

Wealth Building in Rural America: Perspective, Knowledge, Outlook

A Summary

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Wealth Building in Rural America: Perspective, Knowledge, Outlook is the first in a series of three reports by the Center for Social Development at Washington University in St. Louis that focus on wealth building in rural America. Rural areas have, and have always had, immense natural and human assets. However, the social and political will to build upon those assets, the economic base to support their accumulation, and the equity of asset distribution have varied widely throughout history. This report delves into the past for insights and perspective on current conditions, while identifying challenges and opportunities for the next phase of rural America's development.

Wealth and Rural America

Fundamentally, building wealth is about expanding existing capital and assets, obtaining new assets, and reducing liabilities. On the individual level, wealth is built through savings and investments in long-term, appreciable assets. At the community and regional levels, mutual wealth is created through investment in maintaining and developing major assets including human potential, shared infrastructure and the natural and built environments.

Across geographies, building wealth is a core strategy for alleviating poverty and creating economic and social opportunity. Yet rural areas have unique challenges and opportunities for wealth building and a different baseline than urban areas. Rural wages are lower than urban wages, educational attainment is lower, and benefits are less common. Yet rural areas also have higher home and business ownership rates than urban areas. Rural places also differ significantly from each other. While some urban periphery and high amenity rural places have maintained or built strong economies and stable or growing populations, sparsely populated and high poverty rural areas require far greater creativity and cooperation to build their assets, grow their economies and support their populations.

All rural areas have significant assets, not the least of which is the land. The natural assets of rural areas have been utilized to build wealth from the days when Native Americans managed forests, agricultural and range lands for mutual gain. In the early days of the United States, policy focused on the development of individual assets from the use of land, with a relatively egalitarian distribution to farmers of small and medium-sized plots. Over time, farms began consolidating, building wealth for fewer and fewer people. Concerns about consolidation and the growth of environmental awareness have helped develop new markets and policies focused on sustainable development. At the same time, cooperatives, credit unions and other vehicles for addressing inequities in rural wealth are proliferating. A new paradigm for rural wealth, built on smaller, more sustainable and more equitable economies and wealth creation opportunities may be emerging.

Equity in Wealth Creation Policy

Throughout history, rural policy and programs have reflected the understanding of the country about the value of rural resources and different rural people. From colonization through the 1800s, farmers were highly valued, and this country invested significantly in gaining and distributing land for European Americans. Feeding into this were aggressive policies and practices to take land from Hispanics and Native Americans, and to perpetuate the enslavement of African-Americans. Caucasians directly benefited from both the taking and denial of assets from other races.

During the 20th century, policy and programs became less about exploitation of minority assets, and there were sporadic efforts to help minorities re-gain land and other assets. Some former African-American slaves worked hard to accumulate significant farm and forest land, though theft and exploitation remained common. Hispanics were recruited and brought into the country through guest worker programs and the granting of visas, largely to serve as low-paid agricultural labor. It was expected that they would earn money and return to their home countries, but many chose to stay and establish lives in the U.S. Many Native Americans faced significant poverty, and federal policy instituted a range of programs to build assets and income on reservations. It was only toward the end of the century that the U.S. allowed self-governance of tribes.

In popular imagination, rural areas are, and have been, almost exclusively white. Yet the history of rural America was built on the backs of minorities and they continue to be a significant proportion of the rural population. In 2000, 17 percent of rural residents were people of color, and all rural minorities made less income and had significantly fewer assets on average than Caucasians.

Rural Economies

From the late 1800s, when the majority of Americans were farmers, rural areas have been deeply affected by the nation's economic shifts. What was an agriculture and natural resource-based economy shifted with industrialization to become a manufacturing economy. Another shift is underway today as America becomes an increasingly service and knowledge-based economy. These broader economic shifts have challenged the abilities of many rural regions to maintain strong local job markets and population bases. In many rural communities, the weakening of the economy creates a spiral effect where it propels emigration, which reduces the customer base for local products, and decreases the availability of skilled workers for new or growing ventures. This further weakens the economy and reduces the tax base, resulting in decreasing government investment, a decline in social services, weakening of infrastructure, and increases in poverty.

Ending this spiral effect and strengthening rural economies will require a diverse mix of economic activities, including specialty and niche agriculture, technological ventures, alternative energy production, recreation, and tourism. Broadband—or other internet-access technology—is critical infrastructure for the future of the rural economy. In a service and knowledge-based economy, access to the internet is essential to economic opportunity. The development of broadband in rural areas has fallen behind that in urban areas, and will require communities to engage in both deployment and the development of policies to create more universal access.

Like internet-based enterprises, one piece of the future rural economy may be based on utilizing natural and cultural resources to create tourism opportunities. From recreation to eco-tourism and cultural tourism, there are many examples of effective efforts to utilize a community's unique assets. However, the authors note that while there can be significant benefits from developing tourism, it is not a panacea and can have negative effects as well, especially on property values.

The history of rural America reveals a broad range of policies and practices to capitalize on the immense wealth of rural places. While that history has been tarnished by inequities, and the current challenges facing rural areas are significant, there is reason for great hope. The growth of small enterprise and new, more sustainable economic ventures across rural America provide a foundation for the future. With creativity, vision—and most importantly—collective will, this can become the basis for better opportunities for all rural residents.