

Wealth Building in Rural America: Potential in Human Diversity

A Summary

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The second paper in the Center for Social Development's three volume series on wealth building in rural America, Potential in Human Diversity suggests that the diversity of rural people, while often overlooked, is real and an asset. Many of rural America's people, especially people of color and seniors, possess untapped potential for building wealth and opportunities in their communities. To create a wealthier rural America the unique challenges, and especially opportunities, among diverse residents must be explored and utilized.

Wealth Building and African Americans

Rural African-Americans are concentrated in Southeast United States. On average, their incomes are less than 65% of Caucasian incomes (\$30,000 to 48,000) and net assets are less than 10% of those of Caucasians (\$7,500 to \$79,000). A significant part of the explanation for these differentials is slavery, which denied income and educational opportunity to generations. Yet after Emancipation, limitations to asset building continued as those who purchased land were often cheated and stolen from. Estimates are that over 24,000 acres were taken away from their rightful African American owners.

Significant institution and economic barriers have blocked wealth creation for many rural African Americans. To address the wealth differential, the researchers emphasize: 1. Building income through increasing educational opportunities, and encouraging African Americans to enter technological careers; 2. building savings by increasing financial education and addressing discrimination in financial services; and 3. encouraging financial transfer within communities through the building of community foundations, increasing business ownership, and reducing land loss.

Two opportunities are emerging for addressing the wealth gap in rural African American communities. First, many who left their communities are returning for retirement, creating new economic and social opportunities. Second, while it is not yet a broadly discussed political issue, reparation for slavery remains a possibility. If reparation were made and invested in asset building, it could have a profound impact on poverty in African-American communities.

Wealth Building in Indian Country

The standard of living for Native Americans in Indian Country is significantly lower than the American average, with less than half the per capita income, twice the unemployment rate and three times the family poverty rates. The status of tribes as "sovereign dependent nations" and the history of mis-management of assets by federal agencies have both limited asset building and economic development opportunities. Yet recent initiatives and policy changes have resulted in significant asset and opportunity gains. The 1975 Indian Self Determination and Educational Assistance Act and the 1988 Indian Gaming Regulatory Act have both been important in building economic opportunity and recapturing tribal access to their own assets.

In the short term, the challenge within Indian Country will be building economic opportunity. To do so, the following work is critical: 1. establishing sustainable natural resource management, 2. building appropriate infrastructure, 3. developing more effective regulatory and legal systems between tribal and non-tribal governments, 4.

building financial literacy, and 5. offering support for the business community. Over the long term, the challenge involves building a fundamental social and political commitment to addressing poverty in Indian Country. The killing of Native Americans and taking of their land is a national shame. Addressing the resultant challenges for tribes and individual Native Americans may be critical.

Wealth Building Among Immigrants, Especially Hispanics

Immigration has been a cornerstone of the American experience throughout history and today is growing rapidly. Between 1990 and 2000, the American immigrant population grew by 57%. Small metropolitan communities, suburban and rural areas are experiencing significant growth, especially of Latin American immigrants. Though there are major differences based on country of origin, immigrants as a whole have less formal education, earn less income and have higher poverty rates than resident populations. Immigrant assets are 37% those of US-born households.

One of the specific challenges for wealth creation in immigrant communities is lack of access to mainstream financial institutions. This can be for a number of reasons including custom, lack of trust, religion, language barriers, or legal status. Whatever the reason, many immigrants utilize high cost check cashing, payday loan, and pawn shops for their financial services. Similar challenges in accessing financial services can make purchasing a home far more expensive than for U.S.-born purchasers. Fees for remittances can also siphon off significant portions of immigrant incomes.

Asset building programs and micro-enterprise are important parts of the solution. Non-profit community organizations that can build trust and address language and cultural issues are critically important. Over the long term, remittances represent a significant opportunity for building wealth among immigrants. Incentive programs for using remittances to benefit communities and build assets could have significant impact.

Wealth Among the Aged and Young

Rural areas tend to have higher average population ages than urban and suburban places. Reasons for this include residents aging, youth leaving their communities, and retirees settling in rural areas. The aging of the American population can be seen as an economic opportunity. Retirees that settle in new locations to take advantage of their amenities particularly help strengthen the economies of rural places by buying locally, investing in the area, and potentially engaging in business ventures. Elderly residents may also transfer some of their wealth to the community following their deaths. Community Foundations and other institutions are developing initiatives to capture some of the immense transfer of wealth that will occur in the next fifty years.

Part of the aging of rural America is due to the out-migration of the young. Limited economic opportunity, the draw of creative and tolerant places, the appeal of cities, and the desire for amenities and new experiences make many of those with the most opportunities leave. However, many youth who leave non-metropolitan areas relocate to other non-metropolitan areas, and ¼ of youth that leave their communities return to live there within ten years. Several groundbreaking initiatives are working to increase educational success within communities, then giving young people the opportunity to leave the community to continue their educations. These and similar initiatives are building opportunities, especially through entrepreneurship, for young people who remain in the community and for those who want to come back.