Virginia's
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Rural Development

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The Rural Virginia Prosperity Commission

Randal E. Arno and Wayne D. Purcell

"Problems cannot be solved at the same level of awareness that created them." Albert Einstein

Since 1994, the Commonwealth of Virginia has experienced unprecedented economic prosperity. The new economy is based on information technology and services. It is characterized by strong job growth, record private sector investment, and an unemployment rate consistently below the national average. It is rapidly replacing the old, industrial economy. This economic prosperity extends throughout the United States, in one of the longest economic expansions in American history. But not all Virginians are sharing in the bounty of the new economy. Consequently, at least two Virginia's are being created: one prosperous, thriving, and suburban; the other poor, barely surviving, and often rural.

Continued economic and population growth in Virginia's suburban areas is resulting in the economic differences within the Commonwealth becoming more pronounced. Greater disparity exists between those who are enjoying prosperity and those who are not. Redistricting, based on the constitutional requirement of "one-man, one vote" will bring increasingly greater political power to Virginia's suburbs. This fact alone has the capacity to accentuate the widespread and growing feeling of loss of political influence in our rural communities.

To ensure that all Virginians have the opportunity to share equitably in the Commonwealth's on-going economic prosperity, a joint legislative resolution (Senate Joint Resolution 140 and House Joint Resolution 129) was passed in the 2000 session of the Virginia General Assembly and signed by the Governor. HJR 129, with Senate concurring, creates an 18-member Rural Virginia Prosperity Commission. Patroned by Senator Charles Hawkins, Republican, representing Pittsylvania and Campbell counties and the City of Danville, and Delegate Whitt Clement, Democrat, representing the City of Danville, the resolution enjoyed broad bipartisan support from representatives across the state. The Commission will be staffed by the collaborative efforts of the Rural Economic Analysis Program, Virginia Tech, and the Weldon Cooper Center for Public Service, University of Virginia.

This resolution creates an opportunity to focus attention on and to analyze the long-standing economic and social decline of rural Virginia. "The Commission shall study and recommend what policies and strategies can be instituted or restructured to help rebuild Virginia's rural economy to maximize the effectiveness of federal, state, local, and private efforts to assure rural prosperity and a high quality of life in rural communities." To accomplish the Commission's mandate, government and the private enterprise system must focus some of their social and fiscal resources to create and sustain a more equitable economic balance and a high quality of life for all Virginians. Each rural community must simultaneously develop the local capacity to create and maintain a unique economic vision, based on unique, individual community resources.

What is rural?

An examination of the economic and social causes of the differences between rural and suburban Virginia must

Randal Arno is Director, University of Virginia Weldon Cooper Center for Public Service, Southside. Wayne D. Purcell is Alumni Distinguished Professor and REAP Coordinator, Department of Agricultural and Applied Economics, Virginia Tech.

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begin with an effort to define *rural* and *prosperity*. Rural can be defined as a composite of socioeconomic measures showing gradations of "rurality." These measures include population changes, both in number and age of people; income; educational achievement and workforce training; employment, both in type and availability of jobs; relationship of total local revenue to total expenditures for local services; and various other measures related to these broad areas. The social causes involved are much harder to quantify. Sense of community, entrepreneurial spirit, and local leadership have been shown to help explain successful development (McDowell, Alwang, and Chandler).

> "Poverty depends on how you view yourself . . . It means feeling stuck, being in a place you don't want to be and not seeing a way out." Sensenig, p. 6

Prosperity means different things to different communities, depending upon one's perspective. What looks like prosperity in one community, may not be prosperity if another community tries to develop and grow in the same way. Each community is uniquely qualified to create and support its individual prosperity. The local resource base, especially human resources, will largely determine the level and character of prosperity that communities can achieve. Within these constraints, each community must carefully determine a goal for its economy so that it can maximize what it wants and avoid the effects of unintended consequences.

Based on the Economic Research Service's (ERS) definition of rural,[1] much of rural Virginia's economy has declined with the post 1960s growth of suburbia. Many indicators attest to the growing economic disparity between rural and suburban Virginians:

? annual rural median income averaging $7,000 per household below suburban median income;

? 1998 unemployment rates averaging 6.7 percent in rural areas compared to less than 3 percent in suburban areas;

? rural poverty rates almost double suburban poverty rates in 1995 (15.3 percent versus 8.7 percent); and

? educational achievement and literacy rates much lower in rural areas than suburban areas.

No Market-based Solutions

Unfortunately, no self-correcting, market-based mechanisms in the rural economy will reverse decades of poor self-image and lack of long-term economic development and strategic planning for rural Virginia. Only collaboratively focused, intentional programmatic intervention by government and the private sector will slow and eventually reverse the economic and social losses of rural Virginia. Policy changes may be necessary to support the programmatic intervention.

> "Measuring poverty is much more complex than counting the amount of money a person has." Sensenig, p. 6

Economic growth results from investments in people and places. Investments in people and infrastructure increase returns to private investments and stimulate commerce. Private capital, invested thoughtfully and comprehensively and guided by coordinated local decisions, is the engine that can drive sustained development in rural Virginia.

In the past, land ownership was the primary measurement of wealth. The value of land was closely correlated to its ability to generate income from agricultural production. Land values, thus, became an acceptable means of measuring one's ability to pay for governmental services. The local property tax became the primary source to support local governmental services. However, today's new economy is based primarily on information technology and services, and wealth can no longer be accurately measured by the value of land. Today, income and assets like stocks, bonds, and annuities are the best measurements of wealth. Land generally provides little income, except in suburban areas where scarce property for development may generate enormous capital gains. Continued heavy reliance on real property taxes to fund local government services creates severely widening disparities in the level of public services that localities are fiscally able to provide. The opportunities available to their citizens are also affected. Reliance on real property taxes is especially limiting in rural communities. Real property tax dependency will, in all likelihood, be inadequate to position localities for future success in the new economy.

The Commonwealth cannot achieve economic balance until all regions of Virginia are able to share in the state's economic growth. If no change or intervention occurs, rural communities will inevitably require continued fiscal transfers from suburban areas of the state simply to continue to provide basic essential public services. More than 80 percent of the Commonwealth's land area has historically had limited attention to the unique development needs of largely rural communities.

[1] ERS defines Rural-urban continuum codes: Metro counties (Metro counties are not classified in the ERS county typology): 0 Central counties of metro areas of 1 million population or more 1 Fringe counties of metro areas of 1 million population or more 2 Counties in metro areas of 250,000 to 1 million population 3 Counties in metro areas of fewer than 250,000 population Nonmetro counties: 4 Urban Population of 20,000 or more, adjacent to a metro area 5 Urban Population of 20,000 or more, not adjacent to a metro area 6 Urban Population of 2,500 to 19,999, adjacent to a metro area 7 Urban Population of 2,500 to 19,999, not adjacent to a metro area 8 Completely rural or less than 2,500 urban population, adjacent to a metro area 9 Completely rural or less than 2,500 urban population, not adjacent to a metro area.

Many uncertain economic and social forces continue to threaten and exacerbate barriers to the economic viability of rural Virginia and damage the social fabric of many rural areas. These forces include

? the absence of technologically skilled employees due to the historically low-skill needs of traditional manufacturing in rural Virginia;

? downsizing of local manufacturers due to technology and process advancements;

? increasing global competition perceived to be accentuated by regional negative effects of NAFTA (North Atlantic Free Trade Agreement), and GATT (General Agreement on Tariffs and Trade) on traditional manufacturing, especially textiles;

? low investments in education in most rural communities;

? a loss of educated, prospective employees as the better educated youth leave rural areas in search of higher paying employment;

? falling commodity prices for agricultural products and weak farm incomes often accentuated by federal and state policies, such as domestic farm policy, trade agreements and environmental requirements; and

? reduced quota and markets for major crops like tobacco.

Historically, the economic and social well-being of rural Virginians has been closely linked to production agriculture, mining, and low-skill and low-wage manufacturing. The dominance of farming and mining as sources of employment, however, has dramatically fallen in the past 50 years. Although most Virginia counties and many cities have farming operations, only two counties are considered by USDA to be farming dependent (20 percent or more of the labor and proprietary income comes from farming (ERS)). Farming communities have evolved from full-time farming with off-farm spousal employment to part-time farming with full-time off-farm employment. Only four counties are considered mining dependent, although seven counties have significant mining operations. Estimates of how long sufficient coal reserves will be available for viable mining operations range from 15 years to 100 years. Coal severance taxes are significant in the mining dependent counties as are the jobs associated with mining (Romano and McDowell). Twenty-one rural counties are manufacturing dependent. One only need pick up a current newspaper to read of another textile plant closing.

A number of outside forces buffet the economy of rural Virginia. Consequently, many of these farming, mining, and manufacturing counties have faced net population losses or lower than state average population growth. The remaining population in many rural areas is unprepared for the emerging economy built on information technology and services. They may have 40 percent or more of the population over 25 years of age without high school diplomas. They tend to have higher than state average unemployment and welfare rates.

Clearly, a myriad of socioeconomic challenges confronts rural Virginia localities. Diverse economic opportunities and investments in rural economies will affect each locality differently. This diversity necessitates flexible state policies that encourage investment in sustainable rural development. Sustained rural development that improves the economy of a community will only be achieved when the local capacity to solve problems and to plan effectively is improved or created. Sustainability of a rural economy must, therefore, include simultaneous and coordinated improvements in the environment, social equity and opportunity, political will, and educational achievement.

New Paradigms Needed

Rural areas can no longer be economically viable through traditional agriculture and low-wage manufacturing. New paradigms must be developed to improve the long-term economies of rural Virginia. The opportunity exists to move to new economic vitality in our rural regions much as Japan rebuilt their economy and made quantum improvements in prosperity for their country. Through thoughtful public policies and planning and targeted investments and by boldly seeking new ideas and opportunities, Virginia can achieve a balanced renaissance that will set an example for other states to follow.

The Rural Virginia Prosperity Commission has an opportunity to undertake a detailed analysis of Virginia's diverse rural economies to determine and understand the underlying causes of the disparities. The Commission can then craft holistic organizational policies, investment strategies, and flexible, targeted programs which, combined with local capacities, will help foster sustainable economic growth in Virginia's rural areas. Many other states are recognizing the need to balance their economies. North Carolina, Kentucky, Nebraska, and Georgia are in various phases of reversing the growing dichotomy of two or more separate, but unequal, economies.

Many Virginians need trace their genealogy back only one or two generations to locate their ancestors toiling in the fields of the rural economy. Now is the time to join our collective spirits, urban, suburban, and rural, in an effort to return economic opportunity to our rural countryside. The optimistic spirit and determination that make the United States the economic engine of the world today began in our rural areas. Working together, we can accomplish statewide prosperity. The Rural Virginia Prosperity Commission offers the unique opportunity for Virginians to make a difference in rural communities and throughout the state by attending hearings and by speaking up.

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"Words of Wisdom from Albert Einstein." Found at *http://stripe.colorado.edu/~judy/ einstein.html* June 7, 2000.

Notices

****Please** notify the REAP office if your address changes or if you know of anyone who would like to be added to our mailing list.

****How to reach us:** REAP, Department of Agricultural and Applied Economics 0401, Virginia Tech, Blacksburg, VA 24061; by phone: (540) 231-9443; by email: *reap01@vt.edu*; or on the web at *http://www.reap.vt.edu*

****Animal Industry Day** is Friday, July 14. The program begins with registration at 8:30 at the Animal Science Livestock Center. For more information contact Dr. Dan Eversole, Department of Animal and Poultry Sciences at 540-231-4738. REAP will have an exhibit on the background for the Rural Virginia Prosperity Commission.

****At the Printer** *Poultry Litter for Corn Exchange Program for Virginia*. This publication by Beth Ann Pelletier and David Kenyon describes the economic feasibility of shipping corn from various parts of the state to the Shenandoah Valley, the largest poultry producing area in the state to meet the requirements of HB 1207 for nutrient management plans based on phosphorus utilization..

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Blacksburg, VA 24061
Applied Economics 0401
Department of Agricultural and
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Virginia Polytechnic Institute

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