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CHAPTER 11

UNANTICIPATED CONSEQUENCES OF GOVERNMENT PROGRAMS ON RURAL ECONOMIC DEVELOPMENT

Ted K. Bradshaw and Edward J. Blakely

Abstract. Rural areas experience development from three types of government programs--those that provide benefits directly to individuals, those that help build rural organizations, and those that alter the context for rural business and other government programs. The unanticipated benefit of these programs is greatest for rural areas when the programs are not oriented toward the development of areas, when they build local organizational capacity, and when they coordinate with other developmental initiatives. Rural areas remain dependent on many programs that provide a social service network in order to overcome the underdevelopment persisting in rural America.

Government programs have both direct and indirect impacts on rural development. While it has been difficult to create explicit Federal rural development policies that revitalize small towns and countryside, other Federal programs with neither a developmental objective nor a rural focus are increasingly recognized for their unanticipated developmental role (17) 1/. In fact, several programs that had no specific intent to influence or direct development are now recognized for having a more profound impact on rural areas over the last five decades than some explicitly developmental programs.

As the Federal Government increased all forms of assistance to individuals and institutions, and as regulatory patterns have changed, opportunity for economic development in many areas of the country has been affected. Just as highway policies led to decentralization or suburbanization of inner cities, social welfare, hospital construction, and housing policies have altered the face of rural America. These policies, which were intended to rearrange urban-rural differences from the outset, have been supplemented from the New Deal to the present by other Federal policies and programs intended to increase the Federal Government's leverage at the individual and local levels that have created a new spatial safety net and led to the rural population turnaround of the 1960's and 1970's (4). While the rural turnaround has abated, the policies and programs that created the underpinning for it remain crucial to the vitality of rural areas. This paper explores the contours of Federal policies that are not directly developmental in form but have significant developmental impacts for rural communities.

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1/ Underscored numbers in parentheses refer to sources listed in the References section at the end of the chapter.

Federal programs that indirectly affect rural development fall into one of three categories:

- --Services or resources provided directly to individuals who need them regardless of where they live (as in the case of Social Security);
- --Funding, technical assistance, and other resources provided to local public and private organizations that help build community organizational infrastructure (as in the case of funds that help construct hospitals);
- --Actions that alter the context in which other programs, or the economy as a whole, operate (such as regulation/deregulation of public service industries).

Federal policies affect urban and rural areas in different ways. Urban areas in general are less dependent on the direct actions of the Federal Government. On the other hand, some rural places are nearly totally dependent on a single government facility or program such as a Forest Service office or the programs of the Bureau of Indian Affairs. Similarly, government activities such as dam and water project construction or military installations alter the resource base of rural areas, both financially and intellectually, in terms of the capacity of the human skills of the people who live and work in rural communities. Thus, Federal initiatives have substantial long-term impacts on rural capacity and opportunity because they alter the social and economic resource base within a local community. Ongoing cycles of policy development and change tend to rapidly disturb but slowly build capacity in rural areas.

Consequences of Federal Programs and Expenditures for Development

Federal policies, programs, and expenditures have a redistributive effect on regional development apart from their specific intended consequences for specific groups or individuals. As a result, the Federal Government's role in rural areas is pervasive and essential, though unevenly distributed. In fact, a vast number of rural places are singularly dependent on employment which is derived indirectly from Federal Government transfer payments or programs. This situation creates both a potential for development and a liability since many of these communities lack diversity and are vulnerable to program changes.

Federal expenditures have stimulated rural population growth. For several decades, places with growing Federal programs have experienced population growth while declining Federal expenditures have been associated with stable or declining population. Data show that county seats and places with large numbers of government employees are important nodes of growth, though these places grow and decline as State and local expenditures change along with Federal funding. Communities with a college have typically grown while those with a military base showed losses during the 1970's (1).

Throughout the Nation, 315 nonmetro counties derive 25 percent or more of their total labor and proprietor income from the payrolls of Federal, State, and local governments. Relative to other counties, these counties with a high level of dependence on government employment tend to be somewhat more urbanized, have higher rates of population increase, have lower average incomes, and support a low-wage mix of economic activities. They are exceptionally dependent on policy decisions affecting the amount and type of Federal Government spending and the types of persons employed by various programs. Since they derive somewhat lower total tax revenues and benefits, and since rural communities supply few items needed by government facilities and offices, the local economic multiplier from government programs is lower than might be expected (2). Nonetheless, one in six nonmetro counties is dominated by government-derived income, and a significant part of this starts with Federal funds or is shaped by Federal program guidelines.

Federal expenditures return a good deal of tax money to local economies. A large proportion (though not all) of these expenditures can be tracked to the county in which the spending occurs. Of the $713.7 billion in Federal expenditures that can be traced to recipient county areas, about $139.6 billion in 1985 expenditures, or 19.6 percent, went to individuals and programs in nonmetro counties. Nationwide, all Federal expenditures totaled $3,022 per capita in 1985. However, rural areas received only $2,478 as opposed to $3,192 per capita in urban areas. This disparity of 30 percent less for rural areas was concentrated largely in defense expenditures (table 1--see table at end of chapter). The nondefense part of the Federal budget was fairly evenly distributed to metro and nonmetro counties. Nonmetro counties received considerably more funding in the agriculture and natural resources area, and small amounts more in human resources and income security functions (18).

Federal programs can be redirected to rural areas, creating economic activities where they are located. For example, Federal regional development policies have been successful when there is general agreement that a particular region needs assistance and when Federal programs are expanding. When programs are not growing, however, it is unrealistic to assume that many dollars can be redirected from urban to rural areas. Although government programs and facilities can increase local dependence and vulnerability to policy changes, effective integrated rural development strategies can mitigate many potential problems. Systematic Federal reallocations of expenditures to the most depressed rural areas remain an effective tool to stimulate lagging economies.

Development Consequences Defined and Classified

Developmental programs are a subset of the total government effort in rural communities. While all government programs produce (or reduce) change, a developmental program implies a desirable social consequence for individuals and communities. Development maximizes the potential of local people rather than simply being an end in itself for the benefit of outsiders; developmental programs deliberately build on local resources and goals rather than import external ones.

Beneficial rural development has a particular objective and process: to create lasting improvement in the well-being of rural people. Programs that are _not_ developmental are ends in themselves, or they impose a direction of change on an area from the outside without improving the potentials of existing individuals and organizations.

Many classifications of developmental programs have been suggested in the literature. Development programs can be classified by their goals (11) or by the types of processes by which change is facilitated (9). Classifications by functional areas and resources mobilized to do development have also been utilized ('9).

We examine development from the perspective of intervention policy--the theories and practices that alter existing conditions in a predetermined direction. The major policy choices are whether assistance focuses on 1) meeting the direct needs of individuals, 2) increasing the capacity and efficiency of institutions such as businesses, schools, or government agencies that provide services, or 3) creating linkages among organizations and improving the overall context in which they operate.

These program types are interrelated with cumulative impacts. Individual level policy objectives can be reached by targeting individuals or indirectly by creating programs that enhance the local organizational base. Capacity development efforts structure linkage and planning among organizations to improve the ability of organizations to support individual needs. The policy attraction of programs targeted to specific individual needs is that the program demonstrably reaches the intended population. But as a program intervention is further removed from an individual recipient, the policy attraction is that a structural change will alter the individual's capacity to identify or develop local resources to meet one's needs rather than create greater dependence on external aid.

Over time, Federal programs have broadened from individual level programs to capacity building because specific individual assistance has failed to solve the structural conditions that cause underdevelopment. As Bradshaw and Blakely showed, early rural development programs were individual level technology transfers (5). Organizational development programs followed--farmer, cooperatives, community associations, and economic development groups. The newest type of rural development programs are integrated efforts that build capacity, provide linkages, and coordinate diverse activities. The new emphasis on the larger organizational context, however, does not reduce the importance of ongoing programs. In fact, the successful development of these programs is the foundation on which an integrated set of programs could be built.

Impact of Individual Assistance Programs

Programs that deliver services directly to individuals are based on the premise that the Federal Government has a responsibility to provide basic economic security, and to guarantee equal access or opportunity for all individuals. Individual level service delivery programs in rural areas vary according to the type of service provided and the way it is managed. Two different types of individual service-oriented programs are examined; 1) personal entitlement programs (like Social Security) that provide benefits independent of geographic location and provide the opportunity for individuals to follow their personal choices and live in rural communities; and 2) individual rights (such as civil rights) and special benefits programs that improve access to established social systems.

Social Security and Individual Entitlements

Retirees are a major resource for economic development in rural areas. Attracting retirees to a rural community has a number of advantages: their pensions and Social Security income are often derived from earnings elsewhere, and the elderly tend to spend more of their income in local communities rather than regional shopping centers. Retirement communities in the California foothills, northern Wisconsin and Michigan, the Ozarks, and throughout Florida and Arizona, for example, have grown largely due to the lifestyle amenities provided to retirees with Social Security income. In one northern California community the population doubled in about 10 years, and over half the recent migrants were retirees with social security incomes (6).

Social Security income is attractive to rural development because it is locationally independent. Beneficiaries can use their payments anywhere and for any purpose. Since rural areas are generally attractive to retirees because of the lower cost of housing and the small town atmosphere, retirees transfer their benefits there.

Hirschl and Summers calculated some measures of the impact of Social Security on rural development. Using county data, job growth in nonbasic (not agriculture, manufacturing, or government) industries was studied in light of changes in the amount of Social Security payments. With a sample of 170 counties that were nonmetro in 1950, change in the county employment level in nonbasic industries was shown to be more dependent on Social Security than on manufacturing job growth (12). The findings of this study showed that many more jobs were created by each dollar of Social Security transfer payments received by persons in the county than by each dollar of manufacturing wages. Other possible explanatory variables were not statistically significant in terms of nonbasic jobs--neither agricultural income, intergovernmental transfers, distance to the nearest SMSA nor linkage to the interstate highway system produced clear and significant changes in the level of nonbasic jobs created.

Social Security is a powerful stimulus to rural development for three reasons. First, benefits have tended to flow from urban to rural areas in recent years, with people moving into rural areas because of the attractive living conditions and lower cost. Retirees are able to follow the patterns suggested by Zuiches who has documented that Americans want to live in rural areas, but are often unable to do so because of limited job opportunities. When individuals receiving Social Security payments move into an area, the benefit is also multiplied because many retirees also have pensions, investments, equity from the sale of an urban home, and other passive income. These individuals are usually not poor, and in fact may belong to a group with a large discretionary income.

Second, Social Security stimulates development because retirement communities become centers for other development including hospitals and other sources of employment for persons in the labor force. Elderly care is one of the fastest growing industries, and rural areas compete well for the economic development associated with it.

Third, retirees, using Social Security income as a base, also initiate economic development in their communities because the retiree brings a resource of considerable skills and talents for local economic development. From the community perspective, retirees contribute to the human resource base. This retiree skill base is so important that small businesses, government offices, and new industries are tapping the retirees to contribute to the labor force.

Social Security as well as other individually based transfer payment or entitlement programs provide a concentrated economic base or platform for development. The consistent and persistent economic force provided by transfer payments shelters the retail trade and service industries against the fluctuations of natural resource industry cycles.

The attraction of these entitlement programs is that they are spatially neutral, that is, they influence the economic or social options of people irrespective of location. In effect, however, their impacts are scarcely independent from geographic location since the value of these resources is influenced by the local conditions in which they are used. For example, a Social Security check will generally go farther in rural areas than urban communities. Consequently, programs meant for individuals convey a new mobility for the recipient which can be a substantial rural economic and social development vehicle. The implication of this is that spatially neutral programs and policies can significantly benefit rural development.

Programs Guaranteeing Equal Access and Opportunity

The Civil Rights movement of the 1960's and subsequent efforts to ensure equal treatment for all disadvantaged groups have provided a rural development instrument that has not been well studied. In general, the premise of the programs is that a spatially neutral program benefits individuals, but in fact these programs require a delivery mechanism largely missing from rural areas. Because of the small scale of rural communities, offices that deliver services are not found in rural areas, and thus the delivery of benefits lags.

Individual opportunity is not an esoteric and nonconsequential benefit to rural development. The lack of equal access to jobs, housing, and other civic benefits retard the direct and indirect development of any community. Historic discrimination against blacks and Hispanics retarded economic development in the South and other areas of the Nation. The release of human capital of these groups has not only allowed them into the work force but provided new avenues for these minority groups to start, control, or manage businesses and industries. This increasing economic capacity continues to be a major source of innovation and stimulation for rural areas. As racial discrimination abates, investor confidence increases with more economic activity. Plants getting governmental contracts need to show that they are equal opportunity employers, and community action facilitates individual firm compliance. Firms sensitive to discriminatory activities shy away from areas with long histories of racial animosity. Most importantly, releasing the full opportunities of all people in an area greatly expands the local human potential and provides greater opportunities for everyone.

Several programs supporting equal access that thus support rural development are:

Fair Housing and Equal Credit Opportunity (U.S. Department of Justice)
Desegregation of Public Education
Client Assistance for Handicapped Individuals (U.S. Department of Education)
Equal Opportunity in Housing (U.S. Department of Housing and Urban Development)
Women's Special Employment Assistance (U.S. Department of Labor)
Veterans' Reemployment Rights (U.S. Department of Labor)

These programs provide services to individuals who have been treated unfairly or who have special needs. The programs aim to enforce laws that guarantee education, employment, access, and other rights, as well as to provide special services such as books for the blind. These services are generally available to any person or group, and as such there is no particular rural benefit or disadvantage. However, in most cases they require an office or local program through which to deliver a service, in some cases taking on legal actions initiated by an individual. In the case of school desegregation, an issue of considerable importance to many rural counties in the South, the Civil Rights Division of the U.S. Department of Justice has been involved in cases desegregating both universities and primary school districts.

In contrast to Social Security which was spatially neutral, rural areas have lagged behind urban areas in implementing of equal rights and human resource opportunity programs. Policies to remedy this include better enforcement of State guidelines to ensure uniform compliance and efficient use of rural funds in all States. Because rights programs are small budget items compared to Social Security, for example, offices are not located in all rural communities, and special rural efforts are needed to meet the needs of people who cannot come into a main office. Innovative service delivery programs have been utilized in several places where similar programs share staff or where services are delivered by nonprofit organizations in the area. With effective monitoring, these programs can be combined with other service delivery efforts in rural areas. However, these innovative service delivery systems remain experimental and have limited applicability in some of the most needy rural regions. A better understanding of how to deliver rural services is necessary.

Impact of Organizational Development and Support

The second policy perspective by which the economic and social well-being of people in both urban and rural areas can be improved is to build and support problem solving organizations. Individual transfers and available human rights provide only part of the solution to rural problems. These resources need to be used more effectively in terms of building an indigenous economic resource in the local community. However, these organizational structures are difficult to establish and sustain, especially in rural communities. Some organizations provide a coordination and referral service. Others provide primary services themselves, ranging from financial assistance or information on community improvement to hospitals and elderly housing. In order to do this, considerable effort has been made on organizational development and capacity building.

Many Federal Government programs since the War on Poverty have been founded on the premise that the government is making a social investment through providing local organizational capacity. One of the most important investments is in terms of medical care. The government assists needy individuals directly with Medicare and related health assistance plans. An indirect form of assistance is the enormous resources transferred to individuals via both capital and technical assistance to hospitals. The Hill-Burton Act helped build hundreds of rural hospitals and is examined as a study of how direct investment pays off (though rural hospitals now face a different problem relating to Medicare payments). A related effort is housing construction for the elderly and handicapped.

Rural Hospital Construction--Direct Institution Investment

The Federal Government assists construction of rural hospitals, universities, and other facilities to serve local residents and provide services that would not be available because they are not economical or feasible for the private sector to build without assistance.

The per capita cost of many public facilities in rural areas is much higher than in urban centers. Because of the small population base and the large distances between people, rural facilities are generally small, limited in economies of scale, and meet different needs than their urban counterparts.

The Hill-Burton Hospital Survey and Construction Act improved the supply and quality of general U.S. hospital beds. The Act also aimed to ensure a more equitable distribution of physicians throughout the country. During the years this program was funded, it was responsible for building hospitals throughout rural America, though any relation to the supply of physicians is uncertain. A recent study by Clark and others has shown that the Hill-Burton program had a significant redistributive impact on the supply of hospital beds from the most urbanized States to the most rural, but that a redistribution of physicians did not follow as a consequence (10).

The program has now been terminated at a time when many of the smallest rural hospitals continue to have problems, especially involving upgrading and modernizing their facilities. Programs of hospital assistance have been shown to have been of value.

Today the overall distribution of health funding is not fully redistributed. Reid and Whitehead show that in 1980 the U.S. Department of Health and Human Services spent 16.1 percent of its total health services budget in nonmetro counties, which had 28 percent of the population (18, p. 42). The same data show that only 5.9 percent of Department of Housing and Urban Development programs for hospitals and other health facilities was spent in nonmetro counties. Recent expenditures do not address the significant shortfall of rural communities.

Today, rural hospitals face another important organizational challenge. Due to the small scale of many rural hospitals, their specialized facilities are not efficiently and fully used, driving their costs above the maximum paid by Medicare. Since rural hospitals depend more on Medicare payments than do urban hospitals, their financial problems seem especially acute and require creative financial and management solutions. Staff levels at hospitals required to cover possible emergencies are often excessive for routine service, and facilities such as delivery rooms are required to be used for births only, even though most routine births take place in an alternative birthing room even in rural communities. Adaptability in the regulatory structure and the payment schedules used by Medicare could be useful to rural hospital administration.

Hospitals are not merely a health resource for rural areas. Every hospital provides a substantial knowledge infrastructure that directly affects rural communities. The doctors, nurses, accountants, and others who staff a rural hospital play an important part in their community. Often the hospital payroll is the largest single source of employment in small communities. Hospital employees take the leadership in community and civic affairs, assist in developing new ventures and opportunities for the community, and contribute disproportionately to the arts and cultural enrichment of the area. In essence these intellectual resources are a significant economic development base that can be further exploited for the benefit of the community. Some rural hospital administrations are starting to appreciate this fact, looking to better overall economic development as a strategy to improve their client base, and are successfully identifying roles that utilize their employee skills.

Direct Loans for Elderly Housing

Another illustration of an organizational delivery system is the Elderly or Handicapped Housing Program in the Department of Housing and Urban Development that provides direct loans to local organizations to build housing for the elderly and handicapped. Nationally, some 176,400 units have been constructed through 1984 with nearly $5.9 billion in loans. These units are found in both rural and urban counties, though in 1980 about 24 percent of the funds were spent in nonmetro counties, slightly less than their 28 percent share of the total population. These programs have provided a significant resource for rural elderly. Moreover, the program is targeted to areas with high proportions of elderly who fall more than 50 percent below the median family income of the area; these individuals are also able to receive direct assistance in the form of housing subsidy payments under Section 8 of the Housing Assistance Payments Program (7).

Rural areas have difficulty using many of the facilities construction programs because of the lack of administrative capacity. In a study of the ability of rural areas to apply for community development block grants, Blakely and Zone showed that rural communities lacked the professional expertise needed to assemble competitive grant applications (3).

A second issue involves rural areas' difficulty in using the facility construction or other infusion of capital into a rural institution to develop broader community goals. Too often these programs remain isolated from development objectives. In several cases, however, they are the center piece of area development. In a small Georgia community, an aggressive mayor received a great deal of national attention by getting several facilities grants and organizing an entire community development program around the resources that these grants provided. In another example, Soldiers Grove, WI, used Federal assistance after a flood (which had been a recurring event every few years) to rebuild the entire community on higher ground. These funds, as well as additional assistance from the U.S. Department of Energy and other sources enabled Soldiers Grove to become a modern "solar" community and to realize untapped potential. The potential for this type of program that meets general developmental needs in rural communities is substantial, but in most cases the developmental leadership does not come from the people involved.

The Impact of Context and Coordinating Programs

The third type of program with developmental consequences in rural areas includes those providing linkage among organizations and general way to make individual organizations and programs more effective. Included are programs to regulate public or quasi-public services. The best example of this type of effort is Federal programs that alter private financial markets by guaranteeing and subsidizing loans and mortgages. Rural America is a paradox in this regard. Rural institutions, including farm credit and a host of natural resource subsidies, create a highly regulated institutional setting for the Nation's strongest individualists.

A second illustration of the role of the Federal Government in structuring rural markets is the recent change in the level of regulation in selected industries. With deregulation, rural communities gained certain flexibility and lost certain types of urban services.

Rural Housing Market Programs

Rural housing requires a different capital base than urban housing. In most States, the bulk of the mobile homes are in rural areas; thus, programs guaranteeing their financing are especially important. The Federal insurance program for mobile homes insures lenders against loss on loans for improperly built and placed mobile homes. In 1984, this program insured 23,000 units, bringing its cumulative total to nearly 260,000 units with a cumulative value of almost $4 billion. This program mitigates the conservative tendency of rural banks not to loan money for mobile homes, a major housing alternative for rural residents. The importance of this program is seen by its dominant use in rural areas--46 percent of the 1980 Federal funds were used in nonmetro areas.

To better serve rural areas, HUD sets aside portions of its total housing assistance for rural communities, and has special programs for housing in outlying areas. Mortgage assistance for homes in outlying areas only covers 79,000 home mortgages, but this program provides a useful resource for rural homeowners who cannot find assistance elsewhere. But these programs fail to resolve the major problem of rural housing finance: total housing effort of HUD is strongly biased toward urban areas. Whereas 28 percent of the population live in nonmetro counties, only 14 percent of HUD funds for housing go to these counties.

To some extent, this difference is made up by housing programs in the Farmers Home Administration. The most significant Farmers Home program is targeted to rural families. The program provides direct loans and loan guarantees to families that would not qualify under conventional lending practices. These loans are used to create farm communities, not merely housing units. Water and sewer programs are frequently developed with the Farmers Home Loan program, which helps build or rebuild a rural area into a more modern, liveable place.

Self-help housing is a companion effort in the community building arena. Federal Farmers Home loan and other programs have created an unusually responsive tool for rural development via self-help housing.

Housing illustrates the plethora of government initiatives that build local institutional potential or create a new policy framework for rural institutions by removing impediments in the existing organizational infrastructure. In a detailed review of the housing problems faced by the rural elderly, Nathanson showed that financing was restricted by limited financial capacity of rural banks, lack of sponsorship for public housing construction, and limited governmental capacity to process applications (14). In other words, the rural institutional structure was not capable of passing on the benefits that rural residents needed and wanted. Therefore, the development of Federal tools to overcome the weak institutional base of rural areas is significant for [illegible] development.

While declining levels of resources have been devoted to existing programs, they remain important. Rural housing and related programs improve rural quality of life, and existing support services encourage experimentation to meet rural needs. Changes in the definition of appropriate patterns of rural electrification, water and sewer system design (e.g., modular units), and administrative oversight have all significantly affected development.

Deregulation and Regulatory Impact

The major industrial deregulations implemented in the 1980's have altered the delivery of services to rural areas. This is an important issue since the connections between rural areas and urban centers depend on reliable and low-cost transportation and communications. In the past this was guaranteed by a series of cross subsidies that provided rural areas service at less than full cost or via direct government subsidy.

The removal of these barriers is still new. From early evidence, however, most rural areas remain essentially in the same competitive position as before deregulation. While we do not have all the needed data, a review of the overall impact of deregulation on rural areas suggests that deregulation has not been the major crisis for rural communities that some feared, though structured responses are often necessary to overcome remaining rural disadvantages.

Airlines. Airlines have been required to serve small and rural airports, even though the volume of customers was not sufficient to justify the service. In some of the least profitable cases, airlines serving rural airports were subsidized by the Federal Government. With deregulation, the subsidies were reduced, small carriers were sought to replace major airlines serving small communities, and many rural areas became self-sufficient. The results of the series of programs that deregulated rural airports have generally been favorable, according to a recent study by Murphy and Watkins (13). They suggest that airline deregulation has had a positive benefit on all cities, but especially on major urban hubs. Flight frequency has increased, prices have dropped in real dollars adjusted for inflation, and traffic for all markets has increased. Rural routes, are served by about 10 percent more flights in 1986 than in 1978, but the aircraft are more often small commuter airplanes rather than jets and have smaller seating capacity.

The new airlines serving rural areas are more often commuter airlines rather than the majors, and their level of connecting service with the majors has often been lacking. Real prices for rural air travel have dropped, but not by as much as fares at the larger airport hubs where increased competition has provided a variety of discount options. In terms of total dollars per mile received from all types of tickets, fares from major hub to major hub have decreased by 17.4 percent since 1979; fares involving nonhub airports have decreased between 6 to 9 percent, depending on the route. In sum, airlines deregulation has restructured airline service to rural communities, but they remain served (and slightly disadvantaged).

Trucking. Trucking deregulation has followed a similar pattern. With the reduction of requirements for trucking companies to serve rural communities, many major companies pulled out. But according to a study by Pustay, trucking service to rural communities has improved since deregulation in 1980, and fears of rural abandonment have been set aside (16). Pustay's data, drawn from a sample of communities in eight States, showed that these communities are now served by more trucking companies than before. In Wisconsin, for example, the number of interstate carriers per rural community before deregulation averaged 2.3; this increased to 7.0 in 1984. The number in Maine increased from 5.4 to 6.2 during the same period. Intrastate trucking also increased service to rural communities, but not by as much. Most of the communities in the study were served by one or two intrastate carriers in 1984, although some States that did not reform their trucking regulations showed actual declines in intrastate service. While reports suggest that shippers and trucking companies are satisfied with service in rural areas, data on prices paid are not available.

Banking. The effect of banking deregulation remains unclear since the entire financial industry remains in a cloud. Our information to date is contradictory. At the macro-level more capital appears freed up in the interstate banking systems to flow to rural areas. However, at the micro-level farmers are now in competition with more lucrative, faster return investments for financing. Moreover, just as inner city branches disappear, the full-service elements of rural banks disappear and move to urban centers.

These changes have varied from State to State, depending in part on the State definition of the structure of the banking industry and in part on the speed with which the rural banks made changes. The removal of rural banks has clearly reduced rural resident convenience, but perhaps has a greater impact in terms of reducing the availability of bankers skilled in helping businesses package loans, prepare business plan documentation, and the like. On the other hand, where economic development services are available, the consolidated banking system provides greater access to less common financial instruments, and greater levels of service.

Bus and Rail Services. The major area in which service declined markedly, leaving an unfilled void, is bus service to small rural communities. Major interstate bus lines have largely abandoned the smallest communities, bypassing them or limiting service to one or two busses a day. Up to now few commercial carriers have entered the general scheduled bus transportation market, though a number of specialized carriers now provide service to urban hub airports, for example, or to bring tourists and recreation participants in to particular events. The intercity transportation gap has had to be filled by rural public transportation services, but these services often do not exist, or funds for their activities would have to be diverted from other programs (including road repair) that have greater public use and support (8, 15).

Telephone and Telecommunications. Telephone deregulation remains an area of confusion and contention. The cost of telephone lines per customer in rural areas is much higher than in urban areas, and until now the rural customer has been buffered from paying the full costs of service. It is not known how telephone deregulation will affect these rural customers, but there remains a great deal of pressure to greatly increase rural charges, if not for continuing service, at least for hookups.

Policy Implications of Regulations

Despite the absence of clear evidence that rural areas have been disadvantaged by deregulation, the issue is nonetheless an appropriate subject for concern. The effect of regulatory patterns on the availability of rural services needs continued tracking. However, because there is no systematic rural data collection on policy impacts, they are largely a matter for conjecture and it is too early to draw definitive conclusions. It should be noted, though, that even a slight alteration in the quality of these services can have consequences for rural areas that are magnified in relation to their effects in urban areas. Because the regulatory climate has made up a part of the platform for development that supported the rural population turnaround of the 1970's, it is important to weigh carefully the effects of that removing it might have on rural business conditions.

Implications for Rural Development Policy

As agricultural and natural resource-supporting policies decline in importance in rural communities, the relative impact of other Federal policies on rural areas will increase. The Federal Government has provided both a safety net and a development platform for rural areas. The safety net has been formed by spatially neutral programs that assist individuals. The development platform has been created by the array of programs and policies designed to create greater institutional presence or capacity in rural areas, ranging from hospitals to regulation of individual industries. This review of the range of policies assistance to shaping rural communities suggests that the rural environment poses both challenges and opportunities for using these programs to achieve effective development. This raises a number of critical issues.

Declining Support for Planning, Technical Assistance and Capacity Building

The overall trend in governmental funding is away from long-term commitments to building an internal or institutional resource base for rural areas. Rural communities find that while coordination, planning, and institutional development have a particularly important contribution to make, they are more costly and difficult in rural than in urban areas. Because their costs are higher per capita for these activities, small communities usually have fewer coordinating mechanisms in place and rely on informal cooperation among officials who know each other. The absence of an adequate institutional capacity makes it more difficult for rural communities to determine their own goals and objectives in face of outside pressures, and they are often unable to convert opportunities into explicit development plans.

Need for Greater Federal Coordination and Administration

While rural areas have received many benefits from government programs, even more developmental payoff could have been obtained. Hospitals can be centers for rural economic development or used for expanding programs of post secondary education. Similarly, better use of housing and technical assistance programs could lead to community development that increases the administrative and long-term developmental potential of many communities. A more enlightened program administration that recognizes these multiple uses of government programs could, through appropriate coordination, help achieve them.

Nondevelopment Programs as Instruments for Development

It is often hard to identify the developmental impacts of nondevelopmental programs, and these impacts should not be taken for granted. Local policymakers and officials need to be attentive to ways to increase the developmental impact of various programs, and to increase the long-term benefits of these programs for their communities.

Better Monitoring Capacity

The effect of nondevelopmental programs in rural areas has largely escaped identification and measurement. In terms of program justifications, the developmental consequences of these programs are often not included, such as for some expenditures for capital facilities such as parks or hospitals. Cost benefit analyses do not take these factors into account.

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