Finding Common Ground: Rural and Urban Economic Development

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What is economic development and what is different about rural economic development?
Economic Development

- Goal: to improve the economic well-being of a community through job creation, job retention, tax base enhancements, and quality of life. (International Economic Development Council)

- No single definition, no single strategy, policy, or program…but

Many faces of economic development...

Public-private partnerships, Universities, Regional Development Organizations, Chambers...

Infrastructure, Recruitment, Retention, Entrepreneurship...

Brownfields, Downtowns, Enterprise Zones, Neighborhoods...

Finance, Marketing, Exports, Incentives, Industrial Parks...

Tourism, Retail, Clusters, E-commerce, Arts...
What’s different about *rural* economic development?

- Needs to confront rurality challenges
  - Low density, distance/remoteness
  - Limited local demand – diseconomies of scale, vulnerability to external aggregation
  - Limited infrastructure – physical and social/human, absence of essential services, access to capital
  - Culture, expectations, education, lack of connectedness

- Needs to embrace different economic opportunities and assets
  - Food, energy, stewardship, experiences
  - Linkages with urban centers – positive and negative

- Needs to recognize importance of both entrepreneurship *and* regionalism
  - Competitive advantage
What are the forces that are shaping the new rural America?

2005: 49 million people in non-metro; 2.2% increase over 2000

Half of all non-metro counties lost population (pink)

10% growth rates in DE, NV, FL, HI; largest numbers in NC, FL, GA, TX

Source: USDA, ERIC using data from the U.S. Census Bureau.
Shifting demographics…

Half of net growth due to natural increase, half due to migration (60% international)

Increase in Midwest population due to immigration: natural increase offset by out-migration of young adults

30 million rural people live in metro areas.

Growing 3 X faster than non-metro America

Also additional 10 million in small towns and cities – totaling 90 million in rural America
Farming no longer the driver...

Even in nonmetropolitan America, farm employment has fallen from just over 14 percent of the total in 1969 to 6 percent in 2005. The number of counties with farm employment accounting for 20 percent or more of total employment has shrunk dramatically from 1,148 in 1969 to 348 in 2005.

Manufacturing important but declining...

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The rise of the creative class...

Creative class counties, 2000

Graying places...

Nonmetro counties with above-average (19 percent or higher) population 65 and older, 2000

Elderly both aging in place and migrating to rural places

Out-migration of younger people also makes rural areas greyer

Source: USDA, ERS using data from the U.S. Census Bureau and ERS County Typologies.
New rural faces…

Racial, ethnic minorities now over 18%
Rapid growth rates due to both increased immigration and higher birth rates

Concentrated poverty is still with us….

But persistent poverty remains
High concentrations with large Black, Native American, and Hispanic populations

Source: Calculated by ERS using data from the 2000 Census of Population.
Shifting Populations: Regional Implications

• **Outward Flows**
  - Loss of talented young people
  - Aging in place of poorer elderly
  - Loss of critical infrastructure – health, education
  - Dwindling tax bases

• **Inward Flows**
  - Wealthy
    - • Urban values
    - • Land and house price pressures
    - • Often “baby boomers”
    - • Source of new entrepreneurial opportunity
  - Poor
    - • Young children
    - • Language and cultural differences
    - • Housing pressures
    - • Source of new community energy

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Hot rural policy issues

[Diagram showing interconnections between Agriculture, Infrastructure, Energy, Amenities, Healthcare, and Education under the central node: Rural America]
Entrepreneurship

Rural Assets

Regionalism

Entrepreneurship

• Growing interest in rural entrepreneurship
  – Recruiting companies not an effective strategy for rural areas
  – Farming, branch plants less important to rural economies
  – Entrepreneurship seen as critical (if not only strategy) economic development strategy
Policy Goals

- **More** entrepreneurs
  - *Increase the numbers*
- **Stronger** entrepreneurs
  - *Increase the survival rate*
- **More high growth** entrepreneurs
  - *Increase the number that create jobs and wealth*

Policy Priorities

- Create a **diverse pool** of people wanting to create new businesses – no picking winners
- Create **conditions** for increased rates of survival and growth
Program Goals

- More entrepreneurs in the **pipeline**
- More entrepreneurs staying in their **community**
- Better **informed** entrepreneurs
- Better **skilled** entrepreneurs
- More **job creating** entrepreneurs
- Greater business **productivity**
Lesson #1

• Effective entrepreneurship depends on regional framing at national, state, and local levels
  – Major demographic/economic shifts – No 'one size fits all' policy, need for regional-specific approaches
  – Urban and rural interdependence – Economic, social, environmental – balanced and mutually supportive strategies
  – Economic opportunity independent of jurisdictional boundaries -- investments needed in leadership capacity, economic information, tools
  – Regional connectivity -- Entrepreneurs need connections to regional markets, regional collaborations, regional networks

Lesson #2

• Entrepreneurial climate can be improved by more effective support systems for entrepreneurship
  – Programmitis – No shortage of programs, agencies purporting to help entrepreneurs and small businesses; But often disconnected, categorical, competing, under-resourced, confusing
  – Entrepreneurs have multiple needs – Different education, skills, motivation
  – ED Systems – Coordinated infrastructure of public/private supports; Integrates programs, tailors products to meet diverse needs
Lesson #3

- All areas have assets that can be leveraged for economic prosperity
  - Many types of assets/capital – cultural, social, human, political, natural, financial, built
  - Some well-endowed regions
    - Knowledge spillover from higher education, technology companies
    - Creative class especially in high amenity areas and higher density counties with access to metropolitan areas
  - But evidence that it also applies in poorer areas

Models from elsewhere

- Entrepreneurship Development Systems
  - Six Kellogg-supported initiatives putting key principles to the test – NC, NE, NM, OR, SD, WV
- Hometown Competitiveness
  - Mobilizing local leaders, energizing entrepreneurs, engage & attracting young people, capturing wealth transfer – NE +
- Entrepreneurship League Systems
  - Lyons & Lichtenstein – entrepreneur diagnostics, service delivery systems – WV, KY +
Models from elsewhere

- **Enterprise Facilitation**
  - Sirolli – support/counseling to entrepreneurs and linking to resources

- **Entrepreneurship Education**
  - REAL – K-12, community colleges – experiential learning for young people (and adults) – NC, GA, +

- **Rural Innovation**
  - Kentucky Innovation Fund – taking rural innovators to capital markets

- **Energizing Entrepreneurs (e2)**
  - RUPRI/CRE – training and tools for entrepreneurship development by communities

New Regionalism

- Economic regions are basic units of global **competitiveness**
- **Innovation** and **entrepreneurship** in a **regional context** are the engines of job creation, growth, prosperity
- **Creativity** is what distinguishes successful regions in new economy
- Applies in **every sector** – not just in “high tech” areas, and in **every place** – not just in favored metro areas
The regional imperative

• Interdependence of rural and urban
  – Functional
  – Competitiveness
  – Sustainability
• Resource management imperative
  – Conflict management
• Only option for rural
  – Cross-jurisdictional
  – Cross-sectoral

Examples

• Regional Commissions
  – Appalachian Regional Commission
  – Tennessee Valley Authority
  – Pressure for additional ones
• Regional planning organizations
  – Economic development districts
  – Metropolitan planning organizations
• State rural policy organizations
  – NC Rural Center
  – Other examples of established centers
  – Indiana RISE -- statewide policy; Oregon
Economic Development in Rural Regions


• New generation of federal initiatives promoting regional frameworks for competitiveness – WIRED, RCIP

Role for state lawmakers

• Provide policy framework for regional collaboration – across rural counties, rural-urban

• Resources for entrepreneurship development

• Resources for essential infrastructure – including broadband

• Resources for intermediary organizations
Rebuilding the Economic Development Pyramid

Recruitment

Retention

Entrepreneurship

Resources

• Rural Policy Research Institute (RUPRI)
  – www.rupri.org
• RUPRI Center for Rural Entrepreneurship
  – www.energizingentrepreneurship.org
• International Economic Development Council
  – www.iedconline.org