RURAL DEVELOPMENT PERSPECTIVES
United States Department of Agriculture Economic Research Service
Volume 7, Issue 3

Three Views of Rural Trends and Policy: U.S., European, and Canadian
Slow Growth in Rural Demand for High-Skill Workers
Business Startups Show Good Track Record in Rural Areas
Enterprise Zones, Despite Limitations, Can Help Boost Rural Businesses
Checkup on Rural Banks and S&L's
Rural Development Perspectives is published three times per year (February, June, and October) by USDA's Economic Research Service. Subscription rate is $9 for 1 year, $17 for 2 years, and $24 for 3 years (please add 25 percent for subscriptions going outside the United States). Call toll free 1-800-999-6779 and charge your subscription to VISA or MasterCard. Or send check or money order (payable to ERS-NASS) to ERS-NASS, P.O. Box 1608, Rockville, MD, 20849-1608. (If calling from outside the United States or Canada, please call 301-725-7937.) Subscriptions to Rural Development Perspectives are also available through the U.S. Government Printing Office.

Rural Development Perspectives welcomes letters to the editor as well as ideas for articles. Address editorial correspondence and inquiries to Molly Killian, Executive Editor, Rural Development Perspectives, ERS-ARED, room 328, 1301 New York Ave., NW., Washington, DC 20005-4788; or call 202-219-0520.

Contents of this journal may be reprinted without permission, but the editors would appreciate acknowledgment of such use and tear sheets. Use of commercial and trade names does not imply approval or constitute endorsement by USDA.

Editor's Notebook

Rural social and economic problems are not unique to the United States, nor are attempts to remedy them. By examining similarities and differences in the issues facing rural areas in the United States and in other countries and by comparing different countries’ attempts to address those issues, we may gain some important insights.

In this issue, Ken Deavers outlines major trends in rural America during the 1980’s. Looking at the legacy of the long-term decline in agricultural employment and the more recent industrial restructuring of the U.S. economy, Deavers sees a new configuration of issues facing rural America. Addressing them successfully may require a new paradigm for rural development.

Two other articles in this issue provide us with some background on the challenges facing rural areas in Europe and Canada today and on some of the policies designed to meet those challenges. A critical message from these articles is that, as long as regional inequalities exist within a country or between groups of countries (as in the European Community), different areas will have different social and economic concerns. Moreover, at times these regional differences may lead to conflicting policy priorities.

In her article on the European Community, Priscilla Salant talks about the difficulties of finding changes acceptable to both the industrialized countries in northern Europe and the more agricultural, rural southern European countries. Similarly, in describing rural policy issues in Canada, David Freshwater refers to a longstanding conflict between the social and economic interests of the more sparsely populated, agricultural western provinces of Manitoba, Saskatchewan, and Alberta and those of the more densely populated, highly developed central provinces of Quebec and Ontario.

Each of these articles suggests the need for some kind of extra-regional organization (such as the Federal Governments in the United States and Canada and the coalition of member countries in the European Community) to mediate between the various regional concerns, focusing on the broader interests and needs of the larger society.

Two additional European and Canadian rural development experiences reinforce much of what rural researchers and policymakers have already learned in the United States:

- Agricultural policy does not substitute for rural development policy. Nonetheless, local conditions in the agricultural sector affect and are affected by conditions in the rest of the local economy.
- Because of the diversity of social and economic conditions among rural areas, a rural development policy that works well in one part of the country may be unsuitable for another area.

The other articles in this issue address both demand- and supply-side strategies for rural development in the United States. Ruy Teixeira and Larry Mishel show that declining growth in the demand for well-educated, high-skill rural workers undermines the argument that a larger supply of such workers would boost rural development efforts. In terms of demand-based strategies for rural development, Rick Reeder and Ken Robinson evaluate the effectiveness of rural enterprise zones, and Jim Miller critiques the popular view that new rural businesses are less stable than urban startups.

Molly Sizer Killian
1980's A Decade of Broad Rural Stress
by Kenneth L. Deavers

Employment declines in farming, mining, and manufacturing combined to trigger a decade of economic hardship for rural areas. Service industries were a growth spot, but their low-wage, low-skill jobs and the lack of opportunity in other rural industries encouraged the more highly educated to resume the historical pattern of moving to the cities.

Europeans Strive To Untangle Rural from Agricultural Policy
by Priscilla Salant

The European Community (EC) is finding, like the United States and Canada, that farm policies are not efficient means to promote a rural agenda. The trick, in Europe and elsewhere, is to figure out what kinds of policies have a better chance of succeeding. Spurred by a desire to cut huge agricultural subsidies, Western Europeans have commissioned a multinational study of how farm families actually make their living. Preliminary results of that study are summarized here. They're not all that different from the U.S. experience.

Canadian Rural Policy Mostly a Regional Matter
by David Freshwater

A similarity of rural problems in Canada and the United States has not engendered similar solutions. Political differences between the two countries lead to some differences in approach. The Canadian central government, for instance, is less involved in such internal matters than the U.S. Government. Its primary role in such matters has been to ensure access to health care and to make transfer payments to individuals.

Upgrading Workers' Skills Not Sufficient To Jump-Start Rural Economy
by Ruy A. Teixeira and Lawrence Mishel

As a development strategy for rural areas, raising the educational level of rural residents has limited value. Rural employers' demand for better educated employees has slowed, and low education among the workforce has probably not hampered rural growth as much as other factors have. A further complicating factor: with enhanced educational levels and work skills, rural residents may be better employees, but they may also want to put those upgraded skills to work for a city firm.

New Rural Businesses Show Good Survival and Growth Rates
by James P. Miller

Rural startup businesses are, contrary to popular myth, less likely to fail within their first 5 years than are urban startups. That was the case in the early to middle 1980's, anyway. This analysis of recently released data may give new hope to rural entrepreneurs, creditors, and development officials.

State Enterprise Zones in Nonmetro Areas: Are They Working?
by Kenneth L. Robinson and Richard J. Reeder

Hundreds of counties across the Nation have enterprise zones whose aim is to stimulate businesses, usually by giving them some tax breaks. In return, the assisted businesses must create jobs and invest in economically distressed areas. In transplanting these zones, chiefly an urban phenomenon, into a rural setting, most new rural jobs crop up in low-paying manufacturing industries.

Rural Indicators
Rural Banks in Good Shape, S&L's a Potential Trouble Spot

Book Reviews
Agriculture and National Development
Japanese Part-Time Farming: Evolution and Impacts
Locality and Inequality: Farm and Industry Structure and Socioeconomic Conditions

Short Subjects