

# TEACHING TIPS

## Rebuilding Rural Manufacturing



Student Edition

BASED ON THE JUNE 2012 MAIN STREET ECONOMIST "REBUILDING RURAL MANUFACTURING" FROM THE FEDERAL RESERVE BANK OF KANSAS CITY

This article in the Main Street Economist examines rural manufacturing trends and explains the recent rebound in rural manufacturing due to increased productivity in high-skilled manufacturing industries, such as petroleum, coal, machinery, chemical, and food products. Factors contributing to this rebound include global demand from developing countries and booming U.S. commodity markets. The article suggests that continued growth of exports and innovative manufacturing technologies will be necessary to sustain this rebound in the future.

### Reading the Article with Students

Suggested use: Read and discuss the article in class, using the direct discussion questions that follow. Students interested in further research on this topic could work on the extension activities and share their findings with the class.

The article is available at: [http://www.kansascityfed.org/publicat/mse/MSE\\_0212.pdf](http://www.kansascityfed.org/publicat/mse/MSE_0212.pdf).

### Economic Trends

1. Historically, rural manufacturing was a robust sector of the economy until the last decade, when more than a third of manufacturing jobs were lost. Name the factors suggested in the article that caused this loss.
2. Explain why advanced manufacturing techniques and new technologies helped rural manufacturing rebound from 2000-2010.
3. The highest rural productivity gains came in high-skilled manufacturing sectors. Look at Chart 2, "Total Earnings by Rural Manufacturing Industry." Which industries show a positive annual percent change? Why are these areas considered high-skilled sectors? Explain why industries such as textiles and apparel declined during this period.

### Direct Discussion Questions

### Education and Training

1. Rural manufacturers have indicated a need for technically skilled employees, such as engineers and welders. Since only half of rural residents have an associate's degree or some college training, what are local manufacturers doing to increase these numbers?

## KEY PERSONAL FINANCE & ECONOMIC CONCEPTS

*Review the meanings of some of the personal finance and economic concepts contained in this article.*

**COMMODITIES MARKET:** *The market for the purchase and sale of commodity (a basic product, usually, but not always, agricultural or mineral) futures, contracts for the sale and delivery of commodities at some future time.*

**DEMAND:** *The quantity of a good or service that buyers are willing and able to buy at all possible prices during a period of time.*

**DURABLE GOODS:** *Goods intended to last for a period of more than three years.*

**GROSS DOMESTIC PRODUCT (GDP):** *The market value of all final goods and services produced in a country in a calendar year.*

**EMPLOYMENT RATE:** *The percentage of the total population aged 16 or over that is employed.*

*Continued on next page*

## Economics and Business

1. China and other developing countries increased the demand for commodity-based products, such as food and fuel. How has this demand particularly helped increase rural manufacturing?
2. The article states that rural factories need to be competitive in global markets to sustain their growth. One way of measuring economic growth is by yearly GDP, or Gross Domestic Product. Look at Chart 3, “Difference Between Advanced and Emerging Country GDP Growth.” How does emerging countries’ GDP growth compare to advanced countries’ GDP growth? What are the factors that account for the surge in GDP for emerging countries? What is the forecast for emerging nations’ GDP growth through 2015?
3. The article suggests that rural manufacturers need to be innovative to continue to have a competitive edge. Why are rural communities not thought of as centers for innovation? What innovative techniques are rural businesses known for?

1. View additional data on rural manufacturing at <http://www.kansascityfed.org/publication/research/mse/index.htm>. These charts show a comparison of metropolitan (urban) vs. nonmetropolitan (rural) manufacturing trends. Looking at Chart 1, “Manufacturing Share of Nonfarm Earnings,” how has manufacturing’s percent of total earnings changed for the metropolitan areas? What is the rate for nonmetropolitan areas? In your opinion, what might account for the increasing gap between metropolitan and nonmetropolitan manufacturing trends over the years?
2. Read the Main Street Economist article “A Rural Rebound in 2010” at [http://www.kansascityfed.org/publicat/mse/mse\\_0510.pdf](http://www.kansascityfed.org/publicat/mse/mse_0510.pdf). Answer the following questions based on the article: When did rural manufacturing first begin to rebound? How did this rebound affect jobs at rural factories? By October 2010, how many percentage points had the manufacturing employment rate in rural areas risen by?

## Extension Activities

Federal Reserve Bank of Kansas City:  
Main Street Economist - Spring 2012  
Rebuilding Rural Manufacturing  
[http://www.kansascityfed.org/publicat/mse/MSE\\_0212.pdf](http://www.kansascityfed.org/publicat/mse/MSE_0212.pdf)

Federal Reserve Bank of Kansas City  
Main Street Economist  
Extra charts  
<http://www.kansascityfed.org/publications/research/mse/mse-extra.cfm>

Federal Reserve Bank of Kansas City  
Main Street Economist - Spring 2010  
A Rural Rebound in 2010  
[http://www.kansascityfed.org/publicat/mse/mse\\_0510.pdf](http://www.kansascityfed.org/publicat/mse/mse_0510.pdf)

Federal Reserve Bank of Kansas City  
Economic Review - 2nd Quarter 2005  
Do Only Big Cities Innovate? Technological Maturity and the Location of Innovation  
<http://www.kansascityfed.org/publicat/econrev/pdf/2q05orla.pdf>

Federal Reserve Bank of Kansas City  
Main Street Economist - Spring 2002  
Can Regional Colleges Make a Difference in Rural America?  
[http://www.kansascityfed.org/publicat/mse/mse\\_0502.pdf](http://www.kansascityfed.org/publicat/mse/mse_0502.pdf)

## Links and Resources

## Key Personal Finance & Economic Concepts continued

**INFLATION:** A rise in the general or average price level of all the goods and services produced in an economy. Can be caused by pressure from the demand side of the market (demand-pull inflation) or pressure from the supply side of the market (cost-push inflation).

**INNOVATION:** A new idea or method.

**MANUFACTURING:** The process of converting raw materials into finished goods. Manufacturing commonly uses a man-made setup with division of labor in a large scale production.

**PRODUCTIVITY:** The amount of output (goods and services) produced per unit of input (productive resources) used.

**RECESSION:** A decline in the rate of national economic activity, usually measured by a decline in real GDP for at least two consecutive quarters (i.e. six months).

**TECHNOLOGICAL CHANGES:** Improvements in a firm’s ability to produce due to improved processes, methods and machines.

For more economic concepts, definitions and lessons, check out Virtual Economics 4.0 from the National Council on Economic Education (online at [www.ncee.net](http://www.ncee.net)).

Teaching Tips is a FREE resource from the Federal Reserve Bank of Kansas City. It is available on our web site at [www.kansascityfed.org](http://www.kansascityfed.org).

For more educational resources from the Federal Reserve Bank, contact Michele Wulff ([michele.wulff@kc.frb.org](mailto:michele.wulff@kc.frb.org)).