

Community

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ABOUT THIS ISSUE

Changing conditions in rural America have led to calls for all levels of government, as well as our foundations and other funding sources, to develop policy initiatives that address the needs of rural residents. Because resources are limited, the decisions we make about designing programs and allocating resources will be difficult. In this issue of *Community*, we look at rural change and policy choice from the points of view of an economist and a team of rural sociologists. In the first article, we summarize a paper by economist Tom Stinson, who seeks to provide a basis for policy choices by defining critical concepts in the second. Sociologists Jan and Cornelia Flora examine the characteristics of rural communities that have prospered even in this period of uncertainty in many rural areas.

Toward a Definition of Viable Rural Community— A Foundation for Policy Choices

During the first half of the 1980s, incomes in agriculture, mining and forestry were down dramatically, leading, in turn, to the restructuring and downsizing of the commercial sector in many small towns.

Concern about the future of rural communities resulted in more state government attention to strategies and programs to encourage rural economic growth. The goal of much of this activity seems to be a return to the economic structure of the 1950s—a result that is probably unrealistic and quite possibly undesirable. Instead, new program approaches may be necessary which emphasize the viability of the larger economic entity rather than individual communities, and which emphasize cooperation rather than competition.

In his paper "Rural Community Viability—An Overview," Thomas F. Stinson, Minnesota State Economist and University of Minnesota professor, takes steps toward developing a working definition of "viable rural community." The paper does not offer a final definition, but rather aims to provide common ground for discussion. Stinson also identifies other key issues and areas for potential research.

Rural residents concerned about the future of their communities are asking for new policy initiatives designed to enhance their local economies and maintain their existing quality of life; but funds for rural development are limited, and choices must be made about how to allocate scarce resources. Ideally, the choices of communities and programs to be funded will be based on objective criteria.

However, making these choices is easier in the saying than the doing. There is no general agreement on the definition of a viable rural community, let alone definitive information on how to improve the viability of rural communities or how to select from among communities requesting special assistance.

Begin at the Beginning

If the phrase "viable rural community" is to be useful in the policy debate, it must be better defined. "Rural," for example, is defined variously by different government agencies and by academics studying rural areas. Data constraints generally make it necessary to rely on county boundaries, population size and other quantifiable factors to define "rural." However, commuting patterns and geographic dispersal of the population make it almost impossible to arrive at a

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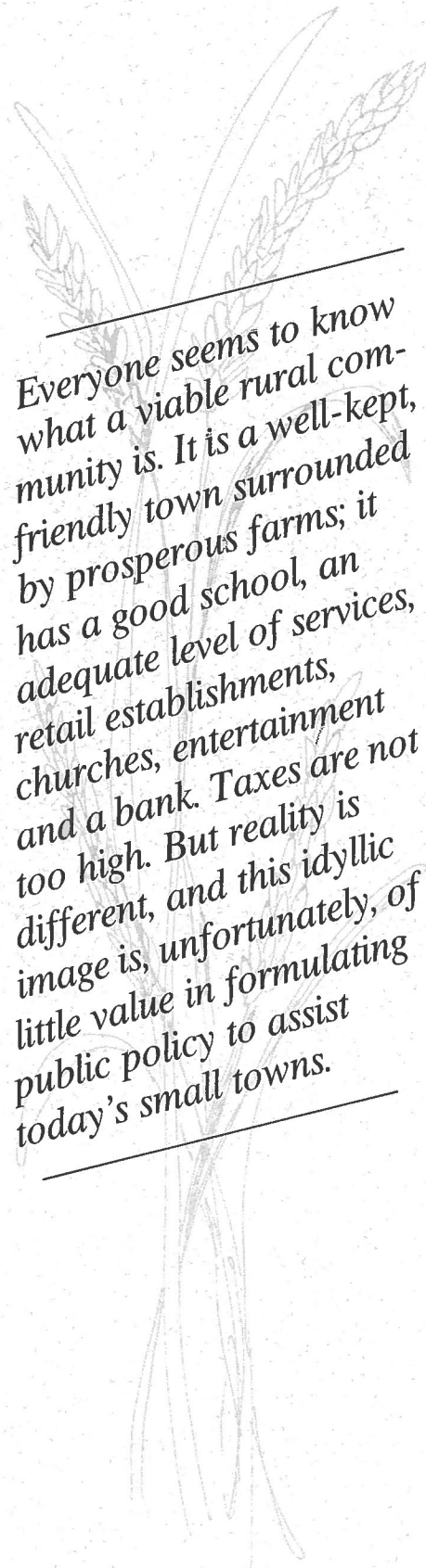
definition consistent with everyone's expectations. The only clear lesson that can be drawn from examining the different definitions is that there is no clear demarcation between rural and urban.

"Community" is even more difficult to define than "rural." Each academic discipline defines community according to its own research or interests, with sometimes contradictory results. The simplest approach is to conform to political boundaries, but there are usually households outside the boundaries with important business and social ties to those inside. Other definitions that include all relevant population groups may be too diffuse to guide policymaking. One of the most useful definitions has been provided by economic geographers who define community to include all who regularly act in a market or trade area regardless of where they live.

In the popular sense, "viable" communities seem to be those which will continue to play the same role in their residents' lives and offer the same set of goods and services and social structure well into the future. However, communities are constantly changing in response to both external and internal forces, and "viable" must be defined in this dynamic context. Even so, important issues remain. To some, economic or population growth may indicate positive change. It may be undesirable to others. The disappearance of certain businesses may be natural evolution to some but signal the demise of the community to others. There is no consensus on a single, acceptable set of indicators.

Fundamental Issues for Policy Analysis

Decisions about rural development priorities are complicated by our inability to define the viable rural community. There are other important questions as well. The first is whether public sector intervention of any sort is appropriate. Those who take this position argue that the allocation of resources in a perfectly operating market economy cannot be improved upon. However, we do not have a perfectly operating market economy. Information is not complete; there are spatial



Everyone seems to know what a viable rural community is. It is a well-kept, friendly town surrounded by prosperous farms; it has a good school, an adequate level of services, retail establishments, churches, entertainment and a bank. Taxes are not too high. But reality is different, and this idyllic image is, unfortunately, of little value in formulating public policy to assist today's small towns.

monopolies and barriers to entry that allow individual entrepreneurs to collect monopoly rents when development does take place; and outside subsidies are already built into the economic system.

Another question is whether access to certain services, like education and health care, is a right or only a possibility dependent on market forces. This may seem very abstract, but it is at the heart of the debate over how heavily we subsidize rural communities. If we accept this "rights-based" notion, then society must assume responsibility for providing minimally adequate levels of services for residents of declining communities. Decisions about resource allocation will be based not on a standard cost-benefit analysis, but on how much a community can afford to pay for the level of service that society expects. If a community cannot maintain the desired levels of services, the state can make up the difference in two fundamental ways. It can subsidize development to create self-supporting communities, or let market forces shrink communities and make higher aid payments to local residents.

It is unclear whether it would cost society less to let market forces cause some communities to shrink, necessitating higher aid payments, or to attempt to make a community viable. More research is needed to define the true costs of rural development in this "rights-based" framework.

The Scope of Community Development

Finally, there is the question of whether the focus on "community" development is too narrow. As transportation and communication linkages improve, the need for some local services and establishments will lessen, resulting in the gradual relocation of those activities to more densely populated areas. Perhaps public policy should be directed toward insuring the economic viability of the trade area rather than protecting or expanding the market share of a particular community. Interventions of this sort would accept the continued internal restructuring of the region and, at the same time, allow individual communities to evolve naturally.

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Characteristics of Entrepreneurial Communities in a Time of Crisis

For this approach to succeed, rural residents can no longer concentrate simply on the health of their own town but must recognize both regional interdependence and transitions already under way. Indeed, it may be necessary for rural residents to view their communities as geographically separated neighborhoods, which can be affected positively by development anywhere in the region.

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This newsletter is designed primarily to assist financial institutions in the Ninth Federal Reserve District in developing creative responses to consumer issues and to the goals of the Community Reinvestment Act.

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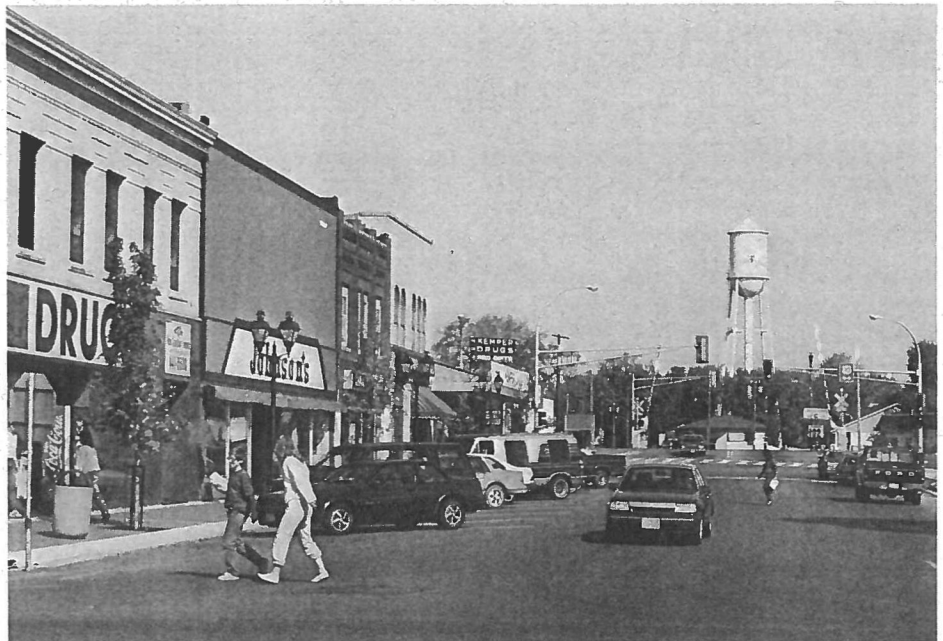
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COMMUNITY welcomes your comments and observations. You are also invited to share your community affairs program or community development initiatives with COMMUNITY by writing Carolyn Line, Community Affairs Coordinator, Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480, or telephone 612-340-2048. To make address changes or to order additional copies, contact COMMUNITY at the same address.

Cornelia Butler Flora and Jan L. Flora, both of the Department of Sociology, Anthropology and Social Work at Kansas State University, Manhattan, KS, have conducted extensive studies of rural Great Plains communities.

The Floras' studies suggest that while major changes are taking place in rural America, the future of any given community is not necessarily predetermined. Rural communities that are adaptable—or entrepreneurial—can continue to offer a viable lifestyle option.

In "Characteristics of Entrepreneurial Communities," we summarize a paper of the same name recently published by the Floras.



Entrepreneurial Rural Communities

According to the Floras, "entrepreneurial communities" are those which are able to respond to changing macroeconomic circumstances, set priorities and develop appropriate strategies. Rural communities that have displayed this sort of local initiative, according to the Floras, share eight principal attributes.

Acceptance of controversy. In rural communities, especially those where everyone knows each other well, there is a great deal of what sociologists call role homogeneity; that is, there is a high degree of overlap among the roles that community members perform. Your banker is a customer at your hardware store, treasurer of the Rotary Club where you are president, a fellow member of the school board and the parent of your son's date to the junior-

senior prom. With this degree of interaction and interdependence, there is a tendency to repress controversy. As a result, when disagreements do surface, they may have been nurtured so long that they can deeply divide a community.

In these communities, the weekly newspaper tends to be long on ads and short on news. Bad news rarely appears in print; but only when the editor is willing to offend people and print news about disagreements and potential problems do community members have the benefit of information and debate that prepares them to control their own destinies.

Emphasis on academics. Schools have traditionally been the center of social life and an active indicator of whether

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Entrepreneurial Communities continued

the rural community was alive and functioning. However, this focus on community solidarity has many times placed undue emphasis on extra-curricular activities, at the expense of academic excellence and the provision of courses like foreign languages and laboratory sciences. Moreover, the distaste for controversy often drives out teachers, principals and school superintendents who advocate change.

Presence of surplus. Anthropologists argue that surplus—not necessity—is the mother of invention. Innovation generally involves risk. People are less willing to risk the resources that they require to achieve a minimum standard of living than they are to risk their excess. Therefore, in communities where there is a local surplus of resources, people are more inclined to be collective risk takers.

Willingness to invest private capital locally. The Floras found that in communities where individuals have relatively equal capacity to invest and where farms are slightly larger than the typical family farm, community members are more likely to pool resources and invest in community-based enterprises.

In one community, for example, residents pooled their resources to build a hometown carnival, a feedlot, a dairy and a movie theater. They also mobilized to buy a factory and attempted to buy out the FDIC when a local bank failed. Many community members invested relatively equal amounts which were not so large that any one investor would be ruined if the venture did not pay off.

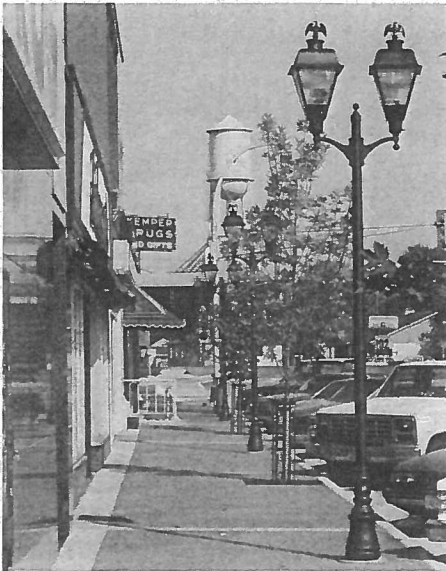
Willingness to support local services through taxes. A low-tax ideology generally predominates in rural areas. As a result, not only do communities delay construction and repair of infrastructure, but they often depend on the state or federal government to provide the capital.

This encourages reliance on the “outside” to provide basic community needs and to set a community agenda. In contrast, communities willing to raise necessary capital through local taxation develop a sense of empower-

ment and the independence to recognize and meet local needs.

Broad definition of community. The close-knit rural community has been a major source of identity for its residents. However, those communities that define themselves broadly and have relatively permeable boundaries are less likely to be split by events such as school and other service consolidations.

Vertical and horizontal linkages. Although entrepreneurial communities do not depend on outside agencies to initiate action, they do seek out resources from other communities and from the state and federal government. They generally



participate in regional planning groups, contact Cooperative Extension Service agents and specialists and apply for grants. They also engage in lateral learning from other communities and encourage other communities to learn from them.

Flexible, dispersed community leadership. The entrepreneurial community does not depend on a single individual with contacts or charisma. Instead, it has a rotation in public office and a sharing of informal leadership roles. Moreover, because of the favorable attitude toward change in these communities, leadership is seen as positive, rather than as a way of “putting on airs.” Often, newcomers to the community (those living there less than ten years) are active in leadership positions—and

are welcomed, rather than criticized, by the long-term residents.

The Floras found few communities with these characteristics. The more popular stance is to look to the past, often a past that assumes mythical virtues. Future-oriented communities, however, must strive to understand the changing economic and social environment, form local organizations to decide upon goals and plan strategies to achieve these goals if they are to become entrepreneurial.

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In addition to other publications on this subject, the Floras have made a videotape, entitled “The Future of Rural Communities.” The tape may be purchased for \$25.00 by contacting the Radio and Television Office of Cooperative Extension Service at Kansas State University in Manhattan, Kansas (913-532-5851). For \$2.00 plus postage, the videotape may be rented by contacting Agricultural Communications at the University of Nebraska in Lincoln, Nebraska (402-472-3055). The tape must be returned within two weeks.

The Minnesota Bankers Enterprise Network recently published the *Banking & Community Economic Development Manual*. The manual is intended to stimulate and direct thinking toward the economic development process.

The cost of the manual is \$30.00. For more information, contact the Minnesota Bankers Association, 700 Peavey Building, Minneapolis, MN, or call 612-338-7851.