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EXPLAINING THE NEW SPATIAL INEQUALITY
Regulatory Policy and Local Economic Capacity

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May, 1991

Presented at a Conference on Population Change and the Future of Rural America, Wye Plantation, Maryland Eastern Shore, May 30-June 1, 1991

As the 1990 census data becomes available, a pattern that has been documented only anecdotally is becoming more visible and garnering increasing public attention. The pattern is one of increasing inequality among places and regions as expressed in income disparities, unemployment rates, and access to basic services. Thus far the analysis of this pattern has been approached from two different perspectives. Analysts of rural economies have focussed on nonmetropolitan population losses and the increasing economic gap between metropolitan and non-metropolitan areas.[1] As opportunities deteriorated during the 1980s in nonmetropolitan areas, population growth rates have slowed and in some areas there have been actual population losses. Some analysts see this trend as having implications beyond population decline, pointing out that it is the people who are employable who have left. Nonmetropolitan population decline has also exacerbated negative economic trends such as deindustrialization, increasing tendencies toward centralization of services in higher order centers and leaving many communities with a housing stock but precious little else.

At the same time, urban analysts have focussed on a parallel process - the loss of inner city population and the increasing disparity between central city and suburbs in almost every respect

- jobs, housing, and the quality of public and private services. Although the urban crisis and the rural crisis have somewhat different manifestations, they are inextricably linked - aspects of a broader process through which the U.S. space economy is being transformed.

In what follows, I will argue that while increasing spatial inequality can be explained with reference to the internationalization of the U.S. economy and firm competitiveness, changing market conditions are not the only factors re-shaping the space economy. Governments still function to regulate economic processes even in an era of deregulation and the processes of internationalization are mediated through political processes. To understand the new spatial inequality we need to look to political-economic explanations that consider the changing role of the nation state in intersection with changes in markets. There are several dimensions to this changing role. One is a diminution of equal access to certain services (transportation, communication, health care) as a concomittant of citizenship. In other industrialized countries, these are deemed social citizenship rights and strongly institutionalized at the national level. In the United States, however, public services were never strongly formulated as rights and so are more vulnerable to erosion under the argument of market efficiency. A second dimension is the withdrawal of state intervention in the market in the form of social welfare provision, including place-based development policies. Yet another important dimension involves the regulatory role of the state. It is reflected in changes in the rules governing the financial system particularly those governing financial institutions and transactions. Another related set of "rule" changes has affected the ability of firms to merge and acquire.

All of these aspects of a changing state role have directly and indirectly influenced firm locational patterns and employment patterns. Although many of these new policies have been presented as deregulatory, they are more accurately depicted as policies aimed at making the U.S. economy more sensitive to the fluctuations of the market. That this is the case is suggested by the emergence of new regulatory institutions aimed at individuals and firms and intended to increase market discipline (eg. solvency safeguards). These new governmental policies and institutions contrast quite dramatically with those whose purpose is to intervene in the market for the purposes of improving social welfare or to promote regional economic development.

The changing role of the nation state has fundamentally altered the environment for economic development at the sub-national state and local level. As a consequence, policy-makers in the 1990s have a new and different set of constraints to consider when trying to formulate economic policy initiatives. The situation calls for a fresh look at the assumptions underlying local economic development policy. To contribute to this reassessment I will outline how the "rules of the game" have shifted, looking at changes in regulation and at explicit policies to shift the burden of what are generally considered "social" needs to the local level. Finally, I will examine the constraints on economic development policy within the new economic environment. To put these policy shifts in perspective, however, I will lay out a tentative explanation for why we might expect government policy and forms of intervention to change with the internationalization of the U.S. economy.

CRISIS OR ADJUSTMENT

To understand why the federal government has moved away from certain types of market intervention policies particularly from those which encourage the provision of universal service and place-based development one needs to ask why such policies were enacted in the first place. One explanation, drawing from the work of O'Conner in The Fiscal Crisis of the State would suggest that certain necessary expenditures are taken on by government because they are too costly for individual capitalists. As the nature of the economy changes, the kinds of expenditures the state finds it necessary to take on change with it.

There are two ways of viewing current federal policies and the restructuring of relations between the state and the economy. In the first scenario, the state plays an important role in promoting the kinds of capital accumulation prevalent from the 1950s through the 1970s, oriented around mass production industries and mass consumption. A key stabilizing element in this regime was the "consumption norm" which legitimized federal expenditures for health, social security and agricultural programs. A mass production-oriented economy required large scale public investment in the social and physical infrastructure to create the spaces for mass production. It also required public investment in housing, roads, school systems etc. to encourage mass consumption. In addition, property rights are centralized and transformed in order to create a public interest that supercedes the interests of small business and small property holders. As Geisler describes it, there is "a legal transfer of property rights to the public sector where certain private interests are better represented than others."[2] Government federal, state and local, becomes complicit in the requirements of mass production enterprise supporting those industries most conducive to this type of production organization and failing to support others which are more specialized. The numerous cases of complicity between agribusiness and subnational state governments against specialty agriculture exemplify how state power and its bureaucratic apparatus was tied to a form of mass production.

As production organization and location begins to shift in the 1970s, however, the bloated state becomes a drag on capital accumulation because of the revenues required to support it. This produces a "fiscal crisis" for the state and the need to dramatically cut back on expenditures for programs which had ameliorated the effects of uneven development under mass production. This argument is plausible but we still need to explain why certain types of expenditures have been cut and not others and why the national government seems so little concerned to legitimate actions which have exacerbated regional and individual inequality. The answer to these questions lies in a second scenario - one which focusses less on the crisis associated with the diminution of the mass production oriented economy and emphasizes, instead, the particularities of the U.S. response to the emerging international division of labor and a gradually evolving role for the state vis-a-vis capital interests. In this scenario, the decline of mass production and industrial restructuring is only one dimension of a broader and deeper process of political-economic transformation. Underlying this transformation are policies, such as those affecting real estate development and land use, which although economically driven are realized through a deeper and more continuous political-economic process. The crisis of mass production thus rides atop a longer term process of national political-economic adjustment. [3] This scenario also has some distinct limitations, particularly in its construction of political-economic adjustment as constituting an essentially smooth trajectory. An argument can be made that the economic changes occurring in the 1970s and 1980s intersected with a particular kind of politics to produce an accelerated movement to a political-economy dominated by market principles.

Spatial analyses are critical to both of these scenarios but in the first case, analyses of the spatial consequences are largely confined to deindustrialization and the rise of industrial districts. The second scenario allows for a broader interpretation of the transformation of cities and regions and of the rise of suburban cities at the expense of both "traditional" central cities and nonmetropolitan areas.[4]

Despite their differences, both of these analyses suggest the waning of a nationally regulated production and consumption space in favor of multiple locally-regulated spaces. They point to distinctively different principles of spatial organization than those which characterized what is popularly known as the era of mass production. For example, firms have increased their ability to target markets which are not spatially defined and to reach them through national advertising, telecommunications links and direct mail - thus the separation of market from place. Another example is a tendency to concentrate distribution and production in fewer, nodal, locations so as to increase catchment areas. This has not involved capital deepening in cities, however, but, in the 1980s, capital deepening in suburbs.

The most important nodes in the new space economy are, in fact, neither in cities nor in rural areas but in the suburbs. The reasons for the explosion of production and consumption activity in the suburbs are both economic and political. Economically, the suburban cities constitute agglomerations (albeit sprawled agglomerations) oriented around the most profitable market segments. Politically, the growth of suburban cities represents a move from more regulated urban space to less regulated suburban space. In addition, there is an ability not present in central cities to manipulate land use and infrastructural investment for the development of shopping malls, industrial parks and office parks. What is needed at the local level is the capacity to re-make space to realize the profits available in distribution as well as production. The fiscal and bureaucratic capacity (as well as the market) are missing from most nonmetropolitan locations while cities still exact costs associated with a labor force that has become redundant with respect to both production and consumption. It is the suburban local state that is at the heart of the emerging space economy. Under these circumstances, the impetus to create the spatial conditions for universal service or mass consumption are missing. The encouragement of differentiation at the local level, and of local competition, is much closer to the spirit and substance of the role of the U.S. state vis-a-vis capital interests in the 1990s.[5] To see the nature of this emerging relationship more clearly we can look at one of the hallmarks of state restructuring in the 1980s - deregulation -and at its spatial consequences.

The State and Financial Market Regulation

It is now a truism that the United States has faced enormous adjustments because of the internationalization of the economy. Everything from de-industrialization to the decline of the stock market as an accurate index of national economic health has been linked to the development of global markets and an increasingly international division of labor. What is too frequently neglected in these analyses is how national level political and economic institutions, including non-market institutions, continue to shape how the demands of the market are met. For example, national financial systems continue to constrain firm strategies and production organization decisions. They, in effect translate how and to what extent international financial market conditions are felt in national markets.[6]

The U.S. is singular among industrialized economies in the degree of vulnerability to market forces because its adjustment is micro-economic, firm-led, rather than mediated through societal level institutions. Capital market systems are much more responsive to short term changes in market conditions and mitigate against long term investment strategies. In the U.S., this sensitivity was heightened in the 1980s. Financial deregulation made capital markets hyper-sensitive and more competitive by breaking down the regulatory barriers which had distinguished and separated the types of transactions which could be carried out by different types of financial institutions. Financial deregulation in the U.S. arguably made U.S. headquartered financial institutions more competitive on world capital markets but also increased the volatility of the domestic capital market. Financial deregulation interacted with other deregulatory actions, particularly decisions not to enforce anti-trust laws, to encourage concentration across a wide range of sectors, including airlines, trucking, retail and financial services. One effect of this deregulatory activity was to stimulate the growth of financial services in the 1980s. New financial products were introduced and mechanisms were developed to manage a world capital market. Brokerage activity increased

83.7% from 1979 to 1985. [7]

The rush to concentration through merger and acquisition in the 1980s has arguably decreased cost competition in some product markets. At the same time cost and profit pressures on firms have increased because of more competitive financial markets and acquisition-related debt. [8]

The constraints posed by financial markets mean that U.S. firms in many sectors are under strong pressure to keep costs down and to move into product markets which will produce short term profits rather than those which require long term investment. More importantly, firms need to move out of less profitable markets very quickly. This pressure leads to the contraction of product cycles and places a premium on certain types of short cycle product innovation such as the re-packaging of existing products in new forms to reach different markets. It works against other forms of innovation which are dependent on long term investment, such as client-oriented customized production. The trends emanating from capital and product markets are also manifested in consumption patterns. The shortening of product cycles translated into less predictable product demand and unexpected variations in demand in many sectors.

Deregulation: Implications for Locational Decisioms

The question of how changes in regulatory regimes affect differently situated individuals and regions are generally neglected because of the sectoral orientation of regulatory policy. [9] Studies of sectoral change in the ten years following deregulation, however, indicate that the benefits of deregulation are unevenly distributed. Although supporters of deregulation argue that increases in efficiency have substantially benefited consumers, there are also those who argue that the short term benefits of de-regulation in decreased product unit costs are outweighed by increased costs with respect to service quality, access, and consumer time.[10] As Kevin Philips notes: "A fair consensus view was that educated, reasonably affluent consumers able to understand the widening array of choices and take advantage of reduced price opportunities reaped the most benefits, while poor people strained by high minimum balance requirements at banks and steep local phone rates - fared the worst."[11]

There are also as yet largely unknown costs associated with the dismantling of formerly regulated labor markets in many deregulated industries. Evidence is beginning to appear linking de-regulation with the decreased investment in the workforce by employers, with the degradation of working conditions, with more incentive-based pay schemes and with a shortage of skilled workers in some affected industries.[12]

One sector which has been profoundly affected by de-regulation is that of financial services. Although it is not possible to describe the complexities of deregulation in detail, the process is basically one in which intra-sectoral boundaries have been broken down and firms freed-up to look for more profitable markets and investments. Prior to de-regulation in the 1960s and 1970s nondepository financial institutions, such as brokerage security services and insurance companies, devised short term investment products that yielded a higher return than the interest savings accounts of thrift institutions which were restricted from competing by interest rate restrictions. Consumer lending, in general, diversified during this period. General Motors was the largest consumer lender in the United States in 1980 and by 1981, and business lending by nonbank firms accounted for 20% of all business loans[13]. At the same time the Eurodollar markets generated other unregulated investment opportunities. Partially as a consequence of these developments, there were a series of legislative acts which removed many of the previous controls on banks and thrift institutions and paved the way for the contemporary financial service industry. One of the most important consequences of this restructuring is that financial institutions no longer rely on a deposit base to finance lending operations but rather draw investment funds and invest across regions, countries and sectors. As a consequence the industry has changed from one in which the central activity is the provision of services to one in which the central activity is the sale of financial products.[14]

In general, the de-regulation process and the restructuring that accompanied it have made for much more competitive financial markets which have, in turn, affected product markets in the U.S. as was alluded to earlier. Very little research has been done on the consequences of this transformation for communities. What has been done explores the consequences of bank "rationalization" for inner city areas. [15] The consequences of the deregulation of financial institutions for nonmetropolitan communities are a matter of dispute, with some analysts suggesting that rural communities have benefited from the proliferation of branch banking. [16] The critics of de-regulation have focussed on the activities which now take place in rural banks and on the question of the volatility of investment institutions rather than solely on the number of banks in a given region. The question of geographic distribution is also as yet unanswered. Given the diversification of nonmetropolitan economies, bank branches may be proliferating in some areas, such as those proximate to suburban counties, and being eliminated in less accessible and more isolated areas.

The profit orientation of contemporary financial institutions means that they are strategically targeting certain populations and certain communities. According to one account, "The neighborhood branch is not only superfluous but operates as a drag (upon the bank) unless the branch is located in the neighborhoods where the "cream" of the market reside."[17] And, another, " The traditional concept of banking services and careful nurturing of longtime customers is being replaced by concepts of targeting and "creaming" the market." [18] Both of these quotes suggest the importance of service provision in suburban agglomerations rather than in nonmetropolitan areas or in central cities.

There is some evidence that nonlocal banks in rural areas may be draining capital from rural areas to invest in the expanding suburban areas. [19] This not only results in a loss of local investment capital but, in the case of bad non-local investments, in higher user fees for local banking services. Two developments are, however, highly significant for regional development potential. First, the increasing emphasis on short-term commercial loans has reduced the availability of long-term, fixed rate financing crucial to community and small business development. Second, pressure to exit less profitable markets has led to a very unstable local financial market characterized by rapid turnover.[20]

Another, secondary, implication of the emerging distribution of financial services is a loss of expertise. Branch banks staffed primarily by sales personnel are unlikely to have the type of representation on community boards and chambers of commerce that resulted in lending practices reflecting "local knowledge". The controversy over federal regulators use of technical rationale to evaluate risk and its devastating effects on previously credit-worthy borrowers from the Bank of New England is only the most publicized case of the consequences of this transformation.

Our knowledge of the implications of the de-regulation of the financial sector for non-metropolitan areas is limited because apart from the particularities of agricultural lending we have little information about the role of financial products and services in local economic development. The number of bank branches or local banks in any given area is less important than changes in lending practices and the kinds of products and services available to consumers. What we need is more information on how those products and services which sustain and encourage development in different types of nonmetropolitan communities are being affected by the deregulatory and associated restructuring processes.[21]

A second change in the regulatory environment that has implications for regional development potential is non-enforcement of anti-trust law. The local impact of this national policy change is evident in the retail sector which has undergone dramatic change since the 1970s. The lack of enforcement of anti-trust law has accelerated the process of merger and acquisition which began to re-shape the industry in the 1970s. For example, although firms such as Macy's were able to stave off takeover in the 1970s by strategic acquisitions which increased their debt to equity ratio and made them direct competitors with potential acquiring firms, this strategy began to fail in the 1980s. Direct competition in some markets no longer constituted a regulatory barrier to takeover. In addition, the openness of the U.S. market to foreign capital increased the number of potential acquirers. The takeover of Macy's by the British Batus Group was one consequence.

In nonmetropolitan areas, the restructuring of the retail sector has resulted in the so-called "Wal-Marting" of rural America or the replacement of locally-owned stores by discount retail chain stores in more centralized locations. Kenneth Stone's research on the economic effects of this new organization of retail trade indicates several important consequences for nonmetropolitan areas. First, in the towns and cities which become retail "nodes", the total retail trade area expands. Competing general merchandise stores, as well as specialty stores in the immediate vicinity suffer losses in sales though there are some beneficial spillover sales to complementary activities such as fastfood restaurants. Fewer purchases are made in the towns without Wal-mart operations. So in the first four years of Wal-Mart operation, Iowa stores lost eleven per cent of their total sales, with losses in some sales categories, such as apparel, approaching twelve percent. [22] The restructuring of retail stimulated at least in part by deregulation has encouraged rapid centralization of retailing and affected nonmetropolitan communities in at least three ways: decreased sales tax revenue in many localities, increased unemployment and redistribution of employment opportunities to higher order centers and decreased local investment. In addition, as was described in the first section, the increased debt load carried by firms is encouraging them to restructure operations to reduce labor inputs. Thus, we can expect that concentrated rural retail activities will not be a source of regional job generation but will most probably reduce employment in the 1990s. Nonmetropolitan communities are still places where people live but many are losing their employment generating functions. This view is supported by data gathered by Johansen and Fuguitt which shows that population has been more stable in small towns and villages than has retail and service activities (see Figure 1).[23]

Of course, deregulation alone is not responsible for the difficulties faced by nonmetropolitan areas. Its effects have been felt in conjunction with a range of state and federal government policies which have redistributed risk and responsibility as well as income. These redistribution processes have benefited some groups such as the elderly, at the expense of others, children and young people. They have also had consequences for the spatial distribution of jobs, credit, and services.[24] Federal government policy to favor transfer payments to individuals over social and economic programs to help disadvantaged groups has also meant that earned income in some areas, such as retirement centers, can decline while, at the same time, personal incomes (from all sources including transfer payments) remain stable. As a result poverty is a much more serious problem among young rural inhabitants than among rural retirees.

These conditions are direct manifestations of the withdrawal of the nation state from interventionist policies to alleviate the inequities created by the market.

The Dismantling of the Social Welfare State

The most prominent and visible change in federal policy over the past ten years has been the dismantling of social welfare and place-oriented economic development programs and the shifting of social costs to the subnational level, particularly to states but also to localities. This change is vividly represented in changing expenditure patterns at the federal level. Per capita state and local spending increased 31% between 1984 and 1988 (in comparison with an 18% inflation rate). Much of this growth was driven by health care costs and federal mandates to expand medicaid.

At the federal level, the biggest cuts were absorbed by those programs which were oriented toward "in-need" populations and places (Figures 2 and 3). Throughout the 1980s, grants-in-aid programs for rural areas were dramatically slashed. And, even basic infrastructural investment projects were eliminated from the budget. [25] At the same time, "Pentagon capitalism" was accelerating the differences between nonmetropolitan areas and metropolitan areas, pouring defense contract funds and research grants into high tech counties such as Santa Clara, Los Angeles, and Orange in California and Fairfax in Virginia.[26]

The contemporary spatial inequalities and the falling fortunes of rural areas are not simply a consequence of the vicissitudes of the market as is the conventional wisdom but of the transformation of the political economy.

What Do the New Economic Realities Mean for Regional Development?

At the same time that policies were being implemented on a national level to erode universal service and increase differentiation among people and places, the orientation of economic development shifted to the local level and to local entrepreneurial initiatives. It is ironic that the economic development literature has concentrated almost exclusively on local initiatives and the need for functional flexibility during a period in which local capacities have been systematically undermined and in which nonmetropolitan regions have become less specialized rather than more specialized.

Among the strongest currents in this new emphasis on local initiatives was that which stemmed from micro-economic, firm-centered paradigms. One of the strengths of the firm-centered production paradigm is, in fact, its close association with questions of regional development through the concept of the industrial district. This paradigm has spawned numerous efforts to replicate successful industrial districts in Italy and elsewhere through, among other things, firm "incubator" schemes. It has led to a re-thinking of the role of the locality in regional economic development and to the re-emergence of theories of local entrepreneurship and locality-led development. Flexibly specialized industrial districts have been proposed as a normative model for how production should be organized, a model directed at policy makers, corporate executives and planners.[27]

This paradigm has been subjected to a barrage of criticisms not the least of which is that there is no coherent single industrial district model but a variety of arrangements for organizing successful vertically disintegrated production regimes. That said, however, one of the most interesting aspects of the successful industrial district continues to be compelling - that is the role of territorial government (in the broadest sense).

What is notable about this role and the relationship between state and economy in some of the most lionized industrial districts is how different it is from the national state - regional economy model that supports mass consumption, described above, and from the locally-initiated development model that has become the standard policy response in the United States. The national state-regional economy model is intended to produce an undifferentiated plane on which products can be produced and sold. The locally-initiated development model is intended to increase the capacity for inter-regional competition rather than intra-regional cooperation. The territorial governance model, in contrast, emphasizes what goes on in the region. Its development is dependent on a strong, intervening local state and on a concept of "municipalism" which at the same time creates the space for innovative expansion, blocks the exploitation of labor[28] The political ideal of industrial districts is synonymous with state intervention in the form of "municipalism" which provides for both social and physical infrastructure and polices competition while, at the same time, encouraging it.

Thus, regional development in the industrial district form is not just a story about firms and firm interactions or about competitiveness but about state intervention in the market. This is manifestly true of the most successful U.S. industrial districts whose success is largely attributable to defense expenditures and their subsidization of high technology industry.

By extension, if we want to develop policies to respond adequately to the difficulties facing those places that are outside the favored circle of growth in the 1990s, we also need to re-think the forms and nature of state intervention that will achieve our aims. This may mean redrawing regional boundaries and redistributing resources. It may mean tying job training provisions to local government contracts. It may also mean applying pressure at the sub-national State level to support the kind of infrastructural investment that will connect local producers with markets. This may be a very different kind of infrastructural investment than that which connected mass producers with their mass markets.

State intervention in the form it took in the United States in the 1950s and 1960s was arguably consistent with mass production systems. It evened things out, created relatively equal access across space to the basic commodities of the mass consumption economy. Even if we find a successful way to regional industrial districts, we may not be willing to give up equal access particularly when its absence further disadvantages the most vulnerable segments of our society. If so, local initiatives will take us only so far.

Notes

1. "Heartland's Share of the Nation's Income Continues to Drop". 1988. A Staff Study prepared for Congressman David Obey, Chairman Subcommittee on Competitiveness and Economic Resources of the Joint Economic Committee of the U.S. Congress; Lucy Gorham and Bennett Harrison. 1989. Department of Urban Studies and Planning, Massachusetts Institute of Technology. Report prepared for the Ford Foundation and the Rural Economic Policy Program of the Aspen Institute. Ann R. Markusen and Virginia Carlson. 1989. "Deindustrialization in the American Midwest: Causes and Responses," in Lloyd Rodwin and Hideko Sazanami (eds) Deindustrialization and Regional Economic Transformation. Boston, Unwin Hyman.

2. Charles Geisler. 1982. "Local Control versus Social Control in Land Use Planning: Sociological Perspectives," in Peter Hallowell (ed.) Property and Social Relations, London, Hennerman.

3. M. Gottdiener. 1989. " Crisis Theory and Socio-spatial restructuring: The U.S. Case" in M. Gottdiener and N. Kominos (eds.) Capitalist Development and Crisis Theory: Accumulation, Regulation and Spatial Restructuring. New York: St Martin's Press.

4. M. Poster et al. The Postsuburban City University of California Press. Berkeley, 1991.

5. This differentiation creates serious problems for interpreting change in nonmetropolitan America. For example, some nonmetropolitan areas adjacent to high growth suburban counties may do well economically because of spill-over effects while at the same time there are serious economic problems in non-adjacent countries.

6. Of the three types of financial systems prominent among industrialized economies - the capital market system with resources allocated by competitively established prices; the credit-based system with admininstered prices; and the credit-based, bank dominated system - the U.S. is the foremost example of the first type. What this means in practice is that adjustment to changes in market conditions is formulated and led by individual firms rather than negotiated by "social partners" (labor and management) as in Germany and Sweden or state led through industrial policy, as in Japan. Within a capital market system, as exemplified by the U.S., industry, government and finance are maintained in private spheres. Government ability to influence investment decisions or employment policy is weak in contrast with the other systems.

7. L.C. Thurow. 1989. Deindustrialization and Regional Economic Transformation. Boston: Unwin Hyman.

8. For furth analysis of the effects on banking, see: George Kaufman and Roger Kormendi (eds.) 1985. Deregulating Financial Services: Public Policy in Flux. Cambridge, MA: Ballinger, 1985.

9. The United States may now be in a new regulatory phase that attempts to address some of the problems of that have developed as a result of the deregulation of the 1980s. One objective of this current phase is to reduce government liability for the consequences of restructuring that have taken place in conjunction with deregulation by, for example, raising certification standards for federally provided insurance. A second objective is to transfer more risk to the worker and raise productivity by new worker certification regulations such as national truck driver's licenses.

10.Bill Richards. 1987. "Deregulation Raises Prices, Cuts SErvices in Many Rural Areas," Wall Street Journal October 5.

11.Kevin Philips. 1990. The Politics of Rich and Poor. New York, Random House.

12. See Kevin Philips, op. cit.; and Michael Belzer. "Restructuring the Trucking Industry After Deregulation." unpublished manuscript, Cornall School of Industrial and Labor Relations, Cornell University, Ithaca, New York, 1990.

13. Donald R. Fraser and James Kolari. 1985. The Future of Small Banks in a Deregulated Environment. Cambridge: Ballinger.

14. Katherine Rankin. 1990."The Effects of Banking De-regulation in Rural Areas." unpublished manuscript, Department of City and Regional Planning, Cornell University: Ithaca.

15.Alison Alaire Towle. 1990. *The Social and Spatial Effects of the Restructuring of U.S. Commercial Banking.* Master of Regional Planning Thesis, Department of City and Regional Planning, Cornell University, Ithaca.

16. Daniel Milkove and Patrick Sullivan. 1989." Should Rural Communities Fear Bank Reregulation?" *Rural Development Perspectives.* (February: 2-8); Franklin Edwards. 1986. "Concentration in Banking: Problem or Solution," in G. Kaufman and R. Kormendi (eds.) *Deregulating Financial Services: Public Policy in Flux.* Cambridge: Ballinger; Fraser and Kolari, op. cit.

17. Rankin, op. cit.

18. Warren Dennis. 1984. "Coping with Branch Consolidations," *The Bankers Magazine.* September-October, p. 28.

19. Jean Pogge and David Flax-Hatch. 1987. *The Bankers of Today, the Bankers of Tomorrow: The Financial Services Industry and its Role in Community Reinvestment* Chicago: Woodstock Institute; Milkove and Sullivan, op. cit.

20. Alan Fishbein. 1989. "Banks Giving Credit with a Conscience," *Business and Society Review* No. 68 (Winter): 33-37; Rankin, op. cit.

21.This is not as straightforward as it might seem since consumer loans may be used by the self-employed to purchase equipment (trucks, vans) which is also used to produce income.

22.Kenneth Stone. 1989. "The Impact of Wal-Mart Stores on Other Businesses in Iowa," unpublished manuscript, Iowa State University, October.

23. Harley E. Johansen and Glenn Fuguitt,. 1990. "The Changing Rural Village," *Rural Development Perspectives* (Fall).

24. Cornelia Butler Flora and Jan L. Flora. 1989. "Rural Area Development: The Impact of Change," *Forum for Applied Research and Public Policy* (Fall).

25. Donald Hardy. "Federal Assistance for Rural Development: The Train that Passed in the Night?" *The Rural Sociologist* Volume 3, Number 6

26. Poster el al, op. cit.

27. For an overview of this literature, see Michael Storper and Allen Scott. 1986. "Production, work, territory: contemporary realities and theoretical tasks," in Allen Scott and Michael

Storper. 1986. Production, Work, Territory, The Geographical Anatomy of Industrial Capitalism. Boston: Allen and Unwin.

28.Michael Piore and Charles Sabel. 1984. The SEcond Industrial Divide: Possibilities for Prosperity New York, Basic Books.

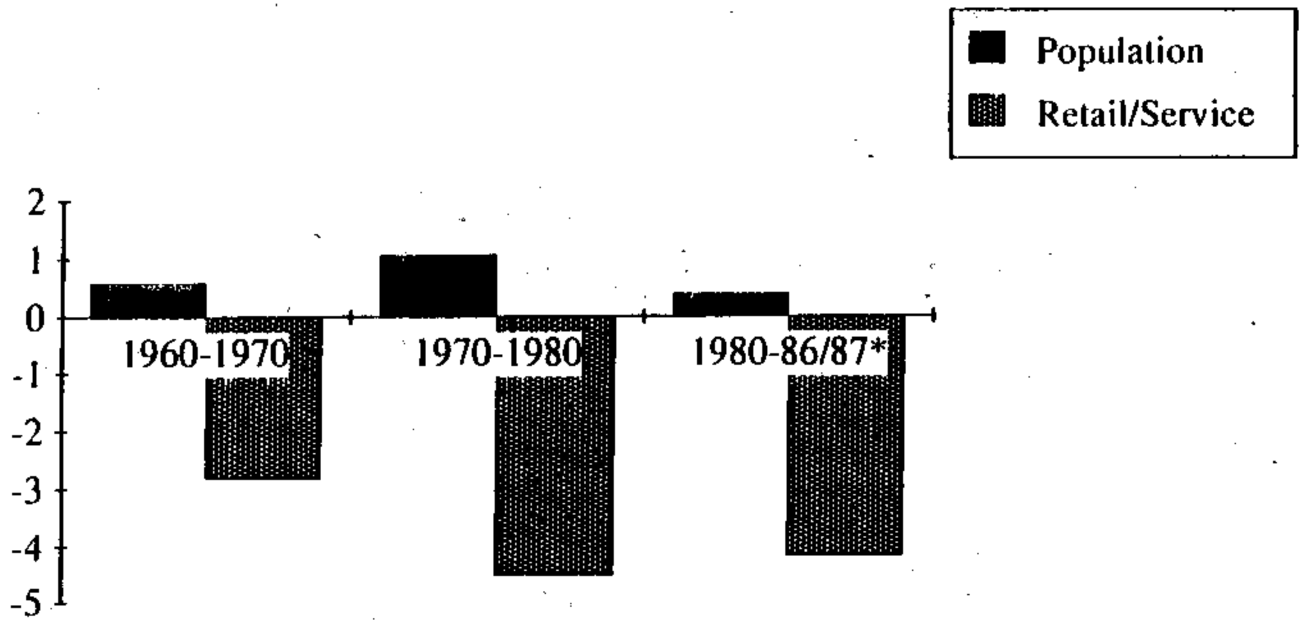
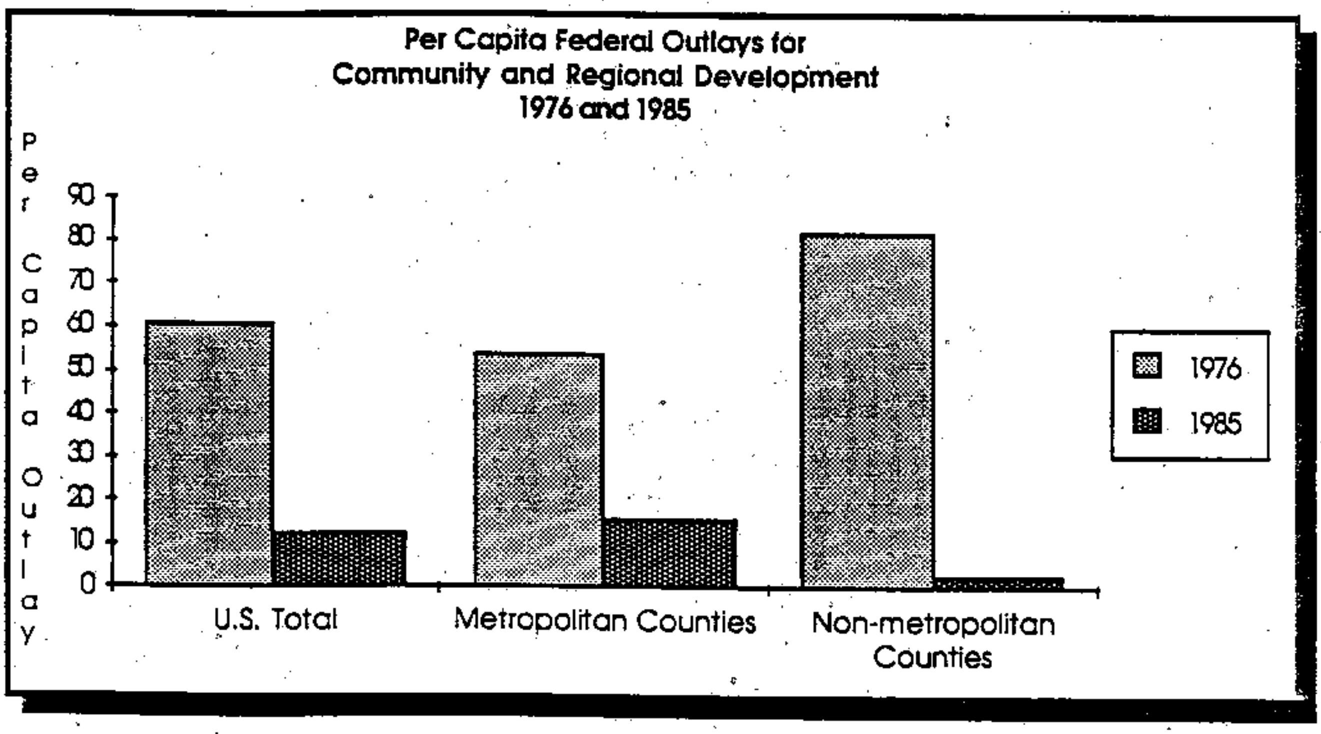


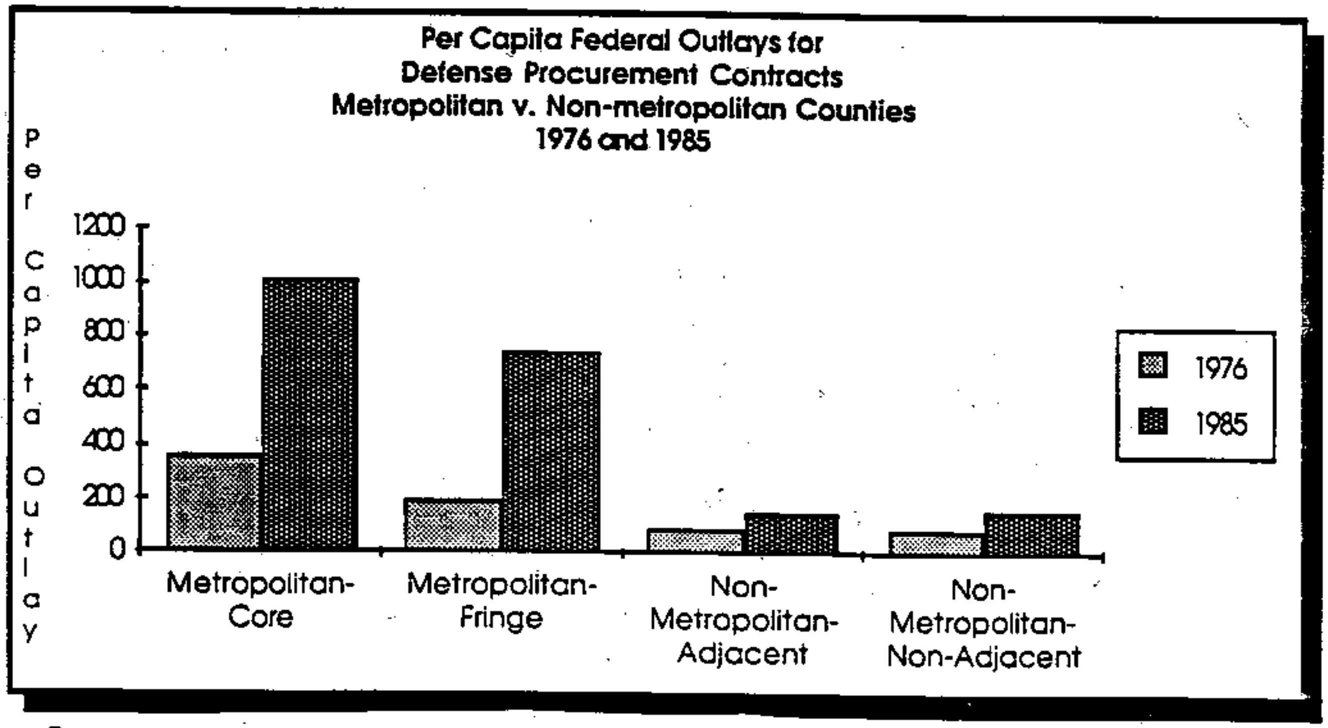
Figure 2. Change in Village Population and Retail Firms: 1960-1987 (%)

SOURCE: Harley E. Johansen and Glenn v. Fuguitt, "The Changing Rural Village," Rural Development Perspectives, Fall 1990, p. 4.

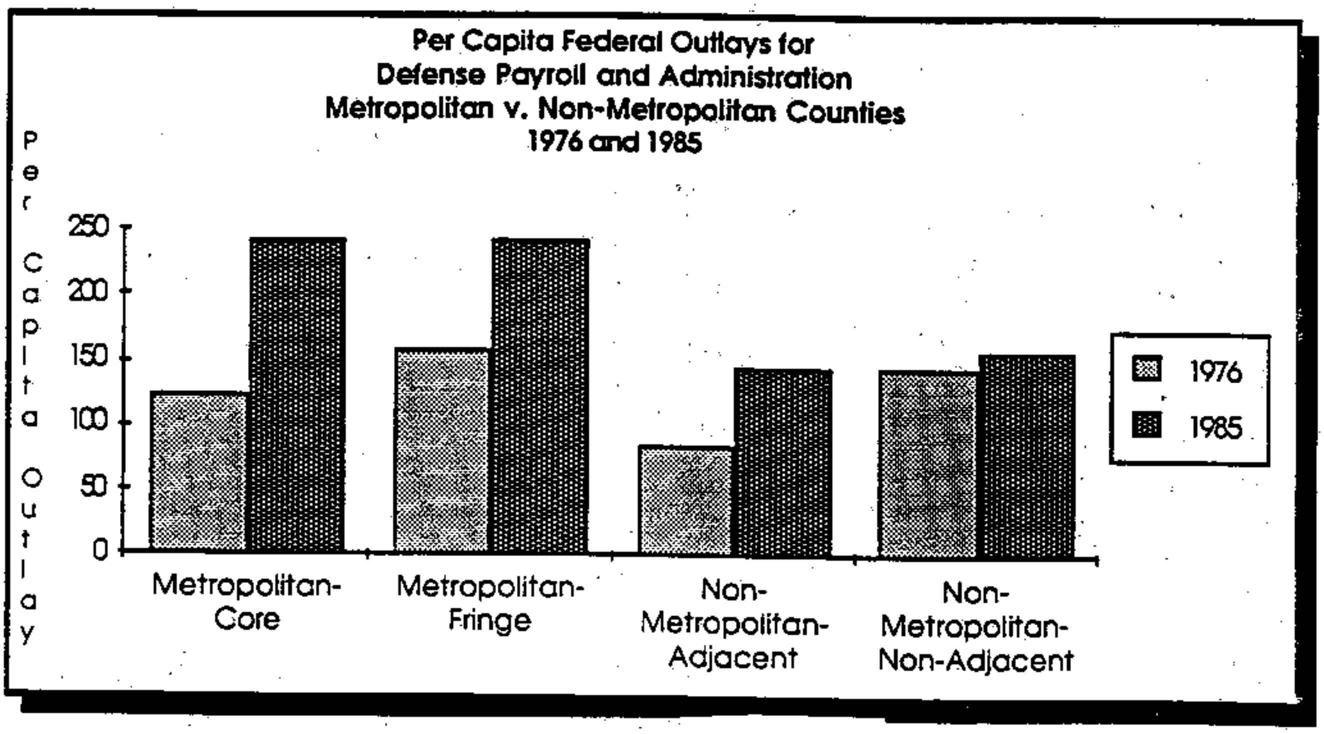
*1980-86 for population, 1980-87 for retail.



Source: Geographic Distribution of Federal Funds in 1985 and Federal Outlays in Fiscal 1976, U.S.D.A.



Source: Geographic Distribution of Federal Funds in 1985 and Federal Outlays in Fiscal 1976, U.S.D.A.



Source: Geographic Distribution of Federal Funds in 1985 and Federal Outlays in Fiscal 1976, U.S.D.A.