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Issues for the 1990's: RURAL ECONOMY

Rural Economic Disadvantage

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Issue. Several economic indicators suggest that rural conditions worsened during the 1980's. The rural unemployment rate rose rapidly during the 1980-82 recessions and had not fallen back to its 1979 level by the onset of the 1990-91 recession. Rural per capita income and earnings per job fell further behind urban income and earnings during the decade. The rural poverty rate increased. And, half of all rural counties lost population. These indicators appear to be symptoms of a growing rural disadvantage in the emerging national and global marketplaces, thereby raising questions about the future well-being of much of rural America.

Context. Entering the 1980's, rural America seemed poised for strong economic performance. Growth in population, employment, and income in the 1970's had exceeded that of urban areas, narrowing the historical lag in rural well-being and greatly reducing rural population loss. But, a combination of factors prevented rural areas from further narrowing the gap in the 1980's. The 1980-82 recessions hit rural areas much harder than urban areas, primarily because job losses were concentrated in production occupations in manufacturing firms, where a higher proportion of rural than urban employment is concentrated. Rural manufacturing employment recovered slowly, not surpassing the prerecession (1979) number of jobs until 1989. These problems in manufacturing were combined with a farm crisis in the mid-1980's and job losses in mining in the last half of the decade. Evidence suggests these cyclical changes were accompanied by a long-term shift in rural competitiveness. Structural change in goods production reflects increasing global competition, technological change continues to displace production workers, and growing specialized producer services bypass rural areas.

At Stake. Continued rural economic deterioration could lead to increased outmigration to urban areas. From 1986 to 1988, 192 rural counties experienced net outmigration and more deaths than births. Some small communities in these areas may discontinue services when the cost of providing them rises above the remaining residents' ability to pay. Outmigration is also a concern for rural areas because the young, highly educated comprise a disproportionate share of those who leave. If rural areas cannot find ways to attract or create jobs requiring the skills of highly educated people, they may lose the group most likely to be the catalyst for improving local conditions. The Nation may also lose from rural outmigration as the costs of providing services in increasingly congested cities rise.

Alternatives. Views on equity and economic efficiency condition responses to rural-urban inequality and rural economic problems. Tight State and Federal budgets severely limit what could be spent to relieve rural problems. And, the wide variety of rural conditions calls for an array of responses, not a simple one-program-fits-all approach.

The National Initiative on Rural America, begun in 1989, established the President's Council on Rural America, a group of 19 rural leaders from the public and private sectors, to provide guidance to the President in setting a national rural development policy agenda. It also initiated State Rural Development Councils to assess local rural development needs and coordinate delivery of Federal, State, local, and private programs that respond to those needs. Most States are in the process of setting up Councils (47 States and territories are expected to have Councils by the end of 1993).

Funding for rural development-related projects comes from numerous Federal, State, and local programs. For example, the Small Cities Urban Development Block Grant program is administered by

the U.S. Department of Housing and Urban Development. Rural housing, electrification, and community facilities loan and grant programs are administered by various agencies in the U.S. Department of Agriculture (USDA). And, many States provide seed money to rural revolving business loan funds to which local governments often add their own contributions.

Agenda. The current Federal rural development agenda is built on the principle that local residents are the best judges of which rural development strategies are appropriate for their communities. Efforts to reduce the rural economic disadvantage in an era of tight government budgets will require creative input from all levels of government.

Information Source. U.S. Dept. of Agriculture, Economic Research Service, *Rural Conditions and Trends*, various issues.

Nonmetro economic indicators, 1979-91

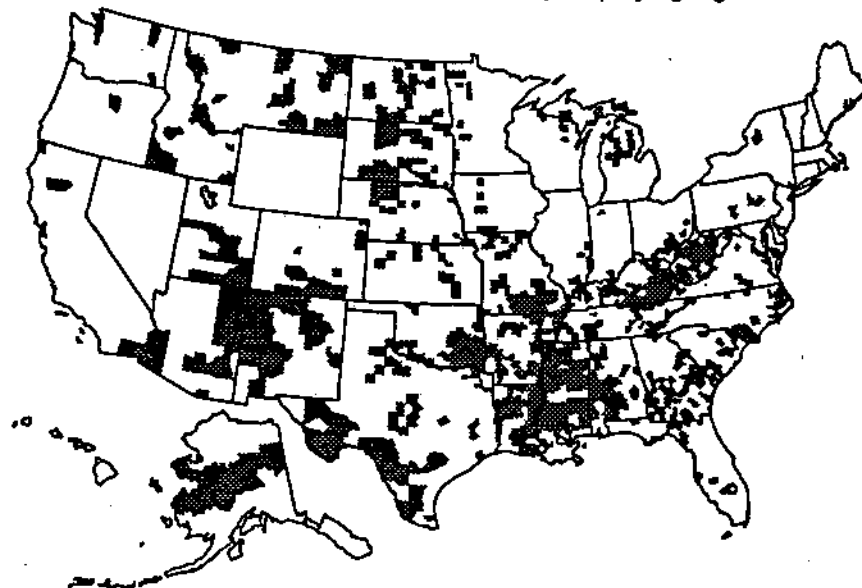
Unemployment, income, and earnings gaps widened during the 1980's, signaling increasing nonmetro disadvantage.

Year	Unemployment rate	Difference from metro unemp. rate	Real per capita income	Ratio to metro income	Real earnings per wage and salary job	Ratio to metro earnings
	Percent	Percentage points	1990 dollars	Percent	1990 dollars	Percent
1979	6.1	0.5	13,086	77.2	18,732	79.3
1980	8.0	1.1	12,768	75.4	18,489	79.0
1981	8.5	1.2	13,015	75.9	18,614	79.4
1982	11.1	1.8	12,786	74.9	18,614	78.6
1983	11.2	2.1	12,711	73.9	18,435	77.7
1984	9.1	2.1	13,318	74.3	18,522	77.4
1985	9.1	2.5	13,445	73.4	18,435	76.5
1986	9.0	2.6	13,715	73.5	18,394	75.5
1987	7.9	2.1	13,821	72.9	18,272	74.6
1988	6.9	1.8	14,117	72.3	18,189	73.5
1989	6.4	1.5	14,491	72.9	17,938	73.4
1990	6.5	1.3	14,600	73.4	17,791	73.1
1991	7.6	1.1	NA	NA	NA	NA

NA=Not available.

Nonmetro counties with more than one economic stress indicator

Most States have at least one nonmetro county displaying signs of economic stress.



Nonmetro counties with at least 2 of the following characteristics:

- in lowest 20 percent of all counties by 1990 per capita income.
- in lowest 20 percent of all counties by 1990 earnings per wage and salary job.
- in highest 20 percent of all counties by 1991 unemployment rate.
- in highest 20 percent of all counties by 1989 poverty rate.
- experienced both net out-migration and more deaths than births during 1986-88.