RURAL AMERICA IN THE 1990S: TRENDS AND CHOICES

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As is now clearly established, the rural renaissance of the 1970s turned into the rural bust of the 1980s. Both extractive industries and routine manufacturing, on which many rural areas are heavily dependent, experienced severe recessions in the early and middle part of the decade, and the subsequent partial revival of production in these sectors was not accompanied by a commensurate revival of employment. Meanwhile, the growth sectors of the national economy--high tech manufacturing, knowledge-intensive industries, business services--became increasingly concentrated in urban areas. While the recession that began in mid-1990 has dealt a heavy cyclical blow to these sources of metropolitan economic growth, it is unlikely to alter longterm trends.

I shall argue that the difficulties rural America experienced in the 1980s are in large measure the product of vast shifts in the national and international economy, to the impact of which rural communities are increasingly exposed. Nonetheless, federal government policies during this period also contributed to the reemergence of rural disadvantage. For much of the decade, the macroeconomic regime produced currency distortions that impeded rural exports, as well as persistent high real interest rates to which many sectors of the rural economy proved vulnerable. Deregulation in sectors such as transportion and telecommunications wiped out longstanding implicit cross-subsidies to rural areas. Federal spending patterns, particularly defense, tilted toward

metropolitan areas, and the bias of federal rural dollars toward agriculture and current consumption was not conducive to longterm economic growth.[1]

The overall consequence of shifting economic trends and public policies for rural America has been well summarized by Kenneth Deavers: "The recovery that began in 1982 [was] long and fairly strong in terms of compound annual rates of growth in GNP and employment. . . . Nevertheless, in contrast with earlier periods, strong national growth . . . contributed little to improving the relative performance of the rural economy."[2] This dramatic divergence can be measured along a number of key dimensions.

Employment. Between 1979 and 1987, metro area employment grew by 18 percent, while nonmetro employment grew by only 8 percent.

Unemployment. Between 1979 and 1987, annual nonmetro unemployment rates ranged between 1 percent and 2 1/2 percent higher than metro rates.

Income. The ratio of nonmetro to metro per capita incomes declined from 77 percent at the end of the 1970s to only 73 percent in 1987--the lowest level since 1970.

Wages. After adjusting for inflation, average annual earnings per job fell 8 percent ($1700) in nonmetro areas between 1979 and 1987, versus only 2 percent ($450) for metro areas. As a result, the metro/nonmetro gap grew from $5000 to nearly $6200.[3]

Earnings Penalty. In 1974, the ratio of metro to nonmetro earnings was quite similar across educational categories, rising only gradually from 1.08 for individuals with eighth-grade

education to 1.14 for college graduates. By 1986, while the ratio for the eighth-grade educated was 1.18, the ratio for college graduates approached 1.40. In short, returns to education increased much faster in metro than in nonmetro areas.

Poverty. The nonmetro poverty rate soared to 18 percent between 1979 and 1982, and remained stuck at nearly that level throughout the ensuing economic recovery. By the late 1980s, the nonmetro poverty rate was nearly 50 percent higher than for metro areas.

Not surprisingly, rates for the working poor (the characteristic form of rural poverty) also increased dramatically. In 1979, 32 percent of rural workers earned below the poverty line for a family of four, compared with 23 percent of urban workers. By 1987, the percentage of rural lower earners had risen by ten points, to 42 percent, versus a six-point rise to 29 percent for urban lower earners.[4] The poverty rate for nonmetro families in which the head of household worked rose from 7.6 to 10 percent during this period--twice as high as the rate for the corresponding metro families.[5]

Population. While the nonmetro growth rate had exceeded the metro rate by almost 40 percent in the 1970s, it fell to less than half the metro rate through the 1980s. By the mid-1980s, annual outmigration reached nearly 500,000, a rate substantially above the annual average for the 1950s and 1960s. More than one-half of all nonmetro counties actually lost population during this period. And in large measure because of the shifts in educational earnings

penalties summarized above, "rural outmigration is not only age specific but education specific. As a consequence many of the rural citizens most important to future rural development are leaving rural America."[6] While the most recent analysis of rural population trends in the late 1980s suggests that the worst of the outmigration is now behind us, rural population growth continues to lag well behind that of metro areas, and the inequality between rural winners and losers continues to widen.[7]

I dare not masquerade as a population expert, especially at a workshop attended by so many genuine experts in this field. On the basis of the fragmentary evidence available to me, however, I do want to suggest that recent rural population trends are inversely correlated to community size: on average, the smallest towns have been hardest hit, while mid-sized communities have come closer to holding their own. In Iowa, for example, the 680 small towns with population under 1000 have lost about 35 percent of their retail trade during the past decade, and their population losses have been disportionately concentrated in the younger age cohorts.[8]

I should also note the continuing impact of location on rural population trends. Given previous research demonstrating the importance of metro adjacency for rural country growth in the 1950s, 60s, and 70s, it is hardly surprising that it turned out to be so significant in the 1980s, a decade so markedly favorable for metropolitan areas. During 1979-1988, employment in adjacent non-metro counties grew at more than twice the rate of nonadjacent

counties.[9]

To be sure, these aggregates conceal significant disparities: some metropolitan areas fared quite poorly during this period, and the rural areas near them tended to follow suit. Still, the past decade may be viewed as a vindication of at least a moderate version of central place theory. From this perspective, one of the great conceptual and practical challenges of the 1990s is to devise new forms of metro-nonmetro linkage that can substitute for geographical adjacency. Failing this, the prospects for many small, remote communities are far from bright.

The national/global context

These trends cannot be understood, and should not be studied, in a vacuum. The reason is familiar, but worth pondering: the U.S. rural society and economy is now exposed, as never before, to the full force of powerful national and international trends.

To begin with, the primary products economy is now detached to a significant extent from the industrial economy. In classic business cycle theory, a slump in agriculture and raw materials is soon followed by a serious crisis in the industrial sector. Yet throughout much of the 1980s, a prolonged primary-product depression had little effect on the broader economy. Because materials constitute a tiny, and declining, portion of the GNP of advanced countries, even sharp declines in output and income have at most marginal overall effects.

This progressive marginalization of primary products in

industrialized nations is unlikely to be reversed, in part because other countries proved unexpectedly able to increase their agricultural and materials output in the 1970s and 1980s, but more fundamentally because materials are decreasingly important as inputs for production. Peter Drucker offers the following examples. Materials and energy constituted sixty percent of the costs of the representative industrial product of the 1920s--the automobile--versus 2 percent for the representative industrial product of the 1980s, the semiconductor microchip. Copper wires with a materials/energy content of close to 80 percent are being replaced in telephone cables by glass fiber with a materials/energy content of 10 percent.[10]

These are longterm trends. With the exception of wartime, the amount of raw material needed per unit of economic output has been dropping throughout the twentieth century. A study by the International Monetary Fund calculates the decline as one and one-quarter percent (compounded), implying that raw materials required per unit of production are no more than 40 percent of the requirements in 1900.[11] While there may be temporal local or sectoral exceptions to these broad trends, there is no reason to believe that rural strategies premised on sustainably rising demand and prices for primary products overall have any serious chance of succeeding.

The decreasing importance of raw materials has consequences for the entire U.S. economy, not just rural America. In a path-breaking article, Gavin Wright has recently shown that the rise of

the United States to industrial supremacy rested heavily on relative price and supply advantages in nonreproducible natural resources. Since then, the integration of world markets for resources has significantly eroded those advantages. As Wright observes, these resources are now commodities rather than factor endowments. An important issue facing the U.S. economy, then, is whether it can find new sources of competitiveness to replace this vanishing advantage--an issue complicated by the increasing mobility of technology and information.[12]

A second key development: throughout traditional economic sectors, a wedge has been driven between production and employment. This is a familiar phenomenon in U.S. agriculture, where tremendous advances in output have been accomplished with ever-shrinking numbers of producers. There is no reason to expect the increase in agricultural productivity to slow. If anything, biotechnological advances just coming onstream may increase the rate of increase during the 1990s.

Somewhat less familiar, but just as important, is the spread of this inexorable logic of productivity to the manufacturing sector. Over the past fifteen years, U.S. manufacturing production has risen by roughly half, but manufacturing employment during this period has actually declined. The much-discussed U.S. productivity crisis is largely confined to the service sector; our manufacturing productivity has risen by more than 3 percent annually since 1982.

This trend is also longterm. The ratio of blue-collar workers in the total labor force was one in three in the 1920s, one in four

in the 1950s, less than one in six today, and likely to be at most one in ten by the year 2010. This decrease, which implies a continuing decline in the absolute number of U.S. manufacturing workers, will coincide with continuing large increases in manufacturing output and exports. Indeed, rapidly rising productivity is a condition for such increases, because without it no industry can hope to remain competitive internationally.[13]

Once again, the moral for rural America is clear. Both agriculture/raw materials and manufacturing will continue to shrink their employment, relatively and (to a lesser extent) absolutely. Absent heroic assumptions about the future location of manufacturing plants, there is no possibility that routine production jobs can soak up excess rural workers in the 1990s as they did to some extent in the 1970s. If trends toward rising rural unemployment and population exodus are to be reversed, answers must be sought elsewhere.

Third: in contemporary circumstances, the key to economic growth is investment, particularly in innovation and people. During much of the 1980s, U.S. investment fell behind that of our major competitors, leading to a decline in the key capital/worker ratio.[14] In 1989, Japanese investments in plant and equipment per worker were three times as large as those in the United States.[15]

The reasons for this shortfall are not hard to enumerate. U.S. personal savings fell to historic lows, while public sector dissavings--in particular, the federal budget deficit--soared. Total national savings (individuals, corporations, governments)

fell from 17.4 percent of GNP in the late 1970s to only 11.3 percent in the late 1980s.[16] High real interest rates raised the cost of capital far above that of our major economic competitors, discouraging investments other than those yielding substantial short-term returns. What would otherwise have been an outright clash between investment and consumption was muted considerably by an influx of capital from abroad, notably Europe and Japan.

In this respect, among others, the 1990s are likely to be quite different. Under the pressure of events, the days of heavy U.S. reliance on external investment capital are rapidly drawing to a close. Germany is turning its attention to the capital requirements of Soviet assistance, Eastern European reconstruction, and its own increasingly painful reunification. The rest of Europe is following suit, a tendency likely to be accelerated by European integration and by the dificulties encountered in the Uruguay round of GATT negotiations. For its part, Japan now confronts demands for increased domestic spending (public and private) in a context reconfigured by a shattering stock market crash, troubled financial institutions, higher interest rates, an aging population, and the declining savings propensity of its households.[17] During the first six months of 1990, overseas foreign investment in the United States declined by over 70 percent from its 1989 levels.

As a result, the productivity-enhancing investments the United States needs in the 1990s will have to be financed to a much greater degree out of domestic savings, or they won't occur at all. This implies some combination of increased private savings and

decreased public dissavings, both of which entail much slower growth in domestic consumption.

It also implies a much slower rate of debt accumulation. During the 1980s, debt of all kinds--government, corporate, and consumer--rose to unsustainably high levels. The current recession is already forcing bankruptcies and restructurings, a diminished willingness on the part of households to take on new debt, and a much more cautious attitude toward debt creation on the part of financial institutions hard-pressed by failing loans and tightened government regulation. If the 1980s was the decade of consumption and debt, the 1990s will have to be the decade of savings and equity.

To make matters even harder, increased savings will have to come directly out of household earnings at a time when real hourly earnings are once again declining. The range of expert disagreement is fairly wide, but no model predicts real estate price rises over the next decade at anything approaching the levels of the 1980s. In the past year alone, the sagging residential housing market has wiped out the net equity of many middle-class families, and in many regions the bottom has not yet been reached. Nor can the stock market be expected to triple as it did during the decade just ended.

Some of the increased investment the United States needs will have to come from the public sector. But this will be hard to accomplish, for two reasons. First, the recession is pushing the federal budget deficit to unprecedented levels, counteracting the

recent budget agreement and renewing pressure for spending cuts. Second, estimates of funds needed to shore up the financial sector continue to escalate.[18] Third: while the federal domestic program retrenchment of the 1980s was substantially counterbalanced by expanded state and local activity, this is most unlikely to recur in the 1990s. Instead, we appear to be entering a period of simultaneous pressure on public budgets at every level. And finally, as noted above, public faith in governmental honesty and efficacy stands close to historic lows.

The implications of all this for U.S. rural development are clear--and sobering. Incremental public funds will be very hard to come by; pressures on (and struggles over) existing resources are bound to intensify. As is the case in other areas, demands will escalate for stricter accountability as well as demonstrable results, and there is likely to be an expanding market for more efficient, less bureaucratic forms of public-sector activity--a process David Osborne has called "reinventing government."

The need to compete more effectively in the international economy will give an edge to public programs that can be justified as investments in longterm productivity and growth over efforts to promote equity. Rural strategies will have to be defended primarily as contributions to overall national well-being rather than in place-specific terms. But national and local advantage may not converge. For example, human capital investment makes eminent sense as a national strategy, but it cannot succeed in staunching the outflow of trained young people from rural communities unless

rates of return to human capital are simultaneously increased in these communities--a goal that may prove far harder to justify in national terms (let alone achieve).[19]

The implication to be drawn from these broad trends is clear: rural America has entered a new era in which innovation may not guarantee success, but status quo policies will ensure failure. The challenge in the 1990s is to shape new strategies responsive to both enduring rural realities and changing national and global circumstances.

Rural comparative advantage

To have any chance of succeeding, such strategies must be built on a realistic assessment of the rural comparative advantage. Early in U.S. history, the development of rural America rested primarily on place-specific resource advantages: land, timber, and minerals. The central rural disadvantage--the obstacle of distance--was overcome in part by natural locational facts (e.g., long navigable rivers), in part by publicly guided development of communication and transportation systems. These advantages have not disappeared, but their significance has been steadily eroded (as we have seen) by changes in technology, relative factors of production, and the composition of final demand.

In the 1960s and 1970s, the primary basis of rural comparative advantage shifted from resources to factors such as cheap land, low-cost labor, relatively relaxed regulations, and weak or nonexistent unions. Combined with a new burst of public investment

in transportation (the Interstate Highway System), these advantages spurred a significant expansion of routine manufacturing in rural America. From 1960 to 1980, the rural share of manufacturing employment rose from 21 to 27 percent.

But these advantages, too, have been eroded by economic change. The importance of land costs in plant siting decisions has diminished, and in a global marketplace with fully mobile capital, cheaper labor can be found and employed outside our borders.[20] In the longer term, there is every reason to believe that labor will continue to shrink as a component of manufacturing costs, and therefore as a determinant of production siting.

During the 1980s, rural America appears to have entered its third major phase. The kinds of natural characteristics regarded as "amenity values" by retirees, vacationers, and certain businesses have emerged as the chief new source of rural comparative advantage. (We may speculate that this relative advantage has been widened by declining amenities in many urban areas.) Rural places with substantial locational assets have commanded the lion's share of nonmetro population and employment gains.

There is however a downside. The same characteristics--lower population size density--that give some rural areas amenity value frequently limit opportunities for development in other areas. Three factors are key. Lower size and density makes it difficult --in some cases impossible--to achieve significant local diversification, which leaves communities (and even entire regions)

highly vulnerable to downturns in their prime economic base. Second, these factors are correlated with larger average distances between individuals as well as economic activities, which raises costs of communication and transportation. The deregulatory wave of the 1980s increased the rural disadvantage along this dimension. Not surprisingly, nonmetro counties that are adjacent to metropolitan areas did far better than did remote counties during the past decade. Third, successful amenity-based development may eventually erode the original advantage, as population size and density increase and amenity values decline.

As Emery Castle has observed, the financial costs associated with overcoming distance are not a linear function of distance. Technological change and infrastructure development can do a great deal to reduce the costs of geographical distance. Still, he notes "The economic welfare of the more sparsely populated areas is linked with, and dependent upon, economic activity in the more densely populated areas . . . It is not a coincidence that the most prosperous rural areas have close economic links with other parts of the world and the large urban centers."[21] This thesis, expounded with great verve by Jane Jacobs, suggests that a central challenge for U.S. rural development in the 1990s will be to conceptualize, and put in place, new kinds of linkages between metropolitan areas and remote communities. Absent such innovations, the prospects for remote communities without significant natural amenities can only be regarded as bleak.

Collective action failures

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

In modern societies, broadly speaking, there are three principal ways in which individuals can organize themselves collectively to get things done. The oldest of these, **politics**, is the sphere of authority, in which the legitimacy, office, persuasiveness, or power of some persons induces others to accept their judgment and command as the basis of action.[22] Since the eighteenth century, a second sphere has emerged--the **market**--governed by the principle of exchange: transactions that leave all parties better off (as they themselves define their own well-being) than they were before. The third sphere is that of **civil society**. It encompasses all voluntary associations based on shared principles, loyalties, or sentiments: families, churches, neighborhood groups, non-profit or charitable organizations, and so forth.

Like the market, civil society can only exist if the sphere of politics refrains from occupying the totality of available social space. Markets and civil societies are thus linked to what

may be called the liberal principle, that government should (for reasons of efficacy as well as morality) be limited in crucial respects.

Armed with this simple but serviceable trichotomy, we can now tell a story about the main currents of modern American history. From this standpoint, the New Deal represented the victory of politics over both the market, alleged to have produced fatal economic imbalances, and civil society, which had proved unequal to the task of coping with the human consequences of market failure. Programs such as the NRA, AAA, WPA, and CCC reflected the belief that the market could not be trusted to generate enough jobs for workers or appropriate prices for goods, while Social Security, unemployment benefits, and AFDC emerged to assist, and in considerable measure to replace, voluntary associations swamped by the Great Depression's tide of human misery.

New Deal liberalism was the dominant paradigm for two generations. But by the end of the 1960s, there was a growing sense among both policy elites and the general public that the incremental gains stemming from further expansion of the politics sphere vis-a-vis the market and civil society were being purchased at excessive cost. The conservative movement, which culminated in the election of Ronald Reagan, in part represented the desire to roll back politics in favor of market transactions and the activities of voluntary social groups. The decade of the 1980s represented a sustained effort, which achieved a measure of success, to do just that. We are now in a position to evaluate

what we have gained, lost, and learned (or perhaps relearned).

The market, we see, is a remarkable mechanism for transmitting information and for inducing change. It promotes efficiency, generates wealth, fosters individual mobility and opportunity, and increases personal freedom. These are not inconsiderable advantages, and they help explain why the market attained almost iconic status among the nations throwing off the legacy of Stalinism in the late 1980s.

But there are entries in the debit column as well. The market is insensitive to the distribution of income and wealth among economic classes and geographical locations; indeed, there are indications that under contemporary conditions it tends to exacerbate preexisting disparities. Left to its own devices, the market does little to alleviate the burdens of the changes it induces; witness the struggles of communities and regions dependent on declining sectors such as steel, autos, and mining. To individuals as well as firms, the market presents various barriers to entry that are bound to have unequal impacts on different social groups--especially when educational attainment commands an increasing premium. The market is structured by rules that it neither creates nor enforces; so if the political sphere does not exercise its authority appropriately vis-a-vis the markets, inefficiencies and scandals result. The market, it turns out, does not achieve a self-regulating balance between private consumption and private investment or, for that matter, between the short term and the long term. Added to all these difficulties rediscovered

during the past decade are the classic kinds of market failures known (if perhaps underestimated) all along: imperfect information, externalities not factored into prices, and the inadequate provision of public goods that undergird sustainable economic growth.[23]

I have argued that the conservative movement of the past two decades represented a revolt against politics in the name of both the market and civil society. But a tension has emerged between these two anti-political commitments. The sustained, rapid, and inexorable changes produced by the market do not support--indeed, may weaken--the intermediary social groupings that require cohesion, stability, and trust. The unintended victims of the market's "creative destruction" include families, neighborhoods, and communities as well as inefficient and unresponsive firms.

This is not a new lesson, of course. It has been a staple of European social commentary since the Industrial Revolution. But the traditional American view, expressed classically in Tocqueville's Democracy in America, has been more hopeful: that the variegated web of voluntary associations comprising civil society would be strong enough to counterbalance the excesses of market-based individualism as well as of political centralization.[24] We are now learning that the market may have to be restrained by other means as well if civil society is to flourish.

And flourish it should. During the past decade, voluntary associations have performed remarkably in areas such as education, housing, and neighborhood safety--frequently in the face of

problems seemingly impervious to standard political and market mechanisms. Alongside these successes, however, have been troubling difficulties of scale and strength. In many instances, associations have been unable to mount efforts equal to the size of the problems: churches and advocacy groups, for example, have not been able to shelter all the homeless. Nor have associations been able to counteract the effects of broad economic and social trends that have overwhelmed many families and communities. Vigorous civil society is a necessary but not sufficient condition of social health.

While the experience of the 1980s has muted some enthusiasm for markets and civil society, it has done little to restore confidence in politics as a mode of collective action. By and large, the American people continue to equate the political sphere with the mode of government activity characteristic of the New Deal paradigm: a labor-intensive, self-regarding, unresponsive bureaucracy, captured by special interests at the expense of the general interest, wedded to old programs at the expense of new needs, with a seemingly bottomless appetite for consuming public funds but a limited capacity (at best) for resolving public problems. In the judgment of many, "government failure" is just as probable--indeed, just as pervasive--as "market failure."

These sobering conclusions are hardly confined to the United States. In a wide-ranging review of post-war international efforts, Anne O. Krueger comments: "One of the lessons of experience with development is that governments are not omniscient,

selfless, social guardians . . . One must ask why economists were ever comfortable with the simultaneous beliefs that individuals in the private sector act in their self-interest and that individuals in the public sector are motivated by a Benthamite vision of social justice."[25] As Krueger notes, this disillusionment about the benevolence and efficacy of government has led to some important insights: "First, when economic policies create something that is to be allocated at less than its value by any sort of government process, resources will be used in an effort to capture the rights to the items of value. Second, whenever a government policy has clearly identifiable beneficiaries and/or victims, those groups will tend to organize in support or opposition to the policies and then lobby for increasing the value of the gains or reducing the value of the losses."[26]

The analytical framework developed in this section can be used, we believe, to illuminate the current plight of rural America. On the one hand, market forces on balance did not promote rural development during the 1980s, and the unchecked market's indifference to issues of spatial distribution was nowhere more clearly demonstrated. Nor, in spite of heroic efforts, was rural civil society able to address effectively the problems with which it was confronted. Churches, communities, and support groups ministered to distress and occasionally warded off worst-case outcomes, but without reversing underlying negative trends. The public sector, finally, did no better: in spite of unprecedented spending on programs regarded as "rural," the federal government

did almost nothing to improve the longterm prospects of rural families and communities.

This last point is perhaps the least obvious and requires further elaboration. James Bonnen has argued that U.S. rural policy is a classic example of government failure. The reason, he contends, is that over the past century the political economy of rural America was institutionalized around key industries rather than communities. For much of the period, this political configuration was not too damaging. But in the crisis of the Great Depression, Congress created legislation that for the most part provided selective goods to specific groups, usually agricultural. This evoked a mobilization of agricultural interest groups to defend and expand public benefits (as Krueger's model predicts) at precisely the time that the agricultural sector was rapidly shrinking as a percentage of rural population and economic output. The result has been the domination of national rural policy by an increasingly narrow and unrepresentative segment of rural America.[27]

The inadequacy of rural political institutions has been exacerbated by population mobility. One consequence is obvious and well-known: as rural residents leave their communities in search of opportunity elsewhere, the rural population declines as a percentage of the total, decreasing its representation in state and national legislative bodies. (This trend was accelerated by the one-person one-vote Supreme Court decisions of the 1960s, which left the U.S. Senate as the last bastion of rural over-representation.)

Another consequence of population mobility is less obvious, but just as important: the weakening of internal forces pushing for change. As Albert Hirschman has argued, "exit" and "voice" constitute the two major forms of response to organizational decline. Individuals dissatisfied with the performance of firms or communities can choose either to leave or to stay and speak out for reform. The problem is that the availability of the (external) exit option tends to inhibit the development of effective (internal) voice.[28] Exit serves as a safety valve that removes the most energetic and upwardly mobile members of the community, leaving behind a stratified mix of those who are relatively satisfied with the status quo and those too old, weak, or downtrodden to muster an effective protest against it. (A number of studies suggest that the portions of Europe with the highest rates of out-migration during the 19th century were less prone than others to social protest and violence.)

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

in the revitalization of rural America.

Conclusion: Rural America in the 1990s

Everything I have said thus far can be summarized in one thesis: The future of rural America is the vector-sum of structural facts that delimit a range of possibilities and public choices that select and implement choices from within that range. Analysis goes astray if it gives pride of place to either of these vectors at the expense of the other. We must not overlook the powerful national and international winds now buffeting so many rural communities, but neither should we slight the ways in which, even in the face of these inhospitable conditions, skilled hands at the public helm can artfully tack and move forward.

In this complex interplay between structure and agency, it is important to maintain the distinction between macro-level trends and micro-level choices. What is true in the aggregate may not be valid for individual communities: for example, within an overall pattern of sectoral stagnation, opportunities for local growth may nonetheless persist. The point is only that a sounder understanding of broad developments will create a context in which policy analysts and local decision-makers can more realistically evaluate the odds of success for each of the options before them. Rural communities need not always "go with the flow," but they should at least understand the nature of that flow.

Let me summarize the consequences for research and public policy that seem to me to flow from this thesis.

(1) As we have seen, the pressures of international competition will force steady productivity increases in agriculture, natural resources, and manufacturing, driving even deeper the wedge between output and employment. If there is to be any hope of maintaining--let amone expanding--the rural job base, local communities and national policy must turn increasingly toward the substantially non-traded sectors of the economy, such as the retiring elderly, tourism, and the siting of government activities. This new emphasis is consistent with the shift of rural comparative advantage to a third phase, one that emphasizes amenity values rather than natural resources or the costs of production.

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

(3) The continuing, perhaps even enhanced importance of rural linkage to thriving metropolitan areas means that efforts must be intensified to find effective functional substitutes for the geographical fact of adjacency. Although initial hopes for greater spatial dispersion of the service sector have proven overly

optimistic, rural policy in the 1990s must focus on sectors--such as advanced telecommunications--that could give rural communities more complete, timely access to information and lower existing barriers to fuller rural participation in the most vigorously growing parts of the economy.

(4) The emerging importance of size for community health--even community survival--suggests that institutional change is essential. Small rural communities must seek to break down political boundaries and form new cooperative political units for education, service delivery, and public entrepreneurship--units that more closely correspond to the real scope of contemporary rural economic and social life. Recent trends suggest that only through such consolidation can many of the smallest communities hope to continuing decline and eventual extinction.

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

local job opportunities and staunch the outflow of young people.

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NOTES

1. For fuller discussion, see Kenneth L. Deavers, "Rural Development in the 1990s: Data and Research Needs," paper prepared for the Rural Social Science Symposium, AAEA, Baton Rouge Louisiana, July 28-29 1989.

2. Deavers, "Rural Development in the 1990s," pp. 12-13.

3. Scott Barancik, "The Rural Disadvantage: Growing Income Disparities Between Rural and Urban Areas" (Washington, DC: Center on Budget and Policy Priorities, 1990), p. 9.

4. Lucy Gorham and Bennett Harrison, "Working Below The Poverty Line: The Growing Problem of Low Earnings in Rural and Urban Regions across the United States" (Washington, DC: The Aspen Institute, 1990), p. 16.

5. Isaac Shapiro and Robert Greenstein, "Fulfilling Work's Promise: Policies to Increase Incomes of the Rural Working Poor" (Washington, DC: Center on Budget and Policy Priorities, 1990), p. 3.

The interaction of poverty and the relative scarcity of critical services such as health care has devastating consequences for many rural residents: "Maternal and infant mortality rates are substantially higher than those in urban areas and are rising at a faster rate. Rural Americans have disproportionately high rates of serious chronic illness, accidents, and disability. But the health care system is not equipped to adequately serve these needs." Searching for "The Way that Works: An Analysis of FmHA Rural Development Policy and Implementation (Washington, DC: The Aspen Institute, 1990), p. 3.

6. Deavers, "Rural Development in the 1990s," p. 11. Unless otherwise attributed, the figures cited in the foregoing summary of rural trends are drawn from this paper.

7. Calvin L. Beale and Glenn V. Fuguitt, "Decade of Pessimistic Nonmetro Population Trends Ends on Optimistic Note," Rural Development Perspectives 6, 3 (June-September 1990): 14-18.

8. See David Shribman, "Iowa Towns Shrivel As the Young People Head for the Cities," Wall Street Journal, April 24 1991, A1.

9. Deavers, "Rural Development in the 1990s," p. 6.

10. Peter F. Drucker, The New Realities (New York: Harper & Row, 1989), p. 122.

11. Peter F. Drucker, "The Changed World Economy," Foreign Affairs 64, 4 (Spring 1986): 773.

12. Gavin Wright, "The Origians of American Industrial Success, 1879-1940," American Economic Review 80, 4 (September 1990): 651-668.

13. Drucker, "The Changed World Economy," pp. 775-777.

14. Lester C. Thurow, The Zero-Sum Solution (New York: Simon and Schuster, 1985), p. 84.

15. Lester C. Thurow, "The Big Lie That Caused The Budget Catastrophe," Washington Post, October 7 1990, D5.

16. Thurow, "The Big Lie," D5.

17. For a useful summary of the early warning signs, see John Burgess, "Flood of Money Into U.S. Slows to a Trickle," Washington Post, October 7 1990, H1.

18. The latest indications are that bank failures may push the FDIC toward insolvency and force a costly recapitalization. See Stephen Labaton, "$5 Billion '91 Loss Seen for U.S. Fund Insuring Deposits," New York Times, December 17 1990, A1.

19. Deavers, "Rural Development in the 1990s," pp. 11, 17.

20. Deavers, "Rural Development in the 1990s," p. 9.

21. Emery Castle, "Policy Options for Rural Development in a Restructured Rural Economy: An International Perspective," in Gene F. Summers et al., Agriculture and Beyond: Rural Economic Development (Madison: University of Wisconsin College of Agricultural and Life Sciences, 1987), pp. 16-17.

22. For a similar account, see Charles E. Lindblom, Politics and Markets (New York: Basic Books, 1977), chapter 2.

23. For a multifaceted exploration of these themes, see Dieter Helm, ed., The Economic Borders of the State (Oxford: Oxford University Press, 1989).

24. See especially Democracy in America, Volume Two, Part II, chapters 2-8.1

25. Anne O. Krueger, "Government Failures in Development," The Journal of Economic Perspectives 4, 3 (Summer 1990): 11, 13.

26. Krueger, "Government Failures," pp. 17-18. She goes on to observe that this is so regardless of whether the policies will initially adopted because of special interest lobbying or out of

genuine concern for the public interest. Government action can trigger the mobilization of interest groups.

27. James T. Bonnen, "U.S. Perspective on the Interest Group Base of Rural Policy: People, Agriculture, The Environment," paper prepared for the International Symposium on Economic Change, Policies, Strategies and Research Issues, Aspen, Colorado, July 4-7 1990.

28. Albert Hirschman, Exit, Voice and Loyalty (Cambridge, MA: Harvard University Press, 1970), chapter 3.