

RURAL ECONOMIC DEVELOPMENT *TODAY*

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Presentation Abstract

We all know that our world is changing rapidly. What made sense yesterday may not make sense today and clearly will be irrelevant tomorrow. The lifespan on the Fortune 500 – list of the United States largest corporations – is constantly changing.

- In 1960 it took 35 years to replace 35% of the Fortune 500
- In 1999 it took 3 to 4 years to do so!

If the largest companies can't figure out how to stay on top, how can small rural communities even begin to compete? Understanding rural economic development today is critically important. For rural communities to compete, they must adopt a development strategy that is in tune with economic and social realities that are driving change in the early part of the 21st century.

Elements of Successful Rural Development

In today's rapidly changing world where uncertainty reigns, being intentional, yet flexible in rural economic development is critically important. Successful development efforts are rooted in five core elements:

- Vision
- Opportunity
- Asset-Based
- Investment
- Sustainability

Vision

Vision is about being intentional. It implies that a community takes the time and makes the effort to understand its contexts, its strengths and its weaknesses, and that it is willing to invest in its own perceived future. This is the same trait is a hallmark of entrepreneurs. The path to the future is not straight, but a clear and powerful vision moves a community into its future within an environment of challenges, unforeseen opportunities, and underserved crises.

Opportunity

Another hallmark of successful entrepreneurs is the ability to perceive and assess opportunities. This is also the hallmark of successful communities. Just as with entrepreneurs, successful communities do not pursue all opportunities. They acquire the

collective skill for assessing perceived opportunities and pursuing those that make sense. In the 21st century, communities must create an organized capacity to identify and assess opportunity.

Asset-Based

Smaller, more isolated communities may be perceived as having no assets. It can be demonstrated that, even the most distressed, poverty stricken communities have development assets. Successful communities in the 21st century will be those that can map their assets and build a development strategy through an asset-based approach. Simply put, these communities will build on what they have today, creating additional capacity to do more tomorrow.

Investment

Successful communities have always been willing to invest. Communities where public and private investments renew provide the best infrastructure and ever-competitive businesses. These are the communities that learn to invest smartly in those things that will ensure future development and competitive advantage. Implied here are communities that strategically plan and are externally connected. Such communities are in a stronger position to know where to invest and how to make the case that supports necessary investment.

Sustainability

Successful communities are entrepreneurial in reinventing themselves to ensure economic relevance. Successful communities are able to sustain development efforts in both good and bad times, thereby renewing themselves.

Sustainability has many facets, including: leadership, civic capacity, adequacy of infrastructure and private investment in business competitiveness. Many communities come up short because they cannot sustain development efforts.

Taken together, vision, opportunity, assets, investment and sustainability are the key to successful long-term development in rural communities.

Historical Perspective

A clear pattern of development waves has shaped rural American through four distinct economic periods:

- Subsistence Economies
- Natural Resources
- Business Attraction
- Urban Outsourcing

Subsistence Economies

Subsistence economies are those tied to the natural resources of the community's region.

Many Alaska Native tribes remain rooted in fishing, hunting, gathering, and small-scale traditional activities.

Natural Resources

Natural resources formed the foundation of the economies and societies of most of rural American into the later decades of the 20th century. The natural resources driving development were energy, minerals, timber, fisheries, and eventually tourism. As we move into the early decades of the 21st century, the economic rationale of rural communities created by natural resource utilization is eroding rapidly (with the clear exception of tourism).

Business Attraction

During the past decades leading up to the turn of the century, American corporations sought cheaper labor and land and began relocating factories to rural locations. Branch plant relocation brought economic diversification and growth to thousands of rural communities. The expansion of branch plants into rural America is a declining trend today. Industries that once would have located in rural communities are now being built in Mexico, India and China. Business attraction opportunities still exist, but the development opportunity is a shadow of itself compared to 20 or even 10 years ago.

Urban Outsourcing

The most recent development activity is referred to as “urban outsourcing”. Its central theme is the location of economic activities in rural areas that urban areas do not want in their backyards. The following are some examples of urban outsourcing:

- Waste management & Processing Facilities
- Energy farms (e.g. wind farms)
- Prisons
- Food Processing (e.g. livestock slaughter)
- Back Office Shops (e.g. telemarketing)

Urban outsourcing can create economic opportunities, but such development also creates challenges for rural areas.

Where Our Future Rests

For most communities, the key to success in the 21st century is to support innovation that offers the opportunity for new wealth creation. Entrepreneurs create new wealth for themselves and their communities by taking innovation to market and commercializing new ideas to meet consumer demands. Helping local entrepreneurs succeed represents one of the more promising development strategies in the 21st century.

Places to Watch

The vast majority of successful rural communities share one key characteristic – they are entrepreneurial. Most have now discovered the importance of supporting local entrepreneurs. Embracing entrepreneurship is a core development strategy.

The Need for Strategic Planning

Development decisions must be based on the human and physical resources available to the community, the current and expected economic situation outside the community, and citizens' needs within the community. The strategic planning process can help communities make difficult decisions by providing an orderly, yet flexible, way to chart the future.

Accessing Capital for Rural Economic Development

With regard to economic development, there are essentially two types of capital: debt and equity. Debt is capital that an entrepreneur has to pay back. Equity is capital that an investor gives up to become a part owner in the company.

While most businesses use debt capital for start-up and expansion costs, rural businesses are particularly dependent on debt financing.

A very specific, and important, type of debt financing that is growing in rural America is **micro-credit, or micro-enterprise loans**. Micro-enterprise represents a huge amount of economic activity in rural areas.

Other topic area will include:

- Equity Financing
- Rural Venture Capital Funds
- Rural Cooperatives
- Angel Investors
- CDFIs and Native CDFIs
- Small Business Investment Companies
- Philanthropies & Foundations
- Corporations
- Grants (Federal & State)
- Loan & Loan Guarantee Programs

So what does rural America need to get better access to capital for economic development? In short, we need to make sure that rural communities, entrepreneurs, and businesses have a full set of tools that is the right size for their needs, a full set of skills, and a level playing field.