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## RURAL DEVELOPMENT PERSPECTIVES

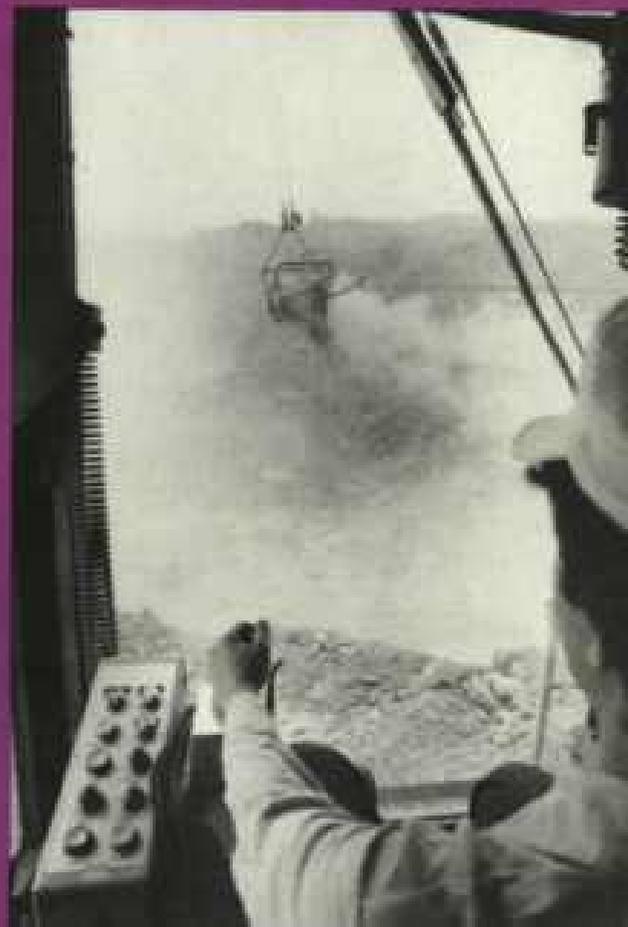
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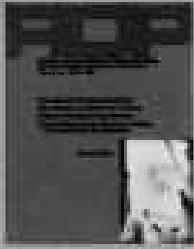
Volume 6, Issue 1, October 1989

- Drought and the Rural Economy
- The Problem of Short-Term Poverty
- Help for Manufacturing Startups
- Formulating Natural Resource Policies To Assist Rural Development

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## Editor's Notebook

They seem to be over now, but we shouldn't lull ourselves into thinking that the droughts of 1988-89 were anomalies. Because weather patterns do not stick neatly to annual averages, unusually low rainfall occurs somewhere in the country just about every year. The effect varies significantly from place to place. It depends not only on how much rain falls, but how sensitive the vegetation is to even small shortfalls of rain, dependence of local industries on rainfall, and the ability of public and private institutions to cope with the resulting problems.

Three articles in this issue address droughts and their consequences, helping to place the 1988 drought in a larger context. Jane Porter's historical treatment of drought in the Great Plains demonstrates the profound impact of rainfall, or the lack of it, on the development of the American Prairie between the Mississippi and the Rockies. Waves of settlers swept into these areas with high expectations about a new life centered on farming as they had known it in the east. But they discovered a very different climate, with rain in short supply. After a series of dry years, these settlers abandoned not only their dreams, but their houses, farms, even communities. Over time, new settlers adjusted their way of life and farming practices to better fit the regional conditions, particularly the lack of rain. Even with such adjustments, erratic rainfall in much of the Great Plains continues to make the region susceptible to drought.

Petrulis, Sommer, and Hines show how the impact of a severe drought can vary dramatically from one area to another, depending principally on the type of agriculture and its importance to the local economy. Their estimates confirm the intuitive: the more dependent an area is on agriculture, the more severely it suffers from drought. Less obvious is the fact that farm-dependent areas with better developed retail and service industries, which we would generally consider a good thing, are hurt even more than areas with a narrow farm production economic base. These more self-contained areas suffer more because of the slowdown of purchases of goods and services by farmers when farm incomes fall.

While farm income fell in some places because of the drought, Gajewski and Duncan found that, even in hard-hit areas, banks are in a good position to extend credit, and borrowers have been continuing to make payments on their outstanding loans. Drought-induced high crop prices, large stocks of crops, Federal assistance to farmers, and cautious borrowing and lending practices (a carryover from lessons learned during the hard times earlier in the decade), all helped rural banks pull through the 1988 drought. The combination of prudent decisions by both borrowers and lenders and government assistance meant our banking system was minimally affected by the drought.

Once again, I want to invite researchers across the country to submit manuscripts for publication in *RDP*. We are interested in reporting on research on the wide range of issues that might come under the rubric of rural studies. *RDP* basically functions as a juried journal. Our editorial board of researchers from the Agriculture and Rural Economy Division of ERS carries out a blind review of submitted manuscripts. Manuscripts that satisfy *RDP's* technical standards and are suitable for a rural development journal are accepted for publication pending successful revision to achieve an appropriate writing style. In most cases this means, with the help of editors and suggestions from indepth reviewers, that the author substantially revises the manuscript. We reserve the right to reject submitted articles if we judge them not consistent with *RDP's* mission or standards. Copies of our authors' guidelines are available upon request, but it is often more productive to postpone adapting a manuscript to *RDP* until after it has been accepted, and we can help with suggestions.

**Sara Mills Mazie**

**Droughts Influence Settlement Patterns, Both Yesterday and Today**

by Jane Porter

**2** "The great American desert" said Zebulon Pike of the Great Plains. We shouldn't wonder then about the region's periodic droughts, the 1988 drought being the most recent. The drought cycle of good years followed by bad continues to influence the area's population patterns, as it has for the last century.

**Short-Term Poor Need Help, Too**

by Robert A. Hoppe

**8** About a third of the nonmetro population saw their income dip below the poverty level for at least 1 month in a recent year. Many of these short-term poor slip through the welfare safety net because they belong to groups the current system was not designed to serve. In formulating policy, these other poor need to be remembered too.

**Linking Natural Resource Policies with Rural Development Goals**

by Roy Carriker

**13** "Cross-compliance," a provision enacted in 1985 farm legislation, tried to ensure that the Government's agricultural objectives did not conflict with its environmental objectives. A similar notion might be worth trying in terms of the Nation's rural development and environmental goals.

**Drought Effects on Rural Communities Vary by Strength of Local Nonfarm Economy**

by Mindy F. Petrusis, Judith E. Sommer, and Fred Hines

**17** The better a rural community serves its neighboring farmers, the more it suffers with them from setbacks like drought. This look at five farm regions in



northeast Montana, north central North Dakota, southwest Wisconsin, east central Illinois, and northwest Ohio shows that 1988 drought losses spread to the nonfarm sector the most where the economy was most dependent on farming.

**Who Helps Small Manufacturing Firms Get Started?**

by Ruth C. Young and Joe D. Francis

**21** Startup firms get help from a number of sources, one of the most important being the firm where the startup's founder worked before. Government programs, Federal, State, and local, helped about half the startups in 10 counties in New York State.

**1988 Drought Did Not Dry Up Credit**

by Gregory R. Gajewski and Douglas Duncan

**25** Rural bankers pulled through the 1988 drought in pretty good shape. Even though 10,000-15,000 farmers face debt repayment problems because of drought-induced crop losses, overall bank loan losses were down from the year before and bankers' return on equity was up. Federal programs helped mitigate the drought's effects.

**Southern Communities and Workers Benefit When Rural Factories Automate**

by Stuart Rosenfeld, Emil Malizia, and Marybeth Dugan

**31** Automation does not necessarily lead to job losses, but neither does it seem to lead to better pay for the workers, according to surveyed southern manufacturers. Nonetheless, automation, by increasing productivity, efficiency, and sometimes number of workers, along with upgrading the kind of work done (even without pay increases), usually gives a boost to the local economy.

**Improvements in Well-Being in Virginia Coalfields Hampered by Low and Unstable Income**

by Thomas G. Johnson, David S. Kraybill, and Brady J. Deaton

**37** Why do Virginia's coal counties lag so far behind the rest of the State's counties in levels of well-being? Even behind counties with similar income levels? Income instability seems to be a big factor. With unstable income, people act as though they have less money than they actually do.

**42 Rural Indicators**

Unemployment Trends Show Economic Recovery for Some Rural Areas; Little Improvement for Others

**45 Book Reviews**

*How the U.S. Got Into Agriculture and Why It Can't Get Out*

*Women and Farming: Changing Roles, Changing Structure*

*Agriculture and Rural Areas Approaching the Twenty-first Century*

*High Tech, Low Tech, No Tech*

**48 Short Subjects**