

CHAPTER 4

Rural America: Entering the 21ST Century



Today, rural America comprises 2,305 counties, contains 80 percent of U.S. land, and is home to one-fifth (56 million) of its people. Rural America is diverse. At the dawn of the 21st century, no one industry dominates the rural landscape, no single pattern of population decline or growth exists for all rural areas, and no statement about improvements and gaps in well-being applies to all rural people. Some rural areas have shared in the economic progress of the Nation, while others have not. The opportunities and challenges facing rural America are as varied as rural America itself.

Farming no longer anchors most rural economies as it did in the early 20th century. Seven out of eight rural counties are now dominated by varying mixes of manufacturing, services, and other nonfarming activities, and commodity-based farm policies do not address the complexity of rural economies and populations. Rural America is diverse, and the challenges facing rural communities are wide-ranging.

Farming no longer anchors most rural communities and economies as it did through the mid-20th century. Small family farms are now more closely associated with diversified rural economies that offer off-farm income opportunities. Large farms still enhance some local economies, but developments in long-distance purchasing of inputs and marketing of products reduce their contribution. Seven out of eight rural counties are now dominated by varying concentrations of manufacturing, services, and other nonfarming activities. Today, rural regions of the country survive economically on one or more of three basic assets: natural amenities for tourism and retirement; low-cost, good quality labor and land for manufacturing; and natural resources for farming, forestry, and mining.

During the 1990s, the U.S. economy enjoyed an unprecedented period of economic growth. Rural areas generally shared in the good economic times, as earnings and income increased and unemployment and poverty fell. The rural population grew as urban residents and immigrants chose to live in rural areas; almost 8 percent of nonmetro counties, many in the West, increased in population at more than twice the national average. Still, areas of the Great Plains and western Corn Belt lost population as they wrestled with declining agricultural employment and the lack of replacement jobs in other industries. High poverty and unemployment persisted in rural pockets, particularly in Appalachia,

the Mississippi Delta, and the Rio Grande Valley.

The diversity of rural economies suggests the need for a variety of rural development strategies to enhance the economic well-being of rural Americans, including improved educational opportunities and capitalization on natural amenities to attract new growth. A recent trend in Federal development policy has been to support new development entities that assist specific regions. Some of these entities cover large regions with significant rural populations, while others cover smaller areas. At the same time, Federal funding for community resource programs, such as housing, infrastructure, business assistance programs, and other programs important for stimulating rural development, continues although at a lower per capita level in rural than urban areas.

Rural Population Growth Levels Off, but the West Continues To Grow

For most of the past decade, rural America enjoyed widespread population growth, rebounding from the wide population losses of the 1980s. The nonmetro population grew by 10.3 percent during the 1990s, below the 13.9 percent growth rate of metro areas. Net migration from metro areas and an increasing flow of immigrants accounted for most of this nonmetro population increase. The pace of nonmetro population growth slowed after mid-decade, however, falling steadily from 1.2 percent in 1994-95 to 0.6 percent in 1999-2000. Metro population growth remained steady at around 1.2 percent.

Regional trends show the continuing attraction of both the West and the South, which together accounted for over three-quarters of rural population growth during the 1990s (figure 4-1). Boosted by both high in-migration and high birth rates, the rural West grew by 20 percent, twice the national average. Moderate climates, scenic features, and other natural amenities stimulated rapid population growth, particularly retirement migration, in parts of the Rocky Mountain

West, as well as in the southern Appalachians, and the upper Great Lakes. High population growth in the rural South resulted in part from urban sprawl, especially around large metro areas of the South. As urban areas expanded, more rural residents fell within commuting zones. As a whole, the Great Plains turned around from substantial losses in the 1980s, achieving some population growth, although the majority of counties in this area continued to lose population.

Growing numbers of Hispanics are settling in rural America. Data from the 2000 Census show that Hispanics constituted 5.5 percent of the rural population but accounted for 25 percent of the population growth in these areas during the 1990s. The nonmetro Hispanic population grew by over 60 percent during the decade. Almost half of all nonmetro Hispanics now live outside traditional settlement States in the Southwest. With higher fertility and younger age struc-

ture, natural increase alone now propels the growth of rural Hispanics at a higher rate than for other major race/ethnic groups (Figure 4-2).

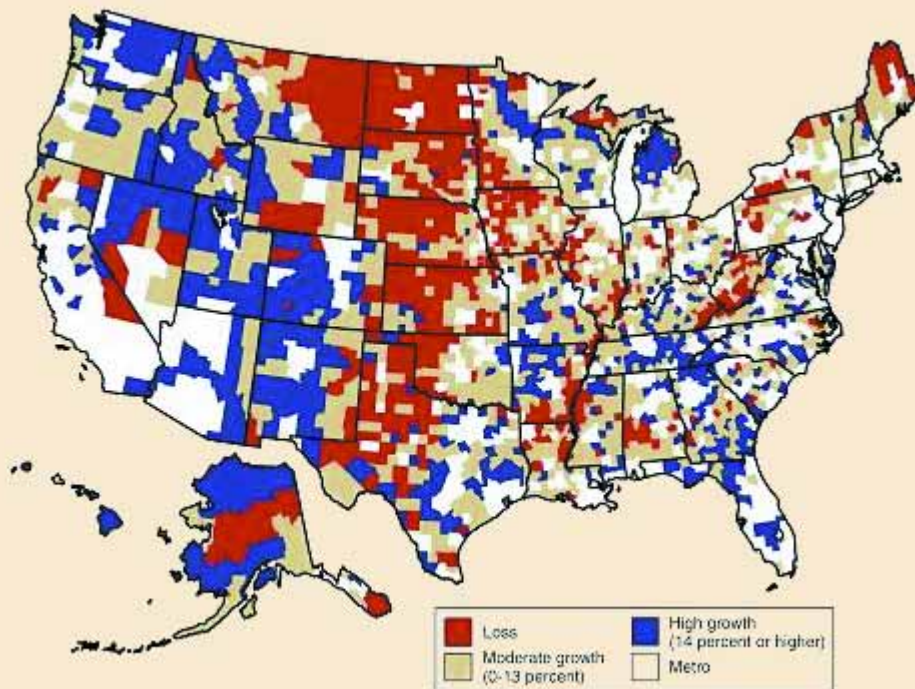
Rural Areas Benefited From the Nation's Economic Prosperity

Rural areas as a whole shared in the good economic times of the late 1990s and the longest U.S. economic expansion on record. The nonmetro unemployment rate fell to its lowest levels in 20 years. Employment continued to expand and real earnings increased, although more slowly than earlier in the decade. The share of rural workers in low-wage jobs declined. In late summer 2000, the manufacturing industry went into a downturn, as one of the first signs of oncoming recession.

Nonmetro employment declined by about 0.6 percent from 2000 to 2001, while metro employment remained

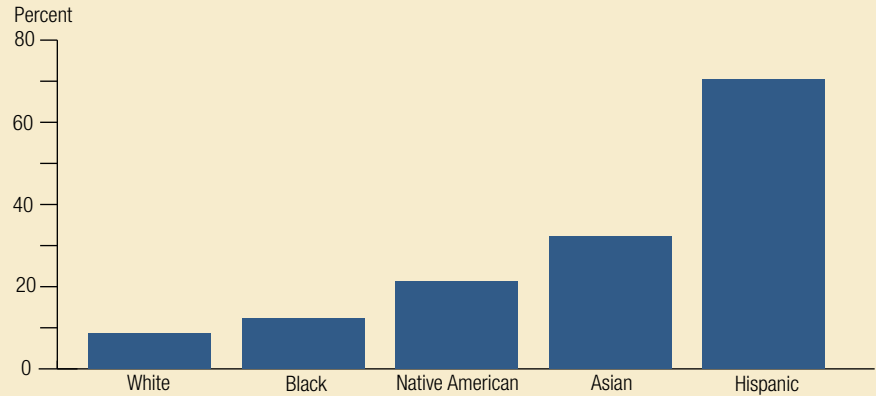
Rural America is home to one-fifth of the Nation's people, keeper of natural amenities and natural treasures, and safeguard of a unique part of American culture, tradition, and history.

Figure 4-1
Nonmetro population change, 1990–2000



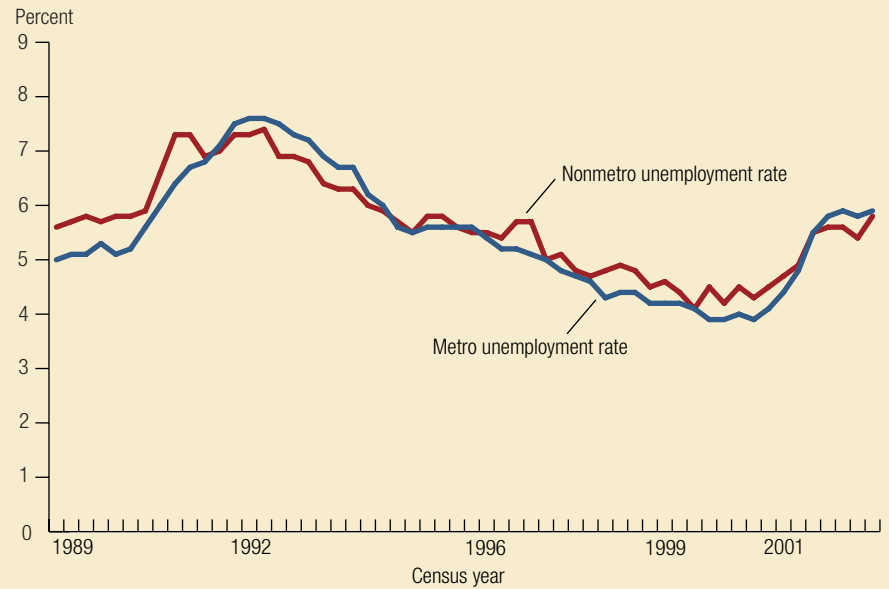
Source: Prepared by the Economic Research Service, USDA, using data from the U.S. Bureau of the Census.

Figure 4-2
Nonmetro population growth rates by race and ethnicity, 1990-2000



Source: Prepared by the Economic Research Service, USDA, based on data from the U.S. Bureau of Census

Figure 4-3
Unemployment rates rise during recession



*Changes in metro/nonmetro definitions beginning 1985.3, and 1994.1

Source: Calculated by ERS from Current Population Survey data.

steady despite the recession. Some non-metro counties, including areas of the Great Plains, had large employment gains despite the recession. Much of the nonmetro South suffered large job losses in 2000-2001, fueled in part by the recent manufacturing downturn. Employment change in the nonmetro West was mixed, with some counties reporting losses and others gains.

Nonmetro and metro unemployment rates moved together, declining during the economic expansion of the 1990s and increasing during the recession. Nonmetro unemployment rates have been higher than metro rates since 1996. The nonmetro unemployment rate was 4.9 percent in 2001, compared with 4.7 percent in metro areas (figure 4-3).

Rural areas benefited economically from the economic expansion of the 1990s, with poverty rates falling to 13.4 percent, the lowest level since the 1960s. Almost 7 million rural people lived in poverty in 2000, down half a million from 1999. Despite this improvement, poverty rates continued to be higher in rural than urban areas and almost one in five rural children under 17 years old were in poverty in 2000. In addition, rural areas lagged behind urban places in median household income, per capita income, and earnings per job.

Rural Economies Are Based on Different Assets

A century ago, rural America was the center of American life. It was home to most of the population and most rural residents were involved in producing food and fiber for the Nation. The rural economy has changed, shifting from a dependence on farming, forestry, and mining to a diversity of economic activity. This diversity means that nonmetro areas are differentially affected by global, macroeconomic, and financial events, resulting in different labor market conditions.

Rural regions of the country survive economically on one or more of three basic assets: (1) natural amenities for tourism, second homes, and retirement; (2) low-cost, good quality labor and land for manufacturing, but also services such as prisons and extended care health facilities; and (3) natural resources for farming, forestry, and mining. Most rural jobs are not directly related to these assets, but instead are in consumer services—retail trade, education, health, and other consumer services primarily for local residents. Yet, consumer services cannot thrive without agriculture, recreation, manufacturing, and/or other activities such as commuting that bring money into the community. In contrast, urban areas draw from a different asset base and tend to specialize in more knowledge-intensive activities, particularly producer services. This sector, which includes legal, financial, research, and business services, has grown rapidly in recent decades, with virtually all of the 1989-99 employment earnings growth occurring in metropolitan areas.

Jobs and incomes are decreasing in many areas that are dependent on natural resource-based industries such as agriculture, mining, and forestry, but other places, often associated with rural amenities, are thriving.

Table 4-1.

Total employment earnings by industry group, 1990-2000, for nonmetro and metro areas

Industry sector	Nonmetro		Metro	
	2000	Change 1990-2000	2000	Change 1990-2000
Agriculture, Forestry, Fishing	5.0	-6.6	1.0	23.3
Mining	2.0	-16.2	0.7	30.7
Recreation	4.0	51.6	3.9	47.1
Manufacturing	21.3	14.5	15.1	14.8
Producer services	8.7	45.6	25.3	85.6
Construction	6.5	37.9	5.9	40.1
Transportation, utilities, and wholesale	9.4	28.8	11.1	35.8
Consumer services	22.6	43.3	22.2	39.9
Government and related	20.4	24.4	14.9	18.6
Total	100.0	26.4	100.0	39.8

Source: Prepared by the Economic Research Service, USDA, based on data from the Bureau of Economic Analysis REIS data.

Table 4-2.
Federal Funds Per Capita, FY 2000

Federal program function	All counties	Metro counties	Nonmetro counties
		<i>Dollars</i>	
All Federal funds	5,690	5,743	5,481
Agriculture and natural resources	116	39	427
Community resources	680	728	486
Defense and space	678	771	303
Human resources	119	113	143
Income security	3,276	3,182	3,656
National functions	822	910	467

Note: Details may not add due to rounding.

Source: Prepared by the Economic Research Service using data from the U.S. Bureau of the Census.

Federal Funding for Rural Area Development Smaller Than for Urban Areas

Rural areas received \$5,481, per capita, in Federal receipts in fiscal 2000 (table 4-2). This was about \$300 less than in urban areas, representing a 5.6 percent Federal funding gap. Most of the non-metro funding gap is explained by significantly lower nonmetro receipts from defense and space and other national functions. However, nonmetro areas also received significantly less Federal funds from the community resource programs, which include housing, infrastructure, and business assistance programs that are viewed as important for stimulating rural development.

Table 4-3.
Distribution of Federal funds per capita in the nonmetro regions, FY 2000

Federal program function	South Region	Northeast Region	Midwest Region	West Region
	<i>Dollars</i>			
All Federal Funds	5,624	5,258	5,287	5,588
Agriculture and natural resources	334	42	767	278
Community resources	463	463	434	666
Defense and space	321	467	171	401
Human resources	154	116	111	189
Income security	3,935	3,731	3,443	3,225
National functions	417	439	360	828

Note: Details may not add due to rounding.

Source: Prepared by the Economic Research Service using data from the U.S. Bureau of the Census.

The Bureau of the Census provides data on the geographic distribution of Federal funding through its Consolidated Federal Funds Reports. They include Federal grants, loans, salaries, procurement, and other Federal payments. The data focus on the 90 percent of funding that can most accurately be followed to the county level and includes the total amounts received by metro and nonmetro counties, classified by major program function (see box for definitions used in tables), and for nonmetro areas broken down by Census regions. The funding amounts are expressed in per capita terms so that meaningful comparisons can be made between more and less populated regions.

Total nonmetro Federal funding levels were highest in the South, \$5,624, and lowest in the Northeast, \$5,258 (table 4-3). Most rural and urban Federal funds come from income security programs, such as Social Security, Medicare, and Medicaid, which provide significant amounts of transfer payments directly to individuals or to service providers. These programs are allocated largely based on demographic and socioeconomic characteristics. This explains why the nonmetro South, which has the largest concentration of low-income residents, received more in total Federal funds, per capita, than nonmetro areas in other regions.

However, other regions outpaced the South when it came to nonmetro receipts from other Federal program functions. Nonmetro areas in the Northeast ranked first in defense and space funding; the nonmetro Midwest ranked first in agricultural and natural resource payments; and the nonmetro West ranked first in funding from human resources, community resources, and other national functions.

The Economic Research Service (ERS) is the main source of economic information and research from the U.S. Department of Agriculture. ERS provides comprehensive economic analysis on issues related to agriculture, food, the environment, and rural America. For more information on the conditions and trends in rural areas, visit the ERS Web site at <http://www.ers.usda.gov/Emphases/Rural>.

DEFINITIONS USED IN TABLES

Program Functions

Six broad function categories for Federal programs are as follows:

- **Agriculture and natural resources** (agricultural assistance, agricultural research and services, forest and land management, water and recreation resources);
- **Community resources** (business assistance, community facilities, community and regional development, environmental protection, housing, Native American programs, and transportation);
- **Defense and space** (aeronautics and space, defense contracts, defense payroll and administration);
- **Human resources** (elementary and secondary education, food and nutrition, health services, social services, training, and employment);
- **Income security** (medical and hospital benefits, public assistance and unemployment compensation, retirement and disability—includes Social Security);
- **National functions** (criminal justice and law enforcement, energy, higher education and research, and all other programs excluding insurance).

For more details on these definitions and on the data and methods used, see the Federal Funds Briefing Room on the ERS Web site, www.ers.usda.gov. This Web site also provides maps for different program functions, access to individual county level data, plus research focusing on selected rural regions (such as Appalachia, the Black Belt, and the Great Plains).

