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Talk by

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To

RURAL BANKING SCHOOL

University of Minnesota Morris Campus

Morris, Minnesota

July 28, 1967

BUSINESS AND INDUSTRY IN THE RURAL COMMUNITY IN TRANSITION

The pleasure of preparing a talk on an assigned subject as elusive and difficult of analysis as this one is of the same order as that indicated by the comment of the man who had been tarred and feathered and was being ridden out of town on a rail. In response to an inquiry from a passerby as to how he liked that means of transportation, he replied, "If it was not for the honor, I would just as soon walk." Well, given my druthers, I would have chosen a topic with which you and I might feel more comfortable for the next twenty minutes or so.

For this is definitely not a comfortable subject; a concern with economic and social survival can hardly be. Nor is it a subject that has much fact content, partly because of the thick layer of emotional attitudes wrapped around it, but mostly because it is not really susceptible of detailed objective research. The common denominators are few among rural communities -- as few as those comprehended by the term, "American agriculture". I suspect there are as many differences between the rural communities of Todd County, Minnesota, and those of Stark County, North Dakota, as there are in the patterns of their economic life.

Having said that, I would like to give you what facts there are, however broad, but with the caveat that they are limited in their applications to particular communities. There are certain obvious trends, for example, in the Upper Midwest, which have been quantified by various research groups like the Upper Midwest Research and Development Council and the universities of our region.

(1) There has been an absolute decline in farm and rural area population, with a corresponding change in the age distribution of the people that are left. The difference between those people moving into rural Minnesota, North Dakota and South Dakota, and those moving out of these three states is referred to as the net out-migration, and amounted to about 36,000 people per year between 1960 and 1965. The neutral projections for the period 1965 to 1975 indicate a slight increase in the annual rate of out-migration, with an estimated total loss of about 380,000 from the rural areas of the three states over the 10 year span. Against this, there is a natural increase of population (births less deaths) of about 30,000 per year. Unfortunately, though, one of the results of these two contrasting trends in the rural areas is an increasing number of people in the older and school age brackets, with a significantly lower proportion in the age 20 to 35.

(2) These people have generally gone to the cities, usually within the states of the region, but many have left altogether. A factor bearing upon this is the slower rate of increase in non-agricultural jobs in the region. In our three states, the increase in non-agricultural jobs over the next several years has been projected at about 24,000 per year -- which means the job opportunities are not increasing commensurate with the population growth. As one researcher has put it, "out-migration then is not a problem as much as a solution." Without a growth in the number of jobs commensurate with population shifts, out-migration is a necessity for those who seek employment opportunity.

(3) These figures do reveal an important source of potential labor, although there aren't many factual analyses of the actual available labor force in rural communities. This largely undefined rural labor force is one of those

reasons frequently advanced as the basis for the relocation of industry, but because only the "here and now" of a particular community is relevant to a specific inquiry, generalizations from aggregate figures are not much value. Let's use one of the few in-depth studies of recent vintage for a particular community to clarify this concept. In a major study of Todd County, Minnesota, 6,000 employable people were registered in a survey of the local labor pool. Of that total, 2,800 regarded themselves as employed. The balance of 3,200 were classed as unemployed or underemployed; and of the latter number, roughly 40% were women. It is significant that out of the total 6,000, only 1,800 indicated they were available for full-time employment; 1,000 of the balance were available only for part-time employment, and a similar number for seasonal or summer employment. 2,200 were not available for employment. This would appear to impose limitations on the kinds of industrial opportunities applicable to this county, at least. For example, even though there appears to be a substantial pooling of labor, the presence of part-time or seasonal restrictions on the labor force would limit the kinds of businesses who would be attracted.

In the same study, the mobility characteristics of the labor force were also determined. The distances people will travel for a job has been a phenomenon of many of our Upper Midwest communities, where people who wish to retain a place in the country, a small farm or whatever form it may take, commute many miles to their job, and apparently are willing to write off the inconvenience of commuting as a price paid to live in two worlds. In Todd County, out of the 6,000 registered, 1,700 indicated they would move permanently, 800 would move temporarily, and 3,500 said they would not move at all. More than 40% of those polled indicated a willingness to commute 20 miles or more. Certainly then, in analyzing the potential labor pool, the conventional definitions of a community source can be challenged -- it may be from a much larger geographic area than you think.

(4) It is an obvious fact -- and judging from the program, one that has been exhaustively developed here -- that your agricultural customers are changing in number, in size, and in service demands. So I'll not belabor you with statistics to support these statements. It is significant, however, to our inquiry today that service employment has been the second most rapid gainer in the nation since 1960, and has been a major source of new employment in our district, increasing at an average annual rate of 2.74% in North Dakota, 1.29% in South Dakota, and 3.55% in Minnesota. This increase is projected to continue. Trade employment has not increased as much, but it also has shown substantial growth on a percentage basis. Contrasted with this, the increase in manufacturing employment has been more moderate, with the exception of Minnesota.

On the basis of statistics, then, for each primary production job, more support people are going to be required. Certainly it is true that as agriculture evolves, service support to agriculture will increase. The rural trading center will certainly change in its appearance, but without necessarily losing importance as agriculture continues to become more complex. The kinds of supply inputs, the management services needed by modern agriculture are factors that will alter the appearance and employment structure of these centers.

Apart from direct agricultural supply is the general role these centers will play in supplying social services such as schools, cultural services and medical services. With regard to the last, specialization is taking place in medicine, even as it is in every other occupation. The development of clinics, the technological advancements which require special hospital facilities, and, above all, the care of the aged, are spurring significant changes in the creation of these centers. It has been interesting to notice in traveling around the district the awakening in many communities of the importance of a medical center and other like facilities. In this connection, the growth of facilities to care for our senior citizens in small communities has been nothing short of spectacular in Minnesota. This surely represents a new source of commercial growth for many communities.

For the balance of my time, though, I would like to address my remarks to the most serious shortage in the rural community, and the one which banks are peculiarly well qualified to fill. This is entrepreneural skill -- the ability to foster economic growth. The community that develops a broad range of business expertise and energy is assured of success. There is no way of measuring it yet, but my guess is that we suffer less from a shortage of money capital than of management capital. The ability to advise people intelligently how to develop their ideas is a rare quality, indeed. Historically communities have turned to their bankers for this kind of assistance. It is the kind of advice that goes beyond the lending of money. In too many banks, however, the only assistance given is in finding more reasons why it won't work, which are usually put forth to conceal ignorance of how to make it work.

There is no dearth of good ideas in this country, nor can it be proven that rural communities have less than their share. Ventures do not fail for lack of inspiration, but for lack of management, and it is here that local enterprises founder. For some reason, which has never been apparent to me, a business in the next community -- or preferably a state away -- is automatically endowed with wisdom and judgment. Its presence in a new community is solicited without question about the hard facts of its prospects for successful operation. Community credit is pledged, and a lot of hard work is expended for enterprises which, if they had been developed locally, would have had to grow in spite of the community. This kind of myopia -- the inability to see what is present in the community -- is the biggest single deterrent to economic growth in most rural communities. And if this appears to be a broad, sweeping generalization, so be it. Unhappily, too often the fledgling enterprise, built around a really good idea, grounded on the economic base of the community and designed to meet a community objective, fails in the community of origination for want of nourishment. This nourishment sometimes is lack of capital, but more often it is lack of moral support and management advice.

There may be communities with genuine locational or other economic disadvantages. More often, though, the disadvantages, I suspect, are of the spirit. The business leaders, the general public simply do not care enough, or they may be unwilling to pay the price for community progress -- the fear of loss of treasured values, which may range all the way from easy access to relatively uncrowded natural recreation areas to a homogenous population, with a well established status quo, for churches, schools, civic clubs, business relationships are all wrenched by the pressures of an expanded population, particularly when the expansion is with new in-migrants.

The schizophrenia of my native Montana is in point. Like your communities, Montana communities seek economic growth, but generally they do not want it accompanied by smoke, pressure on utility systems, expanded school population, and, above all, more people, who might want to use cherished fishing streams, wilderness areas, or generally clutter up the landscape. I'm not sure what kind of economic growth this limits them to, but probably some form of large Care packages filled with money would be acceptable. I can say this not only from personal observation, but from personal conviction, for I happen to have the same feelings about the erosion of the natural beauties of a great state by population pressures. But these things will occur. They can be minimized by intelligent planning. But this kind of planned industrial growth does not occur in one year, or five years, or ten years. Nor will it ever be the result of just a few. There can be no growth unless the total community genuinely seeks it. Growth does not occur from the outside, but from the inside.

It is only logical that the person seeking a place to establish a business will select the community that has done the most without him. How clean are the streets? How good are the schools? What are the social and cultural facilities of the community? How knowledgeable are the business people? What efforts have they made to accumulate the statistical base about employment numbers, taxation, utility system capacity, and all the rest of the data so essential to his decision? Above all, how have the businesses that are already in the area fared? How innovative and how receptive is the community? With the whole United States before him, and perhaps 12,000 communities offering inducements of one sort or another, he's not apt to look long at yours if most of the answers are negative. There are federal programs being considered to expand credit facilities in rural communities, in addition to those programs already available, and Lord knows how many of these there are.

Certainly Congress has been well aware of the problem and has spawned enough legislation to keep one man in each community busy keeping up with the expanding possibilities. None of these, though, will take the place of the local effort. This is a truism, and like most truisms, it is usually ignored. The rural community can survive. It can be a desirable place to live. It can take part in the economic growth of the United States, but unless people now living in the community want it to happen and work towards that goal, no federal legislation, no state sponsored program can do more than prolong its death agonies. A combination of the federal assistance programs and state sponsored programs can accelerate the momentum, but cannot create it. The choice is the community's. As bankers, you are economic leaders in your community. You can help make the choice.