape and still increase economic development is through what is referred to as “eco-tourism.” This form of tourism is based on the preservation and protection of the natural vegetation and wildlife in their own habitat. Simply put, the International Ecotourism Society defines eco-tourism as: "responsible travel to natural areas that conserves the environment and improves the welfare of local people.” It also involves dissemination of knowledge concerning the local environment and habitation, and it provides financial benefits to enhance the preservation of the area while respecting the local culture (Honey, 1999).

According to the U.S. Department of State (2002), while there are many federal agencies that support and promote eco-tourism in the United States (including the National Park Service (NPS), the National Forest Service (NFS), the U.S. Fish and Wildlife Service (FWS), as well as state and local governments), 47% of rural land owners allow their private land to be used for recreational purposes. Revenue data is not specifically collected for eco-tourism, but it is estimated that millions of dollars are spent annually on activities in this domain.

The Heart of Appalachia Tourism Authority, based in Big Stone Gap, Virginia is working with a group of business owners to promote eco-tourism and agri-tourism in seven local counties and the city of Norton. Formerly dependent on coal, tobacco, and textile industries, a large piece of this region has been designated as a bio-reserve. It contains a national forest, several state parks, walking and biking trails, and a scenic drive. To encourage economic development, a series of workshops were created through an initiative called Project Green Back. The program was designed to help entrepreneurs launch new businesses around the existing amenities, including campgrounds, shopping, guide services, and lodging. The workshops provided participants with business training, marketing support, and networking opportunities (McDaniel, 2001). One couple opened Appalachian Mountain Cabins in Clinchport after attending the workshops and another couple opened a guided-tour business using all terrain vehicles. In addition to promoting new businesses, a strong emphasis was placed on advertising with a potential reach of 8 million people (McDaniel, 2001). The area has continued to grow and now includes several museums, a number of working farms, and historical sites, among other attractions.

Cultural-tourism

Like eco-tourism, cultural-tourism is another form of tourism. It is designed to preserve the culture of a particular population or place. The National Assembly of States Art Agencies (NASAA) (n.d.), defines cultural-tourism as being "based on the mosaic of places, traditions, art forms, celebrations and experiences that portray this nation and its people, reflecting the diversity and character of the United States." Again, not all rural communities are suited for the same type of industries or tourisms, but some do have specific amenities that may support a particular market better than others. Because of the diversity of rural areas and the unique heritage of many of the local populations, cultural-tourism may be a viable economic alternative. In a study conducted by the Travel Industry Association of America (2003), it was reported that 30 percent of adults say that a specific arts, cultural, or heritage event or activity influenced their choice of vacation destination, indicating that cultural-based tourism, if marketed correctly, may draw a considerable number of tourists.

In 1993, the nonprofit organization Handmade in America was formed to promote the goods produced by the artists and craftspeople in the mountains of North Carolina. The group began by researching the profile of cultural travelers in the region, and then they applied for and received an organizing and development grant. Using the grant resources, they devised a system of trails in their area and published a book entitled *The Craft Heritage Trails of Western North Carolina*. In order to be able to sell crafts on the trails and be included in the book, the craft products had to meet to a certain criteria developed by the group to ensure quality. In addition, for those meeting the criteria and chosen to participate, entrepreneurial training was provided to assist them in establishing and managing their businesses (National Trust for Historical Preservation, 2001). Over 500 sites are included in the book, and the number increases with each new addition of the book. It is reported that 94 percent of visitors to the trails purchase crafts with 78 percent of businesses on the trail reporting an increase in sales. Of late, new trails have been created that focus on tours of gardens and the countryside (National Trust for Historical Preservation, 2005).

As a last thought, we should mention the potential issue of absentee ownership in recreational and cultural tourism. This can be as damaging as absentee ownership of extraction and other industries. If the goal is rural wealth creation, a basic principle should be, to every extent possible, distribution of ownership within the rural area itself.

CONCLUSION

The history of rural America presented in this report, as well as the knowledge base and the outlook for the future, is not always the commonly-told story. A main purpose of this project is to expand the vision of rural America to include the rich historical contributions, and future potential, of people of color. Another main purpose is to raise fundamental questions about the rural economy's future, especially the inevitability of moving away from unsustainable large-scale mono-cropping and extraction and moving toward more diversified, sustainable uses of rural resources. The outlook for the future rural economy is promising. The path to get there, however, will be neither quick nor easy. Nonetheless, by the end of the 21st century, it is very likely that major transformations will have occurred in rural America. Ultimately, these will be limited only by lack of imagination.

This report is perhaps a small step toward creating new understandings of wealth creation, both in the past and in the future. If the report stimulates thinking—and perhaps re-thinking—of the meaning, origins, and prospects for rural wealth in America, then it serves its purpose. The next two reports build on this foundation.

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