Rural Communities in an Urbanizing World
Will they survive? Should we care?
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Sligo, Ireland
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Should we care about rural areas AND should they be subsidized?

In the past (e.g., 1980 in US and ca 2000 in Ireland), rural to urban migration meant there were personal connections and less of a rural/urban divide.

Rural areas will play a future role but not all rural places are economically sustainable.

Rural policy needs to consider that government funds are scarce; there are high-valued alternative uses such as health.

Triage is necessary in that sending resources to unsustainable rural places may also harm those who could have been helped because funding is “spread too thin.”
Introduction

• More thought is necessary about rural policy—ignore it at urban areas’ peril: economically, socially, environmentally, and politically.
  • Rural and peripheral areas were among the strongest regions in Trump’s electoral success (Goetz et al., 2018), which was not favored in urban America.
• Many people prefer to live in rural areas and will self-sort to live there.
  • A great thing is that your arrival time on the GPS is the same as your departure time in my hometown of Miles City, MT.
• Rural areas are the primary source of food, energy, other commodities, natural amenities, water, etc.
2016 Presidential Vote Share
Red Trump won; Blue Trump lost.

Brexit Vote Share—Red=Leave

Brexit Vote (June 2016)
Percent Voting to Leave EU

- 70.00% or More in Favor of Leaving
- 60.00 to 69.99%
- 55.00 to 59.99%
- 50.00 to 54.99%
- 45.00 to 49.99%
- 40.00 to 44.99%
- 30.00 to 39.99%
- Under 30.00% in Favor of Leaving

Source: https://www.caliper.com/featured-months/maptitude-brexit-map.html
2017 Italian Lower Chamber Results

% of votes in the lower chamber:
- Centre-right: 37
- Five Star: 33
- Centre-left: 23
- Free and Equal: 3
- Others: 4

* 61,044 of 61,401 constituencies. Does not include overseas vote.
<table>
<thead>
<tr>
<th>Rural Depends on Urban for:</th>
<th>Urban Depends on Rural for:</th>
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<tbody>
<tr>
<td>Employment</td>
<td>Labor Force</td>
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<td>Private and Public Services</td>
<td>Market for Private and Public Goods and Services</td>
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<td>Urban Amenities</td>
<td>Market for Urban Amenities</td>
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<tr>
<td>Market for recreation activities</td>
<td>Recreation</td>
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<td>Market for agriculture products</td>
<td>Food Safety and Security</td>
</tr>
<tr>
<td>Demand for Environmental Stewardship</td>
<td>Natural Environment</td>
</tr>
<tr>
<td>Property taxes/land market</td>
<td>Land for Residential and Industrial Expansion</td>
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Introduction

• OECD (2010) does not show a general rapid decline in nonmetropolitan share of population in “rich” economies.
• Yet, rural areas face many challenges and many rural areas no longer serve a role that justifies their existence.
In what follows,

1. I will discuss the background of rural and peripheral economic growth focusing on the United States.
   • US is good place to examine these due its spatial heterogeneity.

2. I will show that urban areas do not entirely dominate rural areas in terms of growth, contrary to public perceptions.
   • Weigh spread and backwash effects urban growth on rural areas.
   • Partridge et al (2007) contend spread is the dominant feature in modern regional economies.

3. Discuss policy implications for governance and rural policy.

4. I will then discuss my rural policy recommendations based on nearly three decades of observations.
What is definition “rural” going forward?
- Labor market/economic integration—not necessarily population density, the appearance of the landscape, or cultural attitudes—and definitely not how (say) a New York Times writer defines it.

What is urban is country specific. I believe 100K in the US.

Despite my somewhat optimistic statements regarding rural conditions, urban areas possess significant agglomeration economies that increase firm productivity and enhance household consumption.

For example, the internet has been held out for the last quarter century as a potential life saver for rural areas.

That is unlikely to be true…think Amazon or think how it is so much easier to work from home in major urban areas, reducing household commuting costs.
On the positive side for rural areas is that neoclassical economic theory would predict that local economies converge due to movement of labor and capital.

Convergence was certainly the general case (Barro and Sala-i-Martin, 1991).

So what’s happening….Its actually divergence and places are being left behind.
Is basic economic wellbeing diverging?

Average standard deviations in per-capita income

• Unweighted std fall until 1994 to 0.17 before rising almost 50% to 0.25 in 2014.
• The population-weighted standard deviations increased from 0.20 in 1976 to about 0.32 in 2016, or a rise of about 60%.
• For the unweighted and weighted standard deviations of annual wage and salary job growth, the trend is steady convergence of job growth rates until 2010. After that, there has been about a one-third increase in the unweighted variation between 2010-2016.
Population growth 2010-2017 (%)
1993 USDA and U.S. Census Bureau MSA Definitions
Has Rural and lagging-region policy been a failure?

1. In many cases yes! Though that’s obvious.
2. It is NOT the case large cities have dominated, though they have a recent advantage. (Mid-size cities lead).

What I argue is that it really depends on when your lagging-region policy began.
- Temporal measurement is critical.

Going back to 1950, nonmetro areas subsequently grew faster than metro areas. Timing is everything.

Yet, as more nonmetro areas were reclassified as metro:
- Through growing above 50,000 to be classified a metro area
- or forming stronger commuting links with an existing one

The remaining nonmetro areas are increasingly the most challenging and over time lag further and further behind.
Rural Development has not been a failure. Though true that it will be more difficult going forward.
Population growth (%) vs Population (logs) in 1990 MSAs, 1993 USDA and U.S. Census Bureau MSA Definitions
Population growth (%) vs Population in 1990
MSAs, 1993 USDA and U.S. Census Bureau MSA Definitions
Are all rural areas in decline?

- Simply, there are three main rural areas:
  1. Urban-adjacent rural, which I want to talk about most.
  2. High rural amenity ones that are growing faster in the US and Western EU (Rodriguez-Pose and Ketterer, 2012).
  3. Remote rural areas that usually were or still are dependent on only extractive/agricultural industries. Usually just one.

  - Lack agglomeration economies and amenities. They often look backward to a “glory” era of prosperity rather than forward.
  - Outside of major governance changes, perfect policies, and amalgamation/consolidation to increase agglomeration, it is really hard to think of way to help these regions, so people-based policies should be used.
  - Should scarce resource be used to help such places and would that even work? My point about triage (Olfert and Natcher, 2014)?
  - Should “Dublin” subsidize such places with scarce their resources?
Metro and Nonmetro areas in the US
Based on 1990 population and 1993 USDA and U.S. Census Bureau MSA Definitions

For metro adjacency, small is < 1 million, large > 1 million
Share of 2017 population in each category
(1993 USDA and U.S. Census Bureau MSA Definitions using 1990 population)

Nonmetro
- Non Adjacent: 7.9%
- Adj. to small metro: 7.8%
- Adj. to large metro: 2.4%

Metro
- 50-100k: 0.6%
- 100-250k: 6.8%
- 250k-1M: 20.3%
- 1-3M: 21.9%
- 3M+: 32.3%
Share of 2017 population in each category
(2013 USDA and U.S. Census Bureau MSA Definitions using 2017 population)
Population growth (%) 1990-2017 by MSA size
(1993 USDA and U.S. Census Bureau MSA Definitions, 1990 population)

**Nonmetro Areas**
- Non Adjacent: 5.9%
- Adj. to Small Metro: 16.8%
- Adj. to Large Metro: 36.2%

**Metro Areas**
- 50-100k: 26.2%
- 100-250k: 31.6%
- 250k-1M: 33.6%
- 1-3M: 39.3%
- 3M+: 30.9%

**Nonmetro Areas**

- Non Adjacent: 4.0%
- Adj. to Small Metro: 11.4%
- Adj. to Large Metro: 26.9%

**Metro Areas**

- 50-100k: 41.3%
- 100-250k: 39.2%
- 250k-1M: 34.6%
- 1M-3M: 38.4%
- 3M+: 41.3%
“Rural” is just farming, forestry, and mining

• NO!!!!
• Rural long ago diversified out of agriculture.
• While the landscape may look like farms, the people have organized themselves into a much more diversified economy that is often urban centered.
  • e.g., over 360 nonmetro counties are reliant on manufacturing and 426 on recreation/tourism
Figure 1. Farming-Dependent Counties in 1950 and 2000

Nonmetro farming-dependent counties, 1950
Nonmetro farming-dependent counties, 2000

Source: Farming-dependent counties are defined by ERS. Metro/nonmetro status is based on the Office of Management and Budget (OMB) June 2003 classification.
Urban-led growth

• Urban-adjacent rural areas have a great deal of potential because they can rely on urban-led growth and access to agglomeration economies.

• Commuters are a key component to rural community sustainability through providing a critical mass for public services and local businesses.
  • Stop the vicious downward cycle.

• But growth is not magical; good policy is needed to ensure this will happen. I will discuss later.
## Table 1A
Dependent variable: log difference of 2000 and 1990 average wage per job in $.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Without 1980 wage</th>
<th>With 1980 wage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-metro</td>
<td>Small MA ≤ 250,000</td>
</tr>
<tr>
<td>Dist to nearest urban center</td>
<td>-1.1E-04 (−1.34)</td>
<td>n.a.</td>
</tr>
<tr>
<td>Dist to the center of own metro</td>
<td>n.a.</td>
<td>1.7E-04 (0.61)</td>
</tr>
<tr>
<td>Inc dist to a MA</td>
<td>-1.3E-04*** (−2.40)</td>
<td>n.a.</td>
</tr>
<tr>
<td>Inc dist to MA &gt; 250,000</td>
<td>-1.3E-04*** (−3.48)</td>
<td>-1.3E-04*** (−2.22)</td>
</tr>
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<td>Inc dist to MA &gt; 500,000</td>
<td>-1.3E-04*** (−2.88)</td>
<td>-9.7E-05* (−1.95)</td>
</tr>
<tr>
<td>Inc dist to MA &gt; 1,500,000</td>
<td>-2.3E-05 (−0.75)</td>
<td>-4.7E-05 (−0.90)</td>
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<tr>
<td>Market potential within 100–200 km 1989</td>
<td>-6.0E-08 (−1.06)</td>
<td>-1.6E-07 (−1.32)</td>
</tr>
<tr>
<td>Market potential within 200–300 km 1989</td>
<td>-1.4E-08 (−0.39)</td>
<td>-2.2E-08 (−0.26)</td>
</tr>
<tr>
<td>Market potential within 300–400 km 1989</td>
<td>5.2E-08 (1.25)</td>
<td>1.4E-08 (0.18)</td>
</tr>
<tr>
<td>Market potential within 400–500 km 1989</td>
<td>-6.0E-08* (−1.67)</td>
<td>-4.8E-08 (−0.84)</td>
</tr>
<tr>
<td>County Population 1990</td>
<td>-2.7E-07* (−1.94)</td>
<td>-3.7E-08 (−0.60)</td>
</tr>
<tr>
<td>Pop of nearest/actual urban center 1990</td>
<td>-2.2E-08 (−1.05)</td>
<td>1.6E-07** (2.11)</td>
</tr>
<tr>
<td>Log(average wage 1980)</td>
<td>n.a.</td>
<td>n.a.</td>
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<tr>
<td>Adj. R²</td>
<td>0.24</td>
<td>0.28</td>
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<tr>
<td>Sample size</td>
<td>1972</td>
<td>416</td>
</tr>
<tr>
<td>Distance penalties (%)</td>
<td>-2.08</td>
<td>-1.55</td>
</tr>
</tbody>
</table>
Table 1B
Dependent variable: log difference of 2000 and 1990 weighted average median rent for 2-bedroom houses ($/month).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Without 1980 rent</th>
<th>With 1980 rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-metro</td>
<td>Small MA ≤250,000</td>
</tr>
<tr>
<td>Dist to nearest urban center</td>
<td>-7.2E-04***</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>(-6.38)</td>
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<td>Dist to the center of own metro</td>
<td>n.a.</td>
<td>2.4E-04</td>
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<tr>
<td></td>
<td></td>
<td>(0.76)</td>
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<td>Inc dist to a MA</td>
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<td>n.a.</td>
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<tr>
<td></td>
<td>(-4.93)</td>
<td></td>
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<tr>
<td>Inc dist to MA &gt;250,000</td>
<td>-3.8E-04***</td>
<td>-4.0E-04***</td>
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<tr>
<td></td>
<td>(-7.72)</td>
<td>(-5.83)</td>
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<tr>
<td>Inc dist to MA &gt;500,000</td>
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<td>-1.4E-04*</td>
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<td></td>
<td>(-3.55)</td>
<td>(-1.73)</td>
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<tr>
<td>Inc dist to MA &gt;1,500,000</td>
<td>-8.2E-05*</td>
<td>-2.2E-06</td>
</tr>
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<td></td>
<td>(-1.73)</td>
<td>(-0.04)</td>
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<td>Market potential within 100-200 km 1989</td>
<td>-7.2E-07***</td>
<td>-3.8E-07***</td>
</tr>
<tr>
<td></td>
<td>(-3.30)</td>
<td>(-3.74)</td>
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<tr>
<td>Market potential within 200-300 km 1989</td>
<td>4.8E-08*</td>
<td>-1.7E-07**</td>
</tr>
<tr>
<td></td>
<td>(1.92)</td>
<td>(-2.68)</td>
</tr>
<tr>
<td>Market potential within 300-400 km 1989</td>
<td>-3.3E-07**</td>
<td>-2.3E-07**</td>
</tr>
<tr>
<td></td>
<td>(-2.64)</td>
<td>(-2.71)</td>
</tr>
<tr>
<td>Market potential within 400-500 km 1989</td>
<td>-6.1E-08</td>
<td>-8.6E-08</td>
</tr>
<tr>
<td></td>
<td>(-0.96)</td>
<td>(-1.31)</td>
</tr>
<tr>
<td>County population 1990</td>
<td>4.8E-08</td>
<td>-2.5E-07</td>
</tr>
<tr>
<td></td>
<td>(0.78)</td>
<td>(-4.06)</td>
</tr>
<tr>
<td>Pop of nearest/actual urban center 1990</td>
<td>-6.8E-10</td>
<td>8.3E-08</td>
</tr>
<tr>
<td></td>
<td>(-0.01)</td>
<td>(0.97)</td>
</tr>
<tr>
<td>Log(weighted average median rent 1980)</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
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<tr>
<td>Adj. R²</td>
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<td>Sample size</td>
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<td>416</td>
</tr>
<tr>
<td>Distance penalties (%)</td>
<td>-8.97</td>
<td>-4.16</td>
</tr>
</tbody>
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Population growth 1990-2017 (%)

Nonmetro, non-adjacent areas, 1993 USDA and U.S. Census Bureau MSA Definitions
Population growth 1990-2017 (%)
Nonmetro, adjacent to small metro areas, 1993 USDA and U.S. Census Bureau
MSA Definitions
Population growth 1990-2017 (%)
Nonmetro, adjacent to large metro areas, 1993 USDA and U.S. Census Bureau MSA Definitions
Population growth 1990-2017 (%)
Metro areas, Population 50-100 k, 1993 USDA and U.S. Census Bureau MSA Definitions
Population growth 1990-2017 (%)

Metro areas, Population 100-250 k, 1993 USDA and U.S. Census Bureau MSA Definitions
Population growth 1990-2017 (%)
Metro areas, Population 250-1,000 k, 1993 USDA and U.S. Census Bureau MSA Definitions
Population growth 1990-2017 (%)
Metro areas, Population 1-3,000 k, 1993 USDA and U.S. Census Bureau MSA Definitions
Population growth 1990-2017 (%) 
Metro areas, Population 3,000 k +, 1993 USDA and U.S. Census Bureau MSA Definitions
What is good rural or lagging-region policy?

- Collaborate with partners (including cities); build from within; quality of life; and quit doing “stupid stuff” such as following the latest fad. Carrot and Sticks.
- Rural economies have fundamentally changed from a primary sector economy to one based on rural-urban interdependence.
- When there are spillovers, economists argue that they should be internalized. Hence, economic development policies should be done across the entire affected region, not in a piecemeal fashion of competing rural and urban self-interests.
- It should not facilitate sectoral rent seeking in the guise of rural or regional development. For example, agriculture subsidies or coal mining deregulation is not rural development.
What is good rural or lagging-region policy?

1. Governance reform to shift from separate farm/rural/urban policies to a regional policy.

- Policy goals include: Tax sharing, planning and management of the rural-urban fringe, environmental protection, infrastructure, economic development for regions. This helps facilitate cooperation.

- Key issue is how to get all actors to participate and believe their input is valued. Leverage local social capital and networks to promote good governance (Natcher and Olfert, 2012). If not, mainly sectoral actors will participate to seek rents.

- Treat all businesses alike and avoid “picking winners.”
2. 21st Century will belong to places that use their knowledge to leverage their assets.

- Rural communities should be attractive to knowledge workers and commuters.
  - Quality of life, pleasant environment, sustainable development; good public services such as schools—this is good economics!
  - Attract return migrants in the 30s after they have seen bright lights. Young adults will always flee to the cities.
- Rural US counties with greater shares of knowledge workers grow faster than metro areas (even metros with knowledge workers) and they grow about twice the rate of rural counties with low shares (Wojan and McGranahan, 2007).
3. Business retention and expansion is better than tax incentives for outside investment. Building local Entrepreneurship

- Treat all businesses alike (Li et al., 2016).
- If you build a good climate for investment, your own businesses will thrive and STAY!
  - SME development is important because small businesses buy locally; profits stay local. Bigger multipliers (Tsevetkova et al., forthcoming).
  - Innovation comes from small firms. It is mainly process innovation, not the next bio-tech invention.
  - Entrepreneurship is critical.
Conclusions

- Cities are the engines of growth and urban-led growth can be an effective rural strategy.
- Focus on realities such as emerging regions that the people have self formed—the politicians lag what the people are doing. **Regionalism**.
- Adopt good strategies that don’t require perfect foresight.
  - You just need to make it such that the best firms want to be in your community.
- Education & entrepreneurship are keys.
- Quality of life is critical in attracting the right people including commuters.