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# Why Invest in Rural America—And How? A Critical Public Policy Question for the 21<sup>st</sup> Century: General Discussion

*Moderator: Larry Meeker*

**Mr. Meeker:** Let me begin by asking, How do we form coalitions? Where do we start? Where is the first step in the process to begin political change?

**Mr. Stauber:** I think a number of things are already happening. An effort is under way. There will be a meeting in Duluth, Minnesota, this summer to bring together people from three different rural development groups: an international academic group, a national rural partnership group, and another national rural group. These groups will talk about trying to create something like the Europeans have, which is called the Cork Declaration, a national commitment that attempts to change the relationship between rural America and nonrural America.

A proposal is coming out of the Congressional rural caucus to have the President appoint a special assistant on rural America and to have a senior political appointee in each department to focus on that. Those are examples at the federal level.

My experience now is more at the state level, at the tribal level, and at the local level. And, I see lots and lots of examples of states struggling with these very questions. I don't know that anybody has come up with *the* answer yet. I had the pleasure this winter of visiting with the Missouri Extension Service. I was blown away—by the way—that, instead of denying those issues as many organizations were doing five years ago, they are fully embraced in discussing those issues and in trying to deal with them. I had a similar opportunity to deal with leadership at the University of Nebraska about two years ago,

and the same change is happening there. I think it is because people on the ground know it has to happen or they are not going to have the political power base they need. I think it is happening regardless of what is going on in Washington.

**Phil Halstead, *Pittsburg State University:*** What is going to be our policy development model to get us from the concepts to getting legislation introduced? This question is directed both to our speaker and our Federal Reserve host.

**Mr. Meeker:** Let's take two questions at a time.

**Ken Torres, *Las Animas County, Colorado:*** I'm from rural Colorado. We have identified the problem, but the healthcare in rural Colorado is a need that we all face. With the high cost of healthcare—or the lack of it in many places—in rural Colorado, it is difficult to get industries to come in and invest in our communities. How do we invest in our communities with these healthcare problems facing us?

**Mr. Meeker:** I think this kind of forum we're taking part in today is a good example of the role the Federal Reserve can play to bring together people like yourselves and the panelists we have today and tomorrow to discuss these issues. I think this, along with the research we do, can help inform a very lively debate on these issues. But the policy issues ultimately must be worked out in other halls, in other venues. We can provide the seed ground for ideas to begin growing. Now let me turn the questions over to Karl. One is the policy model—how do we

develop it? And, second, rural needs in Colorado often focus on healthcare issues, which are hampering efforts to attract businesses to communities.

**Mr. Stauber:** They are very different questions, but in some ways similar. On the policy implementation model, I don't have a set answer. I think work on issues like that will occur this summer in Duluth. It seems to me that the challenge is not the mechanism; the challenge is the will. It goes to that first dilemma I talked about. How do we create new constituencies for a different kind of rural development without being killed by the old constituencies? How do we do that? I think one of the ways is by having honest discussions in something like a bottom-up mechanism, which could be done through the national rural development partnerships in many states. We have real conversations about where we are in the world. We stop with this misleading, mythological rhetoric—like, we feed the world—and in fact we start having some very frank discussions about what is happening in our rural communities and what is likely to continue to happen. Instead of investing \$25 billion, which is probably what we will invest this year in modified commodity payments—and they are not even in the President's budget because they are on the mandatory side of the budget process, not on the discretionary side of the budget process—instead of spending \$25 billion in commodity-related payments, what if we spent \$20 billion in actually trying to create real rural investments that would *build* competitive advantage, rather than trying to *protect* competitive advantage? So, I think the first step is having those very tough and very difficult and very honest conversations.

Rural healthcare is a great example of deregulation. It is also a great example of probably a significantly overbuilt system. I don't know rural Colorado. I lived in Colorado at one point, but that has been long enough ago that Colorado has changed at least five times since then. But, I can talk about rural Iowa. Rural Iowa had more county hos-

pitals per capita than any other state in the union about ten years ago. I don't know if this is still the case. They had them because there was this belief that every community had to have a hospital to be viable to recruit jobs. To me, it is a prime example of, rather than thinking about regional competitive capacity, of falling into the trap of talking and thinking and acting on an individual community's competitive capacity. If we do not think at a regional level in a time of declining public resources, if we don't think in a regional capacity, even though we used to play each other in football on Friday nights and hate each other, if we don't figure out ways to bridge that community-to-community divide and start to work at a more regional level, then in fact I don't think those isolated rural communities are going to be able to attract new businesses, whether they be in healthcare, in education, or in other types of infrastructure investments.

**Ann Jorgensen, Farm Credit Administration:** One of my concerns in rural America is that we need jobs. The model has always been bigger is better. Let's do it on a mass production line. How are we going to create a model where companies are willing to come to a town and create 20 jobs or 30 jobs or 35 jobs? We do not need companies that create 1,000 jobs. We can't support these in our rural communities. Is anybody working on that issue? Is there an answer to it?

**R. J. Baker, Northern Great Plains RDC:** I'm a local economic developer. My question is attendant to that one, and I would just ask you to comment more specifically on repopulating or on comments you made earlier on population distribution.

**Mr. Stauber:** A couple of speakers on the program will be talking more about finding a great manufacturing company or a service-delivery company that provides living-wage jobs and employs people in units of, let's say, less than 100. Stuart Rosenfeld, who is on the program later, has spent much of his career struggling directly with these types of ques-

tions. Brian Dabson has been struggling with these questions. A number of other people are in a much better position to answer that question. To the credit of the people organizing this conference, they realized they needed to be here, and so I think that question will get answered later.

The repopulation issue, I think, is really a very, very tough question. I am not sure that the northern Great Plains will be repopulated. I am pretty sure that, if there are no economic opportunities, it will not be repopulated. I think there are very tough questions that we need to face about what, in fact, is the right population distribution model. We brought a model from Europe, used largely in England and Germany, that is kind of a village model. One of the reasons that some of our policies that work well in Pennsylvania may not work at all when you get west of the 100<sup>th</sup> meridian is that you can't support the same kind of population between the 100<sup>th</sup> meridian and the front range of the Rockies. I think it is wrong to start at a repopulation posi-

tion. I think we have to start instead from a competitive advantage position, and from a cultural position, and create opportunities. Then we will draw people back to these rural communities. But, they will have to be drawn back, by opportunities and cultures, rather than the way many of them were drawn there in the beginning by people like James J. Hill—who is responsible for creating the foundation that I am blessed to run—by recruiting people from outside the region with a lot of promises that actually could not be sustained. They couldn't be sustained just based on annual rainfall, much less a lot of other factors. So, that is where I would start. I would start from the competitive advantage and from the culture building perspective. Then, if we can prove opportunities are there and they can create a better place to live in, I think people will move.

**Mr. Meeker:** Thank you very much. It's time for our break. Once again I would like to thank Karl Stauber for a most invigorating presentation.