Evidence continues to mount that rural America needs a new policy approach. Many rural areas continue to fall behind urban areas even after a period of unprecedented growth in the national economy. Thus, more and more analysts are concluding that current policy—one that focuses on building sectors and not communities—limits the ability to build effective partnerships among communities and businesses. Such an approach continues to result in unfulfilled promises.

Academics, policymakers, rural analysts, and rural citizens are thinking about new policies to improve the fortunes of rural America. To my way of thinking, a new framework for U.S. rural policy is emerging from a synthesis of the many options discussed at the Center’s recent rural policy conference.

*This article is based on Mr. Johnson’s concluding remarks at the Center’s 2001 conference, Exploring Policy Options for a New Rural America. The article was edited by Jason R. Henderson, an economist at the Center.
In this framework, two major shifts in policy are required. First, policy should focus on place rather than on sectors. This would provide opportunities for economic development in communities that differen-
tiate themselves. Second, policy should focus on partnerships, not on individual firms. Local communities must engage in strategic behavior partnerships to capture the value associated with place-based policies.

Why Has Policy Failed?
To fully appreciate the new framework, it is essential to understand why current policy has failed to live up to its promises. Rural areas continue to trail urban areas, even after huge government transfers. Rural employment growth is slower than in metro areas. Personal and business service provi-
sion is more difficult. Rural youth continue to migrate from rural areas, taking with them possibilities for future growth. Current policy has failed to address these problems by emphasizing individual firms instead of collective action and by focusing on sectors instead of places.

Rural policy has always sought to provide equal opportunities for individuals. Equal opportunity is the hallmark of the Jeffersonian tradition, where not only are all men, but all places, created equal. And even if places were not created equal, policy systems were designed to make them so. Over time, such an approach has resulted in communities that essentially look alike, thus offering the same opportunities for all individuals. Sameness has been the measure of success for policy in rural America. But, today's Main Streets are more diverse. Cultural uniqueness can add value by differentiating communities.

Rural policy in the 21st century must center on enhancing the competitiveness of places.

For these reasons, industry policies designed to solve past problems may not suit today's realities. Agricultural policy, for example, was conceived to help farmers in the 1930s. While policymakers have tried to keep farm policy current, these policies have done little to enhance the competitiveness of the places in which farmers reside. Relocation tax-incentive programs are another example of policies that have not been able to encourage rural economic development in their targeted areas. Yet, these policies remain, largely because long-lasting interest groups maintain enough political will to perpetuate subsidies that have been largely ineffective in improving the opportunities for economic growth and development in rural America.

A New Emphasis on Place Competitiveness
More and more policy experts agree that rural policy in the 21st century must center on enhancing the competitiveness of places. In short, rural America needs a policy focused on geography, supporting economic development in defined geographic areas. Place policy supports a community's ability to compete in the new economy by highlighting and accentuating community attributes that are attractive to households and firms. The attributes are sources of strength from which a community provides economic opportunity and value. Put another way, these strengths define a place's competitive advantage.

Economic theory tells us that value is derived from uniqueness. Consequently, a community's value, and in turn its strength, emerges when it recognizes in differences with, not its similarities to, other communi-
ties. Fortunately, no community is just like another. Communities possess different landscapes, infrastructures, histories, and people. These unique features provide the basic opportunities for economic develop-
ment in all rural areas—and the opportu-
nities are not the same in every rural community. Thus, to develop rural opportu-
nities, a place-based approach encourages partnerships of communities and businesses so that rural America can become greater than the sum of its parts.

By focusing on building community value, place competitive policy counters the industry policies that have been ineffec-
tive in supporting economic growth. Place competitive policy calls on rural residents to question policies that subsidize individual industries at the expense of the whole com-
munity. Current policies are not necessarily inconsistent with place policy. But policies for rural America should support, nourish, and sustain the competitive uniqueness that generates opportunity and value for the community in addition to the industry.

Differentiation
Some communities are endowed with physical assets, such as mountains, oceans, rivers, and attractive climates. These attrib-
utes are a source of differentiation. Other unique features can be created—some more easily than others. Airports, interstates, and railroads are features that support economic development, but attributes such as these take time to develop. Other attributes can be developed more quickly. Programs that build a community's leadership capabilities support economic development. Initiatives that improve the landscape's condition and capitalize on other natural endowments can support community growth. Initiatives that support special facilities or communitywide activities, such as settlers days, can encourage community development. All of these attributes can differentiate communities and generate value.

Across the Atlantic, our European colleagues have shown that highlighting cultural heritage can bring value to commu-
nities. Cultural uniqueness can add value by...
its economic development strategy must be policy emerging from the local community. Solidifies place-based policy as a grass roots the vision of the community to the rest of own citizens. And no one can better express the wisdom and culture of the local people. A community can and will be is contained in the social capital of the community. All that this visioning is often made possible through people and their culture. Put another way, must stem from the knowledge of the local community. The next step is to articulate the vision is unique and valuable about the community. The focus of that vision needs to shift from place competitiveness requires a clear vision. The wisdom for this visioning process must stem from the knowledge of the local people and their culture. Put another way, this visioning is often made possible through the social capital of the community. All that a community can and will be is contained in the wisdom and culture of the local people. No one is in a better position to identify the unique attributes of a community than its own citizens. And no one can better express or articulate the uniqueness, the value, and the vision of the community to the rest of America. The necessity of local expression solidifies place-based policy as a grass roots policy emerging from the local community.

Once a community identifies its vision, its economic development strategy must be carefully tailored to fit that vision. This results in a policy focused on a single region, a single community, or a single neighborhood. It calls for a groundswell of activity at the local level, supported more by block grants to communities than by traditional one-size-fits-all state and national approaches.

Collaborative Action
Local communities, however, cannot initiate place-based policies on their own. Communities are bound together through the migration of peoples and exchange of goods, services, and ideas. Changes in a single community can initiate a rippling effect of changes in neighboring communities. Thus, the opportunities arising in a community depend, in part, on the decisions of other communities. Given the diversity of communities, participation and support at the regional, statewide, and national levels are needed to bind local initiatives together to generate cohesive place-based policies.

Because communities are bound together, place-based policies require communities to think strategically about growth and development. We know the diverse set of resources in a community can provide more opportunities for all, even if those opportunities are different from one another. The answer lies in collaborative action. Communities must come together in a strategic framework, analyzing the unique features of place that generate value through differentiation, sifting through the opportunities while weighing the uncertainties at hand. Recognizing that communities are bound together also suggests ways that policy can highlight potential opportunities for cooperation and collaboration. By partnering, communities can undertake development initiatives on the basis of mutual gain. As with businesses, community partnerships must be governed by a contract that specifies goals, roles, responsibilities, and rules for future action. Rural policy is no exception. However, in this case the contract is a social contract that outlines the economic and social goals, roles and responsibilities, and rules of future action for both rural America and the rest of America. Strategic thinking is an avenue that guides contract development and the structure of how communities will partner to capture value from the opportunities offered by rural policy based on place competitiveness.

Conclusion
A good starting point for a new rural policy framework is place competitiveness. Place-based policy is effectively a grass roots policy, where local leaders, local residents, and local businesses provide the wisdom and familiarity with the community needed to identify the unique attributes of the community. But to capture the unique value of place differentiation, communities must also behave strategically. Through partnerships, rural communities can acquire additional value by blending together the diversified unique attributes of multiple communities and rural citizens.

Place competitive policy is different from past policy. It focuses on building communities in addition to building economic industries. Instead of enticing communities to become like each other, it praises diversity. By focusing rural development on the cultivation of unique place attributes, communities build value for new and existing rural citizens by providing differentiated lifestyles and business environments. Finally, place-based policy recognizes that by forming partnerships rural communities and businesses can provide more opportunities for all, even if those opportunities are different from one region to the next.
Highlights from the first quarter survey

- District farmland values continued to rise in the first quarter of 2001, although gains were less widespread than in previous quarters. District irrigated and nonirrigated cropland values rose 1.7 and 1.1 percent, respectively. Kansas, Missouri, and Nebraska posted solid gains in cropland values, while cropland values in Oklahoma and the Mountain states edged up. Rising cattle prices boosted ranchland values in every district state, causing the district average to rise 2.3 percent in the quarter.

- The district farm commodity price index rose in the first quarter. Prices for wheat, cattle, and hogs rose while corn and soybean prices fell. Since March, prices for feeder cattle, hogs, soybeans, and corn have gained ground, but fed cattle and wheat prices have slipped.

- Farm credit conditions weakened somewhat in the first quarter of 2001. The demand for farm loans improved, but loan repayment rates slowed, and loan renewals or extensions moved up. Although district bankers reported an improvement in fund availability, they showed concern over the industry’s heavy reliance on government support and a sluggish economy overall.

- Farm interest rates fell in the first quarter. At the end of the quarter, interest rates on new farm loans averaged 9.76 percent for operating loans, 9.60 percent for feeder cattle loans, 9.54 percent for intermediate-term loans, and 8.94 percent for real estate loans. Since March, farm interest rates have fallen along with national money market rates.

Note: 273 bankers responded to the first quarter survey.

1 Please refer questions to Kendall McDaniel, associate economist, at 816-881-2291 or kendall.l.mcdaniel@kc.frb.org.

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### Farm Real Estate Values
March 31, 2001

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<th>Nonirrigated</th>
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### Selected Measures of Credit Conditions at Tenth District Agricultural Banks

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</table>

* Colorado, New Mexico, and Wyoming combined.

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