Infrastructure Investment and Rural Economic Development

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**Issue.** Investing in the quality and quantity of infrastructure, the fixed physical installations and facilities undergirding an area's economic activities, is often cited as a way to promote rural economic development, especially where existing infrastructure is particularly inadequate. This leads to the issue of the proper role of infrastructure investment in a rural economic development strategy.

**Context.** The most recent, comprehensive national survey of rural infrastructure, conducted in 1981, suggested that basic infrastructure, including roads, bridges, water and wastewater treatment, and fire protection, was available in most rural areas. However, aging and deterioration were reported. More than half of the Nation's 3.1 million miles of rural roads are unpaved, and many that are paved need repairs. Furthermore, 180,000 rural bridges are deficient. Additionally, environmental regulations may require upgrades to facilities to bring them into compliance with more stringent standards. The Environmental Protection Agency estimates that 75 percent of needed improvement in wastewater facilities is located in rural communities with population less than 10,000. This situation, combined with the relatively weak performance of the rural economy, leads policymakers, including the President and Secretary of Agriculture, to call for infrastructure investments to stimulate the rural economy.

Infrastructure by itself is rarely sufficient to promote rural economic development. Other factors such as an educated and healthy workforce, good social institutions, and adequate financial capital are equally important. Infrastructure investments will be most successful in promoting rural development when made part of an area's overall development strategy. Given the increasingly global economy in which rural areas must operate and compete, the ability to connect with large urban centers of economic activity is often critical. Therefore, adequate transportation infrastructure to carry people and freight, as well as high-quality telecommunications infrastructure to carry information, is critical if rural areas are to compete.

Investing in rural infrastructure is important for reasons other than to promote economic growth. The health, safety, environment, and quality of rural life depend heavily on infrastructure. And Federal and State regulations place increasing pressure on rural areas to upgrade infrastructure to meet health, safety, and environmental standards.

**At Stake.** Livability, economic growth, and compliance with regulations are all at stake. Many rural communities need to upgrade and develop their infrastructure to meet regulatory standards and to protect their health, safety, and environment. In some communities, specific infrastructure investments made as part of an overall development strategy may be needed to promote economic growth.

**Alternatives.** Infrastructure investments can be financed by either the public or private sectors. The Federal Government provides assistance to rural areas to install or upgrade infrastructure. For example, the U.S. Department of Commerce's Economic Development Administration provides loans and grants for industrial parks, water and sewer improvements, and other investments. Many of these loans and grants are made to rural communities. The U.S. Department of Agriculture provides loans and grants for rural water and wastewater facilities, health care clinics, fire stations and equipment, and other types of community facilities. Some States have similar programs to assist rural communities. For example, Texas has a capital fund that is used, in part, to provide grants for rural infrastructure.
investment. Infrastructure investments are usually the province of the public sector. But, private sector investments such as advanced telecommunications can be vital to infrastructure improvement.

**Agenda.** Congress is considering proposals to increase Federal support for infrastructure investment.