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The Rural Poor: What We Know and What We Need to Know

Over nine million people live in poverty in rural areas, one million of them in the Northwest. Yet we know very little about who these people are and what they need to move out of poverty. In this article, ***Cynthia M. Duncan*** *and* ***Ann R. Tickamyer*** *describe why we need good policy-oriented research on the rural poor and why the time is ripe to undertake it. Duncan is associate director of The Aspen Institute's Rural Economic Policy Program and has worked on both poverty research and policy development in Appalachia. Tickamyer is associate professor of sociology at the University of Kentucky where she teaches and conducts research concerning rural labor markets, gender and social class, and political sociology. A longer version of this article appeared in the fall 1988 issue of* The American Sociologist.

After a decade of neglect, poverty has begun to receive greater attention from researchers, policymakers, and journalists. Congress passed a major welfare reform bill this past fall, several foundations have initiated programs to support studies of the urban underclass, and the media is once again doing stories on the poor. Renewed concern about poverty probably stems from several interrelated factors. First, there has been an alarming increase in inner-city poverty since the late 1960s, especially among Black female-headed households. Secondly, growing numbers of homeless people have generated substantial public concern. Finally, the combined effects of a major recession and changes in the structure of the national economy appear to be causing an increase in the number of working poor and growing inequality. Poverty among working people rose from a low of six million people in the early 1970s to over nine million in 1985.

This renewed concern about persistent poverty and growing inequality offers an opportunity to bring increased attention to the plight of the rural poor, who make up nearly one-third of the nation's thirty-three million poor. ("Rural" and "nonmetropolitan" are used interchangeably here, but the reference is techni-

These conditions are unlikely to improve without deliberate policy initiatives to address the development and human resource needs in rural areas.

cally to nonmetropolitan data as defined by the U.S. Office of Management and Budget.) Rural areas like Appalachia, the Delta region, and Indian reservations have long been plagued by some of the most persistent poverty in the United States, but now rural areas also have many new poor because the changing structure of the national economy has hit rural economies particularly hard. Many jobs disappeared in the goods-producing industries upon which rural economies have traditionally depended, swelling the ranks of the rural poor with displaced workers and their families and leaving poor rural communities even poorer. These conditions are unlikely to improve without deliberate policy initiatives to address the development and human resource needs in rural areas.

But what is also needed to move forward on policy to help the rural poor is a better understanding of the dynamics of rural poverty—of who moves in and out of poverty—and of the social and political conditions of depressed communities. The working poor need one kind of assistance, the elderly and disabled another. The persistent poor face obstacles different from those faced by the temporary poor. Urban analysts have made important contributions to debates about persistent poverty and its relationship to welfare by studying the movement of different groups in and out of poverty over time, and their findings have influenced policy development. Now the time is ripe for similar attention to the rural poor.

Studies of rural poverty can also help those who analyze poverty more generally. Because of their smaller size and physical isolation, rural communities provide an environment where the economic problems of poverty can be more readily separated from the social problems, such as crime and drugs, that complicate the lives of the urban poor. In addition, since the majority of the rural poor work, the relationship between willingness to work and opportunity to work can be examined more systematically in rural areas.

We need to encourage policy-oriented studies to help the rural poor for both moral and economic reasons. On the one hand, young people growing up poor in rural areas deserve the opportunity to participate fully in mainstream American life. On the other hand, employers throughout the nation will need new, well-trained workers to meet labor needs in coming years; many of these future workers now live in poor rural areas.

Characteristics of Rural Poverty

Nine million poor people live in rural areas nationwide, one million of them in the states of the Northwest. At 17 percent, the 1987 poverty rate of the rural population is close to that of the inner cities (19 percent) and higher than the entire urban population (13 percent). Many remote rural areas have poverty rates as high as 30 percent. Economic opportunities have been limited in these areas for decades, and this chronic underdevelopment has prevented them from building the basic human resource and institutional infrastructure that is crucial for future improvements in the economy.

Popular perceptions about rural poverty frequently stereotype certain places and specific groups. Poor Black tenant farmers, mountain people, or Native Americans, and their spatial counterparts—the Mississippi Delta, the Appalachian mountains, or Indian reservations—invoke images of generations of poverty, welfare dependency, and an entrenched culture of poverty. These poor people are seen as outside the mainstream, not sharing society's lifestyles or values—a kind of rural underclass. But our popular views do not accurately reflect who is poor in rural areas and how they behave.

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The rural poor differ from the urban poor. A greater proportion of the rural poor are white, a greater proportion are elderly, and a smaller proportion live in female-headed households. Children make up 35 percent of the rural poor, compared to 39 percent of the urban poor.

However, those who are especially vulnerable to poverty—the elderly, children, and minorities—are even more vulnerable in rural areas. Eighteen percent of the rural elderly are poor, compared to 11 percent of the urban elderly. Twenty-four percent of all rural children are poor—3.4 million—compared to 19 percent of all urban children. There are 6.5 million poor whites in rural areas and 2.3 million poor rural Blacks, Seattle Times, Betty Udesen

Many remote rural areas have poverty rates as high as 30 percent. ***Above****, Andrew Kottke feeds the chickens on his mother's isolated farm in the economically hard-hit area north of Spokane, Washington.* ***Below****, Opal King of Ione, Washington, who gets by with her Social Security and the food she grows in her garden.*

Seattle Times, Betty Udesen

The Poor in Nonmetropolitan and Metropolitan Areas, 1985

	Rural		Urban	
	Poverty Rate	Poverty Population	Poverty Rate	Poverty Population
Total	18%	9,789,000	12%	23,275,000
Elderly	18	1,284,000	11	2,172,000
Children	24	3,448,000	19	9,035,000
White	16	7,445,000	10	15,415,000
Nonwhite	24	2,344,000	22	7,860,000
Persons in female-headed households	44	2,572,000	36	9,028,000

Note: Chart figures, 1985; text figures, 1987. "Poverty rate" refers to the percentage of a particular group, such as the elderly or children, living in poverty.

Source: Bureau of the Census, *Poverty in the United States, 1985*, Series P-60, No. 158.

but 43 percent of all rural Blacks are poor (compared to 29 percent of all urban Blacks).

Similarly, although proportionately fewer of the rural poor are children or Blacks living in female-headed households, those who do fit these categories are more likely to be poor. For example, the poverty rate for rural Blacks in female-headed households is 64 percent (compared to 51 percent of those in Black female-headed households in metro areas). Children in rural female-headed households have a poverty rate of 59 percent, while Black children in rural female-headed households have a poverty rate of 83 percent.

Poverty rates are higher for rural Blacks than for urban Blacks, and for rural female-headed households than urban female-headed households, because rural areas have a smaller proportion of middle-income Blacks and middle-income female-headed households. The poverty rates are telling us not only what groups *are* in rural areas, but also what groups are *not*. In this respect, rural areas are more like the inner-city areas that University of Chicago sociologist William J. Wilson describes in *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*. In both instances, middle income and better educated working-age adults have left the area for places that offer greater job opportunities and a better quality of life, leaving behind a largely disadvantaged group and very few workers with steady jobs.

Not surprisingly, urban poverty analysts find that those living in areas of concentrated poverty face a distressing web of social problems and have limited individual and community resources to address them. The impact of living in a poor neighborhood, the way it affects everyday lives and opportunities for upward mobility, is probably equally great in chronically depressed rural areas. In fact, some studies suggest that the isolation, alienation, and limited expectations experienced by those in an urban ghetto are very similar to the experiences of those growing up poor in rural areas. Despite these similarities, the unique social and economic conditions that characterize rural areas must be considered in planning programs and policies for rural problems.

Rural areas are not densely populated, do not have diverse economic activities, and generally do not have a well-developed public sector. These differences not only mean there is limited potential for cultivating job opportunities, but also that the institutional and financial base for public program delivery may be weak. Furthermore, basic education and skills lag far behind in rural areas, and these deficiencies are at once so serious and so fundamental to improvement that they must be at the center of policy addressing rural poverty. Even though rural areas closed the gap with urban areas on many basic social and economic indicators such as housing and health conditions during the 1960s and 1970s, the gap in educational attainment widened during this period. Study after study shows that education has the single strongest correlation with poverty: poverty is consistently much higher for those with less education.

Those formulating policy for the rural poor also need to take account of the way rigid social stratification blocks upward mobility. Children from poor families are stigmatized in small rural towns, and this stigma follows them into the school system, where little is expected from them or done for them. The entrenched patronage in many rural school systems, especially in the South, is also a fundamental obstacle to individual and community development. Where jobs are scarce, public jobs are either doled out as political favors or go to friends and families. In both cases, political patronage often undermines the effectiveness of program management and the dedication to reaching those most in need.

New Research Needs and Opportunities

Case Studies

To move public policy and inform its design, we need comprehensive and comparative studies of rural poverty populations that bring together detailed understanding of people's positions in the labor market, conditions in their community, the nature of the social service network that affects them, and an objective account of their day-to-day lives.

In addition to filling a serious gap in current research, community and case studies offer researchers the opportunity to go beyond polemical political rhetoric about poverty where conservatives argue that people are poor because they are lazy and choose welfare over work, and liberals argue that poor people just need a chance to work and should not be blamed for their poverty. Clearly, policy must be based on a solid understanding of poverty. It is important to understand how changing labor markets and fluctuations in the national economy affect poverty rates and under what circumstances whole families sink into long-term poverty. The economic structure may be the first part of the equation, but it is incomplete by itself. Past research has failed to integrate models of economic opportunity with human experiences. Case studies of the rural working poor would contribute some solid evidence about the relationship between work opportunity and the behavior and attitudes of the poor.

In addition to case studies of the rural poor, we need to investigate household and family structure, labor markets, and persistent poverty for people and places. We need to answer fundamental questions about who is poor, for how long and what reason, and to what extent their social relations and behavior are rational.

Gender Issues

Some of the most innovative policy-relevant work on poverty in recent years has been prompted by interest in gender issues and renewed concern about women's particular vulnerability to poverty. Popular concepts such as the feminization of poverty underscore the linkages between poverty and gender discrimination, women's disadvantage in the labor market, and the plight of female-headed households. This recognition of women's special vulnerability to poverty and the reasons behind it has been a key to new understanding of sources of poverty and directions for programs and policies. For example, research on the relationship between poverty and household structure has influenced proposals for welfare reform that include new measures to assure child support.

The composition of both immediate and extended families directly affects how the rural poor piece together a livelihood. Researchers have made great strides in understanding the relationship between poverty, family type, and life course events. We know that female-headed households are far more vulnerable to poverty, and the children in such households are at great risk; divorce and teenage pregnancy are two of the most common life course events creating economic vulnerability. What is less well known is the extent to which women and children in rural areas face similar circumstances. Many rural areas with high poverty rates, such as Appalachia, have comparatively fewer female-headed households, while others, such as the Black Belt in the South, have large numbers of female-headed households. In both areas, teenage pregnancy is high.

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The most basic questions remain unanswered: What is the household composition of different groups of rural poor? How are family structure and economic opportunity intertwined? Who is bringing in income (or other resources)? How does this influence poverty status? Where do values and behavior fit in perpetuating poverty in these areas?

Labor Market Issues

Since a substantial number of the rural poor are part of the working poor—persons in households with at least one member in the labor force—studies that

The New York Times, David R. Frazier

In the early 1980s, Challis, Idaho, boasted close to 3,000 people; today, after hard times hit the Challis mine, there are fewer than half that number. Kathy Sullivan, with her son, near mailboxes for homes that once stood in the field in the background. Houses were lifted and moved away.

examine the relationship between labor markets and poverty are crucial. Many of the rural poor are marginal labor, people buffeted by the volatility and seasonality of rural economies. They are often unemployed or underemployed and earn minimal wages when they work. Labor markets determine the opportunities available to workers (or potential workers), and hence represent the arena where individuals find work and opportunity for economic and social mobility. In recent years, researchers have reached a better understanding of how labor markets work, and this knowledge too can be extended to rural areas.

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A related issue is the extent to which the rural poor participate in informal and underground economies, working but doing so in markets outside the formal economy. Recent evidence suggests that informal markets are becoming a more important part of the economy in advanced industrialized societies. Interviews with displaced coal miners indicate that many earn income in "odd jobs," such as timber and carpentry, or illegal jobs, such as unofficial taxi cab driving. In rural areas, families and friends may trade goods and services more often than in cities. Relatively little systematic information exists on the informal economy's scope or how it affects the rural poor.

Longitudinal Analyses of Persistent Poverty

Finally, we must learn more about the persistence of poverty for people and places. National longitudinal studies and research on the urban poor have made it clear that there are far fewer persistently poor or intergenerationally poor people than persons who have "spells" of poverty. However, even though the persistently poor make up only a small fraction of the poor, their problems are especially intractable, and currently many of the persistently poor are children.

A number of rural areas are chronically poor. Families in these places are frequently assumed to be persistently poor, but little solid evidence exists on the extent to which the same families remain poor and the extent to which these areas continue to attract poor people. We know too little about how often outmigration means escaping poverty and achieving upward mobility, especially for recent migrants. To what extent does migration itself represent the antithesis of the culture of poverty thesis, as individuals and families leave areas of little economic opportunity to find work elsewhere? Are those left behind persistently poor?

Household structure, persistent poverty, and labor force participation are interrelated. Ability to find work depends on the characteristics of the local labor market, the availability of household members to take a job, and the willingness of people to try different kinds of work or combinations of jobs. To devise better programs and policies to alleviate poverty, researchers and policymakers must apply an analytic framework that distinguishes between different types and sources of poverty while, at the same time, investigating their linkages.

Policy Implications

Research on the rural poor would contribute insights and practical information to those designing welfare reform programs today. Current reform proposals from both conservatives and liberals emphasize work—responsibility rather than entitlement, as conservatives choose to phrase it. This could mean important gains for the rural poor, who would benefit more than the urban poor from many current proposals. In recent papers, the Center on Budget and Policy Priorities, a Washington, D.C.-based organization, has pointed out that enlargement of the earned income tax credit with adjustments for family size would help many rural poor, since this credit only benefits the working poor, many of whom are in rural areas.

The Center also reports that other current proposals would have a major effect on portions of the rural poor. Requiring all states to cover poor two-parent families under Aid to Families with Dependent Children (AFDC) would especially help the rural poor, since half the states (including most rural states and all Southern states except South Carolina) do not now do this. Similarly, raising AFDC benefits to a national minimum would be most widely felt in rural Southern states, where benefits can be as low as 50 percent of the poverty line. Proposals to extend Medicaid, remove the poor from state income tax rolls, and reform collection of child support would aid the poor wherever they live.

But the rural poor also have special needs that go unmet when programs are tailored for urban areas, without regard for conditions in the isolated rural communities still bearing the brunt of a restructured economy. The main thrust of current welfare reform proposals is work—willingness to work, opportunities to work, and skills to work. Many of the rural poor already work, but have jobs with inadequate wages. Many others are eager to work, but opportunities are scarce in rural areas. Evaluations of workfare experiments show that this scarcity makes these programs meaningless because there are no jobs for those required to work. Consequently, rural areas are frequently exempted from work requirements. On the other hand, it is noteworthy that when workfare programs serve as public jobs programs, they offer valued work opportunities in these lagging economies.

Spokesman-Review, Colin Mulvany

Stagnant or deteriorating labor markets in rural areas have contributed to the migration of many seeking better opportunities and more available social services in cities.

Inadequate work skills are also a more pressing issue in rural areas. Rural youth lag behind not only in educational attainment and training, but also have fewer opportunities to gain skills. Those who do have skills often must choose between migrating or accepting lower job aspirations. Without new policies specifically aimed at rural areas, the rural poor who have worked in traditional goods-producing industries will feel the brunt of the permanent economic restructuring occurring throughout the rural economy. Those isolated in remote hollows, Indian reservations, and Delta shacks will be unable to compete with their more skilled and educated peers who live in urban or suburban communities. Their isolation from work and opportunity not only means they face diminished life chances as individuals, but also affects the economic future of the nation. With an impending labor shortage, the quality of the nation's work force and its future international competitiveness depend on swift and far-reaching efforts to reach the poor children and youth in rural areas as well as urban ghettos.

New research specifically aimed at rural poverty is essential to address the particular problems of the poor in rural areas. In addition, extending our understanding of poverty to cover rural residents and places as well as urban and ghetto residents offers a crucial opportunity to enlarge our overall understanding of the causes, consequences, and correctives of poverty in this country. It is necessary for researchers—both those traditionally concerned with rural issues and those with more general interest in inequality—to undertake research in this area. Creative, rigorous research has the potential to build public awareness and concern about the problems facing the rural poor and, at the same time, shape appropriate policy responses.

Seattle Times, Craig Fujii

New policies aimed specifically at rural areas could help the rural poor cope with the impact of the restructuring of the economy.

Rural Poverty in the Northwest: New Findings and Policy Implications

Recognizing the lack of current data on rural poverty in the Foundation's eight-state funding region, the Northwest Area Foundation commissioned ***Professor Robert D. Plotnick*** *of the Graduate School of Public Affairs, University of Washington, to research and analyze current poverty conditions and state responses. This is a summary of the complete report, which is available upon request from the Northwest Policy Center, DC-14, University of Washington, Seattle, Washington 98195, (206)543-7900.*

The states of the greater Northwest have experienced major economic change in recent years. Agriculture, timber, and mining, three key resource-based industries, have come under severe pressure. Because these industries are especially important sources of employment and income to rural residents of the region, their problems have raised concern that poverty in rural areas has increased significantly. However, accurate recent data on nonmetropolitan poverty in the Northwest does not exist. Discussions of the poverty problem and potential strategies for reducing it often flounder for lack of solid information.

To fill this need, this study presents newly developed data on the poverty of nonmetropolitan residents in eight northwestern states during the mid-1980s. As a basis for comparison, it also presents poverty statistics for metropolitan residents. In addition, it provides evidence on how well each state's income maintenance policies contribute to reducing poverty.

"Nonmetropolitan" means not residing in a metropolitan statistical area; "metropolitan" means residing in one. The poverty lines are those used by the Bureau of the Census. In 1986 the lines ranged from $5,255 for an elderly person living alone to $22,497 for a family of nine or more. The poverty line for a family of four was $11,203.

The Extent of Poverty

The chart on page 10 shows the level of poverty in the mid-1980s among persons in the eight states of the Northwest. The lowest nonmetropolitan poverty rate of 13.9 percent occurs in Washington and Iowa. The highest rate, 19.7 percent, occurs in South Dakota. The poverty rates in the other five states range between 15.6 and 17.6 percent. In each state the level of nonmetropolitan poverty was higher in the mid-1980s than it was in the mid- to late-1970s.

In all eight states, per capita income was lower in nonmetropolitan areas than in the metropolitan areas. It is hardly surprising, then, that, with the exception of Iowa, nonmetropolitan poverty exceeds metropolitan poverty.

In absolute terms, Idaho, Montana, and the Dakotas contain more poor people in nonmetropolitan than metropolitan areas. The reverse is true for Washington, Oregon, Iowa, and Minnesota. Over the entire region there are 1.12 million nonmetropolitan poor, slightly less than the 1.22 million metropolitan poor.

The strength of an economy has a major influence on the extent of its poverty. In all eight states, per capita income was lower in nonmetropolitan areas than in the metropolitan areas. It is hardly surprising, then, that, with the exception of Iowa, nonmetropolitan poverty exceeds metropolitan poverty.

Official Poverty Rates and Poverty Populations

Eight Northwest States, mid-1980s

State	Metropolitan Poverty Rate	Metropolitan Poverty Population	Nonmetropolitan Poverty Rate	Nonmetropolitan Poverty Population	Combined Metropolitan and Nonmetropolitan Poverty Rate	Combined Metropolitan and Nonmetropolitan Poverty Population
Washington	11.8%	397,294	13.9%	142,818	12.3%	540,112
Oregon	10.2	195,010	15.6	119,298	11.8	314,308
Idaho	10.8	22,918	17.6	135,609	16.1	158,527
Montana	13.4	29,512	16.9	103,094	16.0	132,606
North Dakota	10.2	26,233	17.5	72,428	14.7	98,661
South Dakota	6.0	7,553	19.7	112,507	17.2	120,060
Iowa	19.2	265,450	13.9	204,382	16.4	469,832
Minnesota	10.0	277,230	16.9	230,102	12.3	507,332
United States	12.6	23,109,305	18.5	9,657,529	13.9	33,011,539*

* Total U.S. poverty population exceeds the sum of its metropolitan and nonmetropolitan components because of some unidentified residents.

Source: Tabulations from the combined March 1986 and March 1987 Current Population Survey data tapes.

Income Support Policy in the Northwest and its Impact on Poverty

States have significant discretion in setting eligibility conditions and benefits for Unemployment Insurance and Workers' Compensation, two major income support programs for which eligibility and benefit levels depend on past contributions, not on financial need. Within broad federal guidelines, states also set eligibility and benefit levels for three major welfare programs: Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and Medicaid. (Welfare programs base eligibility on financial need.) In addition, some states have General Assistance programs for needy individuals not covered by AFDC or SSI.

The Northwest generally offers more generous income transfer benefits than other regions. Average Northwest benefit levels exceed the U.S. median except for Unemployment Insurance. But in no state does the combined AFDC and food stamp benefit to a family with no other source of income exceed the poverty line.

In Minnesota, benefit levels equal or exceed the Northwest average in every program. Washington and Oregon exceed the average in three programs. Idaho and North Dakota do so in two. Montana, South Dakota, and Iowa fall below the Northwest average in all but one program.

To determine how well a state's transfer system alleviates poverty, one must examine poverty before the provision of any state benefits and then compare it to the state's official level of poverty when all benefits are counted. In nonmetropolitan areas, Oregon's transfers have by far the highest antipoverty impact, with 15.9 percent of persons who would have been poor taken out of poverty by state benefits. For the Dakotas and Minnesota, the antipoverty impacts are less than 5 percent. In the other four states, between 7.4 and 10.8 percent of nonmetropolitan persons who would have been poor received enough benefits to escape poverty.

In most states in the Northwest, transfer policies less effectively reduce nonmetropolitan poverty than metropolitan poverty. Montana and Iowa are exceptions to this pattern.

The federal Family Support Act of 1988 requires all states to extend AFDC to eligible two-parent families with an unemployed adult by early 1990. This will increase the antipoverty impact of income transfers in Idaho and the Dakotas, which currently do not offer this program.

Is Nonmetropolitan Poverty Likely to Be More Persistent?

Only one set of data has tracked persons over many years and, therefore, allows study of persistent poverty. Unfortunately, its sample is too small to permit analysis at the state level. Research based on it shows that, over the entire country, rural families are more likely than urban families to be among the persistently poor. This suggests that nonmetropolitan poverty in the Northwest is likely to be more persistent. On the other hand, the nonmetropolitan poor in the Northwest have demographic characteristics less frequently associated with persistent poverty. Thus, whether the rural Northwest poor are more likely to be persistently poor than the urban poor is an open question.

Policy Directions

States have two broad approaches to reducing poverty: foster a healthy, growing economy, and improve the income support system.

Encouraging economic growth, particularly in rural areas, poses difficult problems for states. State policymakers have no control over national and international developments that have major impacts on state economies.

States can, however, provide an environment that supports economic opportunities evolving out of national and international economic change. This means upgrading the transportation and telecommunication infrastructure, improving the education, skills, and flexibility of the work force, and taking other steps to stimulate economic growth. Tilting such efforts towards nonmetropolitan areas would help close the gap between metropolitan and nonmetropolitan poverty. A low-cost effort with potentially high returns would be to provide rural community leaders with more extensive technical assistance about economic development strategies.

State options for improving income support programs span a wide range. An interesting new idea now being tested in Washington State would allow recipients of Unemployment Insurance or welfare to use their benefits to help start businesses. If such programs work, small towns and rural areas may be their most successful locales because of the strong tradition of self-employment in these areas. While using transfers to promote self-employment is hardly a comprehensive solution for rural poverty, it is an option worth exploring. Efforts should stress developing products that could be sold outside the local area, thereby generating export earnings that build the local economic base and create new jobs.

Other major options for improving income support programs include:

Raise AFDC benefit levels. In no Northwest state does the combined AFDC and food stamp benefit for families with no other sources of income exceed 90 percent of the poverty line. In five states it is less than

Nancy Conroy

States can work to reduce poverty by improving the income support system. Promising strategies include allowing welfare recipients to use their benefits to help start small businesses, raising AFDC benefit levels, implementing "workfare," and improving the child support system.

Graduates of an entrepreneurial training program for low-income women established by the Snohomish County Private Industry Council in cooperation with several state departments. A Northwest Area Foundation grant supports the program's revolving loan fund.

80 percent of the line. Indexing welfare benefits to the inflation rate would also help.

Implement "workfare." Under workfare, receiving welfare carries with it the expectation or, in some versions, the requirement that a recipient look for and accept a job, or participate in education, training, or work experience activities in preparation for work. Workfare participants' earnings tend to rise and some leave the welfare rolls. However, the changes are modest and do not have a major effect on poverty. So while the programs are good investments and help reduce poverty and welfare dependence, they are not a panacea for metropolitan or nonmetropolitan poverty.

Washington's version of workfare, the Family Independence Program, has recently begun operation. Iowa has proposed its own workfare initiative and currently awaits federal approval. The Family Support Act mandates all states to phase in workfare programs during the 1990s. If other Northwest states do not have workfare plans under development, they should begin the lengthy process of developing programs appropriate to their economies and dependent populations, obtaining federal approvals, and implementing them. As they do so, they should recognize that appropriate job training, child care, and work opportunities for welfare recipients will differ depending on the local economic and social structure. Thus, rural workfare programs will probably need to differ from urban ones.

Improve the child support system. States may want to consider a new approach being tried in Wisconsin. First, all absent parents contribute a percentage of their gross income, based upon the number of children for whom they are responsible. Second, employers automatically deduct the payment, just as they now do for taxes. The government sends the money to the custodial parent. (The Family Support Act has enacted this aspect of the Wisconsin plan into national law.)

Third, if payments by the absent parent are too low to provide a minimum level of child support, the government makes up the difference between that parent's contribution and the minimum. An assured minimum shields children from the full effects of an absent parent's low earnings or decline in earnings. Alone, it would not have much impact on poverty, since it would mostly be offset by lower AFDC payments. But, unlike AFDC, it would not be reduced as earnings rise. Part-time work combined with the minimum benefit (or more, if the absent parent's earnings are high enough) would often move the family off welfare and out of poverty.

Improve outreach efforts. Transfer program participation rates tend to be lower in rural areas. Successful outreach efforts could help bring nonmetropolitan poverty levels closer to metropolitan ones.

Next Steps for Research

To monitor changes in poverty in the region, analysts can update the findings as newer data becomes available. The 1990 census will provide a wealth of detailed data on rural and urban poverty at the state level. In the early 1990s, when census data becomes available, analysts can examine the Northwest poverty picture in much greater detail than is now possible.

A study is needed to assess the importance of persistent poverty in the Northwest. One cannot obtain state-by-state information because of data limitations. If data for all eight states were combined, it might be possible to examine rural-urban differences in persistent poverty for the region.

A final research project could critically analyze each state's major social, economic, and tax policies, asking: What do they do for the poor? For the rural poor in particular? Are they biased in favor of the urban poor? The rural poor? Could funds be reallocated and programs redesigned in a budget neutral fashion to make them better antipoverty tools? If more resources were available for helping the poor, what would be the best strategies? Such analyses, conducted with sensitivity for the economic, social, and political conditions of each state, may help move antipoverty concerns higher on Northwest states' policy agendas in the 1990s.

***Betty Jane Narver**, director of the Institute for Public Policy and Management at the University of Washington, commented on the policy initiatives states can take in response to growing poverty. She stresses states' critical need for further information about poverty in order to plan appropriate programs.*

The issues raised in Robert Plotnick's article provide important policy direction for decision makers. Because of the major changes that have buffeted the economy of the Northwest, states must exercise their considerable discretion in designing policy responses to the problems faced by the region's poor. The first, most far-reaching choice has to do with new ways in which states can encourage the growth and the diversification of their economies. Nonmetropolitan areas can be revitalized if they are kept abreast of changing technology and can benefit from the economic growth of urban areas.

The other major initiative states can take in improving the condition of their poorest residents involves carefully redesigning their income support systems. Unemployment Insurance, as well as Aid to Families with Dependent Children (AFDC), Supplemental Security Income, and Medicaid, all become tools in counteracting the adverse impacts of a restructured economy.

Washington State will soon complete the first full year of its Family Independence Program (FIP). This attempt to completely overhaul the state's welfare system was conceived by Jule Sugarman, then secretary of the state's Department of Social and Health Services. A wide-ranging effort aimed at moving AFDC recipients toward self-sufficiency, FIP provides services in education, job training, job referral, child care, medical assistance, and counseling. Many AFDC clients remain on welfare because they cannot earn enough to cover the costs of working. FIP's intent is to ease the transition into the work force by reducing these costs and improving client skills. Child care and medical care are being provided without cost to FIP enrollees involved in education, training, or employment.

At present the program has been implemented in eight selected sites, with plans to expand statewide. However, legislative scrutiny is currently focused on the program's ability to achieve the thirteen thousand job placements projected for the first year and necessary to keep the program's budget balanced.

Plotnick's research on poverty in the region and related policy studies can help set the context in which such state programs are designed and modified. The Institute for Public Policy and Management at the University of Washington recently completed a study on the current status and trends of families in that state. The study clearly shows that there is critical need for information about the condition of children and families in Washington State. At the present time, for example, the state does not automatically gather information on the number of female-headed households.

State policymakers must develop new strategies for strengthening state economies and for reforming welfare programs to assist those who are poor. In carrying out these tasks, universities can play a key role in gathering and analyzing critical information. Better understanding of the extent and nature of poverty within a state will help policymakers better use scarce resources.

Growth From Within: New Business and Rural Development

During the last decade, in response to deteriorating economic conditions, state governments and rural communities have been seeking ways to stimulate rural development. A 1988 grant from the Northwest Area Foundation supported a joint effort by the Council of State Policy & Planning Agencies (CSPA) and a team of economic development leaders in North Dakota to examine the impact of new businesses on North Dakota's economy, with particular emphasis on rural areas. The project's conclusions, described in this article by ***Mark G. Popovich****, CSPA senior staff associate, and* ***Terry F. Buss****, CSPA associate and professor of urban studies at the University of Akron, contradict some common assumptions about rural economies and their development alternatives.*

Based on the recommendations of the study, Governor Sinner has proposed a $5 million enhancement of North Dakota's economic development programs—almost doubling current efforts. Project recommendations may also contribute to efforts in other states to build more effective rural development strategies.

During the eighties, America's midsection has had to contend with shocks that have squeezed the economies of many rural communities. In North Dakota, the economic consequences of deteriorating agricultural markets and a declining energy sector have been harsh. But the bad news is only part of the story. Even in the face of hard times, entrepreneurial energies have yielded thousands of new businesses and jobs—in rural and metropolitan areas alike.

Throughout North Dakota's history, the state's economy has been largely built by people who have managed their own destinies working as farmers, ranchers, shopkeepers, and independent business owners. The echoes of this heritage are evident today in the high level of entrepreneurial vitality found throughout the state.

Between 1980 and mid-1987, just less than 8,000 businesses were successfully formed across North Dakota. These new businesses have employed 42,000 people, slightly under one-quarter of all private sector Unemployment Insurance-covered employment, representing a significant contribution to net employment growth. The successfully-formed new businesses have helped offset losses in existing businesses caused by the sluggishness of North Dakota's statewide private sector employment during the eighties.

Growth in new businesses has not been limited to the more urbanized areas of North Dakota; rural areas have kept pace. The ratio of employment in successfully-formed new firms to total private sector employment was 23.1 percent statewide, 22.7 percent for metro counties, 25.9 percent for counties adjacent to metro areas, and 22.1 percent for the state's rural counties. The rate for the state's less diversified,

But the bad news is only part of the story. Even in the face of hard times, entrepreneurial energies have yielded thousands of new businesses and jobs....

Governor George Sinner on a site visit. "With the hard facts from Growth From Within,*" he said recently, "North Dakota is mapping out a greatly expanded effort to support new business development."*

agriculture-dependent counties (24.2 percent) was also slightly above the statewide average.

While new businesses were formed in all major industrial groups, service and retail trade firms were predominant, accounting for just over half of the new businesses and almost two-thirds of their total employment. This trend in North Dakota mirrors the national pattern of increased reliance on the services and retail trade sectors.

The new rural businesses are surprisingly durable. An in-depth study of new businesses in seven rural counties showed survival rates at 65.1 percent, well above expected levels.

The New Businesses Survey

Analysis of secondary data sources is a good first step in gauging the impact of new businesses. However, more detailed information on the characteristics and problems of new businesses and their owners is needed to make sound rural development policy decisions.

CJ's Fashions was among the new businesses surveyed by CSPA. Contrary to expectations, new businesses in rural areas were found to be surprisingly durable: survival rates were over 65 percent.

To investigate these issues, CSPA conducted telephone interviews with the owners of 317 successfully-formed new businesses in five rural North Dakota counties. The sample counties represent the diverse economic settings in the state's rural areas and included examples from all regions.

Characteristics of New Business Owners

New rural North Dakota businesses are home grown. About two-thirds were started by people with strong ties to their local communities. Sixty-four percent of new business owners chose their business location because they or their family lived there; 57 percent started their business in the county in which they were born. Only about one-fifth changed their county of residence to start their business.

Most new rural businesses are started by owners with strongly positive motivations. Both the North Dakota research and a similar CSPA study of rural Iowa found that new business owners were primarily driven by aspirations rather than negative events. Having a good business idea or wanting to work for one's self were the most common reasons cited for starting a new business in rural North Dakota. Only about one in five started a business because they had either lost a farm, lost a job, or were forced to close another business. The need to improve or supplement family income was cited by another 14 percent.

Characteristics of the New Businesses

More than three-fourths of the new businesses surveyed rely on sales to in-state customers. Most businesses focus on localized markets, on customers who live within or near the business' home community. This local market orientation reflects the large number of new retail trade and service businesses that have been created.

Four-fifths of the new businesses were started from scratch. The remainder resulted from the acquisition of an existing firm, almost always a failing one, by a new owner. The start-up teams involved in these new businesses are small and work full time. Three-fourths of the new businesses surveyed were started by one or two people.

While most of the new businesses started out small, many have grown. Small businesses (one or two workers) accounted for more than half of the employment attributed to new start-ups. During start-up, businesses averaged 2.6 workers per firm, but, by mid-1988, increased to 3.8 employees on average. Twofifths of the new businesses have taken on additional workers since their start-up.

The portrait of new North Dakota businesses provided by the CSPA report is not always consistent with these stereotypes: almost two-thirds of the new businesses contacted had already survived for three or more years.

Financing New Businesses

Entrepreneurial vitality is influenced by the willingness of those with capital to invest in start-up businesses. In both rural and urban areas, many analysts have found that new businesses rely primarily on their owner's personal resources or family and friends. Lending institutions in rural areas are perceived either as having too little capital or as being too risk averse to support new ventures.

The capital requirements for starting a business in rural North Dakota ranged from a few hundred dollars to $2 million. The average cost was $85,000: half the new businesses required less than $24,000, and three-quarters were started with $60,000 or less.

New business owners were asked to identify the sources of their start-up capitalization. (Since more than one source of financing was often used, the percentage of businesses reporting utilization of these sources totals more than 100 percent.) As expected, personal savings (55 percent) was the most common source of start-up capitalization. Bank loans were a source of financing for just over half the sample. Of those with bank loans, almost two-thirds obtained commercial loans; the remainder relied on home mortgages or home equity financing.

The success new owners had in financing their start-ups with commercial loans from local lenders was among the most surprising survey results and seems to reflect familiarity between borrowers and lenders. Ninety percent of the start-up loans from banks were obtained locally. Over 90 percent of those who received bank financing for their new business said that they or their family are well known in the community. Further, over half believed the lender's familiarity with them was a factor in the loan approval. Only 14 percent of the new owners reported being turned down for a bank loan. Most of those turned down for loans indicated their loan application had been denied because the lender concluded that they lacked adequate collateral, or that the business was poorly conceived.

Among the hundreds of new businesses in rural areas surveyed by CSPA as part of this study were:

The Stringline Company, producers of the "stringliner," a plastic measuring device for carpenters, masons, and gardeners. They telemarket to over seven thousand accounts nationwide.

Three Blind Mice, manufacturers of high-quality children's clothes. They employ twenty-six home-based sewers.

CJ's Fashions, a women's clothing store with a new marketing concept: nothing in the store is priced over $15.

Koener's Mustard, makers of specialty mustard. This business, which remains a sideline for its owners, grew out of friends' appreciation of a family recipe. The mustard is now made by a processor in Minnesota using the original recipe and North Dakota mustard.

Start-up Problems

New business owners face multiple start-up problems. This project identified start-up problems in two ways: owners were asked to list the three most serious problems encountered in starting their business; and a list of eighteen problems was read to respondents, who indicated which issues were "very much, somewhat, or not at all" a problem. Only 12 percent of the respondents experienced two or fewer of the eighteen problems listed. More than one-third had from nine to fourteen problems.

Common start-up problems included: obtaining financing (36 percent); getting good workers (28 percent); small markets (21 percent); poor general economic conditions (13 percent); cash flow (6 percent); gaining acceptance (6 percent); government regulation (5 percent); and competition (3 percent). New business owners had only minor problems because of the lack of experience or technical assistance, poor timing in starting, or bad debts from customers.

Business Assistance Programs

Only 18 percent of the surveyed new owners had participated in business assistance programs. The most frequently used programs included specialized training, workshops, or courses in starting a business and assistance in finding workers. Government loans, usually from the Small Business Administration or the Bureau of Indian Affairs, were obtained by only 8 percent.

The private sector provided many of the assistance services used. For example, more than half of those who sought assistance with specialized training, developing business or marketing plans, or management counseling did so from the private sector. Business assistance was provided by an array of private sector organizations, including professionals in accounting, real estate, law, and banking; manufacturers and suppliers; parent franchise corporations; and trade associations.

Assistance programs were not more widely used because new owners either did not feel they were needed or because they lacked information on these programs. When programs were used they were highly valued. Three-fifths of the new business owners believed the assistance they received was essential in starting their business. Four-fifths would use the program they participated in again, and almost all would recommend the program to others.

The "Quality" of New Rural Businesses

It is commonly believed that new businesses—particularly those in rural communities—have high failure rates, may be only marginally profitable, seldom provide important fringe benefits, and have limited growth potential. The portrait of new North Dakota businesses provided by the CSPA report is not always consistent with these stereotypes: almost two-thirds of the new businesses contacted had already survived for three or more years. Only a handful of new owners (less than one in ten) report family incomes below federal poverty guidelines. This compares favorably to the statewide rate of 12.6 percent of North Dakotans who fall below the poverty threshold. In most cases, however, new businesses are not the sole source of family income. Rather, they supplement income from other sources. For example, four-fifths of the new owners have family members who are also working. Two-thirds receive income from sources other than their new business, including one-third who have additional jobs.

While only one-third of new businesses offer health insurance coverage, 90 percent of the new owners' families have coverage from another source. On the other hand, only 11 percent of new businesses offer pension plans, and only 25 percent of the owners are covered by a retirement plan. (Nationally, about 76 percent of the work force is covered by some form of employer-provided or arranged health insurance plan; about 41 percent of workers are covered by an employer-provided pension plan other than social security.)

Most new business owners are very optimistic about their futures. A full three-quarters expect their personal financial status to improve over the next five years. One-third intend to expand operations or add employees. Less than one-fifth plan to sell out, retrench in employment or production, or relocate.

Conclusions

The entrepreneurial spirit—demonstrated by the thousands of new businesses and the 42,000 jobs created between 1980 and 1987—is very much alive in North Dakota, an important asset that can continue to contribute to the state's economy.

Nurturing a supportive environment for business creation should be a goal of development strategies for all levels of government in all regions of the state. Since North Dakota already has a number of programs and organizations that provide services for new businesses, many of CSPA's recommendations for North Dakota focus on the need to improve outreach, to enhance cooperation across programs, and to gauge client needs and program performance in order to steer resources to the most effective efforts.

Recommendations

Integrate a new business development strategy into existing economic development programs. Convene a council composed of public and private groups to hone a strategy for supporting entrepreneurship. A rural development policy can only be built once there is a consensus on the economic opportunities and impediments that must be tackled. The proposed council should devise the next steps in improving the entrepreneurship-based rural strategy.

The council could also help improve coordination and information sharing across development organizations. Cooperation between public and private service providers may be particularly important in light of the active role the private sector is already playing in assisting new businesses.

Identify new businesses and potential entrepreneurs. Authorize the use of the computerized Unemployment Insurance administrative files to generate contact information on new businesses for other state and local development organizations. Oversight control can protect sensitive data (e.g., on wages and salaries) while allowing this powerful data source to be used. Additional efforts would be needed to identify people who are considering creating a new business. The state's economic development policies and outreach efforts can both be improved by more direct contact with people involved in or planning to start new businesses.

Increase outreach efforts and provide information on business assistance programs to potential clients. A "user-friendly" catalogue of services could provide descriptions of the services and information on how they are delivered, eligibility requirements, costs, and evaluations of the programs' past performance. This publication should be widely distributed to service providers, local libraries, banks, business groups, and directly to potential clients. A centralized referral system, media coverage, or advertising of the directory could also expand access to programs.

Access to these programs is an important issue. New owners often work fifty or more hours per week. Training and assistance efforts must accommodate very cramped schedules. Television and radio broadcasts could be used, and expanded use of video or audio taped materials would also improve access.

Incubators are another way to assist businesses in their start-up phase. Because few new owners reported difficulty in finding affordable facilities, the subsidized rental arrangements often offered by incubators would be less important than other benefits that may result from technical assistance or informal networking among incubator-based businesses. However, incubators can serve only a limited number of clients, and development costs can be high.

Build the marketing skills of new business owners. New rural businesses are often dependent on localized markets. Finding their appropriate local niche will be crucial to their success. Some businesses may be able to reach beyond local customers. The state can help through training and by disseminating more market information. Computer listings of businesses with information on products and prices could be set up to improve buyer-seller linkages; catalogues for new businesses with innovative or unusual consumer-oriented products could be supported and linked to telemarketing.

Employment training and matching services should place more emphasis on serving new businesses. Job Service North Dakota, the Job Training Partnership Act (JTPA) system, and vocational education institutions may be able to expand their outreach efforts and services to new businesses. The business community and development leaders must also become involved with education and training programs to ensure their needs are well understood and that instructional programs reflect them.

Improve the financing environment by working with local lenders. The public role in business financing should emphasize working through local lenders rather than supplanting them with direct government financing. Participation in existing government loan programs is low—possibly due to associated regulatory and administrative requirements. Unless these barriers can be addressed, government programs may have only a limited impact on the financing environment.

Improve the entrepreneurial environment by providing community leaders with information and ideas on economic development alternatives. Rural development efforts have often focused on attracting businesses to relocate in the area. A more entrepreneurial strategy will require local leaders to assume new roles. State assistance can help build local capacity to implement new development strategies. New ways to identify local economic development potential can be shared through seminars, training sessions, and publications.

Build appreciation for the impact of new businesses on state and local economies. The public's perceptions about the value of entrepreneurship are among the factors that will influence an individual's decision to start a new venture. The state should ensure that reports on economic conditions include an assessment of the impact of new business development. New owners can be recognized as role models for others. Local schools should provide opportunities for students to create small businesses and include local entrepreneurs in annual career day sessions.

There is no simple formula for rural revitalization. Yet the plight of rural areas compels us to act. With little likelihood of aggressive new federal help, the impetus for rural economic development must come from state and local governments. CSPA has long emphasized the role of entrepreneurship in economic development. While it is not a panacea, it should be an important part of any comprehensive development strategy.

The complete report on CSPA's North Dakota study— Growth From Within: New Businesses and Rural Economic Development in North Dakota*—and related CSPA work are available from CSPA at 400 North Capitol Street, Suite 285, Washington, D.C. 20001, (202)624-5386.*

101 Ideas for Stimulating Rural Entrepreneurship

This piece is excerpted from a just-published CSPA brochure with the same title. The complete brochure is available from CSPA at 400 North Capitol Street, Suite 285, Washington, D.C. 20001, (202)624-5386.

Though entrepreneurship or new business development has not been the traditional approach to rural development, CSPA's recent research in such diverse rural states as Arkansas, Iowa, Maine, and North Dakota showed that new businesses are a key to producing growth in rural areas. In fact, a recent national report concluded that 88 percent of the net new job growth in the rural United States came from new businesses.

The following list suggests ways that states and local communities can stimulate business development by nurturing and rewarding entrepreneurial activity. The ideas in this listing are not prescriptive. Rather, they are intended to suggest the array of approaches that could be considered in constructing a rural development strategy. Their relevance to any individual state depends on the state's constitutional and statutory constraints, administrative practices, and the specific challenges and opportunities confronting the state's rural areas. Model programs seldom prosper when transplanted, but they can serve as the starting point for crafting a rural entrepreneurship or new business development strategy.

TECHNICAL ASSISTANCE, EDUCATION, AND TRAINING—Building the Human Resource Base

Properly designed and delivered training, technical assistance, and networks may help new entrepreneurs succeed.

Working With Lenders: Encourage banks to create and support technical assistance/financing programs. Lenders are key intermediaries. If they know about programs, they can refer applicants who may have a good idea but need to develop a solid business or marketing plan. Lenders can also be direct providers of technical assistance and advice to new businesses.

Program Catalogue: Create a user-friendly guide listing all sources of technical assistance or training available to entrepreneurs.

Funding Source: A surcharge on the Unemployment Insurance tax could fund expanded technical assistance and other supportive programs.

JTPA and Vocational Education Programs: Provide entrepreneurship training in Job Training Partnership Act programs and other vocational training services.

Innovative Delivery Alternatives: Expand the audience for training and technical assistance services through use of the media and video and audio tapes.

MARKETING—Gauging New or Existing Markets

Information on markets is scarce for small or new businesses, especially in rural areas. The state or others could help organize cooperative efforts to conduct new studies and gather more detailed information.

Building Skills: Publish a manual to guide new business owners in gauging client needs and market opportunities.

Market Research Cooperatives: Organize marketing cooperatives. Universities and small business development centers have the expertise to conduct market surveys. Cooperative efforts would allow small or new rural businesses to participate in comprehensive marketing studies.

Retailing at Public Facilities: Lease concession space at tourist attractions as outlets for local products.

Promotional Networks: Organize market promotion networks to produce catalogues, and/or purchase advertising space in newspapers and magazines.

TECHNOLOGY TRANSFER—Harvesting the Benefits of Technical Innovation

While most new businesses are not built around the development of new technology, many are involved in applying technology to their products and services. Easing the transfer of new technologies can enhance productivity and may improve the staying power of some new businesses.

Technology Deployment Services: Create comprehensive technology deployment services that begin by analyzing the specific needs of new or existing businesses. Additional assistance on installation, skills retraining, and efforts to develop new markets should also be provided.

Commercialization Prize: Award an annual cash prize to the university researcher or team who has completed research with the most commercial potential.

Clearinghouse: Establish a technology clearinghouse to provide businesses with data on new patents and ideas.

FINANCING—Improving Access to Capital

Financing is the most common rural development program offered by states. Where "capital gaps" exist, state funding can be used to make loans directly, share some of the lending risks, or encourage more lending by establishing a secondary market. State-imposed regulations on lenders also affect the financing environment and merit attention as an alternative to direct state lending.

Loan Loss Reserves: Create a shared government/lender/borrower loan loss reserve pool. A kind of loan insurance pool, loan loss reserves involve payments from these partners to a fund that will help offset losses from defaulted loans.

Entrepreneurial Loan Portfolios: Allow lenders who are in sound financial condition to create Entrepreneurial Loan Portfolios (not to exceed 1 or 2 percent of net worth) of riskier loans to new and young enterprises. These loans would not be "classified" individually (which sharply raises lenders' administrative costs), but would be judged on the overall performance of the portfolio.

Branch and Interstate Banking: Authorize expanded branch banking or interstate banking. Competition may encourage banks to serve local needs better.

Matching Investors and Borrowers: Establish a computerized network to match investors and new firms. Such systems are already in place in some substate regions.

THE INCOME MAINTENANCE SYSTEM—Entrepreneurship and the Economically Disadvantaged

Safety net programs, such as Unemployment Insurance, food stamps, and welfare, are the margin of survival for some poor households. However, the design and administration of these programs create barriers that inhibit recipients from pursuing self-employment. The state and federal income maintenance system can be changed to support new business creation by its clients.

Reducing Disincentives: Disregard financial aid for direct educational or training expenses when computing benefit levels, or recipients will be financially penalized for participating in these programs.

Reaching Clients: Create and distribute brochures with information on education/training and assistance programs, their costs, and problems that may arise under income maintenance system regulations as a result of starting a business or participating in education/training programs.

Treatment of Business Expenses: Deduct business expenses from income before calculating benefit levels under AFDC, ensuring more equitable treatment of recipients who are starting businesses.

REGULATORY REFORM—Reducing Barriers and Creating New Opportunities

State occupational licensing and other entry barriers may thwart the development of new businesses. Other state laws may disproportionately disadvantage new businesses or create unnecessary paperwork burdens. The state's regulatory system can be reformed in order to improve the overall environment for entrepreneurship.

Reducing Entry Barriers: Limit the granting of unnecessary monopoly power to businesses such as passenger transportation, freight hauling, and cable television to reduce entry barriers for new businesses.

Occupational Licensing: Create a task force to review state occupational licensing as well as other regulatory requirements.

Sunsetting Regulations: Sunset occupational licensing and other business regulations. If statutory business regulations are renewed periodically, oversight may be strengthened.

LOCAL COMMUNITY LEADERSHIP—Building Capacity

Local rural development efforts have traditionally focused on branch plant recruitment. Entrepreneurship and home grown development can supplement or replace these efforts but will require community leaders to assume new roles. States can help build effective leadership with information on business creation as a development alternative.

Advice and Information: Publish "how-to" booklets that can guide local communities in gauging the opportunities for and barriers to entrepreneurship in their region.

State/Local Partnerships: Create a special competitive fund to share expenses with innovative local self-development efforts.

Regionalized Economic Development: Strengthen regional planning and economic development organizations that have adopted entrepreneurship as part of their development strategy. For example, incentives for cooperation would be increased if the state required that some portion of the benefits of an expanding commercial and industrial tax base be shared among adjoining local governments.

INFRASTRUCTURE—Investing in Basic Infrastructure Systems

The importance of basic infrastructure services such as roads, water, and waste treatment to economic vitality is well understood. And the deficiency in these systems in some rural communities is also recognized. Telecommunications systems also provide essential support.

Capital Budgeting and Planning: Establish a reliable capital budgeting and planning process to address long-term infrastructure needs.

Opportunity Funds: Set aside a portion of available funds to resolve critical infrastructure problems.

Investing in Telecommunications: Use regulatory policies, such as the treatment of depreciation, to encourage upgrading of telecommunications equipment.

RECOGNITION AND AWARENESS—Marshalling Community Attitudes

The strength of the entrepreneurial inclination may well be influenced by community perceptions about the value of this effort. Supportive public attitudes can be reinforced through information and examples, or by the opinions of public leaders.

Awards: Establish state and local "Entrepreneur of the Year" awards to highlight the contribution of new businesses to economic development.

Getting the Message Across: Encourage local media to feature entrepreneurs and new businesses in their communities.

The Schools: Encourage schools to include successful entrepreneurs in career days and mentor programs. Establish programs in which students plan, then start, their own businesses.

OUTREACH—Getting the Word (In and) Out

Starting a business will require negotiating a maze of requirements and regulations and sorting out the programs and agencies involved in regulating or assisting businesses. Outreach efforts should establish two-way communication—giving businesses more readily digestible information and soliciting their advice on how state policies and programs can be made more responsive to their needs.

Referral Hotline: Establish a toll-free clearinghouse for businesses to call for advice and referrals on business problems.

Identifying New Businesses: Use the state unemployment administrative files to identify new businesses, and use these lists to contact them with information and assistance.

Newsletters: Publish a newsletter for new businesses with regular information on programs, regulations, and other issues that affect them.

Comment

*The problems besetting rural America include the negative impact of deregulation, deteriorating infrastructure, inefficient local government, and underinvestment in education. In this article, **G. Edward Schuh**, dean of the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota, reviews these problems and related issues. "Our challenge in promoting rural development is to make those public investments which will in turn make the rural sector a profitable place to invest," he writes, making a strong case for institutional innovations and state initiatives.*

Prior to his tenure at the Humphrey Institute, Schuh served as director of the Department of Agriculture and Rural Development at the World Bank and deputy undersecretary for International Affairs and Commodity Programs in the U.S. Department of Agriculture.

Rural Revitalization: A Call for State Action

The problems of a stagnating rural America are some of the most vexing this nation faces. Because our economy and its international context have undergone enormous changes these last twenty-five years, we must approach these problems differently than we have in the past. While devising a more rational policy to revitalize rural America, we need to keep in mind several important background issues.

In broad terms what we are seeing can best be described as a bifurcation of economic policymaking and implementation. Except for macroeconomic policy, we are experiencing a decline in policymaking and implementation at the national level. Large elements of policymaking are shifting to the state and local level, while other elements are shifting to the international level in the form of codes and international trade, international environmental issues, and international monetary affairs.

This shift of policymaking and implementation to the state and local level is often attributed to the Reagan Revolution. In point of fact, however, it is the result of powerful international economic forces that have made this nation more dependent on international capital markets and trade. These developments have given us a more open economy, one that is moving increasingly beyond the reach of national economic policies.

With these changes, it is proper that we give more attention at the state level to the issues before us. At the same time, however, we need to recognize that international issues and constraints on policy will assume greater importance in this new, open economy, as will the need to be more internationally competitive.

Need to Adjust to Changing Economic Forces

We live in a world of rapid economic change. In establishing policy at the state and local level, we should be anticipating that change and striving to adjust to it. To

Star Tribune

Kiester, Minnesota. States are now being called upon to devise rural development policies that will ease the migration to urban centers and make efficient use of resources. Investments in human capital may be the key to alleviating poverty and increasing productivity.

do otherwise would create serious problems for our economy in the future. The last thing we should want to do in developing a new policy towards rural America is retain the structure of our past or present economy.

An inherent and inevitable feature of economic development is that labor has to shift out of agriculture if those who remain in that sector are to earn incomes comparable to those in the nonfarm sector. Unfortunately, in this country, that shift out of agricultural employment has all too often involved the geographic migration of labor from rural areas to large urban centers.

This migration imposes large costs at both ends of the migratory process. On the supplying end, migration tends to be highly selective in that it is the young, the better educated, the entrepreneurial, and those in better health who move. Migration thus drains the vital human capital out of rural areas and gives it to the already well-endowed urban centers. To the extent that primary and secondary education are financed by local property taxes, this can be a significant drain on the local resource base. On the receiving end, the migrants pile up in large urban centers, imposing ever greater burdens on the local infrastructure, increasing congestion, and requiring large costs in the form of additional infrastructure.

An important part of the case for rural and community development is that it reduces the need for this costly migration. Human capital and entrepreneurial skills would then stay in the local community and contribute to the development of the nonfarm sector. Decentralized economic development thus facilitates the shift out of agriculture while at the same time generating increased employment opportunities near available supplies of labor. It also makes it possible to make more efficient use of resources, since in much of our country agriculture is only a part-time job. Local development can better utilize labor resources in agriculture and in rural development.

Star Tribune

Rural America is bearing the brunt of the deregulation of the U.S. economy. Ten years after deregulation, many small towns still can't support air services.

Rural enterprises across a wide spectrum of our economy must compete with similar enterprises in other parts of the world. Thus, sustaining productivity growth should have high priority, as should the avoidance of policy interventions that lead to inefficient use of resources. The motivation for rural development in this nation has traditionally been driven by the need to address the income problems in rural America. The efficiency issue, in fact, is equally important if our nation is to sustain or improve its position on the global scene, or if individual states are to improve their competitive position on the national scene.

Fortunately, contrary to widespread belief, dealing with the problem of low incomes need not be at the expense of efficiency goals. The key is to recognize the need to invest in the various forms of human capital. Such investments are not only the proper way to address poverty, but also the way to increase productivity and thus increase national income.

In most parts of this country agriculture has come through a period of serious economic adjustment. Most of that adjustment is now behind us, and the sector is poised for a new period of prosperity.

A number of factors are at work to this end. First, the reduction in asset values and the restructuring of much of agriculture's debt—painful as it has been—has helped make agriculture more competitive. Second, I believe we are on the verge of a period of unusual expansion of the global economy. Many developing countries have reformed their economic policies, thus laying the base for a sound economic expansion. They will recover from a significant decline in their national income in the 1980s. The international debt problem is gradually easing. And there is a great deal of new technology available to be adopted, especially by the manufacturing sector.

The increase in agricultural output needed in the developing countries when economic recovery occurs will be beyond anything experienced historically by the now-developed countries. The result will be a strong demand for United States' agricultural exports.

Finally, the dollar has a ways to fall in foreign exchange markets, a process that has already started. This will make us more competitive, assuming we don't shoot ourselves in the foot with a new farm bill and policies that price us out of foreign markets.

A prosperous agriculture will help sustain rural America. But we should not mislead ourselves into believing that it will solve the problems of our rural sector. Important as agriculture is to the rural sector, the problems of rural nonfarm America are far more basic.

There is an important role for government in revitalizing rural America. We must recognize, however, that the need is to have government do what government does best, and to avoid inappropriate forms of intervention. This nation has an incredibly efficient capital market. Hence, government should not get involved in making direct investments in activities the private sector can do better. Instead, the proper role of government is to do those things the private sector has little or no incentive to do. Those things typically involve strengthening the physical and social infrastructure for rural America and investing in human capital. Policy should also facilitate resource adjustment.

The Impact of Deregulation

Rural America is bearing the brunt of the deregulation of the U.S. economy. Badly needed as it was, deregulation is having an extraordinary effect on the rural economy. Deregulation of the banking system, for example, is channeling savings from the rural sector to urban centers like the Twin Cities. Deregulation of the air transportation sector has dramatically raised the cost of air transportation to rural areas. Deregulation of the telephone sector did the same thing—at a time when the information revolution is upon us. About the only form of deregulation that has benefited the rural sector is the deregulation of the trucking industry, which has permitted back hauls, thus lowering the cost of transportation to rural areas.

I don't have answers for how to deal with these problems. But I know that this is where we should be focusing our attention.

The Decline of Infrastructure

It is the role of government to ensure an adequate physical infrastructure. Presently, the country's physical infrastructure is deteriorating rapidly, whether you're talking about roads, railroads, bridges, port facilities, or other aspects of the infrastructure. This problem is especially serious for rural areas.

In approaching this problem it is important that we not lock ourselves into attempts to preserve or revitalize an old structure. We need to bring people together and think creatively about what the future structure of rural America might be and design and build an infrastructure for the first twenty-five years of the next century. That is a challenging task, but if we want a more evenly developed rural economy when we reach the twenty-first century, nothing less will do.

Daily Herald

Fiber optic cable being buried near Oakland, Minnesota. The cable will connect at the Iowa border to become part of a transcontinental network, expected to be completed in the nineties.

Perry and Sharon Nelson of Shakopee Farms Meats, New London, Minnesota. A Foundation grant to the Southwest Minnesota Initiative Fund supports the Nelsons' business as a model of diversification in agriculture-dependent rural areas.

Star Tribune

The Structure of Local Government

Our system of county and local government is antiquated and needs to be redesigned. A common complaint at local levels of government is that taxes, and especially property taxes, are too high. But it never seems to occur to us to ask why taxes are too high, or to lower the costs of government by reorganizing and integrating local governmental units.

We need to remind ourselves that our county and local governments were designed for a different age. As the story goes, the size of the county was established so that most people could ride to the county seat and return by horseback in the same day.

Even if that story is apocryphal, there seems little doubt that we could benefit tremendously from a major reform of local government. Minnesota, for example, has approximately 4,000 government units: 854 are municipalities, 87 are counties, 1,800 are townships, and 300 are special districts. Most of these units engage in considerable duplication of effort and many are no longer relevant; an integration into larger, more comprehensive units would certainly be more efficient, especially in terms of computer technology, information retrieval, and office equipment.

Such a reorganization is not an easy task politically. But the issue is whether we can really afford to limp along with the present antiquated system.

Underinvestment in Education

International competitive pressures are finally forcing us to confront the need to revitalize our educational system. But we have a long way to go. This nation has traditionally underinvested in the education of its rural people, one reason why per capita incomes of rural people have always lagged behind those of urban people.

If we are really serious about rural development and rural revitalization, we must eliminate this underinvestment. We need to develop a creative capacity to provide training for off-farm employment, and we especially need to improve the quality of our rural schools.

A woodworking contractor, one of over 135 people affiliated with Lady Slipper Designs who support themselves or supplement other income through self-employment in their own homes. Northwest Area Foundation grants support this cottage industry, which develops designs and provides training to individual contractors.

The same applies to our institutions of higher education. Although progress has been made on that front, a great deal more remains to be done. For example, we simply do not educate students for the international economy in which they will have to compete. Similarly, with a few exceptions, we are not equipping them for the high-tech world in which they must seek employment.

Interestingly enough, recent research shows that both the private and social rate of return to investments in higher education have skyrocketed from their lows in the 1970s. This improvement in rates of return is already being reflected in increased enrollments in our universities.

The issue is whether we are giving our students the kind of education they need. Another issue, of course, is whether we are doing it as efficiently as possible. But that is a long topic for another occasion.

Another set of education and training issues concerns entrepreneurship and leadership, both skills that can be developed. Unfortunately, our business schools tend to focus on large companies and corporations. They must be encouraged to direct more of their resources to small- and medium-sized businesses.

Leadership skills are also desperately needed if we are to develop local communities and implement change at the local level. We in the Humphrey Institute work extensively at helping to develop leadership. But our resources are limited. Moreover, neither we—nor any other institution I know of—do enough research to understand better the nature of leadership and how it might be developed.

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The Need for Institutional Innovation

Let me start close to home. Most states in the Upper Midwest have effective university extension services with the potential to support small- and medium-sized firms across the full breadth of the economy. But despite well-developed delivery systems, major reforms are required. New staff are needed, existing staff need to be retrained, and new ways of operation need to be developed.

In addition, new institutional linkages are necessary within the land-grant universities so the extension services can access the full university and not just the colleges of agriculture. This will require some attitude changes and shifts in missions within the universities. But if we are to live up to our land-grant commitments, we must make such changes in any case.

Another required institutional innovation is the capacity to develop process technology for the nonfarm sector of the economy. The development of process technology, which lowers the cost of production, has been the great contribution of this nation's agricultural research, teaching, and extension system. Agriculture is the only world-class industry the United States has, in part because we have been so successful on this front.

Interestingly enough, our land-grant universities at one time developed such process technology for the nonfarm sector. This was an important mission of the colleges of engineering, and in many cases engineering experiment stations paralleled the agricultural experiment stations. But then these colleges moved upstream, placing greater emphasis on the more basic sciences. No alternative institutional arrangement has replaced them.

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The Japanese, and to a lesser extent the Germans, surpass us with their more efficient process technologies and thus with lower production costs. If we are to sustain our manufacturing industries in this country, we need to develop the capacity to produce more efficient process technology. This capacity will have to be in the public sector, since the transferability of such technology reduces the ability of private firms to profit from their investments.

The Institute of Technology at the University of Minnesota is producing such process technology for

As part of its efforts to promote economic development in rural areas, the University of Minnesota Extension Service has produced two video tapes on the operation of bed and breakfast businesses.

high technology sectors. What is needed is a capacity to produce such technology for small- to medium-sized firms and for other sectors of the economy.

The capacity to produce new product technology for small- and medium-sized firms is another necessary institutional innovation. Large firms internalize this capacity and obtain patents on their new products before releasing them to other firms. But small- and medium-sized firms do not have the capability to do the same. It makes sense to develop that capacity in the public sector.

Finally, there is a need for new institutional arrangements to deliver health care and other human resource services such as day care to the rural sector. This is closely related to the issue of reorganizing and modernizing local government. It should receive high priority.

Our challenge in promoting rural development is to make those public investments which will in turn make the rural sector a profitable place to invest. Such investments include those designed to improve the physical and social infrastructure, those designed to strengthen human capital—education, training, and health care—and those which make for a more efficient allocation of our scarce resources. These are all tractable problems. We just need to devote our creative energies to their solution. ■

Resources

The following recent reports and publications describe projects supported by Foundation funds. The lessons learned in the course of these projects may be of interest to readers. Please contact the organizations at the addresses listed for further information.

The Oregon Policy Choices Project commissions policy research from Oregon scholars on topics of current interest to legislators and citizens. The Legislative Discussion Paper Series, supported by a Foundation grant, has just been published in a volume entitled ***The Oregon Policy Choices 1989***. The papers include: "Selected Characteristics of Oregon's Population," "Oregon State Government Finance," "Bioethical Issues in Oregon Public Policy," "Siting Oregon's LULUs: Landfills and Prisons," "Oregon's Agricultural Sector," "Oregon's Forest Resources," "Small Towns and Communities in the Other Oregon," "Oregon's Strategic Economic Choices."

Bureau of Governmental Research
and Service
University of Oregon
P.O. Box 3177
Eugene, Oregon 97405
(503) 686-5232

Changing U.S.-Canada Trade Relations: A Western Regional Perspective analyzes the potential economic impacts of bilateral free trade in Montana and other Western interior states. The emphasis is on resource-based industries and the relationship of cross-border trade to regional economic development. The study also considers the agreement in the context of recent U.S. economic performance, evolving U.S. trade laws, and the multilateral trading system governed by the General Agreement on Tariffs and Trade (GATT).

Montana State University
The 49th Parallel Institute for
Canadian-American Relations
Bozeman, Montana 59717
(406) 994-6691

Agricultural Occupational and Environmental Health Policy Strategies for the Future: A Report to the Nation, by the National Coalition for Agricultural Safety and Health, includes a summary of discussions held at a fall 1988 conference on this topic. The conference involved almost 200 scientists, policymakers, and concerned citizens. Topics covered include: initiatives to assist the development of occupational health and safety delivery and coalitions; an analysis of the need for groundwater standards; and initiatives to limit agrichemical contamination.

Institute of Agricultural Medicine and
Occupational Health
124 AMRF, Oakdale Campus
The University of Iowa
Iowa City, Iowa 52242
(319) 335-4233

Effects of Global Warming on the Great Lakes: The Implications for Policies and Institutions outlines the changes in policies and institutions concerning water supply and quality, land use, and economic development that would be necessary to adapt to global climate change. Also available are a series of ***Fact Sheets*** on 42 Great Lakes "Areas of Concern," areas where the poor quality of water impairs its use or local environmental standards are not being met. The fact sheets are intended for use by those interested in promising responses to contaminated sediment problems and nonpoint sources of pollution.

The Center for the Great Lakes
435 North Michigan Avenue, Suite 1408
Chicago, Illinois 60611
(312) 645-0901

Nonprofit Organizations/Cessation of Operations: Corporate and Tax Issues examines the legal issues surrounding the dissolution of nonprofit organizations. The publication was produced as part of a larger study on nonprofit downsizing and dissolution.

Management Support Services
919 Lafond Avenue
St. Paul, Minnesota 55104
(612) 642-4025

Papers on Agricultural Biotechnology, sixth in a series of studies produced by the technology and social change program at Iowa State University, includes papers examining the impact of agricultural biotechnology on the structure of the university, the potential impact of embryo transfer and porcine growth hormone on agriculture, the economic role of patenting bioengineered life forms, and the implications of biotechnology for the Third World. The publication is an outgrowth of a graduate level course on agricultural biotechnology team-taught by faculty from departments in several disciplines.

Technology and Social Change
Program
Iowa State University
Ames, Iowa 50011
(515) 294-0938

Water Quality and Land Use Planning in the Flathead Basin, published by the Flathead Basin Commission, examines the relationship between land activities, water quality, and community action. A component of the Commission's program addressing the linkage between clean water and economic growth in the Flathead Basin, the brochure explains the objectives of land use planning and outlines the status of planning in the Basin.

Flathead Basin Commission
723 Fifth Avenue East
Kalispell, Montana 59901
(406) 752-0081

The Ag Bioethics Forum, an interdisciplinary newsletter in agricultural bioethics, is published quarterly by the Agricultural Bioethics Committee at Iowa State University. Both the newsletter and the committee were established to investigate, discuss, and monitor the ethical, social, economic, and environmental impacts and implications of agricultural biotechnology.

The Ag Bioethics Forum
115 Morrill Hall
Iowa State University
Ames, Iowa 50011
(515) 294-4066

Grants

October 1988-February 1989

Regional Economic Vitality

Citizens Education Center Northwest, Seattle, Washington, $180,000, to underwrite the initial development costs of the Northwest Public Affairs Network.

First Nations Financial Project, Falmouth, Virginia, $10,000, to provide technical assistance and training to Indian tribes seeking to develop or strengthen microenterprise and small business lending programs and to launch a policy development process in the area of credit and finance.

INA Futures Project Foundation, Des Moines, Iowa, $150,000, to underwrite part of the costs of Phase IV, the communications and outreach phase, of The Iowa Future Project, designed to stimulate public debate and decision making about strategic plans for Iowa's future.

University of Iowa/The Public Policy Center, Iowa City, Iowa, $346,024, for research on public policy dissemination activities.

Kirkwood Community College, Cedar Rapids, Iowa, $231,426, to test the ability of community colleges to provide comprehensive technical assistance on a regional basis to developing or existing small businesses.

Metropolitan Economic Development Association, Minneapolis, Minnesota, $290,000, to provide partial capitalization and operating support for the Metropolitan Economic Development Association's Minority Growth Fund.

The Minnesota Project, Minneapolis, Minnesota, $4,000, to design a major research project concerning effective strategies for community economic development.

University of Minnesota Foundation/Hubert H. Humphrey Institute of Public Affairs, Minneapolis, Minnesota, $642,215, for the Regional Issues Forum, a public policy center created to provide information and analysis to help policymakers address significant regional issues. (The center was transferred to the Humphrey Institute from the Spring Hill Center, which is no longer operating.)

University of Montana, Missoula, Montana, $16,575, to expand a research report on rural planning into a book for publication by the American Planning Association.

Municipal League Foundation, Seattle, Washington, $50,000, to support the Municipal League Foundation's Public Agenda Program, which conducts analysis and dissemination of key public policy issues in the greater Seattle area.

Northern Community Radio, Inc., Grand Rapids, Minnesota, $9,100, for planning and feasibility studies for the Superior Radio Network, a network of four public radio stations in northern Minnesota, Wisconsin, and the Upper Peninsula of Michigan.

Northern Plains Resource Council as fiscal agent for Western Organization of Resource Councils, Billings, Montana, $71,810, for the planning and development costs of the High Plains Radio News Service.

Okanogan County Community Action Council as fiscal agent for Okanogan County Council for Economic Development, Omak, Washington, $5,000, to investigate and design a revolving loan fund to serve home-based microenterprises.

University of Oregon/Bureau of Governmental Research and Service, Eugene, Oregon, $6,600, to standardize the typing, printing, and dissemination of the Oregon Policy Choices 1988 Working Paper Series.

Washington Association for Community Economic Development, Seattle, Washington, $60,000, to build the capacity of organizations to conduct community economic development in Washington State.

Washington State Research Council, Inc., Olympia, Washington, $25,000, support for a study of the effects of state tax policy on business site locations in the Northwest.

University of Washington Institute for Public Policy and Management, Seattle, Washington, $8,300, for a series of meetings about international experiences with manufacturing networks.

Basic Human Needs

District 7 Human Resources Development Council, Billings, Montana, $90,000, support for a pilot self-sufficiency program for persistently poor families and individuals in the Billings area.

Flandreau Santee Sioux Tribe, Flandreau, South Dakota, $125,000, to develop and expand credit resources for low-income members of the Tribe in need of home improvement loans.

The Alan Guttmacher Institute, New York, New York, $10,000, for a survey of teenage pregnancy rates in the Northwest and analysis of current pregnancy prevention initiatives in each state.

Healthy Mothers, Healthy Babies, The Montana Coalition, Inc., Helena, Montana, $90,000, for support of a statewide coalition to increase the capacity of communities in Montana to implement teen pregnancy prevention initiatives.

Housing Assistance Council, Washington, D.C., $294,308 ($144,308 grant; $150,000 program-related investment), for technical assistance, training, and low-interest loans to produce housing for low-income persons in the rural Northwest.

Minneapolis Community Development Agency, Minneapolis, Minnesota, $40,000, to help long-term welfare recipients and single parents become self-sufficient.

University of Minnesota, Minneapolis, Minnesota, $10,000, to support the Twin Cities Affordable Housing Collaborative's efforts in the areas of long-term affordable housing and comprehensive supportive services.

University of Minnesota/Hubert H. Humphrey Institute of Public Affairs, Minneapolis, Minnesota, $2,000, for a report on current low-income housing issues.

Missoula City-County Health Department, Missoula, Montana, $10,000, to develop a communitywide plan for how health care should be provided to the medically underserved.

Native American Rights Fund, Boulder, Colorado, $30,000, to help the Rosebud Sioux Tribe devise and implement a tribal education code and establish a tribal education department.

YWCA of Clinton, Clinton, Iowa, $81,000, for a transitional housing program in rural east central Iowa.

Natural Resources

Alternative Energy Resources Organization, Helena, Montana, $9,770, to work with Montana State University to plan on-farm research on sustainable agriculture, as part of the Foundation's proposed multistate analysis of the impacts of sustainable agriculture.

Center for Acid Rain and Clean Air Policy Analysis, Washington, D.C., $30,000, to help states, provinces, environmental groups, and industry develop a practical strategy for reducing air toxic deposition in the Great Lakes region.

The Center for Rural Affairs, Walthill, Nebraska, $50,000, to provide information and training on various aspects of international agriculture, including bilateral negotiations, unilateral talks, and Third-World debt negotiations, to rural residents and public officials in the Foundation's region; $199,587, to support the producer-controlled farm groups participating in the Foundation's initiative in sustainable agriculture; and $6,632, for a meeting involving all the major locally-controlled sustainable agriculture groups in the Northwest.

Clark Fork Coalition, Missoula, Montana, $75,000, to facilitate public participation in the Superfund process to clean up contaminated sites in the Clark Fork River basin in Montana.

Greater Yellowstone Coalition, Bozeman, Montana, $150,000, to provide support for the development and implementation of a comprehensive plan for the Greater Yellowstone Ecosystem.

Idaho Conservation League, Inc., Boise, Idaho, $108,000, to support the participation of the Idaho Conservation League in the implementation of Idaho's Antidegradation Agreement.

Iowa Coalition of Community Organizations, Des Moines, Iowa, $150,000, to continue public education and monitoring efforts on groundwater pollution caused by agricultural chemicals.

Land Stewardship Project, Stillwater, Minnesota, $8,170, to work with the University of Minnesota to plan a program designed to examine the economic, environmental, and social efficacy of selected sustainable agriculture practices in Minnesota, as part of the Foundation's proposed multistate analysis of the impacts of sustainable agriculture.

The Minnesota Project, Minneapolis, Minnesota, $173,142, to develop a method of integrating safe and effective hazardous waste collection and management in rural Minnesota with existing solid waste recycling and disposal efforts.

Montana State University, The 49th Parallel Institute, Bozeman, Montana, $160,400, to establish the Western Border Waters Forum.

North Dakota State University, Fargo, North Dakota, $11,967, to support planning with the Northern Plains Sustainable Agriculture Society for a collaborative project to examine the efficacy of sustainable agricultural practices in North Dakota, as part of the Foundation's proposed multistate analysis of the impacts of sustainable agriculture.

Northern Lights Institute, Missoula, Montana, $76,425, to test the efficacy of a cooperative approach between landowners and water users in the development and implementation of management policies for the Clark Fork River basin.

Oregon Environmental Council, Inc., Portland, Oregon, $75,000, to involve citizens of four southern Oregon communities in implementing effective air quality control strategies.

Oregon State University, Corvallis, Oregon, $10,000, to work with Oregon Tilth and commercial farmers, environmentalists, and leading research and Extension specialists to plan a series of on-farm demonstrations designed to explore the potential of sustainable agriculture, as part of the Foundation's proposed multistate analysis of the impacts of sustainable agriculture.

Practical Farmers of Iowa, Boone, Iowa, up to $9,411, to work with Iowa State University to plan on-farm research on the social, economic, and biological aspects of sustainable agriculture in Iowa, as part of the Foundation's proposed multistate analysis of the impacts of sustainable agriculture.

Resources for the Future, Washington, D.C., $112,667, to examine the economic, social, and political implications of the proposed major alternative federal farm policies at a regional and national level.

South Dakota State University, Brookings, South Dakota, $150,450, to conduct research on the economic viability of sustainable agriculture practices and the effect of current federal policies on the adoption of such practices; $6,308, to support planning with the Northern Plains Sustainable Agriculture Society for a collaborative project to examine the efficacy of sustainable agricultural practices in South Dakota, as part of the Foundation's proposed multistate analysis of the impacts of sustainable agriculture.

Washington State University, Pullman, Washington, $159,312, to support multidisciplinary research on the environmental and economic impacts of current federal commodity policies in the Palouse region of Washington, Oregon, and Idaho.

Arts

Film in the Cities, St. Paul, Minnesota, $198,600, to improve Film in the Cities' stability through improved financial performance of the Jerome Hill Theater.

Heart of the Beast Theatre, Inc., Minneapolis, Minnesota, $252,620, to develop and implement a new administrative structure that would allow for increased production and the execution of a capital campaign.

Minnesota Museum of Art, St. Paul, Minnesota, $249,911, to complete the revitalization of the Minnesota Museum of Art by consolidating its four St. Paul facilities, restoring its donor base, and increasing service to members.

The Minnesota Opera, Minneapolis, Minnesota, $250,000, for support of the New Music-Theater Ensemble and Residency Program.

Minnesota State Arts Board, St. Paul, Minnesota, $150,000, to increase the earned income of Minnesota performing arts groups by developing their touring expertise and capacities.

Spokane Arts Commission, Spokane, Washington, $15,000, to develop new audiences for the arts in Spokane.

Theatre de la Jeune Lune, Minneapolis, Minnesota, $150,000, to improve the company's economic stability through the development and implementation of an aggressive marketing effort.

Vigilante Players Inc., Bozeman, Montana, $24,000, to help stabilize the organization by increasing its administrative staff.

(Grants continued on back page)

(**Grants** continued from page 31)

Zenon Dance Company and School, Inc., Minneapolis, Minnesota, $225,000, to expand the artistic capacity of the Zenon Dance Company and establish it as the premier dance company of the Upper Midwest.

Miscellaneous

The Foundation Center, New York, New York, $15,000, annual membership.

The Greater Tacoma Community Foundation, Tacoma, Washington, $49,094, partial support for The Greater Tacoma Community Foundation's planned giving program for nonprofits.

National Charities Information Bureau, New York, New York, $2,000, annual membership.

NORTHWEST REPORT

A Newsletter of the Northwest Area Foundation

Northwest Area Foundation
West 975 First National Bank Building
St. Paul, Minnesota 55101-1373
(612) 224-9635

Editor: Vicki S. Itzkowitz
Communications Assistant: Betty Fritze
Design Consultant: Robert N. Taylor
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Northwest Area Foundation is a philanthropic organization founded in 1934. It is committed to the welfare of the region from which it derives its name, the eight-state area of Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, and Oregon. The Foundation targets its resources to achieve two major goals: to focus, deepen, and enhance the public dialogue so that the region's citizenry may make more effective decisions concerning important regional issues, and to build individual and organizational capacity to address those issues even after Foundation support terminates. Funding is provided in the areas of regional economic vitality, meeting basic human needs, natural resource conservation and development, and the arts.

The Foundation encourages prospective applicants to request a copy of its *Guidelines for Grant Applicants.* Full listings of the Foundation's activities are contained in its annual report, available on request.

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Northwest Area Foundation
West 975 First National Bank Building
St. Paul, Minnesota 55101-1373

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