Creating New Rural Development Strategies: The Role of Nonprofits—Discussion

**Moderator: Gary Gorshing**

**Gary Gorshing:** We have some time for questions.

**Martin Jischke, Purdue University:** I enjoyed your presentation enormously. Back to the four models of development, I made two observations that I’d like your reaction on. The USDA is involved in the first three. The USDA does not show up as an enabling or a supportive institution. Is there a role for the USDA, in your view, in this fourth model of knowledge-based and competitive-advantaged regional development?

Second, what you didn’t show on the four types is some measure of the quality of life. Let me use a simple surrogate that is inadequate, but it gets to it—average wages. My sense, as you go down the list, is that the first three are not particularly high-wage either because of seasonality or other factors, such as global competitiveness on the branch factory—the measure of wages of what China and India do. There is a desirability scale on those four that, unless I misread the chart, is pretty overwhelming in the fourth one.

**Karl Stauber: I think there ought to be a role for the USDA in the fourth type. But in reality there is not. Chuck was joking earlier about some of the battles that some of us in this room have engaged in. The USDA is an organization that is dominated by the commodity groups. It is dominated by less than 10 commodity groups. If the appropriating committees don’t say “go this way,” the probability that USDA will go that way is extremely low.**

The current secretary of Agriculture put together the Farm Bill at the beginning of the Bush administration. On a commodity basis, I thought it was one of the best Farm Bills that has been written in the last 50 years. The only one that I think is better is the one that Senator Lugar wrote and was never able to get out of the committee he was the chair of at the time.

Ann Veneman’s Farm Bill on commodities was a courageous act, and it is an act that she has been seriously punished for. I am not optimistic the authorizers and the appropriators will have the political will to move the USDA. There have been several proposals, including one in the Clinton administration, to move the USDA from being the U.S. Department of Agriculture to being the U.S. Department of Agriculture and Rural Development. Every time that happens, the ghost of Jamie Whitten starts to wander the halls of the building that is named after him. It is interesting that some of the most innovative leadership in rural development is coming out of the Department of Health and Human Services (HHS) rather than coming out of the USDA. That is the response to the first question.

For the second question, I think you are absolutely right. The criterion that we use in our organization is 200 percent of minimum wage. You are moving jobs to your town. You want them to be living-wage jobs. You want people to be able to support their families and pay for health care. Right now, that is, on average in rural America, 200 percent of the living wage. In looking at the first three, agriculture could produce very good returns one year out of three. It’s interesting to see what happens if you average it across that period of time. One of the things I was astounded by when I was at the USDA was a study put out by the Economic Research Service. It showed that if a farmer went to
work at McDonald's in 1970 and retired in 1990, he would have earned more money working at McDonald's than he would have earned as the average U.S. farmer in agriculture during the same time period. The growth opportunity—the opportunity to create the living-wage jobs—is based on constantly recreating competitive advantage. The best way to do that in rural communities, in general, is by focusing much more on an entrepreneurial model than a commodity production model.

Mr. Gorshing: Are there any other questions?

Ken Reiners, AgStar Financial Services: How would you define this region? How do you think you should go about identifying competitive advantage? I use the analogy of our former governor of Minnesota. His idea of competitive advantage was attracting Hollywood to make movies in Minnesota and ignoring some of the other occurring aspects of Minnesota's economy and natural resources. It seems to me it is such a politically charged thing, as opposed to the old "Forest Gump"; "competitive advantage is as competitive advantage does." Could I have your thoughts on that, please?

Mr. Stauber: It is a great question. It is a question that ought to be debated. Clearly, a competitive advantage means that you can compete in the marketplace without subsidy. It may not mean that you start without subsidy, but it means that you have to be sustained over time without subsidy. There is a new paper out by Michael Porter and the Economic Development Administration. Porter is the "Doctor of Competitive Advantage" at the Harvard Business School. There are a number of things in the paper that I struggle with, and if I had the opportunity, I would like to challenge him about them. But it lays out a pretty good profile and analytic template that we could use as a starting place to help communities think about how to create competitive advantage. How do they do what Purdue did? You start to figure out where is it that we want to invest for the long term. There are some good beginning products out there and some good ideas out there, but it would be dangerous to suggest that it is a simple formula, such as recruiting more movie companies to come into your state. Although one could build a competitive strategy around that, it has to be sustained.

Nancy Stark, Rural Governance Initiative, RUPRI, and Corporation for Enterprise Development: You said—and I totally agree with you—that rural communities need to understand their regional economy. You need to have those data. I agree with you because it seems so often communities are told that they need to create their vision. So, a bunch of people—usually the people who have always been doing it—get together. They come up with some ideas, so it is not collaborative. Also, that vision isn’t based on data. It is not based on a lot of information.

This is just an idea I want to throw out to see your reaction. It seems that you can get people in a region to look at things like watershed protection. A lot of this comes from Sally Maggard. The genesis of the idea is Sally’s, but I have been talking with some other people and I really think it is intriguing. People who cannot get together to talk about their economy and economic development seem to be able to sometimes come together and talk about other things regionally, like watershed protection. They have a map, and they see where the watershed begins and ends. I am just wondering what your reaction is to the idea that maybe one of the things we need to do is to help communities see economic data about themselves to help them focus their efforts.

Mr. Stauber: For me, one of the first rules of organizing is you have to start where the community is, not where you want it to be. If the community can talk about watershed issues, then that is where you start. My great fear is, having seen this happen with the National Resources Conservation Service (NRCS) on numerous occasions, the community stops there. The community members have a great conversation about the drainage area, but they don’t say: “How do we build competitive advantage that maintains the quality of life that we want to maintain?”
That is one of the reasons communities stop there. It is ironic to me that we know how to analyze a regional ecosystem. That is pretty transferable. However, we don’t know how to analyze a regional economy in a way that is useful to communities. Many of you have probably run into the farm management systems that a lot of Extension Services operate around the country. If you want to do an economic profile of your farm, they will come in and help you do one. There is great software that is available that has been created by land grants. If you want to do the same thing for your regional economy, there is nobody who knows how to do it, especially an economic profile that focuses on creating future competitive advantage.

From an organizing point of view, you are absolutely right. You start where they are. From an institutional leadership point of view, which is my perspective, communities that don’t have economic engines are going to decline. How we can come to see this as a series of building blocks, rather than simply doing “one is enough” particularly across institutional jurisdictions, is very challenging.

Mr. Gorshing: We have a question right here in the middle.

J.W. Ballinger, Moberly Area Chamber of Commerce: My question might be parochial to Missouri. But there are 114 counties and the city of St. Louis, Missouri, and most of them do not have the economic resources to be a critical mass. The problem I see appears to be with the state statutes not allowing the counties to either contract with each other or to collaborate with each other and save tax dollars. Do you have any advice for a not-for-profit who would like to propose that? I do not want to eliminate the boundaries of counties, but I would sure like to get them to cooperate together.

Mr. Stauber: There are patterns of multicounty cooperation in rural areas throughout the United States. They go from things as mundane as snowplow service and ordering toilet paper for school districts to six community colleges sharing one president and coming together with one vision. Those patterns are clearly out there. But you are absolutely right. This is a great example of a public policy.

One of the things I didn’t get to say was there is a desperate need for the equivalent of a Brookings Institute for rural issues, where we could do a good analysis of cooperation and its impact on efficiency and the delivery of services. I work in a lot of counties in the northern Great Plains, where some of the counties are the size of Connecticut and have populations of 3,000 people. Think about delivery of service in that environment. We have to figure out more efficient and effective ways to cooperate. At one level, it is not about mechanisms. It is about political will.

My advice to you is find 20 or 30 other people, get them all on the same page, and sally forth. That is the only way. I was intrigued by Martin’s description of rethinking the tax structure in Indiana. Probably two-thirds of the states I work in desperately need to rethink their tax structure, but, because of parochial interests, no one is allowed to have that conversation. My guess the only reason they had it in Indiana was things got so bad. And some people had some courage and stood up and said, “We need to have this conversation.”

Mr. Gorshing: Thank you, Karl.