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PUBLIC POLICY ISSUES IN RURAL DEVELOPMENT

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To my knowledge, no one has come up with a definition of rural development that satisfies everyone. However, in the course of its recent rural development policy study, the USDA developed a description of rural development and three operational objectives. The study suggested that rural development might best be described as the existence of viable opportunities for individuals to choose among a wide range of lifestyles—urban as well as rural. Moreover, those choices should not be so costly that they are available only to the very few.

To bring about this kind of rural development, programs and policies need to be implemented which meet three objectives:

1. Expand economic opportunity through improved access to better jobs and income for rural people, especially the low-income and underemployed; and assist in adjustment to structural economic change that results (or is likely to result) in chronic unemployment.
2. Provide access to an acceptable level of essential public facilities and social services for rural people.
3. Strengthen the planning, management, and decision making capacity of public (and private) institutions concerned with economic opportunity and quality of life in rural America.

Recent Rural Development Experience

Some observers might describe the 70s as a period of rural renaissance. After decades of net outmigration, rural areas in the United States are now experiencing widespread and substantial growth of population and expansion of economic opportunity. Since 1970 the rate of population growth of nonmetro counties has exceeded that of metro counties, reflecting the fact that over two million more people have moved into nonmetro areas than have moved away.

Nonfarm wage and salary employment in these areas has grown at double the metro rate. Also during the 1970s, nonmetro median

family income had risen to nearly 80% of that in metro areas, not adjusting for any differences in cost of living between such areas, which would be expected to narrow the gap even further.

A number of other generalizations about this rural growth are important:

1. The growth is widespread, affecting every region of the country. Even remote and completely rural places are growing, not just those adjacent to metropolitan areas. In fact, the contrast between current growth and previous decline is greatest in the open country and unincorporated areas of rural America. However, despite this strong rural growth trend, there are still more than 500 non-metro counties that continue to decline in population.

2. Three elements of migration are involved in the population growth of rural areas. First, these areas are retaining a larger share of their people, who in earlier periods would have been leaving. Second, there is a return of people of rural origin who have lived in larger cities. Finally, there is a movement into rural areas of people born in the cities. On the whole, the immigrants are younger, better educated, higher in income and occupational status, and more likely to be white than are the average residents of the areas into which they are moving.

3. A major factor affecting outmigration from rural areas is that people are not being displaced from farming and other rural extractive industries as they used to be. Today the loss of people from agriculture is just a fraction of what it was in the 60s, and mining employment (especially coal) has revived.

Only 12% of the U.S. nonmetro population now live in counties where agriculture can be considered the primary industry, and only 9% of those employed in nonmetro areas work directly in agriculture.

The current growth trend is adding to the dominance of non-agricultural pursuits in rural America. For example, only 5% of employed people who moved to nonmetro areas between 1970 and 1975 were working in agriculture in 1975. These immigrants were primarily engaged in supplying professional services, working in wholesale or retail trade, or held jobs in manufacturing.

4. Nonpecuniary motives were a major factor influencing urban to rural migration in the 1970's. While everyone needs a source of income, a majority of the rural migrants consistently report a positive attraction to rural areas or a negative reaction to the large cities as their major motivation for moving. A substantial fraction of rural immigrants accept a cut in money income in the move.

Key Public Policy Issues

Targeting Resources on Unresolved Problems—In spite of considerable progress now being made in rural development, a number of serious problems remain. Most serious of these, in my judgment, is the persistence of rural poverty. Although nonmetro areas contain roughly 30% of the U.S. population, they have nearly 41% of the poor. Rural poverty has an important regional dimension as well. In 1975, there were 255 nonmetro counties which had been in the lowest per capita income quintile of all nonmetro counties for 25 years; 237 of these were in the South.

Because the South is more rural than other regions, and has a much higher incidence of rural poverty, nearly 60% of all the nonmetro poor in the U.S. reside in that region. Rural poverty also falls disproportionately on minorities—blacks, Hispanics, and American Indians—although a majority of the rural poor are white.

While poverty causes serious human problems wherever it occurs, nowhere are these problems more severe than in rural areas. Because of inadequate local resources to support needed facilities and services communities in these areas chronically underinvest in human resources. Inadequate educational opportunity, manpower training, and health care are continuing problems. For similar reasons, these areas are also short on basic community facilities and amenities that are typically found in more prosperous rural areas. Poor housing, lack of public water and sewer systems, inadequate fire protection, and other such conditions are prevalent.

Chronic underinvestment in human and physical resources means that local opportunities for individuals to escape from poverty are limited. Therefore, these areas have historically experienced very high rates of outmigration. Often even the outmigrants have been unable to separate themselves from the problems they left. They suffer in their new areas from the results of poor educational systems. Outmigration has further complicated the problem of designing programs to stimulate development. The age structure and other characteristics of the local population may make undertaking a new enterprise appear to be a very risky venture.

Blacks, particularly those living in areas with a high proportion of non-white population, are failing to share in the trend toward decentralization of industry to rural areas. A number of studies indicate that the extent to which jobs are provided for the local poor is a function of the nature and the kind of industry and its skill requirements.

Although state and local development agencies often concentrate their efforts on the attraction of high-wage industry, such enterprises often have the fewest employment effects for local people. Other studies seem to indicate that industry avoids rural places with heavy concentrations of blacks, and that blacks overshare in employment declines and undershare in growth.

Recent national discussion of “balanced” growth has tended to ignore the issue of poverty. Instead, it has concentrated on rates of growth of population, income, and employment—implicitly assuming that programs and policies should have as their objective equalizing these rates. In fact, such an objective would simply lock-in the relative disadvantage of rural areas in general, and of the South in particular.

Designing Programs to Meet Unique Rural Needs—Much has been made of the urban bias in current federal programs, and the absence of technologies specifically adapted to providing public facilities and services in rural areas. This situation results not from any intention to disadvantage rural areas and citizens, but from a failure to recognize the unique character of rural needs. The only way I know to address this problem is through agreement on an agenda of research, analysis, and action on specific cases. This agenda need not be complete nor comprehensive, since not all issues can be dealt with simultaneously.

One problem associated with identifying the policy agenda is that our rural data system is inadequate for rural policymaking. For example, we have significantly better current information on the size distribution of American farms (by sales class) than about the income distribution of rural families. We know more about this year’s corn crop than we do about last year’s employment and occupational situation in rural America. We know more about the costs of producing farm commodities than we do about the differences in costs of living between rural and urban areas. We know more about the inventories of machinery and equipment on farms than we do about availability of community facilities in rural America.

I am not advocating a reduction of data that serve policymakers with responsibilities for agricultural programs. What I am advocating is equivalence in terms of the comprehensiveness and detail of data available to serve policies and programs that meet the needs of the rest of rural America.

Now let me suggest two general areas in which we could begin an analysis of federal policies and programs, and address questions of appropriate technology. These areas are rural health care and housing.

Health

1. *Rural Participation in Health Maintenance Organizations (HMOs)*— On Dec. 29, 1973, a bill authorizing \$325 million for HMO demonstration projects was signed into law. As a partial result of this legislation, 6.5 million people were enrolled in 165 HMOs by the end of 1977. Prepaid group practice HMOs have the potential to provide services at lower cost because of (1) economies of scale resulting from the group practice, and (2) the incentive to emphasize preventive care and minimize hospitalization. To date these HMOs are almost exclusively urban. An important policy

question is how the 1973 law (or its administration) can be modified to encourage testing and evaluation of the HMO concept in rural areas.

2. Reforms in Funding Health Care Programs for Rural Residents — Suggested reforms in medicare-Medicaid reimbursement fall into three broad areas: (1) Eligibility, (2) geographic variation in allowable charges per unit of service, and (3) deterrents because of coinsurance and deductibles. Each is important in its own right given the size of the Medicare (\$25.4 billion outlay projected for FY 1978) and Medicaid (\$11.9 billion outlay projected for FY 1978). As prototypes for reimbursement under National Health Insurance, they take on added importance. Inequities arise under Medicaid because eligibility requirements (1) differ among the various states, and (2) use the "single-parent urban poor families" as the model for the program. Families with both parents present, typical in rural areas, are excluded in many states. For this reason, Medicaid (and other free care) expenditure per poor child in 1970 was \$5 in rural areas compared to \$76 in central cities.

Inequities under Medicare arise because Medicare Part—B prevailing charges are strikingly lower in rural than in urban areas in many states. Consequently, total program expenditures are substantially higher in urban areas. Under both Medicare and Medicaid, coinsurance and deductibles may unduly inhibit access to health care. The fixed deductibles are a higher proportion of the relatively low incomes prevalent in many rural areas.

3. Availability of Health Personnel — The population/physician ratio has steadily risen in less populous counties since 1940. For counties with a population of less than 10,000 in 1940, the ratio was 1,548; by 1960 it was 2,037; and by 1974 it had risen to 2,438. This rise occurred while the national ratio fell from 828 in 1940 to 658 in 1974. By this measure the services of physicians are becoming much less available in the most rural parts of the United States. This trend may have been accelerated by the introduction of the Medicare and Medicaid programs which increased the effective demand for physician services in many urban areas.

This question takes on added importance because of recent HEW decisions about the allocation of physicians under the National Health Service Corps. Since its initiation six years ago, the National Health Service Corps has placed 734 physicians across the country, with 94% of them assigned to rural communities. Under new administration policy, 60% of all corps' physicians will in the future be assigned to inner-city neighborhoods that have few or no physicians. The effects of this policy shift on rural communities should be reviewed. New initiatives may be required to supply physicians to already medically underserved rural areas.

Numerous rural communities may never be able to attract physicians. Thus, non-physician providers (physician assistants, nurse

practitioners, mid-wives) may constitute a viable option. Such providers are now functioning in several states, including North Carolina, Arkansas, and Nevada. In 1978, congress approved legislation permitting Medicare/Medicaid reimbursement to such providers who were working under the indirect supervision of physicians. This was a necessary, but not sufficient, step toward the goal of supplying this type of primary care to medically underserved rural communities.

Housing

4. *Helping the Low-Income Households* — Low-income households lack the repayment ability to qualify for available credit assistance even allowing for interest credit loans now available through federal programs. If extremely low-income households are to improve the quality of their housing, other means of assistance must be developed. In addition to long-range efforts to improve household incomes, increased financial assistance for housing of the extremely low-income households may be necessary. Development of subsidy recovery approaches merits consideration as a means of minimizing long-term budgetary constraints of the federal government.

5. *Availability of Housing Credit and Its Uses* — Housing credit continues to be less available in nonmetro than in metro areas. Limited size and numbers of credit institutions and less favorable credit terms restrict nonmetro households in obtaining needed credit. Financing of mobile homes, which constitute about 30% of all new housing in nonmetro areas, continues to be far less favorable for them than for conventional housing: terms are relatively short, interest rates high, and down payments large. Governmental help in financing mobile homes is almost nonexistent, since current programs are strongly biased against this option.

6. *Overcoming the Impact of Rising Energy Costs* — Rising energy costs for home heating and cooling are rapidly escalating the cost of housing in rural America. The most serious impact of increasing energy costs is felt by low income families—those least able to meet such costs without sacrificing other needs. Concerted efforts at weatherizing homes can reduce the impact of rising energy prices; long-term development of low cost energy systems, and design of more energy efficient rural housing is essential.