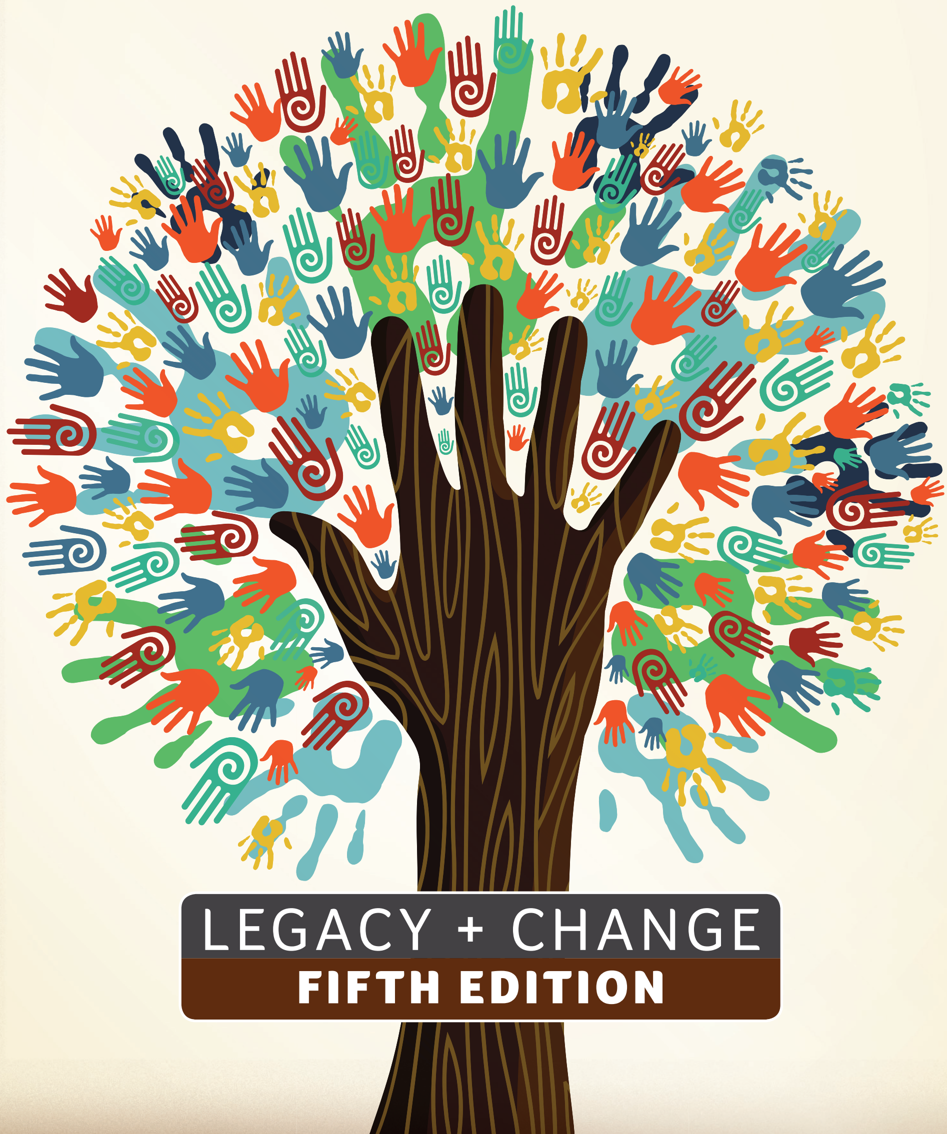
RURAL COMMUNITIES

Cornelia Butler Flora, Jan L. Flora,
and Stephen P. Gasteyer



LEGACY + CHANGE

FIFTH EDITION

RURAL
COMMUNITIES

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FOURTH EDITION

RURAL COMMUNITIES

Legacy and Change

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Preface

Many changes have occurred since the first edition of *Rural Communities: Legacy and Change*. Yet the basic tools of social science that we included in that edition still give us insights and paths for action for communities around the world. We focus on communities in the United States but build on research of scholars across the globe.

The first edition of *Rural Communities: Legacy and Change* was written to accompany a video series by the same name for PBS. These fifty-five-minute videos are still available on the web or can be ordered through Annenberg Learner (www.learner.org/resources/series7.html). For each chapter we now have a list of web links to useful videos and other audiovisuals, including the relevant ones from this series. We have sought audiovisual materials on these same communities so instructors and students can follow changes that have occurred since the video series was published in 1992.

The Community Capitals Framework serves as an organizational frame for understanding the diversity and changes in rural communities. As we have continued our research and work with community development and read the research and practice of colleagues in the context of a rapidly changing social, economic, and climate context, we have incorporated these insights into each chapter, backed up by available data. Unfortunately data that is disaggregated by rural and urban has drastically decreased since 1992, as induced austerity has cut into government data-collection systems and, thus, citizens' ability to monitor the effects of change.

In this edition we have added emphasis on rural health care, financialization of the economy, increasing tensions over international immigration, impacts of the implementation of neoliberal policies, climate change impacts and adaptations, and income and wealth inequality that has become increasingly worse since the Great Recession.

Our goal is to engage readers in the dynamic process of community change in order to enhance local ecosystem health, economic security, and social inclusion utilizing the best of diverse legacies in responding to global forces.

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PART ONE

INTRODUCTION

IN THIS SECTION WE PRESENT AN OVERVIEW OF THE DIVERSITY OF RURAL communities and the community capitals that contribute to their degree of environmental health, social inclusion, and economic security. How is rural defined? What is the variation in ruralness across the United States? Watch the first episode, *Who Cares?* From the "Rural Communities: Legacy and Change" video instructional series (www.learner.org/resources/series7.html) to get an introduction to the book and the some of the places discussed in the text. It addresses why rural America is important to us as a nation, what steps should be taken to respond to rural communities in crisis, and what the future holds for these rural areas. In it, rural people show how the provision of water, recreation, minerals, and biodiversity come from rural areas and how the production of those shared resources contribute to values and cultures that support people and places. The differences among rural areas in the United States are shown, as are the different assets and issues that stem from those differences. Rural communities are sources of innovation in working together to resolve issues as they also increase their dependence on the rest of the world. Those who are rural by choice versus rural by heritage sometimes conflict, but they can come together through their commitment to place.

It will help in doing the assignments to choose a community with which you are familiar to analyze and to apply the concepts learned. If it is an urban community or neighborhood, it can help you understand what is unique about rural communities and what characteristics all communities of place share.

It is increasingly difficult to analyze rural-urban differences, as less and less data are available on smaller places (known as small-area data). Except for seven basic questions still asked on the census, the American Community Survey (ACS) has replaced the decennial Census of Population and Housing. The 2000 Census was the last that included the full battery of social, economic, and housing characteristics. The ACS has the advantage that it is conducted annually rather than once every ten years. As a survey rather than a complete census, it may in fact be more accurate than the census for larger jurisdictions. However, for smaller places and populations it is necessary to combine data for three or five consecutive years for the data to be reliable. A National Research Council panel (Panel 2015) analyzed options for increasing the accuracy of small-area data gathered in the ACS, but as is pointed out by Chevat and Lowenthal (2015), there is need for funds to test out new approaches for more efficient and accurate data collection, but such efforts are complicated by a failure of Congress to appropriate adequate funds, except in the couple years leading up to the decennial census. As government shutdowns, budget sequestrations, and cuts in research budgets and research personnel increase, separate rural data analysis is easy to drop, as there are few constituencies organized to demand it. An important source of available rural data—and all in one place—is the *Atlas of Rural and Small Town America* (Economic Research Service 2011).

Rural areas are increasingly linked to urban ones through migration, information technology, and social media, with less obvious differences in important norms, values, and symbols. Viewing rural, suburban, and urban as a continuum with a high degree of interaction does not deny the importance of considering rural communities, but it does suggest that the lessons learned about how community capitals work in rural communities can give us great insights into other settings as well.

1

Community Capitals and the Rural Landscape

The Rural Landscape

Christine Walden grew up in paradise. The daughter of schoolteachers in Mammoth Lakes, California, Christine spent her childhood surrounded by the majestic peaks, lush forests, and crystal-clear lakes of the Sierra Nevada range, nurtured by the closeness possible in a town of two thousand. In 1954 an all-weather road and a double chairlift opened, beckoning skiers to the north face of Mammoth Mountain. By 2013 the town's population was over three times what it was in 1970, the year Christine's parents first came to the community. Golf courses replaced horse pastures, as befits a major tourism destination. Multimillion dollar vacation homes adorn hillsides that once were covered with trees and native shrubs. Christine and her husband now work as teachers in the same school district for which her parents worked. But Christine no longer lives in Mammoth Lakes. Land development and speculation have driven housing costs beyond what the salaries paid by the local school district can support. The median house or condo costs over half a million dollars, and the average rent is over $1,200 a month. So the family lives in Bishop and commutes forty miles each way to work. Paradise has grown too expensive!

Wade Skidmore grew up working in coal mines. Part of the fifth generation of Skidmores to live in McDowell County, West Virginia, Wade in his childhood was shaped by what was underground rather than what could be enjoyed on the slopes of the rugged Appalachian Mountains. He attended school in Welch, the county seat, only through the tenth grade. Working in the mines didn't require much education and offered him a chance to work at his own pace. For a time the work was steady and the pay was good. But as the price per ton of coal dropped, Wade found that he had to work harder to make ends meet. Then coal-loading machines came along—machines that could do the work of fifty men. Then some veins started giving out. Wade's children are now growing up in poverty: substandard housing, water pollution from mine runoff, raw sewage in the streams, poor schools, and high illiteracy rates. McDowell County, which lost approximately 20 percent of its population between 2000 and 2013, has unemployment that is nearly twice as high as in West Virginia as a whole. Wade Skidmore lives in a region and among people trapped in persistent poverty. To make things worse, the town is susceptible to floods, as extreme weather events have increased in the last twenty years. A recent flood seriously damaged the Skidmore home located on the bank of the Tug Fork River—the only flat land around.

Ray and Mildred Larson face a decision. They farm near Irwin, Iowa, on land that they and Mildred's three siblings inherited, and they split earnings from the farm four ways. They are worried that they will not be able to pay off the new planter and combine (combination harvester) they contracted to buy when corn prices were high. When hog prices were low in the late 1990s, Mildred's parents got out of hog raising, growing only corn and soybeans. The Larsons get their seed, fertilizers, and herbicides from the Farm Services Cooperative in nearby Harlan, Iowa, and bought their new equipment from Robinson Implement, Inc. in Irwin. With the increase in corn prices beginning in 2007, they shifted their land from their previous rotations that included small grains into corn. Land prices increased very rapidly, making it difficult to acquire more land. So they plowed up marginal land they had put into the Conservation Reserve Program in order to plant more corn.

Irwin is a farming community that was settled as the railroads pushed westward across the Great Plains during the nineteenth century. The descendants of the early settlers still own some of the homesteads, such as the Larson place. The population of Shelby County declined 10.5 percent between 2000 and 2012, although nonfarm employment increased and unemployment is low. Ray and Mildred both hold full-time jobs off the farm. They wonder whether they should rent out their land or sell their equipment and find a farm management company so someone else will farm it.

Ray and Mildred know that in either case, the new operators would probably not buy machinery and inputs locally. They are also considering renting land from retired farmers to achieve the economies of scale needed to pay for their new machinery, even though corn and soybean prices are low, and cut back their paid employment during planting and harvest season so they can cover all the land.

Billie Jo Williams and her husband, Maurice Davis, are moving to Atlanta. Raised in Eatonton, Georgia, sixty-five miles from Atlanta, they grew up enjoying the gentle hills and dense stands of loblolly pine in Putnam County. Eatonton is home; both the Williams and Davis families go back to plantation days. But Billie can't find a job. She just finished a degree in business administration at Fort Valley State College, and Putnam County is growing rapidly, its population increasing more than 14 percent between 2000 and 2013. But Eatonton's population is decreasing, and other than in the apparel factory (which has now closed and moved overseas) or as domestic workers for the rich families who built retirement homes on the lake, there were few jobs for African American women in Eatonton when Billie Jo graduated high school. Unemployment rates are higher than for the state as a whole, and 31.4 percent of the population lives in poverty. Manufacturing, the major employers, are moving to other countries where people will work cheaper. Maurice settled into a factory job right out of high school but figures he can get something in Atlanta. The situation seems strange. In the twentieth century Eatonton did better than most communities in adapting to change, shifting from cotton to dairying to manufacturing and now to recreation/retirement economies. But in the twenty-first century most African Americans have a hard time finding jobs that pay a living wage.

Which is the *real* rural America—ski slopes of California, mines of West Virginia, farms in Iowa, or exurban resort and manufacturing communities in Georgia? Family farms and small farming communities dominate popular images of rural areas, in part because politicians, lobbyists, and the media cultivate those icons, supporting the myth that agricultural policy is rural policy. In fact, rural areas embrace ski slopes, mines, manufacturing, farms, retirement communities, Native American reservations, bedroom communities, and much, much more. In the twenty-first century, rural communities differ more from each other than they do, on average, from urban areas.

The diversity found among rural communities extends to the problems felt as each responds to the environmental, social, and economic change under way. Some rural and remote communities share the concerns of Irwin, wondering at what point their population will become too small to support a community. A few farming communities have grown as they take on the role of regional retail and service centers for surrounding small towns. The amenity-based community of Mammoth Lakes, California, faces rapid growth. Its citizens are grappling with how to protect both the environment and the small-town character they value. In Eatonton, Georgia, a long commute from several large urban centers, economic growth has been substantial with the expansion of the resort economy and nursing homes, but its majority black citizens have not shared equally in its success. Eatonton's population is highly transient, and its poverty rate remains higher than that of the state of Georgia as a whole. Those living in mining-dependent McDowell County face poverty and high out-migration, despite the richness of the land surrounding them. Nearly one-third of the population falls below the poverty level, and median income is nearly $16,000 less than in the rest of West Virginia.

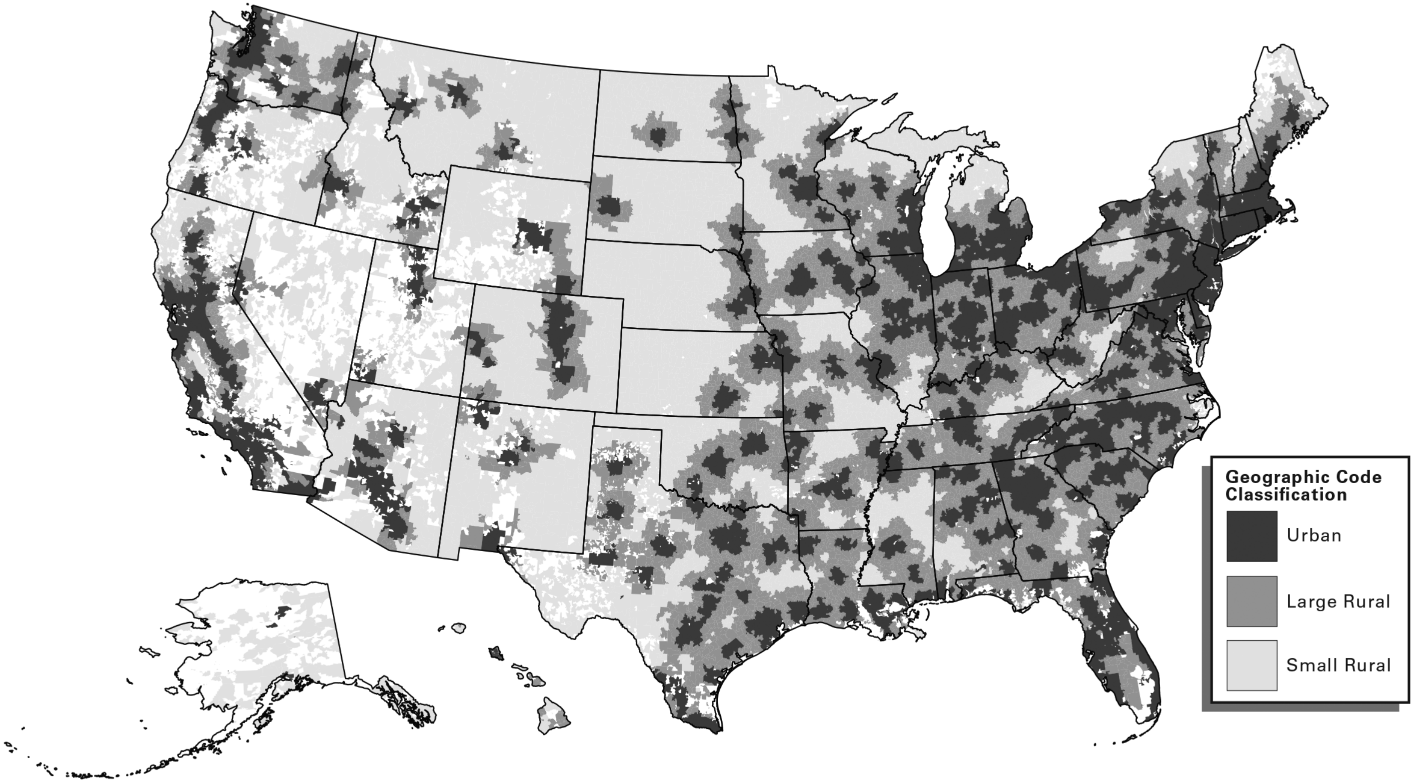
Despite the stereotype that life in the country is simpler, rural residents face many of the same issues and concerns urban residents do, plus those related to dispersion and distance. Indeed, rural and urban areas are linked. The garbage produced in New York City may find its way into landfills in West Virginia. Plastic products in Chicago are made from Iowa corn, grown with fertilizers that increase productivity but may endanger rural water supplies. A housing boom in San Francisco creates jobs in the lumber industry in Oregon. However, the jobs last only as long as the forests. Air-quality concerns in Boston could shut down coal mines in Pennsylvania.

This book examines the diversity of rural America—its communities, the social issues they face in the twenty-first century, and the histories that explain those issues. It also addresses ways that rural communities have built on their history and their increasing connectedness to creatively address those issues.

Defining Rural

Giving a place a particular characteristic, thus "naming" it, suggests how people and institutions act toward it. When governments establish labels for places, they are generally for administrative purposes, to determine which places are eligible for specific government programs. When scholars establish labels, it is generally for analytical purposes, but because governments collect data, scholars often fall back on government labels. Media and advertisers use place labels such as "rural" to evoke particular images. In a consumer society rural is often defined by what one shops for in a place. Box 1.1 shows various governmental definitions of *rural*. In the past, small size and isolation combined to produce relatively homogeneous rural cultures, economies based on natural resources, and a strong sense of local identity. But globalization, connectivity, and lifestyle changes with shifting income distributions have changed the character of rural communities; they are neither as isolated nor as homogeneous as they once were. Figure 1.1 shows dispersion of population across the United States.

Figure 1.1 Urban and rural distribution.



Source: Adapted from US Department of Health and Human Services, Health Resources and Services Administration, Maternal and Child Health Bureau. The National Survey of Children's Health 2007. Rockville, Maryland: US Department of Health and Human Services, 2011. Data from WWAMI Rural Health Research Center, 2006 ZIP Version 2.0 Codes. http://mchb.hrsa.gov/nsch/07rural/introduction.html.

Isolation

Part of the rural image is isolation, a sense that rural people live out their entire lives in the towns in which they were born. This was never true for all rural people. Loggers, miners, farmers, and a host of others routinely moved to wherever they could find work or land. However, some rural people were isolated. In parts of McDowell County, mountain men and women lived in "hollows" in the hills, living on game and part-time work in cutting wood or construction and creating a rich culture of self-sufficiency. Canals, railroads, highways, and airways have altered much of that isolation. Improved road systems have also changed rural residents' occupations and spending patterns. Those living near urban areas often commute to work, living in one town and working in another. They buy many of their products in suburban malls. In regions where no metropolitan center exists, small towns, such as Harlan in Shelby County, have grown to become regional trade centers for towns like Irwin as people travel to the next-largest city to purchase products and obtain services.

Communication technologies have had an even greater impact on reducing isolation. Blogs and Twitter link rural residents with people who share their interests around the world. Rural residents now watch opera from New York, football games from San Francisco, the ballet from Houston, and congressional deliberations from Washington, DC, through satellite dishes. Rural people have become as literate, informed, and enriched as their urban counterparts. There is still a rural-urban connectivity divide, however: many residents on reservations in the Great Plains do not have phone service, much less broadband Internet connectivity, and wireless strategies based on satellites still present problems in steep mountain areas. The isolation that distance once imposed is much less than it once was, yet communities that are rural and remote and those that are persistently poor are much more isolated than rural residents in areas of urban sprawl and high rural amenities.

Origins and Change

The Ioway Sioux were some of the original settlers along the rich Nishnabotna River bottoms in Shelby County. In Mono County the Northern and Owens Valley Paiute walked through what is now Mammoth Lakes as part of their sacred rituals to ensure success in their hunting and gathering. Shawnee and Delaware occasionally hunted in what is now McDowell County. The Creek occupied mid-Georgia, including Putnam County, prior to being forced west, first by the Cherokee, then the Europeans. The US government then forcibly

BOX 1.1 Definitions of Rural

County Designations

Metropolitan counties: Over 50,000 people within a county, mostly in an urban core
Nonmetropolitan counties: Those with fewer than 50,000 and/or no urban core
Micropolitan: 10,000 to 49,999 with an urban core

Place Designations

Rural (US Census): Open countryside or towns of fewer than 2,500 outside urbanized areas
Rural (Statistics Canada): Nonurban; not continuously built-up areas with population of 1,000 or more and a density of fewer than 400 people per square kilometer

Eligibility Designations

(Definitions fixed by statute made by Congress or regulation made by the administration.)

Sample population size cutoffs for qualifying for rural programs:

- rural housing—20,000 or fewer
- telecomm loans—5,000 or fewer
- water and waste grants—10,000 or fewer
- intermediary relending loans—25,000 or fewer
- rural business programs—50,000 or fewer outside a metropolitan area
- electric, prior to 2000, 1,500 or less in 1993; as of 2000, 2,500 or fewer

SOURCES

Adapted from Andrew F. Coburn, a. Clinton MacKinney, Timothy D. McBride, Keith J. Mueller, Rebecca T. Slifkin, and Mary K. Wakefield. 2007. "Choosing Rural Definitions." Issue Brief #2, March. Rural Policy Research Institute Health Panel. Also online; available: www.cdktest.com/rupri/Forms/RuralDefinitionsBrief.pdf.

U.S. Department of Agriculture. Economic Research Service. "Measuring Rurality: What is Rural?" Briefing Rooms, updated March 22, 2007. Online; available: http://www.ers.usda.gov/topics/rural-economy-population/rural-classifications/what-is-rural.aspx.

removed the Cherokee to Oklahoma, where many lost their lives on the Trail of Tears (*Nunna daul Tsuny*).

Commercial, then industrial interests brought Europeans, Africans, and Asians to rural America. National interests encouraged Europeans to settle land. Trappers of fur for British, Spanish, French, and then American trading companies pushed west across Canada and the United States. Cotton and tobacco, both indigenous to the Americas, were grown in the southern United States, where large land grants created a landowning class, and slavery enabled them to plant labor-intensive, land-depleting crops. Both cotton and tobacco were export crops from the South, and both depended on cheap labor and abundant land.

Railroads were key in settling many of the rural and remote communities in the western United States in the 1860s. Government land grants were used as incentives to build the railroads, and US railroads advertised widely in Europe and the eastern United States to sell land to people who wanted to improve their lot in life. Growing cities such as New York, Chicago, and Boston needed cheap food to feed the workers that fueled their industrial revolutions, and grain grown by the new settlers filled trains. The Chicago-Rock Island & Pacific Railway laid out townships, and entrepreneurs from Denmark and Germany recruited their compatriots to buy land from them and recreate their old cultures in a new land. For example, in 1872 Emil Flushe began selling railroad land west of Irwin, recruiting Catholics from Germany to come to a town he named Westphalia, just as he already had named Westphalia, Minnesota, and would name Westphalia, Kansas, as he followed the railroad west.

African Americans were a critical part of the land-extensive, labor-intensive agricultural system of the South. As lands wore out, plantation owners moved west, to the edge of the Oconee Forest in Putnam County, taking their slaves with them. Later, freed slaves demanded land as reparation for their forced labor, and some were given forty acres of the cottoned out land. After Reconstruction many ex-slave owners reclaimed their land. Other ex-slaves bought land collectively, where they raised a variety of crops and animals. Some lost their land under a heavy debt load, and others sold their land and became sharecroppers. By 2013 there were 13 black or African American farm operators (7 percent) enumerated among the 165 farms in the county, even though African Americans make up over 30 percent of Putnam County's population. Prior to the Civil War African Americans escaping slavery in Missouri and Arkansas crossed through Shelby County on their way to freedom. African Americans who had worked in the coal mines in Birmingham, Alabama, moved to McDowell County to open the mines there, even though their children would attend segregated schools until the late 1950s. Asians, particularly Chinese, who helped build the western half of the intercontinental railroad participated in the mining boom in Mammoth Lakes in the 1880s and 1890s. When they were forbidden to engage in mining, they provided essential services to the miners, such as cooking and washing.

In Mono County, where Mammoth Lakes is located, the Hispanic population has increased from very few in 1970 to nearly 28 percent of the population in 2013, where they hold many service jobs in the tourist industry and construction jobs as the housing density increases and new resort properties are built. Living extremely frugally, they manage to live near where they work. Reservations in Inyo County are the home of descendants of the original Paiute residents.

Spanish and Native American cultures occupied much of the West long before US expansion. The abolition of slavery left African American families scattered throughout a rural South extending from the Atlantic Ocean to central Texas and as far north as southern Kansas and Missouri. From 1910 onward migrant workers from Mexico followed the harvest as far north as Maine in the east and Washington State in the west, entering new destinations in the Midwest and the South at the turn of the twenty-first century. As a result of the war in Southeast Asia in the 1960s and 1970s, refugees from Vietnam, Laos, and Cambodia, including very distinct cultures such as the Hmong, moved to rural areas and excelled in both fishing in the Gulf of Mexico and raising vegetables around large cities. Like the Mexicans, they also filled jobs in rural areas that US-born rural residents were unwilling to do in animal production, such as dairies and meat packing plants. But as they saved money by having many workers per household and through low consumption, they moved to urban or coastal areas.

As other conflicts have created and continue to create refugees, migrants from Sudan, Myanmar (Burma), Bosnia, and Afghanistan have settled in rural communities as well as large cities. This changes the religious as well as racial composition of areas that were once extremely homogeneous.

When counties are ranked by the extent of ethnic diversity, rural counties are among both the most and least diverse. Fourteen of the thirty most diverse counties are rural. Six of these lie in rural New Mexico, where the San Juan, Sangre de Cristo, Jemez, and Nacimiento mountain ranges are home to Latino, Native American, and European cultures. The other rural counties among the most ethnically diverse are in Alaska, Arizona, Georgia, North Carolina, and Texas.

In contrast, half of the fifty counties that are the least diverse are located in just two states, Nebraska and Iowa. Gosper County, in the southern tier of Nebraska, reported only one resident who was not white in the 1990 census. By 2010 there were fourteen African Americans and eighteen Native Americans living there. Shelby County, where Irwin is located, was 98 percent white in 2010. Parts of the rural South and Southwest are also homogeneous, especially on reservation lands or in counties where either black or white populations are the majority.

Defining Community

The definitions and descriptions of rural areas thus far have focused on counties. Yet people typically act through communities. Demographers can count communities, but sociologists have a much harder time defining just what a community is. This section examines the concept of community, the definition used in this book, and the extent to which this study of rural communities has relevance to urban communities.

The Concept of Community

Sociologists use the term *community* in several ways, all of which focus on groups of people. In one use of the term community refers to a place, a location in which a group of people interact with one another. A second use of the term looks at the social system itself, the organization or set of organizations through which a group of people meet their needs. Finally, sociologists use the word to describe a shared sense of identity held by a group of people.

The concept of community is often based on a shared sense of place. This sense of place involves relationships with the people, cultures, and environments, both natural and built, associated with a particular area. For many rural residents that environment may be far beyond political boundaries of town or even county. Stereotypes of rural communities conjure up images of isolated, relatively self-sufficient, and sometimes backward or unsophisticated cultures. The stereotype may never have been entirely accurate, but there was a time when rural residents turned to their communities for nearly everything. People lived, worked, worshipped, shopped, banked, sent their children to school, and socialized all in the same place. When the community's economy rested on a single resource, such as mining or farming, people even had a shared sense of what it took to make a living. In mining communities men worked in the mines and women managed the family, both demanding tasks.

These three elements of community—location, social system, and common identity—are increasingly separate. In the past a community offered both a place that housed a set of social institutions (schools, churches, governments, businesses) through which people's needs could be met and a shared sense of identity created. However, improved transportation has made people more mobile, and telecommunications now put people in touch with a wider circle of acquaintances. For some, a sense of community comes from those who do similar things or share common values, not from those living in the same town. Thus this book considers both communities of place and communities of interest. An example of the latter is a community of high-energy physicists. These people share a common identity—they interact through meetings, journals, e-mail, social media, and texting or by telephone—yet they are dispersed throughout the world. Increasingly, social media provide new communities and a source of identity.

The rural landscape may not have changed much over the past century, but technological changes have affected rural communities. Cars enable people to live in one town, work in another, and shop in yet a third. Better roads have allowed schools to consolidate, which has led to social institutions that may be less attached to their communities, both physically and socially. As rural communities broaden their economic activity, people's work roles become very different from one another and much less visible. Thus one is known less by what one does than by what one consumes.

This book addresses primarily communities of place, although they are crosscut by communities of interest. A community may or may not provide the social system through which its members' needs are met. It may or may not provide a sense of identity for its members. What a community does provide is what some sociologists now call *locality*, a geographically defined place where people interact. The ways that people interact shape the structures and institutions of the locality. Those structures and institutions in turn shape the activities of the people who interact (Brown and Schafft 2011).

Communities and Resources

Every community, however rural, isolated, or poor, has resources within it. When those resources—or assets—are invested to create new resources, they become *capital*. Over the course of many years of working with rural and urban communities, the authors have found that dividing invested resources into seven "capitals" is extremely helpful in fostering holistic analysis and action. The capitals individually and together contribute to or detract from sustainable communities. *Sustainable communities* strive to bring economic security to all, foster a healthy ecosystem, and offer social inclusion to all residents. When one capital is emphasized over all others, the other resources are *decapitalized*, and the economy, environment, or social equity is thus compromised. Although some scholars study these capitals as characteristics of individuals, when working with a group seeking to improve their collective well-being, it is useful to see them as community or group properties.

Natural capital includes the air, water, soil, wildlife, vegetation, landscape, and weather that surround us and provide both possibilities for and limits to community sustainability. Natural capital influences and is influenced by human activities. It forms the basis of all the other capitals.

Cultural capital determines a group's worldview, how it sees the world, how the seen is connected to the unseen, what is taken for granted, what is valued, and what things a group thinks are possible to change. Cultural hegemony allows one social group to impose its worldview, symbols, and reward system on other groups.

Human capital is the capabilities and potential of individuals determined by the intersection of nature (genetics) and nurture (social interactions and the environment). Human capital includes education, skills, health, and self-esteem.

Social capital involves mutual trust, reciprocity, groups, collective identity, working together, and a sense of a shared future. *Bonding* social capital consists of interactions within a specific group or community, and *bridging* social capital consists of interactions among social groups.

Political capital is the ability of a community or group to turn its norms and values into standards, which are then translated into rules and regulations that determine the distribution of resources. Political capital is also mobilized to ensure that those rules, regulations, and resource distributions are (or are not) enforced.

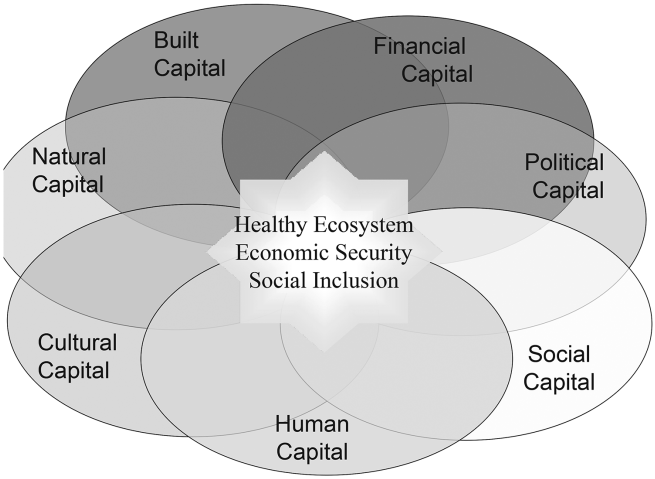
Financial capital includes savings, income generation, fees, loans and credit, gifts and philanthropy, taxes, and tax exemptions. Financial capital is much more mobile than the other capitals and tends to be privileged because it is easy to measure. Community financial capital can be assessed by changes in poverty, firm efficiency, diversity of firms, and local people's increased assets.

Built capital is human-constructed infrastructure. Although new built capital is often equated with community development, it is effective only when it contributes to other community capitals. Built capital can cause deterioration of the other capitals when it is deployed without regard for its consequences. Built capital includes information technologies, chemicals, bridges, railroads, oil pipelines, factories, day care centers, and wind farms.

Figure 1.2 shows all the capitals intersecting with each other, with the characteristics of sustainable communities in the middle. A healthy ecosystem means that all have clean water and clean air and access to the outdoors. Economic security means that equity is considered as well as growth, which often increases inequality. Social inclusion means that each individual has a voice and a safe environment in which to share it. Making sure that advocates for each capital are included in community development efforts is critical, as achieving sustainability requires balance among the capitals.

Legacy is usually thought of as the money or property left to someone through a will, typically what parents leave their children. But parents leave more than just material goods to their children; they also pass on an under-

FIGURE 1.2 Community capitals framework.



Source: C. B. Flora, "Social Aspects of Small Water Systems," *Journal of Contemporary Water Research and Education* 128 (2004): 6–12.

standing of society and their role in it, speech, dress, and ways of being—cultural capital—that in turn affects the choices their children make. Legacy is what families, communities, groups, and nations pass on to the next generation in terms of all the capitals.

Community in an Urban World

Early research on cities suggested an urban way of life that stood in stark contrast to that of rural communities. Ferdinand Tönnies ([1887] 1963), a German sociologist who wrote during the latter part of the nineteenth century, introduced the ideal types of *Gemeinschaft* and *Gesellschaft* to distinguish between the two environments. *Gemeinschaft* referred to a society based on personal relationships and face-to-face interactions in which social relations are valued as an end or goal. *Gesellschaft* described a society based on impersonal, formal, and contractual relationships for which social relations are simply a means to an end. These two terms characterized a rural-urban dichotomy in which the small, isolated community was at one end and the large city at the other.

Such a model may have been appropriate during the early part of the twentieth century, but it certainly seems less relevant today. Just as transportation has altered the character of rural areas, continued growth has led to cities too large to comprehend. Modern sociologists argue that those who live in a city arrange and rearrange themselves in a variety of smaller communities, experiencing the city through a series of social groups. By the same token, improved transportation and information technology communication (ITC) enables rural residents to participate in a wider number of social groups, lessening their dependence on the single community and reducing isolation. ITC encourages non-kin ties even while it keeps relatives connected across continents.

Our definition of community, then, applies to both rural and urban areas. Communities may have political (counties, towns), environmental (watersheds), social, and cultural boundaries. Communities may be recognized politically and thus endowed with local governments and the power to tax their members. They may also be informal groupings of households, neighborhoods within the larger city. Issues can cause neighborhoods to band together to demand better services from the city, just as they inspire rural communities to take control over their economic future. Although the focus in this book is on rural communities, many of the topics are relevant to communities in urban settings as well.

Rural Communities and Change

Rural communities have never been insulated from the social and economic change under way in the broader society. The interstate highway system, started by President Dwight Eisenhower in the 1950s as a national security measure, had a profound effect on rural communities; for example, people can live in Eatonton, Georgia, and work in Macon. Telecommunications have broken the isolation experienced in remote regions: Irwin has several e-based businesses. Increased competition with foreign products led US manufacturers to abandon urban labor markets for rural ones during the 1970s, only to abandon those for even cheaper labor overseas a decade later. With the North American Free Trade Agreement (NAFTA), the potential Transpacific Trade Partnership (TTP), and the World Trade Organization (WTO), the twenty-first century is seeing even greater movement of low-wage manufacturing to less-developed countries with fewer environmental and labor protections, as occurred when the Sara Lee/Hanes apparel plant closed in Eatonton, Georgia. Thus there is nothing to easily replace mining in McDowell County. Increasing affluence has led to more decisions about where to live being based on lifestyle than on job availability alone. As the affluent choose their lifestyle, the less affluent move in behind them to support that lifestyle, as in the case of Mammoth Lakes.

Market, State, and Civil Society

The changes in rural America can best be understood by examining the major institutional actors in market, state, and civil society. These institutional spheres, which overlap in different ways at various times and places, are all critical for societies—rural and urban—to flourish.

Markets are the many firms and institutions that exchange goods and services at a profit. When there is competition and free flow of information, they are incredibly efficient at distributing goods and services to those who can pay, but they are not particularly efficient at distributing goods and services to those who cannot pay or at protecting the environment. The market is highly dynamic, with much competition and the constant entrance and exit of firms. However, with the current trend of acquisitions and mergers facilitated by neoliberal economic principles, efficiency is mainly measured by the value of their stock and their short-term profits. Market institutions are present at the local, state, national, and transnational levels. These institutions sometimes compete, sometimes collaborate, and are integrated forward and backward to differing degrees. The purpose of market institutions is to make a profit for their owners. Sometimes the owners are individuals or families, and sometimes they are stockholders. Stockholders tend to evaluate firms on two things: how much profit they have generated in the most recent quarter and their market value. When either of these is viewed as unsatisfactory, owners seek to change the hired managers. Consolidation, competition, and cooperation among market firms suggest a very dynamic sphere. Farms, cooperatives, and transnational firms are all part of the market sector.

The *state* makes markets possible. Markets need fairly stable conditions in which to operate. They need contracts that are enforceable through an effective administrative and judiciary system and a reliable money supply. They need to know that the legislative system will put rules in place that apply to all. And they need to know that the rules will be administered in a universal way—the same rules are applied to everyone. Thus the state, which is government from the international level down to the national, state, and local levels, is critical to the market. But the state has the additional responsibility of providing for the public welfare. Thus the role of the state in a market economy is to make it profitable to do what serves the welfare of the people and the environment and unprofitable to engage in behavior that degrades people or the environment. The neoliberal model of the state often assumes that the general welfare is served when a few accumulate money and power and believes that markets are self-regulating. This is discussed by Polanyi ([1944] 2001) in his important book, *The Great Transformation*.

State agencies within a given level and at different levels of the state are often at odds. The state, like the market, is a dynamic, contested sector. Governors and legislators often disagree. Very often, local levels of government, particularly counties and small cities, feel imposed upon by the state or federal governments, particularly as they deal with unfunded mandates. Thus the terrain is much contested within the state sphere, which sets the rules and conditions for the market and the safety net for its citizens.

The state includes local, state, national, and international government institutions, including the three branches of government: the legislative (which makes the laws and allocates resources), the administrative (which implements the laws and distributes the resources), and the judicial (which sanctions those who do not follow the laws). The state provides the rules under which the market operates so that the common good is served at the same time that firms are profitable. The state provides a safety net for people and protects natural resources deemed to be important for the common good. The state is a highly contentious sphere, with state governments in disagreement with the national government; the legislative branch contesting with the administrative branch; and even contention within institutions between bureaucracies or agencies seeking to gain or maintain hegemony, influence, and budget. The purpose of the state under capitalism is to be sure that making a profit also serves the common good. Elected officials are often judged by the degree to which they serve that good. However, the definition of the common good is almost always contested. Some say the only real common good is physical security of person and property. Others argue that fair rules and regulations about resource accumulation and distribution are important. Still others feel that government should provide a safety net for people and the environment so that misery and degradation are kept to some minimal level.

Civil society determines the common good. These groups, formal and informal, join together around common interests or values. Through their organized activity, they impact the market and the state. The faith community, including churches, synagogues, and mosques; the National Rifle Association; and anti-gun groups are all part of civil society. So are the Sierra Club and Ducks Unlimited, as are parent-teacher organizations and Rotary clubs. These organizations come together around shared interests and values, which they articulate in a variety of ways as they interact with the market and the state.

Civil society influences the market through forming consumer groups, which can engage in boycotts and information campaigns. It influences the state by bringing lawsuits (influencing the judicial branch of government), forging legislation (influencing the legislative part of government), and urging that particular laws be enforced (influencing the administrative part of government).

Generally, civil society exerts influence based on deeply held values or desired future conditions. Groups in civil society, both formal and informal, form around those shared future conditions and their mental-causal models of how the world works. Individuals relate to civil society when they become participants or members. Groups in civil society are also in hot dispute. Because this is where the definition of the "collective conscious"—what is accepted as right or wrong—is negotiated, groups struggle to gain participants and co-opt other groups. The dynamism of this sector influences both the market and the state.

Individuals have roles in each sphere. They are part of the market as individual producers and consumers. Individual citizens' roles in the state sphere involve rights (such as voting and running for public office) and responsibilities (such as paying taxes and obeying laws). Individuals can become part of interest or value groups; many Americans are members of several such groups.

Given the diversity among rural communities, it is hardly surprising that these and other societal changes have affected individual communities differently. The rural profiles that opened this chapter illustrate some of these differences. The problems Christine Walden faces arise from the rapid growth occurring in Mammoth Lakes, California. Economic growth in the exurban town of Eatonton, Georgia, has not greatly benefited African American citizens such as Billie Jo Williams. Wade Skidmore, the miner from McDowell County, West Virginia, finds his family trapped in poverty. Ray and Mildred Larson see their options to farm decreased through concentration and international competition. These four patterns—rapid growth based on rural amenities, persistent poverty, being rural and remote, and rapid growth based on nearness to urban areas—provide a useful structure with which to examine rural social problems.

Amenity-Based Rapid Growth

Once visited only on a seasonal basis by the Paiutes, the eastern slope of the Sierra Nevada attracted attention when Lt. Tredwell Moore picked up some gold specimens near Mono Lake, California, in 1852. Entrepreneurs opened gold and silver mines along the high ridges, generating profits for mine owners in San Francisco and New York during the latter part of the nineteenth century.

When the mines gave out or became too expensive to work, most miners moved on. Those who had established ranches, farming operations, or small sawmills in support of the mining companies stayed, however. Federal lands could be logged under permit from the US Forest Service; sawmill owners thus had a source of raw timber. When irrigated by mountain streams, the meadows and bottomland offered dependable summer feed for cattle and sheep as well as stocks of hay, wheat, and barley for the winter. By the 1930s the Mammoth Lakes region supported small-scale mining, ranching, farming, logging, and some tourism. Mammoth Lakes itself was a community of fourteen people.

As the workweek shortened, better roads offered quicker access to the mountains, automobiles became more dependable, and the populations in Los Angeles and San Francisco grew, Mammoth Lakes became an important recreational site. A ski enthusiast from Switzerland moved into the area and began building a ski resort in the mid-1930s. In 1941 Dave McCoy put in place a movable rope tow. In the beginning people had to hike several miles or use all-terrain vehicles to reach Mammoth Mountain.

An all-weather road completed in 1954 opened up the region to larger numbers of skiers. By 1960 the population of Mammoth Lakes had grown to more than two thousand. In 1977 prime ranch land in the Old Mammoth meadows was sold to developers, and the real estate boom began. Developers built condominiums, selling them to people in Los Angeles for use on weekends. People who had grown up in Mammoth Lakes, such as Christine Walden, could no longer afford to live there.

Mammoth Lakes, California, has always been a resource-based community, though its population has varied as the economic activity of the region shifted from mining to timber to hiking and fishing and finally to skiing. Today Mammoth Lakes is one of many rural communities struggling with the problems of rapid growth: high in-migration, high housing costs, increasing taxes that force long-term residents out of the community, and a growing migrant population attracted by jobs in the service economy. Further, temporary residents drive up prices. In 2014 a custom cottage sold for $1.75 million.

Rapid development affects the environment as well. Water used for commercial development lowers lake levels and decreases the flow of area streams, threatening the very wildlife that beckons hunters and anglers each summer. Forests and meadows are disappearing, and sewage has become a serious problem. Increased use of the land also contributes to soil erosion and a general degradation of nearby wilderness areas. Communities such as Mammoth Lakes are growing because of the natural amenities they provide.

Persistent Poverty Communities

Named after the twenty-fifth governor of Virginia, McDowell County was formed in 1858 and became a part of West Virginia in 1866. Hardy adventurers from Virginia followed Cherokee trails deep into the mountains, eventually establishing homesteads. Later derisively known as hillbillies, these mountain people were fiercely independent. They developed strong kinship and extended-family relationships as well as a lifestyle deeply integrated with the rhythms and resources offered by the land. By 1858 they numbered 1,535 in McDowell County.

McDowell County was opened to outside investment in 1888, when the Norfolk and Western Railroad steamed through the 3,015-foot Elkhorn Tunnel and offered access to the Pocahontas coal vein. The railroads owned the land but leased it to mine operators in one-thousand-acre lots. The size of these lots essentially determined the size of and distance between mining towns.

The leases were typically bought by Pennsylvanians, who moved to West Virginia to open the mines. Because the mountain dwellers were both too few and too independent to provide the labor needed in the mines, the mine operators recruited Eastern Europeans from the Balkans and African Americans from the cotton and tobacco fields in the South. Hospital records reveal that by 1912 Hungarians, Italians, Poles, Russians, Slavs, and African Americans had settled in the region. Housing was segregated, but racial distinctions vanished in the mines. African Americans were elected to office as early as the 1890s.

The early mining towns were company towns that provided housing and subsistence to the workers. A miner's purchases in the company store were deducted from his pay. Other wages were paid in scrip, which could then be spent only in the company store. In contrast to the fiercely independent mountaineers, most miners had to rely on the company. The mixture of cultures, the creation of artificial communities to support the extraction of coal, and the absolute authority exerted by the operators made collective action within communities difficult.

The population of McDowell County grew steadily, reaching nearly 100,000 in the 1950s. At this point some 18,000 miners produced 21 million tons of coal each year, roughly 1,200 tons per miner. In 1955 the first mining machines were introduced, which resulted in massive layoffs of hand loaders. By 1960 7,661 miners were producing 15 million tons of coal, about 2,000 tons per miner. Companies started selling off the towns, closing the company stores, and allowing miners to buy the homes they had lived in. The oil embargo of the 1970s caused a brief resurgence in the mining camps, but the coal recession of the 1980s resulted in further cutbacks. The 2012 population of McDowell County was 21,326 and decreasing.

McDowell County is one of many rural counties struggling with low incomes and the problems of persistent poverty. As the mining companies pulled out, they left families who had known nothing but mining for generations. Illiteracy is high, as is infant mortality. Doctors, dentists, and other professionals are hard to find. Young people see little reason to invest effort in school because there are no jobs to prepare for. Communities find it difficult to attract businesses; there is no tax base with which to build the needed roads, bridges, and industrial parks. Those who can, leave. Those who can't leave simply make do.

McDowell County is among the 301 nonmetropolitan counties classified as persistently poor counties. Of these counties, 90 percent are found in sixteen states. In 2012 36 percent of McDowell County's population and over 49 percent of the children in the county were below the poverty level of $23,624 for a family of four, using the 2013 threshold. Some persistently poor counties have been successful in attracting and creating jobs. In some cases they have experienced population increases. But the kind of jobs they attracted did not necessarily reduce poverty.

Rural and Remote

Founded in 1880, Irwin, Iowa, lies along the Nishnabotna River. It is strategically placed on the Chicago and Northwestern Railroad's southwestern branch, which links the town of Canal with Harlan, and on the main line of the Chicago and Great Western Railroad, which runs from Minneapolis to Omaha. In the early days of railroading communities tended to appear where railroad lines were planned. A land survey released in 1879 showed the Chicago and Northwestern line to the east and south of the Nishnabotna River. In anticipation, merchants built a post office, mill, and general store. When a survey released a year later showed the route moved to the other side of the river, the town moved as well.

Unlike the early settlers in Mammoth Lakes and McDowell County, those drawn to Iowa came to stay. They were farmers and ranchers, many from Europe, for whom education and owning land were important. Profits, when they existed, were used to purchase land. The settlers taxed themselves to support local schools to provide all children with a basic education. Farmers helped their sons get a start in farming, often by giving them pieces of land that the family had acquired. Because the early settlers all shared the same problems and similar backgrounds, there was an unusual homogeneity of experience and understanding of life (cultural capital).

Towns such as Irwin existed to serve these farmers' needs. By 1940 Irwin had a population of 345 but served more than a thousand farm families in the surrounding area. Farmers bought in Irwin, sold in Irwin, sent their children to school in Irwin, and spent Saturday nights in Irwin. The town, especially the school, served as the social center for the entire region.

Communities such as Irwin are neat, well-kept towns that enjoy a high degree of citizen participation. The schools are excellent, and the broader population is well educated. Outsiders sometimes have a hard time gaining acceptance at first, but social-class distinctions are generally ignored. A "just plain folks" atmosphere prevails.

Irwin's population in 2014 is less than it was in 1940. The high school is gone, the result of several rounds of school consolidation. The nearest medical services are in Manning, Iowa, ten miles away. As the farm population dwindles, Irwin's main street has shifted from selling goods to providing services.

For towns such as Irwin, the issues are complex. Although the new consolidated school meets the state's standards, it seems less a part of the community. Parents feel that their children have no future in Irwin yet wonder whether the cities are really better. The county hospital in Harlan, the Shelby County seat, may not be able to function much longer under current Medicare reimbursement policies. The town knows that it needs to maintain roads and other facilities, but a declining population has eroded its tax base.

The phrase "rural and remote" refers to counties that have small populations and are far from metropolitan centers. Often they are losing population. Most of these counties are located in the upper Great Plains. They are home to a little more than one-fourth of the nation's nonmetropolitan population. For the most part these populations are well educated and have enjoyed relatively high average incomes in the past. Jobs have not grown fast enough, however, to replace those lost. Some ask whether the residents of this region will become the new poor.

Rapid Growth Exurban

Communities within commuting distance of large metropolitan areas, such as Eatonton, face a different set of problems. Urban sprawl threatens their natural, financial, and social capital. As farmland gives way to development, new services are required. The tax base does not expand as quickly as the growing population's needs. While developers make money, local governments struggle to make ends meet.

About This Book

The four patterns just described give rise to many of the challenges faced by people living in rural communities. But how those challenges emerge and are dealt with varies in whether that growth is generated by high natural amenities or proximity to metropolitan centers.

Social challenges have both objective and subjective features. A challenge implies that an individual or group has choices and can act (agency). What the people of Irwin see as a challenge, people in Chicago may regard as inevitable. What the environmentalists in Mammoth Lakes see as a danger, outside investors and local developers see as the price of growth. What the white population in Eatonton sees as acceptable, the African American population may find intolerable. Some see the poverty in McDowell County as the responsibility of society, whereas others see it as the responsibility of the individuals living there. Thus definitions of social problems depend on what people feel they can control, what they think is fair, and what they value.

Assumptions

Perhaps the most basic assumption made here is that the rural perspective is worth exploring. American society has become so deeply urbanized that one almost assumes urbanization to be a natural law. Urbanization was important to industrialization, but many people now argue that the economic reasons for urbanization are no longer as compelling. Others point to economies of scale, arguing that the social costs of overcrowding have now exceeded whatever economies of scale made urbanization preferable. Still others point to the contributions rural areas make to the nation: (1) food security, (2) protection of ecosystem services (carbon sequestration, clean air, clean water) and natural resources, (3) a value system connected to both the land and human relationships, and (4) protection of diversity.

The reality is that one-fifth of the nation's people have chosen to live in rural areas. As the country makes the transition to the information age, it seems appropriate to reexamine rural areas, asking why people have stayed there, how federal and state policies have contributed to current conditions in rural areas, and what role individual choice can play in dealing with current social problems.

Given the choice to focus on rural communities, these assumptions governed both the selection of topics and organization used for this book. First, the authors have assumed that trends are not destiny. Individuals, groups, and communities can modify trends through appropriate actions. An understanding of the drivers of those trends becomes part of the reality in which Americans live, affecting the choices individuals and society make.

Secondly, the authors have assumed that what occurs in rural areas is the result of history, especially the changing economic and political relationships.

Although it is simpler to think about rural and urban communities as separate worlds, in reality they are connected and influenced by the same changes in the bio-physical and economic/political environments. Georgia was established as a colony because of London's problems with debtors. Much of the rural West was settled to provide the resources needed to fuel industrial growth in the East. Timber in Washington was cleared to build houses in Los Angeles. McDowell County was populated because industry needed coal to operate its factories. Irwin was settled because the railroads needed grain to haul and eastern cities needed a dependable food supply. The connections continue today. To understand what is occurring in rural areas, one must continually look to both past and present rural-urban linkages.

Social problems involve human relationships, but much of what leads to these problems can be traced to the economy. A 4-H leader in the Florida Panhandle points out that he cannot separate the problems of child abuse from the problems of persistent poverty. Efforts to build an economy capable of alleviating poverty are as important to him as programs on effective parenting. This third assumption simply points out that the economy—the changing practices of production and shifting exchange values of goods and services—determines much of what works and does not work in a rural community. To understand the changes that have taken place in rural communities, one must understand the changes that have occurred in the economy and the political system that determine what is profitable and what is not.

The fourth and fifth assumptions simply describe the tension between public policy and individual choice. The fourth assumption states that political decisions at the state and national levels act to influence where and how economic and social change takes place. Problems of rural poverty, ethnic conflicts, or natural-resource extraction can be understood partly in terms of public policy—as the political choices made at the state and federal levels.

The fifth assumption adds that the rural experience is the sum of group responses to both political/economic constraints and individual choice. People can make a difference, either through influencing the broader policy agenda that constrains them or through making choices within the policy framework. Individuals are not just victims of society or passive consumers of broader national change; the choices rural residents make affect the direction that change takes in their communities.

Simply stated, these assumptions argue that rural social problems can be examined in terms of change. Change can be explained in terms of history, climate, rural-urban linkages, the economy, policy choices made at the state and federal levels, and communities' individual choices. We use this framework to examine how current social problems came to be and how those problems might be addressed.

Organization of This Book

The book is organized around the Community Capitals Framework (CCF). It is helpful to look at the different capitals in the community in terms of overlapping stocks and flows contributing to social inclusion, economic security, and ecosystem health (see Figure 1.2). Chapters 2 through 8 present each community capital separately, and Part Three addresses the transformation of community capitals through globalization, consumption, governance, and generating change. Each chapter opens with one or more rural profiles. These are fictional in the sense that they are not descriptions of actual individuals; however, the circumstances are real. Historical documents, site visits, research journals, telephone interviews, newspaper articles, and a variety of other sources were used to collect information about real rural communities. The challenges identified are also real, expressed by people living in rural communities throughout the country.

Problems experienced by individuals often have causes embedded in the institutions and conventions of society. Understanding how this happens is part of what sociologists undertake as they study human society and social behavior. Each chapter is structured to help the reader move from the social problem voiced by rural people to the sociological challenge suggested by the concepts and theories of the social sciences. Seen from this broader perspective, social problems experienced by rural people become societal challenges capable of being solved through collective action.

The final four chapters of the book look at the transformation of community capitals in a changing world. The authors analyze rural communities and their capitals through the lenses of consumption, the global economy, governance, and generating community change.

Chapter Summary

Many people imagine a rural America characterized by farming, homogeneous cultures, and close-knit communities. In reality rural communities differ more from each other than they do, on average, from urban areas.

What is defined to be a rural community has changed over time. In general, definitions of *rural* include both size and location. Current definitions use the distinction between nonmetropolitan and metropolitan counties, equating nonmetropolitan with rural. Definitions of community have also changed. This text defines *community* as a place or location in which people interact for mutual benefit. The community need not provide all the services individuals require and may not necessarily offer community members a common sense of identity.

Rural communities differ in terms of ethnicity and the realities that most affect their alternatives. These communities are among the most ethnically diverse as well as the most ethnically homogeneous, depending on the region of the country in which they are located. The authors have separated counties into rapid-growth amenity, rapid-growth exurban, persistently poor, and rural and remote to aid the understanding of the issues they face and common solutions they might seek.

This book assumes that social issues can be explained in terms of a community's history, its link to urban areas, its natural resource base and relation to climate, the economy, policy choices made at the state and federal levels, and diverse choices made by the communities themselves.

Key Terms

Amenity counties are those located near natural resources that the larger population views as a source of beauty and recreation; in the main, they include counties near bodies of water and mountains.

Community describes a place or location in which groups of people interact for mutual support.

Gemeinschaft describes a community based on personal relationships and face-to-face interactions.

Gesellschaft describes a community in which relationships are impersonal, formal, and frequently guided by contractual arrangements.

Metropolitan areas consist of one or more adjacent counties containing at least one city of fifty thousand inhabitants or more.

Nonmetropolitan counties are those counties that lie outside a standard metropolitan area and do not include a city of fifty thousand or more inhabitants.

Persistently poor counties are those whose per capita family income was in the lowest 20 percent in 1950, 1959, 1969, 1979, 1989, 1999, 2004, and 2009.

Rapid growth applies to rural counties that experienced population increases greater than the national average.

Rural and remote applies to counties that are not adjacent to urban areas and have no town of substantial size.

Discussion Questions

1. Do you think that all four of the communities described are rural? Why? Why not? By what definition?
2. Why do there seem to be different definitions of rural?
3. Why do you think the United States is choosing to invest less and less in data on rural America?
4. Think of community with which you are familiar. How would you classify it in terms of rural, suburban, or urban? In terms of rural and remote, exurban, high amenity, or resource extraction dependent? Is poverty an issue in that community?

Web Resources

- Watch *Economic Base*, part 2 of "Rural Communities: Legacy and Change," at www.learner.org/resources/series7.html#. Illustrating the shifting economic base of rural communities, this video juxtaposes the history of four diverse rural areas—Irwin, Iowa; Mammoth Lakes, California; Eatonton, Georgia; and McDowell County, West Virginia—with their economic transitions.
- For a frank discussion of McDowell County's woes, read: Trip Gabriel, "50 Years into the War on Poverty, Hardship Hits Back," *New York Times*, April 20, www.nytimes.com/2014/04/21/us/50-years-into-the-war-on-poverty-hardship-hits-back.html?_r=0.
- *Hollow* focuses on residents' lives in McDowell County, West Virginia. It combines personal portraits, interactive data, maps, and user-generated content on an HTML5 website designed to address the issues stemming from stereotyping and population loss in rural America. Also see McMillion's earlier Kickstart pitch for funds to finish *Hollow*. Elaine McMillion, *Hollow: An Interactive Documentary*, 2013, http://hollowdocumentary.com; also published on YouTube, April 10, 2012, www.youtube.com/watch?v=rdc7Y_c1AiE.
- Haunting contemporary photo essay on McDowell County. Website also provides a thumbnail sketch (in text) of the meteoric rise and fall of McDowell County's coal industry: Travis Dewitz, "The Rise and Fall of Coal in McDowell County, West Virginia," YouTube, Aug 12, 2012, 11 min. 38 sec. www.youtube.com/watch?v=8IhHPxHHaS8.
- Data on McDowell County: "McDowell County, West Virginia (WV)," City-Data, www.city-data.com/county/McDowell_County-WV.html.

- Article on Mammoth Lakes, California: “The Town: Reckoning at Mammoth Lakes,” *Powder: the Skier’s Magazine*, August 29, 2013, www.powder.com/the-town.
- Information on Mammoth Lakes: “Mammoth Lakes, California,” City-Data, www.city-data.com/city/Mammoth-Lakes-California.html, explores the impacts on communities and the environment by the modern ski industry. It includes footage and interviews from ski areas all over North America, including Mammoth Lakes, California. It reveals some disturbing trends in ski resort design but also presents efforts to protect mountain environments and communities: “Resorting to Madness: Taking Back Our Mountain Communities,” *Coldstream Creative*, 2006, 50 min. 39 sec., http://vimeo.com/86809444.
- Data on Irwin, Iowa: “Irwin, Iowa,” City-Data, www.city-data.com/city/Irwin-Iowa.html.
- Data on Shelby County, Iowa: “Shelby County, Iowa,” State and County QuickFacts, US Census Bureau, http://quickfacts.census.gov/qfd/states/19/19165.html.
- Data on Eatonton, Georgia: Eatonton, Georgia, City-Data, www.city-data.com/city/Eatonton-Georgia.html.
- Official Eatonton website, at www.eatontonga.us.
- Interactive map of the hardest places to live in the United States: “Where Are the Hardest Places to Live in the U.S.?” *New York Times*, June 26, 2014, www.nytimes.com/2014/06/26/upshot/where-are-the-hardest-places-to-live-in-the-us.html?abt=0002&abg=1&_r=0.

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PART TWO

COMPONENTS OF RURAL COMMUNITIES: THE COMMUNITY CAPITALS

IN THE FOLLOWING SEVEN CHAPTERS EACH CAPITAL IS PRESENTED IN the context of rural America, showing how that capital has changed over time. The stocks and flows of each capital in rural areas are explained in historical and geographic context. Of course, no community capital exists in isolation, so each chapter refers to the other capitals.

Natural capital is the base on which all the other capitals depend. It can enhance other capitals—and other capitals can degrade natural capital. This chapter shows how communities work together to achieve a balance on natural capital, particularly when natural resources are highly contested. Colonizers from Europe assumed a never-ending stock of natural capital and were focused on exacting financial capital from it in the form of furs, minerals, timber, and agricultural products, such as cotton and wheat. The cultural capital of extraction led to major issues around water, soil, and biodiversity. In this chapter contrasting approaches to natural capital are shown to have serious impacts on rural communities.

Cultural capital determines how communities and groups within them see the world, how they explain what they see around them, and what they think possible to change. This chapter shows how different cultural capitals impact rural values—and the degree to which there is increasing similarity between rural and urban cultural capital as a result of media and mobility. There is great regional variation in cultural capital, despite the homogenization of culture. How does cultural capital emerge and change? What happens when one cultural capital dominates the others? How does cultural capital relate to stratification within a community and how power is perpetuated? How do families within a community differ on the cultural capital they pass on to their children?

Human capital is addressed in Chapter 4. The talents, skills, knowledge, and potential of each person within the community contribute to the stock of human capital. How do communities invest in maintaining their human capital in terms of health, well-being, education, and work force? How does that differ across the country? What are the differences in human capital in rural areas based on age, gender, poverty status, and race/ethnicity?

Social capital is based on relationships, which in turn depend on the other capitals. This chapter looks at two kinds of social capital—bridging and bonding—and shows how each can be inclusive or exclusive, can build or separate rural communities. Some authors lament that social capital—the trust and reciprocity that visitors to America in the eighteenth century noted with astonishment—is declining. Others feel it is simply changing.

Political capital addresses power. Whose norms and value get turned into standards that then become rules and regulations that are enforced and determine the distribution of resources? Although political capital analysis includes elected officials, other sources of power are often more important. How do we discover who had power? Does the way we go about that analysis impact our findings? Which groups have power and how that power is exercised at the community level greatly influences local people's access to all the other capitals. When standards and regulations are violated and the public well-being is eroded, what can be done? What are ways that local people can stop activity that is destructive of the community and against the law, particularly when the rule breakers hold great financial and political power?

Financial capital, discussed in Chapter 7, is often privileged as the most important measure of community success. What does financial capital entail? How are income and wealth related? What are policies that enhance accumulation of financial capital for different areas and different types of people? What can rural areas do to help enhance economic security for all their residents? Are there different ways of measuring progress other than how much is sold in a given area? What is the difference in the ways financial capital is invested individually versus collectively, as a community? What are the implications of increasing inequality in income and in wealth for rural America?

Built capital is often referred to as infrastructure. After massive investments in rural roads, bridges, sewers, water systems, electricity, and telephone lines in the 1930s, there has been a steady decline in many areas in the upkeep of the structures that keep the toilets flushing and the cars and tractors out of the ditches. And investments in the new infrastructure that allows most commerce and communication to happen, high-speed Internet connections, has lagged in most rural areas. What can rural communities do to be sure that people can lead comfortable and safe lives in terms of the built capital that helps make that possible?

These chapters present the basic components of communities and their complexity as well as the various forces that impact them and how that has changed over time. Clearly external forces as well as external dynamics determine the stocks and flows of each community capital.

2

Natural Capital

Eric Ritter was frustrated. It was the third time he had called the Colorado Division of Wildlife (DOW) about the elk tearing down his fences. He wanted to organize a group of guys to shoot the herds of elk that were competing with his cattle for grass and ruining his fences. But the laws were clear. Instead, he requested financial assistance to fix his fences. He always got the money, but he still had to rebuild the fences. Something had to change.

About a month later Eric got a call from the Colorado Cattlemen's Association to meet with the DOW and others to come up with alternatives. The meeting included hunters, outfitters who took people on hunting trips in the mountains where Eric ranched, and people from various environmental organizations. Eric felt uncomfortable with the last group, folks he viewed as "tree huggers," especially Sue Graves, who was always stopping everything in the name of environmental protection. He privately called her "Mother Earth." But he stuck with the new program, called the Habitat Partnership Program. He learned that similar groups were meeting in other districts in Colorado, all with the same concern about the conflicting uses of natural capital in the mountain valleys.

After getting together for meals and field visits, the environmentalists and the livestock producers realized they shared some concerns. Because fires had been suppressed, trees were invading the meadows and pastures, limiting the grass available for both the game animals and the cattle. And when fires did occur, as climate change increased the fire hazard through lack of moisture and increased insect damage to the trees, they were huge, and the pastures did not regenerate as they had in the past. If there were more grass available higher up, the deer and elk might not come down to the cattle areas. And if more grass grew in the valleys, the occasional presence of the deer and elk would not be such a problem. Furthermore, as they talked, Eric learned about a new kind of fencing that had a shiny white strip along the top wire. When the deer and elk saw the strip, they just jumped over the fence, which still served as a barrier that kept the cattle where they should be. Working together, the environmentalists and the livestock producers wrote a plan for burning and restoring pastures and meadows, and they even had a good time putting the plan into action. Now Eric knows the environmentalists by name—and he even drops in for coffee with Sue Graves. He has learned that she used to call him "That Redneck." As he enters her shop in town, he shouts out, "Mother Earth, do you have the coffee on? This Redneck is mighty thirsty." (For more information on the cooperative program, see Colorado Parks and Wildlife, Habitat Partnership Program, http://cpw.state.co.us/aboutus/Pages/HabitatPartnershipProgram.aspx.)

When the Europeans came to North America, the land was already managed by indigenous peoples in ways to ensure that grass was available for wild ruminants, such as buffalo, deer, elk, and moose, as well as crop production, which included identification and protection of areas where berries, edible roots and greens, and reeds grew and where they could establish corn, beans, and other plants that they domesticated. They managed the land to produce trees for fashioning tools and constructing homes. They established irrigation systems in more arid regions of the continent. Such management favored some species over others, changing the biodiversity of the area over time. However, to European eyes the land looked wild and untamed. In Europe most land had been privatized, fenced, and cultivated. The natural capital of the New World—plants, animals, soil, and water—seemed abundant. All that was needed was to tame the wild lands to produce financial and built capital.

Whereas most Native American tribes used the land to develop a subsistence economy, with a strong focus on converting natural capital to social and cultural capital, most Europeans came to the Americas to transform natural capital into financial capital. Fur trappers, timber companies, and miners used the resources until they were depleted and then moved on. European governments financed explorations of the New World and expected new wealth in return. A number of English companies actually sold stock to finance early settlements. Once established, these settlements were expected to become self-sufficient and then to begin exporting products to pay their debts and dividends to their stockholders.

The goal of the conversion of natural capital to financial capital motivated the US government to finance such expeditions as Meriwether Lewis and

William Clark's Corps of Discovery and other westward exploration. The explorers and those who accompanied them expected to receive land as a result of their efforts, which would then be translated into financial wealth (Ambrose 1996). Although the expeditions generated cultural capital in the form of new knowledge about the peoples and lands they found, the explorers' goal was to beat the English, French, and Spanish to claim the territory and the wealth of its natural resources.

Land Use

Land settlement policies played an important role in shaping the economies of early rural communities. In New England the English Crown gave land to trading companies, which in turn gave land to groups of settlers. These groups established central villages surrounded by farmland. Farmers worked their fields by day but returned to the village at night. A village-style settlement created an environment capable of eventually supporting other economic functions, such as manufacturing and domestic crafts.

In contrast, in the South the English Crown gave land directly to individuals. The landowners then settled large, relatively self-sufficient plantations that depended upon slave labor. Few villages or towns were created.

Although a few hardy adventurers were always willing to push westward, efforts to settle land west of the Appalachian Mountains were slow to develop. When forests in the Northeast had been exhausted in the 1840s, logging companies pushed into the Great Lakes region in search of new timber. The discovery of gold and silver in the late 1840s brought waves of prospectors to the mountain West.

Despite these early migrations, it was not until Abraham Lincoln signed the Homestead Act in 1862 that European Americans began to settle the Great Plains. The Homestead Act gave each settler 160 acres of land if that settler established a home on the land and worked to increase its productivity for at least five years. Railroads also received land grants. They then sold tracts of land to raise funds to construct rail lines. Because the Homestead Act required settlers to live on the land, farmers and ranchers remained dispersed across the countryside. In the Midwest and Great Plains, villages and towns developed to serve the farmers and as transportation nodes. Unlike in the East, the farmer and merchant classes did not live together in villages.

In some states, such as West Virginia and Kentucky, mining companies bought up huge tracts of land. Where they did not own the land itself, they bought the mineral rights, which allowed them to mine underneath homes and farms, an activity that was often followed by the collapse of the land and the destruction of homes and livelihoods. Mining companies also sought timber rights, because wood cut from nearby hillsides was used to shore up the mines. Those companies' control over natural resources generally benefited growing urban areas. The transformation of natural capital into financial capital controlled by absentee-owned companies drained both forms of capital from rural communities.

Urban sprawl and the development of remote high-amenity areas are often a result of the use of political capital (see the discussion of the growth machine in Chapter 6). The resulting paving-over of farmland and filling-in of natural areas such as wetlands have led to declines in water quality, decreased sequestration of carbon, increased greenhouse gases, global warming, greater tendencies toward flooding, loss of biodiversity and the habitat that supports it, loss of open space, and increased traffic congestion, which is accompanied by a decline in air quality, with serious health impacts. Increasingly, communities are seeing these outcomes as undesirable. Various mechanisms are available for local communities to address these issues, as illustrated in Box 2.1. (Also see Chapter 11 on the powers some local governments have over land use through zoning, property taxes, and tax abatements.)

Conflicts over land use have increased, and local governments often attempt to protect the natural capital in their area and, thus, their human capital. For example, in Iowa those who benefit from large *confined-animal feeding operations* frequently have sued rural counties that have attempted to limit confinement operations. Those companies have very deep pockets (i.e., abundant financial capital) compared to cash-strapped county governments. Investment in lawyers and court fees is a legitimate capital investment and is tax deductible, whereas for rural governments and local nonprofit organizations, defending against lawsuits requires drawing on already limited resources.

Although some people claim that changes in land use are a natural result of market forces, others point to the role that political capital and government subsidies play in the creation of urban sprawl and the exploitation of natural resources on public lands. Ultimately, negotiation of alternative uses of sustainable natural capital depends on such groups as the Habitat Partnership Program to establish places of common ground and sustainable alternatives.

Throughout US history land has been viewed as valuable for

- provision of natural resources to be turned into financial capital (logging, mining, trapping);
- production of natural resources to be transformed into financial capital (farming and some timber production);

BOX 2.1 Working Together to Combat Sprawl

In Steamboat Springs, Colorado, "progress" is a loaded term. This small community, located in Routt County, has a popular ski resort, great shopping, beautiful mountainous views, and many, many tourists. Steamboat Ski and Resort Corporation, the third-largest ski resort in Colorado, has more than a million skier days annually in good years, contributing millions of dollars to the community by way of fees, services, sales tax, property tax, cash, and donations. Although the community welcomed the financial revenue, some residents felt that the growth in this resort area was spiraling out of control. In the early to mid-1980s, when another new ski resort wanted to move in six miles from the existing one, residents responded. Ranchers in nearby small communities began to see their access to land for grazing cut off, and they did not like it. Other residents were concerned about more traffic congestion and increasing real estate prices. Still others were concerned about land conservation and pollution. Bumper stickers appeared, stating, "A community to match the scenery."

When Dean Rossi, head of the local cattleman's association, who had previously been active in setting up conservation easements to protect ranch lands and forests, met with Holly Richter, a scientist from the Nature Conservancy, they may not have known what mutual goals they shared. However, it was not long before they realized they had made an important and necessary connection. Richter's goal was to build a sustainable plant community; Rossi felt that more plant growth could help his cattle. Neither wanted the land to shift from ranching to seasonal homes. As opposition to the new resort grew, investors pulled out of the project, effectively bringing it to a halt. These sorts of coalitions have helped save more than twenty thousand acres around Steamboat for ranching and environmental conservation. These programs are supported through both land trusts and locally based bonds, through which local residents voted to tax themselves to preserve ranch lands.

Vision 2020, which included a diverse group of citizens, encouraged discussions about what residents wanted to protect and enhance around Steamboat. What everyone began to realize was that being confrontational and shrill did not work. A local group, Environment 2000, sponsored annual "nonconfrontational" conferences to discuss topics surrounding community development. People began to listen to others' ideas, and respect between groups became apparent (Bush 2006).

A strong connection was formed among ranchers, conservationists, and local government officials. Saving ranching in the area was something that all groups agreed upon. They all wanted to protect their water and air from

(CONTINUES)

(**BOX 2.1** CONTINUED)

pollution caused by high-density resort development, particularly in places like the Yampa Valley, a lush and unique rural landscape. Instead of fighting the land-preservation mentality, Gary Mielke, the president of Steamboat Ski and Resort Corporation, got on board, recognizing the heritage of the area: "We're committed to preserving the area's open lands and developing only where it's appropriate. . . . Our ranching heritage is as important to this company as snow" ("Routt County" 1997).

In 1996 a project entitled the Yampa River System Legacy Project was invited to submit a grant proposal to Great Outdoors Colorado, a foundation with a lottery-financed coffer of $10 to $20 million per year. Representatives from all parts of Steamboat, including private businesses and landowners, educators, government officials, and others, came together to form a committee. They wrote a 150-page proposal that included forty-three letters of support from the region's most important leaders. This project had strong support from then-governor Roy Romer. The project's theme, "to protect and enhance the ecological health of the Yampa River and the productive agricultural lands it supports while providing for appropriate recreational opportunities," was coupled with five goals. The overriding goal was to protect and conserve the river and the area surrounding it. It was soon apparent that the project was well received. Great Outdoors Colorado awarded the project $6 million, the donor's second-largest grant ever in the state and its largest per capita grant.

Coalition forming between diverse community leaders and residents is vital to community development, but as Routt County Commissioner Ben Beall pointed out, it takes learning and listening to people who live and work on the land: "My advice to other county officials is to look at your culture and figure out how that fits in with your vision and how the preservation of land fits with your culture. If it doesn't, then it's not going to work" ("Routt County" 1997). Ben was crucial here, as it is absolutely vital to have elected officials who are champions of preservation and community. In the 1990s many of the advances made came through elected champions at the city council, the board of county commissioners, and the nonprofits as well as through cooperation between the city of Steamboat Springs and Routt County governments. A whole set of new master plans with preservation of rural character, ranching, wildlife habitat, and clean air and water came out of this. Moreover, the planning process at the county became institutionalized around protecting these values while still enabling sensitive development.

In 2005 the Yampa River System Legacy Project ended, as funding ran out and the group disbanded. Many successes were achieved during the time the project was in place. Remarkable things can happen when people work together toward a common goal, which is evident in and around Steamboat, but it takes shared passion and mutual respect among all players. It also may take a big challenge to the status quo, like the proposed Catamount ski development, which diverse groups see as a threat to the things they value. The City of Steamboat Springs Economic Development Policy (2011) reflects the value attributed to conservation and a working landscape.

SOURCES

Bush, Diane Mitsch. 2006. "From Collaboration to Implementation in an Era of Globalization: Local Policies to Preserve Agriculture, Wildlife Habitat and Open Space in Mountain Resort Towns of the Rocky Mountain West." In *Mountain Resort Planning in an Era of Globalization*, ed. T. Clark, A. Gill, and R. Hartmann, ch. 13. Elmsford, New York: Cognizant Communications.

City of Steamboat Springs Economic Development Policy. 2011. Online; available: http://steamboatsprings.net/sites/default/files/2011/08/30/Economic_development_policy.pdf; accessed February 4, 2012.

"Routt County, CO: Holding the Reins." 1997. Washington, D.C.: Joint Center for Sustainable Communities. Yampa River System Legacy Project, April 2005. Online; available: http://rlch.org/stories/yampa-river-system-legacy-project; accessed September 9, 2007.

- consumption to enhance cultural, built, and social capital (those with wealth purchasing land on which to build elegant homes and large estates to entertain their friends);
- speculation to directly increase financial capital (land bought with the expectation that its price will increase);
- creation of the foundation for built capital (housing developments, shopping malls, and factories);
- provision of important ecosystem services (clean water and air, biodiversity, and carbon sequestration); and
- preservation of cultural capital (land valued for its spiritual and historical meanings).

These differing values given to land have led to struggles over access to and control of it. Is it a matter of public concern that what I do on my land to produce financial capital (building a mall or a mine) affects what happens on your land (flooding, decreased air quality, or landslides)? How are different social and cultural values for land negotiated in the market and in public policy? And how do decisions about land use affect natural capital in general?

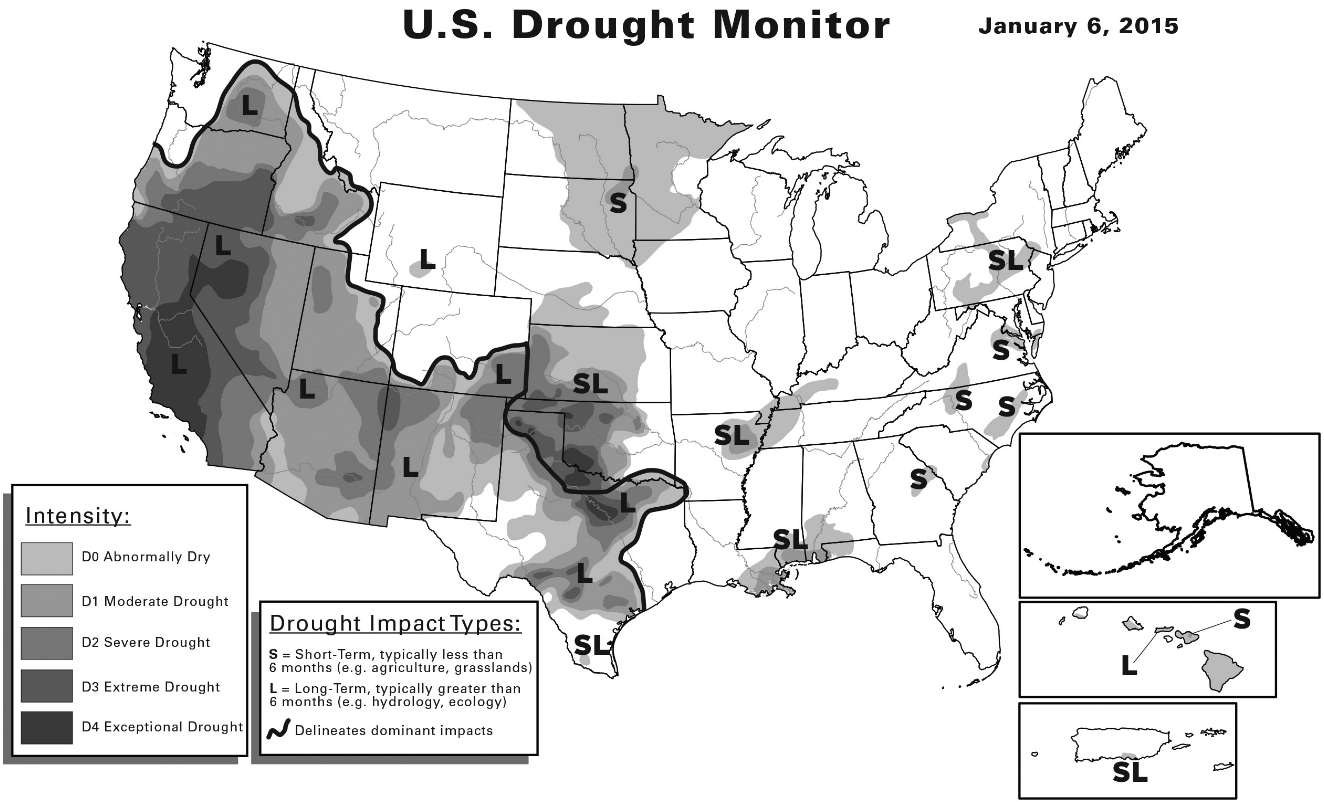
Water Concerns

The availability of clean, potable water has been called the number one challenge facing the world and its inhabitants today. In the western United States water has always been a scarce commodity. The first settlers recognized it as one of the fundamental elements of the universe and husbanded it accordingly. The control of water literally shaped the history of the West. As stated in a special supplement created by the Albuquerque Municipal Utility (AMU) for the *Albuquerque Journal* to encourage citizen buy in for a new water conservation initiative in the year 2000, "For years, Albuquerque's approach to managing water resources was simple and relatively inexpensive. The city just extracted all the water it needed from its underground aquifer, assuming the river was replacing it. We carved Midwestern landscapes into the desert and were among the highest water users in the southwest—with about the lowest water rates. However, times have changed" (Albuquerque Municipal Utilities 2000).

Water—its quantity and quality—is an increasingly scarce natural resource as one moves from east to west across the North American continent. Whereas in the East the current water issues in rural communities are about water quality, in the West they involve access to water. This has been increasingly apparent in the first decades of the 2000s, as prolonged drought in the West has exacerbated water disputes among irrigators, environmentalists, and urban interests. Adjacent state or province governments (representing one or more of these interests) have also been increasingly involved in lawsuits against one another to secure rights to water in rivers that flow across state lines (see, for instance, Wines 2014).The old western adage, "Whiskey is for drinking, water is for fighting," is arguably more true now than it was during the settlement period and has international implications.

To grow, communities must acquire new sources of water. Los Angeles, for example, could not have grown to its present size had it not been able to divert water from the mountains down into the arid southern California lands (see Box 2.2), where land values were determined by the quantity and certainty of the imported water supply. "Sell the water and throw the land in free" became the slogan of real estate brokers subdividing the rolling hills of southern California. Recognizing the tremendous importance of water for all phases of residential and industrial development, public officials and private entrepreneurs struggled over whether it should be public or private. The classic movie *Chinatown* (1974) presents a somewhat fictionalized account of the intrigues involved in that struggle.

Figure 2.1 Distribution and severity of drought as of September 2013.



Source: Adapted from Rippey, Brad. The US Drought Monitor, produced in partnership between the National Drought Mitigation Center at the University of Nebraska–Lincoln, the United States Department of Agriculture, and the National Oceanic and Atmospheric Administration. http://droughtmonitor.unl.edu.

BOX 2.2 Water and Urban-Rural Connections?

For ninety-three years the city of Los Angeles had control of the water in the lower Owens Valley, some three hundred miles to the northeast of the city. Only in 2006 was the water again allowed to fill up the Owens River and irrigate the parched valley. Beginning in 1904 representatives of the City of Our Lady of the Angels fanned out into the Owens Valley, which was watered by the snowpack of the Sierra Nevada Mountains, disguising themselves as tourists and ranchers, to buy the water rights from the local farmers, the right of way for an aqueduct, and land for a reservoir. By disguising their true goals, city officials avoided skyrocketing land prices.

Once the city had acquired the land and water rights it needed, officials had to change the uses approved for that water. That change involved a major public choice: Should water from Owens Lake be used to support residential use in Los Angeles or agricultural use in the Sierra Nevada Mountains? The decision was never in doubt, as the mighty metropolis had much more clout than did the sparsely settled montane valley.

The more complicated issue was figuring out how to get the water from Owens Lake down to Los Angeles. Los Angeles Mayor Frederick Eaton conferred with investors, who envisioned large profits in building the aqueduct and controlling the water rights. William Mulholland, superintendent of the newly created Los Angeles Department of Water and Power, sought public funds to develop the infrastructure as a public trust and pressured Eaton to give up a private role in the Owens Valley project, from which Eaton would have gained financially. Los Angeles was well on its way to gaining control of the Owens Valley aqueduct project.

Los Angeles quickly won the right to have the water system in public hands, in part because governments had certain advantages in raising large sums of money to cover the high construction costs. There was pressure from the privately held Pacific Light and Power Company to use the flow of the water to generate electricity. At this point the city had to decide whether to become a public utility and provide energy. Officials decided that the city should diversify into a related monopoly to generate and distribute electrical power.

Construction of the aqueduct led to the development of other built capital by Los Angeles. For example, a great deal of cement was required to construct the aqueduct. Rather than buy it from private contractors, Los Angeles constructed its own cement plant at Monolith, California. The city invested public funds in an element of built capital that is private in most parts of the United States.

Once Owens Valley residents realized what Los Angeles planned to do with the water, the battle over who would control the water began. Owens Valley newspapers defended local water rights, while Los Angeles newspapers declared that the well-being of Owens Valley communities must be sacrificed for the greater good and the greater profit of Los Angeles.

The fight to stop construction of the aqueduct illustrates the role that various levels of government play in providing built capital. The aqueduct, ultimately paid for by the taxpayers of Los Angeles, had to pass over public land. The people of Owens Valley tried to block the city's access to public lands as one means of stopping the project. Not only was the aqueduct allowed to cross public lands, but the US Forest Service, by presidential proclamation, claimed the Owens Valley as part of the Sierra Forest Reserve, thus eliminating private claims on the valley land.

Despite the investment by Los Angeles and the diverse support for the project, Owens Valley residents continued to fight against it. In 1913 the first water from Owens Valley arrived in Los Angeles. The aqueduct went into operation in the late 1920s and was not fully completed until 1941. During those twenty years resistance to the aqueduct included physical attacks on it. Explosions would rock the valley as people, angry as they watched lush vegetation and agricultural production wither for lack of water, attempted to blow holes in the aqueduct. The decline of the towns, ranches, and farms along the river valley accompanied Los Angeles's growth.

Since 2001 control of Owens River and Owens Lake has been an issue in the courts, despite an agreement in 1991 between the City of Los Angeles and Inyo County for a long-term groundwater management plan. In September 2006 a California Court of Appeals panel made a decision that was a true victory for Owens Valley: Los Angeles was ordered to restore a sixty-two-mile stretch of the Owens River and was banned from using the aqueduct. This ruling also has had a great effect on Owens Lake, which was bone dry from the exporting of water for nearly a century.

After the lawsuits were settled in favor of the California attorney general, the Owens Valley Committee, and the Sierra Club, water was returned to the lower Owens River. Now, with the "rewetting" of Owens Lake, lush vegetation and animals have returned. Freshwater shrimp, thirty-nine types of birds, twenty-six species of waterfowl, sixteen species of birds of prey, thirty-three species of shorebirds, five species of owl, and a coyote have all returned to the lake (Pomfret 2006).

The drought continues, impacting the lake and groundwater. The 2014–2015 runoff was only 50 percent of normal, with the snowpack only 30 percent of normal. More mitigation projects are implemented each year.

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(**BOX 2.2** CONTINUED)

Twenty-nine of the forty-two projects were completed or fully implemented, ten are partially implemented, and three projects are in design phase. Slowly the ecosystem is becoming more diverse (Los Angeles Department of Water and Power 2014).

Sources

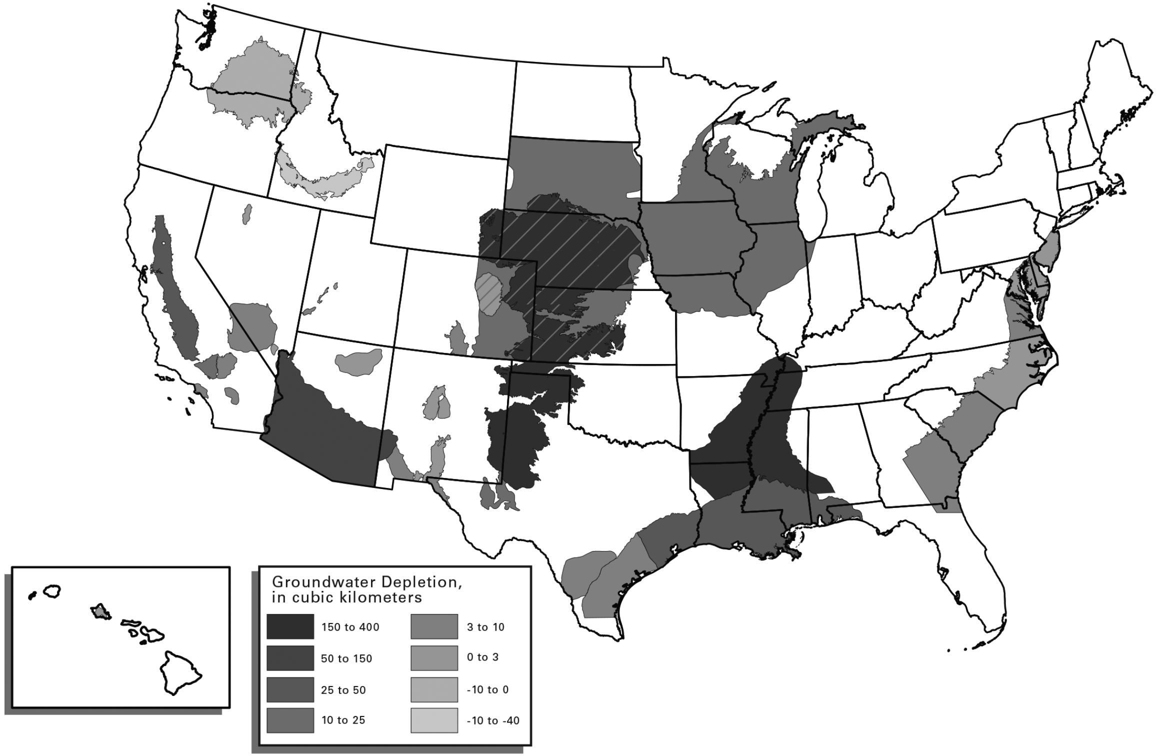
Los Angeles Department of Water and Power. 2014. Annual Owens Valley Report. www.inyowater.org/wp/wp-content/uploads/2014/06/2014-Final-Annual-Owens-Valley-Report.pdf.

Pomfret, John. 2006. "Justice Flows into a Parched California Valley." *Washington Post*, December 20, A04. www.klamathbasincrisis.org/other%20places/owenstoc/justiceflows122006.htm.

Providing water to one community can mean depriving another. Thus conflicts and public debates have emerged over who gets water from where and who pays for it. Although these issues are important throughout the country, they are gaining increasing attention in the Southwest and on the western plains. For example, the people of Caliente, Nevada, a remote rural community, became concerned about Las Vegas's efforts to buy up water rights. Under the *appropriation doctrine* Las Vegas can purchase the rights to water and divert it to support its own rapidly growing population, even if this usage diminishes the water available to the people of Caliente. Denver is seeking access to the aquifer in the San Luis Valley in south central Colorado, much to the dismay of rural communities and landowners in the valley. These situations have caused much discord between urban dwellers and rural farmers. Urban dwellers and lobbyists believe that they are the engine that keeps the state's economy going and that they deserve access to the water. Farmers who do not want to give up any of their water supply have been targeted as being "selfish." However, the farmers' position is that people living in the city do not understand how much they rely on water to farm their land and that urbanites are profligate in their use of water. The water crisis in the West is real, and decisions about the use of rural water supplies are difficult and multifaceted.

Highly capitalized agricultural users have also been drawn into conflict with traditional dryland farmers. The withdrawal of water from the Ogallala aquifer to irrigate fields and support feedlots and packing plants in Garden City, Kansas, is lowering the water table. As global warming increases, dryland farmers and rural communities in the area must dig deeper wells simply

Figure 2.2 Groundwater depletion in the United States.



Map of the United Stated showing cumulative groundwater depletion, 1900 through 2008, in 40 assessed aquifer systems or subareas. Index numbers are defined in table 1. Colors are hatched in the Dakota aquifer (area 39) where the aquifer overlaps with other aquifers having different values of depletion.

Source: Adapted from Konikow, L.F., 2013, Groundwater depletion in the United States (1900–2008): US Geological Survey Scientific Investigations Report 2013-5079, http://pubs.usgs.gov/sir/2013/5079.

to get water for livestock and for residential and commercial use. Because the Ogallala aquifer (except in the Nebraska Sand Hills) is essentially not rechargeable, residents fear that the future of any economic activity is being compromised. The increasing production of biofuels also uses a great deal of water and adds to the problem (Selfa 2010).

There are two sources of water for human use: surface water (lakes, streams, and, in some cases—such as in Tampa, Florida, with its desalinization plant—oceans) and groundwater, which is pumped from underground aquifers. The relatively tenuous relationship of water to the land it flows under results in the need to set rules for access and control of water. In the United States these are primarily state laws. However, the federal government has heavily subsidized the provision of water, particularly in the West. During the era of reclamation, from about 1880 to 1980, the American people, through their legislative leaders, saw augmenting the water supply for multiple users as an appropriate role for governments. In the twenty-first century environmental concerns about irrigation-induced water and soil quality problems have linked political and natural capital.

As water supplies become more erratic because of climate change, the laws that govern access to and control of water become hot points of contention. The country has moved into an era of reallocation and improved management (National Research Council 1992). The current conflict involves not only market transfer of water (based on who will pay the most) but also third-party effects—the entities that will suffer or benefit from water loss or gain. Because urban areas generally have more market power, there is concern that such water transfers will disadvantage rural areas in terms of water quantity. How rural lands are managed also has an enormous impact on water quality. New rural-urban partnerships are based on recognition of what is needed if rural land managers are to enhance water quality (see Box 2.3).

Who has rights to use water and who has responsibility for improving poor water quality remain contentious issues. Rural residents' role in resolving these issues nationwide is increasingly being recognized. Because water is seasonally and geographically limited in the West, encouraging its productive use has always been a key policy objective, from the days of the Ancestral Puebloan people (referred to by some as the Anasazi) to the present.

In the Middle Rio Grande Valley (MRG), where Albuquerque, New Mexico, is located, many groups claim the water. First, the Pueblo peoples of the MRG have the oldest historical claim to water. Because they were practicing irrigated farming when the Spanish arrived, the king of Spain granted them Mercedes de Aqua (water rights) as part of the treaty following the Pueblo uprising in the late 1600s. The Mexican and then the US governments in

BOX 2.3 Rural-Urban Collaborations for Safe Drinking Water: New York City and the Catskills

Nine million residents of New York City and surrounding suburbs rely for . . . their drinking water on a series of reservoirs located many miles away in the Catskill and Delaware watersheds in upstate New York. New York City owns less than 10 percent of the watershed, which covers roughly 1,900 square miles. The Catskill/Delaware watershed has a year-round population of around 77,000, as well as a significant number of summer residents. Dairy farms comprise a majority of the 350 farms there.

For many decades, relations between New York City and the watershed areas have been marked by controversy and conflict, focusing on the city's past acquisitions of reservoir lands and the use of regulatory and management authority in the watershed. In 1989 the Environmental Protection Agency's (EPA) Surface Water Treatment Rule (SWTR), issued under the federal Safe Drinking Water Act, required filtration of all surface water supplies (rivers and lakes) to protect against microbial contamination of drinking water. This requirement can be waived if a water system's treatment processes and natural conditions provide safe water, and if the watershed is actively protected to ensure that safety in the future. For New York City, the new regulation meant they had to get cooperation from those who managed the land in these two watersheds if they were not to spend tens of billions of dollars building complex filtration systems.

The Stresses

Although New York City residents have enjoyed superior drinking water for 150 years because of its high quality upland supplies, the potential for microbial contamination has become an increasing concern, as evidenced by a series of boil-water alerts since 1993. Wastewater discharges from treatment plants (some operated by New York City) and runoff from urban and agricultural sources, which contribute both microbial pathogens as well as phosphorus, are the primary pollution sources.

The Strategy

In 1993 the EPA issued New York City a waiver of the filtration requirement on condition that the city would take numerous steps to maintain and protect the Catskill/Delaware's drinking water quality. The EPA then urged the governor to convene a group representing New York City, New York State, watershed communities, the EPA, and environmental groups to negotiate an effective and equitable watershed program. It was hoped that such a program would enable the city to meet the waiver conditions,

(CONTINUES)

(**BOX 2.3** CONTINUED)

protect the city's water supply while avoiding the multibillion dollar cost of a filtration plant for Catskill/Delaware water supplies, and address the concerns and goals of residents in the upstate counties.

The negotiations produced a landmark agreement that successfully resolved long-standing controversies and set forth responsibilities and benefits for all major parties. The city finalized its regulations for watershed land uses, acquired sensitive lands to protect key reservoirs and waterways, conducts more extensive water quality testing in the watershed, and supports upstate/downstate partnership programs (including major investments in wastewater treatment facility upgrades, a fund for compatible economic development in the watershed, and a regional watershed partnership council). Upstate community representatives participate in the regional watershed partnership council, which includes representatives of the state, city, and downstate consumers (USEPA 1996).

Note: In reviewing the implementation, which began in 1997, the National Research Council stressed the intersection between technical solutions and community involvement and priority setting. Without urban investment in sustainable rural development, rural areas could not invest in decreasing non-point-source pollution for urban water consumers: "In 2007, the USEPA and the New York State Department of Health determined that New York City has an adequate long-term watershed protection program for its Catskill/Delaware water supply that meets the requirements for unfiltered water supply systems" (USEPA 2011).

Sources

US Environmental Protection Agency (USEPA). 1996. "Watershed Progress: New York City Watershed Agreement." EPA840-F-96–005. December. www.epa.gov/owow/watershed/ny/nycityfi.html.

US Environmental Protection Agency (USEPA). 2011. "New York City Watershed," www.epa.gov/region02/water/nycshed.

turn have honored those rights. The Pueblo rights, spelled out in treaties, involve water quality as well as quantity. Rituals, which are key to maintaining cultural capital, demand high-quality (pure) water.

The second claim is by farmers, who claim historical water rights dating back to the Spanish era under the collective *acequia* system. These ditch canals are operated and managed locally but operate under a deed from the government that guarantees land users rights to a given amount of water from the general system. The term *acequia* is also used to mean a collectivity of irrigation farmers who live along the ditch network and distribute water among themselves. The *acequia* ditches are under the management and distribution authority of the elected regional conservancy district, which monitors water distribution for a fee. Landowners with holdings along the irrigation ditch network, whether or not they are farmers, have voting rights in conservancy district elections.

The most recent holders of water rights are municipalities, which have purchased or been granted water rights over time. Specifically, Albuquerque claims the Rio Grande's water for drinking water and uses the San Juan/Chama Diversion to divert the San Juan River upstream into the Rio Grande.

None of these claims factors in the downstream rights of the state of Texas and the nation of Mexico. Texas has solidified its claims to Rio Grande water through the Rio Grande Compact, signed by Texas, New Mexico, and Colorado in 1957 to guarantee access to water for each state. Mexico maintains some rights to Rio Grande waters under the "first in time, first in rights" laws that were applied under Spanish rule and then adopted by Mexico and codified in the treaty between the United States and Mexico in 1848 following the Mexican-American War.

Water Rights

Legal doctrines govern appropriate or fair use of surface water. The *riparian doctrine* governs water use primarily in states east of the Mississippi River. Water rights are given to those whose lands are adjacent to streams. Landowners do not own the water, but they can make reasonable use of the water flowing through their lands as long as such use does not severely diminish the flow of streams or water levels in lakes. The appropriation doctrine, sometimes called the California Doctrine, is used throughout the more arid states of the West. This policy allows users to divert surface water from its original channel as long as the water is used for beneficial purposes and the amount of water withdrawn does not exceed what the user is entitled to under the permit.

Laws governing groundwater are even more complex. Early in the twentieth century laws allowed landowners to use groundwater on their own land even if that use depleted the groundwater available to adjacent landowners, but these same landowners could not deplete groundwater resources by removing water from their land and using it elsewhere. More recently some states have modified this doctrine to protect neighboring landowners and waterways that the groundwater supplies. Landowners are allowed to withdraw groundwater, but they may not exceed their fair share of water resources or harm neighboring groundwater users.

With increasing population, global warming, and development, less and less unappropriated water is reliably available. Consequently, the acquisition and transfer of established water rights frequently satisfy new water demands. For example, the city of Las Vegas, Nevada, has acquired the water rights of many of the surrounding valleys, which has negative implications for the future of those rural areas.

Natural Capital, Political Capital, and Basic Services

Water for consumption and sanitation is one of the most basic uses of natural capital. Throughout the twentieth century federal and state government programs such as the Clean Water State Revolving Funding (SRF) and Safe Drinking Water SRF provided the funding for the built capital (distribution and treatment) to treat and convey water from its source to households and to convey waste away from households and to treat wastewater. Billions of federal dollars were spent over the twentieth century on the development of municipal, utility district, and household water and sanitation programs. These programs facilitated both household access to water and sanitation as well as compliance with the Clean Water Act and public health laws that mandate treatment before wastewater is discharged into public waterways and areas. These programs and the initiative of rural communities and households helped rural America to develop from 1950, when the decennial household survey carried out by the US Census estimated that 50 percent of rural households did not have complete plumbing (indoor water and sanitation) facilities. As of 2013 the US Census American Community Survey estimates that just less than 1 percent of rural households lack access to complete plumbing. According to the US Geologic Survey (USGS), 86 percent of US citizens are serviced through municipal entities, and 14 percent through "self-supply" (household wells and septic or other wastewater treatment).

Still, the investments in water and sanitation infrastructure were uneven, and some communities were not able to access the resources necessary to construct water and sanitation infrastructure. A 2008 report to the federal government on water and sanitation infrastructure in American Indian and Alaska Native communities documented the percent of households lacking plumbing in some Hopi and Navajo communities at more than 10 percent. In 2013, according to the American Community Survey, 6 percent of American Indians and Alaska Natives lacked complete plumbing facilities.

Additionally, there was unevenness in which communities received funding to develop municipal or regional water and sanitation systems. This has turned out to have implications in terms of the resilience to water supply due to climatic conditions such as drought. The drought of the early 2000s has also impacted household water and sanitation for communities that were dependent on what USGS calls individual household "self-supply." The old question "what'ya gonna do when the well runs dry?" became a real rather than metaphorical question in 2014 for some residents of Tulare County, California. Located in California's Central Valley, this county is around 60 percent Hispanic/Latino and has long been among California's poorest counties, with a high population of agricultural laborers. During the summer of 2014 household wells began to dry up—ostensibly because of the drought. The spiking numbers of households without water made national news—as did the efforts of individuals who took it upon themselves to deliver emergency bottled water to households (Medina 2014).

These households were more vulnerable to drought because they were located in unincorporated communities that did not have community water and sanitation utilities, which could have monitored water levels and taken steps to ensure continued supply. As Omar Carillo of California's Community Water Center testified to a panel on the Human Right to Water and Sanitation at University of California at Berkley in the fall 2014, the state tended to not register farm worker communities in the Central Valley as incorporated throughout the 1960s. This legacy of unincorporation meant that these communities were not on the lists created by the state of California to receive federal funding for water and wastewater systems starting in the 1970s. Even before this recent crisis, well water in these areas were said to be contaminated with nitrates and pollutants.

Cultural Capital and Natural Capital

Part of the problem of water scarcity is a result of cultural capital. Settlers from the East and the Midwest, where rain was abundant, sought to recreate in the West the green lawns and colorful gardens they had back home. As a result, the expectation of water abundance was implicit in the planning of cities. As many western cities built in deserts rose to be important urban centers—Las Vegas, Los Angeles, San Diego, Albuquerque, and Denver, among others—the water had to come from somewhere. That "somewhere" was rural areas, often hundreds of miles away.

Rural citizens east of the Sierra Nevada in California, who settled the land to farm, were astounded when they found that, near the beginning of the twentieth century Los Angeles had acquired rights to their water and was building an aqueduct to ship it to this ever-expanding city. The Los

Angeles Department of Water and Power (LADWP) took water first from the once-verdant Owens Valley, in spite of legal fights and sabotage of the aqueduct by local community groups (see Box 2.2). By 1941 Los Angeles's growth required expanding the water supply. The LADWP diverted Mono Lake's tributary streams 350 miles south to meet the city's growing water demands. Deprived of its freshwater sources, Mono Lake saw its volume halved while its salinity doubled. Unable to adapt to these changing conditions within such a short period of time, the ecosystem began to collapse. Islands in the lake, previously important nesting sites, became peninsulas on which birds were vulnerable to mammalian and reptilian predation, reducing biodiversity. Photosynthetic rates of algae, the base of the food chain, were reduced, and the reproductive abilities of brine shrimp became impaired. Stream ecosystems unraveled due to a lack of water. Air quality grew poor as the exposed lake bed became the source of airborne particulate matter, violating the Clean Air Act. If something was not done, Mono Lake was certain to become a lifeless chemical sump. In 1978 the citizens of Mono County and others from across California formed the Mono Lake Committee (MLC) and began talking to conservation clubs, schools, service organizations, legislators, lawyers, and anyone who would listen about the value of this high-desert lake. The MLC grew to sixteen thousand members and gained legal and legislative recognition for Mono Lake. They organized around seeking a win-win solution that would meet the real water needs of Los Angeles and leave their children a living, healthy, and beautiful lake. After several years of court battles, Los Angeles was obligated to restore the Owens River to a condition appropriate for the current climate, which was considerably drier than when the water was first diverted, and to stop using the aqueduct that was exporting water from the area. Now the river and lake have water, and vegetation has returned, as has the wildlife.

The MLC, mobilizing around natural capital, created alliances (political capital) with organizations that shared its cultural capital regarding appropriate biodiversity, water quality, and air quality. Although the MLC was not obligated to meet the water needs of Los Angeles, it found ways of doing so through cooperative solutions without transferring environmental problems to other areas. Today the lake is "rising and healthy" (Kay 2006).

Importance of Biodiversity

Biodiversity is defined as the variety of life in all its forms, levels, and combinations in a specified geographic area. It includes ecosystem diversity, species diversity, and genetic diversity. Maintaining biodiversity at all three levels allows for greater resilience in the face of change. Those concerned about biodiversity generally understand that ecosystem diversity is necessary for species diversity.

For example, rural interests have been greatly conflicted over the definition and function of wetlands and over the degree to which they should be protected. To some, protecting the prairie potholes in remote rural areas of North Dakota, which held water only part of the year, seemed like a foolish waste of perfectly good farmland; some farmers thought the potholes should just be leveled to maximize productivity. Their political capital was manifested through a variety of traditional farm groups, such as the Farm Bureau. For others in the rural communities and their urban allies, the prairie pothole areas, which held water in the spring, were critical habitats for migrating waterfowl, bringing hunters and bird-watchers who helped diversify the local economy and maintain worldwide biodiversity. Local chapters of the Audubon Society worked with their national organization to mobilize political capital and negotiate with the farm groups. The 2002 Farm Bill (Farm Security and Rural Investment Act) contains language that allows farmers to be paid to protect biodiversity (and water quality, because wetlands also filter chemicals from water) at the same time that they receive a variety of financial supports (loan deficiency payments, countercyclical payments, and direct payments) for the agricultural commodities they produce (which decrease biodiversity). Like many programs, the Farm Bill contains both perverse and positive incentives regarding the protection of natural capital in rural areas.

Rural areas have suffered in the past from a lack of genetic diversity in the crops and animals they produce. Although genetic similarity can yield a standard crop or animal, it can also make that crop or animal extremely vulnerable to disease and pests. Pathogens spread more easily, and epidemics are more severe when hosts (corn plants, hogs, or chickens) are more uniform and abundant. Outbreaks of avian flu (a fatal chicken disease) occur regularly in the Chesapeake Bay area, where large numbers of chickens of the same genetic stock are raised in close confinement. In Hong Kong in 1998 an outbreak of a new avian flu strain to which humans seemed susceptible led to the death or destruction of hundreds of millions of chickens. The Great Potato Famine of 1845–1849 in Ireland and the southern corn leaf blight in 1970 in the United States, which wiped out the corn crop, were both caused by insufficient biodiversity in the affected crops (Council of Agricultural Sciences and Technology 1999).

Invasive Species

Invasive species are also a threat to biodiversity. These are species of plants and animals (including insects) that are introduced, either accidentally or on purpose, from another area of the country or the world and that, removed from their natural enemies, out-compete native species and become a monoculture. For example, to control soil erosion in "cottoned out" areas of the South, the Soil Conservation Service introduced kudzu from Japan. Although the soil has stabilized, kudzu covers everything in its path, crowding out native plants that were habitats for many indigenous species of wildlife.

Rural (and urban) streets and neighborhoods in the eastern United States were changed drastically in the 1910s by chestnut blight, brought in by chestnut trees imported from China and Japan that then were sold by mail order all over the United States. By 1950 the majestic American chestnut trees were gone, taking out 25 percent of the trees in the Appalachian Mountains. Detection and identification were slow, as were responses by officials, without community-based education and organization of the public. The US Department of Agriculture (USDA) quarantine came too late.

In the twenty-first century another landscape-changing pest is attacking US forests and urban and small-town landscapes. The emerald ash borer (EAB) was discovered in southeastern Michigan near Detroit in the summer of 2002. The EAB probably arrived in the United States on solid wood-packing material carried in cargo ships or airplanes originating in its native Asia. By 2011 the pest was confirmed in Ontario, Canada, and in Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, New York, Ohio, Pennsylvania, Tennessee, Virginia, Wisconsin, and West Virginia in the United States.

Since its discovery, the EAB has

- killed more than 30 million ash trees in Michigan alone;
- caused regulatory agencies and the USDA to enforce quarantines (Ohio, Indiana, Michigan, Illinois, Maryland) and fines to prevent potentially infested ash trees, logs, or firewood from moving out of areas where EAB occurs; and
- cost municipalities, property owners, nursery operators, and forest products industries hundreds of millions of dollars.

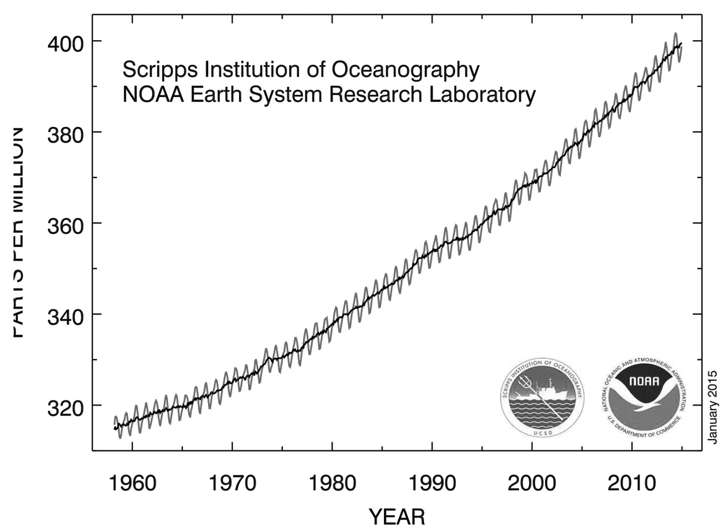
In contrast to the response to chestnut blight, communities are now organizing educational campaigns to stop the EAB's movement across the Midwest. In Michigan a coalition of state and federal agencies developed the

Emerald Ash Borer Community Preparedness Plan. That community-based plan is being shared with other states to contain infestations and prevent them from spreading. Because the spread is mainly through firewood and wood products, which often are cut and then marketed from one county to another, community awareness and mobilization are particularly important. Without mobilizing social capital and political capital, natural and financial capital cannot be protected.

Climate Change

In December 2014 the Mauna Loa observation station in Hawaii recorded 397 parts per million (ppm) by volume of carbon dioxide (CO_2) in the atmosphere, the highest level in at least 650,000 years. The pre-industrial rate, as measured through ice cores with high time-resolution coming from strata deposited in Antarctica in years between 1000 and 1800 C.E. (of the common era) were within the range of 275–285 ppm (IPPC 2007, 137). The 2014 reading represents over a 40 percent increase in about 250 years compared to variation in the previous almost two millennia of less than 5 percent (NOAA 2015, see Figure 2.3 for trends in atmospheric CO_2 as

Figure 2.3 Atmospheric CO_2 measured at the Mauna Loa Observatory in parts per million, 1958–2014, monthly and annual averages.



Note: The zigzag lines are monthly measurements and the line showing a more or less steady rise is the annual average.

Source: NOAA 2015.

measured at Mauna Loa, the longest series of direct atmospheric measurement of CO_2, which began in 1958). The principal but by no means the only greenhouse gas is CO_2.

Global climate change is having major and will have even greater impacts on natural capital as changes in water regimes and humidity increase the number of pests. It will affect human capital through health threats brought about by changes in food production, access to fresh water, exposure to vector- and water-borne diseases, sea-level rise and coastal flooding, and extreme weather events. These extreme weather events, such as longer and more severe droughts and more intense rainfall and snowfall, have implications for soil erosion and water quality.

Although there are actions that can slow global warming, such as decreasing greenhouse gases and increasing the amount of carbon sequestered, the United States has been slow to act. The facts that climate is an open-access good (see the discussion in Chapter 8) and that those who act to reduce global warming do not receive any immediate personal benefit (except perhaps in enhancing social or cultural capital) make it difficult to justify the *transaction costs* of changing to new ways of doing things. In the United States people have made decreasing pollution a market good by creating a market for pollution trading as a way to comply with US environmental laws. But the US government's reluctance to acknowledge human agency as a cause of climate change has kept the country from making carbon sequestration a similar tradable good. Although some farm groups want the federal government to pay them for sequestering carbon through such means as no-till agriculture, the government is unwilling to tax carbon emissions as a way of supporting the carbon sequestration payments. Oil companies and some other industries that do not want to change the way they do business encourage the US government's stand on this issue.

Communities can adapt to climate change by ceasing construction in flood plains and reducing water use by changing what they produce or how they produce it. However, it is often difficult to collectively agree that the current climate chaos is a consistent trend, not just a temporary aberration. The combination of rising water and earth temperatures with cyclical weather events induced by the North Atlantic Oscillation and the El Niño/La Niña Southern Oscillation (ENSO) increases uncertainty. Communities are not likely to note gradual changes, or they see them as anomalies or part of normal climate cycles, stating things like, "Uncle Seth remembers the drought of 1926—things will get back to normal soon" (Ensor and Berger 2009).

BOX 2.4 From Natural Capital to Financial and Human Capital: The Rosebud Sioux Wind Energy Project

On February 27, 2003, the first utility-scale Native American 750 kilowatt NEG MICON wind turbine was installed on the Rosebud Sioux Indian Reservation in South Dakota. Its installation marked the end of an eight-year preparation, begun in 1995 when the Rosebud Tribe, the Tribal Utility Commission, and the Rosebud Casino first measured their wind resources.

In 1998 the tribe applied to the Department of Energy (DOE) for a cooperative grant (50/50) to build a commercial utility turbine. The tribe had compiled eighteen months' worth of wind data to present to the DOE, and that preparation helped them obtain the grant. Working closely with the Intertribal Council on Utility Policy (ICOUP) and Distributed Generation Inc., the Rosebud Tribe also negotiated the first USDA Rural Utilities Service loan to a tribe for a commercial wind energy project, which was used to match the DOE grant.

Electricity generated by the turbine provides power to the Rosebud Casino and motel as well as to surrounding areas. The tribe sells the excess clean renewable energy that it generates to Basin Electric for local use, with a multiyear sale of "green power" to Ellsworth Air Force Base, near Rapid City, delivered through a cooperative effort with Basin, Nebraska, Public Power, and the Western Area Power Administration. Around one hundred jobs were generated in the construction phase. The tribe entered into an agreement with Mitchell Technical Institute to train and certify fifteen to twenty Rosebud Sioux students to service the turbine.

Using energy generated by this turbine, the tribe also negotiated the first tribal sale of Green Tags—renewable energy certificates that replace traditional polluting sources of electricity with clean, secure, and sustainable renewable sources of energy that come from solar and wind power from across North America—to NativeEnergy of Vermont. The company has marketed the tags to thousands of individual green-power supporters, including Ben & Jerry's Ice Cream, the Dave Matthews Band, the Natural Resources Defense Council for its Rolling Stones' climate change awareness benefit concert, and other parties interested in the development of renewable energy on Native American lands.

The Rosebud turbine installation is the first phase of a long-term plan for multimegawatt wind development on reservations across the Great Plains, the world's richest wind regime. Through collaboration with the Tribal Resource Development Office, Tribal Utility Commission, and Tribal Planner, the Rosebud Tribe has negotiated for the construction of a thirty-megawatt wind farm on the reservation and has submitted a request proposal for two other sites. The tribe is working with wind developers and will earn a percentage of the gross profits, plus lease money for the turbines.

(CONTINUES)

(**BOX 2.4** CONTINUED)

Inspired by the success of its clean energy efforts, the tribe is leveraging the Low Income Home Energy Assistance Program (a source of federal dollars to help low-income householders pay for utilities or to weatherize their dwellings) in partnership with the Pine Ridge Reservation to install solar heating systems for tribal employees through payroll deductions. The Tribal Utility Commission and the Tribal Housing Department have constructed a pilot home with solar heating, a small wind turbine to provide electricity, and windbreak trees. Working with Denver-based Trees, Water & People (www.treeswaterpeople.org) and a grant from the Bush Foundation, the tribe is retrofitting existing homes to be more energy efficient. (A video showing the turbine installation, *Wind Powering Native America*, is available at www.eere.energy.gov/windandhydro/windpoweringamerica/filter_detail.asp?itemid=749.)

Not only can the energy choices communities make save money, but they also can help ensure a healthy planet for their children's children.

SOURCE

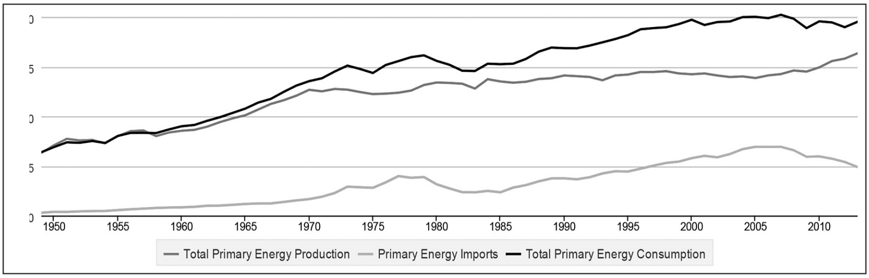
Adapted from Northwest Community Energy, 2003. "Rosebud Sioux Tribe Wind Project: Todd County, South Dakota" http://nwcommunityenergy.org/wind/wind-case-studies/rosebud-sioux.

Fossil Fuels and Energy Alternatives

Currently the United States consumes approximately one-fifth of the world's energy but accounts for less than 4.5 percent of the world's population. Total energy consumption in the United States shows an upward trend from the immediate post–World War II period to the present, with periodic dips because of oil price hikes or recessions (see Figure 2.4 on page 63). US energy consumption peaked in the 1970s right before the first large increase in petroleum prices, went down, and then went up again as prices for energy decreased. With a dip due to the recession of the early 1980s, consumption dipped again and then rose steadily, reaching its highest level in 2007. With rising costs of petroleum and a weak economy during and in the wake of the Great Recession, energy consumption dipped again (Figure 2.4). The sharp declines in oil prices beginning in mid-2014 caused by the glut of production due to full implementation of new technologies in oil extraction in the United States along with an acceleration of growth in the US economy evident in the last quarter of 2014 may bring about another surge in consumption.

Increasing resource efficiency and shifting to renewable sources of energy could maintain a stable standard of living. As a society, Americans have not

FIGURE 2.4 Primary energy overview: total US energy production, consumption, and imports in quadrillions of British thermal units, 1950–2013.

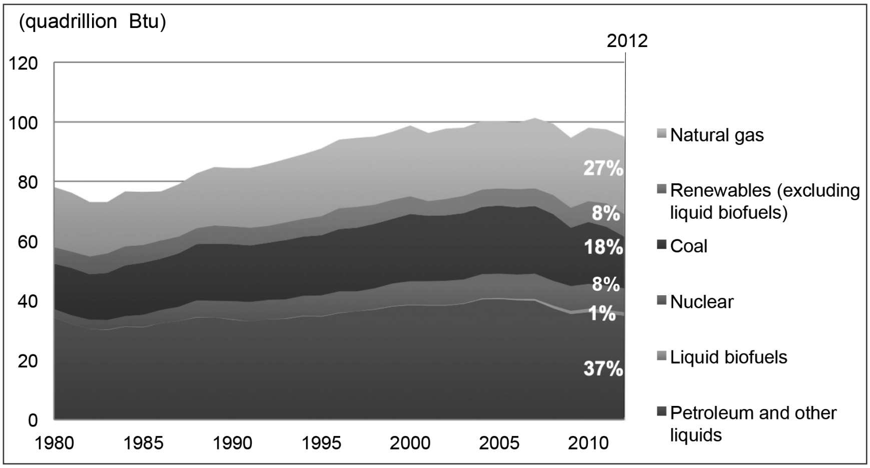


Source: US Department of Energy 2014a.

made this a priority. As of 2012 only 8 percent of our energy came from renewable sources (see Figure 2.5). Thus we depend on relatively cheap foreign sources of energy and subsidize the development of petroleum extraction in the United States, with severe environmental impacts for rural areas from Alaska to Louisiana. The new, highly capital-intensive technology of fracking (hydraulic fracturing of oil shale) to release natural gas and petroleum is also highly controversial in terms of the impact of this technology on local ecosystems and regional hydrology, as it risks serious contamination of regional water supplies.

What can communities do? Some have moved to reduce carbon emissions through a variety of measures that also reduce their expenditures. For example, a number of small communities have purchased hybrid cars (powered by both batteries and internal combustion engines), such as the Toyota Prius and Honda Civic hybrid, for city employees, including police on routine business. Others have their police ride bicycles in good weather. Small cities use smart-growth strategies to encourage use of public transportation, recycling, and dense neighborhoods in which stores and housing are within walking distance of each other. Yet others have switched to renewable energy sources, collaborating with private-sector firms to generate wind power. It is not just the increasing price of oil that helps make wind energy competitive; a renewable energy production tax credit (PTC) provides a credit of 2.2 cents per kilowatt-hour to producers of wind, solar, and geothermal energy as well as those producing "closed-loop" bioenergy from dedicated crops, thereby making these forms of energy more competitive with fossil-fuel-powered electrical plants. However, the PTC for renewable energy is so short term that it is insufficient for sustaining the long-term growth of renewable energy. Most recently, in January of 2015, the Senate voted down the PTC.

Figure 2.5 US primary energy use by type of fuel (quadrillion BTUs), 1980–2012.



Source: US Department of Energy 2014b.

In some states rural communities have been increasingly enticed by the opportunities of natural gas and oil extraction through hydrologic fracturing technology. In communities in states like Montana, North Dakota, and Texas, allowing investment in oil and gas extraction through these technologies has led to economic growth in the form of jobs and investment. These activities have also carried risks both of damage to other natural capital, such as water and land, and impacts on social and cultural capital through "man camps" of short-term workers (See, for instance, Brasier 2014). The rapid increase in supply of oil and decrease in demand, as major economies such as China experience slower growth, leaves these rural communities in a boom-bust cycle.

Chapter Summary

Humans often have sought to use natural capital to build other forms of capital. Native Americans used—and continue to use—natural capital in the strengthening of cultural and social capital; European settlers converted it into financial capital, moving westward when they had depleted natural capital in settled areas. Today urban sprawl places stress on natural capital in ways that more compact settlement patterns would not. Land and water are forms of natural capital central to European Americans' closing of the frontier. Village-centered settlement stimulated industrial and commercial development in nonmetropolitan parts of the Northeast, whereas plantation settlement retarded such developments in the South. In the arid West human-directed organization of water gave value to the land during the settlement period and continues to do so today. Property law regarding water developed differently west of the Mississippi than east of it. In the West, where one did not have to own the land through which a watercourse ran, water was overappropriated by the time the frontier closed. This overappropriation of a scarce commodity generated conflict that continues to this day. As cities grow, rural-urban conflicts grow as well. Agricultural, environmental, and urban interests vie to control water for purposes each values highly. As water increasingly is recognized as a public good, legal patterns change and negotiated solutions, such as that between residents of the Catskills region and New York City, occasionally can generate a win-win situation. Too often, however, parties still view the situation as a zero-sum game.

As globalization proceeds apace, interdependence among various groups, regions, and nations becomes more evident. Global warming, introduction of exotic species, and other issues related to natural capital increasingly will require greater recognition that it is in the long-term interests of the well-to-do (whether individuals or nations) to provide monetary and other incentives to those who are less well-off to "do the right thing" by the environment. This presupposes that the wealthy themselves are concerned about the environment. If greed can be curbed and creativity given its head with the objective of lightening humans' footprint on the Earth, perhaps we can pass a planet on to our children that is indeed better than what we inherited.

Key Terms

Appropriation doctrine allows water rights to be established by the first claimant even if that user does not own land adjacent to the watercourse. The user is limited to a specified amount of water that can be withdrawn.

Biodiversity is the variety of life in all its forms, levels, and combinations.

Confined-animal feeding operations involve raising livestock and poultry in an industrial fashion. The animals are confined in large buildings where the conditions are controlled so as to produce a uniform product. A huge amount of manure is a by-product. To the degree possible, the production system is rationalized to increase output per unit of labor, much as occurs on the industrial assembly line. Also, holding the animals in a confined space promotes efficient conversion of feed to meat or eggs because the animals expend very little energy in movement. Because the animals are in such close proximity with one another, special precautions must be taken to prevent disease.

Countercyclical payments are available for covered commodities whenever the effective (market) price is less than the target price.

Ecosystem services—critical services such as water purification, biodiversity maintenance, and climate stabilization—are generated spontaneously by healthy ecosystems. Because these services are chronically undervalued in the marketplace, they are highly vulnerable to degradation.

An *invasive species* is one (1) that is non-native (or alien) to the ecosystem under consideration and (2) whose introduction causes or is likely to cause economic or environmental harm or harm to human health.

Riparian doctrine limits water rights to landowners whose lands are contiguous to streams. They can make reasonable use of the water but cannot severely diminish its flow.

Transaction costs are incurred when making an exchange. These costs can be direct monetary costs, such as fees, or indirectly monetized, such as the time or social interactions necessary to facilitate the exchange.

Discussion Questions

1. Most communities in the United States were settled because of the natural capital available for a variety of uses. For the community you are considering, what were the aspects of natural capital that inspired settlement by indigenous people and, later, settlers from other continents? How has the importance of natural capital changed over time?
2. Natural resources' market value is highly volatile—it can be very high, as were most commodity prices through 2013, and then can drop rapidly, as occurred with commodity prices in 2014. How can a community preserve its natural capital during boom times and diversify the uses of natural capital during times of low commodity prices? How has the community you are looking at adapted to shifts in the monetary value of natural capital?
3. Some changes in natural capital are caused by proximate (nearby) human activity, whereas other changes in natural capital are based on what occurred in distant places (distal causes). Can you think of some changes in natural capital due to proximate human activity? What about changes to natural capital due to distal activity?

Web Resources

- Watch *The Town That's Been Through the Mill* at "Rural Communities: Legacy and Change," Annenberg Learner, www.learner.org/resources/series7.html#. The people of Oakridge, an Oregon timber community whose mill is now closed, show their resilience. Mill workers, community leaders, and government officials share their perceptions of what led to the economic crisis in their community.
- Watch *How Wolves Change Rivers*, Films for Action, 4½ min., www.filmsforaction.org/watch/how-wolves-change-rivers. This film describes the positive cascading effects of the reintroduction of wolves to Yosemite National Park. The reintroduction of wolves restored the ecological balance, including changing the course of the river through the stabilization of hillsides and banks in less than a decade.
- Watch *The Fire Next Time.* The Working Group, 2005, 57 min. This P.O.V. documentary follows residents of the Flathead Valley of Montana caught in a web of conflicts intensified by rapid growth and the power of talk radio. Many residents were losing their jobs in timber and industry, and they blamed environmentalists and outsiders. Ex-cop Brenda Kitterman and conservationist Mike Raiman wanted to do something, but the community was torn. The DVD can be purchased from PBS or from the producer. A trailer is available on YouTube, 2 min., 38 sec., www.youtube.com/watch?v=AmW7tQQhFpo.
- This video and accompanying article demonstrates the overall impact of the 2011–2014 drought in California—from shrinking reservoirs and calls for conservation to impacts on agriculture: Carrie Halperin and Sean Patrick Farrell, "California's Extreme Drought, Explained," *New York Times*, July 5, 2014, 3 min., 22 sec., www.nytimes.com/video/us/100000002980095/californias-extreme-drought-explained.html.
- For an analysis of how drought has affected much of the western United States, see Mike Bostock and Kevin Quealy, "Mapping the Spread of Drought Across the U.S.," *New York Times*, December 22, 2014, www.nytimes.com/interactive/2014/upshot/mapping-the-spread-of-drought-across-the-us.html. See also the National Drought Mitigation Center, http://drought.unl.edu.
- Watch *Fracking* at PBS Learning Media, 5 min., 45 sec. www.pbslearningmedia.org/resource/envh10.sci.phys.energy.fracking/fracking. Learn about health concerns regarding exposure to chemicals used in natural gas drilling. Hydraulic fracturing—fracking—is used

to extract natural gas, which may be polluting water resources with hazardous chemicals and creating health problems among people who live near gas drilling sites. This video may also be used with Chapter 8, Built Capital.

- See what is happening at Mono Lake as the lake is restored at the Mono Lake Committee website: www.monolake.org/mlc.

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3

Cultural Capital

Dave and Rosemary glared at each other. There had been some heated discussions around the dinner table recently. Dave opposes the local school bond. He is trying to save money to buy more land, so he doesn't want property taxes to increase. Rosemary believes that the school's quality must be maintained, so she wants the bond to pass. In addition, the bond issue will support construction of a wind generator at the school that will save the district money over the long term and contribute to reducing the use of fossil fuels.

Dave Stitz and Rosemary Turner met while attending college. He majored in general agriculture, and she majored in botany. Dave is a fourth-generation farmer, the first in his family to go to college. Rosemary's father was a county extension educator and her mother was a schoolteacher. Dave and Rosemary married soon after graduation and moved to the Stitz family farm. Dave works the fields with his father, and Rosemary runs the heirloom seed business they started with Dave's mother, an avid gardener. To understand their conflicting positions on the school bond issue, it helps to know something about their personal histories.

Ever since Dave could remember, he knew he was going to be a farmer. He came from a long line of farmers. His great-great-grandparents came to western Kansas in the 1890s by covered wagon. Their granddaughter, Dave's grandmother, married the son of a local farmer, and they began farming as soon as they were married. In the 1920s they engaged in massive hunts to kill coyotes, which they viewed as a threat to their livestock. In the 1930s they organized rabbit hunts, which were a threat to their crops. Previously, the coyotes had kept the rabbit population under control. Over time Dave's grandparents expanded their farm and acquired enough land for their four children. Upon their deaths, they left an equal part of their land to each of their children. Dave's father was left with one-fourth of one-fourth of the family farm, which would not be enough land to pass on to his future children. Therefore, once Dave's parents were married, acquiring more land became a high priority.

Dave's parents bought more land during the expansive period of the 1970s, even though the land was priced higher than the income it could ever yield in crops. Because they anticipated having a family, they knew they needed more land. They postponed having their family when land prices suddenly dropped, and they struggled to make their loan payments. Dave's father got a job driving trucks across the country while he continued to farm and negotiated with local bankers to refinance the farm. With sacrifices, they were able to keep the farm and start their family, and they had one son, Dave. Land payments absorbed much of their income, although Dave's father was able to give up cross-country trucking. Dave came home from school each day to help with the farming, leaving no time for extracurricular activities other than church. Dinner conversations were subdued because everyone was exhausted and the television was on. Dave graduated from high school and chose to go to college, paying his own way. He attended only in the spring semester so he could be home for winter wheat planting and milo harvesting in the fall. When he started farming, first with his father and later on his own, his parents' friends were impressed. At first they asked him to custom plant or custom harvest their wheat, and he brought his machinery to the land they were using for that particular operation. Once he had proven how well and sustainably he had farmed their land, the land owners asked him to rent their land or work it for a share of the crop.

Despite their struggles, the effort was worth it to Dave's parents. The farm was their legacy to their child, and they believed they had provided him with an excellent set of tools for a happy and productive life: access to land and the willingness to work hard to make that land productive. In 2015 land prices were again near their all-time high and then began to drop. Costs related to prices received will increase, as commodity prices fall in the face of worldwide overproduction.

Rosemary was the daughter of a county extension agent and a schoolteacher, so she was no stranger to farming. Her parents did not earn a large income, but it was secure. From the day Rosemary was born, they regularly put aside money for her college fund. Her parents felt that a college education was the most important thing they could give their daughter. They encouraged her to join organizations in the community and in school, including the local chapter of the Sierra Club and Ducks Unlimited, and they constantly encouraged her to talk to professionals in the county about how they had chosen their careers. Dinner conversations were structured around current events. Rosemary's parents were also thinking of legacy. A college education and knowing people and politics would enable Rosemary to support herself, maintain a comfortable lifestyle, and work to improve the environment.

Given this background, it is less surprising that Dave and Rosemary are on opposite sides of the school bond issue. Dave's parents saw how education, particularly vocational agriculture, could be useful on the farm. When hard choices had to be made, however, they emphasized the need to acquire land. By contrast, Rosemary's parents put obtaining a college education and cultivating skills for her future career above everything else. In their reactions to the school bond issue, Dave and Rosemary are simply reflecting and continuing the legacies bequeathed to them. Their ways of seeing the world show differences in cultural capital.

Both Dave's and Rosemary's parents gave them what they valued most: land and education. Each family valued natural capital, but in different ways. Like most parents, they wanted their children to be able to earn a good living, have a good life, and contribute to society. As the example illustrates, however, what parents believe they should pass on varies from one family to another. This chapter examines *cultural capital*, the social and economic factors that contribute to the cultural capital young people receive from their families and communities and how gender, race, and ethnicity affect cultural capital.

Cultural capital is how we see the world and what we value. It links the seen to the unseen, making meaning of our collective and individual lives. It gives identity, both in terms of who we are and who "the other" is. Cultural capital determines what we think is right and what is possible to change. Our cultural capital tells us how it is appropriate to act and what is unacceptable. Cultural capital gives meaning to the world around us, including symbols of worth, dignity, and joy.

Cultural capital came with the immigrants to the United States and changed as they confronted the other capitals and sought to explain them, linking the seen to the unseen. And the original inhabitants of the territory that is now the United States of America developed their cultural capital, their way of understanding how what they did related to what happened to them, in response to natural capital and other capitals, including the political capital of other bands and tribes.

Rural Values?

Since the ancient Greeks, rural culture has been seen as purer and more self-reliant than urban culture, although at risk of being drastically changed by the corrupting urban experience (Compton-Engle 1999). Many scholars argue that rural values, stemming from *Gemeinschaft* and the close face-to-face interactions that occur among homogeneous individuals, are conceived as oppositional to what rural people see as urban:

- urban workers are lazy, and rural people work hard;
- urban people are secular and atheists, and rural people are religious and God-fearing;
- cities are corrupt; and rural people are honest and law abiding;
- urban areas are run by bosses and are undemocratic, and rural areas are democratic;
- cities are hotbeds of un-American sentiment, and rural areas are patriotic.

Around the world the term "rural values" is used to explain rural-urban differences in behavior.

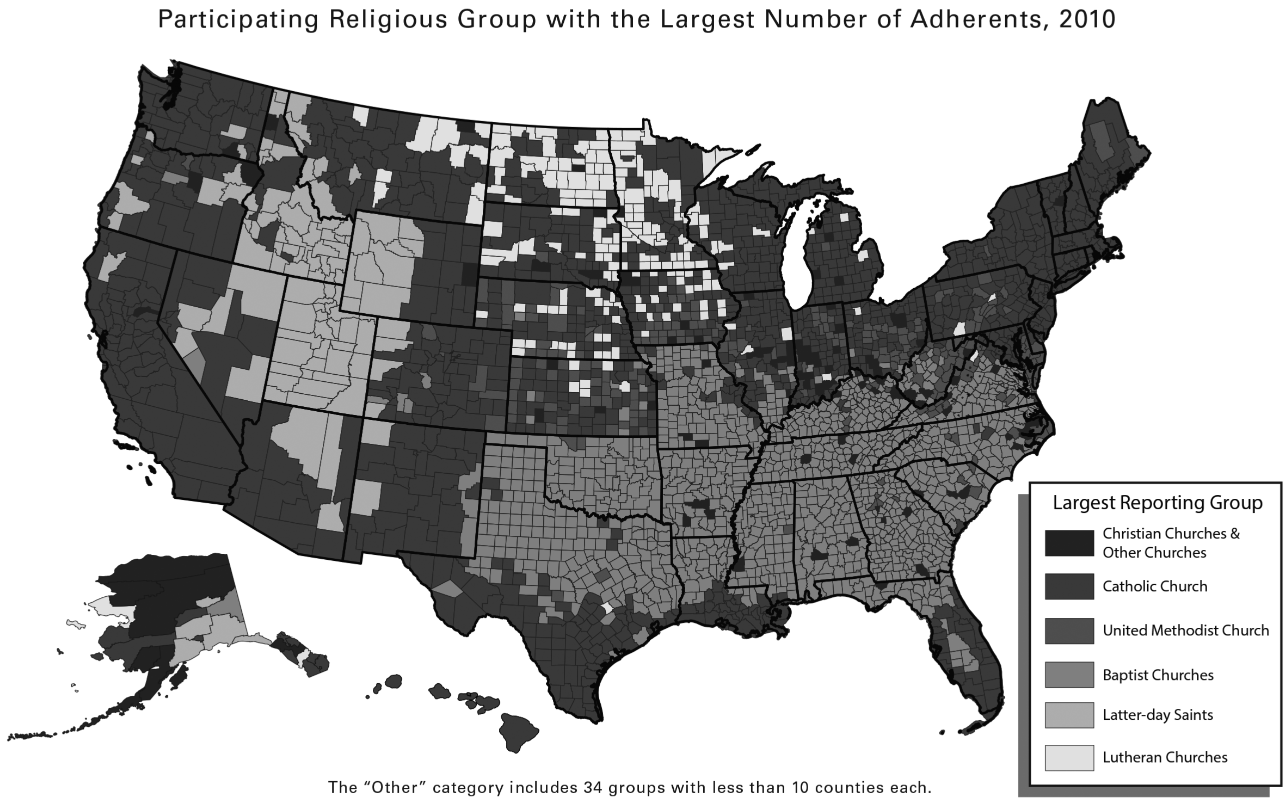
Leo R. Ward in 1955 published an influential essay on the American rural value pattern, as what he viewed as the essence of America that rural once embodied seemed to be slipping away. In it, he conflated rural with farmers. He concluded that farmers—in his mind the essence of rural—have a greater desire to be around their progeny than the ordinary urbanite and, thus, cherish children and believe in people "especially if they are within his own household and or his own blood." That, and the utility of children as labor on the farm, could explain higher rural fertility. Property ownership was another rural value he identified that makes investing in land critical. Thus the needs for labor and for land became virtues. Neighborliness and helping out in times of need also form a functional virtue, one that Ward saw vanishing with mechanization. Going to church was the one time women got to see neighbors, and thus, organized religion was greatly valued, as were organizations such as the Farmers Union and the Grange. Yet the traditional household structure that reinforced patriarchal values embodied in the idealized farmer has changed dramatically. There are many more female-headed households with children, cohabiting households, and same-sex households than there were in the past (Carson and Mattingly 2014), and farmers comprise a smaller proportion of the population, further decreasing the material supports for the fabled rural values.

Many Americans still believe that rural America somehow retains the values that urban America has lost. Rural America is thus more moral, virtuous, and simple than the rest of America (Brown and Kandel 2006). Yet such a dichotomy can mislead more than help us understand rural cultural capital. Lichter and Brown (2011) emphasize that there are more continuums than dichotomies between rural and urban, urging more shared, comparative research. Doran and Littrell (2013) point out that transience—moving often from place to place—a quality of frontiers as well as urban areas—leads to a culture that sees relationships as replaceable parts, with shallow commitments to other people and less commitment to maintaining community and more on individual self-interest. In their US sample of self-identified white, non-Hispanics from online customer lists, they measured ten cultural values: benevolence, universalism, self-direction, conformity, achievement, security, stimulation, hedonism, tradition, and power. The sample as a whole most valued benevolence, universalism, and self-direction and valued least tradition and power. Urban areas were significantly higher on universalism and significantly lower on conformity and security, whereas rural means were higher on tradition.

Rural residence or agrarian activity alone are not enough to explain culture, particularly that around cooperation versus individualism. Both the crop produced and the scale on which it is produced greatly influenced rural cultures worldwide. Talhelm and colleagues (2014) showed the importance of *type of agriculture* on emerging cultural values, particularly the cultural capital supporting interdependence versus independence. Rice farmers in China depend on mutual cooperation to put irrigation facilities into place and maintain them, and that cooperation and loyalty, including nepotism, is reflected in their other behavior and values. In contrast, wheat farmers need only to plant their seed independently and then harvest it, falling into the Chinese cultural wisdom, "if one is short of labor power, it is best to grow wheat." The natural capital base of cultural capital is borne out in the individualism that accompanied the westward expansion, except for the Mormons, whose strong social organization enabled the building of irrigation systems prior to the federally supported irrigation schemes that brought water to the Central Valley of California. Highly labor-intensive crops such as cotton and tobacco could be produced cooperatively, as was done by American Indians prior to European colonization, but when produced for export in the southeast of the United States, slaves were used as labor. A cultural capital emerged of racial superiority because there must be "natural" reasons that people of one color labored and those of another color profited from that labor. Different religions, which often favor different parts of their tradition, mirror this historic cultural base (see Figure 3.1, a map on religious predominance in the United States.)

The values of frugality, independence, hard work, patriotism, plus fear of outsiders (often a result of being taken advantage of) leads to a mindset of who we are: deeply religious and conservative Republicans who love production science and what it has done for us but are very distrustful of predictive science, which tells us what is likely to happen if the uses of production science continue as they are. The exception seems to be demographic projections, as

Figure 3.1 US religious groups.



Source: Adapted from Clifford Grammich, Kirk Hadaway, Richard Houseal, Dale E. Jones, Alexei Krindatch, Richie Stanley, and Richard H. Taylor. 2012. 2010 US Religion Census: Religious Congregations & Membership Study. Association of Statisticians of American Religious Bodies. http://www.rcms2010.org/maps2010.php.

the rural wisdom is that there will be 9-plus billion people to feed in the relatively near future.

Specific values that come from religious traditions, such as welcoming the stranger or concern for those who are less fortunate or even self-interest in clean water, good schools, and functioning infrastructure can be ignored if they are presented as opposing basic rural conservative identity. If they are framed as costing too much, rural values favor the conservative choice rather than risk the key identity that conflates frugality, independence, hard work, and patriotism with a political party. Even farmers who are only profitable because of government subsidies for crop insurance want the government out of agriculture—but the government does need to guarantee them a price. Thus the traditional risk-reduction strategies of diversification, rotations, and conservation of natural resources are jettisoned in favor of subsidized crop insurance, which can be self-defined as going without government subsidies to correspond to that dominant rural value of independence. The important issue here is cultural capital, the structures that link the seen and the unseen and underlie a collective identity.

Cultural Capital and Social Problems

Rural cultural capital, the notion that we are all "just folks," means that there is often denial that problems with drinking, drugs, and child trafficking can happen in rural communities. When such social problems force themselves into public view, outsiders are blamed for the occurrence.

Jamie's Story

For many years after her husband left her, Jamie's mom, Ginger, had supported her two daughters by working days as a waitress in the local café in the small town and at night in the truck stop by the interstate near the town. When she met a man who wanted to marry her, she was delighted and gave up her night job. But the stepfather was also interested in the two teenage daughters. Jamie's big sister became pregnant by him, and he was trying to get into Jamie's bed as well. Although they told their mother, Ginger did nothing, as she did not want to risk her marriage. Jamie was very uncomfortable and didn't feel anyone cared about her. She was pleased when Tom, a recent graduate of the consolidated high school she attended, listened to her when she complained about her family and shared her fears of her stepfather. He even friended her on Facebook, which allowed him to keep track of her thoughts and movements.

Finally it got so bad that Jamie decided she had to leave home. She packed a few things and crept out of the house before her mother and stepfather got home from work. She walked the four miles to the highway and went into the truck stop. She was hungry but had no money. Suddenly Tom appeared and bought her dinner. He then told her that he had someone she should meet and put her into his car. There were several other girls there as well. He gave them all something to drink and then drove east for a very long time. The girls were sleepy and not sure where they were going.

They arrived in Chicago and were taken to a rundown apartment, where they were "seasoned" for the work they were to do. They were photographed and given cell phones so their new "friend," the pimp, could reach them whenever a client picked them out from the on-screen selection. She was given little to eat and punished when she complained, particularly if she said anything to a customer implying she was not working of her own free will.

After over a year an undercover cop posing as a customer arrested her for prostitution. Once the cell door slammed on her, Jamie told them what had happened to her. The charges were dropped, and she was taken back to another rural community to live in a foster home. She began working with other organizations to tell her story, but many rural community groups did not want to hear it. First, it involved sex, which should not be discussed in public. And second, such a thing could not happen in their town. Such scenarios threaten the cultural capital of small towns, and therefore such stories are not welcome.

Diversity in Rural Cultural Capital

There are many cultural capitals within North America, although some cultural capitals are more highly valued than others and are thought to be the right ways to know, act, and understand. Cultural capital determines what constitutes knowledge, how knowledge is to be achieved, and how knowledge is validated. Those with power are able to define these key issues according to their own values, and they provide their children with cultural advantages that translate into social and economic advantages.

Cultural capital includes the values and symbols reflected in clothing, music, machines, art, language, and ways of knowing and behaving. Cultural capital can be thought of as the filter through which people live their lives and their daily or seasonal activities, the way they regard the world around them, and what they think can be changed. Cultural capital gives us our assumptions about how the world works—and the explanation of why it works the way it does. Cultural capital also determines what we fear.

The socialization process serves to transmit values and assumptions via various forms of communication, both verbal and nonverbal. Whether people learn to share money or save it, trust people in authority or fear them, trust people with different colors of skin or fear them and regardless of what career they choose to pursue, how they view natural resources, or simply what they consider important are all products of cultural capital.

Parents generally seek to provide their children with the capitals, including cultural capital, that, in their worldview, are needed for survival. Dave's parents saw land ownership as a key to his future, land being first and foremost a source of natural capital. Consequently they were willing to risk nearly everything to ensure that Dave had that tool for survival. Rosemary's parents had never owned land other than the property on which their house was located, and both had made a living based on their college degrees. Rosemary's parents scrimped and saved to ensure that she left home equipped with the capital that had been most valuable to them, human capital through education.

Communities also impart cultural capital through aspirations that are deemed appropriate for "our" young people. In the dominant US society—middle-class, suburban, or small-town European Americans—the norm is to succeed educationally and to achieve status as high as or higher than that of one's parents. These shared aspirations of middle-class parents and children unite them in the view that at the end of their high school years it is appropriate that they leave the community and enter college life. These aspirations tie them more closely to their parents and to their parents' lifestyle. But in Appalachia, on Native American reservations, and in the Mississippi Delta as well as in many inner-city neighborhoods, educational aspirations separate young people from their community and their parents. It is obvious to all in the community, to peers, and to parents that some young people are "learning to leave." Local folks no longer want to have much to do with these youths, figuring that they already feel superior to their community. The community, observing that such young people are "opting out" by spending time studying instead of reinforcing local ties, may even become hostile toward them.

Conflicting Cultural Capitals and Cultural Domination

What happens when one group is technologically and militarily superior and attempts to impose its cultural capital on another group with a very different legacy? This is illustrated by the cultural clash between Native American and European American cultures. For the Owens Valley Paiute People of California, their language was critical because its words conveyed important meanings about natural capital, including survival techniques: how to find food in different places throughout the year, how to find and process material for baskets, what ceremonies to perform to ensure that food and materials were available, and how to watch the weather to decide when to plant and when to hunt. Their cultural capital allowed them to live in a wide territory during different seasons through both dry and wet years. Social advantage was determined by the degree to which one shared what one had and how one adhered to the religious rituals and rules. Children were taught carefully what their elders thought was critical for survival, and they learned through watching and practicing.

The Dawes Act of 1887 was aimed specifically at substituting the cultural capital of the dominant US society for the "unproductive" cultural capital of Native Americans. The goal was to make the Native Americans become like white people—and to take their land. Congressman Henry Dawes, author of the act, once expressed his faith in the civilizing power of private property with the claim that to be civilized was to "wear civilized clothes . . . cultivate the ground, live in houses, ride in Studebaker wagons, send children to school, drink whiskey [and] own property" (quoted in PBS 2001). The act allotted 160 acres of land to individual tribal members, giving the "excess" land to the US government to dispose of among white settlers. The reduction of land area was supposed to force Native Americans to become farmers. In many cases the privatized land was quickly lost to European Americans who took advantage of the fact that private land ownership was an absolutely foreign concept to most Native American bands and tribes because many tribes held natural capital as sacred and, therefore, belonging to all (including nonhuman creatures). The cultural capital of those in control completely negated Native Americans' ability to use their local cultural capital to maintain their natural capital and their social and economic well-being.

However, land loss was not enough to convince many Native Americans to give up their own cultural capital to adopt "the white man's ways." Other mechanisms to remove Native American cultural capital (assuming that it would be replaced automatically by the dominant cultural capital, making the hearts and minds of Native Americans identical to those of European Americans, even if their skin color was not) included forced attendance at boarding schools, where European hairstyles and dress were imposed despite the religious significance of long hair for many Native American males. Native Americans' names were changed to "sound" English. These last names often were similar to the names of those allocating the land, people who then slipped the names of their own European relatives into the land rolls, making them owners of Native American land and decreasing the natural capital available to indigenous peoples. Native American children were punished for speaking their native language. Because Native Americans' religion was seen as the basis for their unwillingness to adopt a more materialistic approach to life that would allow them to properly conform to European American values, the US government supported Christian missionaries from various denominations (specifically excluding Catholics and Mormons, churches that were politically suspect in the late 1800s), putting them in charge of different parts of Indian Country. And because religion was tied to specific sacred places, many tribes were moved long distances to more barren lands, which conveniently left their fertile lands and forests to European Americans.

Paiutes throughout the West sought to maintain and recreate cultural capital in many ways. A Paiute man, Wavoka (who had been given the English name Jack Wilson), had a revelation during a total eclipse of the sun. This revelation was the genesis of a religious movement, the Ghost Dance. To participate in the dance, Native Americans of various tribes gave up alcohol, farming, and other practices of the European Americans in order to restore the past. The movement spread eastward from tribe to tribe. Desperate Native Americans began dancing and singing the songs that would cause the world to open up and swallow all other people, leaving them and their friends on the land, which would return to its beautiful and natural state. The unity and fervor that the Ghost Dance movement inspired among tribes, however, only spurred fear and hysteria among white settlers, which ultimately contributed to the events culminating in the US Army's massacre of Lakota women and children at Wounded Knee, South Dakota, in 1890. Violence was a final tool used to eliminate a conflicting cultural capital.

Although the Indian Reorganization Act in 1934 repealed the Dawes Act, Native American land loss continued. The 1934 act had a number of provisions that seemingly would benefit Native Americans; however, they were never funded or put into place. In addition, this act ended traditional tribal government, and the system that replaced it took the form of the federal government, with constitutions, elections, short-term offices, and governmental branches. Systems that were far more integrated and beneficial to the tribe's health and well-being were uprooted and replaced. The idea of lifetime service and leadership within a tribe was eradicated when this new governmental system was implemented. Consequently Native Americans lost their form of tribal leadership and their land. The loss of the natural, political, and financial capitals that leaders and land represented had dramatic impacts on cultural capital.

Relocating Native Americans in the United States continued well into the twentieth century. In 1952 Native Americans began to be moved to urban areas, and by 2003 two-thirds of the Native American population lived in such areas. With the Great Recession that began in 2007, more Native Americans are returning to reservations to diversify their livelihood strategies.

Relocation to cities was presented as a way to find jobs, make money, and attain affordable housing. Many of the relocated Native Americans were single men who, after much convincing, "voluntarily" moved into cities. These efforts appeared to benefit Native Americans by providing them with jobs and housing; however, their cultural ties diminished. In addition, in the cities Native Americans were treated as outsiders and were alienated through obvious forms of discrimination. Urban residents did not understand Native American culture, and Native Americans did not easily embrace big-city culture. Consequently many Native Americans felt as if they did not fit in anywhere, and living in the city was overwhelming and uncomfortable. In some instances returning to the reservation was an option; however, after having lived in the city, their cultural and spiritual connections to their tribes had been compromised. When men returned to their tribes from the city and became tribal leaders, their commitment to preserving some of the very fundamental parts of cultural capital—leadership, language, natural capital, and religion—was sometimes decreased. As a result, cultural capital was diminished because of their urban experience.

By 2015 few Paiute language speakers were left among the Owens Valley Paiutes, despite attempts on the part of elders to teach young people to "talk Indian." Their young people have lost their traditional cultural capital, and they have not received the cultural capital of working- and middle-class European Americans. Their access to the natural resources they traditionally used for survival was lost, with the US government substituting treaty rights, which stated that the US government would take care of them because they were giving up their ability to care for themselves. Removal and denigration of cultural capital, combined with economic dependence on the federal government because of the removal of their ways of supporting themselves, left a legacy of a lack of a positive identity and many social problems, including substance abuse, on the reservation. Many tribal leaders are working hard to recover tribal cultural capital to help improve the other capitals on the reservations.

Cultural Capital and Hierarchy

Societies and most social groups, including communities, rank households and household members hierarchically. Some individuals and families have more prestige, power, or wealth than others. Sociologists disagree on how this ranking takes place. Some argue that it occurs because of differences in functional importance: what some people do is more important to society than what other people do. Thus, they argue, it makes perfect sense for the chief executive officer (CEO) of a corporation to receive a salary more than five hundred times that of the average worker in the firm. (This ratio does not take into consideration stock options, year-end bonuses, and loans forgiven, which are part of CEO privileges not available to ordinary workers.) Other sociologists argue that it is not functional importance but differential power that gives some people more resources than others. They say that certain groups have more power than others and use that power to maintain a higher position in a group or society. And the gap between the rich and the rest of society has been increasing in the last several decades. Both sets of sociologists agree that in American society those on top tend to have more income, wealth, power, and prestige. Other characteristics, such as age, sex, ethnicity, race, and religion, are associated with one's position in the hierarchy. Furthermore, there is a strong relationship between the position of parents and of their children in that hierarchy.

Sociologists have explored inequality and social class from a variety of perspectives. Marxist approaches focus on material relations, Weberian approaches focus on social groups, and Bourdieu and his followers look at the intersection of financial and cultural capital.

Marxian Perspectives

Writing during the Industrial Revolution of the nineteenth century, Karl Marx defined social class in terms of the economy. He saw cultural capital important mainly because it gave workers *false consciousness* that kept them from seeing how they were exploited. To understand this perspective, one must first look at how a business functions and how individuals within that business accumulate wealth.

The goal of any business is to make money. Profit essentially represents the difference between the price of the product sold and the cost of producing it, including the costs of materials, labor, land, and capital (interest paid on debt). Business owners receive the profits, either directly as proprietors or indirectly through dividends paid to them as investors. Many family businesses and partnerships take a long-term view of profits, investing in human, social, built, and natural capitals to maintain the business over a long time period. When a company is publicly held, it raises capital by offering stock to the general public through stock markets. Those who own the business accumulate wealth through business profits over which they have some control and through the increase in the value of their business, as indicated by the daily value of its stock. Investor-owned companies tend to have a short-term view of profitability.

Those who sell their labor to the company, who work for the company, receive wages in return. Only rarely do they receive part of the profits, such as in a cooperative or an employee stock ownership plan. Consequently they accumulate wealth through their labor and any savings that can be generated from their wages after paying to maintain themselves and their families. Their bargaining power with business owners is based on their ability to make their labor scarce, either by acquiring skills and knowledge that are in demand or by collectively threatening to withhold their labor, through unions or employee associations.

Based on this difference in the capacity to accumulate wealth, Marx identified two social classes: capitalists and proletarians. Those who own the means of production, the factories or offices, make up the *capitalist class*. Those who sell their labor for wages form the working class, or *proletariat*. Marx also identified a part of the capitalist class that he called the *petite bourgeoisie*, which included small shopkeepers and farmers. These individuals own the means of production, manage the firms themselves, and often use family labor alone or combined with hired labor. Marx saw the petite bourgeoisie as a remnant of the preindustrial economy. Consequently he expected the class to disappear entirely once the transition to the industrial age was complete.

Society has moved through the industrial age and beyond, leading some sociologists to revise Marx's early theory. As corporations grew increasingly larger, sociologists saw a class of people emerge that fit somewhere between the capitalist and proletariat classes, the *managerial and professional class*. These individuals do not own the means of production, yet they enjoy more autonomy and control over the work environment than do members of the proletariat.

A second modification is needed because the petite bourgeoisie has not disappeared. Self-employed and small business owners have remained a little over 10 percent of the nonagricultural labor force since the 1990s, although measurement is imprecise due to changes in methodology in 1994. They represent a higher proportion of the labor force in rural areas, in part because people are adding new sources of income as real wage rates decline, thus increasing the number of jobs and the number of business endeavors per person. More important is the changing structure of the labor market. As industrial firms downsize, they subcontract work out to smaller businesses, and employment shifts to the service sector, which consists primarily of smaller businesses. Sociologists have concluded that the petite bourgeoisie (made up of small business owners) is an integral part of the class system in this postindustrial age. Many governmental and private-sector programs are aimed at encouraging entrepreneurship (see Chapter 7, Financial Capital).

Weberian Perspectives

Whereas Marx defined class in terms of material relationships, including the intergenerational transfer of wealth and property, sociologists have argued that other factors are equally important in defining social class. Writing during the late nineteenth and early twentieth centuries, Max Weber argued that people also are stratified by prestige and power, which combine in a hierarchy of status groups. These groups have their own status culture, which controls access to rewards and privileges. Stratification is based on cultural capital as well as on financial and built capital. *Socialization*, the process of learning the cultural expectations of one's group, and *association* (social capital) reinforce it.

From the Weberian perspective, *social stratification* describes the hierarchy of status groups. Social stratification seems to be a feature of all societies. What differs is the extent to which the stratification system is open or closed. Closed systems are those in which members are not free to move from one class to another. Open systems allow individuals and families to move across layers. *Social mobility* describes the movement of an individual from one status group to another, either up or down.

Bourdieu and Social Domination

Pierre Bourdieu (1986) linked Marx's materialism and Weber's notion of society composed of status groups to examine the social and mental structures of domination. Families, through kinship ties, and communities, through their educational systems, contribute to inequality. These are major mechanisms through which cultural capital is transmitted. Like other capitals, cultural capital can be thought of as what Bourdieu called "congealed and convertible social energy." It determines how people see the world, what they take for granted, what they value, and what things they think can be changed. *Hegemony* allows one social group to impose its symbols and reward system on other groups.

Bourdieu, observing the rigid class structure in France, saw that the wealthy provided personal and symbolic connections for their children. They automatically knew how to behave in formal situations and could chat easily with others of their class. That shared behavior and knowledge of symbols gave the children of the upper classes power beyond their material situation when dealing with those in authority, from government bureaucracies to corporations to civic organizations. Richard Sennett and Jonathan Cobb (1972) saw different kinds of cultural capital contributing to the "hidden injuries of class." People in positions of power feel uncomfortable and threatened when entering communities composed of excluded groups because the excluded groups may resent power symbols they do not have, such as cars, dress, and language. Powerful people in such situations do not comprehend the symbols that give a situation meaning for the powerless, and that failure of the powerful to comprehend contributes to the powerless group's feelings of discomfort.

Class and ethnic cultures—and the cultural capital they represent—develop out of each group's experience with the social world. Cultural capital that is helpful in one setting is often a disadvantage in another, as was shown when a streetwise city boy from Chicago, Emmett Till, came to a small Mississippi town. His inability to judge correctly the dominant symbolic signals—and the violent power they implied—was fatal. Till was an African American teenager who, in August 1955, on a dare spoke to a white woman in rural Mississippi as he would to white women he knew in Chicago, saying as he left her store, "Bye, baby." In response, the outraged husband and a white male friend beat, murdered, and mutilated Emmett Till. Despite the men's clear responsibility for the crime, the all-white jury acquitted them. In his closing statement the defense attorney for the two men called upon the importance of defending Southern white symbols in the face of Northern pressure: "Your fathers will turn over in their graves if [J. W. Milam and Roy Bryant] are found guilty and I'm sure that every last Anglo-Saxon one of you has the courage to free these men in the face of that [outside] pressure" (Williams 1987).

Cultural Capital and the Family

In preparing for their children's future, parents typically work toward three goals: enabling their children to have a place to live, providing a means by which to earn a living (sometimes viewed as standard of living), and encouraging personal fulfillment (sometimes viewed as quality of life). Legacy stands at the intersection of what parents have achieved in their own lives relative to these goals and what they see as possible and desirable for their children to achieve.

Survey researchers have shown that middle-class parents have very different values and childrearing styles than do working-class and poor parents. (Michèle Lamont [2000] points out that steadily employed men in what scholars refer to as working-class occupations refer to themselves as "lower middle class.") Parents' behaviors in socializing their children are strongly influenced by their awareness of the traits they consider necessary for survival and success. Because environmental and economic risk increase as social class position declines, working-class and, in particular, poor parents focus more on survival than on success. Middle-class parents value creativity, reasoning, and autonomy, whereas working-class parents favor obedience and conformity. Middle-class parents tend to encourage exploration, whereas poor parents focus on setting limits. These are rational responses to different levels of experienced environmental risk, which is then related to the job rewards that young people seek. Young people concerned with having a predictable, secure future that includes not moving from place to place are less likely to continue in school. They also are more likely to come from poor or working-class homes. Rural areas often have a lower proportion of college graduates than urban areas. Persons with middle-class backgrounds tend to seek intrinsic rewards (interesting jobs that use all of one's skills and abilities, the learning of new skills, the chance to be creative) and in influence (participating in challenging work and decision making) and are more likely to continue their education—and move to urban places for work.

Annette Lareau (2011) has done systematic ethnographic work to show how parental values translate into cultural capital. She found that middle-class black parents transmitted the same values as middle-class white parents. Middle-class parents engage in *concerted cultivation* of their children. They feel that what they do will have an enormous impact on their children's future, so they actively assess and foster each child's talents, options, and skills. To do this, they actively organize their children's lives, ensuring participation in leisure activities orchestrated by adults. This requires that the parents' own work generate a high enough income to pay for their child's participation (from sporting gear to music lessons) and have enough flexibility to allow them to provide transportation and to attend school programs when needed. When urban middle-class parents are recruited to work as professionals in rural communities, they often worry about the lack of challenges for their children, not realizing the many opportunities for skill building through participation in school and church activities as well as 4-H.

Middle-class parents are particularly concerned about language use. They use reasoning, even when offering directives: "Put on your cap and coat before we go out. It is very cold today, and you know how unhappy you are when your ears are cold." Children are allowed, even encouraged, to contest adult statements—"It's not really that cold; can't I wear a sweater?"—which may result in extended negotiations between parent and child: "Let's look at the thermometer outside your room to see what the temperature is. Is the wind blowing? You know that makes it feel even colder. Let's look at the trees to see if we can tell." Middle-class families, because they are part of regional or national labor markets not dependent on kin relations, have weak extended family ties. Because of their low concern for roots and security within the extended family, they are likely to live apart from relatives. And when they do live near relatives, scheduled children's events (such as starring in the school play) take precedence over family events (such as Grandma's birthday). Middle-class children therefore are more likely to spend time in homogeneous age groupings, for that is the way most of their activities are organized. Rural areas have traditionally had multigenerational activities, but this too is changing.

Middle-class parents feel comfortable intervening when their children experience problems, and they encourage their children to do the same: "You got a 'C' on the math test. Did you talk to your teacher to help you understand long division better?" That pattern of concerted cultivation encourages an emerging sense of entitlement in the children.

In contrast, poor and working-class parents believe that as long as they provide love, food, and safety, their children will grow and thrive. Lareau calls this the *accomplishment of natural growth* approach to childrearing. These parents do not have the resources or do not believe it necessary to engage their children in a multitude of free-time activities to encourage their particular talents. These children have more leisure time and hang out a lot, particularly with kin. Parent-child interactions are often in terms of directives: "Put on your jacket and cap." A child who responds that it doesn't seem that cold out is admonished: "Put on your jacket and cap NOW." If the child resists, physical punishment is more likely to result. However, it is rare for young poor or working-class children to question or directly challenge adults (although they may not actually wear the cap and jacket to school). There are strong extended-family ties, and older adults feel very comfortable giving directives to their younger relatives. Children spend much of their time in mixed-age groups.

Working-class and poor adults feel much less comfortable around authority figures. Their experience with police, teachers, doctors, and social workers generally has resulted in having things—including their children—taken away from them. Thus they are hesitant to share information with authority figures, for they are unsure how the information might be used against them. Working-class and poor adults and children are deferential and outwardly accepting in their interactions with professionals, but they are very distrustful of them. Lareau (2011) found that the accomplishment of natural growth

Table 3.1 Summary of differences in childrearing approaches.

Dimensions Observed	*Childrearing Approaches* *Concerted Cultivation*	*Accomplishment of Natural Growth*
Key elements of each approach	Parent actively fosters and assesses child's talents, opinions, and skills	Parent cares for child and allows child to grow
Organization of daily life	Multiple leisure activities are orchestrated by adults for child	Child "hangs out," particularly with kin
Language use	Reasoning/directives Child contestation of adult statements Extended negotiations between parents and child	Directives Rare questioning or challenging of adults by child General acceptance by child of directives
Social connections	Weak extended-family ties Child often in homogeneous age groupings	Strong extended-family ties Child often in heterogeneous age groupings
Interventions in institutions	Criticisms and interventions on behalf of child Training of child to intervene on his or her own behalf	Dependence on institutions Sense of powerlessness and frustration Conflict between childrearing practices at home and at school
Consequences	Emerging sense of entitlement on the part of the child	Emerging sense of constraint on the part of the child

Source: "Lareau, Annette. 2002. "Invisible Inequality: Social Class and Childrearing in Black Families and White Families." *American Sociological Review*, Vol. 67, No. 5 (Oct., 2002), pp. 753."

encourages an emerging sense of constraints. (Table 3.1 summarizes the differences between these two approaches.)

Differences in family life lie not only in the advantages parents obtain for their children but also in the skills they transmit to children for negotiating their own life paths (Lareau 2002). Financial capital as well as natural and built capital greatly influence cultural capital—and cultural capital influences other capitals as well.

Independent Entrepreneurs

People who expected to run their own businesses, what we now call independent entrepreneurs, settled many rural communities, particularly in the Northeast and the Midwest. These businesses are often family businesses, and self-employed businesspeople make up a higher percentage of the workforce in rural communities than in metropolitan areas.

Independent entrepreneurs are the backbone of the Jeffersonian view of the ideal society, which the Dawes Act sought to promote among Native Americans, ironically by taking away most of their access to land and water resources. This particular cultural capital promotes industriousness, self-improvement, and optimism. After slavery was abolished, African Americans became independent farmers and entrepreneurs, generally in their own towns or on the "black" side of the tracks. Unfortunately, after Reconstruction their successes were reversed by illegal and violent actions against them, and they lost their land and businesses to European Americans.

The rural myth, best expressed in *Small Town in Mass Society* (Vidich and Bensman 1968), describes the ideal rural entrepreneur. That individual has the right attitudes and works hard. As a result of good attitudes and hard work, that individual accumulates wealth over his or her lifetime. Those who do not accumulate wealth are viewed as lazy ("They don't work hard") and as having the wrong attitudes ("They don't value what we value"). Work is pursued with great personal sacrifice and is oriented toward the improvement of self and family and to the accumulation of wealth. However, wealth generally is not sought for its own sake or for the consumption of luxury goods and services; instead, wealth is needed to acquire or develop an independent business. As a result, attitudes of industriousness, self-improvement, and optimism lead to behavior conducive to economic activity, which in turn generates wealth.

The resources these parents have accumulated directly influence the legacy they give their children. Parents work hard to invest in farms or businesses. These investments then provide employment and housing for their children as well as a source of social status within the community. All of this hard work is considered an investment in their children's future as well as in their own. Because Dave Stitz's father had acquired land for his son, it seems only natural that Dave is now acquiring land for a son yet to be born.

For those who farm or operate small businesses in rural communities, the three legacy goals combine in a single place. A place to live is often part of the means by which a family makes its living. Consequently houses are valued for their use, and they are worth maintaining for long-term use by the family and community. Personal fulfillment comes from the family business and involvement in the local community, which makes the connection between legacy and place enormously strong. When that legacy is blocked, as it was for many farm families during the farm crisis of the 1980s, the loss can be especially difficult to accept.

Values such as industriousness, self-improvement, and optimism certainly are important to any business. But so are social connections, and as a result, legacy for this social class is place-specific. Parents develop a set of skills crucial to running their business and being accepted within a community. Although some of the knowledge needed to run a successful business may transfer from one community to another, understanding how to run a business in any particular town may be specific to that town's culture. Consequently knowledge and connections important to economic survival in a given community transfer from parent to child. For Dave Stitz, the connections he inherited from his parents that gave him access to more than his own farmland allowed him to continue farming.

Managers and Professionals

The managerial and professional class includes those who sell their labor but retain some autonomy in their work. Rural communities have always collectively purchased the labor of certain professionals, such as ministers, teachers, and lawyers. Although these individuals do not necessarily earn a large income, they enjoy the respect of the community and are critical in reproducing the area's cultural capital.

Manufacturing plants and service industries now require managers and administrators to regulate the labor of workers and clerks. For the most part these salaried managers and professionals are relatively well paid and share some characteristics with those who own the means of production. They have a high degree of autonomy on the job. In addition to determining the schedule and content of their own work, they often make decisions that affect others. In addition, this autonomy reinforces self-esteem and enhances the value of independence and decision-making ability. Consequently the most important legacy that middle-class parents impart to their children is the ability to command a high price for their labor based on the credentials they earn through formal education.

For Rosemary Turner's parents, who are themselves salaried professionals, education substitutes for the transmission of material wealth. Like many others in this social class, they encouraged Rosemary and her siblings to do well in school, helping them with their homework and challenging them to question and discuss issues with teachers. Independent thought is valued as part of the educational process, and it is important in making management decisions. Like many of their counterparts, the Turners believe that their success is directly related to their education; likewise, they believe that their children's hope for satisfaction is linked to their higher education, and they struggle to save money for their children to attend college.

Families like the Turners expect their children to become part of a regional or national labor force. To some extent this legacy is location-free. Parents will be committed to and actively involved in the local school system to ensure that their children receive the preparation they need for college. Buying a home becomes an investment made for its exchange value. In contrast to the independent entrepreneur, however, the three legacy goals are not linked together by a place.

Working Class

Mining, timber, manufacturing, and service industries in rural areas all create a working class, those who sell their labor but have little autonomy or control over their work. Throughout US history textile mills in the South, garment and shoe factories in New England, lumber camps in the Northwest and the upper Great Lakes, and mines in various parts of the country all have employed large numbers of workers. Many went to work in these industries with the hope of saving enough to open their own businesses. Some eventually succeeded. Others, however, found that the low wages and high expenses involved in living in mill towns, mining towns, or lumber camps made saving difficult. A strong labor movement later increased wages in some of these industries, especially mining and timber. Wages rose to the point at which workers could not afford to quit and start their own businesses. Many settled into depending on wages for their livelihood. Their children have continued that tradition. But these sectors of the economy are restructured by both technologies that substitute capital for labor and globalization. Restructuring moves labor-intensive production to nations where labor is cheaper. Thus the options of the rural working class become more limited.

In most cases working-class jobs require skills that are learned on the job rather than through formal education. In some industries, such as mining or logging, workers receive substantially higher wages than do some people whose jobs require a college education, such as teachers. Consequently there is little incentive to invest in education. This is the case in mining areas such as McDowell County, West Virginia. Eager to earn money for personal use or to help the family with expenses, young people go to work at an early age.

Homes are purchased not for their resale value but as a secure place to live. Seasonal layoffs or changing patterns in national and international markets often make employment unstable, so families seek security through home ownership.

For workers whose jobs depend on natural resources, legacy is often tied to a sense of place. As new areas of natural resource extraction opened up in the 1800s, those in logging or fishing simply moved on when they tired of a particular job. Other jobs were always available, sometimes for better wages. The introduction of unions substantially increased the wages paid for these jobs, but at a cost to worker mobility. Those in McDowell County have become second- or third-generation mineworkers. Their investments—in homes, for example—are tied to a place. When the local economy declines, the value of their homes goes down, making it impossible to recover the cash needed to relocate. Consequently most workers try to weather periodic economic downturns and layoffs. Like independent entrepreneurs, those in the rural working class often see legacy and place as strongly connected. The loss of an industry can mean the loss of all three legacy goals.

The Poor

Some working-class jobs in rural areas pay very poorly, and the employers, whose cultural capital prevails, describe these jobs as requiring few skills, although in fact there are many specialized skills learned on the job that are critical for the firm. These jobs are unstable, low paying, part time, or seasonal, and they sometimes require migration. The wage earned depends not on a worker's skills but rather on the supply of workers willing to take jobs and on the cultural assessment of what the work is worth. The supply of workers almost always exceeds demand, so the state's minimum wage becomes the maximum wage for this group. In many cases these individuals see little chance of accumulating enough money to start their own businesses or buy their own homes. These individuals move often because they live in low-quality housing or in undesirable areas or cannot pay that month's rent. A few months of staying with relatives or friends, a few months of living independently, moving to a new town hoping to find better work or even sleeping in the car means that children attend school irregularly and often change schools during an academic year.

Poor parents' aspirations for their children focus on physical safety and physical nurturing. Those in authority are viewed as threatening, as are the everyday conditions of life. Parents see inner discipline as less important because keeping a job depends more on the labor supply or an employer's whim than on an individual's behavior. Those who are poor often feel they have little control over their environment. They perceive, often correctly, that hard work does not lead to wealth or high self-esteem. Parents often are pessimistic about their children's prospects for the future, and they may feel unable to influence them positively. The legacies they want to give their children are modest: stay safe, find steady work, and stay out of trouble.

In contradiction to the stereotype that poor people are lazy and do not want to work, a substantial number of the rural poor are among the working poor. More than two-thirds of the rural poor who are not ill, disabled, or retired work all or part of the year. In many respects the legacy passed on by the working poor accurately represents the society they have experienced.

Transmitting Culture Through the Community

Culture is transmitted from one generation to another through social institutions. Institutions that control the means of production, provide education, reinforce values, or support personal connections all influence the legacy that is handed down. This section looks briefly at two important institutions, the family and the schools.

Family Influence

Families are the primary means by which legacies are transmitted. Parents exert a great deal of influence over the values their children adopt, the sense of self-esteem and self-worth with which children face the tasks of growing to adulthood, and the opportunities available to them. As described previously, these legacies link what parents have achieved and what they see as possible for their children. To some extent, however, these legacies also depend on whether parents expect their children to remain in the community.

The opportunity structure in their communities deeply affects rural families. If parents expect or want their children to stay nearby, then they are very much aware of the local job opportunities and class structures. The legacies they pass on to their children often perpetuate existing class structures and certainly reflect parents' experience in the workplace.

If parents expect their children to leave, then the values and attitudes they pass on may be very different. Middle-class parents who are managers or professionals emphasize education.

Working-class families who are eager to see their children achieve a better life also emphasize education, realizing that job opportunities, class structures, or both will require their children to leave the community. Those in declining farm communities or in manufacturing communities such as Eatonton, Georgia, often encourage their children to leave. Families in expanding communities, such as Mammoth Lakes, California, may see vastly different opportunities. Latinos migrating to the town for seasonal work see the chance to make ends meet. Middle-class families see opportunities for entrepreneurial activity.

Role of the School

The family is not the only institution that transmits cultural capital. Funded and staffed by community members, schools play an important role in orienting children toward their future position in society. In turn, the legacies parents have for their children influence the school's character. Within the school, class influences how students respond to teachers and, thus, impacts their education. A study by Jessica McCrory Calarco (2014) shows how middle- and lower-class parents expressed contrasting beliefs about appropriate classroom behavior that shaped their cultural coaching efforts. Working-class parents discouraged their children from asking for help or from active participation in class.

In the rural Midwest, legacies reflect the sense of social equality and high value placed on education that existed during the settlement period. Class differences are ameliorated within the school. Parents expect their children to manage a business or become salaried professionals, so they want their children to develop independence and the work habits needed to make such a living. They also understand that both businesses and professions depend on connections with people who have power and authority, so they try to help their children feel comfortable around people with power in their community through informal interactions. Schools generally encourage participation by all students, regardless of class. Smaller schools in the Midwest and Northeast have higher rates of participation in extracurricular activities, a result of concerted cultivation on the part of the schools. No fees are charged for extracurricular activities, as occurs in urban schools in California, for example; the community is collectively willing to support each child's opportunity to participate. Education may also be oriented toward out-migration, as parents acknowledge that few jobs are available locally, leading to disinvestments in the community by both parents and children.

In communities in other parts of the country, particularly in low-income areas in the South and Appalachia, parents see limited job opportunities for their children. As discussed previously, they also see little connection between hard work and success. Consequently their investment in education is not nearly as great. Dropout rates are high, and teenage pregnancy is more prevalent. Parents and young people do not see any immediate advantage to remaining in school. Because of this, the sense of independence created by going to work, even at a low-paying job, or by becoming a parent is not offset by what seems to be the remote chance that education will lead to higher earnings. Unfortunately high school dropouts experience higher unemployment rates.

August Hollingshead's (1949) study of "Elmtown" (pseudonym for a midwestern town) examined the extent to which social class and culture were passed from parent to child through community institutions such as the school. Hollingshead identified three mechanisms by which a rural community's social stratification was reproduced in the school. First, through cliques and recreational activities, the young people replicated the social structure of the adult world. Second, those adults who had a direct impact on the children, including teachers, school administrators, and community leaders, systematically discriminated against children from lower classes. Finally, children from the lower class learned patterns both at home and in school that hampered their educational and occupational attainment.

As social institutions that transmit culture, schools are an enigma. Rural communities have fought long and hard to maintain local control of schools, in part to ensure that the values and attitudes of the local community are respected and transmitted through education. Tribal governments established tribal schools and colleges to make sure that Native American cultural capital related to that tribe and that place are transmitted on a par with the dominant cultural capital. State and federal courts informed by congressional and state civil rights legislation see education as a social equalizer, enabling anyone willing to apply him or herself in school to move into the middle and upper middle classes. Research such as that conducted by Hollingshead demonstrates the extent to which schools can block mobility, replicating the community's social class structure so that those in the lower classes see no way to advance. Some rural communities are looking very carefully at who does and does not succeed in school, asking themselves to what extent the school serves all students fairly.

Impact of Gender, Race, and Ethnicity

Although class and social status are important in shaping culture, their impact differs depending on gender, race, and ethnicity. Parental aspirations vary greatly for their children depending on the sex of the child and the family's race or ethnic heritage.

Any discussion of these issues carries some of the same risks as discussions of the relationship between social class and culture: It is extremely difficult to generalize across populations without seeming to stereotype. Differences in cultural capital based on gender, race, and ethnicity do exist, although they are complex. This discussion reflects some of the current thinking about how these differences occur. By no means, however, does it capture the full complexity of the issues involved or the diversity found across any given population.

Gender and Cultural Capital

Traditionally parents, schools, and communities have expected different things of girls and boys. Through the 1950s men and women assumed distinct roles in society, so parents expected male and female children to need different skills and values. Parents expected males to be able to earn a living that would support themselves and their families. Men were socialized to be independent, able to compete, and competent in a skill or profession. Women were socialized to make the best marriage possible, relying on men for financial security. Maintaining an attractive appearance and developing homemaking and social skills were the values and skills considered important to that future. To some extent the social and homemaking skills women needed depended on their parents' assessment of the kind of men they would marry. A farm girl would learn a variety of production skills, such as gardening, home canning, and sewing. A town girl, whose parents felt her future rested on marrying a middle-class professional, would learn music, arts, and leisure sports as well as homemaking skills.

The Turners' commitment to Rosemary's education demonstrates how dramatically these expectations have changed since the 1970s. Women are entering the labor force in increasing numbers, partly to achieve self-sufficiency and self-satisfaction. As real wages have fallen since the 1960s, economic conditions also require that many women work to help support their families, sometimes because they are single parents. In 2013 57.2 percent of working-age women were in the labor force, compared to 69.7 percent of men.

Women's increased presence in the workforce has affected childrearing patterns. Fertility rates are falling across the developed world, including the United States, as couples wait until at least one of them has a job with good pay and benefits before starting a family. Increasingly women choose to or are forced to return to the labor force soon after the birth of their children. They are no longer willing or, in some cases, able to stay out of the workforce to raise a family. Between 1999 and 2000 more than 55 percent of women ages fifteen to forty-four returned to work or actively sought a job within one year of having a baby, compared to the record high of 59 percent set in 1998 (US Census 2000). By 2013 69.9 percent of mothers with children under eighteen were in the labor force, and 53.7 percent of mothers with children under a year old were in the labor force. For single mothers with children under eighteen, the 2013 labor force participation rate was 74.2 percent.

Cultural Capital and Race

Despite advances in civil rights during the past three decades, race continues to have a dramatic impact on cultural capital. African Americans were the largest minority group in the United States until 2002, constituting nearly 13 percent of the population. Their history, shaped by periods of slavery, segregation, and the civil rights movement of the 1950s and 1960s, has left a variety of legacies, some positive and others negative.

Because of their roots in slavery and the persecution that followed emancipation, generations of blacks in the United States were not able to pass on significant material wealth to their children. Instead, many focused on providing children with social and cultural capitals that allowed them to survive in an often hostile environment. Rural blacks stressed linkages within the family and to the larger black community as well as the mutual obligations and supports such linkages provided. Black parents, regardless of class, stressed family relations, the value of family, and family links to the community and to church. Because of segregation, African Americans lived in multiclass communities, so children of sharecroppers were able to see schoolteachers, doctors, and preachers who looked like they did. Faced with segregated school systems, many African American communities in the South started, supported, and staffed their own schools, providing mobility within the community for youths with promise.

As it has become possible for African American professionals to move into areas from which they once were excluded, poor African American children in both rural and urban areas are less likely to interact with professionals they know socially. When schools were integrated, European Americans usually got the teaching positions, so the cultural capital once present in rural African American towns has shifted away from the cultural values that stress and demonstrate the importance of education and the possibilities of social mobility.

Orlando Patterson (2015) argues that black American youth have a matrix of cultural values, despite urban street culture and hip-hop and what he considers a real *culture of poverty* that is reinforced by conditions of economic insecurity. For black youth these values include the cultural meaning of motherhood, fatherhood, and manhood among low-income African American youth. That culture stems from living for generations in excluded, devalued communities, yet black urban youth realize that their culture matters in explaining their plight.

Stevenson and his colleagues (2002) looked at race-related socialization from the perspective of black youth. They argue that these involve cultural strategies that protect youth from discriminatory and psychologically antagonistic environments, mediate racism stress, and create protective family relationships. The psychological assaults projected on black youth, including being perceived as "menaces to society" simply because of gender and skin color, are well known in rural, suburban, and urban places. The cultural values consciously imparted by black families included in racial socialization had several dimensions: cultural coping with antagonism, cultural pride reinforcement, cultural appreciation of legacy, and cultural alertness to discrimination. In rural areas black parents have always taught their children to defer to white norms and expectations, as the results of not appearing docile and nonthreatening could mean lynching or shooting.

Dignity in the face of continued racism is an important part of black cultural capital. Ways of responding to racism without resorting to violence or being attacked are important components of the skills parents foster in their children.

Cultural Capital and Ethnicity

In addition to gender and racial differences, parents are influenced by their ethnic heritage in identifying suitable legacies for their children. An ethnic group is a population that shares an identity based on distinctive cultural patterns and shared ancestry. The United States is often referred to as a "melting pot," implying that migrants' diverse ethnic origins are blended. In reality, distinct ethnic subcultures continue to exist, with the goal of integration rather than assimilation.

For example, about 2.4 million Native Americans live in the United States. Almost 22 percent live in rural areas or on reservations, mostly west of the Mississippi River. They are the poorest ethnic minority in the country. Despite the rich history and culture of the various tribes, Native Americans today offer their children one of the bleakest legacies. In 2009 27.3 percent of Native Americans lived below the poverty line, nearly twice the national rate of 14.3 percent. Nearly a quarter of American Indians/Native Americans over age twenty-five do not have a high school diploma. The high school dropout rate is twice the national average. Alcoholism is a pervasive and persistent problem, with Native Americans experiencing a rate nearly five times that of the nation as a whole. Tribal elders stress the necessity to build and use tribal cultural capital to confront these forms of dependency, which mirror the dependency established by treaty rights, through which Native Americans gave up their ways of supporting themselves in response to a promise that the US government would take care of them, directly and explicitly creating dependency.

Even in the face of such devastating statistics, Native Americans strive to maintain and convey pride in their heritage. Schools on some reservations, once used as a tool to eliminate the Native American cultures, now incorporate both native and the dominant culture into their curricula. Efforts to stimulate economic development on native lands also are beginning to reflect native values and orientations toward the land. Increasingly Native Americans seek to transmit cultural capital that respects their own culture but equips young people to function more effectively in the white world.

One of the fastest-growing ethnicities in the United States is Latino/a. *Latino* is used to refer to people of Spanish-speaking ancestry, but this clearly is not a homogeneous group. Of the 54 million Latinos living in the United States in 2013, over 34.5 million are Mexican American, 5 million are Puerto Rican, with over 2 million each from San Salvador, Cuba, and the Dominican Republic, over 1 million from Guatemala, and the remaining are drawn from many countries of Central and Latin America. Latinos are the fastest-growing ethnic minority in the United States and officially surpassed blacks as the largest minority in 2002.

Although many Latinos in the West and Midwest can trace back their residence in the United States for generations, their ancestors having arrived earlier than immigrants from northern Europe, the vast majority of Latinos arrived during and after World War II. Significant migration continues today, particularly from Mexico and such Central American countries as El Salvador, Honduras, and Guatemala. As other newly arrived immigrants did in the past, Latinos tend to reside in ethnic enclaves, to an extent resisting assimilation into the wider culture in order to survive. However, in rural communities of the Midwest and South, the so-called New Destinations, they tend not to be segregated residentially but are separated linguistically, occupationally, and culturally from their long-established Anglo neighbors. For many, there are limited job opportunities, a function in part due to inadequate English-language skills and/or undocumented status. Many are drawn into low-paying construction, manufacturing, and service occupations in rapidly expanding rural communities. These typically offer few opportunities for advancement.

Like the black community, Latinos value family loyalty, respect, obligation, and commitment to mutual support. Strong backlash against new immigrants has criminalized their status in states such as Georgia and Arizona, even though no federal criminal law prohibits entering the United States or overstaying a visa. Coupled with the climate of fear associated with the raids on rural homes and businesses by Immigration and Customs Enforcement, integration is further delayed.

Asian migration began on a large scale during the late nineteenth century, when the Chinese were recruited to serve as cheap labor for the developing industries of the West, such as mining and construction, including the building of the transcontinental railroads. Although Chinese immigration was legally suspended in 1882, a diminished but continuous stream of Asians made its way to the United States. Japanese and Mexican workers replaced Chinese farmworkers in the agricultural valleys of California. Filipinos began arriving in large numbers in the 1920s. The Japanese, through their tightly knit mutual aid societies, were able to make the transition from farmworkers to fruit and vegetable farmers owning their own land, but they lost their property and livelihoods in 1942, when they were defined as security risks and removed to internment camps for most of the rest of World War II. Changes in immigration laws in 1965 resulted in increased flows once again, particularly from war-torn areas of Vietnam, Laos, and Cambodia. Today many Asian Americans reside in rural areas, settling in small towns in states such as Kansas, Minnesota, and Massachusetts.

Although the nationalities represented among Asian Americans value different characteristics and behaviors, there is a general appreciation for education, industriousness, and family cohesion. Until such time as material success is widely available to these ethnic groups, these qualities will define the principal legacy bequeathed to Asian American children by their parents.

Refugees from Burma (Myanmar), the Horn of Africa, Bosnia, and other war-torn countries are increasingly settling in rural areas. Often recruited for their documented status by meatpacking companies following workplace raids by Immigration and Customs Enforcement (ICE) on undocumented Latinos in the mid-2000s, their cultural capital is more difficult to incorporate into rural US communities than was true for the Latino immigrants who began coming to the Midwest in the 1990s. It is harder to find professionals and paraprofessionals who speak their languages to serve as a bridge between the refugee groups and the native residents of the rural communities. Many of these refugees, having spent many years in refugee camps, put considerable burden on the social service sector of small towns. However, those communities that have successfully incorporated Latino immigrants into community life already have many of the cultural tools for successfully integrating other cultural groups without the latter having to give up their distinctive cultural capital.

Inequality: Whose Cultural Capital?

Rosemary and Dave Stitz received different legacies from their parents, legacies that contributed to their opposing stands on the school bond issue. Heated discussions aside, both inherited a legacy capable of helping them maintain a stable lifestyle that encouraged them to contribute to the community.

Cultural capital gives individuals their sense of identity and their range of alternatives in a changing society. Throughout US history dominant groups have tried to impose their cultural capital on others, including values that reinforce the current hierarchies and inequalities. At times the imposition of cultural capital of the hegemonic group has been violent, as the dominant society sought to either eliminate those who did not seem to incorporate the dominant values or to extinguish their cultural capital entirely. With respect to Native Americans, this effort at cultural erasure was known as "getting the red out." Education once was aimed at getting all children to accept the dominant cultural values, to learn to advance if they had the ability, or to accept their place in life if they did not. However, scholars now understand that it is not that simple. Distinct cultural capitals can coexist. The self-confidence to act positively toward oneself and others requires a pride in one's culture and background rather than a complete rejection of it. Individual and social problems arise when cultural capital is given up or stamped out. Indeed, it is impossible to completely appropriate the cultural capital of the dominant group. Individuals who do try to replace their own cultural capital with that of the dominant group are vulnerable, marginal to both their group of origin and the dominant or hegemonic group.

Creating Shared Cultural Capital

Rural communities respond to change in many ways. They can simply hold together in fear of "the other" and of change that is induced from outside forces they neither understand nor trust. Or efforts can be made to learn from each other's culture and create a stronger community as a result.

It takes a lot of effort to feel comfortable around those who do not share your cultural capital. Often schools and their extracurricular activities can provide an opportunity for the entire community to come together. Schools or recreational programs that offer soccer build on the cultural capital of immigrants from many countries in Europe, Africa, and the Americas and can bring out the rest of the community to engage in informal interaction. Rural churches are often based on just a few families but can plan potlucks with the churches of new immigrants. Eating together and sharing food is a traditional way of making sure no one remains a stranger. Growing food together—at least alongside one another—is another powerful way to encourage cultural sharing. In some communities, community gardens, in which different cultural groups grow their favorite fruits and vegetables side-by-side, can lead to the sharing of information and recipes. In some communities where language is an issue, classes in English *and* classes in the language of the newcomers are offered.

A new source of shared cultural capital for young people is social media. Increasingly people are linked to people from various parts of the state, the nation, and the world through shared YouTube videos and tweets.

Chapter Summary

Cultural capital is a filter through which people regard the world around them, defining what is problematic and, therefore, can be changed. Cultural capital generally is expressed through families and other social institutions, and it varies by race, class, ethnicity, and gender. Cultural capital can be transmitted or modified intergenerationally. From the parents' perspective, the capitals they give to their children provide the tools for the next generation to survive and/or prosper.

Parents seek to pass on to their children both material possessions and values and norms. Which capitals are passed on depend to some extent on current economic opportunities. Parents' social class also affects which capitals they can pass on to their children. Sociologists define *social class* either in terms of how individuals relate to the means of production or in terms of their social status within the community. When social status differences are large and opportunities to improve one's status are small, a community or society is said to be highly stratified.

Membership in a given social class often affects which capitals are passed on to children. Because parents who are small business owners or entrepreneurs often pass on land or a business to their children, the transfer of capitals is strongly linked to place. Although they want their children to take over the business or farm, other small business owners or farmers realize that such a legacy may not be realistic in the current economy. Therefore they encourage their children to get a good education.

Those in the middle class, particularly managers and professionals, typically invest in their children's education and value independent thinking and the capacity to make decisions. Limited to the manufacturing or natural resource jobs available in the local rural community, working-class parents value discipline and want to ensure that their children can adapt to externally imposed rules. Some working-class parents find that their salaries are not sufficient to keep the family out of poverty. Those who are persistently poor often feel they have little control over what happens to themselves and their families. Consequently they see little connection between hard work or education and a better future. Thus even when they and others recognize that they have high levels of ability, they underinvest in acquiring the dominant symbols and values and instead maintain local cultural capital.

Cultural capital is transferred from one generation to another through social institutions. The family serves as the primary social group through which cultural capital is transferred. Schools can either reinforce existing class structures or offer opportunities for social mobility.

Issues of gender, race, and ethnicity often modify the relationship between cultural capital and social class. In earlier times men and women had distinct roles that affected the cultural capital bequeathed to each. Structural racism often blocks black parents from passing on acquired social mobility to their children. Native Americans struggle with the legacy left by decades of oppression. Social inequalities continue to exist, limiting communities as well as individuals. Immigrants increasingly seek to have their children appreciate their culture of origin while also acquiring the tools to succeed in a new culture, economy, and society.

Key Terms

Accomplishment of natural growth describes a situation wherein parents do not intervene in their children's activities or associations but provide for their basic needs, including love, food, and physical safety.

The *capitalist class* includes those who own the means of production.

Concerted cultivation describes a situation in which parents seek to have their children internalize a set of rules of behavior through dialogue, weighing of alternatives, and careful reasoning while at the same time providing guidance in how children spend their time, how they think and speak, and with whom they associate.

Hegemony is the dominance of one social group over another, such that the ruling group acquires some degree of consent from the subordinate, as opposed to dominance purely by force.

Legacy is that which parents seek to pass on to their children, including material possessions, education, values, and behavioral patterns.

The *managerial and professional class* includes managers, professionals, and government officials, individuals who sell their labor but maintain considerable job autonomy by having a particular skill set that, particularly in the case of managers, includes the ability to manage people.

The *petite bourgeoisie* includes those who own the means of production but rely primarily on their own labor rather than on the labor of others.

Proletarians or the *proletariat* include those who sell their labor for wages, also known as the working class.

Social class has two distinct meanings. It describes people with similar relationships to the means of production. It also refers to a particular layer, or stratum, in a social stratification system.

Social mobility is the process whereby people move from one position in a stratification system to another.

Social stratification is the division of people into layers, or strata, based on a series of attributes related to social status.

Socialization is the process through which people learn to think, feel, evaluate, and behave as individuals in relation to others and to social systems.

Discussion Questions

1. Reflect on your childhood. What are the major values your parents thought were important for you to hold? What mechanisms did they use to make sure you learned them? How does that compare to the various parental strategies described?
2. How is the history of your region reflected in the dominant cultural capital?
3. Describe the ways social institutions (family, school, church, and media) function as agents of cultural capital and the degree to which they reflect and reaffirm the cultural capital of a community with which you are familiar.
4. Under what circumstances does cultural capital support the status quo? When does it promote social change?

Web Resources

- Watch *Just Folks* and *Legacy* at "Rural Communities: Legacy and Change," Annenberg Learner, 1992, www.learner.org/resources/series7.html#. Highlights rural community values and beliefs, which contribute to the power of social institutions such as churches and schools. Why changes need to be made within the parameters of social and cultural customs and standards is explored.

- The website for the Bishop Paiute tribe, at www.bishoppaiutetribe.com/index.html.
- "The Pillars of Settler Rule," University of California Press, http://tinyurl.com/the-pillars-of-settler-rule.
- Interactive maps of religious traditions by state and locality: Pew Research, Religion & Public Life Project, http://religions.pewforum.org/maps.
- Religious predominance and religious diversity by county: Niraj Chokshi, "Religion in America's States and Counties, in 6 Maps," *Washington Post*, December 12, 2013, www.washingtonpost.com/blogs/govbeat/wp/2013/12/12/religion-in-americas-states-and-counties-in-6-maps.
- Article about how our culture portrays alcohol as central to the college experience: Julia Schmalz, "Drunk on Camera," *Chronicle of Higher Education*, December 4, 2014, http://chronicle.com/article/Video-Drunk-on-camera/150237/?cid=at&utm_source=at&utm_medium=en.
- Podcast about how poorer kids may be too respectful at school: Erika Beras, "Poorer Kids May Be Too Respectful at School," *Scientific American*, December 3, 2014, www.scientificamerican.com/podcast/episode/poorer-kids-may-be-too-respectful-at-school/?WT.mc_id=SA_SP_20141208.
- Human trafficking in the United States, including a map on location of potential human trafficking cases reported to the National Human Trafficking Resource Center (2007–2012): "Human Trafficking Trends in the United States," Polaris, November 21, 2013, www.polarisproject.org/human-trafficking/overview/human-trafficking-trends.
- Watch "In the Light of Reverence: Protecting America's Sacred Lands" (obtain from library; not available online). The first segment (about twenty-five minutes) explores the cultural conflict over Devils Tower *(Mato Tipila* in Lakota) in northeast Wyoming between recreational climbers and Native American ceremonial users. More details at "In the Light of Reverence," Bullfrog Films, www.bullfrogfilms.com/catalog/ilr.html, and Native Cairns, www.nativecairns.org/Lesson_Plans_files/Devils%20Tower.pdf.

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4

Human Capital

The Tennessee Overhill Heritage Association was at a critical stage in bringing together its ecotourism plan. Although the maps of its trails were good, the association needed more knowledge of the plants and animals that could be seen at various points on the trails. Its members had brought in a wildlife specialist from the Tennessee Department of Environment and Conservation, but she had earned her PhD by conducting research in another part of the state. She had general information about natural capital to share based on her formal education and fieldwork in western Tennessee, but she could not give the association's members the local details they needed to put their plan into action.

The eight members of the ecotourism committee were stymied. Should they just go with something general? Or should they follow their principle of developing a unique cultural and environmental experience? One member of the committee, Andrew Finney, suddenly realized something. He turned to another member, Jean Littlefox, and said, "Your husband, Thad, grew up in these woods. His Cherokee grandmother taught him all about the plants and animals. He can whistle more birdsongs than anyone I know. Would he help with the ecotourism committee as we put our map together?"

Jean was embarrassed. She knew how uncomfortable Thad, a school custodian, felt in groups, especially college-educated people who tended to write everything down on flip charts. She said, "You know, Thad doesn't know how to read. He just never took to it, somehow."

Andrew waited for a moment. Then he replied, "We have eight people on this committee who know how to read very well. We don't have anyone who knows as much as Thad does about nature around here."

Thad joined the committee. The project served not only tourists, who were impressed by the uniqueness of the plants and animals they could see on the trail, but also schoolchildren, who were thrilled to accompany their custodian on hikes and learn the birdcalls from him.

What Is Human Capital?

Human capital consists of the assets each person possesses: health, formal education, skills, knowledge, leadership, and potential. Although the dominant cultural capital tends to define human capital in terms of formal learning, human capital is far more than educational attainment.

Theodore Schultz (1961) and his colleague Gary Becker, both Nobel Prize laureates, have done the most to ensure that human capital is a core concept in economics and in social sciences in general. Here is how Becker describes human capital:

> To most people capital means a bank account, a hundred shares of IBM stock, assembly lines, or steel plants in the Chicago area. These are all forms of capital in the sense that they are assets that yield income and other useful outputs over long periods of time.
>
> But these tangible forms of capital are not the only ones. Schooling, computer skills, a healthy lifestyle, and the virtues of punctuality and honesty also are capital. That is because they raise earnings, improve health, or add to a person's good habits over much of his lifetime. Therefore, economists regard expenditures on education, training, medical care, and so on as investments in human capital. They are called "human capital" because people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial and physical assets. (Becker 2002)

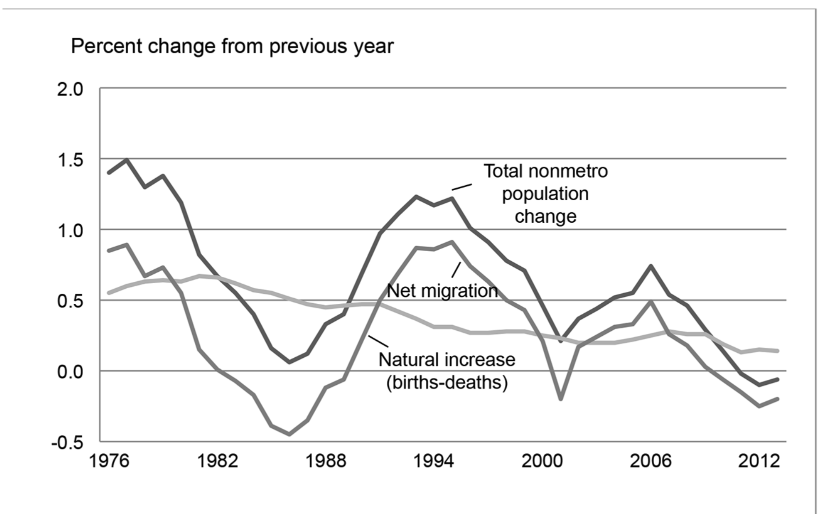
Human capital includes those attributes of individuals that contribute to their ability to earn a living, strengthen community, and otherwise contribute to community organizations, their families, and self-improvement. Thad Littlefox strengthened his community by using his skills and knowledge of natural capital, such as birdcalls and various forest plants and their uses. Although Becker defines human capital rather broadly, he categorically states that education and training are the most important forms of human capital. But one suspects that economists and sociologists have focused on formal education because level of education is easy to measure and the data are accessible. It is equally important to learn skills and gain knowledge through experience, as demonstrated by Thad Littlefox.

Changes in the Quantity of Human Capital

Population numbers over time are based on births vs. deaths and in-migrants vs. out-migrants. Between 2007 and 2013 nonmetro populations grew much more slowly than urban populations and even, for the first time in the United States, declined in absolute numbers from one year to the next between 2012 and 2013. Figure 4.1 shows the components of rural population change over time comparing natural increase (births minus deaths) to net migration (in-migrants minus out-migrants).

Although rural areas have traditionally had a higher rate of births to women of all ages than in urban areas, the number of births has dropped dramatically across the United States since the Great Recession of 2007. The economic recovery has not reversed that trend; indeed, US birthrates hit a historic low in 2013. The teenage birth rate also dropped to a historic low. Some commentators refer to this as a "birth dearth," similar to what occurred in Russia, Europe, and Japan in the 1980s. They attribute the US birth dearth after 2007 to the lack of secure jobs and high debt levels (especially student loans). Although some young people in some rural areas have relatives they can depend on for housing, jobs, and child care, most who calculate the costs of children postpone first marriage, then child bearing.

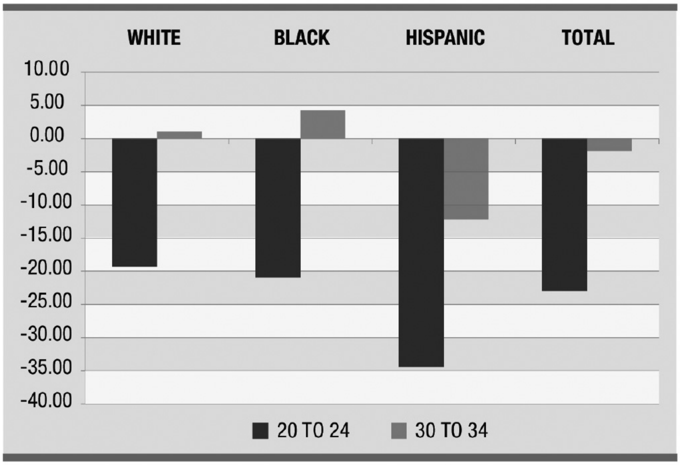
Figure 4.1 Nonmetro population change and components of change, 1976–2013.



Note: Metro status changed for some counties in 1980, 1990, 2000, and 2010. Rates are input for 1989–1990, 1999–2000, and 2009–2010.

Source: Adapted from USDA, Economic Research Service using data from the US Census Bureau.

Figure 4.2 Recession birth rates declines for young women, but remains stable for older women, 2007 to 2013.



Source: Johnson 2014.

Teen birth rates are higher in rural counties than in urban centers and in suburban counties regardless of race/ethnicity. In 2010 the teen birth rate in rural counties was nearly one-third higher compared to the rest of the country (forty-three versus thirty-three births per one thousand females aged fifteen to nineteen years). Between 1990 and 2010 the birth rate among teens in rural counties declined 32 percent, which was slower than the decline in urban centers (49 percent) and in suburban counties (40 percent).

When we examine the decline in birth rate by age, we see the drop is higher for younger women. Although there is a sense of satisfaction that teenagers are having fewer babies, there is concern that what demographers refer to as the prime reproductive years has also seen a rapid birth rate decline. Birth rates declined the most for Hispanic women twenty to twenty-four, then black women in the same age group (see Figure 4.2). These women, considered in the prime reproductive age group, are postponing both marriage and motherhood due to their precarious financial situation. The economic recovery that has helped banks and the stock market has not resulted in good employment opportunities.

As a result of declining fertility and an aged population, the majority of rural counties in the United States had more deaths than births, despite a net national rural natural increase. Thus, the rural counties with less initial population were more likely to experience a net natural decrease than the more populated rural counties.

Migration of Human Capital

Except for a few short migration turnarounds since the 1970s, rural population and new immigrants have moved to urban areas. Most rural counties experienced out-migration between 2010 and 2013, except for counties with new petroleum and natural gas and explorations. For many of the rural counties their out-migration and population loss would have been even greater were it not for the Latino migrants filling many low-paying jobs. The quantity of human capital provides the basic potential from which other capitals can be enhanced. But investments must be made in the quality of human capital for that to occur.

Human Capital as Labor Force

A job meets several human needs. It provides income, regulates daily activity, establishes a sense of identity, and offers opportunities for social interactions and meaningful life experiences. As a result, the kinds of jobs available and the opportunities for creating jobs within communities have enormous implications for the individuals who live or work there.

The structure of the labor force in many rural areas stems from the history of natural resource utilization and how the regional economy evolved over time. For many rural young people employment in natural resource extraction immediately after high school yielded higher wages than those for college graduates. Thus Chapter 1's Wade Skidmore went directly into the coal mines in McDowell County, West Virginia, and young men today go to Bakken for employment related to hydraulic fracturing for oil and natural gas. (See the *Star Tribune* article "Cash from Bakken Oil Boom Can Make College a Tough Sell," listed in the Web Resources section at the end of this chapter.)

Plantation Economy in the South

The plantation economy of the South left many social, economic, and ecological structures in place after the end of slavery. Rural poverty, which in the Mississippi Delta is primarily black poverty, is the greatest precisely in those counties where modern cotton, rice, and soybean farms are located. The Southern Rural Development Initiative conducted a study that shows that those 107 nonmetropolitan (nonmetro) counties with a majority minority population (mostly African Americans) are also the ones whose farmers received more than $9 billion in agricultural subsidies from 2001 to 2003. At most, 5 percent of those government payments went to African American farmers. The rest went to large farms owned by a rather small number of white farmers. Jason Gray, the author of the 2007 study, examined eleven "deep Delta" counties in Arkansas with poverty rates that ranged between 18 and 29 percent and population losses ranging up to 9 percent during the first five years of the twenty-first century. Only one of the eleven counties had a population increase (2 percent). The highly mechanized row-crop farms receiving the subsidies (more than $1 billion in three years) obviously do not generate direct or indirect employment for the African American population. Although these counties sorely need job opportunities, the US Department of Agriculture (USDA) provided rural development grants, loans, and loan guarantees amounting to about one-eighth of the farm subsidies. For every rural development *grant* dollar, the USDA provided $150 in agricultural subsidies (also grants) to these eleven delta counties. (Loans must be paid back; grants are not.) Because of the high rate of poverty, USDA nutrition and food stamp expenditures were $252 million, which reached only a portion of low-income households. Would it be a greater public good to invest a significant portion of the $1.25 billion (farm subsidies plus nutrition programs) in better public schools, job training and creation, and economic development so that the other programs would no longer be necessary?

Great Plains Family Labor Farms

The "filling in" of the Great Plains and the West after the Civil War involved removing Native Americans. Military incursions and Indian wars (up to the presidency of Ulysses S. Grant), movement to reservations (from 1870 to the 1930s), and assimilation (attempted through boarding schools, which were aimed to "get the red out," and through movement to urban areas) were the means of removal.

Although skeletal evidence from the 1600s comparing Europe to North America suggests that Native Americans on the Great Plains and northern woodlands of North America probably were healthier than their European counterparts, the health status of Native Americans declined rapidly with European settlement, as disease and removal from their food supply decimated their populations.

Railroads were key in European settlement of the Great Plains and the interior west of the United States from the 1860s to the 1890s. Government land grants to railroads and cheap government land prices for speculators with available cash led initially to large private landholdings. Labor scarcity and high-risk farming, due mainly to unpredictable weather, came to define the production systems that developed. There was a shortage of human capital to work in agriculture. Rapid industrial growth and expanding demand for labor in the cities, the difficulty of recruiting a laboring "underclass" to the countryside, and a scattered and scarce population meant that more than wages was required to attract the people necessary to get agricultural work done and fill the railroad cars. The promise of land ownership brought yeoman farmers to the central and western grasslands and forests to raise grain and livestock, with their large families providing substantial but inexpensive labor.

The need for more settlers to generate railroad freight in the form of grain and livestock, the spectacular failure of a large-scale corporate grain farm experiment (called Bonanza Farms) on the western plains from the mid-1870s through the early 1900s, and higher rates of return on urban economic activities led corporate landowners to divide and sell this land in the great midwestern part of the nation to smallholders—that is, farmers who relied on family labor. Railroads in the United States advertised widely in northern Europe and the eastern United States to sell land to people who wanted to improve their lot in life. The growing cities, such as New York, Chicago, and Boston, needed cheap food to feed the workers who fueled their industrial revolutions.

Although these new family farmers were diverse ethnically, they were racially homogeneous. The only groups or individuals with adequate capital to purchase land—or to buy passage from overseas—were Europeans or Americans of European descent. For example, in 1872 Emil Flushe began selling railroad land west of Irwin, Iowa, recruiting Catholics from Germany to come to a town he named Westphalia (just as he had named Westphalia, Minnesota, and would name Westphalia, Kansas) as he followed the railroad west. Westphalia, Iowa, maintains its street signs in German and still has a strong collective orientation centered on the culture of German Catholicism. A Norwegian American farmer who recently moved to the community worried initially about not fitting in, but he did fit in because with time and two world wars, the ethnic differences between and within most midwestern and western communities were covered by a durable varnish of US culture. Today the fact that grandparents or great-grandparents of the "native" (European) residents of those communities were immigrants who maintained their own language for several generations does not appear to contribute to rural acceptance of new waves of immigrants from Latin America, Asia, and Africa to certain communities of the Midwest. Iowa, for example, made English its official language in 2002.

Labor-Intensive Corporate Agriculture in the West

The West has a history of large landholdings, beginning with the Spanish (later Mexican) land grants. After the defeat of Mexico in the Mexican-American War in 1848, one-third of Mexico's territory was ceded to the United States. Long-term residents found it more difficult to access natural capital, such as land, water, and timber. Some land grants were sold intact to Anglos (non-Hispanic whites). In other cases US courts did not recognize legal ownership of the land grants. In northern New Mexico, Spanish communities that had been settled in the 1600s lost their right to graze the common lands, even though they had title to land grants consisting of homesteads and common grazing lands. Community common lands had been eliminated in England with the enclosure acts of the eighteenth century in order to "free" labor for industry, and the new nation of the United States likewise did not recognize commonly held land. Common lands were not compatible with the US approach to property rights, so these lands were ceded to the states or sold to entrepreneurs and logging companies, or they became federal lands. The Hispanic inhabitants, called *españoles*, or Spaniards, lacked adequate land for grazing their sheep and other livestock.

The need for labor—for mining, building the transcontinental railroad, and agriculture—brought waves of immigrants to rural areas of the West. First came the Chinese, then the Japanese, Filipinos, and Mexicans. More recently workers have come from other parts of Latin America. Asian groups, often pushed by difficult economic or political conditions in the sending country, were welcomed as a new source of cheap labor when there was a particular job to be done. Chinese workers cleared eighty-eight thousand acres of rich swampland in California in the San Joaquin–Sacramento delta area and built the western end of the transcontinental railroad that joined in Ogden, Utah, in 1869.

When a project was finished or when the US economy contracted, these Asian immigrants were excluded. The Chinese were prohibited from immigrating to the United States in 1882, the Japanese in 1908, and the Filipinos in 1934 (when Congress legislated the independence of the Philippines, although independence was actually granted in 1946). Asians in general were excluded from citizenship in 1924. California's Alien Land Law of 1913 forbade persons not eligible for citizenship to lease or own land.

Japanese Americans were the most productive truck farmers in California in 1941, producing half of the vegetables in the state. Their strong social capital and the credit system that it spawned helped them acquire property when other immigrant groups were not so successful. Following the bombing of Pearl Harbor, however, they were evacuated to concentration camps, even though there was scant evidence that they would be anything other than loyal to the United States. Most lost access to their land and other possessions. Only in 1965 did the United States eliminate the anti-Asian bias in its immigration law. Given the greater opportunities in urban areas, it is not surprising that by 2012 over 97 percent of Asian Americans lived in metropolitan areas. Asian migrants, particularly from Vietnam, Laos, and Cambodia, contribute to the growing presence of Asians in urban agriculture.

Character of the Local Labor Force

Human capital attributes of the labor force include both the skills and training acquired and the level of schooling completed by people in a community. Despite the lower status often accorded to natural-resource-based industries, most such industries have required workers to develop skills for which they then were relatively well paid. Those skills were generally acquired from experience on the job and from family and friends.

Despite the importance of skills acquired through on-the-job training, level of schooling is an important asset to a community. The industries that are growing, such as computer and information-processing activities, require highly educated workers. Manufacturing plants planning to convert to new technology look carefully at the educational level of current workers in a community. If those workers cannot be trained to handle the new equipment, companies will relocate. Math skills are critical to training success. Historically, rural areas have lagged behind urban areas in terms of the educational level of the labor force (Gibbs and Park 2007). Routine manufacturing plants sought workers who had to accept lower wages than organized, educated workers. These plants were more likely to locate in rural areas in the 1970s and 1980s than in metropolitan (metro) areas and then to move offshore.

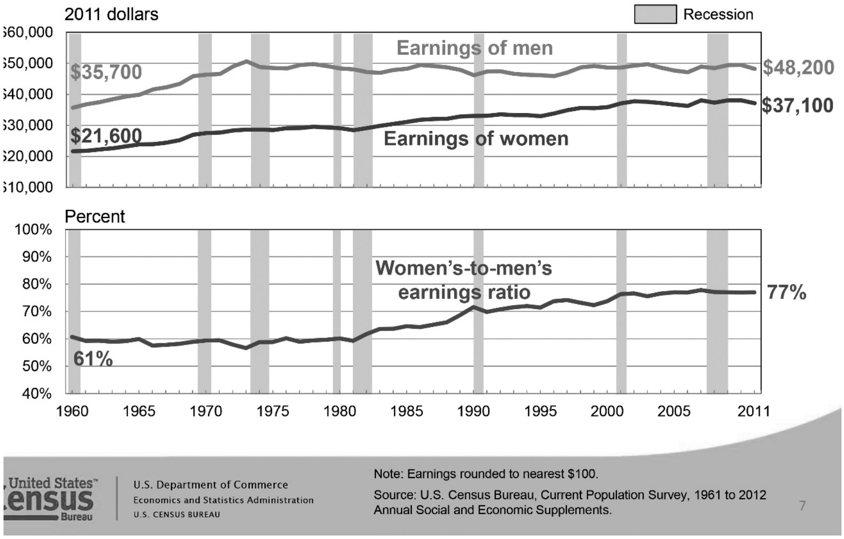
The wage gap between urban and rural workers in part reflects a rural workforce with less education and formal training than urban workers. In 2012 median household income in nonmetro areas was $41,198, in real terms 8.4 percent below the rural median income's prerecessionary peak in 2007. That compares to the 2012 median income of metro households of $52,988, which was 7.7 percent lower in real terms than in 2007. In 2009 22.2 percent of rural adults ages twenty-five and older had completed college, compared to 29.9 percent of urban adults. The rural-urban gap in college completion has widened since 1990, not necessarily because rural students do not attend college but because many do not return to rural areas after attending college.

Employers are increasingly attracted to rural areas offering concentrations of well-educated and skilled workers. A labor force with low educational levels poses challenges for many rural counties seeking economic development. Rural areas with poorly funded public schools, few good universities or community colleges, very low educational attainment, and high levels of economic distress find it difficult to compete in the new economy. USDA Economic Research Service–sponsored research documents the direct link between improved labor force quality and economic development outcomes, finding that increases in the number of adults with some college education resulted in higher per capita income and employment growth rates, although less so in nonmetro than in metro counties. Efforts to reduce high school dropout rates, increase high school graduation rates, enhance student preparation for college, and increase college attendance are all critical to improving local labor quality (Whitener and Parker 2007).

The growth of high-tech firms and the decline of routine manufacturing in the United States are reflected in wage rates. Becker (2002) points out that nationwide the salary premium for completion of college had by the 1980s grown to its highest level ever, whereas the average wage of people without a high school diploma had dropped by 25 percent since the early 1970s, although the advantage has ceased to increase since the Great Recession of 2007–2009. Unfortunately, in many parts of the rural Midwest and South, in response to the farm crisis and the recession of the early and middle 1980s, rural communities recruited low-wage firms in the belief that "any job is better than no job," and the pressure for such indiscriminate job recruitment is being renewed in some states in the second decade of the twenty-first century. Since the early 1990s there has been much greater awareness of the importance of generating high-quality jobs, but it is not easy for a community to change an existing low-wage industrial profile or for state governments to move beyond a simplistic strategy of job recruitment. Women in particular fare poorly in terms of earnings, although the ratio of women to men's earnings has increased since 1961. Note that in real dollars, men's earnings peaked in 1973 (see Figure 4.3).

The age structure of the community is another important aspect of the labor market. Is there an abundant labor force at the entry level? In the rural Midwest and South declining populations often result from the exodus of young people. The average age in rural farming communities is increasing, which leaves few workers at the entry level. Consequently these communities are at a relative disadvantage in attracting manufacturing plants. A high proportion of elderly residents in a community influences both the types of jobs available and the types of workers available to fill

FIGURE 4.3 Real median earnings and women's-to-men's earnings ratio, 1960–2011.



Source: US Census Bureau.

them. Although recreation counties and counties that attract retirees are growing faster than any other category of rural counties, the jobs that are generated tend to be in the lower register of the service sector and are often seasonal.

One of the most significant changes in rural labor forces is the increasing participation of women. Rural women traditionally have participated less in the formal labor market than have urban women. This has been partly because of the importance of women's unpaid economic activities, including caring for livestock, helping with crops, and maintaining financial records. Changes in the structure of agriculture have decreased the opportunities for women to perform these traditional activities, as more land is managed by land management companies, while local farmers simply provide the labor. Financial pressures have also increased the need for women to seek cash income. Farm women often will take off-farm jobs to ensure that the family has health insurance. Many of the industries that have located in rural areas, including the textile, electronics, and pharmaceutical industries, now employ mainly women. The urban-rural differential in female participation in the labor force has narrowed substantially. In 2009 58.1 percent of rural females ages sixteen and over were in the labor force, compared to 60.3 percent of urban females in the same age category.

Finally, increased mobility makes the description of a rural labor force somewhat complex. Improved transportation has increased the likelihood that a person will live in one town yet commute to work in another. But the high cost of fuel may provide a new limitation on commuting to low-wage jobs.

Any description of a labor force often has to be regional rather than local. To capture this activity, economists have introduced the concept of *labor market areas* (LMAs), which include both the residence and work destinations of local people. These areas are multicounty regions that encompass those places where relatively large numbers of people routinely move back and forth from home to work. Approximately half the nation's LMAs are rural. Most are very large geographically, particularly those in the West. Rural residents are very mobile in their pursuit of work and very dependent on fossil fuels to get to work.

The Dual Labor Market

The *labor force* consists of all employed persons plus all persons seeking employment. The labor market can be divided into two segments: the primary labor market, which seeks specific skills, and the secondary labor market, which seeks unskilled workers. Peripheral firms hire mostly from the secondary labor market. Core industries increasingly hire from both segments of the labor market.

People are recruited into the *primary labor market* because of their educational and skill levels. Jobs in the primary labor market provide good wages, safe working conditions, opportunities for advancement within the firm, stable employment, and due process in the enforcement of work rules. Jobs in the primary labor market can be in either managerial/professional or craft/skilled occupations.

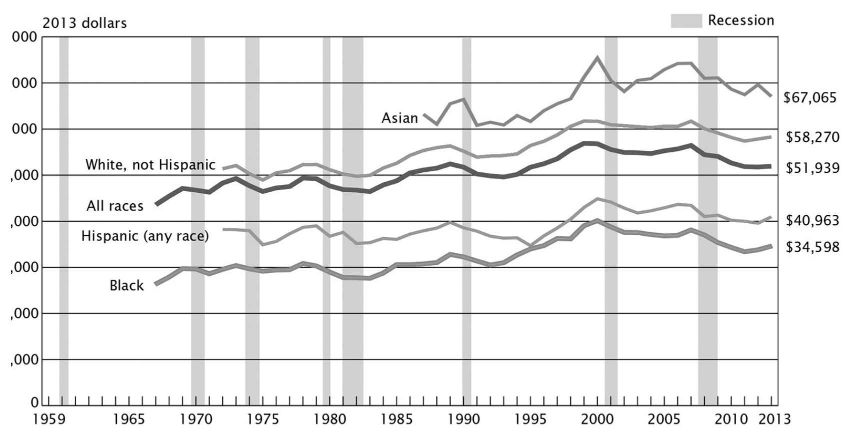
Jobs in the *secondary labor market* generally have low status, low pay, poor benefits, and little or no chance for advancement. Working conditions can sometimes be less clean and less safe. Job security is often low. There is little movement from the secondary to the primary labor market, but much movement by an individual from one secondary labor market job to another. In addition, there is little correlation between education and income. For example, people with certain characteristics may be hired preferentially for the secondary labor market. Thus, in certain firms or industries women may be hired into lower-wage positions with less opportunity for advancement than the positions men are hired into, regardless of formal qualifications such as education.

One of the major problems with hourly employment in the secondary labor market, and, increasingly with professionals who work on contract, are unpredictable work hours. Such arrangements are good for employers, who only have to pay labor when there is a lot to be done. These hours exacerbate stress, harm health, and propagate damaging work-life conflicts. They make it very difficult for parents to engage with their children's school activities and all workers to be engaged in community activities (Reeves and Rodrigue 2014).

Nearly one in four wage and salary workers ages twenty-five and older living in the rural United States in 2005 (the last available data) is a low-wage worker. More than 40 percent of these workers were the sole or principal wage earners in their households. Rural low-wage workers are more likely to be employed in service and retail trade industries, part of the secondary labor market.

In a given industry low-wage workers tend to work in less-skilled occupations requiring less education. Although the share of white men in low-wage jobs has grown since 1979, low-wage rural workers continue to be overwhelmingly women and minorities. In the secondary labor market *ascribed characteristics* related to human capital, such as race and gender, are much more important than *achieved characteristics,* such as education (see Figure 4.4 for comparative median household incomes by race and ethnicity over time).

Figure 4.4 Real median household income by race and Hispanic origin, 1967–2013.



Note: Median household income data are not available prior to 1967. For more information on recessions, see Appendix A.

For information on confidentiality protection, sampling error, nonsampling error, and definitions, see "Current Population Survey," US Census Bureau, ftp://ftp2.census.gov/programs-surveys/cps/techdocs/cpsmar14.pdf.

Source: US Census Bureau, Current Population Survey, 1968 to 2014 Annual Social and Economic Supplements.

Organizing job ladders within communities or regions that allow workers to advance from secondary to primary labor markets is a new rural development strategy.

Most firms generate jobs that are regulated by laws specifying limits on number of hours worked, safety regulations, dismissal procedures, and so on. Records are kept that can document the exchange of work for wages and, thus, the number of individuals employed in a given industry. Firms that provide such employment and are subject to governmental oversight make up the *formal economy*. The *informal economy* includes firms unregulated by societal institutions. A handshake rather than a contractual relationship between employer and employee is the basis for hiring in the informal economy. Individuals hired to do informal activities generally represent the lower part of the secondary labor force. They lack social benefits such as health insurance, unemployment insurance, and contributions to social security or any pension plan; are often paid less than minimum wage (often in cash); are subject to arbitrary dismissal; and often work under unapproved safety and health conditions.

The informal sector has existed for a long time. As Manuel Castells and Alejandro Portes (1989) point out, what is new is that it is growing at the expense of previously formalized positions, particularly in urban areas but also in natural-resource-dependent communities where once-integrated firms hired union workers. Now much of the timber harvesting and mining activity is outsourced to informal firms that are not unionized. In rural areas one kind of informal activity is substituted for another. Informal relations are shifting from agriculture and natural-resource sectors to manufacturing, construction, and, particularly, service sectors, such as tourism.

Working full time year-round is an indicator of participation in the formal economy. A larger proportion of female than male workers is employed in the informal economy and, even when they work year round, have lower wages. With the Great Recession the decline in the number of workers has been highest among male workers in the formal economy. Manufacturing employment in rural areas, particularly related to the inputs to the housing industry, has been particularly hard hit.

How a community's human capital is divided between the primary and secondary labor markets or between formal and informal activities affects the stability and well-being of that community. For the most part, employment in rural areas is more likely to be in the secondary labor market. Hanes Textiles was the second-largest employer in Eatonton, Georgia, but nearly all its local employees were in the secondary labor market. Those working at Hanes were paid minimum wage and had limited opportunities for advancement.

Most were women; African American women were overrepresented. Hanes has now left Georgia for even cheaper labor.

Ultimately a dual labor market benefits firms more than the local community. Labor costs are kept low. However, those employed are working at jobs that may not fully use their skills, let alone their potential talents. Incomes are limited, which makes it difficult for the local economy to flourish. The community suffers because much of its human capital is underutilized. Companies that rely heavily on the secondary labor market often make a relatively small contribution to the community.

Opportunity Structure and Human Capital

Just as the educational and skill levels of a community help determine the types of industries that locate in an area or the businesses that can be initiated, the types of jobs available in turn influence the educational level of the community. When coal mining and logging were profitable, young men often dropped out of high school to go to work in the mines or forests, assuming that within a relatively short time they would be making more money than their teachers. Any further investment in education seemed foolish and unnecessary. Regions such as McDowell County, West Virginia, characteristically develop low commitments to schools, although support has increased in recent years.

Towns such as Irwin, Iowa, and Eatonton, Georgia, face a different dilemma. Much of the agricultural Midwest has historically had a strong commitment to education, and well-supported local schools enable most young people to pursue some type of postsecondary education. Once they finish college, however, Irwin's young people go elsewhere. Few local jobs require the skills or knowledge they have developed. In Eatonton, African American women work either for the tourist industry or as domestics. When Billie Jo Williams finished her degree in business administration, she found she could not use her education in Eatonton (see Chapter 1).

In response to desegregation efforts in the 1960s and 1970s, white residents established private academies to avoid having their children go to public school with African American children in many communities in the Southeast. Eatonton has Gatewood School, a Christian school that enrolls about four hundred students at all levels from PreK to twelfth grade ("Gatewood School" 2014; also see the Eatonton (third) segment in "Just Folks" (Program #3) of the video series "Rural Communities: Legacy and Change" in Web Resources in this chapter). It appears to struggle financially. In general, the establishment of private academies in rural communities of the southeastern United States in response to desegregation tended to weaken political and, hence, financial support for the public schools.

The interaction between educational level and type of jobs available has become a vicious cycle for many rural communities. The *opportunity structure* of the community—the types of jobs and investment opportunities available—affects the character of the local labor force. The local labor force in turn affects the community's success in attracting or supporting new business enterprises. Communities that invest heavily in education see the more educated young people leave because of the lack of opportunity unless community leaders and citizens work collectively to generate jobs that they would like their own children to have. Those that do not invest in education rely on assembly plants for jobs, industries that depend upon the less-educated workers who are willing to accept lower wages. These jobs offer young people little motivation to invest in education. In their efforts to promote local economic development, communities need to focus both on creating high-quality jobs and on developing and sustaining a strong educational system. Rural employment peaked in 2007 and declined more rapidly than urban employment through 2008 and recovered much more slowly from 2010 on, even declining slightly in 2012 through 2013, while metro employment climbed steadily (see Figure 4.5).

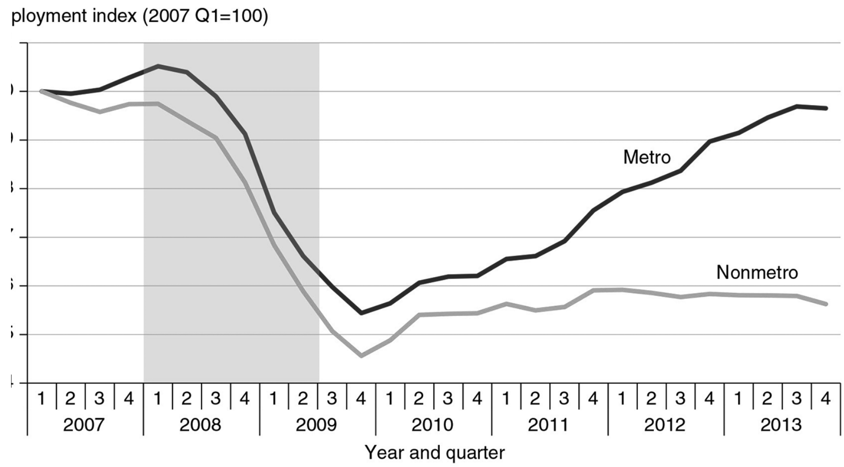
Poverty and Human Capital

During the Great Recession the number of people living in poverty and the poverty rates increased (Farrigan, Hertz, and Parker 2014).

Here are the highest to lowest categories of poverty in 2013. Note that the Census Bureau did not include rural as an analytical category.

- Adults not working—32 percent
- Single moms—31 percent
- Americans with disability—29 percent
- Black Americans—27 percent
- Hispanic Americans—24 percent
- Foreign-born noncitizens—23 percent
- Children—22 percent
- Single dads—16 percent
- Seniors—10 percent
- Married couples—6 percent
- Full-time working adults—3 percent

Figure 4.5 Nonmetro and metro quarterly employment indices, 2007 through 2013.



Notes: Shaded area indicates recession period, as determined by National Bureau of Economic Research. Metro/nonmetro classification follows the 2013 US Office of Management and Budget (OMB) categories in all years. New population controls were introduced into the LAUS data following the April 2010 Census, leading to an increase in estimated employment in the second quarter of 2010. The data shown have been corrected to compensate for this change, but the correction is approximate and caution should be used in comparing employment levels before and after this date. The scale of the vertical axis was chosen to emphasize short-run variation during and after the 2007 recession.

Data from US Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS, seasonally adjusted by ERS).

Source: Hertz et al. 2014.

In 2009, at the depth of the Great Recession, the poverty rate for persons in nonmetro areas of the United States was 17.2 percent, a substantial increase from 2000. Rural (nonmetro) family poverty is greatest in the South, followed by the West, and least in the Midwest and Northeast. In 1974 children replaced persons over age sixty-five as the poorest age group in the United States. The characteristics of poor rural households have changed. Declines in family size and increased educational levels among young people have been offset by increased numbers of female-headed households and a decline in relatively well-paying jobs for those entering the job markets.

Although the rural poor are more likely than the urban poor to be in the labor force, many of the employment opportunities in rural areas are with companies so small or in jobs so marginal that minimum-wage and benefits legislation does not cover them. The service sector, which tends to pay low wages, especially in rural areas, has replaced manufacturing as the rural growth sector. Furthermore, in rural areas there is a strong ideology against labor legislation and few labor unions to bargain collectively for higher wages.

Rural communities are noted for their ability to respond to extraordinary tragedies that lead to temporary poverty, such as fires, tornadoes, or floods. But rural communities are much less able to respond to conditions of chronic poverty. As discussed in Chapter 3, rural residents tend to feel that proper attitudes lead to hard work, and hard work should lead to material success. As a result, lack of material success—such as an inadequate income or the lack of a decent home (preferably owned)—is viewed as a moral failing. The dominant view is that rewarding such moral failings by providing "handouts" to those out of work or with low incomes should be avoided.

The dominant cultural capital plays an important role in deciding whom people view as the worthy and the unworthy poor. The worthy poor usually are seen as being in poverty as a result of experiencing a catastrophe or as a result of inexorable forces, such as the aging process. The unworthy poor often are defined as able-bodied adults with no job or who work only part time.

According to dominant rural values, a higher proportion of the rural poor than urban poor should be "worthy." Rural families are more likely than urban (metro) families to be employed and still poor. Two-thirds of rural poor families have at least one member working at some time during the year; almost one-third of such families have one or more full-time, year-round workers, and slightly under one-fifth have two or more full-time, year-round workers. The culprit is exceedingly low rural wages, particularly for workers with a high school education or less.

High poverty among young adults—who often are parents—means high poverty among children, who are part of the worthy poor. In rural areas, because young parents are able-bodied, neighbors may define them as the unworthy poor—even though they may work full time or at more than one job. Young women are considerably more likely to be in poverty than are young men, and their poverty rate remains quite high to an older age than that of young men. Young people also are likely to have small children. It is not surprising then that children are the age group most likely to be in poverty. The high level of poverty among rural children—and not just in the South—is one of the best-kept secrets in this country.

The collective view that able-bodied people in poverty are undeserving affects the behavior of the rural poor. Because of the shame involved in admitting one needs help, many rural poor do not seek out existing agencies and services, not even from their churches. The rural poor are less likely than the urban poor to take advantage of the means-tested resources available to them.

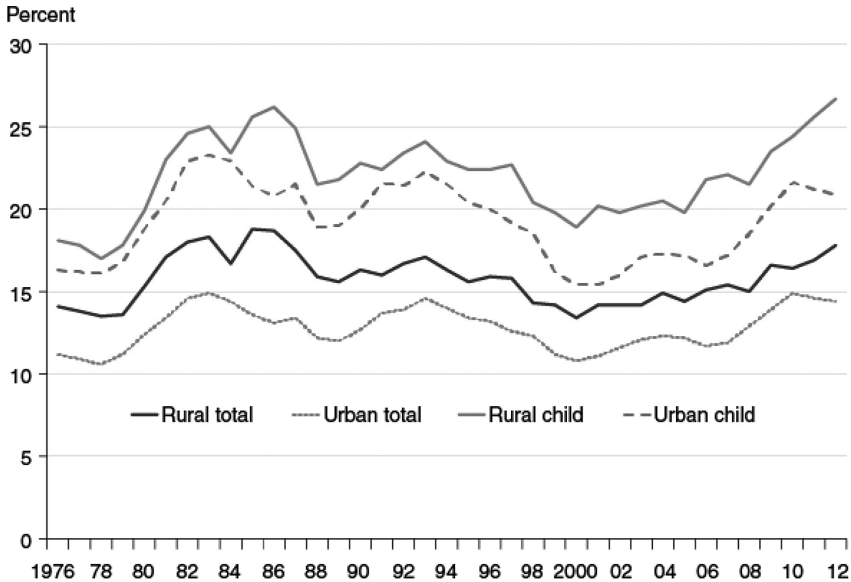
Although composing a smaller proportion of total families than in urban areas, single parents in rural areas face particularly severe problems. Single parents who are in a family network often rely on female relatives to care for children, but those female relatives increasingly have had to join the labor force and are no longer available as babysitters. Thus the single parent is faced with low wages and lack of day care. Some communities, such as Harlan, Iowa, have instituted a community-supported day care system with a sliding-fee scale that enables single parents and two-parent families in which both spouses work to find reasonably priced, reliable, high-quality child care. However, this kind of community action is the exception rather than the rule.

To gain better-paying jobs, rural workers have to travel great distances. The cost of transportation and the lack of public transportation often force families to depend on old and unreliable automobiles that get poor gas mileage. Not only is getting to work difficult, but it also is challenging and costly to get to places to purchase groceries and other necessities at a reasonable price. The declining availability of intercity public transportation such as bus and train routes makes the rural poor even more vulnerable.

Because of the moral connotations associated with poverty, integrating people who are poor into the rural community is often more difficult than integrating people who are elderly or who have developmental disabilities. Enabling the poor to participate involves providing basic necessities, such as health care, that often must be underwritten, at least partially, on a local basis. Local governments increasingly are challenged to provide health care and other welfare programs because of the sharp curtailment of federal funding for social programs.

In some communities the farm crisis of the 1980s helped reduce the stigma of poverty and made the needs it represents more legitimate. Many communities responded to the consumption needs of the hardworking poor by such expenditure-reducing mechanisms as winter coat trades, in which all members of the community collected the clothing their children had outgrown, sorted it by size, and then made it available to everyone. Other mechanisms involve such seemingly trivial matters as exchanges of prom dresses; such solutions allow individuals to acquire some of the symbols of normal community participation at minimal investment and, therefore, to participate in mainstream community activities. These kinds of activities do not solve the economic problems of poverty, but they do reduce the social isolation of the rural poor and eventually can lead to the inclusion of similar efforts as part of community-level programs.

Figure 4.6 Child poverty by residence, 1978–2012.



Source: Farrigan 2014.

The central causes of poverty among the rural able-bodied poor are a lack of employment and low wages when employed. Rural areas benefited significantly from the increase in the minimum wage that Congress passed in 2007 (gradually increased to $7.25 per hour in 2009) because of the large share of low-wage workers in nonmetro areas.

Rural residents tend to be poorer than urban residents. On the average, per capita income was $11,161 lower than in urban areas in 2013, and rural Americans are more likely to live below the poverty level, 18.2 percent in 2013 compared to 15.4 percent in urban areas. The disparity in incomes is even greater for minorities living in rural areas. Nearly 27 percent of rural children live in poverty, and the rate of rural child poverty continues to increase as urban child poverty declines (see Figure 4.6).

Deep poverty is having a cash income below half of one's poverty threshold. Deep poverty among children is more acute in rural areas (12.2 percent) than in urban areas (9.2 percent), and its rate of growth is higher in rural areas. The highest rates of deep poverty among children are in rural areas of the Southwest and Pacific Northwest, particularly among Hispanics; on Native American lands; Michigan (rural parts of the Rust Belt); and in historically poor regions of the rural Southeast (Appalachia, the Ozarks, and the Black Belt).

Health and Human Capital

Health is a critical part of human capital, and major rural-urban differences exist. The obstacles health care providers and patients face in rural areas are vastly different from those in urban areas. Rural Americans face a unique combination of factors that create disparities in health care not found in urban areas. Economic factors, cultural and social differences, educational shortcomings, lack of recognition by legislators and the sheer isolation of living in remote rural areas all conspire to impede rural Americans in their struggle to lead normal, healthy lives. Some of these factors and their effects are listed below.

- Only about 10 percent of physicians practice in rural America despite the fact that about one-fifth of the population lives in these areas.
- Rural residents are less likely to have employer-provided health care coverage or prescription drug coverage, and the rural poor are less likely to be covered by Medicaid benefits than their urban counterparts.
- Although only one-third of all motor vehicle accidents occur in rural areas, two-thirds of the deaths attributed to these accidents occur on rural roads.
- Rural residents are nearly twice as likely to die from unintentional injuries other than motor vehicle accidents than are urban residents. Rural residents are also at a significantly higher risk of death by gunshot than urban residents.
- People who live in rural America rely more heavily on the federal SNAP (the Supplemental Nutrition Assistance Program that replaced Food Stamps).
- Abuse of alcohol and use of smokeless tobacco is a significant problem among rural youth. The rate of DUI arrests is significantly greater in nonmetro counties. Forty percent of rural twelfth graders reported using alcohol while driving, compared to 25 percent of their urban counterparts. Rural eighth graders are twice as likely to smoke cigarettes (26.1 percent versus 12.7 percent in large metro areas).
- Anywhere from 57 to 90 percent of first responders in rural areas are volunteers.
- There are sixty dentists per one hundred thousand population in urban areas versus forty per one hundred thousand in rural areas.
- Cerebrovascular disease was reportedly 1.45 higher outside metropolitan statistical areas (MSAs) than within MSAs.
- Hypertension was also higher in rural than urban areas (101.3 per 1,000 individuals in MSAs and 128.8 per 1,000 individuals in non-MSAs).

- Twenty percent of nonmetropolitan counties lack mental health services, versus 5 percent of metropolitan counties. In 1999 87 percent of the 1,669 Mental Health Professional Shortage Areas in the United States were in nonmetropolitan counties that were home to over 30 million people.
- The suicide rate among rural men is significantly higher than in urban areas, particularly among adult men and children. The suicide rate among rural women is escalating rapidly and is approaching that of men.
- Medicare payments to rural hospitals and physicians are dramatically less than those to their urban counterparts for equivalent services. This correlates closely with the fact that more than 470 rural hospitals have closed in the past twenty-five years.
- Medicare patients with acute myocardial infarction (AMI) who were treated in rural hospitals were less likely than those treated in urban hospitals to receive recommended treatments and had significantly higher adjusted thirty-day post AMI death rates from all causes than those in urban hospitals.
- Rural residents have greater transportation difficulties reaching health care providers, often traveling great distances to reach a doctor or hospital.
- Death and serious injury accidents account for 60 percent of total rural accidents versus only 48 percent of urban. One reason for this increased rate of morbidity and mortality is that in rural areas prolonged delays can occur between a crash, the call for EMS, and the arrival of an EMS provider. Many of these delays are related to increased travel distances in rural areas and personnel distribution across the response area. National average response times from motor vehicle accident to EMS arrival in rural areas were eighteen minutes, eight minutes greater than in urban areas. (MacKinney et al. 2014).
- Rural residents often experience barriers to health care that limit their ability to get the care they need. Unmet health care needs include lack of preventive and screening services, delay in treatment of illnesses, and failure to recommend needed costly hospital care, particularly if patient lacks adequate health insurance. In order for rural residents to have sufficient health care access, necessary and appropriate services must be available that can be accessed in a timely manner. In addition to having an adequate supply of health care services in the community, there are other factors that play a significant role in health care access. For instance, to have good health care access, a rural resident must also have:
    - financial means to pay for services, such as health insurance coverage that is accepted by the provider;

› means to reach and use services, such as transportation to services that may be located at a distance and the ability to take paid time off of work;
› confidence in their ability to communicate with health care providers, particularly if the patient is not fluent in English or has poor health literacy;
› confidence in their ability to use services without compromising privacy; and
› confidence in the quality of the care they will receive.

How the Different Capitals Impact Health Status in Rural Areas

Natural Capital and Health

Toxicity of the environment, particularly from mining, petroleum extraction and processing, chemical processing, and pesticide drift, disproportionally impacts rural health. Ambient pollutants, metals, and endocrine-disrupting chemicals are related to childhood obesity and metabolic diseases. Scientific evidence is strong and continuing to build that hazardous exposures in the modern environment are important causes of these diseases. Indoor and outdoor air pollution are now established as causes of asthma. Childhood cancer is linked to solvents, pesticides, and radiation. The National Academy of Sciences has determined that environmental factors contribute to 28 percent of developmental disorders in children. According to the Children's Environmental Center, toxic chemicals in the environment—lead, pesticides, toxic air pollutants, phthalates, and bisphenol A (BPA)—are important causes of disease in children.

Cultural Capital and Health

Some rural residents may find it difficult to communicate with health providers, particularly given the complexity of payment procedures. Even English speakers can be daunted by the many forms and barrage of questions asked. Thus, rather than appear stupid, they simply avoid accessing health care. Others, often new immigrants, feel disrespected by providers; instead, they seek traditional healers. Immigrants will use their cell phones to call their grandmothers in their traditional village to learn how to treat a sick relative or themselves. Networks of immigrants often exchange cuttings of medicinal plants (Romero de Slowing 2012).

Cultural capital defines "normal" behavior. Thus smoking at a young age has been a rural norm for males and is increasing for females as well. Smoking among people twelve to seventeen years of age was highest in the more remote rural areas. Smoking has obvious implications for health, as does obesity, which is higher in rural than in urban areas. If people think they have little control over what happens to them in the long term, they are more likely to engage in risky behaviors, such as smoking and eating junk food.

Food consumption patterns have had a significant impact on human capital in terms of health in the United States. The dense calories in fast foods and their ubiquitous presence—from school lunchrooms to shopping malls—have increased serious health problems such as obesity, diabetes, and high blood pressure. Due to the ease of eating fast food and microwavable meals, even rural residents spend less time cooking and more time eating than they did thirty years ago. At one time many rural homes had gardens and fruits trees that provided fresh vegetables and fruits for the family. However, as fewer family members have time to work in the garden, that source of food has declined, although there are efforts in some rural areas to revive community gardens and local food systems (see Chapter 10).

Overproduction of food has been translated into overconsumption. Agribusiness now produces 3,900 calories of food a day for every American, 600 calories more than it produced in 1976 and at least 1,000 calories a day more than most people need. The taboo against gluttony is tempered by the "bargains" people get in supersized everything and all-you-can-eat buffets. According to Michael Pollan (2006), a man named David Wallerstein is credited with having invented supersizing of popcorn and soft drinks in the 1960s as a way to make a chain of movie theaters in Texas more profitable. He later went to work for McDonald's and, after a time, convinced Ray Kroc, the founder of McDonald's, to use the supersizing strategy, which of course depends on cheap raw materials (potatoes for French fries, high fructose corn syrup for soft drinks, and even lean finely textured beef [pink slime to its opponents] in hamburgers, subsidized by cheap corn that farmers overproduced because of government commodity programs) so that fast-food chains can increase profits by convincing people to eat more than they would if they had to think about whether they should order a second standard-sized helping.

The *Journal of the American Medical Association* (Ogden et al. 2014) reported that nearly 34 percent of adults in 2011–2012 were obese by the technical medical definition (having a body mass index greater than or equal to 30). That percentage was up from 22 percent in 1988–1994 and 14 percent in 1976–1980. Overweight and obese individuals combined make up 68 percent of the US population. Obesity has negative health consequences that rival smoking—higher levels of diabetes, high blood pressure, and greater risk of stroke. In the United States obesity is a main focus for research because it is so prevalent in both adults and children.

A Healthier US initiative was launched in June 2002 with a focus on overall health through exercise, proper nutrition, and screenings for disease prevention. The USDA food plate was introduced in 2011 to make the "food pyramid" idea more understandable. It urges eating smaller portions, making sure half the plate is fruits and vegetables and at least half of grains are whole grains, and drinking low-fat milks as well as water instead of sugary drinks (www.choosemyplate.gov). Unfortunately the price of healthy foods has increased and the price of energy-dense (high-calorie) food has decreased during the period of excessive weight gain in the United States.

Rural residents in the United States are more likely to be obese than are urban residents, partly because of the cultural capital that supports eating and hard physical work. At one time rural life required enormous physical effort by both men and women. Large meals with lots of meat and potatoes were regularly consumed. The quality of a restaurant in most rural areas is still judged by the size of its portions. The problem is particularly grave among low-income populations because healthy diets are more costly and require preparation, skill, and planning time. Furthermore, (lower) socioeconomic status is closely linked to a number of health-related behaviors other than diet, including smoking, failure to use seat belts, and physical inactivity. On all these measures rural people's patterns of consumption have a negative impact on their health. Rural people also are more likely to smoke than are urban people, although people in the western United States are less likely to smoke than people in other areas of the country. Smoking by youth is also higher in rural areas.

It must be noted that it is not only cultural capital that causes people to make unhealthy choices. Structures must be in place to make the healthy choice the easy choice. Lack of availability of healthy food for purchase or in local institutions such as schools make it difficult to easily get fresh fruits, vegetables, and even milk to drink instead of soft drinks. Some use the term "food deserts" to point out the lack of availability of healthy food, but other scholars are concerned that the term hides the more complex relationship of such areas to hunger and poverty. Community developers in rural areas are working with communities to create local stores with more healthy choices at a reasonable cost. The Rural Grocery Initiative (www.ruralgrocery.org), housed at Kansas State University, works with rural communities across the United States to make healthy choices possible.

Human Capital and Health

There is a shortage of rural doctors. Only 10 percent of medical doctors practice in nonmetro areas, although nearly one-fifth of the population resides there. Health care workforce shortages have an impact on access to care in rural communities. One measure of health care access is "having a regular source of care" and having an adequate health workforce to provide that regular source of care. Some health researchers have argued that determining access by simply measuring provider availability is not adequate to fully understand health care access. They argue that access measures should include health care service use and nonuse, such as people who could not find an appropriate provider of care.

In order to increase access to care, rural communities may look to other providers in addition to physicians. Providers could include physician assistants and nurse practitioners, public health workers, community health workers, community paramedics, care coordinators, and health coaches, whom all provide new roles for health care teams. There are many initiatives to increase the qualified health care workforce in rural areas (RAC 2014).

Rural residents rely on local pharmacies to provide pharmacy and clinical care management and coordination. The absence of a pharmacy may be disproportionately felt by the rural elderly, who often have a greater need for access to medications and medication management services. Increased distance to the nearest pharmacy may result in decreased access to pharmacy services for this population. Access to medications may be maintained through mail-order, delivery, or telepharmacy; however, providing clinical and in-person consultative services to remote populations may be a challenge (Todd et al. 2013).

Political Capital and Health

Political capital can determine which foods are cheap and which are not, what is available in the schools, and what is labeled appropriate to eat. Beyond the infamous politicalization of nutrition by naming pizza and catsup as vegetables, some legislators see processed food as efficient and cheap. And because children's taste has been trained to accept highly processed food with high levels of salt, fat, and sugar, they feel it wasteful to invest the time to retrain those tastes to increase child health. But legislation has made it possible to accept SNAP coupons at farmers markets. Another important change has been in regulations regarding school lunch menus. In 2013 the US Department of Agriculture issued guidelines that encourage daily consumption of fruits and vegetables, an increase in whole-grain foods, calorie limits based on portion sizes, and a focus on reducing saturated fats, trans fats, and sodium (USDA 2013).

Changes in reimbursement of critical access hospitals could have a negative effect on their profitability and financial stability, causing rural residents to travel longer distances to receive care (Holmes and Pink 2013). Financing to increase participation in health insurance programs can greatly decrease the number of unreimbursed trips to the emergency room, which can break rural hospitals. A recent study has shown that by moving to insurance and house calls for previously uninsured high emergency room users, costs drop and health outcomes improve (Maron 2014). Nurse practitioners and physician assistants can be particularly effective in rural areas.

Another key area where political capital can make a difference is in controlling pollutants from industry and natural resource extraction, including agriculture. Many toxic industries are located in rural areas precisely because there is less likelihood of complaint to local, state, and federal governments. Pollutant regulations and their enforcement can have an impact on the health of rural Americans.

Built Capital and Health

Lack of access to hospitals was viewed as a public issue as early as the late 1940s, when the federal government supported the establishment of a network of rural hospitals to assure that no one would be without health care. But hospital mergers and acquisitions is, in part, a strategy for rural hospitals in financial distress (see discussion of mergers and acquisitions in Chapter 7, Financial Capital). From 2005 to 2012 121 of 1,492 rural hospitals were parts of mergers, which generally led to financially weaker acute-care hospitals being converted to long-term care facilities.

Since the beginning of 2010 forty-three rural hospitals—with a total of more than fifteen hundred beds—have closed, according to data from the North Carolina Rural Health Research Program (Noles et al. 2014). The pace of closures has quickened: from three in 2010 to thirteen in 2013 and twelve by October 2014. The closure of rural health care facilities or the discontinuation of services have a negative impact on the access to care in the community. Factors affecting the severity of the impact may include distance to the next closest provider, availability of alternative services, the availability of transportation services, and the socioeconomic and health status of individuals in the community. Needing to travel to receive services places a burden on the patients, including cost and time. For people with low incomes, those with no paid time off of their jobs, with physical limitations or acute conditions, these burdens can significantly affect their ability to access care.

Increased specialization of medicine along with the accompanying expensive technology means that rural residents more frequently go to major medical centers for treatment of complex illnesses. Many rural hospitals do host specialists from regional medical centers or metropolitan areas who come once a week or once a month to see patients with illnesses related to their specialty. In other cases aggressive regional medical centers have purchased clinics, and the doctors who practice in those clinics become their employees. Telemedicine holds promise in linking rural patients to urban expertise.

Office-based rural physicians are adopting electronic medical records (EMR) faster than their urban counterparts, and this decreases errors and overmedication when a patient sees multiple doctors. An important contributor to the rise in overall EMR adoption rates among office-based physicians was the Health Information Technology for Economic and Clinical Health (HITECH) Act of 2009. This act incentivized "meaningful use" of EMR systems and also provided technical assistance to physicians who may have lacked knowledge about how to effectively implement an EMR system in their practice. In addition to incentive payments from Medicare (up to $44,000 over five years) and Medicaid (up to $63,000 over six years) for physicians who adopt EMR systems, a federally funded regional extension center (REC) program set up sixty-two centers across the nation with personnel dedicated to assisting at least one hundred thousand primary care providers adopt and meaningfully use EMRs. The REC program placed a particular emphasis on clinicians who work with uninsured and underserved populations (including those in rural areas), and 69 percent of physicians intended to participate in either the Medicare or Medicaid incentive program as of 2013. These measures appear to have had a disproportionate impact on rural physicians, with recent research finding no statistical differences in EMR adoption rates between rural and urban physicians (Whitacre 2014).

One of the strategies poor people have developed in rural areas is to send one member of the family to live temporarily in a higher-wage area, often with relatives, while the rest of the family remains at home, which often means having no vehicle and very little money. In turn, lack of transportation and money limits the family members' ability to participate in community activities, which further isolates the rural poor.

A comparative advantage of living in rural areas for the poor is cheap housing. However, the high inflation in urban housing prices means that the rural poor who have housing are basically trapped. They are unlikely to be able to move to a place that pays better wages because they cannot afford the housing costs involved. To a degree, the cheaper housing reflects the fact that housing stock is older and more likely to be dilapidated. The rural poor are much more likely to live in mobile homes than are their urban counterparts.

Financial Capital and Health

Although individual poverty and low incomes are closely related to poor health status, financial capital in the community also impacts health status. Rural hospitals and clinics are left doing routine medicine, which has lower profit margins and makes them more financially vulnerable to a merger, downgrading, or closure.

Many rural hospitals, clinics, and nursing homes are experiencing a fiscal crisis, and the changing structure of medical care is a factor. The fiscal crisis of rural health care is related to state and federal health policies. Because many rural communities have a very high proportion of elderly among their population, a higher percentage of patients in rural hospitals are on Medicare, whose reimbursements for particular procedures are lower than the rate hospitals charge patients with private insurance.

Similar issues arise with Medicaid, which, unlike Medicare, a federally financed program, operates on shared financing between the states and the federal government. Among individuals under age sixty-five, 15.3 percent of rural residents, compared to 11.2 percent of urban residents, had Medicaid as their primary source of insurance. In the fiscal crisis of 2007 and its aftermath, states are cutting back on Medicaid appropriations. In addition, nonmetro hospitals are reimbursed at a lower rate for the same procedures than are hospitals in metro areas. Members of Congress from more rural states and districts are seeking to change that inequity, but urban representatives have dug in their heels on this issue because it would involve either the shifting of large amounts of funds from urban to rural areas or the appropriation of substantial amounts of new money. And because rural residents are more likely to be small business owners or to be employed by small firms, they are less likely to have employer-provided insurance (although there is little difference in the proportion of workers who are totally uninsured in rural and urban areas). Those without employer-provided insurance will either pay higher premiums or have more limited coverage because they are less likely to get group rates. Although 64 percent of rural full-time year-round workers have employer-provided health insurance, this figure does not include the large number of rural workers who work part time or in temporary jobs.

Health Equity

Health equity is achieved when everyone has an equal opportunity to reach his or her health potential regardless of social position or other characteristics such as race, ethnicity, gender, religion, sexual identity, or disability. Health inequities are closely linked with social determinants of health. Rural Americans experience higher rates of chronic disease, disability, and mortality. Rural health indicators are worse than those of urban health; indeed, in rural counties women's life expectancy has actually decreased in the last ten years.

What do these differences in health status resulting from health inequity mean for rural America? First, it is harder to work one's way out of poverty when one's health is poor because the ability to show up for work on a regular basis is severely limited. Second, it is more difficult to get access to health care—preventative or curative—in rural America. Third, for children poor health is associated with poor school performance, exacerbating the disadvantages that come from living in a home where the educational attainment of the adults is low. Increasing availability of health care would be an excellent investment for rural human capital and could translate into higher levels of financial and social capital.

As Becker suggests, investment in the health of people in the labor force and of the citizenry in general is an investment in human capital. In a rich country such as the United States, health is not often thought of as being an important component of human capital, but in poorer countries, illness and impoverishment limit the contributions of large parts of the population as members of the workforce, as community members, as contributing family members, and as citizens. Communicable diseases associated with poverty may also spread to those who are not poor, reducing the effectiveness of their human capital. If poor people are not vaccinated or treated for communicable diseases, others in the society may be at risk as well. To the degree that inequalities breed crime against property or persons, victims may find their own human capital diminished. The fact that in the United States mental illness is not covered by insurance at the same level as physical illnesses are may substantially reduce the effect of other investments in human capital. Rural areas in particular have poor access to mental health care, and this decreases their productivity for the economy and society. The United States is forty-fourth in the world in neonatal death rate, with a rate higher than Slovakia, Belarus, or Cuba; Poland ranks forty-fifth and Serbia is forty-third (CIA 2015). This embarrassing statistic is due in part to lack of affordable prenatal care and a too-high rate of low birth weight babies; this leads to high costs and diversion of health services.

The Affordable Care Act in Rural America

Beginning in 2014, through the Affordable Care Act, more than 7.8 million uninsured rural Americans under age sixty-five had new opportunities to enroll in affordable health care.

- Because rural populations have a higher proportion of low- and moderate-income residents, a large segment of the rural population will be eligible for subsidized insurance coverage through the Health Insurance Marketplaces, which is the national mechanism for enrolling in affordable health care.
- The Health Insurance Marketplaces are expected to increase competition in the insurance market in rural areas—especially in the twenty-nine mostly rural states, where a single insurer dominates more than half the health insurance market.
- State decisions about expanding Medicaid disproportionately limit the options of uninsured persons in rural areas. Almost two-thirds of uninsured people in rural areas live in a state that has not yet decided to implement the Medicaid expansion.
- In states that are expanding Medicaid, rural residents are more likely to be eligible for affordable coverage under the coverage expansion. (Newkirk and Damico 2014)

The Affordable Care Act provided coverage through the Health Insurance Marketplace to nearly 7 million people during the first open enrollment period (for 2014) and initially enrolled some 11.4 million during the second period (for 2015) (Millman 2015). Yet research suggests that the enrollment rates for eligible individuals living in rural areas were less than enrollment rates for those living in urban areas. That may be due, in part, to specific challenges in rural communities, including lack of Internet access, low population density, travel barriers to obtaining help, or strong political opposition to "Obamacare."

Among rural communities there was considerable variation in the enrollment rate. The North Carolina Rural Health Research Program carried out in-depth research and identified "Best Practices for Health Insurance Marketplace Outreach and Enrollment in Rural Areas" (Silberman et al. 2014). These practices included:

- Build coalitions at the state, regional, and local levels to reach people in rural communities.

- Although paid media are helpful, include no/low-cost marketing options such as unpaid media and brochures.
- In-reach activities should include the entire agency staff.
- Involve other community agencies with education and outreach.
- Promote "word-of-mouth" recommendations from satisfied consumers to help with marketing and outreach.
- Offer enrollment events in locations throughout the community that are convenient to rural populations.
- Agents and brokers can help reach rural people in more isolated communities.

The Marketplaces and new coverage options offered in 2014 build on a number of insurance benefits already in place for rural Americans under the Affordable Care Act ("Obamacare Facts" 2014):

- The 30 million rural Americans with private insurance now have access to expanded preventive services with no-cost sharing. These services include well-child visits, blood pressure and cholesterol screenings, Pap tests and mammograms for women, and flu shots for children and adults.
- The more than 11 million elderly and disabled rural Americans who receive health coverage from Medicare also have access to many preventive services with no-cost sharing, including annual wellness visits with personalized prevention plans, diabetes and colorectal cancer screening, bone mass measurement, and mammograms.
- It is estimated that nearly six hundred thousand young rural Americans between ages nineteen and twenty-six now have coverage under their parent's employer-sponsored or individually purchased health plan.
- Lifetime limits can no longer be included in private insurance policies, and annual limits cannot be less than $2 million. Annual limits are prohibited beginning in 2014.
- People cannot be denied coverage because of a preexisting condition.

Building Human Capital

Next to the family, rural schools are the most important builders of human capital. Schools are generally funded through property taxes, and both rural and inner-city schools have lower property valuation than suburban schools. Further, due to smaller populations, costs per pupil may be more, and some states limit the amount that can be spent per pupil, which means that even if they wish to tax themselves more to retain their school district, rural areas cannot do so.

Rural Schools

One of the most dramatic changes in rural areas has been the decline in the number of public school districts since World War II. In 1942 there were about 108,000 school districts in the United States. By 1962 that number was down to just under 35,000. As of 1987 there were 14,721 school districts, 13,522 school districts in 2002, and 11,386 in 2010. Over a third of these are rural. The period of most intense consolidation was between 1939 and 1973, although the pressure to consolidate is again increasing in rural areas. The need to reduce expenses and lower taxes is leading many states to push for further consolidation of school districts, despite evidence suggesting that smaller schools and districts cost less per graduate. Rural school districts are small, more homogeneously white than urban or suburban districts, and are in between the two other types in terms of measures of income (median household income) and wealth (median value of all owner-occupied housing units).

School consolidation illustrates the tension that often exists between local and state governments. Professional education groups and state departments of education pushed school district mergers in the 1950s. Because professional educators were concerned about the quality of education in extremely small districts, they pushed for consolidation in an effort to standardize schools. States were beginning to assume more responsibility in funding education and were eager to increase the fiscal efficiency of school systems. Small schools were said to be inefficient; thus, most of the decrease in the number of school districts resulted from the consolidation of rural districts, as in the case of Irwin, Iowa (see Chapter 1). The expected changes in efficiency, in terms of return to social and human capital, rarely were measured.

Before the move toward consolidation, each of the small, one-room elementary schools scattered throughout the country formed a single district. When students graduated from the elementary school (K–8), they changed districts to attend high school in town. During the first phase of consolidation, from 1930 through 1950, these one-school districts were unified into districts of kindergarten through twelfth grade (K–12) based in villages and cities. Initially these new school districts had multiple attendance centers, but gradually the centers in the countryside were closed, and all children attended school in town. A second wave of consolidation occurred in more sparsely populated areas in the 1960s and 1980s. In that phase some villages or towns lost their schools entirely. Often when two or more towns could not reach agreement about which one would have the new school, new high schools were built in wheat fields or cornfields, equidistant from all of them.

The consolidation of rural school districts has been accompanied by increased state control of education. The state of Vermont, for example, maintains firm control over nearly every aspect of the educational system, including

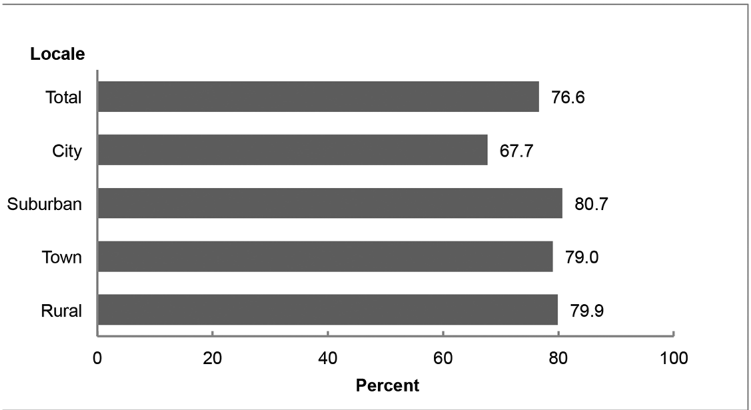
- the licensing and qualification of all public school personnel,
- attendance and records of attendance of all pupils,
- standards for student performance,
- adult basic education programs,
- approval of independent schools,
- disbursement of funds, and
- equal access by all Vermont students to a high-quality education.

As the educational system has become more standardized, some critics argue that it has become less responsive to local needs and resources. Given the extent to which state funds are being used to support local schools, however, states may feel they have little choice.

Losing schools in rural areas has a significant impact on the welfare of the community as a whole, as Thomas Lyson (2002) pointed out in his research on the loss of schools in rural communities. Lyson collected data from all 352 villages and towns with populations under twenty-five hundred in New York State. He divided them into two groups based on the population size and made comparisons within groups. For the smaller group (population five hundred or less), he found that only 46 percent of the communities without schools grew in population between 1990 and 2000, whereas 60 percent of those with schools saw population growth. (For the larger communities the difference was only 4 percentage points, but in the same direction.) Communities with schools have higher home values and somewhat higher wages and per capita income. Lyson also established that communities with schools have more professional, managerial, and executive workers along with more self-employed residents and fewer residents who commute outside the community to work. Lyson proposed that keeping schools close to the community should be a significant part of every state's rural development strategy.

Beyond research establishing that students have better attitudes and more involvement in extracurricular activities in smaller schools, rural schools have

FIGURE 4.7 **Average freshman graduation.**



Note: The analysis is limited to forty-seven states and the District of Columbia. Three states, California, Nevada, and Vermont, are not included because completion data are not available. School districts with missing data on the number of diplomas or total enrollment base or locale code are excluded. Geographic districts in New York City are combined as one school district. High school students are students attending a school offering the final years of high school work necessary for graduation. (For more details on urban-centric locale categories, see http://nces.ed.gov/surveys/ruraled.)

Source: US Department of Education, National Center for Education Statistics, Rural Education in America, http://nces.ed.gov/surveys/ruraled.

fewer incidents of violence and crime than do urban and town schools. The average freshman graduation rate in rural schools was 79.9 percent in 2008–2009 (Silverman, 2014).

Academic achievement is lower when controlling for race/ethnicity in rural schools, as indicated by elementary reading score percentiles (see Table 4.1). Although Asian, black, and Hispanic children do better in nonmetro schools than do their counterparts in city schools, white students do worse. Every group does better in suburban schools, which have the advantage of more valuable property providing their tax base.

When the three locations of schools are compared looking at the degree of poverty in the locality (see Table 4.2), rural students in high-poverty areas (more than 55 percent of the households in poverty) have a substantial advantage over city and suburban schools in student achievement for all racial and ethnic categories, although all students in high-poverty areas do more poorly than their counterparts in medium (25–55 percent in poverty) and low (less than 25 percent in poverty) areas. Rural black students perform better than their counterparts in medium-poverty areas and similar to them

Table 4.1 Achievement of schools attended by race/ethnicity, elementary reading score percentiles.

	City	*Suburban*	*Nonmetro*
White	54.1	63.8	51.9
Asian	48.2	62.7	53.2
Black	27.8	43.3	38.2
Hispanic	31.4	44.9	41.9

Source: Logan 2014.

in low-poverty areas. The general low score of black students is due to their predominant residence in high-poverty areas, whether urban, suburban, or rural.

Investing in the Rural Poor

In 2005 Hurricanes Katrina and Rita made the world aware of poverty in the United States. Although the media focused on urban New Orleans, rural counties along the Gulf Coast suffered similar devastation and unequal recovery (Jensen 2006). Across rural America use of food pantries, food stamps, and other welfare services rose rapidly from 2007 to 2013. Has human capital investment in low-income people been sufficient to ensure that they can be productive members of society and provide for their own needs?

There is ample evidence that poverty in an affluent society such as the United States has negative effects on those who experience it, but how does one define poverty? Molly Orshansky, who worked in the Social Security Administration during Lyndon B. Johnson's War on Poverty, developed a means of measuring poverty that is used to this day. She set the poverty threshold at three times the cost of the "thrifty food plan," the cheapest of four USDA family food budgets. Thresholds were developed with adjustments for family size, for farm/nonfarm status, by the number of family members who were children, by gender of the head of household, and for aged/nonaged status. Most experts believe that the poverty definition sharply underestimates—by as much as a factor of two—the incidence of poverty in this country today. Orshansky's method was adopted by the Office of Economic Opportunity, Johnson's antipoverty agency, in 1965 and has merely been adjusted for changes in the Consumer Price Index (CPI) every year since, even though the cost of food in the family budget has gone down significantly and the costs of other things, such as transportation, housing, and health care, have risen faster than the CPI as a whole. Child care, which for families with small chil-

Table 4.2 Achievement of schools by race/ethnicity and degree of poverty of school location.

	High poverty			Medium poverty			Low poverty		
	City	*Suburb*	*Nonmetro*	*City*	*Suburb*	*Nonmetro*	*City*	*Suburb*	*Nonmetro*
White	32.5	40.4	43.7	57.2	54.4	54.0	76.7	72.3	63.2
Asian	26.5	29.1	40.5	55.5	50.8	54.5	80.2	74.3	70.6
Black	22.2	28.4	34.1	52.9	48.2	55.6	66.2	66.1	66.5
Hispanic	27.2	31.4	37.4	51.3	49.1	50.2	47.0	63.2	51.9

Source: Logan 2014.

dren is even more expensive than housing, was not even a financial factor in 1965. One way of assessing the extent of underestimation of the official poverty rate is to calculate a self-sufficiency wage. A self-sufficiency wage is one that covers current expenditures for basic necessities for families of a specified composition (e.g., two parents and two children of varying ages). Jan L. Flora and others (2004) calculated self-sufficiency wages for Iowa that included no-frills expenditures for food, clothing, housing, health care, transportation (to work, for shopping, and to day care or school), day care (for preschool-age children), local telephone, and, finally, household expenses, personal care, and clothing. This bare-bones budget does not include money for savings, leisure activities, dining out, or the purchase of luxury or nongeneric goods. For 2002 Flora and colleagues estimated that between 19 and 28 percent of Iowa's children were in families with before-tax incomes that were insufficient to cover basic family expenditures, while according to the official poverty rate, approximately 13 percent of children were in poverty, suggesting that if one views poverty as the inability to afford basic necessities, the official poverty threshold should be increased by 50 to 100 percent.

Economic development efforts that expand high-quality employment in both urban and rural areas will be the most effective long-term antipoverty program. Such efforts must be coupled with educational reform involving substantial investment in upgrading the capabilities of young and midcareer people, particularly in areas of persistent poverty. Unfortunately the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the most recent comprehensive welfare reform law) allows for only two years of education during the time one receives Temporary Assistance to Needy Families. Realistically that is not enough time even to get an associate of arts degree from a community college if one is a single parent. The welfare reform law was written more to get welfare recipients off welfare and into the job market than to encourage them to obtain the assets that would keep them permanently out of poverty. Attention to rural health, including making the healthy choice the easy choice through access to active recreational opportunities and fruits and vegetables will help as well.

Given the mid-decade antiwelfare, antispending mood of the 2010s, political support can be gained—grudgingly—only for those considered the worthy poor. Children are the most obvious target group. The Women, Infants, and Children (WIC) Program, State Child Health Insurance Program, and other programs benefiting children (and the families of which they are a part) are more effective than the so-called workfare programs that followed the passage of the welfare reform law. The Earned Income Tax Credit (EITC), by which low-income working families receive a tax benefit, is a form of bonus for performing low-wage work (see Chapter 7 for a discussion of EITC). Yet few rural low-income workers know of its existence or how to access it. The Child Care Tax Credit is another mechanism that supports working parents, but it needs to be raised substantially to compensate for a significant share of the costs to low-income families of providing for their dependent children.

Getting women off welfare (more than 90 percent of adults on welfare are women) is likely to be more effective if coalitions are formed between advocacy organizations and urban and rural poor people. Only if the welfare of children becomes defined as a strategic interest of the United States is there a chance of making substantial inroads against poverty.

Chapter Summary

Gary Becker and other economists argue that education and training are the most important forms of human capital. Human capital also includes the personal attributes of individuals that contribute to their ability to earn a living, strengthen community, and otherwise contribute to community organizations, family, and self-improvement.

During the settlement centuries in America attributes of human labor that were needed included physical strength, endurance, and, in some cases, innovativeness. Education often was denied to those who were expected to do only manual work all their lives. Where settlement was accompanied by relatively widespread access to property, education was more highly valued and more universally available, although rural schools were still segregated well into the 1970s in some places.

The employment opportunities in rural areas determine both the kind of education available and the degree to which students are motivated to take advantage of them. Workforce opportunities can be divided into two segments: the primary and secondary labor markets. The primary labor market recruits people based on educational and skill levels. Jobs in the primary labor market can be either managerial/professional or craft/skilled. Jobs in the secondary labor market generally have low status, low pay, poor benefits, and little or no chance for advancement.

In the past, miners and loggers and often farmers as well did not have high educational levels because they left school for work. However, this has changed. The interaction between educational level and type of jobs available has become a vicious cycle for many rural communities. Communities that invest heavily in education see the more educated young people leave because of the lack of opportunity unless such communities work collectively to generate jobs they would like their children to have. Rural areas are losing their local schools to consolidation, which has hurt local economies without improving school effectiveness.

Rural poverty continues to be higher than urban poverty in the United States. People living in rural areas have fewer opportunities and may have less education and poor health, which all contribute to poverty. Poverty in turn is related to poor health status. People in rural areas are somewhat more likely than those in urban areas to be subject to occupational situations detrimental to their health. Rural areas are also less likely to have the resources to invest in increasing human capital.

Key Terms

Achieved characteristics are those gained through education, training, experience, hard work, connections, or "native" intelligence.

Ascribed characteristics are social characteristics assigned by society to individuals and are based on physical (gender, race), cultural (race, ethnicity, religion), economic (social class), or demographic (young person, elderly) characteristics that were not chosen by those individuals. Ascription can readily lead to stereotyping or even scapegoating.

The *formal economy* includes economic activities that are regulated by laws and monitored through routine data collection.

Health status refers to physical and mental conditions that may be acute (temporary) or chronic (long term).

The *informal economy* includes economic activities that are not regulated by laws, such as noncontractual exchanges of labor or goods. Such activity generally is not monitored through the use of invoices, paychecks, or formal accounting procedures.

The *labor force* includes all working-age persons within a community, local area, state, region, or nation who are able-bodied and who hold a paid job, are seeking one, or are self-employed in providing goods or services to the market. In most countries, including the United States, the decision was made early on not to count unpaid family members engaging in household or other economic activities as part of the labor force. The *workforce* is that part of the labor force that receives wages or salaries.

Labor market areas (LMAs) encompass both place of residence and place of work of a local population. An LMA is a local region (often a cluster of counties) centered on a trade center or urban city, within which a pool of workers make their homes and can readily commute to work.

Opportunity structure describes the types of jobs and investment opportunities available in a community.

The *primary labor market* consists of jobs that provide good wages, safe working conditions, opportunities for advancement, reasonably stable employment, and due process in the enforcement of work rules.

The *secondary labor market* consists of jobs that do not require specific skills, are relatively low paying, have few chances for advancement, and have high turnover.

Discussion Questions

1. What seems to be the main reasons people move to rural areas? Leave rural areas? Would you be interested in living in a rural area? Why or why not?
2. What are the potential impacts on health of living in rural areas? What factors make rural people most vulnerable to chronic illnesses?
3. How does rural education compare to that available in other locations? Are the indicators of educational quality used in this chapter the right ones on which to base a comparison?
4. Map out how an intervention in one of the other capitals has an impact on human capital.

Web Resources

- Watch *Capacity to Care* and portions of *Just Folks* at "Rural Communities: Legacy and Change," Annenberg Learner, 1992, www.learner.org/resources/series7.html#. *Capacity to Care* examines how rural communities with limited resources are able to meet the needs of special populations. Communities in Virginia, Alabama, and Ohio are shown to provide such programs. To learn more about public schools and private academies in Eatonton, Georgia, view the Eatonton segment in *Just Folks*. In fact, the school-related scenes in the other three communities are also appropriate for this chapter (McDowell County, West Virginia; Mammoth Lakes, California, and Irwin, Iowa).

- Watch "Mil Duncan: The Politics of Poverty and Development in America's Rural Communities" at "Carsey Seminar—Mil Duncan: The Politics of Poverty and Development in America's Rural Communities," YouTube, www.youtube.com/watch?v=f2HWuBxHwwc (Also fits Political Capital, Chapter 6). Twenty years ago Duncan studied three remote communities—in Appalachia, the Delta region of Mississippi, and northern New England. In *Worlds Apart* she argued that deep divisions between haves and have-nots in areas dependent upon coal and plantations undermined community institutions, leaving children in poverty. The New England community was not divided and invested in inclusive community institutions. In 2013 she returned to update the book. Presentation is forty-four minutes; the rest is Q&A. Both are excellent.
- Article: in Maya Rao, "Cash from Bakken Oil Boom Can Make College a Tough Sell," *Star Tribune*, December 4, 2014, www.startribune.com/local/284697281.html.
- Farmer dating service: "'City Folks Don't Get It': Dating Site Helps Farmers Find Love," NBC News, www.nbcnews.com/feature/mr-smith-goes-to/city-folks-dont-get-it-dating-site-helps-farmers-find-n259416.
- Interactive map: death rates by state: "Nation at a Glance: Age-Adjusted Death Rates, by State—United States, 2011," CDC, www.cdc.gov/nchs/features/nation_aug2014/nation_at_a_glance_aug2014.htm.
- Interactive map: trends for young adults by state: "Young Adults Then and Now," US Census, http://census.socialexplorer.com/young-adults/#.
- Data on women in the labor force: "Women of Working Age," US Department of Labor, www.dol.gov/wb/stats/recentfacts.htm.
- Latino demographics: "Hispanic or Latino Populations: Demographics," CDC, www.cdc.gov/minorityhealth/populations/REMP/hispanic.html#Demographics.
- Young adults and their characteristics over time by state: "Young Adults Then and Now," www.census.gov/censusexplorer/censusexplorer-youngadults.html?intcmp=sldr1.

- "Atlas of Rural and Small-Town America," USDA, www.ers.usda.gov/data-products/atlas-of-rural-and-small-town-america/go-to-the-atlas.aspx.
- "Rural America at a Glance (2014 edition)," USDA, www.ers.usda.gov/media/1697681/eb26.pdf.
- Rural Assistance Center, with up-to-date information on rural health and ways that rural communities have organized to improve it: website at www.raconline.org.
- US poverty rates by state by race/ethnicity: "Poverty Rate by Race/Ethnicity," The Henry J. Kaiser Family Foundation, http://kff.org/other/state-indicator/poverty-rate-by-raceethnicity.
- Income and poverty in the United States, 2013: Carmen DeNavas-Walt and Bernadette D. Proctor, "Income and Poverty in the United States: 2013," US Census, September 2014, www.census.gov/content/dam/Census/library/publications/2014/demo/p60–249.pdf.
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- Rural schools by state 2011–2012: Marty Strange, Jerry Johnson, Daniel Showalter, and Robert Klein, "Why Rural Matters 2011–12: The Condition of Rural Education in the 50 States," Washington, DC, A Report of the Rural School and Community Trust Policy Program, January 10, 2012, www.ruraledu.org/articles.php?id=2820.
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5

Social Capital and Community

The Little Missouri National Grasslands, the Theodore Roosevelt National Park (North Unit), Lake Sakakawea, Fort Berthold Indian Reservation, the Missouri River, and the Little Missouri Rivers are part of McKenzie County, North Dakota. Underneath the varied ecosystem lies the Bakken rock formation, containing substantial reserves of oil that traditional petroleum extraction techniques could not reach. Watford City, with a population of around five thousand as of 2014, is the county seat.

Trust and interdependence pervaded Watford City and McKenzie County from at least the 1930s through the first decade of the twenty-first century. That ability to work together and with the outside to innovate is evident from the grazing association to the employee-furnished coffee area at the county courthouse, where the sign on the wall reads that you're welcome to anything, just please contribute to the pot. Local storeowners knew and trusted their customers. As one woman said in our 2005 community meeting, "If you forget your checkbook [while you're out shopping] and you say, 'Can I take it?' There's no question that it's okay." This trust reciprocates back to store owners; several residents said that for hard-to-find items they'd rather patronize local stores and ask them to special order the items rather than drive out of town to find the item immediately.

Ranchers in McKenzie County found they did better when they worked together. During the drought of the "Dirty Thirties" ranchers struggled. The US government offered relief by buying them out, but it offered what locals viewed as a pittance for the land. Ranchers banded together and worked out a deal with the federal government through the Little Missouri National Grasslands (currently administered by the US Forest Service in USDA) that allowed the ranchers in association to continue to manage the federal ranges and the ranges that had reverted to county control because of the ranchers' inability to pay the taxes on it.

The McKenzie County Grazing Association oversees grazing on much of the Little Missouri National Grasslands, one of the few expanses of public land where ranchers control grazing. The association, the largest grazing rights permittee in the entire national forest and grassland system, keeps a portion of grazing fees to pay for range improvements, like fencing and livestock water projects as well as administrative costs. Stewardship is organized through peer pressure, and all disputes, such as overgrazing and trespassing, are handled internally through fines or loss of grazing privileges.

In August of 2006 a "Fabulous Western Fantasy Playground" was erected in downtown Watford City. Six women organized the project, with Rene Johnson at the head. Rene designed the project as part of North Dakota State University (NDSU) Extension's Rural Leadership North Dakota program. Various groups, entirely within the community, including children going door-to-door with red wagons collecting change, raised $200,000. Once the ground had been prepared and all the equipment parts received, an all-volunteer crew erected the playground in three days. Over seventy-five hundred person-hours were donated. Free child care was provided for volunteers. All the local and regional news articles covering the projects mentioned the tremendous sense of community felt by all involved. People from all walks of life came to help, and many made new friends.

The Long-X Bottle Shop liquor store, until 2012 the only nonrestaurant licensed to sell liquor in Watford City due to a city ordinance limiting the city to one license per three thousand residents based on census population, is an interesting example of social entrepreneurship. All profits went to community grants but particularly to the county health facilities. The Watford City Community Benefit Association, established in 1954 "for one purpose: to give back to the community," originally opened the shop to direct the profits to community projects, including improvements at the local hospital and later the nursing home.

In the mid-1990s First International Bank and Trust moved to in-house check processing and bought two banks in Arizona, complementing their several other in-state branches. To manage their dispersed banks, they invested heavily in information technology, including video conferencing to conduct meetings and interview new employees.

A community-wide high-speed Internet push followed the bank's lead. Community Internet and computer training courses were widely offered by various groups, including the Community Technology Center in Watford City, the North Dakota State University Extension Service (both local and state staff), and the McKenzie County IT coordinator. Participation in these courses was high. Now Watford City offers free public high-speed Internet access. Local businesses have benefited from the human and built capital of this technology. An example is e-pharmacist Larry Larsen, who owns two drugstores, one in Watford City and another fifty miles away. He keeps an (electronic) eye on the latter, helping customers remotely via Internet video.

A huge asset to the community is the McKenzie County Health Care System, consisting of faith-affiliated and public institutions. The hospital, the clinic, the Good Shepherd retirement home, and the local Wellness Center are locally controlled and colocated. This allows all the facilities to share resources and personnel and contributes to the cohesiveness of the community.

Watford City and McKenzie County provide a social and cultural setting where local residents can work together and where business formation, success, and failure are considered part of community life. Many of the local businesses enhance financial and human capital, including a locally started financial institution and a large number of health enhancement services.

Commercial development of the hydraulic fracturing process (called fracking for short) fueled a boom in shale oil production, setting the stage for an invasion of oil rigs and massive crews to install them. The first horizontal well was drilled in North Dakota in 2006. The new phase of oil and gas expansion using this new drilling technology began in McKenzie County in 2010. Even with the sharp drop in crude oil prices at the end of 2014, investment in the Bakken shale formation continues unabated.

Once the oil extraction began in 2010 McKenzie County's population increased 46.4 percent by 2013. At the end of 2014 the school board in Watford City was considering building a second elementary school as well as a new high school. The city is rapidly annexing adjoining land, and the voters have approved a city sales tax to take advantage of the money spent there by oil field workers.

The county budget proposed for fiscal year 2013 was proposed at $95.8 million dollars, double that of 2012. Oil and gas revenues provided a large portion of the increase. McKenzie County experienced the largest increase in sales tax revenue in the state in 2012. Revenue from heavy vehicle fees has increased dramatically.

The greatest immediate problem is lack of affordable housing for this booming population. By mid-2012 there were plans for nine different housing developments near Watford City, which annexed three adjacent areas to accommodate growth. In total these annexations and development plans encompass more than eight hundred acres. Developers came to "the Bakken" looking for opportunities to build. Watford City and McKenzie County provided those opportunities.

Civil society and their market partnerships have worked hard to respond but have faced setbacks in their ability to mobilize local resources for the public good. Under pressure from developers, the city council, despite opposition from the Watford City Community Benefit Association (WCCBA), voted to change the city ordinance limiting the number of off-sale licenses (City of Watford City Council Meeting, June 4, 2012). The Oppidan Investment Company of the Twin Cities in Minnesota promoted the change. The WCCBA's ability to contribute to the city's common good is greatly decreased as outside investors gain influence. This will have particular impact on the hard-pressed health care facilities.

Through such efforts as Mothers of Preschoolers (MOPS), the community has mobilized a series of activities to make it convenient for the workers' families to move to town. MOPS organizes activities for preschoolers and their families that integrate them quickly into the community by providing the opportunity to contribute to the group through working with the children as well as receiving needed child care. With the rapid influx of newcomers, the critical question is whether social capital can be maintained in the face of the current energy boom.

Interactions among community residents transmit and transform community culture and legacy. It is people who must determine a community's development options, make decisions, and take action. Furthermore, this action often is most effective through groups. Ultimately it is the quality of community social capital that affects the extent to which people expand their scope of concern beyond self-interest and beyond their families to include the community as a whole.

Watford City clearly has a good deal of *social capital*, but how a community develops this social capital is a much more elusive consideration. Does it help to have financial and human capital? Can it be explained by the presence of one or a small group of dedicated and visionary leaders? Does it help if the community is ethnically homogeneous (as was Watford City)? Or is the essence of social capital something much more intangible? In Watford City a variety of civic organizations to which all residents could contribute became important venues for building social capital. These efforts have created an ethic of generosity rather than of scarcity. Having a comfortable but utilitarian community center, housing basketball courts, a weight room, and the like for organized youth and adult recreational sports, undoubtedly has contributed to greater civic-mindedness.

No factor by itself explains how community social capital is built. Precisely how social capital is constructed depends on the history and character of the individual community. This chapter explores the elements of social capital to provide clues for building this particular form of capital so that it contributes to civic engagement and community betterment. It also examines what Robert Putnam (2000) calls the "dark side" of social capital. For example, when does (or what configurations of) social capital have a negative effect on community well-being? Can social capital be used to exclude certain categories of community members? This chapter also introduces the concept of *entrepreneurial social infrastructure* (ESI) as a means of using social capital for community betterment. Finally, it mentions the interaction of social capital with other kinds of capital.

What Is Social Capital?

Human interaction is the foundation of all communities. People may inhabit the same place for extended periods of time and never see one another or socialize; conversely, people increasingly are interacting with others who live outside their geographic communities. Interactions in human communities are based not solely on proximity but also on history. Understanding processes of interaction within a current and historical context of inequalities, power differentials, and *social exclusion* allows us to recognize hierarchies of structure in those interactions.

Social Capital Defined

Social capital is interactive. Although some scholars focus on the social capital of individuals, this discussion looks at it as an attribute of communities, which is more than the summing the social capital of individuals; it is a group-level phenomenon. Individuals do not by themselves build social capital.

Sociologists often explain social capital in terms of norms of reciprocity and mutual trust (Coleman 1988). Norms can be reinforced through a variety of processes: forming groups, collaborating within and among groups, developing a common view of a shared future, forming or reinforcing collective identity, and engaging in collective action. All of these elements of social capital were developed in Watford City. For example, telling Watford City's story, a pleasant task taken on by many of its leaders, both builds a united view of a shared future and reinforces collective identity. Putnam describes social capital as referring to "features of social organization, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital" (1993b, 35–36).

Measuring Social Capital

Stephan Goetz and colleagues at the Northeast Regional Center for Rural Development have used secondary data to measure county-level social capital levels, creating a social capital index (Rupasingha, Goetz, and Freshwater, 2006). Their measures, drawn from a number of secondary sources (data gathered and published by others), included associational density, percentage of voters who voted in presidential elections, county-level response rate to the Census Bureau's Decennial Census, and the number of tax-exempt nonprofit organizations. The results for 2005 (the last map created) are shown in Figure 5.1.

This index is helpful for comparative studies of counties, particularly in examining what other characteristics are associated with social capital across the nation.

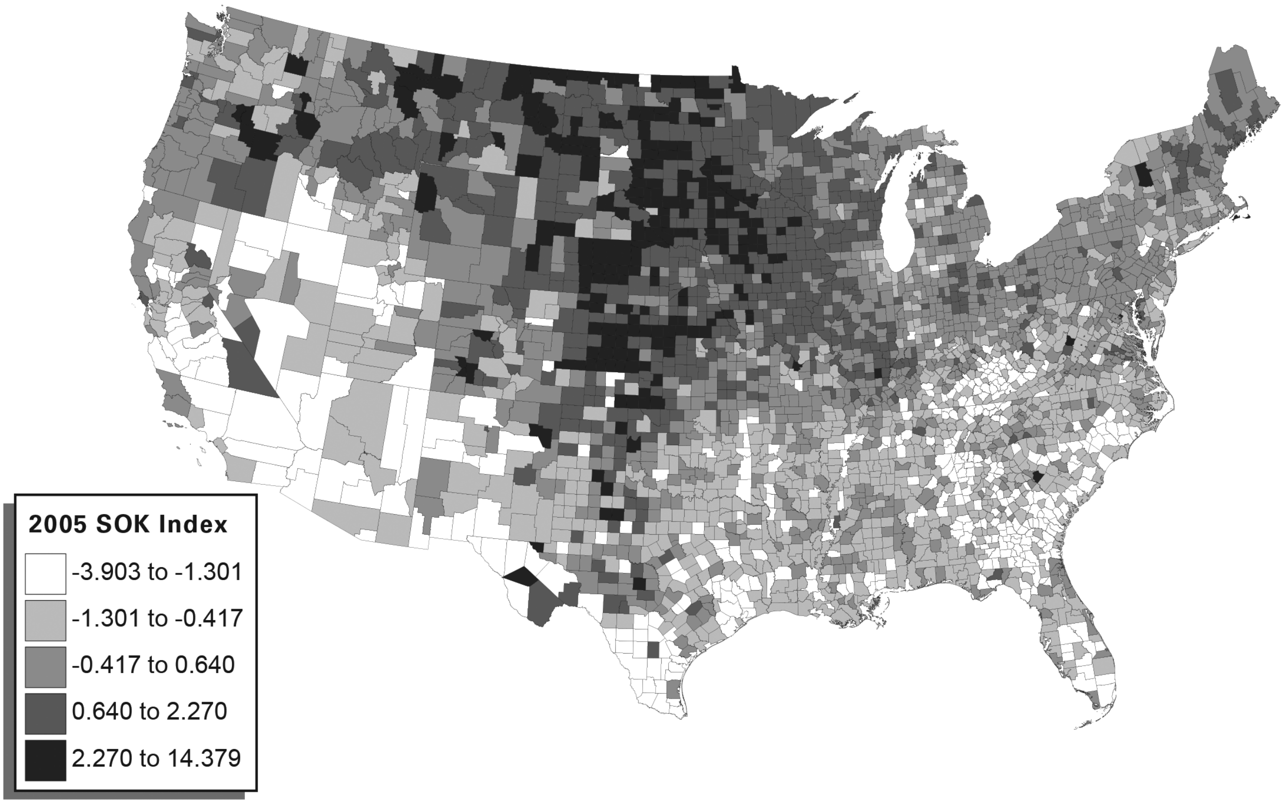
The World Bank, which works with communities to reach development outcomes, has a more qualitative set of measures. They have designed a series of questions around the following five elements of the community. Note that the community is defined socially, whereas the county is a political unit.

1. groups and networks
2. trust
3. collective action
4. social inclusion
5. information and communication

(More information can be found at "Measuring the Dimensions of Social Capital, World Bank, http://go.worldbank.org/BOA3AR43W0.)

Communities can build enduring social capital by strengthening relationships and communication on a community-wide basis and encouraging community initiative, responsibility, and adaptability. Clearly it takes time for these processes to unfold and for social capital to develop. Stronger relationships and communications can result from fostering increased interactions among unlikely groups inside and outside of the community and increased availability of information and knowledge among community members. Community initiative, responsibility, and adaptability are

Figure 5.1 County-level social capital levels, 2005.



Source: Adapted from The Northeast Regional Center for Rural Development. http://aese.psu.edu/nercrd/community/social-capital-resources/us-maps-showing-county-social-capital-levels.

enhanced by developing a shared vision, building on internal resources, looking for alternative ways to respond to constant changes, and discarding the victim mentality, which only causes the community to focus on past wrongs rather than future possibilities. To understand social capital, it is useful to look at the concept historically.

Is Social Capital New? From a Nation of Associations to Bowling Alone

Social capital is as old as human society. Emile Durkheim, a nineteenth-century French sociologist/anthropologist, introduced the concept of *collective representations* or *social solidarity*. He drew his conclusions from the works of ethnologists who studied native North American and Australian aboriginal peoples, suggesting that all simple societies—that is, those with a noncomplex *social structure*, the order that shapes daily, weekly, and yearly interactions between and among people—engaged in sacred ritualized behavior (Durkheim [1912] 2001). He concluded that such groups merged the mundane (day-to-day activities) and sacred realms: all activities were infused with religious meaning. He then applied the framework to modern people in terms of the development of a *civil religion*—that is, patriotic beliefs and related sacred rituals that unite a people. Examples of violation of sacred symbols include flying a Mexican flag in a US parade or publicly imputing crass business or political motives to a leader during a time of war. Neither act of protest is against the law, but those engaging in either act have, at various times in history, been subjected to informal or extrajudicial punishment. Such in-group solidarity generally results in the drawing of sharp boundaries between insiders and outsiders and may even result in persecution of those who do not share (or who are perceived as not sharing) the values of the in-group. These distinctions between those who do and do not share the in-group's values are strongest when the out-group values are perceived as threats to the social order. Examples of such persecution include the internment of Japanese Americans during World War II and the US government's adamant refusal to release the names of more than twelve hundred suspects arrested after the September 11, 2001, terrorist attacks in New York and Washington, DC, or to indicate where they were incarcerated. Years after they were imprisoned only a handful had been charged with terrorism, although it is now known that many have been deported, some to countries where, according to evidence from human rights groups, they have been tortured.

Pierre Bourdieu defined *social capital* as actual or potential resources that derive from "a durable network of more or less institutionalized relationships of mutual acquaintance and recognition—or in other words, to membership in a group—which provides each of its members with the backing of the collectivity-owned capital" (1986, 248–249). He said that to the individual member, social capital is a form of credit that allows him or her to claim certain elements of those resources when they are needed. Much as Durkheim did, Bourdieu argued that these networks—and one's place in them—must be constantly rebuilt through the giving of gifts (real or symbolic) that instill emotions of gratitude, friendship, and respect: "a continuous series of exchanges in which recognition is endlessly affirmed and reaffirmed" (1986, 250). From the individual's point of view these exchanges are investment strategies, a claim on short- and long-term profit, symbolic or real. One might call these norms of reciprocity that foster commitment to the group and at the same time strengthen the group itself.

Bourdieu stated that there is a negative side of social capital, which is the obligation of each group member to be "a custodian" of group limits or boundaries. In other words, someone needs to keep out the "riffraff," those who might change the essential nature of the group. This has important implications for geographic communities because residents are—or should be—citizens of the community. But if they are excluded from community networks that provide credit or access to collective resources, how can they be full community citizens? Groups are excluded from key community networks for a variety of reasons: because of certain unconscious beliefs held by men regarding the hierarchy of the sexes (men often perpetuate the myth "It's the women who really run this place—through their husbands" to maintain their own power), because a group is seen as being permanently "in training" for full community citizenship (regarding young people: "We tried that before you were born; it didn't work"), because they are undeserving (regarding poor people: "They are too lazy to come to meetings—why else would they be poor?"), or because they are outsiders (regarding newcomers and immigrants: "They don't know how we do things here").

A much earlier observer who viewed social capital (although he did not use that term) more positively was Alexis de Tocqueville, an aristocratic Frenchman who traveled at length in the United States and in 1835 and 1840 published the two volumes of *Democracy in America* ([1835 and 1840] 1956). He feared the "tyranny of the majority" and was generally suspicious of the motives and lack of formal education of the lower and working classes. However, upon observing the workings of communities of all sizes in the United States, he concluded that a fundamental bulwark against that tyranny was the degree to which Americans organized themselves into what we today would call *civil society*. The development of civic associations to accomplish collective purposes involves building social capital: promoting interaction that strengthens members' commitment to particular values and goals and, in seeking to carry out those goals, forging a common identity.

By and large Tocqueville's observations about the United States are still valid, although Putnam has documented that civic engagement has declined significantly in the past quarter-century (at least in terms of historical indicators of civic engagement). Putnam uses the metaphor of bowling alone to represent the decline in civic engagement: Following World War II, bowling leagues regularly brought neighbors and colleagues together on weeknights in a relaxed atmosphere in which they often discussed family and community topics. Now, although the number of games bowled in the United States has remained more or less constant, most people are bowling "alone" (in pairs or family groups, really) rather than in leagues. Putnam does note, however, that although civic involvement of all kinds has declined, voluntary organization membership in the United States remains higher than in many other developed countries. He attributes the high levels of civic activity in the first two-thirds of the twentieth century, first, to the effects of the Progressive era and, second, to the mobilization of all US citizens during World War II.

Tocqueville rightly pointed out that in the first half of the nineteenth century European societies were too stratified to be able to develop strong associations throughout the society. The wealthy did not often need them because they had the resources to act alone. When they did need to work through an association, they were quite capable of forming one, accomplishing the objective, and then disbanding it. The working and lower classes, because they possessed so few cultural, financial, or human resources, effectively were barred from building associations; thus, great inequalities made it difficult for the lower classes to get organized. It is not surprising that in 1848, eight years after Tocqueville published the second volume of *Democracy in America*, revolutions broke out in many parts of Europe as the subordinate classes perceived no alternative for redressing grievances.

What Tocqueville did not capture—and it was more than half a century later that Durkheim provided the conceptual and empirical tools to do so—was the fact that strong associations did not necessarily add up to a collective will. Certainly what is now called a strong civil society made it more difficult for one leader or one group to capture political power and turn it into parochial and antidemocratic ends. The Civil War, which Tocqueville foresaw because of the inequalities generated by slavery, was a case in point. Although the marketplace of ideas in which American associations hawked their wares of values and desired futures was bustling, a large and important group, African Americans, was prohibited from entering that marketplace. Once slaves were emancipated and the secession of the Southern states from the Union was over, the process of removing this greatest bottleneck to the achievement of democracy—the subjugation of black people—had begun, although it would take a century more for African Americans to fully gain their political and legal liberation.

But still the cacophony of voices that resulted from having many associations in US communities did not ensure an improvement in well-being, happiness, or domestic or community tranquility. More than half a century after Durkheim completed his *Elementary Forms of Religious Life* ([1912] 2001), Harold Kaufman (1959) and his student Ken Wilkinson (1991), rural sociologists from Mississippi, examined this all-too-frequent contradiction between a flurry of activity by community-based organizations and a lack of improvement at the level of the community itself. Using an interactional approach, they proposed that it was important to distinguish the *social field* from the *community field*. According to Wilkinson, a social field is "a process of interaction through time, with direction toward some more or less distinctive outcome" (1972, 317). There are numerous social fields in a community, each of which consists of individuals and organizations working toward a particular goal. A good example in McKenzie County is the McKenzie County Grazing Association. While they work to retain access to pastures on public lands, they also monitor the pasture to ensure conservation of the soil and biodiversity.

If a set of interrelated actions associated with a social field is focused on the whole community, one may talk of a *community field*. A set of actions within a community field serves a general community interest rather than specific private interests. A community field, then, is the pattern of interaction that focuses on the entire community. A single organization that looks out for the interests of the community might provide that community field, but generally the community field is made up of a web of associations, firms, and even governmental entities that collaborate for a common purpose.

Bonding and Bridging Social Capital: Homogeneity or Inclusion?

Social capital can be divided into two parts. *Bonding social capital* consists of connections among individuals and groups with similar backgrounds. These connections may be based principally on class, ethnicity, kinship, gender, or similar social characteristics. Members of a group with high bonding capital know one another in multiple settings or roles. *Bridging social capital* connects diverse groups within the community to each other and to groups outside the community. The ties that make up bridging social capital usually are single-purpose or instrumental, whereas bonding ties are affective or emotionally charged. Bridging social capital fosters diversity of ideas and brings together diverse people. This dichotomy is similar to the classical formulations by Ferdinand Tönnies ([1887] 1957) (*Gemeinschaft* versus *Gesellschaft*), Durkheim (organic versus mechanical solidarity), and to Mark Granovetter's strong-versus-weak ties (1973).

Deepa Narayan incorporates the notion of power into the bonding-bridging relationship. Regarding bonding social capital, she wrote,

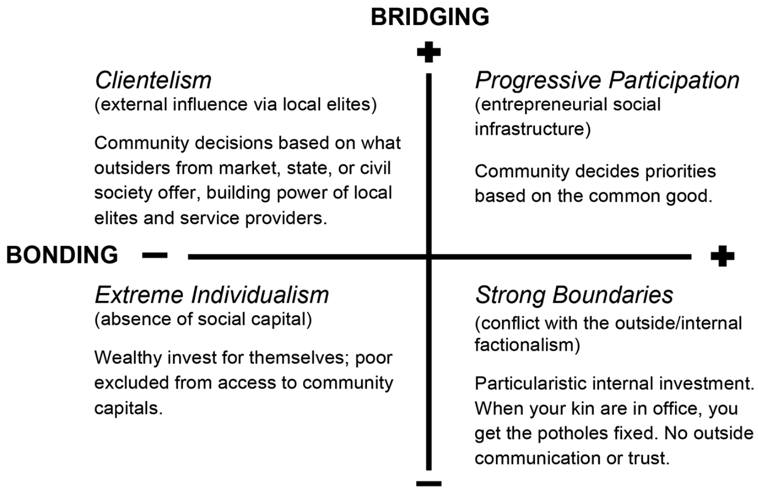
> While primary groups and networks undoubtedly provide opportunities to those who belong, they also reinforce pre-existing social stratification, prevent mobility of excluded groups, minorities or poor people, and become the bases of corruption and co-optation of power by the dominant social groups. Cross-cutting ties which are dense and voluntary, though not necessarily strong . . . help connect people with access to different information, resources and opportunities. (1999, 13)

Thus Narayan suggested that the development of *weak* or *cross-cutting ties* is important for breaking down inequalities of power and access. For example, a contributing factor to racial inequality is the lack of information available to African American youths in central cities and in the rural South about where they can find "good" jobs. A lack of parental connections to smooth the way for these youths to gain access to those jobs also contributes to inequality. These notions of exclusion are complementary to those presented by Bourdieu (1986), who proposed that elite French families and upwardly mobile middle-class families use family economic and cultural capital to gain strategic class-based ties (social capital) for their children, thereby excluding the children of parents who lack resources and the necessary strategic impulses for moving their children up the social ladder.

How do bridging and bonding social capital interact at the (geographic) community level to determine the extent of collective action that takes place in those communities? A simple fourfold table can be used to predict levels of collective action (see Figure 5.2).

Bridging and bonding social capital can reinforce each other: When both are high, the result is effective community action, or Entrepreneurial Social Infrastructure (ESI), discussed later in this chapter. When both are low, extreme individualism dominates, which is reflected at the community level in social disorganization. Community action is low when residents mainly relate apathetically to their community. When bridging social capital is high

Figure 5.2 Social capital typology.



but bonding social capital is low, there is *clientelism*, and the relationships formed within and outside the community are predominantly vertical. When bonding social capital is high but bridging social capital is low, conflict often occurs. The community may be organized against an outside entity or against itself. In the latter case bonding social capital occurs within homogeneous groups in the community, and these groups oppose one another.

Four characteristics of networks build bridging social capital. First, networks include a *horizontal* dimension. Lateral learning is critical in networks; communities learn best from each other. Such social capital is built in the course of lateral learning, both between and within communities. Second, networks include a *vertical* dimension. It is critical that communities be linked to regional, state, and national resources and organizations; however, it is also critical that there not be just one gatekeeper that makes that linkage. Elected officials and members of organizations need to attend regional, state, and national meetings so that one person cannot say to other members of the community, "Well, the rules won't let us." Other points of view that are still within the rules can uncover alternatives. Third, networks are *flexible*; being part of a network should not be a lifetime commitment. Participation increases and burnout decreases when people are asked to participate in a network that has a finite life span or a regular rotation of leadership. People are willing to participate where they can make a difference and when they are asked to participate primarily in activities in which they have a genuine interest, although care must be taken that the larger vision is shared. Flexibility means that more people have the opportunity to become leaders. Fourth, networks have *permeable boundaries*; the community of interest is expanded and the community of place grows larger as new partnerships and collaborations form.

Exploring how the two dimensions of social capital relate to community change is a vital component in this discussion.

Absence of Social Capital (Bridging Low; Bonding Low)

Communities lacking bonding or bridging social capital also lack the capacity for change. Individuals in these types of communities view themselves as self-reliant—or as totally adrift. In the absence of social capital some people can succeed by substituting financial capital for social capital. For communities or neighborhoods without financial capital the absence of social capital can be fatal, as health studies are increasingly showing and as was illustrated by the fate of the poor in New Orleans after Hurricane Katrina in 2005. People in neighborhoods that lack social capital are more likely to experience stress, hypertension, and mental health problems, among other difficulties. Crime rates are high where there is an absence of social capital, and personal security is a major problem. The wealthy can protect themselves with expensive security systems; they install alarms and even hire their own police, but no such protection is affordable in poor communities or neighborhoods.

Conflict with the Outside/Internal Factionalism (Bonding High; Bridging Low)

When bonding is high and bridging is low, communities resist change. This may occur in two ways. The community may organize in opposition to the outside in a kind of reactive solidarity; newcomers are viewed with suspicion in such communities. This reduces access to information and other resources from the outside. Alternatively, homogeneous groups or factions within the community may have varying perspectives on the kinds of change that might benefit their community. The groups do not trust each other and, therefore, are unwilling to cooperate with one another. Conflict is internal and becomes the dominant community-level attribute. Although collective action may occur within groups in the geographic community, it is difficult to organize and carry out action at the community level if internal conflict persists. Social fields overcome the community field.

External Influence via Local Elites (Bridging High; Bonding Low)

Where bridging social capital is high but bonding capital is low, some degree of control from outside the community is exercised through community elites, helping professionals, or, in the most extreme form, local "bosses." This arrangement does not preclude collective action on the part of community residents, but that action is more apt to benefit outsiders or their local surrogates. Although this pattern of social capital is also built on norms of reciprocity and mutual trust (or at least mutual obligation), those relationships are vertical rather than horizontal. Power is clearly concentrated. Traditional patron-client relationships, typical of urban gangs or boss-run political machines, are created. Those at the bottom of the hierarchy—who are obviously beholden to the few at the top—are the majority of the population in such communities. As a result, recipients of favors owe substantial loyalty to their patron when it is time to vote for public office, to collect from a loser in the numbers racket, or to settle a score with a rival gang. As a result, horizontal networks are actively discouraged, particularly outside the sphere of influence of the patron, godfather, or elite clique. Such systems create dependency.

This type of social capital is prevalent in some persistently impoverished communities. For example, in the Appalachian coal-mining community of Blackwell (a pseudonym) studied by Cynthia Duncan (2014), absentee-owned coal companies controlled most of the resources, businesses, and services. When employment in the coal mines declined, jobs were in short supply. A dramatic rise in addiction to prescription drugs has made employment options much more difficult for those convicted for using them. An elite group of families controlled many public- and private-sector jobs through their control of local government and the school system and through exclusive ties to state government. Gaining employment depended on whether one came from a "good" or a "bad" family. A more modern version of this hierarchical social capital is the power elite community model, in which social and economic inequalities are generally substantial. There is clearly a ruling clique that maintains its social distance from the rest of the community, but it preserves political influence either directly or through pliable middle- or working-class officeholders.

Entrepreneurial Social Infrastructure (Bridging High; Bonding High)

Horizontal social capital implies egalitarian forms of reciprocity without necessarily implying equal wealth, education, or talents. Community resources and capital are broadly defined. Not only is each member of the community expected to give, earning status and pleasure by doing so, but each is expected to receive as well. Each person in the community is deemed capable of sharing something valuable with all members of the community, including contributions to collective projects, from parades to the volunteer fire department to Girl Scouts. Norms of reciprocity are reinforced, but payback to the donor is not required or even expected. Such communities also have diverse contacts with the outside, which provide needed information to the community, information that often can be used to generate outside resources without exercising control over the community. Watford City was a good example of a community with both high bridging and high bonding social capital.

With respect to bonding social capital, organizations within Watford City are closely linked to one another, with strong ties among civil society, market-oriented firms, and local government, although the latter is in a decidedly subordinate position.

Regarding bridging social capital, Watford City's community had many contacts with the outside, and a particular individual or clique does not monopolize those contacts. Because there were various centers of economic power, it was easy for a number of people to develop multiple ties with the outside. These ties tended to be between social, if not economic, equals.

Watford City has high bonding *and* bridging social capital. In one sense Watford City faced a limitation to expanding its community social capital that had not been overcome—to meet the World Bank's criteria of inclusiveness. The community has not made a concerted effort to include people with different social characteristics in either the inner or outer circles of leadership. This can be seen most urgently in the subordinate leadership role played by women, although a few women had been incorporated into the outer circle of leadership when we conducted our study more than a decade ago. Professionals and businesspeople dominate community leadership. With the expansion of the petroleum and construction industries, will the working class be welcomed and mentored in the same way that proprietors, entrepreneurs, and professionals currently are? The community is predominantly European American. The labor force coming to work in the oil industry is more diverse ethnically. The development model imposed by oil extraction consumes a great deal of natural capital, particularly soil, pasture, and water. The good news is that Watford City and McKenzie County have more of both kinds of social capital with which to confront these changes than do most rural communities.

The inequalities generated by the petroleum boom in Watford City have not yet been fully appreciated, but have implications for social, human, financial, and even cultural capital. Because of the external origin and control of the oil and gas extraction enterprise (externally-based financial and political capital), Watford City and McKenzie County are likely to be pushed in the direction of clientelism (high bridging, but low bonding social capital). There is already a tendency for ambitious local leaders to ally themselves with the oil companies, developers, and other external agents rather than continuing to strengthen bonding social capital in the face of external pressure and growing inequalities. Whether the community can continue to exhibit entrepreneurial social infrastructure is not a foregone conclusion and depends greatly on proactive local efforts to maintain bonding social capital by reaching out to new residents.

Entrepreneurial Social Infrastructure

Communities that are high in both bridging and bonding social capital are poised for action, able to engage the community field. *Entrepreneurial social infrastructure* (ESI) indicates the collective outputs and outcomes that can result when both bridging and bonding social capital are high. *Social infrastructure* was chosen because the name suggests that it operates in a parallel way to physical infrastructure (which we include in the term *built capital*) in community development (Flora and Flora 1993). ESI is a measurable form of community action (Sharp and Flora 1999), conceptually distinct from social capital. We hypothesize that it is a consequence of high bridging and bonding social capital.

Two main characteristics distinguish ESI from social capital. First, ESI can readily be changed through an explicit collective effort; it links social capital to *agency*. A community with a well-developed social infrastructure tends to engage in collective action for community betterment, which is why this phenomenon is labeled *entrepreneurial* social infrastructure (see Flora et al. 1997); ESI is a less abstract concept than social capital. For example, it is difficult to directly change levels of community trust, but it may be possible to encourage previously opposing groups to cooperate through conflict management or by redefining issues.

Second, whereas *diversity*, the presence of different perspectives regarding means and ends, and social inclusion, ensuring that those groups usually without voice are empowered, are central to bridging social capital, ESI focuses on the *outcomes* that embrace diversity—the willingness to consider and accept alternatives. In a community-planning process diverse types of information are sought from individuals and groups with different backgrounds and perspectives from both inside and outside the community.

The flow of information is not channeled exclusively to or from a particular group but is dispersed widely throughout the community. Furthermore, the inclusion of all citizens in the decision-making process ensures greater commitment to carrying out those decisions. Decisions, once made, are more generally accepted.

There are certain basic features of a community with high ESI, including legitimation of alternatives, inclusiveness and diversity of networks, and widespread resource mobilization.

Legitimation of Alternatives

Some communities seek a silver bullet to solve problems, whereas in others various perspectives are discussed and combined. These latter communities recognize that there are alternative ways of reaching shared goals. As with continuous improvement in industry, definitive solutions are not sought; instead, corrective measures are implemented as progress is monitored, and alternative ways of achieving goals are examined.

This leads to the acceptance of controversy, which contrasts with conflict. Acceptance of controversy means that people can disagree and still maintain mutual respect. In contrast, in a conflict situation lines are drawn and labels are assigned according to one's stance on a particular issue. In a community meeting in Watford City attended by the senior author as part of an action research project with North Dakota State Cooperative Extension, a resident emphasized how the community seeks to be politically integrative and why "you bring in the naysayers, because if they have a better idea, you want to do it." Disagreements are fine as long as they do not become personal. Conflict-prone communities may tacitly agree to not deal with issues about which disagreement exists, thereby suppressing controversy. New issues are not brought forward, visions of the future are not shared, and alternative ways of achieving goals are not developed. In this situation conflict often lies right beneath the surface.

In communities that accept controversy, politics are depersonalized. Ordinary citizens are willing to run for public office and feel able to implement measures to resolve community issues without their constituents attacking their character. There is awareness that the public sector is vital for supporting change at the local level; consequently, participation increases in both civic and governmental organizations. Furthermore, ESI is strengthened when market actors are involved. In the city of Marshalltown, Iowa, a community with a meatpacking plant and a growing immigrant population as the primary workforce in the plant, the addition of business leaders (market actors) and local government actors to a diversity group allowed it to succeed where it previously had failed in ameliorating the immigrant situation.

In such communities great attention is given to process. It is of great importance that meetings be conducted in a civil fashion and that all participants have the opportunity to present their viewpoints. When controversy begins to spill over into conflict, specific conflict-management mechanisms are put in place, often with the assistance of an outsider trained in conflict management. On the positive side, individual and collective successes are celebrated. In communities where it is not legitimate to look at alternatives, the notion of a "limited good" is strong. One person's success is considered to have occurred at the expense of another. These are communities in which controversy does not occur, because people are unwilling to risk expressing contrasting viewpoints.

The local newspaper can play an important role in conveying or failing to convey the information needed to make informed decisions. It can also set the tone of community dialogue on an issue. If it seeks to provide information and to suggest that controversy is legitimate, it will help prevent the conversion of disagreements into rancorous conflict with the potential to split the community. In a nationwide study of nonmetro communities, one of the strongest predictors of whether a community had carried out a successful economic development project was the presence of a newspaper that not only reported community issues but also reported them fairly (Flora et al. 1997).

Unfortunately in some small communities the newspaper, often a weekly, tends to be long on ads and social announcements but short on news. The biggest zucchini of the season and the scores of the high school basketball games are highlighted, but there is seldom a reporter at school board or town council meetings. Often no hint of any bad news is allowed to appear in print. In only a minority of communities is the editor willing to take on controversial issues or address emerging community problems and thereby risk offending people. At the same time, the editor must be perceived as fair and build a case on facts rather than twisting those facts. Communities in which controversy is openly aired and accessible factual information drives out rumors are best able to process information from a variety of sources and make choices that have the potential to enhance community well-being.

Focusing on process allows for the assessment of progress toward goals. When progress does not meet expectations, a discussion of countermeasures for advancement occurs. There is less concern about "Whose crummy idea was that?" or "Why didn't you listen to me? I had a better idea" and more consideration of "What did we learn from this last effort?" and "What will we try now?"

Inclusive and Diverse Networks

Several qualities of *social networks*—webs of relationships within a community—allow communities to gain control of their social and economic development effectively and to become entrepreneurial. They include depersonalization of politics, development of extra-community linkages, diverse community leadership, and approaches to involving excluded groups. Each of these is discussed here in turn.

Discussion of politics in many rural communities involves personalities, not issues. The quality of social networks is much higher in communities that accept and confront reasoned disagreement and do not turn a public stand on a controversy into a symbol of either moral rectitude or degeneracy. Those who disagree on one issue may be allies on another in a coalition that facilitates collective resolution of a problem. Furthermore, disagreements can surface early rather than being suppressed until they explode and divide the community. Political depersonalization requires the acceptance of controversy and debate as normal features of community life.

Through the development of linkages with the outside, a community gains access to information it needs to make choices about its future. Entrepreneurial communities foster extra-community links and actively seek resources from other communities and from state and federal sources. They participate in regional planning groups, confer with the cooperative extension service, and apply for federal grants. They also engage in lateral learning from other communities. For example, citizens of Decatur County, Kansas (its county seat, Oberlin, is another community with considerable entrepreneurial social infrastructure), decided to develop their own community carnival rather than relying on "sleazy" and "unreliable" itinerant carnivals to come to their 4-H fair. They inquired about communities that had built their own carnivals and dispatched a delegation to Hydro, Oklahoma, to learn from that town's success. The delegation reported back to the community, adapted Hydro's experience to its situation, and built its own carnival, run entirely by volunteers. Civic groups from across the county are responsible for a particular ride or game each year. That gives every organization a concrete project and strengthens social capital among groups as they work together to plan the event each year. The proceeds from the carnival support new enterprises throughout the county.

By emphasizing flexible, dispersed community leadership, communities avoid becoming dependent on a single broker who has contacts or charisma. In entrepreneurial communities members rotate through public offices and share informal leadership roles. Often newcomers to the community are active in leadership positions and bring with them a convert's appreciation of the community and an awareness of outside forces acting on it. Being inclusive does not simply mean having people at the table. Some youth programs intended to teach leadership skills, which the youths then can share with their community, have discovered this. A common response to the presence of these youths is, "Wonderful, here is someone to sell the donuts and do the cleanup." The youths may be willing to do these tasks, but they are also eagerly prepared to help plan the development activities. But when they try to participate in the planning, the response of the established leaders is, "Well, we don't do it that way here" or "We tried that twenty years ago and it didn't work." The mere presence of the youths does not equal inclusiveness.

The best approach to diversity is not to ask, "Are we being politically correct?" A more appropriate question is, "Whose viewpoint is necessary as we move toward our goals?" For example, if a community development project's goal is to create more jobs, local people who take those jobs need to be part of the process so that there can be a better link between human capital and the built capital that offers employment opportunities.

Promoting diversity involves directly asking nonparticipants why they are not involved: Is it the time of day? Is the place too expensive for lunch? Is it the location? Meeting for lunch on workdays is impossible for people who work in factories or in hourly wage jobs. In addition, people who are poor or have mobility problems may find some meeting places difficult to access because of the lack of transportation.

Blanket invitations do not promote inclusiveness. Personal invitations are preferred over advertisements in newspapers. People who do not receive personal invitations and who are not part of the planning team generally attend meetings only if they are really incensed and want to protest. Personal invitations should explain how that person's or institution's special capabilities are critical to the effort.

When excluded groups are not organized, it is difficult to get effective participation from members of those groups—or it is only the more educated or wealthy members of a group who participate. We have concluded in our work with rural immigrants that forming immigrant interest groups is an important prerequisite to their effective participation in community-wide organizations that represent the community field. Inclusiveness and diversity must go together, but inclusiveness sometimes means encouraging unorganized or excluded groups to form their own organizations to become more confident and effective community participants.

Resource Mobilization

Resource mobilization is the last critical piece of structured community action, or ESI. First, resources in the community must be fully accessible. This applies to private resources, such as access to credit, as well as to public resources, such as high-quality schooling, recreational opportunities, and access to elected office. This does not mean there cannot be criteria for access, but the criteria should be publicized, and there should be opportunities for people to increase their chances for access.

When mobilizing private resources, financial institutions need to decide how to disperse appropriate loan amounts, with the appropriate terms, to all levels of entrepreneurs and citizens. In communities that successfully mobilize their resources, private citizens at all levels contribute financial aid when there is a need, and opportunities are available for individuals to contribute their time and goods to worthwhile causes. The ability to mobilize private resources is an important element of community action and gives everyone a chance to contribute. Watford City was excellent in mobilizing local resources. The leadership followed a simple rule: they are not afraid to use local resources if a potential economic enterprise or amenity looks like a good risk; local funds beget outside investments and industries in part because local investments send the message that the community is willing to partner with others by pulling its own weight.

Social-capital building for development, or ESI, includes communities of interest and place. It is also enhanced by forming advocacy and action coalitions among institutional actors of the various sectors (market, state, and civil society) and at different levels (such as international, national, regional, state, and local). Civil society is key to adding sustainability to the policy mix, and governments (the state) are uniquely able to provide rewards for market actors who conserve and protect natural and human resources and punishments for those who do not. Although market firms initially resist regulation of their treatment of employees or pollution, in the longer term many firms discover that pollution and not valuing workers are forms of waste; profits can be enhanced through environmental cost accounting and by building employee commitment.

As suggested by Putnam's research in Italy (1993a), research done by the World Bank (2013), and other studies, development is enhanced when social capital exists. But when bonding social capital is not tempered by bridging social capital, it creates barriers to change. When bridging and bonding social capital reinforce each other, development can occur; local resources are innovatively combined with and augmented by outside resources. Situations must be established so that all community members have a chance to contribute to the collective endeavor and have their contributions be appreciated.

Although a balance of bridging and bonding social capital is needed at all levels of society, building bridges to excluded groups is key. Unless a certain amount of social capital exists within excluded groups, it is difficult for a community to build its social infrastructure. And unless there is a certain degree of community bridging social capital—an inclusive orientation by the dominant community groups—increased social capital on the part of excluded groups may lead to reactive solidarity on the part of the dominant group in the community, further distancing a now well-organized, excluded group. Attention to the components of entrepreneurial social infrastructure—legitimation of alternatives; building inclusive and diverse networks of those likely to be affected by the particular project, policy, or objective; and fostering widespread resource mobilization—can lead to community betterment.

Chapter Summary

Building social capital, which includes norms of reciprocity and mutual trust, is vital if small communities are to thrive. Communities can foster lasting social capital by improving internal and external communication. This phenomenon is not new; it is as old as human society and involves bonding and bridging social capital. Bonding social capital includes making multiple connections with individuals and groups from similar backgrounds. Bridging social capital ties diverse groups together within and outside a community. When both bridging social capital and bonding social capital are high, entrepreneurial social infrastructure (ESI) is enhanced. If bridging social capital and bonding social capital are low, individual solutions to collective problems are sought. There are several combinations of bridging and bonding social capital that can have positive and negative effects on community development.

Accepting controversy in communities can have positive results if people can disagree while maintaining mutual respect. If a community's local news media reflect only positive occurrences, then progress cannot be made because existing conditions are not being evaluated sufficiently. Social networks within and outside a community add economic vitality. These networks need to be inclusive and diverse. Diverse groups not only must be invited to sit at the table but also may need to be encouraged to organize among themselves before or while participating in community-wide coalitions.

Resources within a community must be accessible and mobilized effectively. Favoring only one form of capital can have negative results; each form of capital has the potential to enhance the productivity of others. Sustaining success in a community requires building synergy among forms of capital. All forms of capital can be utilized effectively if their relationships to one another are regularly considered.

Key Terms

Agency is the capacity to change social structure through the will to do so of an individual or group.

Bonding social capital involves multiple ties among people or organizations located similarly in the socioeconomic system.

Bridging social capital involves singular ties between individuals or organizations. Those ties are generally instrumental—that is, single purpose—and therefore do not involve an exchange of emotion or affect. Bridging social capital may be horizontal (between equals) or vertical/hierarchical.

Civic engagement refers to people's involvement in their communities and in the civic life of their nation. It includes involvement in political life, but it generally relates to participation in civil society.

Civil religion is a set of cultural ideas, symbols, and practices oriented to the direct worship of society (or the nation-state) by its members. Generally, if certain members do not show sufficient deference or patriotism, they will be sanctioned negatively, either by state authorities or by other members of the society.

Civil society is the organized sector of a society that imparts or seeks to impart values to the society as a whole. Civil society consists of associations that are separate from government (state) and from market- or profit-oriented firms.

Clientelism is a system in which persons subordinate in the social structure are beholden to and do things for a patron or "boss." The patron, in exchange for loyalty from the client(s), provides certain largesse, but the patron is always in the more powerful position.

Collective representations or *social solidarity* are the common tightly held or sacred symbols deriving from shared practices (rituals) and strong networks. They are similar to bonding social capital and contribute to a strong sense of collective identity or bonding, which go hand-in-hand with clear definition of social boundaries.

A *community field* is a social field that focuses on the whole community; that is, it consists of structured interactions among individuals, families, organizations, firms, and/or government agencies for the purpose of changing the community.

Diversity, as is used here, refers to the presence of various perspectives regarding means and ends and the recognition that individuals with different backgrounds and experiences will view an issue differently and therefore may contribute fresh ideas to the solution of a particular problem.

Entrepreneurial social infrastructure (ESI) is both the social capacity and the collective will of local communities to provide for their social, economic, and environmental well-being.

Flexible networks are those that expand, contract, or shift their composition in response to differing circumstances. Under such circumstances people can readily move into and out of leadership in community organizations.

Horizontal networks are those that link people or organizations that are on the same or similar level in a system of authority.

Permeable boundaries are characteristic of communities or organizations that are not rigid in distinguishing members from outsiders and allow their boundaries to expand or contract according to the issue at hand. Such communities tend to be inclusive rather than exclusive.

Social capital includes norms of reciprocity and mutual trust. Norms can be reinforced through a variety of processes: forming groups, collaborating within and among groups, developing a united view of a shared future, building collective identity, and engaging in collective action.

Social exclusion is the shunning or leaving out of decision-making discussions and resource allocation of certain members of a community or group.

A *social field* is a process of interaction of individuals and organizations with specific interests through time, directed toward some more or less distinctive outcome.

Social networks are webs of relationships that link individuals or organizations within a community or with the outside.

Social structure is the institutional framework that shapes order in daily, weekly, and yearly interactions between and among people and groups.

Vertical networks involve ties between individuals, organizations, or communities that are in a hierarchical relationship with one another.

Weak ties are links with persons with values and experiences different from one's own. They are usually single-purpose links. Related terms include *cross-cutting ties* and *bridging social capital.*

Discussion Questions

1. Consider a community with which you are familiar. Where would it fall in terms of the balance between high and low levels of bridging and

bonding social capital? Can you discover a time when the community displayed progressive participation?

2. How does social capital contribute to community development? When does it impede it?
3. How does social capital influence the class structure in the community you are analyzing?

Web Resources

- Watch *Will to Grow* and parts of *The Basics* (Programs 10 and 9, respectively) at "Rural Communities: Legacy & Change," Annenberg Learner, www.learner.org/resources/series7.html#. *The Will to Grow* illustrates several aspects of social capital in two quite different communities: in Caliente, Nevada, a government-dependent, western, ethnically white community; and on the Kaibab Paiute reservation, a small band of Native Americans in northwest Arizona. Two segments in *The Basics* are particularly relevant to social capital. One shows how Caliente's social capital has kept the town strong even though it has struggled economically over the years. The video also shows how social capital in Fletcher, Vermont, has changed with the influx of newcomers ("flatlanders") to the area.
- Watch *Social Capital*, Council of Quality and Leadership, YouTube, 2 min., 5 sec. www.youtube.com/watch?v=tTvbf1WVYFE, or with Spanish subtitles: www.youtube.com/watch?v=TP6X_E64g0c.
- Data on Watford City, North Dakota. This source can be used to get summary data on all incorporated towns and cities in the United States: "Watford City, North Dakota," City-Data, www.city-data.com/city/Watford-City-North-Dakota.html.
- McKenzie County, North Dakota quick facts. This site can be used to access data for all states and counties in the United States: "McKenzie County, North Dakota," US Census, http://quickfacts.census.gov/qfd/states/38/38053.html.
- Watch *Social Capital: Rainier*, PBS NewsHour, YouTube, www.youtube.com/watch?v=TheE96lmXFg&index=3&list=PL50BF8405AADF39B9. Features Dr. Robert Putnam and the effort to revive Rainier, Oregon, by explicitly building social capital following economic and social decline.
- Christiaan Grootaert, Deepa Narayan, Michael Woolcock, and Veronica Nyhan-Jones, "Measuring Social Capital: An Integrated Questionnaire," Documents & Reports, World Bank, January 1, 2004, http://documents

.worldbank.org/curated/en/2004/01/3050371/measuring-social-capital-integrated-questionnaire.

- "Measuring Social Capital: The Social Capital Assessment Tool," World Bank, http://siteresources.worldbank.org/INTSOCIALCAPITAL/Resources/Social-Capital-Assessment-Tool-SOCAT-/annex1.pdf.
- Watch *Elements of Bourdieu: Social Capital in the Funny Pages*, YouTube, www.youtube.com/watch?v=1tPQ-xOLSSE.

  Explains Bourdieu's concept of social capital in about a minute.

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6

Political Capital

Joe and Ellen McDougal grew up in Small Lake, in the bootheel of Missouri, a persistently poor area, and thought they knew the town well. As adults, they decided to stay and raise a family in their hometown. Joe was employed in a small manufacturing plant. Ellen made crafts at home and worked part time as a waitress at the Down Home Café, the social hub in town.

As their children grew older, Joe and Ellen realized the area had few recreational facilities, and what was available was in poor condition. In particular, they believed that lights should be installed at the city park's baseball diamond so that more games could be scheduled for the children's softball leagues.

For several years they went to the city council with signed petitions, but nothing changed. Their elected officials explained that funding was not available for "recreational luxuries" and that nothing could be done. Finally one of Ellen's regular customers at the café said, "Oh, if you want something done in this town, you really need to talk to Hank Jones." Ellen knew Hank, the owner of the local feed and farm supply store, because he drank coffee almost every day in the Down Home Café, but she was unaware that he was influential in town politics; he had never been elected to public office. Hank just seemed like "one of the boys."

When Hank arrived at the cafe the following day, Ellen poured his coffee and chatted with him about the need for lights at the city park and about how athletics played a vital role in keeping youngsters out of trouble. Within a week the item was brought before the city council again, passing easily and receiving funding through a small property assessment. Why had Ellen's casual conversation with Hank Jones been more productive than two years' work with the elected town officials? Is this a good way to democratically decide on community resource allocations?

This chapter looks at political capital in rural communities. It examines theories and ways of measuring community power, sources of power or vested interests, and the importance of outside linkages to community power. Finally, it examines some of the implications that various power structures have for community development and change.

Political Capital

Political capital consists of organization, connections, voice, and power as citizens turn shared norms and values into standards that are codified into rules, regulations, and resource distributions that are enforced. For example, when the Cuyahoga River in Ohio caught fire in 1969 from its heavy levels of pollution from industries along its banks, local citizens got organized. Unlike the response to the previous thirteen fires on the river reported since 1868, this time the citizens did not accept the pollution and resultant fires as a necessary cost of progress. They mobilized nationwide support to increase water-quality standards and to put in place laws, rules and regulations to stem point-source pollution, including the Clean Water Act, the Great Lakes Water Quality Agreement, and the creation of the federal Environmental Protection Agency and the Ohio Environmental Protection Agency. Rules and regulations were put in place to stop point-source pollution and to fine and shut down violators. The state of Ohio and the US government invested resources to be sure that point-source pollution was measured and violators were cited and punished. Political capital powerful enough to make local norms and values about water quality into national standards—and to be sure that rules and regulations were in place and enforced—was the critical element in changing the cultural capital that accepted industrial growth at any cost.

Political capital is a group's ability to influence the distribution of resources within a social unit, including helping set the agenda of what resources are available. Generally, political capital reflects the dominant cultural capital: there is a tendency to support the status quo. In many rural communities high levels of bonding social capital reinforce the current situation and discourage groups with different ideas and agendas from coming forward to offer alternatives. That is particularly the case in terms of setting and enforcing water-quality standards, particularly related to agricultural point-source pollution (confined animal feeding operations) and non-point-source pollution from the runoff of nutrients and pesticides from farmers' fields and golf courses. Rule setters are viewed as the enemy, interfering with the use of private property. Only when local norms and values about a healthy environment are consistently articulated are regulations passed by state legislatures and implemented by governors, who in agricultural states are often as dependent on large agricultural interests as those in Ohio were on industrial interests.

Very often those who control political capital do not hold elected positions but are regularly consulted by elected officials. Sometimes they are not consulted, but elected officials, when giving reasons for not acting on new ideas, anticipate their response, as was the case in Small Lake when the McDougals were told funding was not available for "recreational luxuries." The city council, sure that Hank was opposed to anything that might increase property taxes, automatically rejected any suggestion that might incur additional expenditures.

Analysis of political capital helps us understand not only who runs things in rural communities but also how excluded groups whose issues are not on the agenda when resources are allocated can increase their voice and influence. Under what circumstances can excluded people organize and work together, know and feel comfortable around powerful people, and bring their issues forward for action?

Outside forces greatly affect rural communities; even the smallest places feel the repercussions of national and international events (see Chapter 9). Yet even very small communities have the power to generate and distribute resources (see Chapter 11).

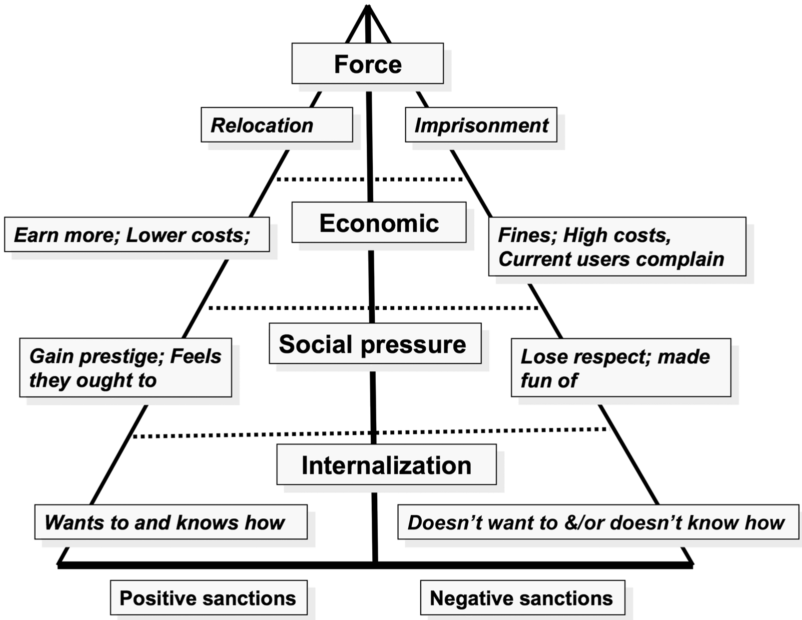
Defining and Exercising Power

Power is the ability to create a situation that otherwise would not happen or to prevent something from occurring that others wish to make happen. Hence the ability to affect the distribution of both public and private resources within the community is called *community power*, or possession of political capital in the community realm. Often community power can be augmented by connections with the outside. Who possesses power and the degree to which it is widely available can greatly affect the quality of life for community residents and even the future existence of the community.

If excluded voices are to be heard, it is important to find out who really runs an organization or a community. Individuals who hold formal positions of authority may or may not actually set the agenda. People such as the McDougals can live in a place all their lives without knowing who really makes things happen—or stops them from happening—in their community.

Patterns in the exercise of community power are called *community power structure*. In a community one can map local power to determine the degree to which it is widely participatory or more concentrated. For example, in

Figure 6.1 Pyramid of social control.



Small Lake a hidden power structure has a great impact on town politics and decisions; the elected officials are not always the people running the town. In some communities an influential network of individuals who never face public election or accountability greatly affects what does or does not happen.

An important dimension of power is the means by which it is exercised, including physical force, institutionalized force or authority, and influence (see Figure 6.1). The most effective way of enforcing the norms and values of a society is through internalization: people know what they should do (not pollute, for example) and how to do it. A great deal of work by the Natural Resource Conservation Service of the USDA helps land managers who want to decrease pollution and conserve natural resources learn how to do so in a cost-effective way. The second level of social control is through peer pressure: if individuals or local entities continue to pollute, neighbors or others in their reference groups (producer associations, churches, service clubs) will criticize them, and if they stop, the same groups will praise them. The third level of control is economic. This level is often necessary when the owners of the polluting industry or farm are not in the community where the pollution is felt. Economic sanctions can be positive, helping cover the costs of correcting the problem or as certification giving access to markets, or negative, in terms of fining the offending entity. When these fail, force is used to shut down a factory or animal-confinement facility.

In totalitarian regimes power is often based on the threat of exercising physical force. Institutional power, which derives from occupying a position of authority in an institution, requires subordinates to follow orders or regulations if they want to remain part of that institution. Only when superiors go beyond institutional rules is it acceptable for subordinates to refuse to carry out an order. Even then refusal can jeopardize one's longevity with the organization. This can happen in democratic/capitalist societies also, as is illustrated by the treatment of whistle-blowers in the United States (see Box 6.1). Influence refers to power derived from more informal relationships, such as friendship or social status.

Competing Theories

Social scientists disagree about the way power is exercised in North American communities and about how to determine the way community power is structured. In part the disagreements arise from the fact that not all communities have the same power structures. But researchers also bring diverse assumptions to their study of community power. This chapter describes four approaches to the study of community power: pluralism, elitism, class-based analysis, and "the growth machine," a variant of the class-based approach. Although most of the initial studies of community power were carried out in urban places, later elaboration and testing of the theories occurred in rural communities (Duncan [1999] 2014; Humphrey and Krannich 1980; Ramsey 1996; Sharp and Flora 1999). These theories are used to explore power in rural communities not only to see which model best explains what is happening locally but also to determine how to organize for change. More recently participatory-action research has turned to analyzing community power to bring about positive social change (Dworski-Riggs and Langhout 2010) and environmental improvement (Morton 2011). The power of outside corporations in rural areas has been linked to human illness and environmental justice in rural communities (Sicotte 2009).

Social scientists have devised several ways of determining who has power. Each of these measurement techniques is related to a supportable theory of power, and each tends to give a somewhat varied answer to the question "Who is running this town?" After each theory of power is discussed, the method of measuring community power most closely related to that theory is described.

BOX 6.1 Whistle-Blowers and Political Capital

Whistle-blowers and how they are protected tells us a lot about how power is structured in a community. Whistle-blowers are those who report something that does not meet the required standards and behavior and does not follow established rules. Edward Snowden is a controversial example of someone who saw behavior by an agency that he felt clearly went beyond established rules. In his routine work as a contract analyst he became aware of a massive secret global surveillance system carried out by the National Security Agency in collaboration with telecommunication companies and European governments. Concerned that this exceeded the authority of the agency as determined by Congress and the people of the United States, in the name of secrecy needed for national security, he "leaked" the secret documents to a number of journalists. Although some were concerned about the issue of intrusive surveillance and viewed his actions as a public service, others accused him of being a traitor and revealing documents that put the intelligence community in danger. He faces criminal charges in the United States and risks extradition if not granted political asylum. He did not "go through channels," as it was clear the surveillance was part of policy. He blew the whistle—let the world know what was happening—because he felt the policy has not been determined in a transparent and democratic way (see Taylor 2014 for research on whistle-blowers in intelligence agencies and the Pentagon).

Other whistle-blowers attempt to go through channels to report behavior they observe that falls outside established standards of the industry in which they work. The employee at Countrywide Financial Corporation, a major subprime lender, who led an internal investigation that found widespread fraud in home loans given by Countrywide employees, including no income, no job, no assets (NINJNA) loans encouraged by their supervisors in order to meet the lending quotas, is an example of an individual who withstood the cultural and political capital of the organization. That person first went through the appropriate hierarchy to report discrepancies, and when those with authority did not take corrective action, he then went outside the chain of command to try to correct the situation in the organization in which he worked. However, when Bank of America bought Countrywide in 2008, soon after the disclosure, that individual was fired. Finally going to the US Department of Labor, the employee was awarded $930,000 in back wages, compensatory damages, and attorneys' fees in 2011. The damage done in rural and urban communities by such predatory lending practices is still being felt as homes continue to be foreclosed into 2015 and potential home buyers find it difficult to qualify for loans.

Whistle-blowers are also in rural areas. Fred Wright worked as an oil and gas inspector for the Texas Railroad Commission. His job, as he saw it, was to make sure oil and gas operators followed rules intended to protect the public and the environment. Wright inspected newly built oil and gas wells to determine whether they were safe enough to become operational. Shoddy well construction is considered a primary cause of groundwater contamination in drilling sites. His job also included making sure decommissioned wells were properly plugged with cement so that residual oil and gas did not pollute ground water. His supervisors in the Railroad Commission and its sister agency, the Texas Commission on Environmental Quality, are elected by the people of Texas and supported in their electoral bids by major donations by the oil and gas industry. They urged him to say that operators were in compliance when they were not. He was reprimanded for insisting the rules be followed and told to work harder to get along with the oil and gas operators. Despite previous outstanding performance reports, he was fired in 2013. He filed a complaint with the Railroad Commission in July of 2013, saying that his superiors told him to say that operators had complied with certain rules when they had not. He has filed a civil lawsuit alleging wrongful termination and a federal whistle-blower complaint.

Another employee, Morris Kocurek, was in charge of another Railroad Commission mandate: making sure the industry's often toxic waste was disposed of properly. He found his superiors were slow to process violation notices he filed and would often then assign a more lenient inspector. And often phone calls were made and violations disappeared. He was particularly concerned with pits where oil sludge was illegally dumped, endangering wildlife. When he found the ducks he had been watching dead in the sludge, he went to the US Fish and Wildlife Service. After an investigation the pit operators, whom Kocurek had previously advised many times of its violation, were fined $700 under the Migratory Bird Treaty Act, a federal statute that makes it illegal to kill migratory birds. His supervisors insisted he should have gone through them to talk to Fish and Wildlife. He too was terminated soon after Wright. It is clear that the written regulations concerning human and environmental health (human and natural capital) are under the existing political capital of a neoliberal model of profit maximization and are not to add extra costs to oil and gas operators' accumulation of capital (Hasemyer 2014).

Hanford, Washington, is the United States' most contaminated piece of property, home to 56 million gallons of highly radioactive sludge in underground tanks that pose a long-term risk of leaking into the Columbia River (Loeb 1986). Dozens of the tanks are leaking and threatening the largest

(CONTINUES)

(**Box 6.1** continued)

river in the western United States. The Energy Department is in a race to pump out the waste, embed it into glass, and ship it to a future dump, but so far not a single gallon has been treated, and in 2013 the project was more than twenty years behind the original schedule. The Department of Energy (DOE) gave the contract to construct a waste treatment plant to the private companies of Bechtel National and URS Energy and Construction. Under those contractors the project had been plagued for years with design problems and budget overruns. Walter Tamosaitis, a senior URS scientist and manager of a large research staff, warned the contractors of the high potential for hydrogen gas explosion. As a result, he was isolated at work and put in a basement office with no furniture (Vartabedian 2013). He was fired in 2013.

Donna Busche, a nuclear engineer and health physicist, has filed a whistler-blower complaint with the Labor Department regarding safety concerns in 2010, and the case went to the Defense Nuclear Facilities Safety Board, an independent federal agency. During the hearing both URS and Bechtel asked her to change her testimony. After the hearing URS officials told her to stop putting her safety concerns in writing, and Bechtel actively sabotaged her work.

In early February 2013 she filed a lawsuit alleging retaliation and harassment after she brought up safety concerns at the nation's largest nuclear waste site. Busche said one of her biggest technical fights involves a risk-analysis tool that URS and Bechtel want to use to assess the potential for hydrogen explosions inside the plant's piping systems. Busche said the tool would allow tens of thousands of safety components to be removed from the design if it predicted the risk of an explosion as being extremely small. She said the standard approach to safety design requires no possibility of an explosion that would release radioactivity (Vartabedian 2013). She was fired in mid-February 2013.

Senator Ron Wyden asked the Government Accountability Office to investigate not only the pattern of contractor retaliation against whistleblowers but also the DOE's lack of response to these actions. However, like the construction itself, the DOE's investigation into the contentious firing of a Hanford nuclear waste site official met initial resistance from some of the government's biggest contractors (Bogardus 2014). Neither URS nor Bechtel managers would consent to interviews with the DOE inspector general. Although some interviews were finally granted, the inspector general never received the documentation he requested. Thus, the DOE did nothing regarding the firing. Senator Wyden pointed out, "The fact that that the information could be withheld by a DOE contractor from the DOE's own Inspector General just shows how dysfunctional DOE's whistle-blower protection policies truly are" (Bogardus 2014). In mid-November the Washington state attorney general declared his plan to sue the department and one of its contractors over noxious tank fumes at the nuclear waste site.

If we analyze these cases in terms of political capital, we see that the norms and values of the people of the United States set up the standards for human and environmental health and established rules and regulations to make sure they were implemented. However, the financial and political power of the corporations who found that following the rules interfered with their profits meant that those who tried to enforce the standards lost their jobs and sacrificed their careers while the corporations continued to do what was most profitable.

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Pluralism versus Elitism

Early studies of community power were conducted from a pluralist perspective and focused mainly on who held formal positions in community government. After a more in-depth investigation into how communities worked, sociologists began to notice patterns of inequality in the exercise of power and distribution of resources. In many cases small groups of individuals controlled the community by virtue of their economic and social position, leading to a competing view of power: elitism. This section explores these two models and the strategies each uses to measure power.

Pluralism and the Event Analysis Technique

The pluralist approach to power—whether in the community or on the regional, state, or national level—is based on fundamental assumptions about the way democracies work. Adherents of the *pluralism* theory of power assume that there is no dominant source of power. They assume that the capacity for acquiring power is widely distributed within the population unless analysis shows otherwise. Moreover, they hold, power is dispersed among competing interests. Although one particular group may prevail on one issue, it may not be influential on the next issue.

Community theorists who take a pluralist perspective see citizens in a democracy deciding on political issues in the same way they make decisions vis-à-vis the market: as unattached individuals with perfect access to information. Thus, the individual is the basic building block of politics. Individual citizens exercise their political influence principally through voting. The concept of "one person, one vote" is essential for pluralism to work. That vote may be exercised directly, as in the type of direct representation at a New England town meeting. Much more frequently, however, votes are cast for someone who represents a group of constituents. Under this system of representative democracy citizens are not directly involved in making all public decisions; instead, the chosen representatives are subjected periodically to electoral validation. It is assumed that this validation is a means by which representatives (be they school board members, town councilpersons, county supervisors, state officials, or presidents or prime ministers) generally reflect their constituents' desires. Although individual voters may see their objectives deferred in the short term (particularly if they voted for the losing candidate), decisions should benefit the greatest number of people in the long term.

From the pluralist perspective democracy in the United States is grounded in a legal system that prohibits power being used arbitrarily. One such mechanism introduced in the US Constitution is the system of checks and balances among three branches of government. The legislative body makes the laws, the executive branch implements them, and the judiciary arbitrates when disputes arise. This is different from other forms of government, such as in England and France, where the legislative arm of government also acts as the administrator of the policies it enacts. The US Bill of Rights and other laws guarantee that those who do not share the majority opinion have freedom of expression and equality of opportunity. This equality includes the electoral system itself, in which those elected have only temporary power gained through periodic election, and challengers have a reasonable opportunity to gain office. All citizens share the civil right of participation in government through the election process, including the right to run for office themselves.

According to community theorists who take a pluralist perspective, representative democracy does not mean that everyone exercises equal influence in politics. Some may choose not to participate in voting or in party caucuses or by contributing funds to a particular candidate. However, if they do participate and have the innate ability, their influence can roughly equal that of any other active citizen. Differences in influence among classes or ethnic groups can be explained by the statistical tendency of certain groups or classes not to participate as actively in the political process as do others. It is an individual's decision whether to participate, and individuals who fail to participate have made the choice of noninvolvement.

The dispersion of economic, political, and social power that is assumed by community theorists who take a pluralist perspective also applies to the decision-making process. They believe that the best way to assess how and by whom decisions are made is to look at overt activity; in other words, those in positions of formal power make decisions. Community theorists who take a pluralist perspective are suspicious of analyses based on assumptions of behind-the-scenes influence; in fact, they reject the idea that certain groups have specific a priori interests. They do not subscribe to the notion that different classes have contradictory political interests. The degree to which class interests involve conflicting policies is a matter for investigation. Hence for the community theorists who take a pluralist perspective, lack of controversy on a particular issue is an indication that there is basic agreement among the citizenry on a publicly articulated position.

Those who study community power from a pluralist perspective use what is called the *event analysis technique*. This research methodology involves identifying and using controversial public issues to reveal the decision-making process. Newspaper coverage, observation, and interviews are used to determine which decisions were important and who made them. The information gathered through these sources generally shows a diversity of sources of inputs to public decisions; this diversity lends support to the pluralist perspective.

The classic pluralist study *Who Governs? Democracy and Power in an American City* (1961) was conducted by Robert Dahl in New Haven, Connecticut. Dahl examined three issues: political nominations, urban renewal, and public education. He found that no single group dominated the decision-making process in all three arenas; different groups and individuals were active in each. Only the appointed bureaucracy and the elected mayor were common to more than one issue area. Dahl concluded that his results supported the pluralist perspective.

G. William Domhoff (1983) reexamined the urban renewal issue, exploring what went on behind the scenes as well as in the overt decision-making process. He found that urban renewal in New Haven was predominantly the product of economic interests that benefited handsomely from the program. The politicians were merely the implementers, not the decision makers. Dahl had looked at the decision-making process only after it became public, thus examining only the pluralist veneer. If one is using the event analysis technique to determine who has power in the community, it is important to study the period that preceded public airing of an issue to see whose agenda originally included the issue, the behind-the-scenes machinations that determined how the issue would be presented to the public, and which interests stood to gain when the decision was implemented.

Elitism and What Happens Behind the Scenes

The elitist school of thought received its methodological orientation from Floyd Hunter (1953) in his study of Atlanta, Georgia. However, the perspective obtained its name from the work of sociologist C. Wright Mills, who wrote *The Power Elite* (1956). Mills argued that "a power elite"—a coalition of government officials, business executives, and military leaders—controlled the nation and that the political and economic interests that individuals in the coalition shared were reinforced by their social similarities. Members of the elite had attended the same schools and universities, belonged to the same clubs, and relaxed at the same resorts. In addition, the branches of the elite interlocked professionally. Business executives became politicians, politicians had business interests, and retired military leaders sat on corporate boards; all of these connections further ensured and strengthened mutual interests. Domhoff's book *Who Rules America?* (1967) elaborated on and modified Mills's analysis at the national level, as did the work of Domhoff's followers.

Elitism is a perspective based on the assumption that power conforms to the stratification system. Community theorists who take a power elite perspective argue that power is distributed hierarchically. The premise is that sources of power (control over means of coercion, authoritative position, command of wealth or information, and prestige or other personal traits) can be accumulated. For instance, wealthy people often are viewed as having exceptional talents; otherwise, it is commonly believed, they would not be wealthy. Possession of wealth can then lead to prestige, control over information, and authoritative position. The pluralistic theory of power sees the community as having a series of factional coalitions. Group boundaries are fairly fluid, members disagree on specific issues over time, and no coalition dominates for any extended period. The community theorists who take a power elite perspective, however, see a pyramidal structure of power: a few individuals representing key economic institutions with like interests have the largest influence on what happens in towns, large and small.

Hunter, in one of the most significant works on community power, *Community Power Structure* (1953), developed the reputational technique for determining power in a community. Hunter collected lists of community leaders and activists from local newspapers and organizational membership rolls. He came up with a list of 175 names and then sought the aid of knowledgeable people in the community who presumably knew about power and politics to cull the original list, eliminating those who did not actually exercise much power. The forty people who remained on the list were then personally interviewed. Each individual was asked a number of questions, including, "If a project went before the community that required decisions by a group of leaders, leaders that nearly everyone would accept, which ten on this list of forty would you choose?" The responses gave him a list of top reputational leaders.

Using this reputational technique, which has been modified by multiple researchers studying various cities, Hunter found an elitist power structure in the form of a pyramid. At the top was a small group of business leaders, an elite upper class that dominated the city's economy through a web of interlocking directorships. Those leaders lived in the same exclusive neighborhoods, belonged to the same expensive clubs, and entertained one another in their homes. The elites rarely held office and were not visible to the general public. In fact, only four of the forty top elites were public officials. The rest were bankers, manufacturers, and other business leaders. Their power was informal. Elected officials were subordinate to them, doing their bidding but not seeing them socially.

Hunter found this small policy-making group, largely from the business class, to be in overall agreement on most major issues. He noted that "controversy is avoided, partly by the policy-making group not allowing a proposal to get too far along if it meets stiff criticism at any point in decision making" (1953, 111). Hunter did not conclude that this small group had absolute control over major issues, but he did propose that it played a major role in setting the public agenda.

Community theorists who take a power elite perspective criticize the event analysis approach on the grounds that it often focuses on controversial issues, defining power in terms of who makes political decisions. They argue that most decisions are not controversial and are never debated publicly. Many of these decisions systematically support one set of interests in the community over another. Viewed from this perspective, power is held by those who control the public agenda but may not be visible players in the political process. It becomes important, then, to look at what issues in the community are never publicly decided, the nondecisions that happen abruptly. Matthew Crenson, in a study conducted when pollution became an issue in urban communities, concluded that the problem of dirty air became a "key political issue" in those communities where "industry's reputation for power was relatively puny," suggesting that the critical stage is not at the point of public decision but when "a community sifts out subjects that will not be given political attention and so will never become key political issues" (1971, 131 and 90).

Power and Economic Interests

Class-based theories of community power focus attention on the economic roots of power. These theories and their variations assume that those who control the corporate economic system control the wider society. It is often in their economic interest to influence or control political decision making. This section explores the class-based theory of community power and one of its more recent variations, the growth machine.

Class-Based Theory of Power

According to the *class-based analysis* of power, it makes little difference to the economic elites which person or group actually makes decisions as long as those policy and allocation decisions facilitate profit making. Those in official decision-making positions may not be the economic elites themselves, but the decision makers tend to represent the interests of the economic elites. This appeared to be the case in Small Lake, where Hank Jones, a local businessman, had a good deal of informal control over the city council.

The influential study undertaken in the 1930s by Helen Lynd and Robert Lynd (1937) found that economic institutions were key to understanding power and the distribution of resources in "Middletown," the name they gave to Muncie, Indiana. Now a metropolitan city, in the 1930s Muncie was a fast-growing nonmetropolitan community, increasing from fewer than thirty-nine thousand inhabitants in 1925 to more than forty-seven thousand ten years later.

The locally based Ball family owned and operated the Ball Jar Company, the largest producer of home-canning equipment in the world. The Lynds found that after the "bank holiday" in 1933, the family controlled or had a major interest in all surviving local financial institutions. The Balls were also heavily involved in local real estate and shaped the city's growth. Through philanthropy they influenced the growth of the local college (now Ball State University), the hospital, the community fund, and the YMCA and YWCA. Although family members only occasionally held local public office, they controlled the Republican Party and had influence in the Democratic Party and thus were able to bring about or prevent change in many arenas. In short, the Ball family exercised political power in Muncie.

The Lynds found abundant evidence that questioned the independence of those holding political office. According to the Lynds, elected officials were of meager caliber: people the Ball family and the rest of the inner business group ignored economically and socially yet used politically. Those who controlled the economic institutions (the Balls were among these elites) did not want to bother with direct political involvement, but they did need to limit government interference in their concerns. Elected officials thus were considered a necessary evil. Using that insight, Vidich and Bensman (1968) found similar results in a much smaller community, Candor, New York, in the 1960s.

A case study of business-class control and citizen mobilization in a small Kansas town by Eugene Hynes and Verna Mauney (1990) offers insight into the reasons that the elites, particularly specific business interests, are concerned about city government and want to control decisions.

Many rural communities own their own utilities; this was the case in the town Hynes and Mauney studied. Utility pricing policies and rate structures in this Kansas town were such that domestic households paid higher rates than did commercial and industrial enterprises. The business group that almost invariably owned these enterprises was from the same town as the officials. By charging high domestic utility rates, officials made it possible to keep property taxes low. This was to the advantage of those who owned a lot of property. Zoning decisions also were systematically made in favor of those with direct influence on the city council. Special interest groups also influenced the public financing of business projects that might otherwise have been funded through private sources. People with these vested interests had tangible reasons for controlling both the community government and the nongovernmental institutions involved in distributing resources. Generally, they were very accomplished at doing so.

Working-class people in rural communities have a set of interests different from those of the interest groups just described. Of primary importance to them are working conditions, benefits, and actions that would increase the prevailing wage. Local governments influence wage levels by how much they pay their own employees, whether they consciously recruit high- or low-wage firms, and other such actions. Yet a number of structures in small communities prevent working-class citizens from influencing these decisions. They rarely sit on the public boards, and even when elected to office, they often find it difficult to attend the informal and sometimes the formal meetings, which are called during daytime working hours. Hynes and Mauney document well the case of the working-class mayor in the town they studied. He was publicly ridiculed in the press because of his irregular attendance at city council meetings. His job kept him from attending the impromptu meetings called by the city council, which was composed of small business operators who had flexible schedules.

Hynes and Mauney also clearly demonstrated the chilling nature of a local elite's tight control that was preventing people from running for office or publicly addressing issues they knew were negatively affecting them. People often were reluctant to act because of their perceived vulnerability. For example, Hynes and Mauney reported that one prominent member of the town's concerned citizens' group became inactive when she came to fear that her cousin, a schoolteacher, would lose his job if her activities continued. When individual members of a power elite occupy economic, political, and civic roles almost interchangeably, one can expect little participation in decision making. The more widely dispersed economic, political, and civic roles are within the community, the more likely it is that various citizen voices will be heard.

The Growth Machine

With the publication of "The City as a Growth Machine" in 1976, Harvey Molotch introduced a variation of the class-based theory of community power. Studies in a number of urban areas had identified the importance of what later came to be called the "growth machine." The *growth machine* is a coalition of groups that perceive economic gain in community economic growth. Led by certain groups within the business class, the growth machine works to encourage growth and to capture its benefits. It includes a combination of interests: developers, construction companies, home insurance providers, real estate agents, and owners of commercial buildings, rental units, banks, and other businesses dependent on an increase in aggregate rent levels through the intensification of land use (Logan, Whaley, and Crowder 1997). The ability to increase aggregate rent levels (income from land or other real property) depends heavily on increases in the community's population. Growth machines compete with growth machines in other communities to attract capital, which in turn will attract residents, increasing return on land, buildings, merchandise, and services. Freudenburg and others (2009) show the impact of the growth machine in New Orleans in setting up the conditions that turned Hurricane Katrina into such a disaster, especially for the poor.

The most active elites in the local power structure are generally members of the *rentier class*, those who receive their income from property. Members of this class promote population growth (and thus constant construction and city expansion to provide offices and housing for the new population), usually in the name of increasing jobs. These modern rentiers have financial interests in the use of local land and buildings and include developers, commercial and residential landlords, and those who speculate in real property. The rentier class does not produce goods or services but rather makes money by preparing the foundation for manufacturing, service, or retail firms by providing them with desirable sites. Profits for the rentier class depend primarily on population growth and secondarily on their degree of political capital with local governments. Local government in the United States has unique powers to regulate land use (see Chapter 11), and it is land use that provides potential profit to this class of people. As a result, the rentier class works very hard to make sure that the people with formal decision-making power have the rentier class's interests at heart. They are big political contributors at the national level, ensuring tax deductions for interest paid on mortgages and federal government disaster funding to help them continue to profit when building on flood plains. On the local level this class is generally well organized to explain why its members need an exception to zoning, the extension of a sewer or expansion of a sewage treatment plant, the paving of a road, or tax relief.

The growth machine and the rentier class are eager to attract industry because it generates commercial and residential construction and results in increased land values. That may explain why, despite the large number of studies that universally show that the incentives given to attract industry do not repay the local area, such incentives continue to be offered, jeopardizing the quality of life that other uses of that money would bring, such as schools, parks, and libraries. There is minimal discussion about what is produced, the wage levels paid by new employers, or the impact of new industrial or service firms on the quality of life. Industry is often put in the low-income part of town, even in rural communities. Thus, people in the wealthy part of town gain the profits, and costs of development are borne by the poor, often in terms of decreased quality of life because of polluted air, overcrowded schools, and traffic congestion. In some rural areas the residents get the pollution, and the investors, who definitely do not live there, get the profits. When this occurs in predominantly African American, Native American, or Hispanic communities, it is referred to as *environmental racism*. Those who are poor and further excluded because of race or ethnicity have little political capital with which to counter that of industrial investors seeking profit. Those communities often are chosen because they have few environmental laws and little means to enforce those that exist.

As a result, the central conflict in many communities is between the growth machine and neighborhoods. This conflict can be understood as one between use value and exchange value—two terms that are almost self-explanatory. Something that has *use value* is valued because of its use instead of its monetary value. *Exchange value* is realized only when the commodity is sold.

For example, an apartment building has little use value to the owner. It has exchange value in terms of the income generated either from its rental units or from its sale. Conversely, one's ancestral home has only use value because there is no intention of selling it. It may be sold when the individual dies, giving it exchange value, but the owner, now deceased, did not realize any exchange value from it—only use value. Properties have values that lie between these two extremes. For example, the home of a professional who expects to move several times has use value while the person lives in it, but maintaining its market value is of concern because of the expectation of selling it at some time in the not-too-distant future. Any improvement the owner makes must be made with dual concerns. First, does it increase the owner's enjoyment of the house (use value)? Second, does it increase the salability of the house (exchange value)?

Attempts to develop and gentrify older neighborhoods often expose the conflict between use value and exchange value. Those who live in the targeted neighborhood embrace use value. They first seek to preserve their homes. (The longer they live in them, the greater their use value is compared with their exchange value.) Neighborhood associations work to improve that use value through enhancing natural and built capital in ways that do not convert immediately into financial capital, through publicly or collectively owned amenities such as parks, playgrounds, sports fields, and natural areas. Second, neighborhood people have an interest in keeping the value of land low because it means lower property taxes. Those who are part of the growth machine thrive on profit derived from increasing land values and support efforts at urban renewal. Neighborhood associations often are willing to tax themselves to create the kind of amenities that increase the use value of the neighborhood.

In rural communities the growth machine has a similar composition to that in the cities. David McGranahan points out that "locally owned banks, utilities, law firms, and other firms operating largely within local trade areas" for which "income and wealth depend on the volume of business, especially to the extent that there are economies of scale" are likely to be part of the growth machine (1990, 160). Because growth is in itself supposed to be good, everything should be done to promote it. The dominant cultural capital provides the values that undergird the activities, justify public and private investment, and support the regulatory setting that makes growth profitable for at least some of the community. Although outside interests, such as multinational firms seeking to locate a branch plant, may mobilize the political capital of the local growth machine to get special tax benefits or environmental exceptions, the core of the growth machine is composed of local firms and individuals.

Smart Growth

Smart-growth coalitions first sprang up in urban areas in the 1970s to combat urban sprawl and excessive suburbanization. These principles increasingly are being applied in rural areas as well. Smart-growth rural communities often have lively arts groups as well as active outdoor recreation, and they often sponsor regular farmers' markets and community gardens.

The principles of smart growth listed here (from Smart Growth Principles, Smart Growth Online, www.smartgrowth.org/principles/mix_land.php) address all the capitals and attempt to use the power of zoning and planning to maintain and increase quality of life while fostering a vital economy:

- Create a range of housing opportunities and choices. Providing quality housing for people of all income levels is an integral component in any smart-growth strategy (built capital and financial capital).
- Create walkable neighborhoods. Walkable communities are desirable places to live, work, learn, worship, and play and, therefore, are a key component of smart growth (human capital and social capital).
- Encourage community and stakeholder collaboration. Growth can create great places to live, work, and play—if it responds to a community's own sense of how and where it wants to grow (social capital and cultural capital).
- Foster distinctive, attractive communities with a strong sense of place. Smart growth encourages communities to craft a vision and set standards for development and construction that respond to community values of architectural beauty and distinctiveness as well as of expanded choices in housing and transportation (cultural capital, natural capital, built capital).

- Make development decisions predictable, fair, and cost-effective. For a community to be successful in implementing smart growth, the private sector must embrace it (financial capital).
- Mix land uses. Smart growth supports the integration of mixed land uses into communities as a critical component of achieving better places to live (natural capital).
- Preserve open space, farmland, natural beauty, and critical environmental areas. Open space preservation supports smart-growth goals by bolstering local economies, preserving critical environmental areas, improving communities' quality of life, and guiding new growth into existing communities (natural capital).
- Provide a variety of transportation choices. Providing people with more choices in housing, shopping, communities, and transportation is a key aim of smart growth (built capital).
- Strengthen and direct development toward existing communities. Smart growth directs development toward existing communities already served by infrastructure, seeking to utilize the resources that existing neighborhoods offer and to conserve open space and irreplaceable natural resources on the urban fringe (social capital, cultural capital, built capital).
- Take advantage of compact building design. Smart growth provides a means for communities to incorporate more compact building design as an alternative to conventional, land-consumptive development (built capital, natural capital).

Decorah, Iowa, is part of the rural smart-growth movement. Taking advantage of its natural capital, a natural riverbank setting, the town has over the years sought to control strip malls and unplanned growth. Through a coalition of civic and business leaders, including the local college, the town maintains a growing economy within established boundaries. Determined to become even more sustainable, it is part of the recently launched Northeast Iowa Food and Fitness Initiative.

Other groups in rural communities might be characterized as no-growth coalitions, though such coalitions differ somewhat from their urban counterparts. Unlike in cities, a rural no-growth coalition tends to dominate, especially in the smaller, non–trade center communities, though its precise nature depends on the principal source of the community's wealth.

The no-growth coalition in small communities includes manufacturers, processors, commercial farmers, and others who produce for an export market (for products sold outside the community). Their interest is in having low-cost labor, not in generating a larger local market. Bringing in new employers, particularly branch plants that have paid higher wages in metropolitan areas, is not in this group's interest. For example, the peanut processors who dominated politics in Early County, Georgia, until the 1980s not only opposed higher wages but also were against spending on public schools because they feared that educating the largely black population would result in higher wages. In the 1970s affluent whites there often attended a white private academy, keeping down public school expenditures. Lower school funding was doubly in the interest of the powerful group because (1) it helped keep wages down by keeping the bulk of the labor force unskilled and (2) it resulted in lower taxes.

Another example is found in midwestern farm communities, where farmers (often retired) usually dominate the board of county commissioners or supervisors. They favor a limited government, no-growth approach because they do not depend on the local population to buy their products and because they have an interest in low real estate taxes. Their interest in improved roads and bridges to get their products to market more efficiently is an exception to their low-expenditure perspective.

Retired people, whose concern lies more with the use value of their homes than with their exchange value, also are part of the no-growth coalition. This group makes up a substantial part of the population of rural communities that are experiencing out-migration. Although retirees may not participate actively in community affairs, they tend to vote in large numbers and sometimes can defeat industrial revenue bonds as well as school and other infrastructure bonds.

The small village of "Springdale" (Candor) in upstate New York studied by Arthur Vidich and Joseph Bensman is an example of a community in which the no-growth mentality dominated. After a long period of decline Springdale became a low-rent bedroom community for industrial workers from nearby Binghamton, New York. The business elite controlled local politics through an "invisible government" that consisted of the three members of the village Republican committee: a feed and seed dealer, the editor of the weekly newspaper, and a lawyer who was the clerk (counsel) to the village board. This group determined the nominees for village offices and manipulated voting behavior so that their candidates always won. (Because the Democrats who voted were a distinct minority in the village, nomination on the Republican ticket was tantamount to election.) The hours that the polls were open were not convenient for the industrial workers, and "safe" voters could be recruited as soon as it appeared that too many of the "wrong" kinds of people were voting during a local election.

Vidich and Bensman found the following informal requirements for being on the village board: (1) being a resident of the community for at least ten years, though lifelong residency was preferable, (2) either being economically vulnerable and hence amenable to being manipulated by those holding real power or having a kinship connection with one of the dominant figures of political "machine," (3) having little knowledge about the way government works, and (4) subscribing to a low-tax, low-expenditure ideology. The authors summed it up accordingly: "It thus happens that the incompetent, the economically vulnerable, and the appropriately kinship-connected individuals are elected with regularized consistency . . . to a village board on which they find they have nothing to do because, in their own perspective, the routine affairs of government are automatic" (1968, 116).

Vidich and Bensman indicated that another characteristic united the members of the village board as well as the invisible government: they all owned rental property. As owners of real estate, they logically should have been part of the growth machine. However, decline was so deeply imprinted in their experience that they had developed a low-tax approach to making money in real estate: keeping their expenses low and seeking to make money on rentals rather than on the sale of real estate. The modest influx of commuter residents allowed them to reap some benefits of growth without having to spend their own or others' money to bring it about. Making sure that the "right" kinds of people were elected to the village board was imperative. Restricting the vote and ensuring that individuals believing in limited—very limited—government were elected to the village council made this happen.

In somewhat larger rural communities influence over city government is more commonly exercised through such semi-governmental units as the chamber of commerce. (Chambers of commerce often channel government funds, but without much public accountability, to promote tourism and economic development.) Both no-growth and growth-machine business interests choose to be active in the local chamber of commerce or similar civic organizations in order to impose their view of local development.

Unlike urban communities, where the growth machine typically dominates, rural communities vary substantially in projecting a no-growth, smart-growth, or pro-growth orientation. Smart-growth groups have the most influence in creative communities, where there is a high probability of locally initiated entrepreneurial manufacturing plants and the adoption of advanced technologies and management practices (Wojan and McGranahan 2007). The ability of the no-growth group, such as in Springdale, to make automatic the routine affairs of government is sufficient in some communities to defeat the growth machine and to keep out new economic activity. Pro-growth groups dominate other nonmetropolitan communities, which often are regional trade centers. In other instances, such as during times of crisis and population decline, the rentier class and those who benefit individually from low taxes may join together to save their rural community by seeking to attract or generate capital to increase employment. Rural communities that elect to do nothing when faced with decline are much more numerous.

Local versus Absentee Ownership

In a modern capitalist system ownership is separated from management. Those who provide the capital or have inherited it are not assumed to possess the managerial knowledge and talents necessary to enhance capital accumulation (profits and corporate growth). Furthermore, modern businesses require huge amounts of capital, often more than a single individual or family can readily save or borrow. A limited liability corporation allows for the sale of stock to raise capital in exchange for a vote on who will sit on the board of directors, which sets policy for the company. When a business or corporation sells shares of itself in public offerings on a stock exchange, it is known as a "publicly held corporation." When a family or only a few people hold those stocks in a closely held fashion, it is known as a "privately held corporation." Does who owns community businesses matter in terms of what happens to the people and the place? Does it matter whether the parent corporation is based in the community, the same state, the United States, or overseas? If a parent corporation is not locally based, does the company have the same kind of local political capital, and does it utilize what local political capital it does have in the same way a locally based company does? Is it more likely to threaten to leave if a community does something it does not like? Or is it more likely to let other voices be heard?

Both the San Jose study discussed later in this chapter (Trounstine and Christensen 1982) and the growth-machine literature suggest that the increasing international ownership of firms will result in less involvement in day-to-day community issues by industry and business and more involvement by an increasingly diverse group of players. In addition, the awareness citizens have of nonlocal ownership encourages them to mobilize collectively as insiders against outsiders to address serious issues such as environmental pollution. At the other extreme an outside firm may threaten to leave a community if it does not win concessions on issues that directly affect its profitability (see the discussion in Chapter 8, Built Capital).

Increased nonlocal ownership could lead to a bias favoring the growth machine. Nonlocal firms tend to have managers who are geographically mobile and, as a result, exert less long-term influence in the community. Managers of absentee companies generally do not invest their human, social, financial, or political capital in community affairs or charitable activities. In contrast, local industrialists often take part in all civic realms, may be linked to the rentier group through co-ownership of speculative property, and frequently are local philanthropists providing a trickle down of local wealth through community-based foundations with a local range of giving.

Nonlocal firms usually are linked to national or international supply networks; local entrepreneurs do not benefit from such commercial links. There are smaller multiplier effects from absentee-owned firms than from those that are locally owned. When local businesses are aligned with the growth machine, these benefits, both tangible and symbolic, can be exploited to foster the growth mentality and to generate support for policies that benefit local firms.

The concentration that is occurring in manufacturing firms is also occurring in the media. Daily newspapers are less likely to be locally owned than they used to be. Chain newspapers, with limited links to individual communities, are less likely than locally owned newspapers to actively promote the local growth machine and therefore are more likely to take an independent editorial stand. Domhoff (1983) points out that local newspaper publishers are committed not to a particular faction of the growth machine but to the growth machine in general. The newspaper's interest is in selling more newspapers and, in particular, more advertising. It follows that the local publisher often serves as an arbiter among groups within the growth machine, acting as a spokesperson for the growth machine as a whole. When the newspaper is no longer locally owned, the growth machine loses an important integrative element.

Absentee-owned enterprises have a contradictory impact on the community by creating space for greater community pluralism through their lack of interest in local politics. That lack of interest will mean less commitment to the interests of the dominant community elites, and the lack of political coordination among economic elites provides a greater opportunity for non-elites to organize in their own interest. Alternatively, when an issue arises that affects the absentee-owned firm directly, the company may threaten to leave the community if the issue is not resolved in a way favorable to it. That threat may carry considerable weight if the firm makes a large contribution to the community's economy.

Power Structure and Community Change

With the decline of branch manufacturing plants in rural areas as they move to areas with even cheaper labor and no environmental controls (see

Chapter 9, The Global Economy) and the expanded growth of service-sector activities, the growth machine—whether local or national—has found it more difficult to manage community symbols to its own benefit. Because industrialization generally was seen as the solution to all communities' problems, the local growth machine could convince local governments to offer tax breaks to new industries. Such offers were made even though people on fixed incomes found that they lost more than they gained from the presence of such plants, and unemployed people often did not benefit because more-educated commuters took the new jobs. Now the service sector has replaced manufacturing as the growth sector, creating new problems for nonelites and for some elites in rural communities. Even in small cities downtown malls built through urban renewal have uprooted people from poorer neighborhoods, and suburban malls have replaced locally owned stores with chains and franchises in the mall. Merchants in small communities have been "Walmarted" by the general-merchandise chain store in the nearby larger community (see Chapter 10, Consumption in Rural America).

Environmental awareness has increased as people have become more concerned about urban garbage filling rural landfills or nuclear waste dumps and missile sites replacing farmland and ranchland. In some cases the interests of the entire community coalesce if such facilities do little to generate wealth for local elites. Just as frequently such issues split communities that are desperate for jobs and income.

In rapid-growth communities the new in-migrants often are professionals with a strong commitment to the residential value of the community, organizational skills, and a willingness to participate in community affairs. Their commitment includes concern for the environment, often coupled with an unwillingness to pay the fiscal and social costs of development. They have political capital outside the local community that allows them to counteract the power of the growth machine.

National economic elites are mobilizing anew to have an effect at the local level. Management-level personnel in branch firms are required to become active in local organizations, form their own associations to lobby local governments, support political candidates, and publicize their views on zoning, land use, and the free enterprise system. As the interests of national and local elites diverge, the national elites and national power structure seek to convince local elites that the national growth machine's ideology should also be their ideology. To this end, local chambers of commerce may come up with programs that seem antithetical to local development needs but that match the US Chamber of Commerce's political and ideological agenda—which is that of the national growth machine.

Communities vary enormously in the degree to which power is concentrated and wielded by local or absentee individuals, firms, and institutions. It is important to assess the structure of local power in analyzing how change takes place within a community and what kinds of tactics are needed to institute grassroots change. Challenging the power elite is an empowering experience because disenfranchised groups can learn to be successful through their mobilization. However, it is also risky because the power elites' ability to control information and symbols (cultural capital), enabling them to totally discredit people who oppose them not by systematically attacking their position on issues but by casting doubt on their personality and character.

Understanding Power Structure and Increasing the Political Capital of Excluded Groups

Selecting one technique for use in a community study would bias the results in favor of that perspective. More recent studies have introduced new analytic techniques (such as network analysis) and combined research methodologies to create a more complete picture of community power structures. For excluded groups, understanding the power structure is key to gaining political capital.

Jeff Sharp and Jan Flora (1999) uncovered vital information about power structures in communities by asking four key questions: "Who can best represent this town to the outside?" "Whose support do you need to get things done?" "Whom do you need to implement a project?" "Who can stop a project in the community?" From the answers it was evident that "old guard," middle-aged males were more likely to be project stoppers.

Hyman, Higdon, and Martin (2001) combined positional, reputational, and event analysis to see what differences in power structure identification emerged in a town that contained a major university. They found that who had influence depended on the specific issue under consideration; no one group influenced everything that went on in the community, suggesting that people felt the power structure might be different for various issues or aspects of community affairs. In their findings the positional method and the reputational method did not identify the same individuals, although there was overlap. The researchers concluded that both methodologies were necessary to achieve an understanding of who exercises political capital and also that if they had used only these methodologies, they would have determined that the community had an elitist power structure. But when they looked at the public record and key informant interviews using event analysis of issues important for growth machine interests (zoning of public lands, whether to build a new school building, and local government consolidation), they found a different set of individuals influential in each event. However, almost all of the individuals found to be influential in each event were on the positional list, the reputational list, or both. The researchers saw that on each issue the local growth machine was a player, and each time it was defeated by organized citizen interests. Political capital was relatively dispersed and had countervailing influences.

They concluded that although growth-machine proponents have an advantage over local citizens in that their careers depend on pursuing growth (and they are paid to make sure that growth happens through developing political capital with key decision makers), "if citizens are willing to maintain some continuity and even 'infiltrate' local government, boards, and commissions, there can be very pluralistic outcomes" (2001, 218). The key to building and maintaining political capital for disadvantaged groups is persistence and permanence. It is critical to organize, stay active, form coalitions, and know about other groups organizing with opposing views. Often a group may organize to stop a project (such as a large shopping center) and then disband, only to have something equally disadvantageous to the area's social and natural capital be put in its place.

Both community theorists who take a power elite perspective and the class-based theorists of community power use network analysis of the key positions in major institutions in a community. Class theorists use the method to determine the corporate structure and to identify the top corporate leaders.

Network analysis involves obtaining the names of the members of the boards of directors or officers of all the important firms or organizations in town, determining linkages between organizations or individuals, and assessing patterns of linkages. Network analysis in various circumstances shows a single power elite or different power factions. The people then are ranked according to their number of connections and their centrality in the networks (see Sharp, Flora, and Killacky 2003, for an example). Networks of interlocking firms can be examined to determine the kind of resources they bring together and whether they represent a growth machine or another type of resource network.

Balanced studies of power structure often combine a number of these mechanisms to limit the theoretical bias of the studies. An example that combines methods is *Movers and Shakers,* a study of community power in San Jose, California, by Philip J. Trounstine and Terry Christensen (1982). They did a reputational study, conducted a network analysis, and looked at actual decisions using a historic-journalistic approach. (Trounstine, who later became director of the Survey and Policy Research Institute at San Jose State

University, was a journalist. A political scientist, Christensen has published widely on California politics.) The historical analysis helped identify the most important issues, including annexation and land-use policies, urban renewal, and district versus at-large elections. Research on how decisions were made went beyond examining the formal decision making to include examination of agenda setting and manipulation of symbols. The authors found that there was indeed a pro-growth power structure; however, it changed over time. Mechanisms evolved to increase democratic participation and the flow of information and, hence, the degree of pluralism. These included changes in ownership of the newspaper from local to absentee and from at-large to district election of public officials. As pluralism increased, the strength of the pro-growth faction declined.

Trounstine and Christensen also found that as ownership of major firms in the area shifted from local to multinational companies, pluralism increased. The multinational firms were very interested in specific decisions directly affecting their operations but less interested in other decisions within the community, so their strategy was to decrease the range of their power but to keep it relatively strong in areas directly affecting their immediate financial interests.

There are a number of ways to identify which groups and individuals have power. Important vested interests in local communities should be identified and linked to the exercise of community power. Participating groups will mainly define specific arenas in which power is sought and exercised.

Who Gains?

Joe and Ellen McDougal were able to enlist Hank Jones's influence in getting lights for the city park's baseball diamond. Had the issue been more sensitive, however, they might not have been so successful. Issues that directly affected Hank's feed and farm supply store, for example, might have had a different outcome. Sociology has long been concerned about power in modern society. A major sociological problem has been to determine which segments of the population gain from what kind of activities. If there were more transparency in local government and more clarity about how decisions were made, the importance of youth recreation would have long been a part of the standards that influenced the rules and regulations about the distribution of resources.

Studies of community power structures have shown that in different circumstances different power actors are important. For example, upper-middle-class environmentalists have been able to confront the growth machine in certain US cities (Molotch 1976). Other sociological studies show different winners. For example, a study by Clarence Lo (1990) suggests that the tax revolt in California began in working-class communities because these citizens were hard pressed financially and felt that taxes were the reason they had little discretionary income (money to spend once basic expenses were paid) and that government was inefficient and uncaring. However, business interests joined that group to have an impact. Ultimately the tax revolt favored real estate developers.

From early studies that concentrated on a power elite that exercised monolithic control (Mills 1956), the focus has shifted to particular issues to reveal a range of who controls what and profits from it. Even rural communities such as Small Lake can have complex power structures. Political capital is key in determining not only how issues get resolved but also which situations become issues.

Chapter Summary

Political capital can be transformed into built capital, social capital, cultural capital, and financial capital. That transformation is the exercise of power. Community power is the ability to affect the distribution of both public and private resources within the community. Power can be exercised by physical force, economic force, institutionalized force, and influence. The patterns in the exercise of community power are the community power structure. That structure affects communities and how they function.

Social scientists do not agree about how power is exercised, nor do they agree about how to measure it. Pluralism assumes that the capacity for acquiring power is widely distributed within the population. This model relies on the event analysis technique to detect and measure power. Researchers identify controversial public issues and then use the decision-making process employed to resolve those issues as a device to measure power. The elitist perspective of power assumes that power conforms to the way a community is stratified. Power is not widely dispersed; instead, it is held by just a few. Researchers who use an elitist model of power rely on the reputational technique to measure power, asking knowledgeable people in the community to identify those who have the greatest reputation for power.

The class-based theory of community power assumes that those who control the economic system control the community. A more recent variation of this model is the growth machine, a coalition of groups that perceive economic gain in community growth. This coalition exercises power to promote economic growth. The model has been applied successfully to urban areas. Rural communities differ more in whether they project a pro-growth, smart-growth, or no-growth orientation.

To make power structures more pluralistic, broad participation in setting the community agenda is important. Once issues are made public, they should be discussed and debated adequately. However, without the first two steps of community empowerment and broad participation in agenda setting, the final decision-making process of discussion, debate, and compromise is relatively meaningless.

Key Terms

Class-based analysis as a theory of power assumes that those who control the economic system control the community.

Community power is the ability to affect the distribution of both public and private resources within the community.

The *community power structure* consists of the patterns identified in the exercise of community power.

Elitism as a perspective of power assumes that power generally conforms to the social stratification system; wealth, prestige, and power tend to be associated with one another.

Event analysis is a research methodology that involves identifying and using controversial public issues to reveal the decision-making process.

Event analysis technique is the preferred strategy for measuring power from a pluralist perspective. Researchers identify controversial public issues and then look at the decision-making process used to resolve those issues. Those who make the decisions are deemed to have power in that area. Frequently different issues are examined to determine whether the same or different people exercise power across issues.

The *exchange value* of an object, such as a house, is its value to the owner insofar as it can be exchanged for money.

The *growth machine* is a coalition of groups that set about to use power to encourage growth and capture its benefits.

Network analysis is a way to measure power by looking at the patterns of linkages between organizations and individuals considered to be important in the community.

A *New England town meeting* is a form of direct representation in which all residents in a geographic jurisdiction come together to make decisions on local policies, rules, regulations, and budgets.

Pluralism as a theory of power assumes power is an attribute of individuals and that the capacity for acquiring power is widely distributed within the population.

Power is the ability to make something happen that otherwise would not happen or to prevent something from happening that others wish to make happen.

The *rentier class* is made up of those whose principal income derives from rent or an increase in the value of property. It includes landlords of residential, commercial, and industrial establishments and of agricultural land as well as speculators in land and buildings.

Reputational technique measures power by asking knowledgeable members of a community who they think has power.

The *use value* of an object, such as a house, is its value to the owner for his or her own uses. Factors taken into consideration include comfort, sentimental value, prestige imparted by the object to the owner, pleasure in possessing or using the object, and so forth.

Discussion Questions

1. What are the areas in which rural communities have control in terms of making decisions that affect their quality of life? Which are made by local governments, and which are made by local businesses?
2. In the community you are analyzing, which are the major issues they face? Are they organized locally to respond to those issues?
3. In the community you have been studying, how are decisions made? Talk to a city official, a leading business person, a worker in manufacturing or natural resources, and a teacher to find out who can make things happen and who can stop things from happening.

Web Resources

- Watch *Hereby Notified and Called to Meet* (Caliente, Nevada, segment, Program #8) and *The Basics* (Fletcher, Vermont, segment, Program #9) at "Rural Communities: Legacy and Change," Annenberg Learner, www.learner.org/resources/series7.html#. The power structure of Caliente, Nevada, is shown in *Hereby Notified and Called to Meet* in relation to a powerful, outside adversary—Las Vegas. The power struggle is over water and the right to its ownership. Lincoln County, where Caliente is located, has water, and Las Vegas wants it. Caliente officials think that Las Vegas wastes a lot of water on manicured lawns and the casinos' manmade waterfalls and lakes. The Las Vegas City Engineer says that rural people lack the expertise necessary to make these decisions and do not understand the technical operations associated with water. The officials in Caliente react strongly to this but also think that Las Vegas controls the entire state. However, it is not a foregone conclusion that Las Vegas will win. Then, in *The Basics*, the segment on Fletcher, Vermont, speaks directly to the divergence of local elites and newcomers (called "flatlanders" by the locals) as regards the Growth Machine. Long-term residents want to see industry enter the town, creating jobs and economic development. Newcomers have certain expectations they brought with them from their previous communities. They want improved roads and better schools, but they do not want the landscape to change. They work outside the community for the most part, so they see little need for industry inside the town. Long-term residents want new jobs but do not see a great need for better schools, especially if it means higher taxes. Newcomers want the landscape to remain pristine—indeed, that is why they moved to the area—and industry would compromise its beauty.

- Watch *Mil Duncan: The Politics of Poverty and Development in America's Rural Communities*, YouTube, www.youtube.com/watch?v=f2HWuBxHwwc. (See Web Resources, Chapter 4, Human Capital, for description.)
- Read of a "successful" case of whistle-blowing: Susannah Frame, "Feds Hit Hanford Contractor for Whistleblower Retaliation," *King 5 News*, August 20, 2014, www.king5.com/story/news/local/hanford/2014/08/20/wrps-hanford-contractor-osha-fine-whistleblower/14349519.

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7

Financial Capital

Tina Fernandez wanted to be the first person in her family to go to college. A daughter of immigrant farm workers in the Rio Grande Valley, a persistently poor region in Texas, she had started working in the fields when she was six years old. She was accustomed to hard work. Her parents could not afford to send her to college, so she decided to forgo her dream and marry her high school sweetheart. Unfortunately the marriage lasted only three years, and Tina was left alone to raise a son. They moved back to the *colonia*, a small rural unincorporated community, to her parents' home, where she had someone she trusted to help care for her son and someone she loved to help put food on the table.

The economic downturn of 2001 made it difficult for Tina to find work, even with a high school diploma. She finally found a part-time job waiting tables at a locally owned restaurant in McAllen, a fifty-minute drive in her unreliable car, for less than minimum wage. Fortunately her mother provided child care and her father was a skilled mechanic who kept many of the *colonia*'s cars running by swapping parts on the junked cars he kept in his yard.

Tina's excellent service and friendly manner resulted in good tips, and the owner liked her work ethic. She showed up regularly on time, followed directions—and even anticipated what the owner might ask next—and got along well with the cook and the other waitresses, for whom she served as peacemaker when tensions rose in the restaurant. The owner began to depend on Tina to do some of the administrative tasks for the restaurant and recognized her knack for business; soon Tina was promoted to assistant manager, a full-time position with benefits. Encouraged by her parents, Tina took a night course in bookkeeping at the local community college. Tina felt she was earning the degree she had always wanted as she began to learn the inner workings of the restaurant business. The owner acquired another restaurant in McAllen and made Tina the manager.

Tina was making good money, but she knew she wanted to develop a restaurant that would provide people in the *colonia* with the healthy, traditional foods they had eaten in the Mexican countryside. However, she had only $7,000 in start-up capital of her own to use, even after her parents and cousins loaned her what they could. She decided to look at low-cost resources to help her start a restaurant business of her own. She turned to a small-business development center for women to help her research and develop a successful business plan. The center informed her about alternative credit resources she could tap into for her start-up costs. Tina soon found out about a few restaurant supply companies that provided equipment for start-up businesses; the interest rates were favorable, and the equipment itself would become collateral. She would need many commercial appliances for her new restaurant, and the expenses would be well above $7,000. She joined the Latino chapter of the chamber of commerce in McAllen, despite that the time driving there took away from her business and family. There she began networking with local businesspeople who offered their expertise, including a few investment bankers who offered more advice about alternative forms of credit, including private placement deals whereby investment banks are offered *minority ownership* in exchange for capital to begin the business. Within a few months the plans were drawn up, and she had built up enough social and financial capital to begin her entrepreneurial career. Finding alternative sources of capital had been a key factor in her success.

Tina hired dependable waitstaff and chefs and trained them well. Utilizing her mother's family recipes and seasonal produce from local farmers, she was able to offer healthy food at an affordable price. Neighbors came because they knew her family, but soon the word was out about the excellent food and fair prices, and more people brought their friends. Within three years Tina had opened two more restaurants in the valley, and she had a great start on her son's college fund. She now lives across the street from her parents and has added rooms and indoor plumbing to both dwellings, working with the barrio organization.

Financial capital is important because it can be transformed into more productive labor as it is invested to increase human capital and built capital. Tina Fernandez needed financial and bridging social capital to convert her idea for serving healthy, traditional food into a profitable business. Yet for rural communities and businesses alike, there is a crisis of capital availability. As savers and investors are lured by higher profits outside the local area and are facilitated by laws making it easier to move from one place to another, financial capital is becoming more and more mobile. As capital becomes more mobile, rural communities lose control of it. Tina Fernandez had to go outside the *colonia* to build social capital that helped her learn how to access and invest financial capital. Although the Great Recession of 2007–2009 impacted the Rio Grande Valley, unemployment rates are lower there than in other parts of Texas, and her economical meals based on traditional Mexican cooking are seen as good value by the many locals who patronize her restaurants. By sourcing much of her food locally, she is able to save money through less waste. By 2015 her restaurant, one of the few in the *colonia*, is serving local people with healthy, affordable food in a culturally safe way as well as attracting people from as far away as McAllen.

This chapter examines financial capital in its various forms. The extent to which communities depend on financial capital is explored, as are the various institutions created to provide loans to businesses and fund local public good. Traditional sources of financial capital are contrasted with the new sources rural communities must develop to adapt to the changing rules of the financial playing field.

The Concept of Financial Capital

The term *financial capital* often translates to money: the money needed to start a new business or the money used to *speculate* in the currency market. But money is not always financial capital, nor is financial capital simply money. This section explores the definition of financial capital, the various forms financial capital can take, and the public and private character of financial capital.

Money can be used for a variety of purposes. People use it to buy things, such as a new stereo or food for dinner (both goods) or a ticket to a movie or trash collection (both services). These uses of money are part of consumption (see Chapter 10). Money also can be used to make more money. Money invested in a savings bond, for example, generates more money in the form of interest. People invest money in a business because they expect to receive part of the profits in addition to the money they originally invested. Money is a form of financial capital when it is used to make more money. Increasingly, financial capital is not invested in creating new goods and services but rather in financial instruments, such as hedge funds, and financial institutions increase in size and influence. This is known as *financialization*, discussed more fully in Chapter 9, Globalization.

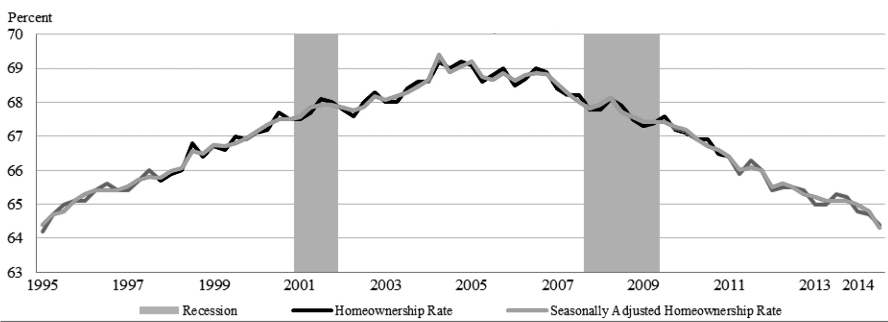
Defining Financial Capital

Capital is any resource capable of producing other resources (see Chapter 1). Financial capital is resources that are translated into monetary instruments that make them highly liquid—that is, able to be easily converted into other assets. This definition forces one to distinguish between consumption and investment. If someone buys a car for personal enjoyment, the car is not considered a form of capital. But if he or she buys a car to run a shuttle service, the car becomes a means for generating income. A resource (the car) is capable of producing other resources (income). *Speculation* is when one relies on adding value only from an asset increasing in monetary value and then selling it.

It is useful to distinguish between *wealth* and *income.* Income is money that comes in during a defined period of time. Income can be earned, as in salary and wages, or unearned, from financial instruments such as stocks, bonds, and hedge funds or from rent of real assets. Income is salary and wages plus the net increase in unearned assets over a period of a year (or shorter). Wealth is accumulated assets held by an individual or family: they include real estate and other property, money in the bank (or under the mattress), stocks, bonds, and other financial instruments that can increase or decrease in value. It is accumulated income plus inheritance. Outstanding debt (liabilities) must be subtracted from total assets to arrive at wealth or net worth.

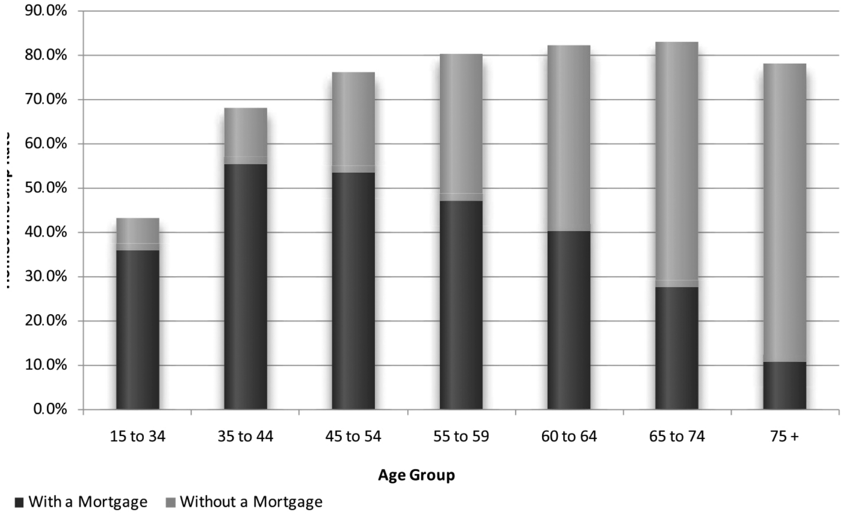
For many people, their primary financial asset or source of wealth is their home. The American ethos supports ownership of real property. Some states have special property tax rates for first time home buyers. The IRS had special provisions for new home buyers during and following the Great Recession.

Figure 7.1 Quarterly homeownership rates and seasonally adjusted rates, 1995–2014.



Source: US Census Bureau 2015.

FIGURE 7.2 Rural and small town household by age and mortgage status, 2010.



Source: Housing Assistance Council, *Taking Stock: Rural People, Poverty, and Housing in the 21st* Century, 2012. Reprinted with permission.

And for all home buyers, there are special tax provisions that basically reward a household for borrowing money for a home (even a second home). These tax advantages primarily accrue to urban counties, as can be seen in the interactive mortgage interest map listed in the web resources at the end of this chapter.

Despite these incentives for home ownership, foreclosures and declining median incomes, particularly for young people (see Chapter 4), have led to a declining rate of home ownership in the United States (see Figure 7.1).

Although rural homeownership continues to fall, it is much higher than urban homeownership but slightly lower than suburban and exurban home ownership rates. However, rural owners are more likely to have mortgage-free homes than their suburban or urban counterparts. In part this is because rural Americans are on the average significantly older than other Americans and purchased their homes in the relatively stable economic times of the 1960s and early 1970s. Figure 7.2 shows rural homeownership by age and by whether or not the home is mortgaged (money still owed) in 2010 (the data come from the census, which occurs every ten years). Older rural and small-town residents are more likely to own their own home—and without a mortgage—than are younger households. For the younger homeowners in rural and small-town America, their income is often so low that they do not itemize tax deductions and cannot take advantage of the mortgage interest rate deduction.

Wealth is held as capital assets, such as bank accounts, stock, bonds, and real estate. These assets can produce income through rent or profits distributed to stockholders. When a financial asset is sold, it is considered a capital gain when the amount realized in the sale exceeds the purchase price; when the selling price is less than the price the owner paid, it is a capital loss for income tax purposes. During the housing bubble people bought houses and quickly resold them as the prices went up. The individuals who bought right before the prices dropped usually lost their investment and could not repay the money they borrowed to finance it (their mortgage).

Keeping Track of Financial Capital

Sociologists have been intrigued by the interaction between social organization and economic organization. Some theorists (Weber 1978) have suggested that the way money was accounted for can be linked to the emergence of capitalism. In previous times the most common form of accounting was cash accounting, keeping track of the money coming in and going out in a business. There was no way to keep track of exchanges in which money was converted to capital goods, as happens when a business invests in a new plant or accumulates an inventory. When accountants began keeping track of assets rather than simply of cash, capitalism as a form of economic organization began to emerge.

Accounting and Accountability

The huge financial disruptions of the early twenty-first century related to accounting practices—what was counted where and for what. The failure to know what was being bought and sold, particularly in hedge funds (aggressively managed portfolio of investments that used such risky investment strategies as leveraged, long, short, and derivative positions to generate high returns) and the secondary mortgage market (where loans are bundled and sold to an entity different from that making the loan, giving that new entity the right to collect the money borrowed) demonstrated the importance of having clear, standard rules and of a transparent presentation of financial assets (the importance of political capital). Housing loans were made to keep money flowing to new financial instruments rather than paying attention to the probability of payback. These high-risk loans (referred to as *subprime loans*) made money for those making the initial loans and those bundling and selling the loans to pension funds and other investors. Pressure to meet aggressive loan volume goals resulted in millions of loans being made to borrowers who had minimum or no real ability to repay. Mortgage loan originators and bank investment managers collected fees and bonuses based on loan volume rather than on how the business actually performed over time. The ultimate buyers of those loans—who often were not told what they were actually buying with people's retirement dollars—lost.

People who had affordable loans for homes purchased before 2000 were encouraged to use their house as a piggy bank and borrow against the increasing paper value of their most important asset. These *home equity loans* increased dramatically even during the Great Recession. As more and more loans were not repaid, the bubble burst. The result was a drastic fall in home prices, followed by home foreclosures.

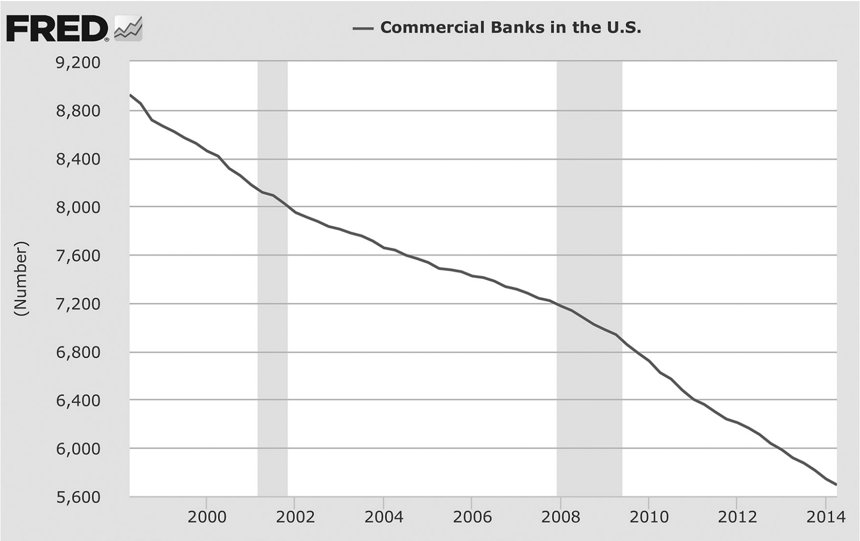
While rural and urban people lost their houses—and thus their wealth—the largest banks that made those highly risky loans did not fail. The people of the United States bailed them out. That infusion of taxpayer dollars allowed for the continuation of the decline in the number of commercial banks in the United States, as the larger financial institutions purchased or closed down the smaller community banks, many of those in rural areas. There were 7,175 commercial banks in the United States at the beginning of the Great Recession in 2008, and 5,636 in the third quarter of 2014 (Figure 7.3). Even when the rural bank that has merged is kept open, it now operates under new rules, where the kind of character loans that allowed many local businesses to flourish in the 1950s through the 1970s are no longer allowed. As one banker told us, "Now all they look for is a pretty piece of paper."

Profits

Chief executive officers (CEOs) of publicly traded companies are generally evaluated, and therefore given larger or smaller bonuses, on two things: the net worth of the company and its quarterly earnings. Quarterly earnings are determined by sales minus expenses. As one of the largest fixed expenses for most firms is labor, cutting jobs is a good way to increase profits. Tasks that once were performed "in-house" by company employees are now done on contract—no benefits and piece work (by the contracted task) rather than by hour or year. Net worth is judged by a single indicator: the price of the stock.

Lax accounting practices and lack of oversight as deregulation "freed" the market from "costly" accounting rules allowed executives to inflate earnings and net worth. However, the story told to stockholders (who lost a great deal of money because of padded bottom lines) was not the same as that told to

Figure 7.3 Number of commercial banks in the United States, 1998–2014.



Source: Federal Financial Institutions Examination Council (US), Commercial Banks in the US [USNUM], retrieved from FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/USNUM, January 23, 2015.

the US government (which also lost a great deal of money because of tax avoidance by the companies and the CEOs).

As of 2015 most firms have a surplus of cash. In response to the financial crisis, the central banks of some countries, including the United States, purchased securities from the market to lower interest rates and increase the money supply. It flooded financial institutions with capital in an effort to increase lending and liquidity. However, instead of investing in increasing productive capacity, these funds were channeled into buying out or merging with competitors, allowing productive capacity to drop, jobs to be cut—and profits to rise. More and more after-tax income is channeled into speculative investment in the stock market and real estate rather than direct investment in employment-creating production of goods and services.

Mergers and Acquisitions

Mergers and acquisitions, according to the *Financial Times* of London, are not about growth. They are carried out by cash-flush firms seeking to establish a stable customer base and cut costs. The costs cut are almost always in labor, as "redundant" workers are laid off. These often result in higher share prices—and increased executive salaries. Executives who get paid on the basis of total shareholder returns during their time in charge have long-term negative effects on the company, shareholders, and society. The market rewards short-term boosts in earnings, and most CEOs only hold their jobs for a few years, going from company to company at ever-increasing salaries. Providing stock options to CEOs and other top management so they will become stockholders actually results in neglect of long-term investments in favor of returning cash to shareholders (Montier 2014).

Is Growth in Financial Capital the Most Important Thing for Community Well-Being?

Scholars concerned about the depletion of other capitals have challenged the notion that the gross domestic product (GDP; the market value of all final goods and services produced within a country during a year) indicates progress or that its increase indicates prosperity. The Genuine Progress Indicator (GPI) takes everything the GDP uses into account but also adds other figures that represent the cost of the negative effects of economic activity (such as the cost of crime, ozone depletion, and resource depletion). The GPI nets the positive and negative results of economic growth to examine whether or not it has benefited people overall.

Some ecological economists, such as Herman Daly and Joshua Farley (2010) and Robert Costanza and colleagues (2014), assert that a country's growth—increased goods production and expanding services—have both "costs" and "benefits"; in some situations, expanded production facilities damage the health, culture, and welfare of people (Costanza et al. 2014).

The GPI takes account of these problems by incorporating sustainability: whether a country's economic activity over a year has left the country with a better or worse future possibility of repeating at least the same level of economic activity in the long run. For example, agricultural activity that uses replenishing water resources, such as river runoff, will score a higher GPI than the same level of agricultural activity that drastically lowers the water table by pumping irrigation water from wells.

Forms of Financial Capital

Built capital (capital goods) is a tangible form of financial capital. Traditionally financial capital has been invested in the physical objects (cars, machines, buildings) that individuals or businesses invest in to generate new resources. A sawmill in Oakridge, Oregon, invests in the equipment needed to cut timber. The meatpacking plants in Garden City, Kansas, invest in the buildings, feedlots, and transportation equipment needed to move cattle in and processed meat out. We have chosen to also view built capital separately from financial capital because it is less readily convertible into another form of financial capital and because it usually embodies technology, in contrast to the more usual forms of financial capital. *Land* becomes an investment because of the resources it has or the development space it offers. Timber companies purchase land in part for existing stands of timber but also for the land's capacity to sustain new growths of timber. Real estate agents buy land hoping to realize a profit if the land increases in value. If land is utilized as if it were only financial capital, it would not be valued for its natural intrinsic characteristics—only as a means to an end. Hence, in this book it is considered first and foremost natural capital. Finally, financial capital includes financial instruments—stocks, bonds, derivatives, market futures, and letters of credit—as well as money.

Public versus Private Capital

Capital can be further classified in terms of who invests it. When individuals or groups invest their own resources, they have used *private capital.* Land, buildings, equipment, and the inventory associated with a small business are part of its private capital stock. Land owned by farm families, timber companies, or oil companies is private capital. The investment one makes in an education is also an example of private capital.

Public capital refers to the resources invested by the community. Tax dollars are used to build roads, install sewer lines, maintain public, state, or national parks, and finance schools. Governments raise the needed funds and then authorize their investment on behalf of the public good. Capital goods are then owned by the public, typically at the level of government involved in the original purchase. Communities own their street systems or industrial parks. Counties often own courthouses, county road systems, or landfills. The state owns its state road system and state universities. The federal government owns national parks and federal lands. Governments invest in assets that serve the general welfare and thus are generally accessible to all.

Public capital and private capital are often linked through partnerships. For example, some logging companies in the Northwest harvest trees on land owned by the US Forest Service. The logging companies gain access to federal lands in exchange for fees paid to the government. Postsecondary education is funded by both public and private capital. When individuals pay tuition to attend colleges and universities, they are investing private capital in their own development. However, tuition covers only a fraction of the costs of maintaining public institutions, although declining state support has greatly increased the proportion paid by students in recent years. State tax dollars support public colleges and universities; city or county taxes support community colleges. As taxes decline, so does support for these public investments in resources that increase quality of life for all.

Mobility of Capital

Forms of capital differ in how easily they can move. Land (natural capital) and many forms of capital goods (built capital), such as buildings and roads, are not mobile, so individuals and communities have to figure out how to make these forms of capital productive. By contrast, financial and human capitals are very mobile. Money can move to wherever it can earn the highest return. Some people can move to wherever they can earn the best salaries, although in the current situation, owing more on one's home than its current market value keeps the unemployed or underemployed tethered to place—until the home is foreclosed on. The mobility of financial and human capitals causes problems for rural communities.

Financial capital has become increasingly mobile. Electronic transfers of capital can take place in seconds not only between communities on either coast but also from a rural community to an urban center halfway around the world. Wealth created in New Hampshire can end up as an investment in California or Malaysia as savings deposits in the local bank become financial capital attracted to wherever the money can earn the highest rate of interest.

For example, a farmer in Iowa may sell a truckload of hogs when prices are high and costs of production are low. The profit made becomes savings that the farmer can now invest. That farmer phones a broker in Des Moines, who buys shares in a New York–based mutual fund by computer. The mutual fund then invests in a garment factory in Bangladesh, where the funds receive a higher return than they would have had they been invested in a garment factory in rural Iowa. Capital created in Iowa thus turns into wages paid in Bangladesh.

Financial Capital and Community Needs

Nearly all rural communities have depended on financial capital from their very founding. Financial capital not only helps individuals set up homes and businesses but also enables local governments to provide roads, schools, sewers, and other services community residents and businesses need. This section examines the public and private needs for financial capital and describes the role rural financial institutions play.

Public and Private Needs for Capital

Seeking to expand and protect its boundaries, the federal government encouraged settlement of the American frontier by making natural capital available in the form of land it considered "empty," despite the presence of indigenous peoples. During the settlement period the government had few liquid assets because the cost of wars kept the federal treasury in debt. Although many families homesteaded, much of the public lands went to large companies, such as railroads. The government encouraged the privatization of land by removing it from the public domain and selling it to private holders at low prices. This policy encouraged the development in rural communities of private capital held by businesses as well as individuals.

From its inception the US government recognized the role public financial capital played in community development and growth. Through the Northwest Ordinance of 1787 the federal government gave newly established communities land on which to build public goods (schools and roads) considered necessary for a community to exist and the nation to prosper. The United States and Canada are among the few nations of the world that grant local governments the power to raise public capital through local means, such as property taxes. This ability to tax gave communities a powerful tool by which to become self-reliant, unlike rural communities in other countries, which have had to depend on the central government to finance roads, schools, or a water system.

The increasing cost of public services, combined with a decreasing population and tax base, has made most rural communities more dependent on state and federal sources of financial capital. In turn, this dependence has made communities less able to control their capital investments. For example, a school district that needs to introduce instruction in Spanish because of an influx of new migrants might instead find itself creating a gifted program because federal funds are available for the gifted program but not for the Spanish-language program. Despite the need to improve a local water system, a county board of supervisors might decide to lengthen a local airport runway, again because of the availability of federal funds. As communities find it increasingly difficult to raise financial capital locally, government entities at the state and federal levels sometimes provide it—but often with strings attached.

To develop, communities require private capital other than land. Many rural communities originally depended in one way or another on farming to link them to the market to generate income. Agricultural production, unlike industrial production, is consecutive. Farmers must plow before they plant and plant before they harvest. There are long intervals between the major production activities, particularly in crop production. Consequently selling is done well after initial production decisions are made. That means that many farming communities have erratic income flows; a lot of money comes into the community when the harvest is sold, but little is generated at other times. Wide swings in the relationship between supply and demand for farm commodities due to weather and other factors are further exacerbated by speculative capital seeking new opportunities and the new financial instruments created to encourage such speculation in the commodity exchanges. These swings in the agricultural business cycle increase financial uncertainty in agricultural communities and, indeed, in states that are heavily dependent on agriculture.

During the settlement period women often sold eggs and cream throughout the year in an effort to even out income flow. When crops failed or buyers could not be found, however, local residents created other mechanisms for generating financial capital. Individuals and groups formed banks or cooperative financial institutions to provide credit for both consumption and production loans. These institutions were especially important in communities dependent on agriculture, timber, and mining because fluctuations in production—and, therefore, in income—often were typical.

Rural Financial Institutions

The names of many small-town banks, such as Miners and Merchants Bank (Grundy, Virginia), Farmers and Drovers Bank (Council Grove, Kansas), and Farmers and Miners Bank (Lucas, Iowa), reflect the character of the needs that led to their creation. Capital was also needed for small businesses (merchants banks) and for workers seeking credit between paydays (union banks). Rural banks generally had local roots and were structured much the same as other local businesses, being either privately held or organized as cooperatively held credit unions. What do the names of the banks in your community tell you about the history of financial capital there?

Because of the amount of capital and risk involved, banks generally formed corporations that separated the owners' assets from those of the bank. Incorporation is a legal strategy often used to limit personal liability. Banks that were incorporated were required to be chartered by the state or federal government. "State" in a bank's name means it is chartered under state law. The terms "national" or "federal" in a bank's name means it is chartered with the federal government.

Community banks make loans to individuals on the basis of risk. The lower the risk, the more inclined the banker is to advance the capital. Common factors used to assess risk include (1) net worth, (2) cash flow, and (3) personal knowledge of the borrower. As banks consolidate, the third factor is used less and less; instead, banks turn to individual credit ratings, which are privately controlled central databases (credit bureaus) of an individual's financial history, current assets, and liabilities.

Although some rural residents are wealthy in terms of land, that wealth has low *liquidity*; that is, it cannot easily be converted into cash. (This feature of land gave rise to the saying that one could be land-rich and money-poor.) When these individuals need money to invest in their businesses, they use their capital assets (land, livestock, or machinery) as collateral to guarantee the repayment of a loan.

For a financial institution, money that is deposited is carried as a debit, or liability, on its books. A *liability* is an obligation to pay back on demand to depositors the amount credited to their accounts. A loan, however, is an asset because the bank is owed that money by a third person. A financial *asset* is money or property that can be used to meet liabilities.

Loans made on the basis of net worth compare collateral with indebtedness. Collateral is important to the lender because if the loan is not repaid, the property can be claimed and sold to repay the loan. Loans based on net worth (the value of collateral minus outstanding indebtedness) are relatively safe loans to make, despite the fact that the lender assumes the assets will retain their value. Consequently net worth is a traditional criterion for making a loan, introducing a bias into the flow of financial capital: those who already have wealth are best able to acquire additional capital.

More adventurous bankers make loans based on a borrower's ability to repay. Determining ability to repay involves a detailed comparison of the costs of expanding production weighed against the increased sales that would result from expansion. Cash flow, not net worth, is the criterion for such loans. Determining cash flow involves gathering more data about a business operation than is necessary when the criterion for loaning money is net worth. It is also somewhat more inexact. Bankers have to estimate not only the future value of assets but also the future costs of needed inputs, future demand for the product, and future prices that will be paid for what is produced.

Basing loans on a borrower's ability to repay avoids the bias created when the net-worth method is used. Because the loan is based on an individual's future prospects for repaying the loan rather than on present assets, those with few assets can obtain a loan. However, loans based on the ability to repay introduce yet another bias. Those who can keep good accounts and work through cash-flow projections are more likely to receive loans. These loans, therefore, favor the more educated individual.

Bankers in rural communities traditionally have had a third criterion for making loans: knowledge of the character of the borrower. In a sense this is a shorthand way of calculating ability to pay. A young person known to be thrifty and hardworking could get a loan based on a handshake, indicative of the faith a community banker had in that individual. In small-town settings such loans were often biased against women and minorities, who were traditionally excluded from those considered worthy of credit. Bankers who know a community well are not likely to make bad loans, but they may fail to make some good loans.

This criterion was especially important in allowing those with little property an opportunity to become small business owners. For the most part, however, this informal way of assessing risk is disappearing. Although state laws on branch banking and multibank holding companies vary, personal knowledge of the potential borrower by the individual with authority to make the loan is declining. As control of rural banks shifts to metropolitan areas, personal knowledge of the borrower is no longer valued as a method by which to assess risk. And these megabanks, burdened with unpaid mortgages, are unwilling to lend.

There was great pressure on all banks to make real estate loans during the early years of the twenty-first century in response to the speculative pressures that pushed up housing prices. Although many community banks and credit unions kept their established criteria for real estate loans, many national lending institutions, relieved of regulation, made loans on overpriced property to underqualified borrowers. This led to NINJNA loans (no income, no jobs, no assets) as the lenders were able to bundle loans and sell them without regard to the risks of nonrepayment. Even in some rural areas predatory lenders urged homeowners to take second mortgages based on the inflated value of their property to "consolidate their loans." This was especially appealing to households with a poor credit rating.

In most cases a poor credit rating comes from two major events: divorce or medical emergencies. Poor credit ratings, in turn, increase financial vulnerability. Predatory lending—cash on demand and very high interest rates—is increasing in rural areas, further decreasing the money available to families.

Sources of Capital

To create more productive capacity or to get the inputs needed for production, individuals and businesses need capital. One way to get capital is to sell an asset. Another is to spend less money than is taken in and, thus, accumulate savings. But many people, companies, and communities need a large amount of capital at one time to purchase a farm, a business, or a major piece of machinery. They do not have enough assets to sell to finance the purchase, and even if they did, selling those assets would mean selling their productive capacity. They also do not save enough to purchase the capital asset in a timely fashion. Therefore, they must borrow the money, which banks can provide in a number of ways.

Savings

For most people in the world income seems barely sufficient to provide for the necessary expenses of family maintenance and reproduction. Others are able to take in more money than they spend in a given period of time, so they save it. Some savings are voluntary; others are involuntary, such as contributions to Social Security or other government-mandated pension funds. Regardless of whether they are voluntary or involuntary, savings represent a major source of capital.

In most communities savers with moderate incomes tend to deposit their money in their local financial institutions. This money is then reinvested by the bank, savings and loan, or credit union to earn interest. It may also be invested in real estate, the stock market, or financial instruments. Even though rural financial institutions often offer somewhat lower interest rates than other institutions for savings and investment, rural banks remain a preferred investment for many citizens because they tend not to invest savers' money in high-risk activities.

Loans

When lending money for a business, the lender generally secures the loan through the collateral of the capital goods acquired with the loan funds or through a lien on the product produced. If the borrower is an individual unincorporated business, the business owner's home or other business assets may be taken as collateral. In short, banks have the right to collect the capital goods purchased or the products produced by the business if it fails to repay the loan. There is also a charge to the borrower for use of the money, called *interest*. A portion of that money goes to the individuals whose savings are used to provide capital. This encourages them to put the excess capital they have into the bank instead of under their mattresses or into the purchase of additional consumer goods. A portion of the interest remains with the bank, credit union, or savings and loan. These funds are used to cover the costs associated with managing the loan and to provide the bank with a profit.

The *nominal interest rate* (the face-value interest rate charged to the borrower) varies according to the supply of money available for lending and the demand for money among competing borrowers. However, interest rates are not influenced by local supply and demand for capital. Even in isolated rural communities, interest rates are set daily in response to monetary and fiscal policies adopted by US and foreign governments. This control decreases local institutions' ability to redeploy capital to local investments. The Great Recession has driven down interest rates, and financial capital has moved from financial institutions to commodities, such as gold, soybeans, and farmland to increase profits.

To compete in the global financial market, investments must offer high rates of return and promise low risk, an oxymoron in the investment world. The low risk part is particularly unlikely to be unfulfilled. However, investments in rural communities traditionally involve low return and low risk. As interest rates become bound to global markets, capital leaves rural areas. This phenomenon, known as *capital flight*, is the extent to which capital originally invested in rural areas eventually is moved elsewhere in search of a higher return.

Interest rates indicate the costs of capital. When interest rates are high, fewer people are able to borrow. When rates are low, more people may be inclined to borrow because it appears easier and cheaper to pay back the loan and interest on it. However, it is important to calculate the *real interest rate*, which is the nominal interest rate minus the rate of inflation. This is the real cost of capital.

In periods of high inflation nominal interest rates are high, but they are often exceeded by the rate of inflation. In this case it pays to borrow. High inflation favors debtors because they pay back loans they receive in cheaper dollars. Savers, however, often lose money on bank deposits, bonds, and other ordinary financial investments. Consequently they often look for investments whose market price will rise at a rate likely to equal or exceed the inflation rate. Commodities or real estate are frequent choices for such investments. During the 1970s, for example, farmland and urban real estate prices escalated at an extremely rapid rate as investors sought inflation-proof investment opportunities. In an effort to rein in inflation, the government began buying up dollars to dampen inflation. That triggered a recession. Commodity prices fell, and farmers found it difficult to pay back loans for the overpriced land they had bought. It also increased the cost of loans. Low inflation tends to favors lenders, but in this case the borrowers could not pay back their loans, and many had to file for bankruptcy. The country banks and government lenders ended up holding land that could only be sold at deflated prices, and neither wanted to get into farming (becoming landlords), particularly when worldwide demand for agricultural commodities had tanked as the US recession of the early 1980s became global. Many agricultural banks declared bankruptcy. Thus neither lender nor borrower benefited. The so-called farm crisis did not end until the second half of the 1980s.

During the 1990s farmland prices began increasing but at a more gradual rate than during the 1970s. Beginning in 2004 agricultural real estate prices took off again, surpassing the previous high (1980, which marked the beginning of the farm crisis). There was only a slight hiccup in their rise during the Great Recession. The rise in average land prices from mid-2010 to mid-2014 was 37 percent (USDA-NASS 2014), with no sign of moderating. However, Iowa experienced a moderating of increases beginning in July 2013 and a decline of nearly 9 percent in land prices in the year ending in November 2014. Commodity prices began to decline in 2013 in anticipation of a worldwide overproduction of grains stimulated by a major rise in grain prices that began in 2009, so it would appear that high-quality land suitable for producing grains may be declining in the price it fetches but that other lands continue to respond to low-interest and low-inflation rates in spite of substantially lower agricultural commodity prices.

The strong agricultural economy in the midst of the Great Recession and its aftermath is in part due to the fact that the economic slowdowns in the United States and Europe did not have an impact on the rest of the world's economies. The robust growth experienced by developing countries in general and the BRIC countries (Brazil, Russia, India, and China) in particular, with the exception of Russia, prior to the economic slowdowns and recessions in Europe and the United States was so strong that it continued, unlike in the recession of the early 1980s, which spread almost immediately from the United States to the rest of the world.

The continued demand for US agricultural products in developing countries, droughts in major grain-growing areas likely caused by global warming, and competitive nonfood uses for corn and, to a degree, soybeans all kept demand high for small and large grains. This had a significant effect in moderating the effect of the Great Recession on rural communities in grain-growing regions of the United States as well as in states where such agriculture plays a significant role. Furthermore, agriculturally dependent communities and counties were not hit strongly by the subprime lending crisis and resulting home foreclosures in part because the housing market was and is so depressed in agriculture-dependent areas that there was little incentive for subprime lenders to reach out to rural areas, even if they had had the infrastructure to do so.

The conservative nature of community banks in agricultural areas was also a plus for rural communities in the lead-up to the Great Recession. Those banks could not provide the required financial capital for larger or more risky investments, such as subprime mortgages.

Normally the limited capitalization and expertise of rural banks accustomed to making agricultural loans is a disadvantage for the rural community that is seeking to break out of a depressed situation in which it finds itself. The risk may be too great, the amount needed may be too large, or the banker may simply lack the expertise to judge the appropriate loan period and rate of return. Even when presented with smaller innovative projects, local banks may be unsure when asked to finance a cabinet factory, for example. As can be seen in the case of urban agriculture, agricultural loans are equally difficult for urban banks to evaluate. Several other sources of private financial capital are available for such undertakings, such as bonds and equity capital.

Bonds

When a large amount of financial capital is needed for a long-term capital investment, loans can be made in more formal contractual agreements, such as bonds. Bonds pay interest and constitute a promise of repayment of a designated amount of money (often more than the amount received as a loan) at the end of an established period of time, usually twenty or thirty years. Businesses can pledge securities or future income to repay the money raised through bonds.

In the 1980s deregulation of US financial markets allowed the marketing of *junk bonds*, high-risk, high-interest securities often sold at a deep *discount*, an amount well below their face value. The money these bonds raised was converted into equity capital in new or established businesses. Because the businesses were risky, the bonds paid high rates of interest. Most of these ventures were in urban areas, drawing financial capital out of rural areas. When the businesses failed, many savings and loan institutions, which had invested in venture capital firms and in urban real estate, went under. Rural people contributed to the bailout of urban banks through their taxes.

Governments, including rural towns and counties, can issue municipal bonds to raise public financial capital. Usually state law disallows the use of bonds to pay the operating expenses of local governments, schools, and hospitals but permits their use to support buildings or structural improvements. These bonds are guaranteed by the good faith and taxing power of the issuing government. The US government feels so strongly that these local financing mechanisms should be in place that interest earned from personal and corporate investment in these bonds is usually tax-free; this feature provides additional incentive to make financial capital available to local communities.

Bonds are an important mechanism by which rural communities raise financial capital but retain local control. Industrial revenue bonds, for example, can provide investment capital for a local firm. Too often, however, the money raised by such bonds goes to attract a business from another area rather than to create a local firm. Communities run the risk that the business will eventually move, despite local efforts to make it financially attractive for the firm to stay. Privately issued, publicly regulated bonds can provide an important source of seed financial capital for new firms or investment capital for local firms wishing to expand.

Equity Financial Capital

Sometimes a business has neither enough capital assets to provide collateral for a loan nor the proven excess of income over expenses to ensure a steady repayment of further indebtedness. In this case other sources of financial capital must be found.

One mechanism is to "go public," selling shares in the company to the general public through the stock market. Individuals with savings (or other access to financial capital) invest in shares of the company. In exchange for their financial capital investment, these individuals receive a portion of the company's profits in the form of dividends paid on their shares. Stockholders can also make (or lose) money on their investments by selling their shares on a stock exchange.

Once a business has decided to sell stock, the company no longer belongs solely to the original business owner. However, the company's assets have increased as a result of the capital investment of the new shareholders. The business's equity is still defined as the total assets minus the total liabilities, but the partners or stockholders now hold that equity. In exchange for the financial capital invested in the company, the partners or stockholders share in determining who will manage the company and how it is managed.

Employees can become owners as a way to raise capital through wages invested in the company or through stock earned through bonuses. Many start-up companies in the 1990s gave such stock options as a way to attract talented, highly skilled workers. Partial ownership in a business can be a way to attract reliable labor in areas where there are relatively few available workers (see Box 7.1).

BOX 7.1 Workers as Part-Owners

Jose Hernandez is going to be able to retire well someday. At forty-one years old, he has accumulated more than $80,000, and he works only from April to November, for $20,000 a year. As a migrant worker, he has worked hard all his life, but fortunately he has worked for a company that takes care of its workers.

Migrant workers at McKay Nursery in Waterloo, Wisconsin, are reaping the benefits of their difficult work. The nursery has always been known for its generous employee benefits, such as paying migrants overtime, which is very unusual. In 1984 McKay took an extremely bold step and began offering its workers shares in the company through employee stock ownership plans. In 1998 the company employed sixty full-time workers and nearly a hundred migrant workers at the height of growing season (Kaufman 1998). Migrants are eligible for the plan once they have worked one thousand hours in a season, which goes from late March through the end of November. Workers are promised that at least 10 percent of their gross wages for the year will be set aside for retirement; the amount depends on how much the company earns for the year and how many employees it has. Typically workers have had 20 to 25 percent of their wages set aside, and they can then invest the cash portion in a variety of mutual funds. Money in the workers' retirement plans cannot be withdrawn until they have been with the company for five years. At that time they can take money out to pay for college bills or to purchase a home. Workers who decide to leave after five years take the cash with them after they sell their shares back to the company.

The nursery's president, Griff Mason, admits that hiring on a seasonal basis is difficult, and it was challenging to find dependable workers—until he started this plan. Because migrant workers are a critical component to the company's success, he wanted to ensure that many would return every year. As word spread to friends and family members of the migrant workers employed at McKay, the nursery saw a return rate of 90 percent. McKay has found that building human capital and social capital within the migrant worker community has enhanced the financial capital of not only the workers but also the business.

SOURCE

Jonathan Kaufman. 1998. "Sharing the Wealth." *Wall Street Journal*. April 9.

The market price of stock is largely dependent on the company's earnings. Stocks are of two types. Non-votong *preferred* stock guarantees a dividend at a specified rate and a specified portion of the assets if the corporation is liquidated. *Common* stock has a rate of return that fluctuates depending on the corporation's profits. Stockholders have voting rights in choosing the company's management. Their votes are weighted according to the amount of stock owned. These votes are used to select the board of directors, which then sets policy and names the CEO of the corporation. In seeking financial capital by selling equity, a business owner gives up management control.

Once companies have started up, they often need a high level of initial capital investment to upgrade technology and develop markets. Furthermore, they require financial capital that comes from investors who are willing to take risks and be patient as they wait for a return. This kind of equity capital is referred to as *venture capital*. Some have argued that a shortage of venture capital stifles would-be entrepreneurs and, as a result, retards growth and development.

The availability of venture capital boomed in the 1990s due to the rise of technology companies. It peaked in the first quarter of 2000, when venture capital investment in the United States reached $27.2 billion, a high never seen before. As investment capital shifted to real estate between 2000 and 2007, venture capital investments decreased substantially. It bottomed out in the first quarter of 2009 in the Great Recession at $3.8 billion and was up to $13.5 billion in the second quarter of 2014 (Money Tree 2014). Venture capital brings with it a say in the management of the company. For start-up businesses this access to human and social capital often is as helpful as the access to financial capital. By 2014 the vast bulk of the investments were in software, an industry that generally does not start up in rural communities.

There is no shortage of capital that could be used for venture capital. Figure 7.5 shows that although there was a precipitous decline in corporate profits that began more than a year prior to the Great Recession, profits resumed growing again even before the recession was over and have continued to reach new heights in the current period of job stagnation after the recession. Those profits are currently being used for mergers and acquisitions, with attendant declines in employment as "redundant" workers are fired as a result of corporate consolidation.

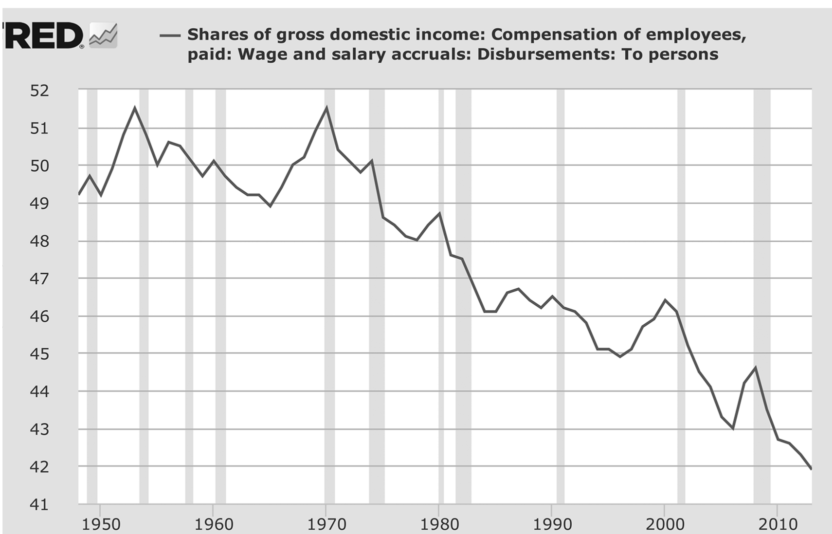
Although selling stock is a useful strategy for raising business financial capital, it is not always viable in rural areas. To sell stock on a stock exchange, a business must meet several requirements related to financial disclosure. For small companies in rural areas, putting these statements of financial disclosure together can be expensive relative to the amount of financial capital being raised.

The Changing Rules of Financial Capital and Increasing Inequality

Inequality

The years from the end of World War II into the 1970s were ones of substantial economic growth and broadly shared prosperity in many parts of the world. That was true of rural areas of the United States, where those engaged in extractive industries such as mining and timber were unionized, and agricultural input firms and purchasers of agricultural products, including cooperatives, maintained a local presence. Incomes grew rapidly and at roughly the same rate up and down the income ladder, roughly doubling in inflation-adjusted terms between the late 1940s and early 1970s. The income gap between those high up the income ladder and those on the middle and lower rungs—while substantial—did not change much during this period. Figure 7.4 shows the share of gross domestic income that went to employees in wages and salaries from 1948 through 2013. After 1970, the wage and salary share of personal income began a long-term decline (from over 51 percent

Figure 7.4 Share of US gross domestic income to persons represented by compensation to wage and salaried employees.



Source: US Bureau of Economic Analysis, Shares of gross domestic income: Compensation of employees, paid: Wage and salary accruals: Disbursements: To persons [W270RE1A156NBEA], retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/W270RE1A156NBEA, January 22, 2015.

Figure 7.5 Corporate profits after tax, 1965–2014 (not adjusted for inflation).

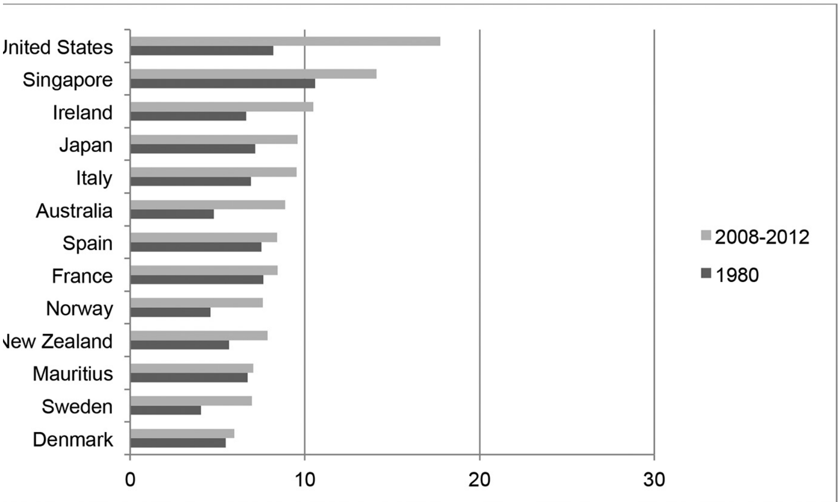
Source: US Bureau of Economic Analysis, Corporate Profits After Tax (without IVA and CCAdj) [CP], retrieved from FRED, Federal Reserve Bank of St. Louis, January 21, 2015, https://research.stlouisfed.org/fred2/series/CP.

in 1970 to below 42 percent in 2012), and the share going to investors (unearned income) and to proprietors rose (Saez and Zueman 2014). Although the economy grew more slowly in the 1970s and 1980s, it is interesting that although growth in labor productivity slowed in the decade from 1973 to 1982, the gap between worker productivity and wage and salary income began to open at the beginning of the 1970s and continues to widen to the present (see also Figure 10.2).

Beginning around 1973 economic growth slowed, although labor productivity continued to rise, and the income gap widened. Income growth for households in the middle and lower parts of the distribution slowed sharply while incomes at the top continued to grow strongly.

Another way of looking at the concentration of income at the top is to look at trends in corporate profits. Corporate profits "exploded" following the 2001 recession. Although they fell sharply in the Great Recession, they have resumed a steep upward trend since (Figure 7.5). The concentration of income at the very top of the distribution rose to levels last seen more than eighty years ago (during the "Roaring Twenties"). Thomas Piketty (2014) demonstrates similar trends in Europe.

Figure 7.6 Share of national income going to the richest 1 percent, selected countries.



Note: Only includes countries with data in 1980 and later than 2008. Data for Spain is from 1981, as 1980 was not available.

Source: Adapted from F. Alvaredo, A. B. Atkinson, T. Piketty, and E. Saez, 'The World Top Incomes Database," http://topincomes.g-mond.parisschoolofeconomics.eu, consulted on January 21, 2015.

Wealth—the cumulated value of a household's property and financial assets minus the value of its debts—is much more highly concentrated than income. The best survey data show that the top 3 percent of households hold over half of all wealth. Other research suggests that most of that is held by an even smaller percentage at the very top, whose share has been rising since 1980 (Stone et al. 2014). One factor in the concentration of wealth in fewer hands has been the periodic increase in the amount that can be inherited intergenerationally without being subject to inheritance tax.

Corporations are doing very well, as are their major stockholders and CEOs. However, inequality has increased dramatically in the United States as compared to other developed countries. Figure 7.6 shows changes in a range of countries. Whereas the United States was relatively unequal in 1980, Singapore was more unequal and Spain and France had about the same share of national income going to the richest 1 percent. However, by 2008–2012 the United States was far more unequal than even Singapore. These figures only include income reported to the tax-collecting entities in each country. Given the tendency of the wealthy to move their assets to low-tax countries and their corporate headquarters to tax havens with only a P.O. Box in the "headquarters" country, this probably underestimates the richest 1 percent's share of the wealth.

The Age of Regulation

More than ten thousand banks, a large proportion of which were in rural communities, failed during the Great Depression of 1929–1933. The Banking Act of 1933 established more demanding criteria for charters, including tougher requirements for capitalization and management based on the convenience and needs of the community along with competitive circumstances.

Other limitations were placed on banks in 1933 as part of the Glass-Steagall Act: setting lending limits, limiting insider lending, and restricting bank investments. Under the act the *Federal Deposit Insurance Corporation* (FDIC) became a supervisory agency for all national banks and state banks seeking protection for their depositors. *Federal deposit insurance* currently offers borrowers insurance on deposits up to $250,000 in banks that agree to be supervised by the FDIC. Interest was prohibited on *demand deposits*—that is, deposits, such as checking accounts, whose account holders could demand their money at any time. That provision was part of Regulation Q, which limited interest rates charged to borrowers from commercial banks and limited interest rates on deposits as well. Regulation Q, in one of its manifestations, was called the 3-6-3 rule: commercial banks could only pay *3* percent interest on savings accounts, charge *6* percent on loans to farmers and small businesses, and because what commercial banks did was so simple, the bankers could be seen on the golf course by *3* p.m. Few new rural banks were established once the regulations were enacted, but few banks failed. The one exception was the farm crisis of the 1980s, when many rural banks failed and were incorporated into larger financial institutions. In regulating banking activities, the government played a major role in reducing the financial risk to society.

These regulations, which were in effect between the mid-1930s and the early 1980s, specified that different organizations should specialize in different financial functions. For example, banks could not engage in real estate brokerage. Thrift institutions (savings and loans) were forbidden to offer demand-deposit (checking) accounts. These prohibitions had two major purposes: (1) to further certain social goals, such as home ownership, and (2) to prevent conflicts of interest within individual firms. As Anthony Downs, an economist concerned about the real estate capital markets and real estate finance, points out,

> Congress apparently believed that the average patron of each financial institution should not have to pass prior judgment on the quality of that institution's management in order to have confidence that the institution's assets would be prudently handled. Such judgments would require knowledge and expertise far beyond the capabilities of the average citizen. (1985, 41–42)

Federal regulatory agencies therefore were established to provide collective supervision of financial institutions, to oversee the safe and socially responsible use of financial capital. One of the contributing factors to the massive bank failures of the Great Recession was the division among regulatory agencies and financial institutions' ability to choose the regulator that would view their activities most favorably.

Bank regulation provided a governmental mechanism whereby public trust could be maintained in the major institutions that linked financial capital to producers and consumers. In return for the security provided to savers through state and federal deposit insurance, financial capital was made available to borrowers. Public trust in banks and thrifts was gained not only through the insurance of savings but also through the oversight provided by the federal and state regulatory agencies.

Deregulation

With the shift in the world economy, which involved devaluation of the dollar in 1971 and the rise in oil prices in 1973, there was a substantial decrease in the real cost of money as a result of inflation. Savers found they could get higher yields from unregulated financial institutions by putting their money into new financial instruments, such as *money market funds*. Commercial banks found they did not have the financial capital to lend at the rates they were legally able to offer; in other words, they were no longer competitive.

In the 1970s rural areas found their locally owned and controlled financial institutions competing with nonfinancial institutions not restricted by banking regulations, such as Sears, John Deere, and Merrill Lynch. These institutions, which are multinational in character, channeled financial capital out of rural areas by offering investment opportunities such as money market funds. A financial capital exodus from traditional banks, including rural community banks, occurred as savers increasingly sought higher interest rates elsewhere.

In addition, the savings and loan institutions, which traditionally had lent money for long-term real estate purchases, found that the short-term interest rates they had to pay to attract depositors far exceeded the long-term rates they were charging borrowers. In the early 1980s, in an attempt to shore up their profitability, savings and loan institutions were given the right to engage in activities formerly reserved for other institutions. These changes offered short-term help for savings and loans, but rural banks lost their competitive edge.

Banking deregulation involves a decrease in the degree to which the government limits and oversees (1) the costs of credit and services, (2) the geographic location of financial institutions, and (3) the variety of services offered by financial institutions. The goal has been to increase the *efficiency* of distributing financial capital. What the lawmakers mean by efficiency is funds' ability to move to where they offer the investor the greatest possible return consistent with the risk involved in their use. With deregulation, return on investment is assessed over an increasingly shorter time frame.

Deregulation has made it relatively easy for financial institutions to capture savings from rural areas and add these funds to a national pool of financial capital that can be directed wherever the highest short-term profit can be made. From the rural perspective it has become increasingly difficult to keep local financial capital invested locally. Facilitated by a variety of national policies, financial capital now flows easily from one city to another or from one country to another. This international financial capital market has increased the outflow of financial capital from rural areas.

Bankers and other lenders see investments in rural communities as having high risk and low payoffs compared to other options. Deregulation has increased the relative cost of credit for rural areas as compared with urban areas and decreased the availability of credit for rural borrowers. It has further decreased the availability of financial services for the rural poor. The balanced exchange of public trust through regulation and deposit insurance has been moved off center. The Great Recession resulted in an extremely large number of bank failures, particularly after 2008. Between 2008 and 2011 339 banks failed. In 2014 185 banks closures were completed. Many of the recent bank failures have been of community banks, often in rural areas (FDIC 2014).

Business Financial Capital and Community

For the most part financial capital has always been less available in rural areas than in urban areas. Changes in the US financial market recently have made it increasingly difficult for rural areas to attract and retain financial capital.

This section explores some of the strategies by which financial capital can be attracted to and retained in rural communities.

Keeping Financial Capital Local

In many ways banks and other lending institutions are like other businesses in rural communities. They also require investment capital, not just savings, to get started. Individuals wanting to start a bank or purchase an existing one take out an individual or business loan from another financial institution.

Starting or acquiring a bank often requires more financial capital than can be obtained through the usual loan procedures. Increasingly banks require equity capital gained from stockholders. As more and more of those stockholders and owners come from outside the community, concern mounts that decisions about the use of savings deposited in the bank will benefit the shareholders but not necessarily the community. Under the previous ownership pattern local owners were more likely to perceive benefits that were more consistent with helping the community.

Because banks and thrifts enjoy special privileges from the public sector in terms of deposit insurance and oversight, many think that banks should be required to serve the public good as well as stockholders' short-term interests. For banks, however, it is difficult to argue that the interests of the stockholders, who may now live anywhere in the world, are identical with those of the community. Stockholders tend to encourage financial capital use that favors short-term gain, which pays them higher dividends and makes their stocks worth more. These stockholder demands conflict with the needs of communities, which often need "patient" capital that can be invested locally. This use of financial capital emphasizes long-term gain in recognition of the multiplier effect such financial capital can have in the community. The *multiplier* is the extent to which money is recirculated in the local economy. The more times that a dollar turns over before leaving the locality, the greater the cumulative effect on the local economy.

The extent to which financial capital leaves a community can be seen in the declining loan-to-deposit ratios among rural banks. A decreasing ratio means that less of the money deposited by community residents is being reinvested in the community through loans. Instead, the money deposited is exiting the community through urban municipal bonds, certificates of deposit at larger banks, and government securities.

The Community Reinvestment Act of 1977 encouraged banks to invest their financial capital within their local communities. The legislation was aimed primarily at poor urban areas, and few rural banks were forced to reinvest in rural communities under the terms of the original act. Until the 1980s farm crisis, lack of rural reinvestment did not appear to be a major problem. Rural banks were eager and able to make agricultural loans locally, and they often diversified with energy-related loans. The Community Reinvestment Act was revised in 1995, and regulations were put into place to reduce paperwork for evaluation. This new revision, named the Brownfields Act, worked in conjunction with the Environmental Protection Agency to help clean up and restore industrial sites in low- to moderate-income communities. This action eased fears of financial regulations, liability, and burdens.

Government securities are used to finance the federal debt. They are either short-term or long-term securities sold by the federal government. Rural banks have a much greater percentage of their assets in government securities than do urban banks.

New Sources of Financial Capital

Traditional ways of generating financial capital for rural communities now appear to be inadequate. Indeed, the flow of financial capital from rural areas seems to have exceeded the out-migration of people. Governments as well as private entities and new public-private ventures are attempting to generate investment capital in new ways.

Rural communities and regions can create community foundations to capture some of the intergenerational transfer of wealth that is expected to take place between 2000 and 2020 as elders who acquired wealth in the 1980s and 1990s die. These foundations provide a number of ways for individual citizens to contribute to a fund that, through the interest it earns, then is invested in their communities in both public and private ventures. The Montana Community Foundation has worked hard to build these funds by utilizing political capital to maintain state tax deductions for charitable contributions. Nebraska and other states have enacted similar legislation.

Rural-based venture capital funds are also in place, such as Northeast Ventures in Minnesota. In response to economic restructuring in Minnesota's Iron Range as the mines closed, in 1989 Northeast Ventures was developed to intervene strategically to reduce dependence on a single industry that was in turn dependent on the fickle steel market. Northeast Ventures has the Northeast Entrepreneur Fund, which provides loans and guidance to firms, and the Northeast Ventures Corporation, which makes equity investments in homegrown companies.

Congress created the Community Development Financial Institution (CDFI) Fund in 1994 to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. By stimulating the creation and expansion of diverse locally based CDFIs and by providing incentives to traditional banks and thrifts, the fund's investments strengthen private markets, creating healthy local tax revenues and empowering residents. CDFIs are specialized financial institutions that work in local market niches that traditional financial institutions have not adequately served. CDFIs provide a wide range of financial products and services, including mortgage financing for first-time home buyers, financing for needed community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and financial services needed by low-income households and local businesses.

The Lakota Fund was established in 1986 by members of the Ogallala Lakota Tribe to develop a private sector in the Pine Ridge Reservation in South Dakota. The fund was certified as a CDFI in 1999, giving it access to additional sources of financial capital. The goal was to help tribal entrepreneurs establish jobs, products, and services close to home. Lakota people on the reservation started new businesses, and the Lakota Fund diversified to meet other needs for financial capital, including a fund for housing.

Many of these nontraditional lenders and investors are successful because they offer far more than financial capital; they also increase the human and social capital of the entrepreneurs with whom they work. Michelle Sweedman has cared for children in her own home in Bigfork, Minnesota, ever since her first child was born. More and more families came to her seeking high-quality child care, but she could take care of only four children at a time, given her space. She saw the need in the community for affordable, high-quality child care and felt she could hire a few more child-care workers and set up a real business that would increase her income and serve the community. But she had no business experience and only about $150 in savings. The Northeast Entrepreneur Fund showed her how to plan her business and manage income and expenses, and it then lent her the down payment on a suitable house. She now has two employees who, like Michelle, are working on a child-care credential on the weekends at Itasca Community College.

Financial Capital Retention Through Risk Reduction

Risk to commercial banks on any given loan can be reduced through the use of secondary markets for rural business loans. Secondary markets allow rural banks to package together a number of business loans, which they initiate and service; investors who purchase those securities bear the risk. Such secondary markets have been in place for many years for home mortgages and were initiated for farm loans in 1989. This approach to sharing risk could help rural banks recirculate local financial capital within the community.

Another way to make loans less risky is to provide technical assistance in such areas as personnel management, marketing, accounting, and planning. Both the Small Business Administration of the federal government and the Cooperative Extension Service at the state and local levels have programs that aid small businesses and can be tied to financial capital investment. Microfinance organizations have been successful because of the social and human capital investments that accompany loans.

Loan guarantees by the state and federal governments spread the risk of financial capital investment in rural areas between the public and private sectors. Such guarantees function much like the student loan program, in which private banks make the loan. The individual who borrows the money is obligated to repay the financial capital plus interest, usually at below-market rates. The federal government guarantees that the lender will be repaid at least a certain percentage of the initial loan if the borrower defaults. This strategy is cheaper than if the government makes capital investment directly, and it allows financial capital to be invested in a far greater number of enterprises.

A major category of federal funds that goes specifically to rural areas is commodity payments, crop insurance, and income guarantees for large producers of a few crops: corn, wheat, and cotton, for example. These payments are highest in some of the poorest rural counties in the United States. *The Mississippi Analysis* by the Southern Rural Development Initiative found that for every dollar spent on rural development in the 364 poorest counties in America, $15.65 was spent on agricultural commodity direct payments—most of it to a small number of very large farm operations.

Government's Indirect Role

Another way governments direct financial capital is through tax concessions. Tax abatements reduce taxes for investments that are made in certain business ventures deemed socially desirable. Alone among developed countries, the United States has viewed home ownership as so socially desirable that its tax code allows a federal tax deduction of all interest paid on home mortgages and local taxes on homes.

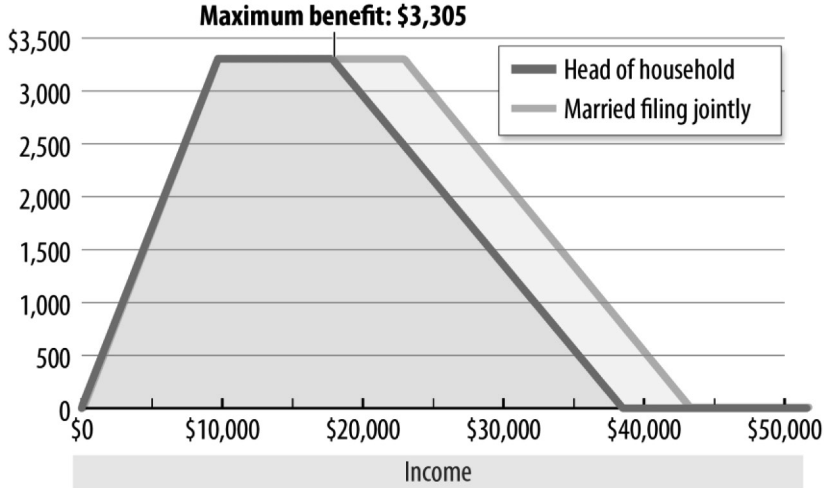
Other laws reduce the tax burden of those who invest in specific geographic areas by starting new businesses or expanding existing firms. Governments offer tax abatements in an effort to attract industry. The problem with this strategy is that although it benefits private financial capital investment in a specific area, it may not increase total financial capital investment in the nation. Furthermore, the tax breaks given often increase the need for public financial capital investment in the form of schools, prisons, fire stations, sewers, and roads. The reduced taxation offered to new businesses erodes the tax base needed to support public financial capital investments.

More and more communities are trying to retain financial capital locally by stopping financial capital leakage and forming local corporations and cooperatives to generate financial capital and invest it locally. When successful, these enterprises build on the strengths of an area and the solidarity of its citizens. Such mechanisms of financial capital generation increase local control. They also tend to have a longer-term time frame than do firms brought in from the outside, which have stockholders who provide financial capital in the hopes of reaping short-term gains.

Firms recruited from the outside are often branch plants of large multinational firms that are seeking some advantage, such as cheap land or lower wage scales. Such plants often create real difficulties for local financial capital formation in rural communities. Among the problems are either the creation of low-wage jobs (as in the case of the recruitment of meat packing plants or dairies) or high investment per job created (not only by the firm but also by local and state governments), few purchases of local inputs for production, and cutbacks and shutdowns that are more frequent and more likely because of the absentee nature of ownership and management. Still, such an option has great allure for a desperate rural community. A recent example of high public investment per job was the recruitment by the State of Iowa of an Egyptian-owned fertilizer plant to be located in a rural area along Iowa's eastern border with Illinois. Apart from the generation of construction jobs over a maximum of two years, the state and locality are investing \$175,000 per permanent worker at the plant. In contrast a program in central Iowa that involves a partnership among employers, educational institutions, and a community organizing group is able to train low-income workers for advanced manufacturing, welding, and health professions, costing \$5,000 to \$10,000 per trainee, and has a greater than 70 percent one-year job retention rate. Some 175 people were trained in the first three years of the program. So far the state has seen fit to put only \$100,000 annually into that program.

Recent studies have pointed to the weakness such short-term "smokestack chasing" approaches have inserted into community development efforts. Rural communities are being forced to address the problems created by rapid financial capital movement to capture short-term gain. As rural areas organize to create options in providing public and private financial capital needed for their communities to function, they may generate alternative investment models that strengthen the economic base of the country. The Earned Income Tax Credit

Figure 7.7 Earned income tax credit for households with one child, 2014.



Note: Assumes all income is from earnings (as opposed to investments, for example). Data from the Internal Revenue Service.

Source: Center on Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit," 2014, http://www.cbpp.org/cms/index.cfm?fa=view&id=5253.

(EITC) is a federal tax benefit for low- and moderate-income workers—the working poor—who are eligible for and claim the credit. The interactive EITC map by county listed in the Web Resources at the end of this chapter shows how the EITC works for a low-income household with one child. Nationally EITC-eligible taxpayers are most likely to work in retail trade, health care, accommodation and food services, manufacturing, and construction. The credit reduces the impact of payroll and income taxes these workers pay, supplements the earnings of very low-wage workers, and may be returned in the form of an IRS refund check (Center on Budget and Policy Priorities 2014).

Many families with children who qualify for the EITC may also be eligible for the Child Tax Credit (CTC), which reduces federal income tax liability. Some low-wage families who don't earn enough to owe income tax may still qualify for a CTC refund (Center for Budget and Policy Priorities 2014). It is often more difficult for low-income rural workers to file the appropriate papers than for urban workers because the former lack the assistance network to help them do so. A 2014 study following up families that received EITC found that it provided work, income, educational, and health benefits to its recipients and their families (Marr, Huang, and Sherman 2014). However, rural people who are eligible are less likely to take advantage of EITC than are people in urban and suburban areas. Figure 7.7 shows the EITC payments that low-income workers with one child can receive. Rural areas can rank high because of their relatively low incomes, but low, as many rural residents are not aware of their eligibility or fail to file their income tax returns.

Alternative Sources of Financial Capital for Rural Communities

Federal programs have long recognized the need to make capital available for investment in rural America. Rural utilities receive low-interest government loans. USDA/Rural Development provides financial capital through direct or guaranteed loans, grants, and technical assistance.

Most banks are making it more and more expensive to be an account holder, requiring higher minimum balances and charging higher fees for services. Yet poor people need to cash checks, wire money to relatives, pay bills, and borrow money in a pinch. Check-cashing stores and payday lenders tend to be located in poor neighborhoods and outside military bases. They charge 3 percent of a check's face value when they cash it. Many individuals who wire money to their relatives do not realize that a substantial proportion of what they send does not actually reach the recipient, even though they have paid a sending fee, because each financial institution through which the transaction passes takes its cut. These same outlets also offer loans, charging annual rates of 300 to 400 percent per year. And when people conduct financial transactions through these outlets, they do not build a credit history and are not offered a way to save some of the money so they will not need a payday lender the next time the car breaks down.

A $100 loan from a payday lender works like this:

- The worker shows the lender whatever proof it needs that he or she can cover the check: pay stubs or other paperwork.
- The lender asks for a check written to it for about $120. The lender agrees not to cash the check for about a week or two.
- The borrower gets $100 in cash. The lender keeps the extra $20 as the fee for the loan. (Most payday lenders charge between $15 and $30 for a payday loan.)
- The lender cashes the check on the agreed-upon date.

But after the time period is up, if the money is not in the checking account to cover the check, the borrower can, for a fee, extend the loan. In fact, this cycle usually can keep going and going, as long as the borrower pays the fees.

In time the borrower could end up paying anywhere from 450 to 650 percent in fees and interest charges. Why so much? Because many states have no rules limiting the fees these lenders can charge, although there is increasing activity at the community and state level by social justice organizations to limit the interest charged and the locations of payday lenders.

Chapter Summary

Capital is any resource capable of producing other resources. Financial capital consists of instruments that express exchange value and have a high degree of liquidity compared to other forms of capital. When individuals or groups invest their own resources, they have used private capital. Public capital comprises the resources invested by the community. The forms of capital differ in how easily they can move. Natural capital, social capital, and some forms of built capital are relatively immobile. Human capital is somewhat mobile, and financial capital is highly mobile. The mobility of political and cultural capital varies; for excluded peoples it is relatively immobile.

Nearly all communities depend on financial capital, either for private investment in local businesses or for public investment in community services. Communities often have relied on federal and state governments to gain access to financial capital for local improvements. Individual businesses have turned to local banks. Traditionally rural banks have made business loans based on an individual's net worth or cash flow or on a banker's knowledge of that individual. As control of rural banks shifts to metropolitan areas, this last criterion becomes less important. Like urban banks, during the housing boom many rural lending institutions made loans without carefully checking out the borrower and assumed the asset being purchased—real estate—would continue to escalate in value. The result has been a large number of mortgage foreclosures and bank failures.

Financial capital is available from a number of sources. Businesses take out loans for which interest is charged. Businesses can also choose to sell stock to raise the financial capital needed. In exchange for making financial capital available to a business, stockholders participate in selecting the management of the company and share any profits. Municipal bonds typically are used as a device by which communities borrow the larger amounts of money needed for financial capital improvements.

Deregulation of the banking industry in the early 1980s changed the economic environment in which rural banks functioned. In limiting the interest rates that could be charged for loans or paid out on deposits, banking regulations had been more favorable to rural banks. When the regulations were dropped, financial capital began moving to where it could earn the highest short-term return. Financial capital began to flow out of rural areas. Rural communities are working to retain local financial capital, reduce the risk associated with local investments, identify innovative sources of venture capital, and enlist governmental help in making financial capital available to rural businesses.

Key Terms

A financial *asset* is money or properties that can be used to meet liabilities (debts owed). Assets minus liabilities equals *net worth*.

Capital is defined as resources capable of producing other resources.

Capital flight occurs when funds originally invested or generated in a particular area are moved to take advantage of increased earnings elsewhere.

Capital goods consist of objects used to produce other goods or resources.

Collateral, or an asset of a borrower that can be sold for cash, is required by many lenders to secure a loan. If the borrower does not repay the loan, the lender takes possession of the asset, which it then sells to repay the loan.

Consumption is the use of goods and services for personal enjoyment, which removes them from the stock of goods and services available.

Core deposits are acquired in a bank's natural market area and counted as a stable source of funds for lending. These deposits have a predictable cost, imply a degree of customer loyalty, and are less interest-rate sensitive than short-term certificates of deposit and money market deposit accounts. Included are small-denomination time deposits and checking accounts.

Demand deposits are deposits in commercial banks and savings institutions that may be withdrawn upon demand of the lender.

Discount refers to the sale of a security at a price lower than its face value or to a loan on which the lender withholds interest from the principal amount, lending only the net amount (a "discounted" loan).

Efficiency describes the goal of allocating capital in different places to maximize the return on the investment, given the level of risk.

Equity is the net worth of a firm or corporation (total assets less total liabilities) belonging to the partners or stockholders.

Federal deposit insurance is a federal program that insures each deposit account to a level of $250,000 and that will provide up to $250,000 to depositors of failed banks and thrift institutions that are insured by the FDIC, the Federal Savings and Loan Insurance Corporation (FSLIC), or other federally sponsored insurance agencies.

Federal Deposit Insurance Corporation (FDIC) is an agency created in 1933 to provide insurance for bank depositors and to supervise insured banks.

The *Federal Reserve Act of 1913* is the legislation that created the Federal Reserve system to stop recurring money panics through pooling and lending bank reserves.

Financial capital includes stocks, bonds, market futures, and letters of credit as well as money.

Financialization is when financial markets dominate over the traditional industrial and agricultural economies.

Government securities are either short-term or long-term promises to pay, sold by the federal government, such as US savings bonds.

Interest is the charge made for borrowed money, usually expressed as an annual percentage of the principal.

Junk bonds are high-interest, high-risk securities often sold at a deep discount—that is, at an amount well below their face value.

Land is a form of natural capital when it is used to produce other resources.

Liability is the claims of creditors.

Liquidity is the ease of converting assets into money. The greater the degree of liquidity, the faster and cheaper the conversion process.

Minority ownership is the status of an investor who owns less than 50 percent of a business. Minority ownership entitles an investor to a voice and part of the profits but not control of the business.

Money market funds are a type of mutual fund that invests in short-term (less than a year) debt securities of US government agencies, banks, and corporations, and US treasury bills.

A *multiplier* is the degree to which change in aggregate demand causes a further change in aggregate economic output.

Municipal bonds are debt obligations of a state, locality, or municipal corporation. Interest on these bonds is exempt from US income taxes.

The *National Banking Act of 1863* was the first legislative step in the United States toward establishing a stable and uniform currency. It required that all nationally chartered banks meet uniform regulations, back their note issues with government bonds, limit the amount issued to their paid-in capital, and maintain a fund of lawful money in the US Treasury for bond redemption.

Nominal interest rate is the stated or published percentage cost or return on capital, not corrected for inflation.

Private capital is capital owned and controlled by individuals or groups of individuals, including private corporations.

Public capital is capital owned and controlled by governments or communities, such as public schools or bridges.

Real interest rate is the nominal interest rate minus the rate of inflation.

Investors *speculate* when they invest in an asset in the hope that it will greatly increase in value. The profit (or loss) is made from the difference between the buying price and the selling price, not from what the asset produces.

Stock options are opportunities given to employees to buy stock in the company that employs them at predetermined prices. Start-up companies that cannot pay competitive salaries often use stock options to attract highly skilled workers and executives.

Venture capital is the capital provided by investors willing to take a higher-than-average risk for an anticipated higher-than-average profit in an expanding but capital-short enterprise.

Discussion Questions

1. What share of taxpayers claim the mortgage interest deduction in each county, and how does your county stack up to the rest of the nation? Use the interactive map at the link below to explore mortgage interest deduction claiming rates at the county level nationwide. Click a county to zoom in, and click it again to zoom out. Darker colors indicate higher values; gray shading indicates unavailable data. What does that tell you about wealth in the county you chose to examine? "Map: Mortgage Interest Deductions," Brookings, www.brookings.edu/research/interactives/2014/county-mortgage-interest-map-2014.
2. What share of taxpayers report net capital gains in each county, and how does your county stack up to the rest of the nation? Use the interactive map to explore net capital gains reporting rates at the county level nationwide. Click a county to zoom in, and click it again to zoom out. Darker colors indicate higher values; gray shading indicates unavailable data. What does that percentage tell you about wealth distribution in your county? Note that you can look at both average net capital gains declared in dollars and the share of taxpayers reporting capital gains. Some of the counties with high average net capital gains are rural. Compare the two maps to see whether the places of high capital gains are also places where a high proportion of the population receives capital gains. What does it mean to report capital gains on one's income tax in terms of sources of income? "Map: Net Capital Gains in Your County," Brookings, www.brookings.edu/research/interactives/2014/county-capital-gains-map-2014.
3. The deregulation of banks and the increased mobility of financial capital in a global economy suggest that we need something new for rural

communities to have economic security. Do we need new conventions, new ways of keeping track of financial capital to support rural economies? What might be put in the place of the current financial institutions?

Web Resources

- Watch *Act Locally . . . And Invest* at "Rural Communities: Legacy and Change," Annenberg Learner, www.learner.org/resources/series7.html#. Keeping and attracting investment in rural areas require creative approaches. The Penobscot Nation in Maine and a family-run shoe factory in Ohio demonstrate how rural people overcome problems stemming from a lack of capital. An innovative feedlot and fish farm in Finney County, Kansas, is also highlighted. In order to bring what was the world's largest meat-packing plant to Finney County, where Garden City is located, local governments either forewent taxes or increased expenditures on services in order to generate jobs and economic activity. Public capital is often used to encourage private economic activity.
- "Troublesome Creek," by Jeanne Jordan and Steven Ascher, *The American Experience*, PBS, 79 min., 1997, www.pbs.org/wgbh/amex/trouble. By the late 1980s Iowa farmers Russ and Mary Jane Jordan had accumulated a large debt. "Troublesome Creek" shows the shift from dealing with a local banker who knows the community and its people to purely financial relationships with a large regional bank.
- View an interactive map by county: "Map: The Earned Income Tax Credit in Your County," Brookings, www.brookings.edu/research/interactives/2014/county-eitc-map-2014.
- Watch the webinar *Who Benefits from Federal Tax Subsidies?* YouTube, 2014, 58 min., www.youtube.com/watch?v=kpB6b6v-BWg. The federal tax code contains more than $1 trillion in tax subsidies. Over half of these subsidies support some form of savings or investment (e.g., higher education, retirement, homeownership), but wealthier households receive most of the benefits.
- Examine your county in this interactive map: "Map: Mortgage Interest Deductions," Brookings, www.brookings.edu/research/interactives/2014/county-mortgage-interest-map-2014.
- Middle-class income gap since the Great Recession: Josh Bivens, "The U.S. Middle Class Has Faced a Huge 'Inequality Tax' in Recent Decades," Economic Policy Institute, December 11, 2014, www.epi.org/publication/the-u-s-middle-class-has-faced-a-huge-inequality-tax-in-recent-decades.

- "Nominal Wage Tracker," Economic Policy Institute, www.epi.org/nominal-wage-tracker.
- Interactive map by county: "Map: Net Capital Gains in Your County," Brookings, www.brookings.edu/research/interactives/2014/county-capital-gains-map-2014.
- Examine median household income and age-specific poverty by state, county, and school district, 1989–2013: "Small Area Income and Poverty Estimates," US Census, www.census.gov/did/www/saipe/data/interactive.
- Interactive map of secure school funding: http://tinyurl.com/secure-school-funding.
- Secure school funding cut (funds provided to make up for nontaxable public lands) hits rural schools in timber communities hard: Tim Marema, "Spending Bill Ends Rural School Fund," *Daily Yonder*, December 16, 2014. www.dailyyonder.com/spending-bill-cuts-rural-schools-fund/2014/12/15/7649.
- Read this article: Stacy Jones, "Top 10 States for Foreclosures, December," Bankrate, www.bankrate.com/finance/real-estate/top-10-states-for-foreclosure.
- Watch "Dig Deeper: What You Need to Know about the Financial Crisis," *Frontline*, PBS, April 20, 2012, www.pbs.org/wgbh/pages/frontline/business-economy-financial-crisis/money-power-wall-street/dig-deeper-what-you-need-to-know-about-the-financial-crisis. Essay highlights five productions by Frontline on the financial crisis that precipitated the Great Recession and aftermath, with links to the videos. Arguably the best body of media reporting on the 2008–2009 financial crisis.

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8

Built Capital

In Knott County, Kentucky, a persistently poor rural area, Sara Johnson turns on the faucet. A murky, grayish solution trickles from the spout. The water system isn't working again. She'll have to go out and buy water for drinking, washing dishes, and even bathing. Sara will have to take the family's laundry to the Laundromat, a round trip of at least twenty miles. She doesn't have the money for gasoline, let alone the time to spare for such a trip. Installed by the coal company, taken over by a private water company, and now owned by someone in another state, the local water system doesn't work half the time.

In Hebron, Nebraska, located in a rural county adjacent to a metropolitan area, Carl Jones no longer takes the most direct route to Center City. To deliver his fresh vegetables to the farmers' market, Carl now drives an extra forty miles in his old pickup truck because the bridge over the creek collapsed when an overloaded grain truck exceeded the old bridge's weight limit. Carl wonders when or if the county plans to replace it. The cost of the extra gasoline and its increase in price sure take away from what he can make selling vegetables at the market.

Emily Bailey and her husband, Jim Smothers, moved to Scottsburg, Indiana, in the fall of 2011, eager to bring their business from Chicago. They loved the small-town atmosphere and the way their children could participate in after-school activities and walk to play with their new friends. Their customers were already using the Internet to place most orders, which assured them a quick turnaround. But Emily and Jim quickly found that dial-up Internet access did not allow them to give their customers the service they had grown to expect. The large telecoms that served urban Indiana calculated that there would not be enough profit from expanding to rural areas, so Emily and Jim were unable to get the services they needed.

Both Sara and Carl have limited incomes. The extra costs they bear in buying water or traveling an extra forty miles can mean the difference between remaining economically independent or having to turn to others for financial help. Emily and Jim enjoy living in a small town, but if they cannot use standard business equipment, they have little choice; they will have to move elsewhere.

These problems are equally serious to the communities they live in. Knott County finds it difficult to attract businesses to take advantage of its mountain setting. Basic services, such as clean water, are often unavailable. Hebron continues to decline as more and more of the small vegetable farmers realize that they cannot market their produce. Scottsburg was unable to take advantage of the new opportunities created by technology. Many businesses no longer need to be located in large cities, but Scottsburg needed to find a way to upgrade its technology to be able to keep people like Emily and Jim.

Water services, bridges, and broadband access are all part of what social scientists call the built capital of a community. How people function in everyday life depends on the type, quality, and condition of the infrastructure available to them. How rural communities function in the new economy will depend on the infrastructure available to their residents. This chapter defines the term *built capital* and discusses how it is provided and how rural communities can organize to maintain it.

Defining Built Capital

Built capital provides a supporting foundation that facilitates human activity. Rural development policies are often geared toward enhancing built capital on the assumption that people's lives will improve, particularly people who are disadvantaged, once new physical structures are in place. Yet concentration on built capital while ignoring social capital has led to the installation of rural water systems that have resulted in rural sprawl or gentrification of rural areas to the point that the original residents can no longer afford to live there. Communities are far more than built capital; built capital can support the life of the community, but it can also exclude certain people (those on "the wrong side of the tracks") and divert financial capital from other investments.

In the late 1990s upstate New York communities along the historic Erie Canal made significant built-capital investments in tourism facilities and services with the aid of federal funding from the Department of Housing and Urban Development (HUD). Susan Christopherson and colleagues (1999) of Cornell University studied the project and found that investment by public and private entities to build tourism facilities can have a positive impact on the local and regional economy. However, she also found that community capacity (social and human capital) to develop a broad strategy that can take advantage of new and sometimes unexpected opportunities (strategic readiness) is key to long-term, successful economic development that includes investment in built capital.

For decades small towns (along with state and federal governments) have invested in built capital. Many rural communities gave huge tax incentives to locate grain ethanol plants in their communities, supported by federal and state subsidies to that industry. Prison construction has been framed as a community economic development strategy. Likewise, in the last half decade some states have permitted the development of infrastructure to extract oil and natural gas from rural communities through hydraulic fracturing.

The theory is that prisons, ethanol plants, and natural gas extraction and distribution facilities will bring jobs, that the jobs will bring wages, and that those wages will multiply through the local economy. Prisons are certainly a growth industry. With mandatory sentencing and heightened concern for national security, the number of people incarcerated has grown extremely rapidly. But many towns have found that prisons do not buy their supplies from local vendors nor do they employ local people. Rush City, Minnesota, about sixty miles north of Minneapolis, found that the presence of a prison did not fill empty Main Street shops or employ many Rush City people. The town's future growth depends on it becoming a bedroom community for the Twin Cities rather than a bedroom community for inmates and their visitors. There are limits to what built capital can do for rural communities. The upper Midwest experienced a large increase in the number of ethanol plants and particularly in ethanol production in the latter half of the 2000 decade, and construction phase positively impacted the economy of rural communities with a plant as workers came there to construct the multimillion-dollar facilities. However, although the price of corn increased for several years, that was immediately translated into an increased cost of land, making it even more difficult for new farmers to access land. Likewise, although natural gas and oil extraction through "fracking" has brought investment and jobs to rural communities in states like Montana, North Dakota, Pennsylvania, and Texas, it has also been associated with water-quality impairment and increased conflict in those communities. The effects of oil and gas extraction in these communities has included increased crime and social disorder as a result of large numbers of laborers in the "man camps" that operate the oil and gas fields as well as some conflict among residents over the impacts and

BOX 8.1 Boomtowns and Built Capital

Since the initial planning to improve the quality of the water supply in McKenzie County, North Dakota, the need to deal with a fast-growing population has become more definite and urgent. Not only has the recent boom in shale oil production (using hydraulic fracturing, commonly known as fracking) in northwest North Dakota complicated the provision of adequate *quantities* of water, but controversy has also emerged over the future impact of fracking on water *quality*. But more pressing in the short term has been the strain on other forms of built capital.

By the beginning of 2012 some fifty oil rigs were operating in the county. Gene Veeders, a third-generation rancher and executive director of the county job development authority, estimated that the direct and indirect jobs generated by that many oil rigs would be 6,000 in a county that, according to the 2010 census, had only 6,360 people. Thus the greatest immediate problem was a lack of affordable housing for this booming population. The *Madville Times* (2012), reporting on a panel discussion on the North Dakota oil boom held in Belle Foursche, South Dakota, reported Veeders as saying,

> [N]ot everything can go to the highest bidder . . . towns still need teachers, cops, and service workers who won't be getting that big of a chunk of the oil pie but who still need a place to live. Communities also have to look for ways to keep long-time residents and folks on fixed incomes from being priced right out of their hometowns.

Veeders also pointed out that Bakken (the shale formation in that area) oil developments are a huge drain on groundwater. Veeders is quoted as saying:

> The oil companies are willing to pay for the big water systems they need for fracking and for their facilities. The trick for communities is to make sure those investments also pay for infrastructure that serves other commercial needs as well as all the new residential developments. Then when the oil industry is done with the area, Watford City [the largest town in McKenzie County] and the rest of the Bakken boomtowns have long-term, industrial-scale water infrastructure that they can use to attract new businesses to replace Big Oil. ("Big Belle" 2012)

Some say that in a recession-battered economy, these are good problems to have, but as the documentary DVD *Crude Independence*, about nearby

Stanley, North Dakota, makes abundantly clear, the oil boom has generated major inequalities, particularly between those residents who own the oil rights under their land and those who have no oil rights.

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"Big Belle Fourche Crowd Learns about Bakken Oil Boom Impact on Rural ND." 2012. *Madville Times*. February 4. http://madvilletimes.com/2012/02/big-belle-fourche-crowd-learns-about-bakken-oil-boom-impact-on-rural-nd.

distribution of production. Further, falling oil and gas prices may lead to economic bust, leaving communities with unutilized infrastructure and possibly "legacy" pollution for the communities to address. (See, for example, Box 8.1.) Built capital can create problems or solve them.

The next section defines what *built capital* means and explores current issues that rural communities face in transforming financial, natural, and social capital into built capital.

Built Capital

Built capital is the permanent physical installations and facilities supporting productive activities in a community. It includes roads, streets and bridges, airports and railroads, electric and natural gas utility systems, water supply systems, police and fire-protection facilities, wastewater treatment and waste-disposal facilities, telephone and fiber-optic networks and other communications facilities, schools, hospitals, and other public and commercial buildings, as well as playgrounds and soccer fields. As is obvious from this list that the built capital of a community refers to the physical infrastructure that enables network communication and access to services and markets.

Built capital can facilitate production in and of itself. Buildings enable a factory to make products that can then be sold. Roads are used to take goods to market or to bring raw materials to a production facility. Power plants provide electricity that is converted into light and energy for a variety of business and domestic functions. These and other elements of a community's built capital enable individuals and businesses to be more productive within the community. Although the built capital of a community is necessary, it cannot ensure the economic health and well-being of that community. People must be able to use the infrastructure in productive ways.

Access and Consumption

Two dimensions, access and consumption, are involved in people's use of the community's built capital. This section explores each of these dimensions. The following section looks at the types of built capital that emerge from their interaction.

Goods and services are considered to be *exclusive-access* built capital when particular groups or individuals can be denied access to them. Elements of built capital are *inclusive access* when they are available to all users. Access to many utilities, such as water, electricity, or telephones, is exclusive because people must be hooked up to the utility to use them. Most streets and roads are available to anyone who wants to use them and are, thus, inclusive. Access to public parks or recreational areas is often inclusive, whereas access to Disneyland is exclusive.

The decision about whether a good or service is inclusive or exclusive depends on a number of factors. One is the extent to which access can be controlled. Radio stations, for example, would have a hard time making radio signals exclusive. Television signals are scrambled on pay-per-view channels, making the signals exclusive, dependent on possession of the right equipment with the right code. A second factor is decisions made about how a service is organized. Water, for example, can be treated as an inclusive or exclusive service, depending on the way the community chooses to organize its delivery.

A second feature of a good or service is the notion of joint consumption versus rival consumption. *Joint consumption* means that even if one person uses a good or service, others are able to use it as well. By contrast, *rival consumption* means that if one person uses a good or service, another cannot use it. Roads, television and radio signals, and zoos are all capable of supporting joint consumption. Electricity is subject to rival consumption; clean water is rapidly becoming so also.

The distinction between joint and rival consumption is obviously not clear-cut. Goods or services can appear to support joint consumption in some circumstances and rival consumption in others. To some extent the match between the resources and needs affects how different forms of built capital are characterized. Furthermore, cultural capital determines how built capital is viewed. In some Hopi cultures a washing machine in a private home is considered open access, whereas most Americans of European descent would be deeply offended—or would call the police—if a distant relative put seven loads of laundry through the washing machine in their back entryway while they were out.

Types of Built Capital

The two dimensions of access and consumption can be used to define different types of built capital. As shown in Table 8.1, crossing the two forms of access with the two types of consumption leads to four categories of built capital. The extent to which control by the private or public sector seems better suited for each category is explored briefly in this section.

In the lower right corner of the table are goods or services characterized by exclusive access and rival consumption; these are defined as *private goods.* A landfill to which individuals must pay a fee to dispose of garbage is an example of a private form of infrastructure, regardless of whether it is publicly or privately owned.

Until recently people did not think of waste disposal in terms of rival consumption. When people were free to dispose of garbage wherever they wanted, waste disposal was not even a form of built capital. Once it became clear that dumping garbage in ditches by the road, in ravines, or down old wells contaminated water supplies, bred pests, and was unsightly, disposal of garbage was characterized as rival consumption. Now most people are aware that the amount of garbage one household puts in the landfill limits the amount another household will be able to put in. For example, if a rural community agrees to take in out-of-state garbage, that community's capacity to dispose of its own garbage may be limited.

Toll goods or services are those subject to exclusive access and joint consumption. Access is limited, usually by the requirement that a fee be paid, but anyone who can afford the fee can use the facility. Toll roads, long-distance telephone lines, and fiber-optic communication systems are examples of built capital that are toll services. These are goods or services that different people can simultaneously consume jointly. If one person uses a toll service, another person can use the same service without having to replenish it.

Goods or services for which inclusive access is matched with rival consumption are referred to as *common-pool goods.* Public school buildings normally

Table 8.1 Types of goods and services.

	Consumption	
Access	*Joint*	*Rival*
Inclusive	Collective	Common-pool
Exclusive	Toll	Private

are an example of this type of infrastructure. School buildings are available for use without a fee, but they can accommodate only a limited number of people. Use made of the school by one child might limit the opportunity for another child to use that same facility. Demands for use by a larger number of people require additional buildings or expansion of existing ones.

Finally, goods or services that link inclusive access with joint consumption are referred to as *collective goods.* Streets, roads, and public sidewalks are the most obvious examples. Schools can be considered collective goods if the community decides to have the school run two shifts of children each day or increase class size rather than turn children away.

Cultural capital has a great deal to do with the meaning of property to different groups, and thus different cultures classify built capital in diverse ways. Some argue that the more goods can be classified as private, the higher the level of innovation. Others argue that the more goods are common-pool goods, the greater the chances for all members of a society to achieve their potential. How does your community view consumption of and access to different kinds of built capital? Has this view changed over time?

Public versus Private Provision of Built Capital

Built capital can be provided for and supported in a number of ways. Public schools and roads, for example, are provided for totally through public investment and control. Private schools and private roads, in contrast, have at least some private financial capital invested. Other forms of built capital, such as telephone systems, are developed through the private sector, although there are rural telephone cooperatives, a mixed form. Public versus private control is not a simple dichotomy. It is a continuum on which elements of public and private support can be combined in varying degrees.

Many utilities in communities across the nation are privately held. Others are local government enterprises. A number of communities, from the city of Los Angeles to Harlan, Iowa, generate their own electricity and collect the revenues from it. The decision of whether to function as a municipal utility that either generates its own electricity or buys it from private firms or to allow private firms to provide electricity directly to residents is based on assumptions about equity, efficiency, and local views of the proper role of government in providing built capital.

This section examines how the four types of infrastructure are provided for and proposes a framework from which to examine the choices a community makes.

Private and Toll Forms

Private and toll goods or services can be supplied by either the private or the public sector. The choice of control, public or private, is typically a function of historical development, economic entrepreneurship, or fiscal prudence. Bridges, housing, water supplies, recreational facilities, and fire protection can all be offered directly to users by private suppliers for a fee that includes cost plus profit. Conversely, some local governments provide (for a fee) goods usually classified as private, such as electricity or telephone service. Some built capital originally constructed at public expense may be converted to private and toll goods controlled by the private sector. Land in industrial parks or speculative buildings placed on that land are sometimes turned over to private firms as an incentive for them to come to the community. Thus the three most common alternatives seem to be private development and maintenance, public development and maintenance, and public development but private maintenance.

In many rural communities natural monopolies maintain segments of the built capital. *Monopolies* are single companies that control the delivery of goods or services without competition, and they can be either public or private. They typically form when, even though multiple providers could offer competitive services, the services are best handled by a single provider in the interest of efficiency. Water services, electricity, and fire protection tend to be offered by single providers through regulation. The company accepts government intervention, usually in the form of price controls and requirements that service be provided to all, in exchange for exclusive rights to do that kind of business in a given area. The 1990s saw increasing deregulation of many of these monopolies, which led to differential impacts for rural and urban areas. Although the deregulation of telephone service resulted in increased price competition, in many areas where electricity was deregulated the companies supposedly in competition instead colluded, creating artificial scarcity, brownouts, and high prices. Although monopolies seem natural when only one delivery system exists, it is nonetheless possible to provide service on a competitive basis. The restructuring of long-distance telephone service is an example: the infrastructure (telephone lines, cables, and switches) is owned by one entity and leased to competitors.

Some of the goods and services that now come from monopolies were once provided on a competitive basis. In colonial Maryland, for example, fire protection initially was provided through insurance companies. Private companies sold insurance policies that included firefighting services from any number of competing companies. If a fire did break out, only the firefighting service identified by the insurance policy responded. One person might purchase such a policy; a neighbor might not carry any insurance at all. Such erratic access to fire protection was inefficient as well as a danger to the public welfare.

Many communities moved to provide more uniform fire protection through firehouses and firefighting equipment purchased and controlled by the community. In some communities salaried firefighters were hired. Other rural communities organized volunteer fire departments. No longer competitive, firefighting has become a monopolized part of the built capital in communities.

As local resources become scarcer, some communities use their built capital to generate income. Bethel, Maine, provides fire protection to several surrounding towns. It charges each town an availability fee—a flat rate for making its fire department available—that is reminiscent of the old insurance policies sold in Maryland. When actually called to a fire, the Bethel Fire Department charges a rental fee for the trucks that show up at the fire scene, labor costs for the firefighters involved, and a fee to cover the overhead for providing the service. The fees have increased nontraditional sources of revenue available to Bethel and presumably have made a higher level of fire protection available to the smaller communities.

The town of Scottsburg, Indiana, was unwilling to wait for a private provider of high-speed Internet access, so the city established its own wireless network, which then not only enabled businesses to be more efficient but also gave residents better access to medical care, government services, and education. However, Scottsburg was lucky. Nineteen states regulate or ban government-operated Internet services. Emily and Jim worked hard with State Senator David Ford to defeat such a ban in Indiana. Meanwhile, Scottsburg extended its service to nine counties where private telecoms chose not to invest.

Rural communities still face many issues pertaining to funding these services. Decisions must be made about whether fire protection should be supported through public or private means and whether it should be operated as a profit-generating or not-for-profit activity. Are volunteer firefighters sufficient to meet the needs of the local area, or must there be full-time, paid staff? Should states intervene to mandate a certain level of training or commitment to firefighting, or should communities be allowed to organize the service in response to local resources? If the community opts for public support, what proportion of funds should be derived from public moneys such as assessments of property taxes?

Common-Pool and Collective Goods and Services

Generally only the public sector can provide collective goods or services. The public sector also often provides common-pool goods or services. Because these include types of infrastructure that are accessible without a fee, the private sector has little incentive to provide them.

When collective goods and services are provided to an entire community, they are referred to as *public goods and services*. No one can claim an exclusive share; public goods and services are free to everyone. It is assumed that access to any particular good or service is a right of citizenship or residency.

Semipublic goods and services are those for which only part of the infrastructure cost comes from fees (a variant of private goods) or for which the full cost for a restricted facility comes from public funds (a variant of toll goods). Many municipal swimming pools, libraries, and landfills fall into this category. Generally the public provides the costs of construction and maintenance, and fees cover the continued operating expenses of the facility.

In contrast to collective goods and services, common-pool goods and services can be made exclusive. Charging an access fee limits who can purchase the good or use the service. If the fee is relatively low, the common-pool good or service begins to resemble a collective good or service. Setting the fee relatively high, however, effectively limits access.

Other methods of exclusion involve limiting access to people of specific ages, ethnic groups, races, or genders. At the beginning of the 1990s two public institutions of higher education in the United States continued to prohibit the entrance of women: the Virginia Military Institute (VMI) and the Citadel in South Carolina. By the end of the decade both had begun admitting women: 15 percent of the VMI entering class was female in fall 2014, and the Citadel entering class in 2014 was 8 percent female. In Georgia the Augusta National Golf Club, home of the Masters Tournament, allows only men to belong to the club, and until 1990 only white men could play on the course. Women still are not allowed to buy a membership, and they can play at the course only if a male club member accompanies them. This exclusive golf club maintains that it has the right to deny access to certain individuals because it is "tradition." Well into the 1960s blacks were denied access to community services such as schools, swimming pools, motels, restrooms, and drinking fountains. This exclusion ended when blacks staged large-scale protests and initiated legal challenges, making clear that their rights of citizenship included access to built capital constructed at public expense. Furthermore, citizenship rights also meant that certain goods previously defined as private, such as restaurants and bowling alleys, actually had a semipublic status.

Community Choices

Deciding whether the public or private sector should lead or even be involved in organizing for a community's built capital ultimately relates back to the values of the community and its decision makers. Max Weber, a nineteenth-century German sociologist, argued that there were really two forms of logic involved in these types of decisions (1968). The first, called *formal rationality*, is used when the provision of needs can be calculated in quantitative terms of profit and loss. *Substantive rationality* applies to situations in which goods or services are provided to people based on social, cultural, or political values rather than profit; whether the enterprise is profitable is not important or is of secondary concern and, therefore, profit or loss often is not even calculated. The values sought might be a concern for maintaining status distinctions, being fair, or gaining and maintaining power.

Through their local governments communities make decisions about what infrastructure to develop. These decisions are based on the perceived needs of the local people, often as voiced by organized groups, as well as on the resources available. A community can decide to invest in a new landfill rather than a public swimming pool or in a new school rather than an industrial park. In many cases investments in built capital generate insufficient profit or are too risky for the private sector to undertake. Thus, local communities must assume construction and maintenance costs if they believe that access to the service is a right of citizenship or residence in that community (substantive rationality). If that value is not held so strongly, then the community may choose to do without that particular service. The private sector may or may not find it profitable to provide it.

In the past the federal government helped local areas with investments viewed as a right of citizenship, such as a clean water supply and sewage treatment. These forms of community infrastructure were considered valid regardless of whether a profit could be made. Substantive rationality based on concern for equity placed this form of infrastructure in the public sector. Federal involvement declined in the 1980s and 1990s, however. Access to a clean water supply and sewage treatment is now being approached through federal mandates. This strategy is less effective, but it is also less costly to the federal government. As discussed in Chapter 11, the costs are shifted to either the state or local level.

Such decisions involve choices on the part of the community as well as other levels of government. The examples that follow explore the choices states and communities face in providing for various types of infrastructure and the problems these choice create.

Public Choices: Water Systems

When thinking about water as part of a community's infrastructure, the focus is normally on the system established to deliver water to homes and businesses. Water, like air, is assumed to be available to all.

In parts of the rural West, however, this assumption is no longer valid. Urban growth increases the demand for water, threatening its availability for rural communities. Various governing bodies affect whether water access is viewed as inclusive or exclusive and whether its consumption is joint or rival. Water services may be viewed as a source of profit, so formal rationality determines that access, or as a right of every citizen and, thus, a matter of substantive rationality. This section explores the larger political context that influences the availability of water as well as the local decisions communities face in providing and maintaining water systems.

These issues are even more salient because much of the infrastructure constructed with federal support in the 1930s and 1950s is now deteriorating and needs to be replaced. In the 1980s one out of every five rural communities reported that two-thirds of its water lines had been in use for more than fifty years. At the end of the 1990s an estimated forty-five thousand of the nation's fifty-five thousand community water systems served fewer than thirty-three hundred people; that infrastructure needs to be extensively upgraded, and the cost of doing so is high. Improving water systems in these areas would cost $31.2 billion over the next twenty years. Many rural communities in the twenty-first century are still waiting for pipeline replacements to have fresh, clean water. Table 8.2 demonstrates the "gap" between anticipated water and wastewater funding needs and the trends in federal funding.

Water Services

Assuming that water is available (see Chapter 2), communities can offer access to it in a number of ways. People can haul their own water or dig wells, assuming individual responsibility for getting water. Communities can organize a shared water system that then can be publicly or privately owned.

Theoretically water as part of a community's infrastructure can be subject to both exclusive access and rival consumption. Water, especially clean water, typically is distributed throughout the community through pipes. Consequently potential users can be excluded. Moreover, water resources are finite. Use by one member diminishes use by another. Until recently the characteristic of rival consumption of water seemed less noticeable on the local level. The "watering patrols" now used to control the use of public water on lawns and

Table 8.2 Summary of estimated gap between current spending and investment needs for drinking water and wastewater infrastructure.

Source	*DW gap*	*WW gap*	*Annual gap*	*20-year total*
2000 WIN	$11B	$12B	$23B	$460B
2002 EPA	$0–13.5B	$0–8.9B	$0–22B	$0–480B
2002 CBO	$0–8.3B	$3.2–11.1B	$3.2–19.4B	$60–388B

Note: "The Water Infrastructure Network (WIN) Study in 2000 and EPA Gap Analysis in 2002 each forecast needs over the period from 2000–2019." The Congressional Budget Office (CBO) study attempted to reconcile projections across federal agencies. It is notable that the estimates of need have increased as assessment mechanisms have improved. The estimates in all these tables is for all systems, not just small, rural water and wastewater systems.

Source: Pearson 2007. "US Infrastructure Finance Needs for Water and Wastewater." Washington, DC: Rural Community Assistance Partnership, inc.; Fayetteville, AR: http://www.rcap.org.

the rationing procedures used during periods of drought illustrate the extent to which water now is seen to involve rival consumption. Wastewater and its storage and treatment also have become a significant problem throughout the rural United States because of outdated or insufficient infrastructure. It is vital that the consequences of toxic wastewater be understood (see Box 8.2).

Because of these characteristics—exclusion and rivalry—the distribution of water at the local level is potentially suitable for private control. Rural areas are more likely to have private water supplies: wells sunk for individual homes. In urban areas the public sector typically manages water. In general the belief that all citizens have a right to clean water at a reasonable price has led to public control or regulation. In other words, substantive rationality has dominated over formal rationality.

Water Quality

For people like Sara Johnson, the problem is the quality of water, not its availability. The water that reaches residents of Knott County is unusable. For years rivers have been dumping grounds for industry. Sewer systems owned by cities often discharge into rivers or bays that are then used as sources of drinking water. Toxic chemicals from dumps, industry, and agriculture seep through soil to taint groundwater. Runoff of the chemicals used in fertilizers and pesticides contaminates the water of lakes, streams, and reservoirs.

BOX 8.2 What Exactly Is Wastewater? Why Treat It?

Have you ever considered the journey your drinking water makes before it comes out of your tap? Wastewater is generated by everyone, and each person in the United States uses seventy-five to a hundred gallons of water per day. Seventy-three percent of the population is connected to a centralized (municipal) wastewater collection and treatment system, and the remaining 27 percent uses on-site septic systems (Olson et al. 2002). Water does not magically disappear into the earth when it is used on a daily basis; it becomes wastewater, or sewage that is filtered before it can be returned to the environment for reuse. Wastewater contains disease organisms and hazardous substances such as cleaning fluids and disinfectants. It is easy to ignore wastewater treatment until that sort of contamination appears in the water that comes from your tap at home. If disease organisms are in the water, people can become seriously ill. In rural areas the infrastructure is often outdated and has deteriorated, making it easier for bacteria to form and get into drinking water supplies. Keeping up with the maintenance of wastewater treatment is difficult, and paying for it is sometimes impossible.

SOURCE

Olson, Ken, Bridget Chard, Doug Malchow, and Don Hickman. 2002. "Small Community Wastewater Solutions: A Guide to Making Treatment, Management and Financing Decisions." University of Minnesota Extension Service.

For the most part, rural communities are not prepared to deal with increased concerns about water quality. Coliform bacteria are a source of gastrointestinal diseases and are one of the most common problems found in rural water supplies. If each household provides its own well, it is even more difficult to assure periodic testing and water quality.

The susceptibility of water to physical, cyber, biological, chemical, and radiological threats was recognized after the terrorist attacks on September 11, 2001. For example, a computer hacker can disrupt a distribution system. Water-related agencies and organizations made security a high priority, and even smaller water systems needed emergency plans. Close scrutiny pinpointed needed improvements in security and emergency preparedness, and correcting these deficiencies required additional funding. The Environmental Protection Agency set aside approximately $23 million to support small and medium drinking water facilities; most federal funding is for large systems in the United States. Outreach to small communities is necessary to implement security-related measures. With recent increases in extreme weather,

BOX 8.3 Water Infrastructure and Public Health

"With obesity affecting over a third of the U.S. population, public health advocates—including first lady Michelle Obama—have called to 'drink up' on water instead of sugary beverages. In new work, supported by the Center for Poverty Research, we find that low-quality drinking water is a potential barrier to reducing the consumption of sugar-sweetened beverages in high-poverty rural immigrant communities.

Key Facts

- Many water systems serving low-income immigrant communities in agricultural areas may have drinking water contamination levels above federal and international guidelines.
- Research has shown that a negative perception about the safety of tap water, especially among Latino populations, is associated with higher consumption of sugar-sweetened beverages (SSBs).
- Funding improvements to rural water systems and accessibly communicating the results to all community members would improve the lives of these underserved populations."

Source

French, Caitlin, Lucia Kaiser, Rosa Gomez-Camacho, Cathi Lamp, Adela de la Torre. 2014. "Improve Water Quality in Rural Immigrant Communities." UC Davis Center for Poverty Research. http://poverty.ucdavis.edu/policy-brief/improve-water-quality-rural-immigrant-communities.

emergency preparedness to protect drinking water takes on a particular importance. The Rural Community Assistance Program Inc. and its affiliates around the country work with small communities to help them plan and implement solutions for built capital that fit their situation and goals.

Part of the solution is to treat wastewater and to maintain sewage and water lines. Citizens in the small communities throughout Knott County are insisting that the small, privately owned water companies make the investments needed to maintain water quality. These citizens rely on local and state governments to ensure that these investments in infrastructure are made.

Another part of the solution is to stop contamination of local water supplies. In some communities citizen groups work together to see that clean water laws are enforced. These groups trace contamination back to its source and then take public action to block the release of contaminants. Citizen groups serve as watchdogs to ensure that private individuals and companies do not dispose of their waste at public expense. Private companies are encouraged to increase their investment in built capital for reasons of substantive rationality.

In rural and remote McKenzie County in North Dakota, what became the McKenzie Water Resource District was formed in 1996 to improve water quality. Many people who had well water were not able to drink it because of contamination; some of the people in town would not wash their clothes with it because it left stains. Farm animals were becoming sick from drinking the water because of the high levels of sulfates. It took a lot of organization within the district to build its technical, managerial, and financial capacity. In 2003 the North Dakota Department of Health approved the county's plans and specifications. The county actively worked with the state water commission and other local coalitions to gain access to state-operated revolving loan funds for pipeline replacement throughout the rural areas of McKenzie County. Much of the county now has drinkable water. The Alexander area still awaits funding for its new water supply (McKenzie Electric Cooperative 2011).

Private Choices: Solid Waste

Built capital includes a means to provide for the collection and disposal of solid waste generated by households and industries. Urban areas are finding that they no longer have room for the volume of waste they produce and have arranged to transport it to rural areas for disposal. In some rural communities waste disposal has become a source of revenue. Like water, waste disposal can be placed under either public or private control. As increased demand for disposal sites has been countered with environmental concerns, waste disposal has become an intriguing issue.

Waste as an Economic Venture

Waste disposal involves exclusionary access and rival consumption. It is exclusionary in that most dumps and landfills restrict access, regardless of whether they are publicly or privately owned. Users must pay a fee to dump solid waste. Waste disposal involves rival consumption in the sense that land used to store solid waste is unavailable for other purposes. Urban areas are well aware of these rival uses; indeed, some have run out of land on which to dispose of their waste. In rural areas people sometimes simply leave waste where it is or toss it into the river. Even such casual disposal is ultimately a rival use of land or rivers because they become contaminated, thus limiting their use for other purposes.

BOX 8.4 The Hidden Costs of the Landfill on Dunlap Road

"On the weekend of Cinco de Mayo, when several northeast Georgia counties were walking to raise money for a well-known cancer organization, residents of Dunlap Road were walking to raise awareness at the second annual Making the Link Environmental Health Awareness Walk. More than fifty people turned out to highlight the associations between chronic diseases that come from repeated exposures to toxic chemicals, like those that lurk in our local landfill.

Hidden cost 1:

Natural capital: The price of safe air, soil, and water for the residents on Dunlap Road. What is the dollar value of their loss?

Human capital: Cancer is not a stranger in this community, which has suffered tremendous environmental damage from the Athens Clarke County (ACC) Municipal Solid Waste Landfill for the past thirty years. Groundwater contamination prompted the ACC government to make city water available to residents, but not everyone has chosen that option.

Hidden cost 2:

Financial capital: Decreased value in property of Dunlap Road. Who wants to purchase land that could kill you?

When the state Environmental Protection Division came to Athens in 2006 to discuss renewing the air permit for the landfill, residents were shocked to discover that no ambient (outdoor) air monitoring is done to determine which gases/particles migrate from the landfill to the air they breathe. There is also some concern that vapors could potentially intrude into homes from the contaminated groundwater. Residents will not know the extent of their exposure until reliable testing is done. What residents do know is that the smell can be unbearable enough to make them stay inside on given days.

Hidden cost 3:

Cultural capital: How much do residents pay for odor trespassing that results in decreased quality of life, liberty, and the pursuit of happiness?

Along with the Dunlap Road Community, the event was sponsored by Billups Grove Baptist Church, the Northeast Georgia Children's Environmental Health Coalition, and MICAH's Mission. Members of all four groups came together before the walk with Athens Clarke County Commissioners Kelly Girtz and Doug Lowry to discuss their concerns over the possible expansion of the landfill. Dr. Richard Field, ACC environmental coordinator, was also in attendance and listened to the requests of citizens.

Hidden cost 4:

Political capital: How much have residents spent in time, emotions, and discouragement in the past thirty years asking to be treated like decent human beings only to be constantly ignored until now?

Dunlap Road community leader and organizer Charles Nash led the walk, which journeyed to the Oglethorpe County line and looped back. ACC landfill shares a cooperative agreement with Oglethorpe County: ACC uses Oglethorpe's C&D (construction & demolition) landfill while privileges to Oglethorpe County are given for the ACC municipal solid waste landfill.

Dunlap Road lies in both Athens-Clarke and Oglethorpe counties. Is there contamination migration into Oglethorpe County? Will both county governments adopt better recycling and reduction ordinances, which will promote a shift from the burden of taxpayers to continue burying waste to a more excellent and greener way? When will producer responsibility be taken for the disposal of toxic materials such that product life cycles never require shoveling them into the ground at all?

Hidden cost 5:

Financial capital: How much money has been paid and will be paid out in legal fees and settlements to compensate for the ecological damage done to Dunlap Road from ultimate product liability?

Commissioner Carl Jordan brought along his two canine daughters, who also completed the walk. He noticed how poorly maintained Dunlap Road is, which was another indicator that the community is constantly bothered with high traffic of large diesel-emitting, waste-hauling trucks.

Hidden cost 6:

Human capital: What price tag shall we put on the perpetual health effects from these polluting commercial trucks and

(CONTINUES)

(**BOX 8.4** CONTINUED)

the poor planning of the built environment, which placed an unwanted dump in the middle of a residential community in 1976?

Social capital: While many in northeast Georgia were remembering their loved ones stricken with cancer this past weekend, Dunlap Road residents also wondered how many of their children never made it because of the landfill. How much premature death has been caused on Dunlap Road from the holes in the ground to which our throwaway society transports its trash?

Hidden cost 7:

Human capital: What is the price tag on a lost human being?

Political capital: If one adds up all these irretrievable losses on Dunlap Road, it is plain to see the negative bottom line for them: *a travesty of justice for three decades*. And yet, there is hope for residents to be heard, for we live in a country where democracy gives all a place at the table. Pull up a seat, Dunlap Road. Come, let us reason together."

Source

McElheney, Jill. 2007. "The Hidden Costs of the Landfill on Dunlap Road." *The Networker* 4, no. 12 (July). Science and Environmental Health Network. (Boldface terms added.)

In 2010 US residents, businesses, and institutions produced nearly 250 million tons of municipal solid waste (MSW), which is approximately 4.4 pounds of waste per person per day (see Figure 8.1a). Total MSW going into landfills declined somewhat after 2008, in part indicating a decrease in consumption as a result of the Great Recession of 2007–2009. Per capita solid waste generation has declined slowly over the past decade. Overall it has remained fairly flat since 1990. However, if we subtract the amount that is recycled, then the per capita amount that is going into landfills has been declining since the 1990s. Recycling took off in the mid-1980s, rising from 10 to 34 percent of total solid waste over the past quarter century (see Figure 8.1b). Interestingly, the only five-year periods in which the total amount of MSW entering landfills has declined have included recessions: 1990–1995, 2000–2005, and 2005–2010.

These statistics do not include hazardous or toxic wastes, which also are produced in large quantities and are even more difficult to dispose of. Because

FIGURE 8.1A Trends in municipal solid waste generation, 1960–2010.

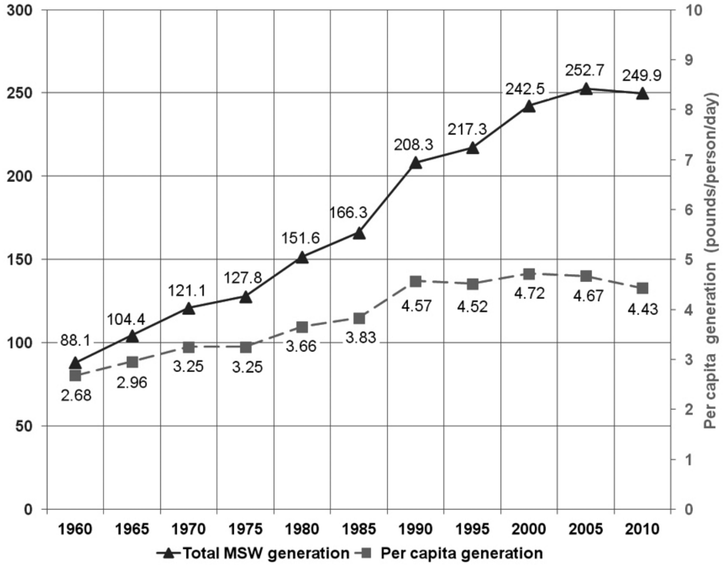
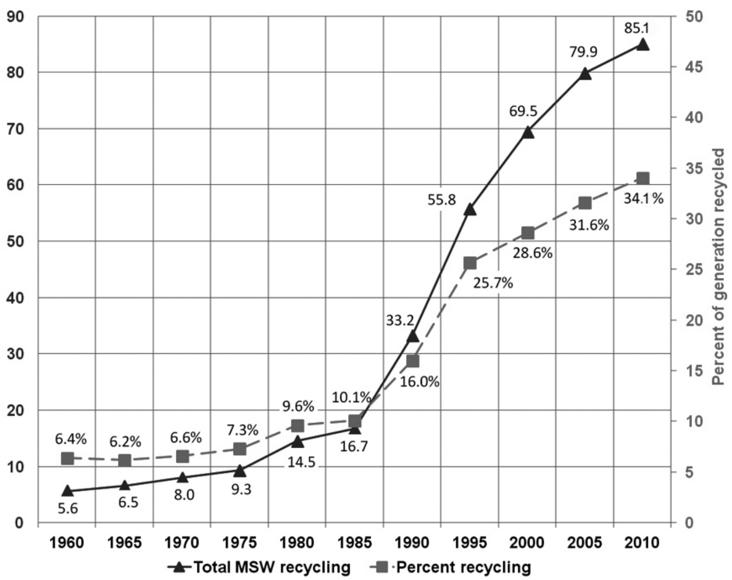


FIGURE 8.1B Trends in municipal solid waste recycling, 1960–2010.



Source: US Environmental Protection Agency 2011; "Municipal Solid Waste Generation, Recycling, and Disposal in the United States: Facts and Figures for 2010," EPA, www.epa.gov/wastes/nonhaz/municipal/pubs/msw_2010_rev_factsheet.pdf; "MSW Generation Rates, 1960–2010," EPA, www.epa.gov/wastes/nonhaz/municipal/images/index_msw_generation_rates_900px.jpg.

waste disposal is both exclusionary and rival as well as potentially very profitable, private interests have been drawn into providing this type of built capital. Rural communities are looking at waste disposal as an economic venture.

Jerry Wharton, an independent strip miner, started the Kim-Stan Landfill Company in Virginia. His previous company had specialized in quick profit: clearing ground, mining coal, and leaving the land exposed. Once the coal ran out, Wharton decided that waste disposal was one way to use the holes he had made in the earth. With little investment on Wharton's part and his Chicago-based partners, the Kim-Stan Landfill Company was launched in a persistently poor area of Virginia. The landfill did a booming out-of-state garbage business in its last two years of operation as cities and industries desperate for a place to dump their garbage took advantage of the Virginia mountains. This proved extremely profitable, and a great deal of waste was moved into the landfill site.

People paid little if any attention to what happened to the waste products once they reached the site. When an unusually high concentration of dangerous contaminants was discovered in the nearby Jackson River, however, an investigation was launched. In May 1990 the Commonwealth of Virginia closed the landfill. After first paying $250,000 to Wharton, the Kim-Stan Landfill Company declared bankruptcy. The public—the Commonwealth of Virginia—was left with the cleanup costs and remaining company debts. The waste at the landfill included five thousand gallons of waste oils contaminated with PCBs and aluminum sludge containing mercury, asbestos, and medical waste that reached depths of eighty feet. Groundwater in the immediate area was contaminated with vinyl chloride, arsenic, manganese, and thallium (EPA 2008). Soon after the site was closed, the EPA put the landfill on its Superfund list, meaning that US taxpayers pay 90 percent of the cleanup costs; Virginia taxpayers have to pay the remaining 10 percent. The public is paying for cleaning up toxic substances generated by a now-bankrupt private firm. In 2010, after the $30 million cleanup was completed, the EPA sued three companies for payment of $1.9 million they had agreed to pay in a consent decree for toxic wastes they had sent to Kim-Stan more than twenty years earlier (Hammack 2010).

Private landfills and waste disposal operations are now common. Certainly the notion of accepting solid waste from other areas is not especially new. In most rural areas landfills have been developed regionally or larger communities have simply charged neighboring towns for the use of their facilities. What is new is the profit that can be made from accepting out-of-state garbage. Strip mines in northern Kentucky have been adapted for use as private landfills. A private firm proposed a six-thousand-acre landfill three miles from Welch, McDowell County, West Virginia, a persistently poor rural community. In return for permits to open the landfill, the developer promised to build the city a sewer system that would clean up the Tug Fork River (Kilborn 1991). There was much discussion in town both in favor of and against the landfill. Those in favor saw it as providing good jobs (increasing financial capital). Those who opposed it were concerned about pollution and health risks (natural and human capital). The idea of out-of-state garbage entering the county landfill did not set well with some Welch residents; others saw it as an opportunity for job growth in the area. There also were concerns about past mining activities that had occurred beneath the proposed landfill site. Protest groups formed to stop the landfill from being built, and by the late 1990s Capels Resources Ltd., the company that had applied for a permit to build the waste facility, decided not to construct it. The county had put into place several restrictions, including a limit on the size of the disposal area, which ultimately was decreased to thirty-five acres from five hundred acres. Capels withdrew its application for a permit, making protesters happy. The plan was stopped, but as the area's economy continues to decline in the twenty-first century, some still regret the lost opportunity to generate new jobs with decent wages and benefits. Such conflicts over which type of capital should be favored often leave long-term divisions in rural communities. Focusing on waste as impacting only natural capital ignores its negative impacts on other capitals (see Box 8.4).

Virginia's experience with the Kim-Stan Landfill illustrates the complex issues involved in waste disposal. Solid waste disposal has implications for the environment shared with others as well as for the profits generated within a private enterprise. Even when the public would profit, as in the Welch case, decisions made today could compromise the use of land for other purposes in the future.

Governmental Responses

Because of inadequate government oversight, disposal of solid waste, particularly toxic waste, has been more profitable to private waste management firms than valuable to society as a whole. The social costs often become apparent only years after the waste has been improperly disposed of. Consequently waste management firms have found it easy to pass part of the true cost of waste disposal on to the government. Ultimately, taxpayers pay for the cleanup. As a result the public must assume a more active role in solid waste disposal. Governmental involvement may be of two types: regulation of private companies or direct public control of solid waste disposal.

If the first option is chosen, governments must find a way to retrieve the costs of cleanup or insist that those costs be integrated into private landfills' operations. As illustrated by the actions taken by Kim-Stan Landfill Company, retrieving the costs of cleanup can be difficult. Alternatively, governments can develop regulations designed to protect the environment. Firms would be required to take precautions designed to protect the groundwater, the air, and the appearance of the landscape. The cost of those precautions would then be integrated into the cost of the business and passed along to the customer through higher disposal fees. These costs would be closer to the true cost to society and certainly would be cheaper for society as a whole than toxic waste cleanup after the fact.

If the second option is chosen, both governments and the general public must acknowledge the need to deal with the social as well as physical costs of disposal. This means greater use of recycling, careful selection of landfills, segregation of toxic from nontoxic waste, and the selection of appropriate means for disposing of toxic waste. If local governments do not have the technical capacity to deal with these issues, state or federal governments may need to assume responsibility for developing appropriate procedures and regulations.

Community Responses

Solid waste is now recognized as a collective problem that communities can solve through organization. Solutions are not always arrived at easily, however. As occurs with most issues, opposing forces organize to protect their respective interests. NIMBY ("not in my backyard") groups organized early as wealthy suburban communities sought to protect themselves from private landfills. Other community groups formed coalitions to support recycling or to promote or oppose the choice of locations for new landfills. In Greenup, Kentucky, an organization called Greenup Residents Opposing Waste Landfill (GROWL) was created to block the approval of a private landfill, based on fears that groundwater would be contaminated. Groups may protest the acceptance of waste from out of state or the proposed construction of toxic waste incinerators. They may also propose delaying a decision until the community can educate itself on both the benefits and risks; the people of Harlan, Iowa, sought a delay when faced with the possibility of a medical waste incinerator being built.

Recycling is a common response to the growing volume of trash. Participation in recycling programs is voluntary in some locales, mandatory in others. Community-organized programs have been successful in reducing the volume of solid waste needing disposal. Although some recycling enterprises can be profitable or at least break even, most incur costs for the community. Communities offer recycling programs to decrease the amount of solid waste to be processed rather than as a means to generate municipal revenue.

Because recycling programs cost money, the decision to recycle involves substantive rationality. Communities recycle because they are concerned about the environment, not because recycling generates a profit. As the costs of waste disposal increase and as regulations require that the true costs of solid waste disposal be passed on to the consumer, recycling may become more formally rational. Individuals may find it personally profitable to recycle much of their solid waste rather than pay the true costs of having it collected. Communities may find it more profitable to recycle than to open new landfills. As that occurs, private firms may find it possible to earn a profit, and recycling programs may shift to the private sector. Ultimately recycling works only when the demand for recycled materials offsets the costs of recycling. Governments can increase the demand for recycled products by purchasing them for the military, prisons, and other government institutions. Recycling in the United States grew rapidly until 2000, leveling off in 2007. Although some dangerous materials, such as car batteries, are almost all recycled (96 percent), the growing numbers of plastic soft drink and water containers are not (only 28 percent are recycled) (EPA 2010, Figure 3).

The Climate-Waste Connection

Every stage of a product's life cycle—extraction, manufacturing, distribution, use, and disposal—indirectly or directly contributes to the concentration of greenhouse gases (GHGs) in the atmosphere and affects the global climate. For instance, product manufacturing releases GHGs directly from the manufacturing process and indirectly from the energy produced to run the plant. Extraction and distribution require gasoline-powered vehicles that release CO_2. Discarded products typically end up in a landfill, which releases methane as products decompose.

Waste prevention and recycling—jointly referred to as waste reduction—offer significant potential for decreasing GHG emissions.

Federal, State, and Local Roles: Making Linkages

By definition, rural residents are more isolated from markets and information than are urban residents. Two forms of built capital, transportation and communications technologies, reduce that isolation. These span larger distances and often involve public-private partnerships to ensure rural access. Often rural communities or other units of local government must provide the local infrastructure, but they expect to be linked with other networks. In the case of telecommunications, private companies usually provide the needed services. In the past the federal government has played an important role in maintaining or guaranteeing these forms of built capital. With the prevalence of low-tax ideologies and the spread of antigovernment rhetoric by elected and appointed officials at the federal and state levels, this more activist role for the federal government is no longer guaranteed, thereby increasing the burden on the local level. Mandates and private-sector ownership have replaced federal revenue sharing and effective enforcement of regulations.

Deterioration of public-sector built capital in rural areas has become a pressing problem. Much of the existing *infrastructure* was built in the 1930s in conjunction with efforts to rebuild the country economically during and after the Great Depression. Community planners realized that rural people would prosper only if their communities had a well-developed foundation of streets, roads, public buildings, and utilities. Thus various public programs and private initiatives were established to assist rural communities in developing stronger infrastructures.

The American Recovery and Reinvestment Act of 2009 (ARRA) was an attempt to save and create jobs through federal investment in public goods such as education, health, and infrastructure. The bulk of the funds went to tax relief and tax incentives, using public funds to inspire private parties to invest in the public good. But ARRA funds were also invested in transportation, including highways, high-speed rail, public transportation, airports, and domestic shipyards as well as clean water facilities, sewage treatment and disposal systems, environmental improvements, and public land upgrades, including flood restoration projects. According to the Rural Policy Research Institute (RUPRI) Center for Rural Strategies, it is very difficult to determine how much of these funds went to rural America (Dabson and Dabson 2009), although the fund distribution can be tracked at the US government's website for the Recovery Accountability and Transparency Board, www.recovery.gov.

Transportation

Transportation continues to be crucial to rural areas. At the local level rural transportation systems suffer from four major problems: inadequate new construction, deferred or otherwise inadequate maintenance of existing structures, inadequate fiscal infrastructure to serve economic needs, and financing problems.

The collapse in August 2007 of the Interstate 35 west bridge in Minneapolis was a fatal reminder of the fragile state of the nation's bridges and other infrastructure. In 2010 there were 311,300 National Highway System (NHS) bridges (owned and maintained by the federal government or state departments of transportation) across the United States, 23 percent of which were deemed structurally deficient or functionally obsolete. Of the 286,000 "off system" bridges (typically owned and maintained by local agencies or by state agencies on rural and other low-volume roads), 30 percent were deficient. By 2010, after heavy infrastructure investments from stimulus funds, 19.4 percent of NHS bridges were structurally deficient or obsolete, compared to 25.4 percent of non-NHS bridges (US Department of Transportation 2010a). The gap between the cost of replacement and the dollars available to rural governments is huge. Thus rural areas are faced with difficult choices: to prioritize built capital investments, realizing some built capital will be abandoned; to share what built capital they can; or to change the specifications to have affordable built capital. An example of the last possibility would be for rural bridges to be used as one-way-at-a-time bridges, which would decrease the weight load they would have to hold.

Inadequate maintenance of roads and bridges is particularly acute in rural areas. In the United States 18.8 percent of bridges were constructed before World War II. They were designed for a fifty-year life span but are now all more than sixty-five years old (US Department of Transportation 2010b). As this infrastructure deteriorates, people such as Carl Jones in Hebron are unable to transport goods to market.

Although some bridges were repaired or rebuilt, many still have outdated construction, and with increased traffic in rural areas due to farm equipment and heavy trucks, bridges need attention. The costs of maintaining rural roads and bridges are escalating in part because of inflation but also because of deterioration of the system. Hartgen and others (2010) found that highway investments were more effective in rural states, even with the decline in miles traveled per capita during the Great Recession.

Investment transportation infrastructure does link to human capital concerns in terms of rural health. The National Highway Transportation Safety Administration (NHTSA) reports that rural highway fatalities fell 27 percent from 24,957 in 2003 to 18,170 in 2012. Still, even though 19 percent of the US population lived in rural areas, 54 percent of highway fatalities were rural fatalities. Fatalities for one hundred thousand miles traveled in rural areas is 2.4 times higher than in urban areas. (See, for more information, US Department of Transportation 2012.) Furthermore, according to a report by TRIP, a nonprofit transportation research group, rural noninterstate road fatalities

Table 8.3 Ranking of states for roads in poor conditions, deficient bridges, and fatalities per one hundred thousand miles traveled.

	State	Percent rural roads in poor condition	State	Percent deficient rural bridges	State	Fatality rate rural/ all other roads
1	Connecticut	35	Pennsylvania	25	South Carolina	3.99 / 0.68
2	Rhode Island	33	Rhode Island	25	Florida	3.35 / 0.95
3	West Virginia	33	Iowa	22	West Virginia	2.80 / 0.99
4	Hawaii	32	South Dakota	21	Texas	2.76 / 1.03
5	Michigan	32	Oklahoma	20	Arkansas	2.71 / 0.87
6	Kansas	30	Hawaii	19	Tennessee	2.68 / 0.95
7	Oklahoma	29	Nebraska	19	Arizona	2.66 / 1.11
8	Maine	28	North Dakota	17	Kentucky	2.64 / 0.78
9	Mississippi	25	Maine	16	California	2.61 / 0.63
10	Arkansas	23	Louisiana	16	Pennsylvania	2.60 / 0.91
11	Missouri	23	Missouri	15	Oklahoma	2.52 / 0.92
12	Washington	22	New Hampshire	15	Hawaii	2.48 / 0.89
13	New Mexico	21	Mississippi	14	North Carolina	2.44 / 0.64
14	Alabama	21	North Carolina	14	Montana	2.40 / 0.95
15	Vermont	21	New Jersey	14	North Dakota	2.33 / 0.77
16	Alaska	20	Wyoming	14	Kansas	2.26 / 0.74
17	New Hampshire	18	New York	14	South Dakota	2.21 / 0.74
18	Virginia	18	Michigan	14	Ohio	2.15 / 0.63
19	Wisconsin	17	West Virginia	13	New York	2.13 / 0.59
20	Pennsylvania	17	California	13	Indiana	2.09 / 0.56

Source: TRIP, A National Transportation Research Group, "Rural Connections: Challenges and Opportunities in America's Heartland," 2014, www.tripnet.org/docs/Rural_Roads_TRIP_Report_July_2014.pdf.

increased from 15,668 in 2011 to 16,161 in 2012. The report goes on to list the states with the highest numbers of noninterstate road fatalities, the highest percent per one hundred thousand vehicle miles traveled, and the states rankings for the percent of rural roads in poor condition. Table 8.3 shows the ranking of states for roads in poor condition, deficient bridges, and fatalities per one hundred thousand miles traveled. The report notes that the closing of rail lines and other forms of public commercial and residential traffic has increased traffic after accounting for the decrease in travel resulting from the Great Recession. (For more information, see TRIP 2014.)

State governments are increasingly under pressure to upgrade roads while maintaining policies of fiscal austerity—in other words, without raising revenue from taxes. One of the strategies has been to privatize road maintenance through concessions to for-profit road maintenance firms.

Public Transportation

The viability of a transportation network is a function not only of well-sited and safe bridges and roads but also of what means of transport are available. The federal government's decision to deregulate transportation has significantly decreased access in rural areas. Railroads abandoned a number of lines, isolating rural communities that produced low-value but high-volume products, such as wheat or timber. Communities such as Garden City, Kansas, invested in their own railroad spurs to maintain regional linkages to their local infrastructure. Other towns were less able to step in where the private sector had withdrawn. The loss of those linkages meant the loss of a part of the community's economic base.

Public transportation, always deficient in rural areas, has become virtually nonexistent in many communities. Railroads abandoned most passenger service entirely. The transcontinental public Amtrak system, which runs on private tracks where freight has priority, has timetables that are rarely met. The interstate bus network has substantially reduced its service.

Bus service illustrates the character of the public-private partnership involved in transportation. The public provides the roads, but private companies provide the means of transport. Prior to 1982 decisions made to regulate bus service were based on substantive rationality. The goal was equity: ensuring that rural residents had access to public transportation. Regulations linked profit with service. In exchange for the right to serve profitable routes, bus lines were required to serve unprofitable ones as well. The expectation was that the profit the better routes generated would exceed the loss the more rural routes generated.

The Bus Regulatory Reform Act of 1982 reflected a shift from substantive to formal rationality. It was justified in terms of increasing competition and, thus, lowering the price of bus tickets. But reduced service to small communities compensated for those lower ticket prices. Communities no longer had the right to bus service. Routes are now selected strictly in terms of their profitability. The routes abandoned were those to rural communities with neither air nor rail service.

Deregulation in the airline industry has also affected rural communities. Regulation of bus service was designed to ensure access. Regulation of the

BOX 8.5 Public Private Partnerships of US and Canadian Highways

"The United States is a relative latecomer to highway concessions. The first two projects appeared in the mid-1990s: the 91 Express Lanes in Orange County, California, and the Dulles Greenway in northern Virginia. Two other Greenfield toll roads were developed under nonprofit corporation approaches (one in South Carolina and another in Virginia), but both failed due to insufficient traffic. The toll concession trend revived in the 2000s, with the long-term leases of the Chicago Skyway and the Indiana Toll Road attracting global investor interest.

These were followed by Greenfield toll road concessions in California and Texas and a number of projects to add express toll lanes to existing congested freeways in Florida, Texas and Virginia. By the 2010s, bridge replacements were being authorized as long-term concessions, along with more express toll lane projects. And 2011, Puerto Rico leased an existing toll road under a long-term concession" (Poole 2014).

Table: Global Highway Projects Since 1985 (*Public Works Financing)*

Region	*Number Planned*	*Est. Cost ($B)*	*Number Funded*	*Cost ($B)*
Europe	367	$367.4	231	$215.2
United States	117	$97.4	61	$34.6
Canada	35	$27.3	30	$20.2

Sources

Poole, Jr. Robert. 2014. Annual Privatization Report 2014: Surface Transportation. Washington, DC: Reason Foundation, p. 2, http://reason.org/files/apr-2014-surface-transportation.pdf.

Public Works Financing. "2013 Roads, Rail, Water, and Building PPPs by Region," *Public Works Financing Newsletter*, October 2013.

airline industry was designed to ensure equity in fares. When the airlines were deregulated in 1978, commuter airfares increased sharply. It now costs as much or more to fly the 225 miles from Roanoke, Virginia, to Washington, DC, as it does to fly five times that distance, from Kansas City, Missouri, to Washington, DC. Although these charges reflect a difference in cost resulting from the lower passenger travel between Roanoke and Washington, they also reflect the lack of competition that exists along such routes. Deregulation initially reduced airfares, but the number of carriers has decreased gradually through economic failure. Fares and services have been left in the hands of fewer companies. Service to some rural communities has been abandoned altogether. Other service continues with the help of funds designated for Essential Air Service, a federal program meant to bridge the transition from regulation to deregulation.

Telecommunications

As the world economy becomes more integrated, information becomes more central to business operations. Information-age technologies can improve both the economic efficiency and the competitiveness of rural commercial enterprises. Rapid information flow is facilitated through modern electronics and telecommunications. These require investment not only by the individual (in computers, modems, and servers) but also by the public (in switching systems, underground cables, and satellite links). E-commerce in small, rural towns, necessary if rural businesses are to compete effectively, has been on the rise.

Many rural and remote areas still do not have Internet service or cannot acquire it at a reasonable cost. Rural areas are now distanced from global business not only by miles of land and water but also by miles of phone lines or lack thereof.

At almost every income level rural households are less likely to have broadband Internet access. In 2011 70 percent of urban and suburban residents had broadband at home, compared to only 57 percent of rural residents (NTIA 2011). Internet service providers (ISPs) may choose not to enter a rural market because they think it is too costly. Even when rural infrastructure exists, ISPs are leery of entering the market because the price at which they can offer the service limits the number of customers. In Scottsburg, Indiana, the local people had to figure out how to band together to establish their own ISP—and had to fight policies pushed by telecoms to limit community self-development through local public-private partnerships.

Many rural linkages to the world economy are being made through Internet connections. The Telecommunications Act of 1996 was put into place to eradicate the monopoly of large telephone companies; it was intended to give smaller telephone companies a chance to compete. The hope was that phone service would become more economical and that more rural customers would have access to more telecommunications services. A Universal Service Fund, money generated by a surcharge on every phone bill, was established to ensure investments were made to incorporate hard-to-reach customers.

As a result, between 2003 and 2007 there was a tenfold increase in government subsidies paid to a handful of so-called competitive providers—wireless phone companies paid by the Universal Service Fund to offer services in rural areas where an existing carrier also received a subsidy.

Government involvement is crucial to the development of telecommunications infrastructure in rural areas. Yet often the incentives become entitlements for firms that take advantage of them. Rural communities often are not attractive to private companies, which prefer to lay cables in more densely populated areas. Although wireless technology and publicly subsidized satellites have greatly lowered the costs, the subsidies for wireless companies are the same as for wired service. Because information infrastructure links communities to one another and therefore crosses local government boundaries, both state and federal levels of government are involved. Such participation could involve direct public ownership, independent quasi-public or private collectively owned entities (such as the rural electric cooperatives organized to bring electricity to the nation's farmers), or subsidies to private firms. Regardless of the form of ownership chosen, the decision to subsidize telecommunications infrastructure in rural areas is a public choice that should be constantly reexamined in the light of changing technologies.

Water Systems

Responsibility for maintaining and replacing water and sewer systems, roads and bridges, and public buildings increasingly has shifted from federal and state to local governments. Locally, infrastructure improvements often are financed through tax-exempt municipal bonds. These bonds can be either general-obligation bonds or revenue bonds. General-obligation bonds commit the community as a whole to repayment. Consequently funds are raised through increased taxes or a reallocation of existing tax revenue. The revenue collected through rate increases and increased numbers of users as a result of the improvement repays revenue bonds.

Rural communities face a number of problems in financing infrastructure improvements. They often lack an economic base sufficient to support the large financial outlays required to solve their infrastructure problems. For the many communities that now have a declining tax base, general-obligation bonds are of limited use. *Revenue bonds* depend on a population large enough to make the increased costs manageable. In most cases the per capita costs of improving or even maintaining built capital in rural communities are rather high. Thus there is substantial motivation to form collaborations, such as the Northwest Missouri Water Partnership, in which eighty-three water districts in twelve counties maintain their independence but share water sources and water treatment through new collaborations.

High per capita costs in rural communities are a function of several factors. Because of their lower population densities, rural areas often must function under unfavorable economies of scale (low number of users per quantity of investment). Serving residents over greater distances makes both the installation and maintenance of many forms of built capital more expensive. That is often the reason given for lack of broadband access in rural and remote and persistently poor areas. In some cases simpler technology or individual solutions may offset the higher costs. Septic tanks and private wells, for example, may substitute for expensive sewage treatment facilities and water distribution systems needed by more densely populated areas. Fewer streets are needed in rural areas, and they do not need to accommodate the heavy traffic common in urban areas. In general, however, built capital costs considerably more per citizen to build and maintain in rural areas.

Some rural communities are turning to other alternatives, such as special districts or impact extractions. Kentucky, for example, went to a system of creating special districts to fund infrastructure improvements. Special districts allow the costs of improving the infrastructure to be paid only by those who will benefit directly. Impact extractions involve shifting the costs of development from the public to the developer. Bethel, Maine, a growing amenity-based community, gives developers two alternatives for connecting to the municipal sewer system: the developer may either construct a replacement for existing lines or pay a sewer-system development charge. Both options provide the funds needed to upgrade and maintain the community's sewer system.

In recent years the term *rural sprawl* has come into use. In Missouri people who are looking to "get away from it all" are causing small towns to grow faster than the big cities surrounding them. One of the issues involved in rural sprawl is the handling of municipal waste. In 2002 Oronogo, Missouri (population 976), a rural community outside of Joplin, Missouri, put a stop to new development because of infrastructure constraints. Its wastewater treatment plant reached full capacity, and the town faced a $2.6 million bill to expand its water system. Water bills would nearly double if the expansion were to be done. Developers in the area argued that they were not promoting sprawl but rather trying to meet the needs of people who wanted to live outside the city. The developers overcame the ban, and the town grew 104 percent in four years and 144 percent between 2000 and 2010. Rates indeed increased. Alternatives, such as those found in Maine, are necessary in areas like Oronogo.

Motivation to Act

To what degree and under what conditions do communities and governments provide the needed infrastructure? When will the communities in Knott County insist on adequate water and sewer facilities? Can Hebron convince the county to repair its bridge? What will motivate private telecoms to ensure that remote areas receive affordable Internet service?

Assuming that a community has the capacity to mobilize investments in support of different forms of built capital, whose needs prevail? Are community choices a reflection of the community as a whole, or do they respond to the elites?

Chapter Summary

Built capital includes the permanent physical installations and facilities supporting productive activities in a community. Examples are roads, bridges, telephone and Internet services, and water and sewage treatment and distribution facilities.

Access to various types of infrastructure can be exclusive (limited to some) or inclusive (available to all). Consumption of goods or services provided through the infrastructure can be either joint (simultaneous use) or rival (use by one diminishes use by another). Combining the two forms of access with the two forms of consumption results in four types of built capital: private, toll, common-pool, and collective.

The form of built capital is a factor in whether it is provided and supported through private or public organizations. Either the public or the private sector can supply private and toll goods or services. Collective and common-pool forms of infrastructure typically are provided by the public sector. Selection of the provider, public or private, is ultimately the community's choice.

Two forms of logic govern such decisions. Formal rationality relies on a quantitative assessment of the choice: it must result in profit. Substantive rationality relies on values other than profit. Federal or state support of local infrastructure often is based on substantive rationality.

Four categories of built capital—facilities for water distribution, solid waste disposal, transportation, and telecommunications—illustrate some of the issues rural communities now face. Two issues, water availability and water quality, affect decisions related to the provision of water services. State and federal governments have become involved in issues related to water rights. Communities focus on the distribution and quality of water. For the most part, water access is placed under public control.

Because solid waste disposal involves exclusionary access and rival consumption, private control is a possibility. Local, state, and federal governments have found it necessary to intervene, however, to protect the environment. Current interest is focused on strategies that ensure consideration of the social as well as the physical costs of disposal.

Transportation and communication technologies all depend on some state and federal involvement. E-commerce has become increasingly important for all businesses; however, rural communities continue to have difficulty getting affordable Internet access. In an unregulated environment access to services at a reasonable price does not exist for many rural communities.

Key Terms

Built capital in a community includes the permanent physical facilities and services needed to support business and community life. Examples are roads, bridges, telephone service, and schools.

Collective goods are forms of infrastructure that involve inclusive access and joint consumption. Roads and public sidewalks are the most common examples.

Common-pool goods are forms of infrastructure that involve inclusive access and rival consumption. An example is a public building with a defined capacity.

Exclusive access is a characteristic of built capital whereby individuals can be denied access to the good or service. Utility companies typically are exclusive.

Formal rationality applies to decisions made on the basis of economic calculation of profit or loss.

Inclusive access is a characteristic of built capital whereby there is unrestricted access for all who want to use it. Public roads are an example of inclusive infrastructure.

Infrastructure is the foundation or supporting framework needed for a structure or organization.

Joint consumption is a characteristic of built capital whereby the use of a good or service by one person does not diminish its availability to another.

Monopolies are single enterprises that have sole control over the sale and distribution of a particular class of goods or services in a particular geographic area.

Private goods are forms of infrastructure that involve exclusive access and rival consumption. In most communities waste disposal in local landfills has become private.

Public goods and services involve forms of built capital that are provided to the entire community at no cost.

Revenue bonds are a type of municipal bond in which principal and interest are secured by revenues such as charges or rents paid by users of the facility built with the proceeds of the bond issue. Projects financed by revenue bonds include highways, airports, and not-for-profit health care and other facilities.

Rival consumption is a characteristic of built capital whereby the use of a good or service by one person diminishes or even eliminates its availability to another.

Semipublic goods and services include forms of built capital that are supported in part by fees collected from the user.

Substantive rationality applies to decisions made on the basis of values rather than on economic calculation.

Toll goods or services are forms of infrastructure that involve exclusive access and joint consumption. Toll roads are the most common example.

Discussion Questions

1. Built capital has been defined in this chapter as the "permanent physical installations and facilities supporting productive activities in a community." Describe some of the built capital features in your community. Have there been new built capital features in recent years? How have those impacted other aspects of community life?
2. Table 8.1 provides a tabular depiction of access and consumption of built capital. Think about built capital in your community. In what ways are different built capital features one of the four forms of private, toll, common pool, or collective? Can you think of examples where the built capital has transitioned from one form of built capital to another?
3. Often government policies (for instance, transportation, telecommunication, water, waste, or energy policy) can affect the form of built capital. In your opinion, how do you think government policies have affected the access and consumption of built capital in your community or related to your community?

Web Resources

- Watch *The Basics* at "Rural Communities: Legacy and Change," Annenberg Learner, www.learner.org/resources/series7.html#. The quality of everyday life depends on public services and community maintenance. Taken for granted in modern society, these services become expensive for the sparse population base of rural areas.

- Watch "Fracking: Shattered Ground," PBS America, 2014, 3 min., http://pbsamerica.co.uk/fracking-shattered-ground. Provides clear technical explanation of how fracking (the technical term is hydraulic fracturing) works and potential environmental issues.
- Watch "This Is Our Country: Living with the Wild West Oil Boom," Dakota Resource Council, 30 min., http://drcinfo.org/this-is-our-country-living-with-the-wild-west-oil-boom. Describes the Bakken oil fields from the point of view of people whose lives have been affected.
- Watch "Fracking," PBS Learning Media, 5 min. 45 sec., www.pbslearningmedia.org/resource/envh10.sci.phys.energy.fracking/fracking. (See Chapter 2, Natural Capital, for description.)
- Watch "Building Bridges," Need to Know on PBS, January 18, 2013, www.pbs.org/wnet/need-to-know/economy/video-building-bridges/16069. The United States has infrastructure so outdated that it would take some $2.2 trillion to fix. Why? Also looks briefly at Germany's green revolution. Video is also appropriate with Chapter 11, Governance.
- Watch *Crude Independence*, 71 min., 2008, http://wellmovies.com/movie1593610832/crude-independence.html. Through interviews of long-term residents following a hydraulic fracturing–based oil boom, first-time director Noah Hutton captures the change in Stanley, North Dakota, particularly the growing inequality between those with and without mineral rights. Modest online rental. The trailer is currently on YouTube, www.youtube.com/watch?v=aUD9w9b18WY.

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PART THREE

COMMUNITY CAPITALS AND COMMUNITY DEVELOPMENT IN A CHANGING WORLD

In the final part of the book we see how the capitals work together and impact each other. We first examine the process of globalization and how it affects all of the capitals. How is it that things that seem so complex and far-removed can have such an impact on people's lives in rural communities? We particularly look at the globalization of financial capital and human capital (Chapter 9) but see how worldwide sourcing of natural capital and built capital have huge impacts. Political capital and its mobilization nationally and internationally are critical in setting the rules and regulations for how financial capital is accumulated, moves, and is distributed. Political capital is also vital in determining how and under what conditions human capital moves around the world.

Chapter 10 looks at consumption. We see how changing political capital affects financial capital, which in turn determines who can afford to consume what. Dramatic shifts in what is considered necessary and the meaning of different consumption items shows the importance of cultural capital in consumption. Different consumption patterns between rural and urban residence is examined as well as the implications of those patterns for rural communities. Dramatic shifts in retail trade, accompanied by increasing concentration in the provision of consumer goods, have an impact on rural communities.

Chapter 11 looks at governance and how market, state, and civil society work together to keep communities as good places to live. In parts of the United States communities that are incorporated have the power to tax and to determine land use, which has implications for human and social capital. Consolidation of health care and education in particular requires local participation in decision making if the community is to maintain its quality of life.

Chapter 12 presents different ways that communities can generate change. Particular techniques for community development are presented, with examples of their implementation. Community development requires not only the collaboration necessary for good governance but also a commitment to a healthy ecosystem, economic security, and social inclusion. Often communities organize only in the face of an emergency, find an expert to fix the problem, and then assume everything will be fine. Yet rural communities need to engage in more systemic thinking to remain engaged and not just move from crisis to crisis.

9

The Global Economy

When John Brooks, at age fifty-five, acquired an old shoe factory in Nelsonville, Ohio, in 1975, he never realized the long journey that his new company and its footwear would take. John felt compelled to buy the company because his uncle had once owned it, but John could not afford to purchase it by himself. He gave the sellers, who had no other buyers, only $500 as a down payment, but he needed to come up with the rest, nearly $600,000. John's son Mike contacted a high school friend, who later became the company's chief financial officer, for help. They contacted David Sharp, a congressman in Ohio, who did not want the local shoe factory to close. Soon afterward they got assistance from the Farmers Home Administration, which guaranteed 90 percent of the loan. Five local banks lent them the money, which secured their ownership; however, John sensed that the road ahead would be challenging. If the company failed, John knew he would lose everything.

Mike Brooks, who was selling leather for a Milwaukee tannery, decided to help his father, even though John vehemently opposed his son joining this risky venture. But Mike had prepared for such an opportunity when, just out of high school, he had attended a shoe-design school in Milan, Italy. It had appeared that he had lost his chance to make his mark in the shoe business when his great-uncle sold the company out from under the family in 1959. He now had a second chance, and he was not going to pass it up.

The people of Nelsonville were thrilled because the shoe company would have closed otherwise; there were no other buyers. It would be locally owned again. However, the business needed more money for operating costs. Soon Brooks Shoes bypassed the local banks for most of its working capital; only banks in Cincinnati and Columbus had the financial capacity to service this growing shoe-manufacturing company. The company first marketed to big retail merchandising firms such as Sears and J.C. Penney, which slapped their own brand names on the shoes. These mail-order giants continued to place orders with Brooks Shoes because it provided high-quality shoes at low prices. John Brooks was selling a commodity, not a product. Mike concluded that if they wanted to make a decent profit and generate capital for expansion, they needed a brand name for their footwear. The company began targeting working people who did a lot of walking, including postal workers and law enforcement officials. Soon the company became Rocky Shoes and Boots. The Rocky label received a boost in 1977 when Mike won an award for a square-toed work boot he designed for the company.

Mike believed that they needed to increase the prices of their shoes, but John disagreed, staunchly maintaining, "I did not buy the company to get rich." After many arguments, Mike was able to convince his father that they should sever ties with buyers who would not pay them more for their shoes. Mike was successful at a trade show, where people lined up and demanded his new footwear for hunting. They had found their market niche: consumers of rugged, outdoor footwear.

John did not agree with some of Mike's ideas about how to run the family business, and he became upset when Mike decided to pursue overseas labor. John believed in using local labor to benefit the community. Mike thought the company would have a difficult time sustaining itself without employing cheaper labor. In 1987 Mike, along with their sales manager, the factory manager, their financial adviser, and John (a silent partner), purchased a Dominican Republic plant where the leather uppers were made. The uppers were shipped to Nelsonville, where local workers stitched them into the rest of the boots. A few years later they opened a Puerto Rican plant.

In 1991 John decided to work only part time, and he gave his business and its debts equally to his five children. Mike remained president of the company, a position he had occupied since the mid-1980s. Mike was concerned that the company's heavy debt load stood in the way of obtaining capital for expansion. He decided to seek outside investors in Rocky Shoes and Boots through the stock market. In February 1993 Rocky Shoes was listed on the NASDAQ (rcky). Good economic times helped double the value of the stock from the initial offering—from $10 to $20—in a few short months. This sudden infusion of capital reduced the debt by $10 million. John Brooks was impressed with his son's achievement. Mike handed him a $1 million check for his share of the Dominican plant—his last remaining investment in the company. Then Mike began planning for a major expansion: "We have a chance to become a Timberland or a Wolverine," he told the *Columbus Dispatch* in 1997.

Mike's decision to expand at the beginning of 1999 was not matched by an increase in demand for Rocky shoes. The company was overloaded with unwanted boots and shoes and had to sell them at cheap prices to elated customers. This meant a net loss of $5 million; Mike had to make some difficult decisions. He did not want to move the factory jobs overseas, but he knew it might be necessary if profits continued to decrease. Furthermore he had to share profits with other owners who had bought the company's stock on the NASDAQ. Unlike John, they were in the business for the profit; in fact, that was their only interest in the company. Labor in other countries was much cheaper, and Mike knew that using it might be a way to recover profits.

Mike would have to make this critical decision on his own; he could not debate the situation with his father, who had passed away in 1996. What Mike and his fellow executives had ignored was that the competitors they had identified (Wolverine and Timberlake) focused on fashion to grow their firms; the rural and blue-collar workers, such as postal workers, who bought Rocky hunting boots and hiking shoes were not that interested in fashion. The market was dependable but not prone to expand rapidly. Mike decided to strengthen their market by selling his shoes at Walmart, a company that sells one-third of America's hunting licenses each year. Although the value of Rocky's stock rose again after this marketing move, difficult times were still in sight.

By November 2000 110 people had been laid off in Nelsonville as Mike moved manufacturing positions to the Dominican Republic. The company's stock had plummeted to a fifty-two-week low of $3.69 per share after the layoffs, and many people were angry with Mike because of the way he was handling the business. They scoffed at his new car and even jeered at him at the factory in Nelsonville. The workers felt he had failed them and the community, and he recognized their pain.

In November 2001 Mike Brooks moved the remaining sixty-seven manufacturing jobs to a factory in Moca, Puerto Rico. An overall mood of sadness was apparent as the last pair of boots produced in Nelsonville came down the assembly line. Manufacturing shoes in Nelsonville meant paying a worker $11 an hour, versus $6 in Puerto Rico, $1.25 in the Dominican Republic, and 40 cents in China. Mike felt that the only way the company could thrive enough to pay dividends to stockholders and revalue its stock was to take full advantage of cheaper overseas labor. Rocky Shoes was the last shoe company to close its factory doors in Ohio. The US Department of Labor has reported that fewer than fifteen thousand shoe-manufacturing jobs (USDOL/BLS 2006) remained in the United States by 2004, down from 235,000 in 1972.

Although many of the factory workers in Nelsonville were unionized, none were offered replacement jobs with the company. Judith Collins, age sixty-one, said, "I've been here thirty-six years. I wanted four more, and then to retire. This is the only job I've ever had." The number of white-collar workers in the corporate headquarters in Nelsonville exceeds 260—more than the number of factory workers employed during most of the firm's existence—but working-class jobs for those with a high school education or less are much more scarce in this Appalachian town of five thousand than at any time since before coal was mined locally. In 2006 Mike Brooks received $662,390 in current and deferred compensation plus $91,000 in stock options—a quite modest package, compared to most CEOs of publicly traded companies. By 2010 his pay was $1.02 million, and he is now the main direct investor. Institutional investors hold most of the shares. In July 2011 Mike Brooks became the executive chairman, with David Sharp, his childhood friend, succeeding him as president and chief operating officer.

Rocky Shoes also took advantage of overseas tax breaks. Five Star Enterprises Ltd., a Cayman Islands corporation and subsidiary of Rocky Shoes, operates the manufacturing facility in La Vega, Dominican Republic. The Cayman Islands is a Caribbean tax haven. Earnings repatriated from the company's subsidiary in the Dominican Republic are subject to US federal income tax but are exempt from state and local taxation. In 1999 the company elected not to repatriate all 1999 and future earnings of its subsidiary in the Dominican Republic. It pays no property, income, or sales taxes in the Dominican Republic; the factory is located in a free trade zone.

In 1988 Rocky Shoes established a subsidiary, Lifestyle Footwear Inc., in Delaware to operate the manufacturing facility in Puerto Rico. The company thus paid minimal income taxes on income earned by its subsidiary in Puerto Rico because of tax credits it received under Section 936 of the Internal Revenue Code (enacted to assist in industrializing Puerto Rico), local tax abatements, and the fact that Delaware charges no income tax on corporations operating within the state. However, when Section 936 was repealed, future tax credits available to the company were capped beginning in 2002 and terminated in 2006. In addition, the company's local tax abatements in Puerto Rico expired in 2004. Rocky Shoes also sources products manufactured to its specifications from independent manufacturers in the Far East, primarily China, to be able to further cut prices.

Globalization has affected Rocky Brands in a variety of ways. In 2008, based on special operations input, it created the S2V combat boot, specifically designed to take a pounding on the battlefield. According to soldier feedback, the boots perform beyond expectations. Needless to say, this success positively affected Rocky's stock prices. Troop withdrawals from Iraq and Afghanistan will undoubtedly negatively affect its sales and, more important for the financial market, its stock price.

The firm is looking for new brands to acquire in order to maintain market share. And it still maintain its corporate headquarters in Nelsonville, Ohio, where the company has established a not-for-profit organization, the Rocky Community Improvement Fund (RCIF) to enhance the quality of life for the people of Nelsonville and surrounding communities. You can find a link to the organization in the Web Resources section at the end of the chapter.

Not only are rural and urban areas alike being drawn into a world economy, but the character of that economy has also changed. Albrecht (2014) calls this the Global Society Era. Financial capital has moved from productive investments to financial investments, which helps profits but decreases productivity and employment. Financial capital, the money businesses need to finance their operations, now can be moved easily from one country to another. New financial instruments constantly evolve that further separate both debt and investment capital from management—and responsibility. The Internet has made this even more effortless. Businesses across the globe can be accessed from a consumer's home. Through online advertising and stores, businesses can target another business's customers; they can also sell supplies to one another via the Internet. Thus the price of money, not the price of raw materials, is driving many business decisions. This has introduced greater risk into the world economic system, national systems, and state and local economies.

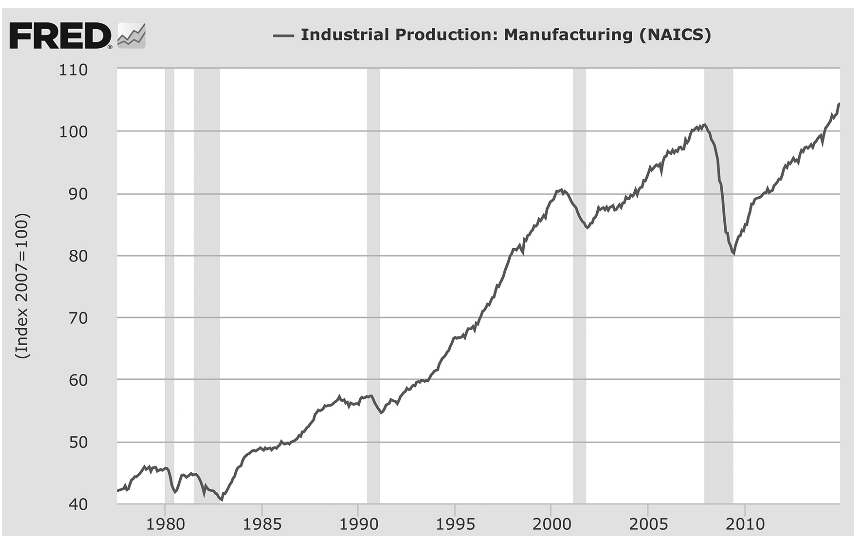
The shift to floating exchange rates for currencies and the economic response to the Organization of Petroleum Exporting Countries (OPEC)'s actions in the early 1970s led to a series of other features that now characterize the global economy. Raw materials are now sourced from all over the world, as are parts for a variety of machines. The movement of capital has replaced trade as the driving force of the economy. With the availability of capital in the hands of Wall Street investors with the US Federal Reserve Bank's policy of quantitative easing, capital that might have gone into creating new goods and services with new jobs instead led to worldwide mergers and acquisitions that cut jobs and decreased economic competition.

In the changed world economy manufacturing production has become uncoupled from employment. Traditional models of the economy predicted that as manufacturing production increased, so would manufacturing employment and wages. For example, when Henry Ford increased wages at the Ford plant, workers were able to buy more cars, thus increasing production. Expanding the industrial base of the economy created more manufacturing jobs.

Figure 9.1a Manufacturing employees.

Source: US Bureau of Labor Statistics, All Employees: Manufacturing [MANEMP], retrieved from FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/MANEMP, January 23, 2015.

Figure 9.1b Manufacturing production.



Source: Board of Governors of the Federal Reserve System (US), Industrial Production: Manufacturing (NAICS) [IPMAN], retrieved from FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/IPMAN, January 23, 2015.

The worker-to-market-to-manufacturer linkage has changed. Manufacturing employment declined since 1978 (Figure 9.1a), while manufacturing production increased (Figure 9.1b). This uncoupling between production and employment results from both a decreased dependence on labor and a shift in the types of manufacturing firms. As an alternative to moving operations overseas to wherever particular labor costs are lower, industries seek ways to mechanize their operations and reduce labor needs. Newer industries are more dependent on knowledge and information and, consequently, use less labor. The particular challenge for rural communities is to show that they can become knowledge centers and can provide amenities that will attract knowledge workers.

Production itself is becoming more international. Capital-intensive parts can be made where capital is cheap and abundant, and parts can be assembled in countries with low labor costs. Workers also move to areas of potential labor demand, whether the work is in an assembly plant along the border at El Paso, Texas, or a meatpacking plant in rural Kansas, even if national governments restrict their movement. The free movement of financial capital and national restrictions on movement of human capital are a major contradiction of the global economy as presently constituted.

The movement of capital rather than the movement of goods and services drives the global economy. This is referred to as the financialization of the world economy. Traditional economics teaches that the relative value of goods and services is what determines exchange rates. Financial transactions once occurred as a function of trade in goods and services. The growth of capital markets now means that most financial transactions occur independently of trade. These transactions are what determine exchange rates and hence the extent to which a nation's products are competitive on the world market.

Finally, e-commerce—business transactions made over the Internet—is affecting trade and manufacturing businesses. More businesses have decided that e-commerce is a successful way to buy and sell goods; in fact, the Internet has become a basic business component for most companies for selling and purchasing goods and services. Internet businesses that sell goods online employ 17 percent of manufacturing workers, but revenue grows significantly faster than employment. Businesses online either sell to the consumer directly or to other businesses, and both types of transactions are considered to be more efficient when conducted online. Many brick-and-mortar stores are closing in response to online and superstore competition. (See the discussion of Walmart in Chapter 10). For rural people working in these growing enterprises, the work is generally part time, without benefits and with flexible schedules, making family and community involvement difficult.

This chapter explores (1) the growing global importance of financial capital and the financialization of economic and political life, (2) how rural communities and areas are linked to the global economy and the impact these changes are having on those communities, and (3) the opportunities and problems this new economic environment creates.

Altering Globalization: The Growing Importance of Financial Capital

Linkages to world markets are not new, but the character of those linkages has changed dramatically. *Commodities,* bulk natural resources or standardized manufactured products bought and sold on markets, once drove the international economy. The country that could mine copper or weave high-quality cloth at the lowest cost exported the most of that product. Consequently national industries sought to make their operations more efficient to remain competitive; indeed, although employment in manufacturing has dropped precipitously in the United States, it is still the second-largest manufacturer in the world. The United States lost nearly 7.5 million industrial jobs since employment in the sector peaked in 1979 as manufacturers shifted labor-intensive parts of production to low-cost countries as occured with Rocky Shoes.

Today it is the flow of capital from one financial instrument to another—even more than trade in goods or services—that drives the international economy. Tomaskovic-Devey and Lin (2011) refer to this as the "financialization" of the US economy. Corporations have become multinational, moving their operations to wherever the financial conditions enhance profitability. Firms the size of Rocky Shoes and larger use tax havens in small countries of the Caribbean to reduce their tax burden, thus loosening their ties to the particular country where they were founded. High-speed electronic communication and reduced trade barriers allow various operations in the value chain to be carried out in different countries to enhance the quarterly bottom line.

As a result, local areas have less control over what happens to them economically. To understand how this came about, this discussion examines (1) changes in international monetary policy and the crisis of the 1980s, (2) changing regulatory structures, (3) the internationalization of corporations, and (4) the impact of trade relations and agreements, international labor markets, and domestic fiscal policies.

International Monetary Policy

When John Brooks started his shoe company, he didn't even consider exchange rates or the money supply, either in the United States or worldwide. It didn't seem important in trying to get a new business off the ground. He assumed that local banks would lend him the money he needed and that he could access investors to provide capital as well. He did not consider that the local banks linked him with larger, international banks for financing or that investors might be from the other side of the world. Yet those issues had a huge impact on the structure of the company in 2015. Why are these issues important for rural communities? How do international treaties and institutions affect who buys what, where, and for how much? And how do these policies and institutions affect what jobs are available for what wages in rural communities?

As World War II drew to a close, world leaders met in Bretton Woods, New Hampshire, to grapple with the problem of how to reestablish trade. Most felt that the economic chaos of the 1930s had contributed to the Nazi takeover in Europe; thus, they were anxious to develop mechanisms that would ensure stability in the world economy. The Bretton Woods Agreement (1944) created a system of fixed exchange rates among national currencies. *Exchange rates* set the value of countries' currencies relative to one another; consequently, they are important in facilitating trade among nations. Under the agreement the United States fixed the value of the US dollar to gold at $35 per ounce. The exchange rates of other countries were then fixed relative to the US dollar. This system of *fixed exchange rates* did not allow the value of the dollar to fluctuate on world markets.

During the 1950s and 1960s the United States enjoyed economic predominance throughout the world. It was also a period of relative income equality. The US economy grew steadily, filling gaps in trade as the nations of Europe and Japan turned their attention to rebuilding what had been destroyed during World War II. The United States generally favored open trade of its products and enjoyed a trade surplus, exporting more than it imported. The dollar occupied a unique position in the world economy as the standard against which the values of all other currencies were fixed. The United States was the preeminent source of producer goods and consumer products for itself and the rest of the world.

Once the world economy recovered from World War II and as other nations strengthened their industrial base, US exports began to face increased competition. By the early 1970s the United States was importing more than it exported, in part because the dollar was valued much higher than other currencies. There was a net flow of dollars out of the United States and into countries from which it was importing goods.

When the dollars held by other countries exceeded the gold reserves the United States had with which to buy back those dollars, financiers assumed that the United States would increase the price of gold. In other words, increasing the exchange rate for gold from $35 to $40 per ounce in effect decreases the value of each dollar relative to gold and is an example of currency devaluation against a standard, gold. Financiers began trying to unload their dollars on world currency markets, hoping to sell the US dollars before they were devalued. The flood of dollars on currency markets forced the United States to do just what the financiers feared: devalue the dollar. In August 1971 the United States also suspended the right of other governments to convert dollars into gold.

Efforts to establish a new fixed exchange rate failed. In May 1973 President Richard Nixon negotiated the Smithsonian Agreement, which established a *floating exchange rate*, allowing currency values to fluctuate and find their market values. Central banks, including that of the United States, could no longer fix exchange rates except in cases when a nation's currency began fluctuating widely. In general, national controls on currency were reduced, and country-to-country banking restrictions were eased. This created greater uncertainty in the world monetary system and more opportunities for speculation. World markets were upset in 2015 when the Swiss Central Bank moved from a value for the Swiss franc pegged to the euro to a floating exchange rate. The Swiss franc rose greatly in value, cutting off its exports and tourism.

Financial capital, the money available for investment, now moves more easily from one country to another. This allows private speculators to buy and sell currencies in an effort to make a profit as exchange rates fluctuate, which can have devastating effects on the countries whose exchange rates are viewed as overvalued. Capital markets established through this exchange of currency generate a flow of money that is thirty times as great as the money exchanged through countries importing and exporting products. Whether a nation's corn is competitive on the world market, for example, depends as much on the current exchange rate of that country's currency as on the costs of growing that corn. A strong dollar discourages foreign tourists from visiting the United States, but US tourists travel enthusiastically to other countries. When the dollar is weak relative to other currencies, visitors flock to the United States, and Americans are more likely to visit Yellowstone or New York City rather than Europe or Asia. In 2015 the dollar was strong compared to the euro, where austerity programs aimed at cutting indebtedness slowed economic recovery compared to the United States, where stimulus packages had been put in place to generate employment.

High Commodity Prices in the Late 1970s and the Financial Crisis of the Early 1980s

The 1970s brought another milestone in the transition to a global economy. In making oil scarcer by limiting production, OPEC effectively increased its price. Urban residents in the United States remember long lines at gasoline pumps and occasional fistfights as motorists jockeyed for position to buy the scarce gasoline at unbelievably high prices. Farmers remember $5-per-bushel wheat and $12-per-bushel soybeans—prices two to three times higher than usual.

The sudden increase in oil prices meant that the oil-producing countries developed a trade surplus. The money they received from the oil they exported exceeded the money they spent on imports. Oil-producing nations had "petrodollars" to spare and were suddenly able to import more goods and lend money to non-oil-producing countries. The Soviet Union, for example, was a major exporter of oil. It also needed food and feed grains with which to support its people. The trade surplus created by higher oil prices enabled the Soviets to purchase larger quantities of basic commodities such as wheat and soybeans. Oil-producing countries, particularly those with small populations but lots of oil, were eager to lend poorer, non-oil-exporting countries money to purchase oil, wheat, and other commodities.

The increased prices for commodities that followed set off a period of worldwide inflation. *Inflation* occurs when the currency in circulation or the availability of credit increases faster than production grows, leading to a sharp rise in prices. The devaluation of the dollar made US exports extremely competitive in world markets. Percentages and volume of crops exported were higher than they had been at any time during the previous fifty years.

The inflation of the 1970s and high commodity prices encouraged US farmers to borrow money. Land was rapidly increasing in value, giving farmers more *equity* in the land they already held and greater capacity to borrow. The shift to floating exchange rates and the devaluation of the dollar made US products very competitive in world markets. Business was booming, and capital was readily available. Moreover, inflation was outstripping interest rates. If inflation averages 10 percent and interest rates are only 8 percent, it makes sense to buy land or equipment rather than to put money into a savings account. Farmers and other borrowers were being paid to borrow money—as long as real interest rates remained negative. Land became an excellent investment and a hedge against inflation. The real value of land, when controlled for inflation, nearly doubled during the 1970s. When the effects of inflation are added in, the price per acre nearly tripled during this same period (US Department of Commerce 1986).

By the end of the 1970s US economic growth depended heavily on the rest of the world, particularly as a market for agricultural products. As worldwide demand for imported agricultural and manufactured products became saturated, the United States moved into a period of "stagflation": high inflation with no real economic growth.

Efforts to curb inflation in the United States focused on internal fiscal and monetary policy. In 1979 the Federal Reserve Board, the governing body that sets monetary policy for the US central bank, effectively withdrew dollars from circulation in the economy by increasing the rate that banks charge their best customers, other banks. This strategy reduces inflation. Investment slows or declines because money is more costly, workers are laid off, and people have less money to buy products, all of which reduces demand and stabilizes prices.

The United States took these actions in an effort to deal with its internal economic problems. As it turned out, however, these actions had an enormous negative impact on the world economy. Economic theory predicts that if the money supply is reduced, the economy will slow down. The trade-off is reduced inflation. The abrupt actions taken by the Federal Reserve Board under presidents Jimmy Carter and Ronald Reagan slowed inflation but also triggered a worldwide recession.

To counteract the recessionary impact of the Federal Reserve Board's action, the Reagan administration decreased the federal income tax and, despite making spending cuts in many areas, increased spending for defense, farm programs, and the interest paid on the increasing national debt. Massive tax cuts were made in 1981, with the high-income and corporate sectors of the economy being the primary beneficiaries. Unfortunately Reagan's tax policies ignored any distinction between earned and unearned income flows, allowing investors to choose options where the highest rates of return could be obtained regardless of the true economic implications. As a result, most of the increased disposable income flowing back to the highest income recipients went into highly speculative investments: the stock market, commodity futures, property markets generally, and agricultural land in particular.

The tax cuts were supposed to free up money for investment in the domestic economy and stimulate economic growth; however, increased economic growth did not occur at the projected rate. Instead of investing in producing goods and services, the money went into financial instruments designed for speculation. As a result, the federal deficit grew rapidly. The United States became the largest debtor nation in the world, borrowing money from foreign countries at the new higher rates rather than raising taxes or cutting spending.

Why should action taken in the United States to cure its own economic ills affect the world economy? The answer lies in part with how easily capital flows from one country to another. Dollars withdrawn from the national economy were also dollars withdrawn from the world economy. In fact, that was an objective of the Fed—to regain control over US currency. The growth of the federal deficit meant that the federal government itself was competing for scarce dollars, which also boosted real interest rates.

High real interest rates made US government securities a good investment. Foreign capital flowed into the United States because the US government needed to borrow so much money to service its debt. The US deficit became something of an international black hole, pulling in any and all liquid capital. This made capital scarce for others and deepened the worldwide recession. The spiral of increasing demand and higher prices for commodities came to an abrupt end. Prices of commodities on the world market dropped precipitously.

As real interest rates climbed and the value of the dollar rose, those who had borrowed money—whether American farmers or Third World countries—found themselves paying more interest with increasingly scarce dollars. When commodities prices fell dramatically, both crops and the land on which they were produced lost much of their former value. Agricultural land prices in the United States dropped by more than 50 percent, reaching the point at which farmers no longer had the equity to repay loans that were still outstanding. In short, a great many farmers faced financial ruin. By 1985 the number of farm foreclosures, forfeitures, or loan defaults reached levels not seen since the Great Depression.

Changing Regulatory Structure

The low-growth, high-inflation situation during much of the 1970s led the large-firm corporate sector to mobilize to reinvent the system. It pushed for economic deregulation, lower taxes, and a smaller state (Harvey 2010). By the beginning of the twenty-first century it had achieved the first two changes, redirecting financial capital from production to finance and greatly increasing income inequality.

An important feature of the deregulation of the financial sector appeared in 1978 when the Supreme Court ruled that credit card companies could charge the allowable interest rate in the states in which they were chartered. As a result, most credit card companies are now chartered in South Dakota or Delaware. Neither of these states has usury laws, which govern interest rates.

In 1980 Congress enacted the Depository Institutions Deregulation and Monetary Control Act, which allowed banks to merge, removed regulatory control over interest paid on savings accounts, allowed credit unions and savings-and-loan banks (S&Ls) to offer interest on checking accounts, and removed usury caps on interest rates charged by financial institutions. As banks merged, they became financial institutions, offering a variety of "financial services," all of which generated user fees. The traditional bank function of raising money through deposits and loaning money out for investment purposes was secondary to other forms of profit generation.

From 1980 through 1983 118 S&Ls with $43 billion in assets closed their doors, costing the Federal Savings and Loan Insurance Corporation (FSLIC) an estimated $3.5 billion to pay depositors the money the S&Ls had lost them. Before the end of the 1980 financial crisis, more than one thousand thrifts (as the S&L institutions were called) failed. The FSLIC was established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 along with its administrative institution, the Federal Home Loan Bank Board. S&L deposit insurance responsibility was transferred to the Federal Deposit Insurance Corporation (FDIC), which the Glass-Steagall Act of 1933 had created in response to the bank failures of the Great Depression (see Chapter 7).

More and more after-tax income was channeled into speculative investment in the stock market and real estate rather than direct investment in employment-creating production of capital goods.

Although recovery from the recession was evident in urban America by the middle of the 1980s, rural communities that were natural resource–dependent did not experience substantial economic growth until after the rather mild 1991 recession—and then only from a notably smaller population and institutional base than had existed in the 1970s. During the 1990s rural areas shared to a degree in the prosperity of the nation as a whole. Many communities diversified away from heavy dependence on natural resource–based activities into services and routine manufacturing, availing themselves of a gradually shrinking niche in the world system, which combined willingness to work for low wages (relative to metropolitan US wages but still very high when compared with wage scales in developing countries) with an educated and dedicated workforce (human capital) and adequate built capital along with strong social infrastructure. Persistent-poverty areas in the South, Southwest, and Great Plains did not fare so well. The rural routine manufacturing sector, as in the case of Rocky Shoes, was very vulnerable to the shifting of production jobs to Latin America initially and later to China and other low-wage parts of Asia.

The New Corporation

Companies have become multinational in a new sense. Information technology (IT), the free flow of capital, and decline in tariffs that are demanded by the World Trade Organization (WTO) and bilateral free trade agreements around the world allow networks of firms to source raw materials and components from all over the world. No longer confined to one country, many of today's corporations have developed branches and relations with supplier companies in countries throughout the world. These diversified locations ensure that a company has access to local markets and the flexibility to move resources quickly in response to changes in capital and labor markets (and to reduce tax liability, as in the case of Rocky Shoes). The organizational structure of these companies reflects the multinational character of their operations. Stockholders reside all over the world, as do the board members who make decisions on behalf of the company. Individual countries can do little to control these new corporations' activities. As a result of the development of new financial instruments and decreased regulation, companies and institutional investors increasingly put their excess capital in those financial instruments rather than in increased productive capacity (Tomaskovic-Devey and Lin 2011).

Deregulation has permitted mergers and acquisitions, creating megabank holding companies. European and Asian banks entered the US market as major players. The perceived benefits to the banks included the opportunity to disperse risk geographically and across industries and consumer segments. Now the way that Rocky Shoes grows is by acquiring other brands, not investing in new production capacity.

Property markets, particularly the housing market, fueled by the ready availability of credit and plagued by too many unscrupulous players, experienced rapid increases in prices that eventually came up against the inability of businesses and homeowners to take on the additional amount of debt required to pay the skyrocketing property prices. The other major innovation was a group of mortgage products that allowed for periodic adjustment in the rate of interest, tied to US Treasury debt and other indices. This included adjustable rate mortgages (ARMs) and securitized loans, a bundling of high- and lower-risk mortgages that were then sold on the secondary market, blessed by the hocus-pocus computer programs the rating agencies developed to show that the new securities were "sound as a dollar." In fact, the securitized loans were really a mystified game of musical chairs. The music slowed in 2007 and stopped in 2008.

To maintain their middle- and working-classes lifestyles over the last three decades, individuals and families increasingly rely on individual credit. The growing US trade deficit, particularly with China, has provided a steady diet of cheap goods made by peasants escaping the poverty of the Chinese countryside for modestly higher pay in what amounts to little better than sweatshops. Consumers in the United States were served up a series of debt instruments, not the least of which were credit cards, to allow them to purchase those goods on wages that remained flat over those three decades.

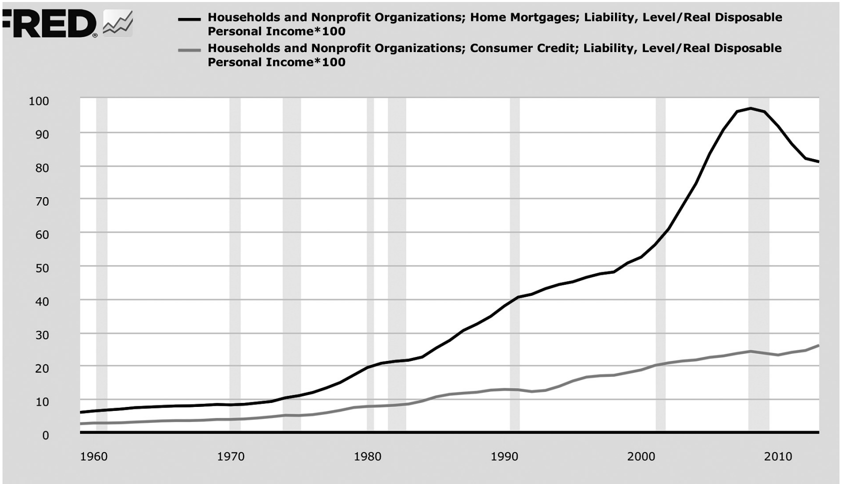
Between 2009 and 2011 a combination of factors resulted in a decline of total household debt in the United States. Banks tightened their creditworthiness standards. Bad debts were written off as individuals have made their way through personal bankruptcy proceedings. Other households briefly reduced their use of credit, dedicated more of their income to paying down or paying off debt, and postponed purchases in order to build savings as a cushion against potential loss of employment. However, by 2012 consumer debt began its steady increase again (see Figure 9.2).

Like the Reagan administration, the second Bush administration attempted to stimulate the economy by cutting taxes and (whether intended for that purpose or not) greatly increasing military spending. Low interest rates decreased the cost of the national debt, but the deficit increased at record rates. Although Congress passed a midsized stimulus package in its early months of the Obama administration, it blocked modest efforts to use the taxation system to shift income to those who have the greatest propensity to spend (the poor and working classes) and to allow taxes to increase for the super-wealthy, who seem more adept at generating profits for themselves than employment for others. In 2015 lower gas prices served as a kind of raise for stagnant wages, and consumption and imports increased.

Trade Agreements, International Labor Markets (Human Capital), and Domestic Fiscal Policies

Beginning in the 1980s a debt crisis, quite similar in its origins to the farm crisis that occurred in the United States, befell debtor countries (mostly developing countries without large quantities of exportable oil). To discipline those debtor countries to pay back their staggering debts, the International Monetary Fund (IMF) and the World Bank implemented *neoliberal policies* to encourage developing countries to streamline their state apparatus and to

Figure 9.2 Households and nonprofit organizations, consumer credit, liability level



Sources: Board of Governors of the Federal Reserve System (US), Households and Nonprofit Organizations; Home Mortgages; Liability, Level [HHMSDODNS], retrieved from FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/HHMSDODNS, January 23, 2015.

US Bureau of Economic Analysis, Real Disposable Personal Income [DSPIC96], retrieved from FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/DSPIC96, January 23, 2015.

Board of Governors of the Federal Reserve System (US), Households and Nonprofit Organizations; Consumer Credit; Liability, Level [HCCSDODNS], retrieved from FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/HCCSDODNS, January 23, 2015.

open their economies to international competition in hopes that enterprises in those countries would become "lean and mean." If the domestic firms did not survive this competition, foreign firms would take their place. To pay back the debt, countries had to generate more foreign exchange and, by definition, had to be export oriented. In many places in the world this set of austerity policies, which negatively affected the poor and the middle class, was known as the Washington Consensus. Those ten years were also referred to as "the lost decade."

Nearly a decade into the experiment the World Bank proposed that poverty could be reduced by targeting services to the poor—health and education, in particular, to strengthen human capital—and by targeting the social safety net to those who most needed it. The market would take care of the rest (World Bank 1990). By 2000 the bank had expanded the definition of poverty beyond the lack of education, health care, and income to include risk and vulnerability, voicelessness, and powerlessness. The emphasis had shifted from building human capital alone; strengthening social capital was now given considerable importance as well (World Bank 2001). Civil society was added to the market, and the state was cautiously brought back in.

By bringing about lower tariffs, the General Agreement on Tariffs and Trade (GATT) and its successor, the WTO, were an important part of this neoliberal international economic model. Each nation was to specialize in those productive enterprises in which it had a comparative advantage, and the world system as a whole would become more productive.

The WTO is the premier global organization dealing with the rules of trade between nations. Its goal is to help producers of goods and services, exporters, and importers conduct their business with the least friction or non-market barriers. The organization, created by the Uruguay Round of trade negotiations, which lasted from 1986 to 1994, was formally established January 1, 1995. Based in Geneva, Switzerland, the WTO administers trade agreements, serves as a forum for trade negotiations, handles trade disputes, monitors national trade policies, and provides technical assistance and training for developing countries. Many groups take issue with the WTO's authority to set and enforce universal rules of trade, although there are special exceptions to the most stringent rules barring state support for exports for developing countries. The rules are set on the basis of financial capital goals; many criticize the rules of trade because they do not include standards regarding human capital (prohibitions against slave or child labor, workers' rights to collective bargaining, and so forth) and do not allow individual countries to set standards for natural capital; for instance, a member state's setting of green standards or instituting country-of-origin labeling (COOL) could be prohibited as a "restraint of trade." The WTO says that its goal is to facilitate world trade, and that is what most alarms critics, who feel that unbridled world trade rather than a balance between world trade and production for domestic consumption harms excluded people by further disadvantaging them through increased competition and lower prices for what they produce.

Backers of the WTO saw regional trade agreements as complementary to the organization and indeed spelled out the relation between the WTO and such agreements. The North American Free Trade Agreement (NAFTA) was one such regional agreement. Implemented on January 1, 1994, it provided for a reduction of tariffs among the three partners—Canada, Mexico, and the United States. NAFTA illustrates what is perhaps the greatest shortcoming of free trade: that in practice there is no free trade: political advantage generally trumps comparative advantage. NAFTA included reduction and eventual elimination of agricultural tariffs, but it could not resolve the larger agricultural conundrum that the WTO was wrestling with: how to deal with protection afforded farmers from the economically most powerful countries, namely the United States, Japan, and Europe. Prior to NAFTA Mexico had eliminated subsidies on corn as part of structural adjustment. Under NAFTA it experienced an additional shock as tariffs on subsidized US corn were eliminated in just thirty months. Corn from the United States was cheapened further in Mexico by the weak dollar, which had a devastating effect on the countryside in traditionally corn-growing areas (Otero 2011). As industrial jobs fled to low-wage, nonunionized Asian venues, migration to Mexican cities was not a solution for those from the depressed countryside. In 1997, with a worldwide dip in commodity prices, migration of rural Mexicans to the United States began to grow, becoming a flood by the turn of the new century. It is not a great exaggeration to say that under NAFTA the United States traded corn for immigrants. Rural parts of the Midwest and the rural South were particularly attractive to the new migrants because confinement livestock, poultry operations, and meatpacking plants located in depopulating rural areas were in need of workers. The neoliberal model of development requires rapid flow of financial capital, quick construction of built capital, and highly mobile human capital. The model also rests on cheapening labor. The main bottleneck to the system working smoothly is that human capital is subject to serious limitations on mobility across national boundaries imposed by national states.

The US trade deficit with China, although showing some signs of declining, remains high. In the first twelve months of 2014 the United States had an excess of imports over exports with China of $31.4 billion (US Census Bureau 2014) as a result of the United States' continuing romance with "stuff." China is accused of keeping its currency artificially undervalued to ensure a continued flow of exports to the United States. In turn, this has dampened inflation in the United States by making doubly cheap consumer goods available to American consumers—doubly cheap because of the low wages in China and China's artificially weak yuan. The federal budget surplus of the later years of the Clinton administration turned into a growing deficit during the following administration because of the wars in Iraq and Afghanistan and the tax cuts passed by the Republican Congress in the first six years of the George W. Bush administration that continued into the Obama administration. Congress's inability to reach any agreement on ways to reduce the national debt has resulted in a decrease in the US credit rating internationally, despite a high dollar vis-à-vis other currencies. However, lack of growth in Europe allowed the United States to maintain relatively low interest rates and still attract foreign capital.

Rural Linkages to a World Economy

Newspaper accounts and after-dinner speeches often characterize the world economy as though it were something new, as though the US economy previously had been insulated from world events. Although the character of the US economy has changed, the United States has always been linked to other countries through trade. In the past rural communities were tied to the world economy through their wealth of natural capital (e.g., lumber, food and fiber, seafood, energy, precious metals). As in many settler societies, long-term sustainability was not important; short-term profits were.

Exporting Natural Capital

International trade motivated and financed European immigration to and settlement in the New World. Trading companies, eager to profit from the natural resources the new land offered, financed early European settlements in the New World. New England communities found furs, fish, and lumber to be their most profitable exports. As these were exhausted, settlers moved west to find more. The South depended on rice, cotton, and tobacco, and as the soil became exhausted, the plantations too moved west. For the colonies, these international linkages were so important that the tariff England imposed on American tobacco was among the causes of the Revolutionary War.

Nearly all natural resource–based economies move through cycles, influenced by nature and by trends in world markets. Mining towns have gone through boom-and-bust cycles as mineral prices fluctuated on the international market. In the 1870s the silver streaming out of Nevada nearly ruined Germany, which had a currency based on silver. During World War I cotton prices soared in response to the demand for uniforms. Once Europe recovered in the 1920s, however, prices dropped to historic lows. Increased grain production in Europe sent American wheat prices plummeting following both world wars. Until railroads opened up markets in the Midwest and the East, Oregon lumber interests depended more on foreign than on domestic markets. Today raw logs are exported to China from the United States; China is the greatest volume buyer of logs, purchasing virtually all sizes and species, as it has shifted its main supplier from Russia to the United States. The United States generally sends more wood fiber, whole logs, and wood chips overseas than any other country. It also exports a good deal of scrap paper and metal to China and imports both consumer and capital goods. Although US exports to China have grown over the past decade, imports have grown faster, and in 2010 the US balance of trade of goods with China was its most negative ever (–$273 billion). China's export profile is that of a mature nation, involving both capital and consumer goods, although the consumer goods are decidedly on the labor-intensive end, whereas US exports to China are a mix of both developed and developing country profiles (US-China Business Council 2011).

In 2000 OPEC decided to limit production to 5 million barrels of oil per day, increasing the demand for domestic oil, which caused higher prices. OPEC's decision, along with concern over the war in Iraq, caused oil prices to rise. International events, such as the September 11, 2001, terrorist attacks and the military conflict in Iraq, create uncertainty about supplies, which leads to price fluctuations. The growing demand for fossil fuels by emerging countries, China and India in particular, increased demand and raised prices. There was a brief crude oil speculative bubble when oil reached $147 per barrel just prior to the Great Recession of 2007–2009. However, the use of capital-intensive technologies for mining and processing of tar sands and the hydraulic fracturing of oil-bearing shale have put new life into the US and Canadian oil and gas industries. Places like Williston, North Dakota, and parts of Western Pennsylvania are experiencing a boomtown effect. As generally happens, high prices and new pumping technologies around the world led to overproduction of oil and natural gas at the same time the Chinese economy slowed its growth rate. Prices of all commodities dropped, with new impacts on the rural communities that had struggled to invest public money to support the private growth.

An International Labor Market (Human Capital)

Early linkages with the world economy also included movement of workers, the people needed to harvest the vast natural resources available in the New World. European immigrants seeking to escape religious persecution or simply to get a new start on life harvested New England's furs, fish, and lumber. Slaves were brought involuntarily from Africa to harvest rice, cotton, and tobacco in the South. The need for low-cost labor to perform domestic work along railroad lines or in mining camps led to heavy conscription of Chinese laborers. Mine owners in West Virginia recruited experienced miners from eastern Europe. Europeans who were eager to own land settled farms throughout the Midwest.

The need for labor, especially in rural areas, was so great that the United States maintained open borders for roughly a century after independence until the Chinese Exclusion Act of 1882, instituted after the Chinese were no longer needed to build the transcontinental railroad. Immigration hit an all-time high in the first decade of the twentieth century, leading some to propose that limits be imposed. In 1921 Congress passed the first quota act, limiting the annual number of immigrants from each country to 3 percent of the number of people born in that country and residing in the United States as reported in the 1910 census. This skewed quotas toward northern and western Europe, which was Congress's intention. The Immigration Act of 1924 was even more restrictive; it used the national origin of each individual in the United States in 1890 as the basis for allocating admission to the flow of immigrants. It was not the numbers of immigrants but their racial and cultural backgrounds that inspired these exclusionary efforts, which were clearly aimed at reducing immigration from Asia and southern and eastern Europe. National-origin limitations were lifted in 1965, but numerical limits still remain in place with respect to family reunification, although the limit is referred to as a "flexible worldwide cap." There are de facto country caps on immigrants who are family members of US citizens and legal permanent residents because no country can supply more than 5 percent of the total number of family members approved for entrance each year. Thus there is a major backlog in processing applications, particularly from Mexico, India, China, and the Philippines. The current waiting period ranges from three to twenty-three years, depending on the country, status of the family member in the United States, and closeness of the relative to the US resident making the request (US Department of State 2015). As discussed previously, rural areas historically have depended on immigrant labor. Permitting temporary immigration offered one solution to the problem, and this was provided through the Bracero Program (1942–1964), a series of bilateral agreements that temporarily admitted agricultural workers to the United States from Mexico, Barbados, Jamaica, and British Honduras (now Belize) as guest workers. Migrant workers harvested fruits and vegetables, providing low-wage labor at crucial times in the production cycle. Unauthorized immigrants, those without any formal documentation, also began moving into both urban and rural areas.

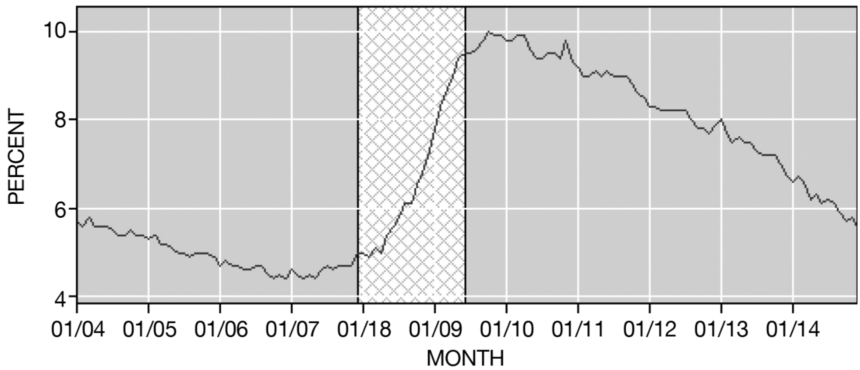
In the two decades after World War II only a little more than 60 percent of the legal quota of immigrants entered the country. Labor was needed, however, as the economy expanded. As international capital flow increased, so did international immigration to the United States. Foreign-born residents accounted for only 4.7 percent of the US population in 1970, the lowest proportion in the twentieth century. That percentage had more than doubled by 2000, to 10.4 percent, and was 12.4 percent in 2010 (US Census Bureau 2012). Compare that number with the high mark of 13.6 percent recorded in the 1900 census. Despite a temporary decline in illegal immigrants after the amnesty law of 1986, unauthorized migration to the United States began to rise in the 1990s. The Pew Hispanic Center has estimated that there were 11.2 million unauthorized immigrants in the United States in 2014 (Passel and Cohn 2014), down from a peak of 12 million in 2007 before the Great Recession and unchanged since 2009. However, the distribution of unauthorized migrants has changed, mainly because of drops in the number of unauthorized immigrants from Mexico. The Great Recession has discouraged unauthorized immigrants, and the Obama administration was more aggressive in deporting persons without proper documents, nearly four hundred thousand per year. By 2006 immigrants, documented and unauthorized, represented more than 15 percent of the US labor force, nearly three times the proportion of the 1960s; more than one in four new workers was an immigrant.

Even with the border clampdown after September 11, 2001, and the wave of Immigration and Customs Enforcement raids targeting unauthorized workers that began in 2006, immigrant workers continue to enter the United States. Many immigrants, particularly those from Mexico and Central America, work in jobs that do not demand a lot of recognized skills, jobs that native-born Americans scorn: as meatpackers, hotel maids, fast-food attendants, fruit and vegetable pickers, nursery and landscape workers, and construction workers. Many rural places in the United States could not survive without immigrant workers.

Agriculture in many parts of the United States has depended on migrant labor at planting, weeding, and harvest times, but both service-based and manufacturing communities now increasingly employ immigrants also. Packing plants in the Midwest, such as the two in Garden City, Kansas, hire mostly Latinos and Southeast Asians, many of them women. In the small town of DePue, Illinois, manual farm work is done mostly by Hispanic and Laotian immigrants. Non-native-born workers can be found in mushroom farming, which includes picking mature mushrooms out of manure. These immigrant laborers show an immense work ethic, and they recognize that native-born Americans generally will not do the manual work, only the mechanized labor. Many employers are hoping for more liberal migration laws. However, since 9/11, with more stringent immigration policies and enforcement, these migrant workers will not have an opportunity to regularize their status, and Congressional action is aimed at making it even more difficult. In addition, in several states extremely punitive laws have been put in place to drive out immigrants.

Rural areas have benefited from the immigration of medical doctors and nurses from developing countries by gaining access to professional skills that

Figure 9.3 Unemployment rate (seasonally adjusted).



Note: Cross-hatched area represents recession

Source: US Department of Labor 2015.

have been lacking. The majority of the new arrivals to nonmetropolitan areas, however, have limited education. As in DePue, they are viewed as hardworking employees and, thus, are often favored over US-born workers of equal skill levels; this keeps wages low among unskilled workers, although there is little evidence that immigrants contribute to lower wages for occupations in which a high school diploma or more is the norm (Congressional Budget Office 2010). Indeed, several recent studies have found that immigration stimulates job creation and is a net contributor to state and local economies. (See Web Resources at the end of the chapter for a link to a summary of each study.)

To complicate the contradictions of migration policy and labor demand, the US population is aging, particularly in rural areas. As a result, the small number of immigrants allowed to enter legally limits continued economic growth and the ability to finance social programs for an aging population. This situation forces choices between economic stability for the retired and vulnerable (Medicaid-eligible) population and the time-honored political impulse to limit the diversity and size of the US population. Although the Great Recession sharply increased unemployment (see Figure 9.3), the continued need for workers in specific occupations, both high and low skilled, means that simply stopping immigration will not solve the unemployment problem. Indeed, unemployment has continued to drop since its height in 2009; however, wages have remained stagnant. Many of the jobs (the numerator of the employment rate), including those in rural areas, are part time with flexible hours, and a substantial number of people in the working-age group have dropped out of the labor market entirely, decreasing the denominator of the unemployment rate.

Widespread raids by the Department of Homeland Security's Immigration and Customs Enforcement (ICE) have detained large numbers of workers with full documentation of their legal residence, including many native-born Hispanics and even African Americans. Racial profiling results from the Secure Communities Program (in which local law enforcement, on behalf of ICE, agrees to check the documentation status of anyone stopped for any sort of suspicious behavior, using the notoriously inaccurate federal E-Verify database). Secure Communities was initiated in 2008 under the George W. Bush administration and has been expanded by the Obama administration. Latinos comprise 93 percent of all individuals arrested, although they comprise only 77 percent of the unauthorized population in the United States, a strong indication of racial profiling. Some thirty-six hundred American citizens have been accidentally arrested, and 39 percent of those arrested report having a US citizen spouse or child (Kohli, Markowitz, and Chavez 2011). Secure Communities neither increases security nor builds community but rather ensures the breakup of many families. Strong anti-immigrant measures with provisions of dubious legality have been enacted in states such as Arizona, Georgia, and Alabama, leading to severe economic and social disruptions in rural and urban communities and are costly to the states that attempt to implement them (Wolgin and Kelley 2011). The executive action proposed by President Obama in 2014 that confers temporary legal status on unauthorized childhood arrivals and for immigrant parents of children born in the United States should reduce the forced break up of immigrant families.

The growth of the Latino population in the United States has been phenomenal in the past two decades. By 2002 Latinos surpassed African Americans as the largest minority group in the United States (Hendricks 2003). Much of this growth has been due to immigration from Latin America, with Mexico leading the way. The opportunities for officially *unskilled* and lesser educated persons to migrate to the United States legally were and are quite limited (the annual worldwide quota for unskilled workers to migrate to the United States is five thousand workers, apart from guest workers). It is not surprising that the ranks of unauthorized immigrants from all over the world swelled to include an estimated 12 million individuals by 2008.

Immigrants to the United States, particularly from Latin America, but also refugees who come from other parts of the world, are disproportionately rural in background. Although they begin their life in the United States in major "gateway" cities, such as Los Angeles, Chicago, and Miami, after living in the city for a few years, many migrate to rural communities, disproportionately in the South and Midwest.

By the 2000 census over half of rural Hispanics lived outside the traditional Southwestern states (including California). In the decade of the 1990s the rate of nonmetro Hispanic/Latino population growth exceeded that of metro areas (Parrado and Kandel 2010). Although almost all nonmetro counties experienced Hispanic population growth, roughly a third of this growth occurred in just 150 counties dominated by low-skill industries. Between 1990 and 2000 the nonmetro Hispanic population more than doubled in twenty (mostly southern and midwestern) states. The number of nonmetro counties in which Hispanics constitute at least 10 percent of the population grew from 211 to 287. All else being equal, more than 100 nonmetro counties, largely in midwestern and Great Plains states, would have lost population between 1990 and 2000 if not for growth in the Hispanic population (Jones, Kandel, and Parker 2007). In Iowa, for example, 57.5 percent of the population growth between the census years 2000 and 2010 was accounted for by Latinos, even though Latinos have grown to only 5 percent of the population. The first decade of the twenty-first century was not kind to Iowa's rural counties. Sixty-two of its seventy-nine nonmetro counties lost population, but eight of the seventeen that showed an increase in population owed the positive change to an increase in Latinos (Iowa State University 2011).

The year 1990 marked the first time in nearly a century that many communities in the Southeast and Midwest had an influx of new immigrants. These changes have required a good deal of social and cultural adjustment, and at least initially, when young males arrived alone, conflict and resentment often emerged. As other members of the new residents' families joined them and new and long-term residents recognized that they share important values such as hard work and a strong family orientation, the newcomers have been grudgingly accepted and, in some cases, even embraced. Still, for numerous reasons, additional time will be required for the immigrants to become full participants in the collective life of the community. From an economic point of view their presence has been felt. In smaller rural communities of the western Midwest and Great Plains and in certain parts of the South that are battling population decline, empty downtown storefronts have come to be filled with Latino-owned restaurants, groceries, apparel stores, and various other services. School enrollments have picked up, as occurred in Walnut Grove, Minnesota, when Hmong families migrated there because a young Hmong woman read Laura Ingalls Wilder's *Little House on the Prairie* while at school in St. Paul (see Box 9.1). She told her family about it, they investigated Walnut Grove and surrounding towns, and decided to move there. Now more than one-third of the population is Asian, substantially younger than the local-born residents. These young families were responsible for saving the local school.

Generally the new immigrant and refugee residents, much like the elderly, tend not to travel outside the community to shop as do young and middle-aged Anglo families. Thus communities that receive new immigrants and refugees experience an increase in local sales tax collections, and money circulates more times in the community than would be true in communities with only Anglo families. However, costs of educating children increase because of added costs of teaching English-language learners (ELL) and high turnover of the student population due to instability of work opportunities for those who are on the low end of the economic ladder. The fact that many of the immigrants are unauthorized also contributes to high population turnover.

Long-term residents are often slow to recognize that cultural and linguistic diversity can be an asset. Two school districts in Iowa (both rural) have instituted a complete dual-language program, an innovation that can enrich the educational experiences of both Latino and Anglo students. These programs in the schools have attracted young professionals who are aware of the learning advantages that speaking two languages will have for their children.

Because immigrant families come as young, working-age adults, they are in the childbearing years, unlike most of the long-term residents of rural communities in the new destination areas of the Midwest and South. Looking at the larger picture, the current wave of family immigration ensures that there will be two generations of workers ready to replace a significant portion of the baby boomers as they retire over the next two decades, and there will be younger people to pay into the Social Security trust fund for the baby boomers and those who follow them into retirement.

US Agriculture and Globalization

Farmers in the United States now function in a changed economy. The increased worldwide production stimulated by the high commodities prices of the 1970s and farmers' positive responses to overproduction stimuli has flooded the market. With the so-called Freedom to Farm Act, the United States began subsidizing major commodities without supply-limiting mechanisms after 1997; Europe—until recently—and Japan continued to protect domestic production through high import tariffs and export subsidies. The increase in world inequalities is in part a result of the structural adjustment policies instituted by the World Bank and the IMF. The Food for Peace Program (PL480) was established in 1954 in response to huge farm surpluses in the United States and a perceived need for food abroad. Unfortunately

BOX 9.1 A Walnut Grove Welcome

"Walnut Grove, Minnesota, was the real-life setting for the TV series *Little House on the Prairie*. But its population and business community was eroding until Hmong refugees from Laos showed up. They received such a friendly reception in Walnut Grove [that] others followed. Now Hmong refugees make up a third of the town's population. And Walnut Grove is prospering and growing.

Mary Stucky: There are 22 kids in the second grade at Walnut Grove elementary school and the school day starts here like it has for generations.

Kids: *'I pledge allegiance to the flag . . . '*

Mary Stucky: Outside the flat farm country of southwestern Minnesota stretches to the horizon. Germans and Scandinavians first settled here in the late 1800s. But look at the children in this class, and—along with all the blond hair and blue eyes—you'll see more than half the faces are of Asian descent. Teacher Monica Otto says the kids don't seem to notice.

Monica Otto: *'They make that choice of being friends.'*

Mary Stucky: Just a few years ago, there weren't enough second graders to fill a classroom here, and this school's future was in doubt. The town's population had dwindled to less than 600, due largely to a stagnant farm economy. About that time, Harry Yang started looking for a new home for his family. Yang is from Laos—and belongs to an ethnic group called the Hmong. They fought for the United States during the Vietnam War. When Laos fell to the communists, Yang and his family, along with thousands of other Hmong, fled the country.

Harry Yang: *'Then we decide that the only choice, we escape. That was very bad. My mother lost there and my sister. During the time we cross the Mekong River they didn't show up. So we didn't know what happened to them and never found out.'*

Mary Stucky: Yang and his surviving family eventually came to the United States through an official refugee program. He settled in St. Paul but had his doubts about life in the city.

Harry Yang: *'When the children, like my son and daughter, they had a lot of problems in the city. And they still very young and the gangs come to get them very easy. I feel very bad about it.'*

Mary Stucky: Yang asked his oldest daughter for advice.

> HARRY YANG: *'She knew Walnut Grove from the* Little House on the Prairie. *She knew that story. So she said that might be a good place.'*
>
> MARY STUCKY: So Harry Yang got out a map and drove the 160 miles to Walnut Grove.

He liked what he saw . . . a quiet, safe town with cheap houses and low-skilled factory jobs nearby. But Yang wasn't sure whether he and his family would be accepted in a town where people had no experience of racial or cultural diversity. And so it was a bold, even courageous step when . . . Yang moved to Walnut Grove with his wife and five children. That was five years ago. Yang and his family began to attend the town potlucks in the park.

> HARRY YANG: *'You have to have people gathering in the park, meet each other and talk. It's not always that people will welcome you. Still some people dislike each other. But if more people welcome, then that's the best.'*
>
> MARY STUCKY: And Yang says most people were welcoming. Word got around to the Hmong community in St. Paul and elsewhere. As more and more Hmong moved to Walnut Grove, school enrollment soared and the housing market picked up. Now there are more than 350 Hmong residents in Walnut Grove, a third of the town's population.

They include school bus driver Neng Yang. He navigates the country roads each morning, picking up kids from around Walnut Grove. Many of them are Hmong.

Neng Yang was living in Sacramento, California, when he heard about Walnut Grove from a friend in Minnesota.

> NENG YANG: *'And he said you should check it out. It's a very beautiful town. My first year here I don't want to stay here because it's very cold.'*
>
> MARY STUCKY: But the other aspects of small town life appealed to Yang, who is the father of six.
>
> NENG YANG: *'This is a small town, very good raising your family here.'*
>
> MARY STUCKY: There are TWO grocery stories on Main Street now . . . both owned by Harry Yang. There's the grocery that's been here for generations, which Yang bought a few years ago, and—next door—this new Asian market. The shelves are stocked with pickled fish sauce, coconut milk, egg roll wrappers, and, of course, enormous bags of rice.

(CONTINUES)

(**BOX 9.1** CONTINUED)

Harry Yang: *'It is 100 pounds, we have 50 pounds and 25 pounds.'*

Mary Stucky: You won't find any Hmong food at the café in town . . . at least not yet. Here it's strictly lemon meringue pie and fried potatoes. Carol Johnson owns the café and says it's taken a while to get used to the town's new residents and what struck many townspeople as unusual cultural traditions.

Carol Johnson: *'You know, you just can't raise chickens in your home. And that's what some of them were doing, they were raising their chickens in the basement or whatever and that's not acceptable.'*

Mary Stucky: But Johnson says it wasn't a big deal once the Hmong understood the local rules. She says most residents of Walnut Grove are appreciative that the Hmong have helped rejuvenate the town. People in town often donate furniture and housewares . . . even winter coats to Hmong families. The Hmong, like the residents of Walnut Grove, are an agricultural people . . . and people in Walnut Grove say that creates a natural bond.

In fact, it is the children who seem best at bridging the two cultures.

Teacher: *'Pick a partner and in 10 minutes we'll do partner spelling practice.'*

Mary Stucky: Back in second grade, teacher Monica Otto says her top two students are . . . Mandy Yang and Jacob Otto, who happens to be her son.

Monica Otto: *'The little Swedish boy Jacob with the Hmong girl Mandy. They're just wonderful together. They really are.'*

Mary Stucky: The kids pair up to quiz each other on their spelling. In general the Hmong students are doing well in school. Harry Yang says his kids have been free of the sort of trouble he feared in the city. And that's why the Hmong moved to Walnut Grove in the first place.

Harry Yang: *'They are very happy because they can take care of their families now. We hope for our children. We always say that.'*

Mary Stucky: And that hope has been bringing people to Walnut Grove for more than one hundred years, from Laura Ingalls Wilder to Harry Yang.

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SOURCE

Stucky, Mary. 2007 "A Walnut Grove Welcome." Round Earth Media: Mentoring and supporting the next generation of global journalists, while producing under-reported stories for top-tier media around the world. www.RoundEarthMedia.org. June 1. Online; available: http://www.roundearthmedia.org/2007/06/a-walnut-grove-welcome/; accessed February 6, 2012. (This is the transcript of Mary Stucky's radio report. There is also a photo album of the Hmong in Walnut Grove on the Web site.)

it did more for American farmers, commodity handlers, and shippers than it did for the hungry. The arrival of cheap food destroyed local markets for small farmers and increased dependency on international food aid. A number of international not-for-profit organizations, such as Catholic Relief Services and, eventually, CARE, determined it was best not to work with PL480 food. Congress fought attempts by USAID under both Bush and Obama to purchase food from nearby regions as part of food relief policy. However, some US farmers donate their wheat or corn for international work by taking it to the elevator, selling it, and using the profits through a nonprofit development assistance organization to buy food in the countries they are helping rather than having it shipped tens of thousands of miles.

The worth of a farmer's produce has become as much a function of currency and futures markets as of the inherent productivity of the farm operation. Exports serve as a safety valve to keep supply and demand in balance because with cheap fossil fuels, commodity agriculture is extremely productive. Cheap imports from the United States make it difficult for many developing countries to maintain a healthy smallholder agricultural sector, as illustrated by the Mexican case after NAFTA was implemented. As world petroleum prices drop, so do the prices of world agricultural commodities. Prices in the United States are dependent on international supply as well as international demand.

In agriculturally dependent counties of the United States the effects of the boom in agricultural commodity prices in 2012 increased the gross income for farmers, but costs of production had also increased. Not all farmers benefited from high commodity prices because landowners tend to capitalize the increase in crop prices into land prices and rents. Thus landowners benefit. Because a generation of farmers left the farm to find work in cities due to low prices during the 1980s farm crisis, management companies now farm or manage a significant portion of midwestern land on behalf of urban inheritors of family farms. Owner-operators farm a decreasing share of farmland; absentee owners (who may be widows or heirs of an earlier generation of farmers) benefit from higher land prices, but not renters. Because farm program payments tend to go out of the county and often out of state, the communities where the farmland is located benefit less from farm subsidies than they used to. Large management companies and large farmers bypass the local community in buying machinery, seed, fertilizer, and other chemicals. They rarely sell their products to the local grain elevator, sale barn (livestock auction company), or farmers' cooperative. Cooperatives have consolidated to include multiple communities, often bypassing the smaller communities. Farming-dependent counties of the Midwest and South are the least likely of rural counties to retain population and generate economic development.

Some agricultural products do have markets. China, for example, has an enormous demand for pork, and the safety of the meat produced in China has been questioned. In 2014 the Chinese firm Shuanghui International Holdings Ltd. purchased Smithfield Foods, a leading US pork producer. In each previous year since 1996 US pork exports to China increased at an annual average rate of 34.7 percent. This is particularly profitable for pork producers and sellers, as prices in China range from 40 to 100 percent higher than in the United States. Although some in rural areas of the United States felt as if the huge increase in hog production and hog manure came at the expense of local water quality, in general American decision makers viewed using natural capital to produce financial capital through hogs favorably. China protected its domestic hog producers in August of 2014 by banning pork imports from six US processing and six cold-storage facilities due to the presence of ractopamine in the meat. Ractopamine is a beta agonist drug that makes animals leaner but research has linked the drug to several animal health conditions. Further study is needed on its effects on humans, particularly cardiovascular effects. It is banned for use in meat animals in 160 nations, but not in the United States. The Chinese firm that acquired Smithfield will stop their contract suppliers from using ractopamine, and this will lead to an increase in pork imported from their growers, as a Chinese firm can influence the Chinese government to reduce import restrictions for the company's meat.

Because of the safety issues and scandals around Chinese pork production, there is high Chinese consumer demand for pork from developed countries, such as the United States, which are viewed as higher quality. The Shuanghui's distribution network and market information will help increase sales. Finally, more byproducts from pork production will be exported to China, where the taste for pig feet, ears, stomachs, livers, and intestines is high. Although the Chinese will have more and better pork and US hog farmers will earn more, rural areas will deal with the increase in hog manure and the associated health problems related to the prophylactic use of antibiotics needed to keep hogs in confinement healthy. Increased pork sales further exacerbate concentration in the pork-packing industry (factories that slaughter, cut up, and package in shelf-ready packages), and this further decreases competition. As a result, the US and Chinese pork markets are becoming increasingly interdependent (Xia 2015).

Globalization's Impact on Rural Manufacturing

Economic conditions that encouraged US farmers to expand also stimulated the growth of rural manufacturing. Around 1960 relatively mature industries began looking to rural areas for cheaper land, an ample labor supply, and lower wage levels. Decisions to devalue the dollar and shift to a floating currency bolstered this trend. The cheaper dollar made US exports more competitive in world markets. The country's products also became more competitive within domestic markets because it was less costly to manufacture some products at home than to import them from Germany or Japan. The rapid increases in commodity prices that followed OPEC's decision to limit oil production put money in the hands of many developing nations, and their greater purchasing power further increased demand for US products.

Growth in US rural manufacturing employment continued during the 1970s, increasing at an annual rate of about 1.4 percent until 1976. By contrast, manufacturing employment in urban areas was declining at a rate of 1.1 percent per year. The availability of low-wage, hardworking, nonunionized rural labor attracted many light-manufacturing plants. Rural communities invested heavily in industrial parks and infrastructure developments designed to attract industry. Tax abatements, new-job tax credits, training programs, low-interest loans, and a host of local, state, and federal subsidies added more incentives for industry to move to rural areas. High demand, low wages, and inexpensive capital made it profitable for industries to relocate their more routine production activities to rural counties. By 1979 manufacturing had become the largest employer of the rural workforce.

Actions taken to control inflation and stimulate the domestic economy brought this expansion to a halt. Between 1979 and 1982 employment in rural manufacturing dropped 5.6 percent as nearly every state in the nation lost manufacturing jobs in the recession triggered by the Federal Reserve's constriction of the money supply. As the 1980s progressed, the value of the dollar increased, and US goods and services became more expensive on the world market. By the mid-1980s rural areas found themselves in an entirely different economic environment. The strong US dollar made it more difficult for the United States to compete on world markets. To maintain their profits, some companies felt it necessary to move their plants to the developing nations of Mexico, Thailand, and Bangladesh, where labor could be acquired more cheaply. The sustained economic growth of the 1990s resulted in a renewal of nonmetro manufacturing growth, but the comparative advantage that rural areas had over metro ones remained cheap labor. Because the raw materials usually were not locally produced and low-wage labor was employed, the local multipliers for these plants were not very high. Agriculturally related manufacturing plants such as meatpacking and independently owned confinement animal feeding operations (CAFOs) had a greater impact on the rural communities and were less likely to move to developing countries. As the CAFOs became more vertically integrated in the 1990s and 2000s, their impact on the local community decreased as feed and other inputs were no longer locally sourced.

The recessions of 2000–2001 and 2007–2009 shrank the number of rural manufacturing jobs further, as occurred in Nelsonville, Ohio, when Rocky Shoes closed out its manufacturing activities and moved them overseas. In the past, rural areas have led the country out of recessions, but recently they have followed metropolitan areas. Rural communities will need to find innovative ways to enhance local manufacturing companies' productivity and to develop flexible, high-end manufacturing firms and service businesses. Perhaps e-commerce will help in this effort.

Opportunities and Risks: Rural Areas in the Global Economy

Most experts now agree that the world economy has changed and that the US economy is restructuring in response to these changes. Rural communities have become part of this transformation, and although they exert limited control over the nation's fiscal policies and even less control over what are now worldwide capital markets, they can make intelligent choices. Those choices need to be based on a firm understanding of what drives the global economy. This section examines features of the new global economy and their implications for rural communities.

Rural Communities in the Global Economy

The changed global economy has a number of implications for rural communities, some of which have already become obvious. Tariff reductions and present trade agreements make the effects of globalization on rural communities more immediate, contributing to greater volatility in prices for agricultural products and less certainty about the length of tenure of industries in rural areas. The collapse of commodities markets and the flight of manufacturing industries during the 1980s suggest that no single economic activity offers stability to rural communities. These changes also affected urban areas: Pittsburgh, Pennsylvania, had a steel slump, and Detroit, Michigan, lost automobile manufacturing jobs. But because they typically have more diversified economies, cities and surrounding suburban areas often are better able to adapt to changes. Clearly rural communities need to broaden their economic base as protection against the increased uncertainties created by the changing global economy.

Low-wage labor and natural resource exploitation, the traditional strengths of rural economies, today offer little advantage unless the natural resources are sustained and enhanced to offer amenities. The flight of manufacturing jobs to developing nations and the importation of low-wage workers demonstrate that rural labor has been drawn into competition with labor in other countries. The overall decline in blue-collar jobs underscores the futility of capturing low-skill manufacturing industries. Although natural resource extraction and light manufacturing probably will continue to be important contributors to rural economies, the character of these enterprises must change in response to the changed global economy.

The rate at which many natural resources are being depleted is alarming. Communities relying on natural resources for their economic well-being are beginning to emphasize constructive measures for replenishing those resources. In 1991 the Chesapeake Bay oyster industry in Maryland and Virginia, for example, called for a three-year ban on oyster harvesting. The oyster beds, for centuries a source of food and income for Maryland communities around the bay, had been reduced to less than 1 percent of their estimated original stock. Without a complete ban on harvesting to allow the oyster population to reproduce, the entire economic role of the bay would have been altered permanently. The preservation of oysters in the Chesapeake Bay area continues as aquatic reefs are being restored and created. This is a long-term project that planners hoped would enhance oyster reproduction tenfold by 2010. However, the Chesapeake Bay Foundation website suggests that progress has been slower than anticipated; there has been only a doubling of the oyster population to 2 percent of historic levels (Chesapeake Bay Foundation 2011). People are beginning to acknowledge the need for economic practices that maintain rather than deplete finite resources. Choices, both private and public, are being made accordingly.

Natural resource industries, including food producers, are beginning to expand into value-added activities or to look for market niches. Logging communities, for example, are adding small wood-manufacturing operations to existing milling facilities. This enables the community to capture the economic benefit of value-added activities as well as that realized from the extraction of natural resources. It also diversifies the local economy.

Other communities are beginning to make imaginative use of the resources at hand. After decades of trying to rid their fields of milkweed, some farmers in Ogallala, Nebraska, are now harvesting it. The pods are separated from the stalks, and the fibers within are extracted. This "Ogallala down," as it is called, is then used as filler for pillows, quilts, and other household products. These products are being marketed and sold online by various bath and linen businesses as high-priced items. Because Ogallala down is considered hypoallergenic, standard Ogallala down pillows sell for almost $140 each online; comforters are sold for as much as $600. These items have a large target audience because of the many consumers who suffer from allergies.

Local economic planning now takes place within a new context: constant change in a global economy. The world is becoming smaller; people are now global citizens. Cyclical trends in national and global economies affect the stability and growth of even the smallest, remotest rural community. At the same time, improved transportation and communication linkages have increased rural-urban connections, fostering regional and national economic integration. If local planning is to be successful, it must strengthen the international competitive position of local businesses and take advantage of the new opportunities for employment, marketing, tourism, and local cooperation.

The future of rural America may depend on the three As: agriculture and energy, amenities, and *amistades* (friendships). The first two focus on natural and social capital, while the third relates particularly to human and cultural capital. How they are dealt with depends heavily on political capital and which social groups are most successful in mobilizing it.

Agriculture and Energy Policy (Natural and Political Capitals)

How rural areas respond to the threat of global warming and the need for renewable fuels as well as how the food system is configured is central to the future of rural areas. Although agriculture and natural resource extraction employ only somewhat over 1 percent of the US labor force and perhaps 5 percent of the nonmetro labor force, these activities involve the majority of the land area and set limits and offer opportunities for other human activities in this vast region called rural America. Unfortunately, for the short term the choices being made are not very encouraging. The recent spike in commodity prices as a result of the ethanol boom brings factors more in line with the situation of the late 1970s, which led to the farm crisis of the 1980s: high commodity prices that could collapse with a shift in the volatile energy economy, land prices that are being bid up by high commodity prices to levels that equal the late 1970s, increasing federal indebtedness as a result of massive tax cuts, unexpectedly long-lasting foreign military ventures, and sharp increases in energy costs and agricultural commodity prices (USDA/ERS 2014).

However, a number of factors are different: only modest inflationary pressures in the United States and abroad as well as much lower US farmer indebtedness. Also, there is arguably a greater dispersion of international economic power. The consolidation of Europe as an expanded economic and political bloc and counterweight to the United States is noteworthy, as are the emerging economies of Brazil, India, and China.

Two elements of future US national policy will have important worldwide repercussions: farm policy and energy policy. Diversification of policy is important in both areas. Farm policy should be crafted so that there is a safety net for producers of not only the five basic commodities (rice, cotton, corn, wheat, and soybeans) but also fruits and vegetables and that local, organic, and sustainable agriculture are encouraged. Greater diversity of production, consumption of more foods that are raised locally, and more ecological food production result in greater resiliency at the farm and community levels, less production of greenhouse gases (GHGs), less pollution of lakes and streams, and improved soil quality. Similarly, energy policy should give much greater emphasis first to conservation, then to renewable energy (wind, solar) rather than to growing more corn for energy. Corn ethanol, by the most optimistic calculations, uses 75 percent as much fossil fuel in its production as does gasoline and could replace at best 6 percent of the gasoline currently used in the United States—if all corn currently produced were converted to ethanol. The country is already seeing the environmental effects of expanding corn production at the expense of soybeans and other crops and encroachment on Conservation Reserve lands in the projected expansion of the hypoxic zone in the Gulf of Mexico (Brasher 2007). (Corn requires considerably more nitrogen fertilizer than do soybeans, which in fact fix nitrogen [convert it into ammonium]; many midwestern and southern farmers are shifting to a corn-after-corn rotation rather than alternating corn and soybeans.) Concerns are being expressed about reduced wildlife habitat, pollution of lakes and streams, and the amount of land that is being taken out of the Conservation Reserve Program to be put into continuous corn production for ethanol. Thus, instead of exporting corn down the Mississippi River, the United States will import nitrogen fertilizer, a petroleum derivative from overseas, up the Mississippi

River to grow more corn. Of course a great deal of the nitrogen will flow back down the river into the Gulf of Mexico, enlarging the hypoxia zone.

Amenities and Services (Natural and Social Capital)

The coexistence of industrial agriculture and rural amenities is possible but not readily accomplished. Confinement livestock production has perhaps the most notable incompatibility with amenity-focused rural development. Extension field specialists in Iowa report conflicts between farmers and "city people" (those who live in the small towns) as the rural-urban issue highest on their agenda and that of their constituents, and many of those conflicts revolve around livestock confinement operations. The research of Monchuk and colleagues on counties of Iowa and the surrounding states indicates that although growth in livestock sales has a modest positive effect on county income growth (the effect of row-crop agriculture on county income is negative), the contribution of outdoor recreational amenities is more than five times as great (2005, 17–18). Because of the odor of concentrated hog manure, recreational amenities and CAFOs cannot exist cheek by jowl. The presence of CAFOs also is negatively associated with surface water quality (Flora et al. 2007).

Rural communities must enter the digital economy if they want to interact in the global economy. E-commerce, telecommuting, telemedicine, distance education, cell phone access, and other digital technologies yet to be invented or commercialized are a necessary progression if rural areas are to hold their own in the global economy. For many remote areas the physical barriers to phone lines and telecommunications services are palpable. However, farmers and agribusinesses are already marketing agricultural products on the Internet. Fertilizer, chemicals, seeds, produce, equipment, and livestock are all advertised and sold online.

Online transactions allow consumers to arrange for shipping and the transfer of funds without personal contact, which is a growing business practice across the country. Rural businesses that do not participate in e-commerce run the risk of being thought outdated by consumers and other businesses. Experts see a need for rural businesses to catch up with the global economy if they do not participate in e-commerce now. However, personal communication and building social capital are still necessary components of business practices. Personal contact and e-commerce can work hand in glove.

Under the present policy regime e-commerce is a double-edged sword for rural communities in that it has been protected from taxation since 1998 by the Internet Tax Freedom Act. The Internet Tax Nondiscrimination Act of 2001 extended this moratorium on taxation, and the more goods are sold over the Internet, the more local communities are adversely affected. The Internet is becoming a basic component of all businesses. The digital divide must be closed if rural companies are to compete in a global economy.

The larger issue that concerns many social scientists is the relationship between development and equality. Can the shift to a global economy lead to greater equality among people? Increasingly sociologists are looking at the impact that investment and trade dependence have on indicators of quality of life: nutrition, health services, mortality, and education. Closing the gap in education and health care with digital capabilities is a way to alleviate the negative effects of remoteness, distance, and shifting demographics. Distance learning, which bridges educational gaps for adult learners, is available in rural communities. Telemedicine is an advance that allows rural physicians to teleconference with specialists. These advances in technology suggest that development, if defined as increased linkages to the world system, need not always increase inequality, particularly if that development is embedded in a policy framework that focuses on equal access.

Amistades (Cultural and Financial Capital)

Should rural communities' increasing cultural diversity be viewed as an asset or a liability? Many rural counties in the United States would have lost population had it not been for the increase in Hispanic immigrants. The immigrants increase not only the numbers of people but also the dynamics and productivity of the rural population. Immigrants are considerably younger, a higher percentage are of working age, and, largely because of the age difference, have an average of one more child in the household than do native-born families. The other difference is level of education, which is considerably lower than that of native-born residents. Rural communities and the states will have to invest considerable resources in educating immigrant children and adults to ensure that they become as productive as the native-born population (Johnson and Lichter 2008).

Immigration from Mexico and Central America in particular poses a dilemma for the country as a whole, but the contradiction is even greater in rural areas: On the one hand, immigrants are repopulating certain rural communities and filling jobs that would otherwise go unfilled because of the scarcity of native persons in the early productive age groups. They also are reinvigorating schools with declining enrollments, fixing up old houses, becoming new homeowners, starting new businesses, and filling local tax coffers. On the other hand, they pose a challenge to the schools because of the expense of accommodating ELLs, to the hospitals because of their heavy use of emergency rooms because they lack health insurance, and to soup kitchens and food pantries because of the low wages many of them receive and the seasonal nature of their work. If immigrants became legal residents, they perhaps would make a substantial claim on social welfare resources (those who are not documented or are but have been in the country fewer than five years are not eligible for many public social services). In addition, unauthorized workers often pay social security and withholding tax that they will never be able to claim, take low-paying jobs, and fail to claim Earned Income Tax Credits because they don't know about them or because they do not file tax returns and, thus, their tax payments remain in the federal and state treasuries.

Finally, for a society that knows little about people of other cultures because of the size and wealth of its own country, the parochialism of its mass media, and the chauvinism of many of its leaders, having the opportunity to get to know people of another culture is very valuable. How rural communities view the newcomers will determine whether those communities prosper through a vibrant labor force and new economic ventures or spend much of their social and political capital in conflict, deporting millions of people to their countries of origin.

Chapter Summary

Worldwide economic restructuring is affecting rural communities. Historically, rural areas were linked to international markets by the natural resources they exported and the labor they imported. The character of these linkages has changed dramatically in recent decades. E-commerce has had a huge impact on global links.

Since the close of World War II national economies have been moving toward integration into a global economy. The shift from a fixed exchange rate (the Bretton Woods Agreement) to a floating exchange rate (the Smithsonian Agreement) reduced controls on international currency. Capital now moves easily from one country to another. OPEC's decision to limit oil production in the early 1970s eventually led to increased production of commodities, drawing more competitors into international markets. Finally, steps taken to control inflation and stimulate the US economy ultimately led to an economic recession worldwide. National economies are now linked to one another digitally and physically. The events of September 11, 2001, have since limited and negatively affected international tourism, which has interrupted some cash and cultural flows between countries.

The events that signaled the transition to a global economy have had an impact on rural communities. The farm crisis of the 1980s was triggered in part by the same series of events. The expansion in commodities production created by OPEC's decision to limit oil production encouraged farm lending. Steps taken to control inflation and stimulate the local economy later made it impossible for those who had expanded their farm operations to service their debt load. Similar conditions encouraged manufacturing companies to move their operations to rural areas and then, more recently, to foreign countries. Imported labor has become a feature of rural community life.

The world economy has changed dramatically in the last decades, and the US economy is restructuring in response to these changes. Features of the new global economy are that (1) manufacturing production is less dependent on labor, (2) the movement of capital is the driving force in the world economy, and (3) the development of instantaneous communication among knowledge centers around the world and the development of e-commerce have allowed for the physical separation of production and marketing components, which was impossible even as recently as the early 1990s. In this changed economic environment rural communities need to diversify their economies, must be creative in locating market niches or finding new uses for existing resources, and need to develop regional, national, and international linkages that help local businesses remain competitive.

Key Terms

Commodities are natural resources or manufactured products bought or sold on markets.

Devaluation of a currency is a decrease in the value of that currency in relation to other countries' currencies. Devaluation used to occur when the exchange rate changed in such a way that more gold was required to equal the same unit of currency; now it occurs when more of a *particular* currency must be used to buy other currencies.

In the context of real estate *equity* is the difference between the current market value of the property and the amount the owner still owes on the mortgage. It is the amount that the owner would receive after selling a property and paying off the mortgage.

The *exchange rate* is the amount of one currency needed to purchase another currency. Exchange rates vary from source to source for commercial reasons. Banks, credit card companies, and other providers of exchange-rate information will likely have rates that differ from those provided by the Federal Reserve Bank. When an exchange rate is high, imports are cheap, and a country's exports are less competitive on the world market. When an exchange rate is low, imports become expensive, and it is easier to sell products on the world market. Market mechanisms—supply and demand—increasingly determine exchange rates, although governments often intervene by either buying or selling their own currency when they see their currency changing in value.

Financialization is the increasing dominance of the financial sector as a share of economic activity and of the financial industry in influencing the direction of the economy.

Fixed exchange rates establish a fixed standard against which one currency can be exchanged with another. The Bretton Woods Agreement of 1944 fixed the price of the US dollar relative to gold.

Floating exchange rates allow the value of one currency to change relative to another in response to the demand for and the availability of currencies.

Inflation occurs when the currency in circulation or the availability of credit increases, leading to a sharp rise in prices.

Neoliberal policies liberate private enterprise from government rules, including favoring international trade and investment through free movement of capital, goods, and services; weakening the power of organized labor; cutting public expenditure for social services such as education, health care, and welfare for the poor; deregulating banks and industry; privatizing services previously provided by the government such as prisons, Social Security, and the welfare system; and focusing on individual responsibility rather than the public good. Powerful financial institutions, such as the International Monetary Fund, the World Bank, and the Inter-American Development Bank as well as the US government demand the implementation of these policies as a condition for bestowing international financial assistance.

A *recession* typically is defined as an overall slowing of economic activity. Because there are many measures of economic activity as well as what constitutes a "slowing," there can be many definitions of what exactly constitutes a recession. The National Bureau of Economic Research, a nonprofit organization that assigns dates to the beginning and end of downturns, defines a recession as "a period of declining output and employment."

Subprime lending refers to making loans to borrowers who do not qualify for the best market interest rates because of problems in their credit history. Because the loans are risky for lenders, interest rates are higher, making it more difficult for borrowers to repay.

Discussion Questions

1. In what ways does the value of the dollar compared to other currencies affect rural communities? Do changing exchange rates affect different communities in different ways?
2. What kind of linkages might be useful in helping rural communities adapt to the global economy?
3. What are ways that globalization affects the community that you have chosen to analyze?

Web Resources

- Watch *Think Globally* at "Rural Communities: Legacy and Change," Annenberg Learner, www.learner.org/resources/series7.html#. This video addresses strategies rural communities can use to adapt their labor force to the global economy. Southeast Asians move to Kansas to work in a factory, and women in the Dominican Republic sew shoes for Rocky Shoes, a manufacturer in Ohio.
- Rocky Community Improvement Fund (RCIF): website at Rocky Brands, www.rockybrands.com/about/rocky-community-improvement-fund.
- Watch "*Locked Out*" by Joan Sekler, 2011, 58 min. 45 sec., YouTube, www.youtube.com/watch?v=okgfgxGgw6Q. Rio Tinto, a global mining firm, tried to cut wages and benefits of unionized miners and to "flexibilize" their employment at the open-pit borax plant in the Mojave Desert town of Boron, California, population two thousand. When the workers refused these terms, Rio Tinto locked them out of their jobs and hired replacements. The miners and their families organized a mass support system, both in the United States and abroad, and won. The film chronicles the four-month struggle.
- World Trade Organization (WTO), at www.wto.org/index.htm.
- To see the number and characteristics of immigrants to your state, check out the Migration Policy Institute: "State Immigration Data Profiles," MPI, www.migrationpolicy.org/programs/data-hub/state-immigration-data-profiles.
- To explore changes in commodity prices and create charts that compare different commodities, go to "Commodity Prices," Index Mundi, www.indexmundi.com/commodities.

- To look at US foreign trade in general and with specific countries, go to "Foreign Trade," US Census, www.census.gov/foreign-trade and look at data.
- Use this interactive map to see migrant population worldwide by country of origin and destination: "Maps of Immigrants and Emigrants Around the World," MPI, www.migrationpolicy.org/programs/data-hub/maps-immigrants-and-emigrants-around-world.
- For a discussion of the geographic distribution of unauthorized immigrants within the United States, see Jeffrey S. Passel and D'Very Cohn, "Unauthorized Immigrant Totals Rise in 7 States, Fall in 14," Pew Research Center, November 18, 2014, www.pewhispanic.org/2014/11/18/unauthorized-immigrant-totals-rise-in-7-states-fall-in-14.
- For a summary of the different studies on the economic impact of immigration at the state and local level, see "Assessing the Economic Impact of Immigrations at the State and Local Level," Immigration Policy Center, www.immigrationpolicy.org/just-facts/assessing-economic-impact-immigration-state-and-local-level.

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10

Consumption in Rural America

It is almost 6:00 p.m. as the Archer family settles down to the Tuesday evening meal. They live in a rural community about sixty miles from a metropolitan area. Susan Archer produces small metal parts for automobile air conditioners at the local manufacturing plant. Her shift began at 7:00 am and ended at 4:30 p.m. Her husband, Dan, just came in from his job as an auto mechanic at a local car dealership. They and their three children crowd around the Formica table where Jill, age six, says grace. Susan sets on the table a large bowl of salad greens taken out of a bag that says "triple washed" and tops it with the package of dressing and croutons that came inside. The evening meal and the conversation begin in earnest.

Eric, thirteen years old, opens with a plea for some new athletic shoes. He is trying out for the middle-school basketball team and asserts that he needs a particular pair, a brand-name shoe endorsed by a professional basketball star. Dan grouses at this request: "Jeez, Eric, those shoes cost a bundle, and they aren't any better than a pair that's half that price. Besides, you'll grow out of them by spring." Eric is visibly upset and begins listing the shoe's features, adding, "And the other guys have already bought theirs!"

Susan finally intervenes on Dan's behalf. She points out that the pair Eric wants is equivalent to about twenty hours of her take-home pay. She then suggests that the family will pay for part of the expensive brand-name shoes if Eric pays the rest with his wages from his part-time job with a neighbor, who has a dog-grooming business at home. Eric quickly calculates the difference and estimates that the shoes will cost him about eight weeks' work. A deal is struck.

Dan is curious about where Eric is going to go to buy these sneakers because none of the local merchants carries the expensive brand. Eric smiles and says he can get them on the Internet, which he will access at the public library because high-speed Internet does not make the last mile to their country residence, if his parents will let him use their credit card. He knows they have it only for emergencies, but he figures this may qualify as one. His parents disagree, saying that they will not use their credit card to buy shoes for growing feet. Eric mentions that they are sold at the Central City Mall, about an hour's drive away. Susan asks him how he will get there and who will take him. After a brief silence, Eric says he'll buy them on the next trip the family makes there. He can wait; they usually go to Central City about every fourth weekend. Susan nods quietly as she glances at Dan.

There is an insistent ding from the microwave oven. The main course is ready. Susan gets up and pulls out a large frozen-food package consisting of turkey and gravy. The peas, also from the freezer, are already on the table. Then she scrapes the instant rice out of a pot on the stove into a bowl that she also sets on the table. She puts the pot in the sink to wash after dinner, which she will do with water from their well.

Eric's plea for new shoes seems to have had a positive result, so Jake, ten years old, makes his pitch to get an iPad when they make their trip to the mall. He says, "An iPad is a great way to watch YouTube and other videos. And I can take pictures with it!"

Dan's head jerks up. "Do you realize that you would have to get an Internet account, which would not even work at home, and have to pay a monthly fee to be able to download the things you want to watch?"

Jake sighs, rolling his eyes. His parents clearly do not understand how important it is to watch the newest thing. "But I know I would use it all the time, and it's really fun, because I tried it out at Sam's house!" Dan asks how much it costs, and Jake tells him that he could buy it on Amazon for only $199 used.

Jake's mother ends the conversation by saying, "We are not talking about that right now." Dan shakes his head in disbelief over the price and the constant broadband access fees. Susan is concerned because Jake is heavy for his age, and more screen time on an iPad means less time being active outdoors.

After cleaning up the dishes, Jake takes the day's trash out to the garbage can and then takes the can to the road for the Wednesday-morning pickup. The two bags join others full of discarded aluminum foil, newspapers, jars, and plastic containers. None of the garbage is sorted for recycling because the town of two thousand has no recycling program. The garbage will end up in a landfill about five miles away.

What a difference from a hundred years ago! The majority of rural North American and western European consumers in the early 1900s either grew their own food or purchased it raw and unprocessed. The homemaker cooked over a wood-burning stove in a house with no indoor plumbing, no mechanical refrigeration or freezing, and no electricity. Centuries-old food-preservation techniques were commonly used: drying, salting, smoking, or storage in root cellars. Up to 50 percent of a household's disposable income and an equal proportion of a household's labor were needed simply to eat. Moreover, the common diet was extremely unhealthy, with an excess of salt and fat and a lack of fresh fruits and vegetables (Cotterill 2001).

What we buy and consume has changed as dramatically as the way in which goods and services are produced. Most people are disconnected from the source of what they consume; even most farmers do not directly consume what they produce. Most Americans are capable of sustaining healthier diets for a smaller proportion of their disposable income than in the past. More items that once were produced at home are now available for purchase: bread, clothing, suntans, and even fingernails. People often work in buildings with windows that do not open; process enormous amounts of information on personal computers, iPads, or even smartphones; and access weather information on computers that are based on satellite pictures only minutes old. Most people drive automobiles and rely on in-home, high-tech sound equipment; digital recorders, television, compact disc players and recorders; and web-available music for entertainment. Rural grandparents in the Midwest receive photo images or videos of their grandchildren in Dallas, Texas, sent from and to smartphones. Current consumption habits were not even imaginable just a few years ago.

Consumption has many faces: inputs used for production, needs for day-to-day living, preferences for leisure time, and confirmation of personal identity. As the Archer family illustrates, consumption starts with natural and synthetic inputs and ends with landfills, both of which are important to rural communities. This chapter explores various facets of rural residents' consumption patterns and how and why those patterns have changed in rural areas.

Consumption and American Exceptionalism

Consumption is an essential component of the economic growth model that prevails in the United States and in other parts of the developed world. The United States is the example par excellence of a consumer society, which has to do with our unique history, sometimes referred to as *American exceptionalism*. Richard Wolff (2013), an economist, defines American exceptionalism as a period of fifteen decades that extends into the 1970s in which American workers have experienced improved wages in relation to the cost of living. Thus the expectation developed in each generation that its offspring would and should be better off materially than the parents. This expectation is sometimes called the American Dream. Therefore, the material and symbolic components of American exceptionalism went hand in hand: the American Dream was only possible because of rising wages. Further, American exceptionalism was experienced primarily by the dominant groups in the society, those who at any historical moment were defined as white; slaves, Native Americans, racial minorities, and the most recently arrived group of immigrants from Europe or Asia at any moment in time did not experience the American Dream.

The material aspects of American exceptionalism were due to a combination of factors:

- Abundant and high-quality land (as well as fossil fuels and minerals) was available for the taking—or at modest prices. Indeed, the land and the mineral wealth below it *were taken* from the native peoples that EuroAmericans encountered.
- A shortage of labor in the Midwest, Great Plains, and the intermountain West contributed to egalitarian settlement patterns in a great portion of the country (see Chapter 4 for more detail about rural settlement patterns in the nineteenth and early twentieth century). Most notably after the Civil War, productive farmers mined soil fertility from the vast prairies of the farm belt, providing cheap food to the rapidly developing industrial towns and cities.
- During and after the Civil War government policies favoring and educating the farmer and working classes supported growth of egalitarian farms and small towns (except in the South and in the agricultural valleys of California and South Texas). Yeoman farmers and small-town craftsmen and businesspersons spawned new mechanical innovations in their garages and machine sheds that fed into a dynamic urban industrial sector. After the closing of the frontier, farm and small-town youth began migrating to the cities of the North and West, providing (along with recent European immigrants) a skilled and knowledgeable work force for the growing industrial cities.
- The two World Wars, although engaged in by US soldiers, were fought on European, Asian, and North African soil. Thus the United States emerged from both wars with enhanced industrial and financial capability, with European rivals for commercial dominance weakened and in need of US goods. The post–World War II period was particularly good for working people. It was a period of US economic and political dominance in the world, growing productivity, the highest rates of

> unionization of the work force, an amazing expansion in higher education, and relatively low social and economic inequality.

The advancement of the working class (not without struggle to form unions) and a middle class of small businesspersons, local bureaucrats, clerks, and professionals that expanded alongside the thriving workshops and industrial plants were all brought together by the glue of a raw, fresh, and diverse group of advertisers and flimflam men (they *were* mostly men) who stimulated demand for goods and services of all kinds. Thus, most notably in the early part of the twentieth century, rural Main Street prospered alongside the bustling cities in symbiotic fashion. The largest group with unrealized potential to participate as consumers in this dynamic economy was the yeoman farmers. The productive land generated a surplus of commodities, which meant frequent low prices. They often lived on isolated farmsteads, which disadvantaged the women in particular. The frequency with which children arrived to later become major contributors of labor on the farm and the drudgery of farm work due to the peculiar combination of commercial and subsistence agriculture practiced on the frontier often led women and men to participate in social movements, sometimes resulting in better conditions. Farmers were brought into the consumer society belatedly, but they were too large a group to ignore.

Because persons with low and middle incomes consume a higher proportion of their income than do the wealthy, income within society must be fairly widely distributed to stimulate demand under capitalism. It is also important that money be saved so it can be invested in productive activities. In general, except in recessions, there is not a shortage of savings available for investment, as captains of industry and bankers always made sure that they and their firms receive what they consider their "fair share" of the monetary rewards from an ever-expanding economy. They consciously "educate" the rest of the nation about their central role in the nation's economy and the requirement that there be ample (private) investment capital to ensure that the economy continues to grow and generate jobs for the working and middle classes.

This particular variety of capitalism, generally known as supply-side economics (detractors called it trickle-down economics), was a central underpinning of American exceptionalism. But to label it as an *economic* system is much too limiting. It is a self-confirming belief system (a form of cultural capital) that those who are most rewarded by the economic system are really helping us all by providing jobs and economic growth, and those who may occasionally be harmed by that system (populist farmers, labor "agitators," desperate farm workers and share croppers, and poor people in general) and protest that inequality are self-centered. Through the lens of this belief system, these farmers, farm workers, industrial workers, and shiftless hobos simply fail to recognize the selfless contribution to the greatest good for the greatest number made by captains of industry and finance.

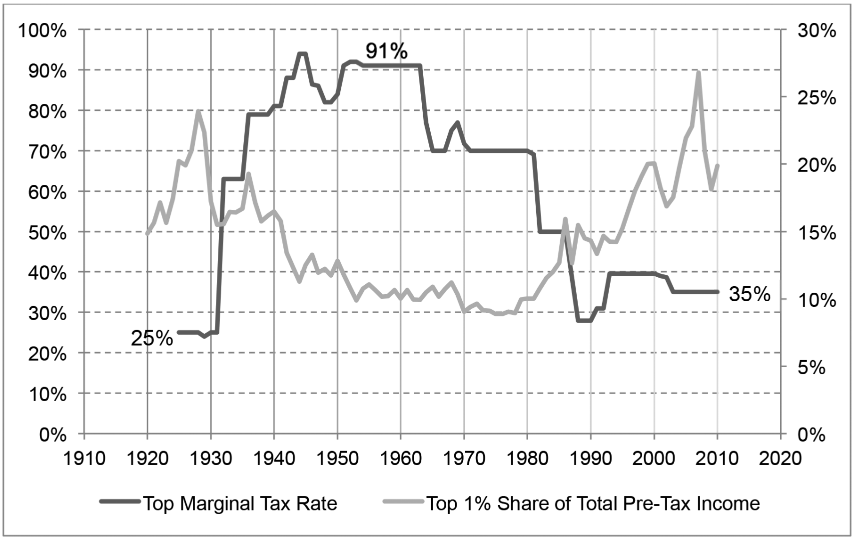
At no time in the past was American exceptionalism embraced more than in the 1920s. The United States had emerged from World War I as the undisputed leader of the world. The European powers emerged from the war prostrate and deeply in debt, mainly to the United States. The dollar had replaced the pound sterling as the primary international medium of exchange, Germany was saddled with financial obligations to the Allies for having lost the war, and Russia had experienced a Communist revolution as a result of the chaos of World War I and was focused on internal power struggles and rebuilding and reshaping physical and social infrastructure. Although the US agricultural depression that followed World War I extended throughout the 1920s, the US industrial economy and financial sector boomed throughout the 1920s as Europe was gradually rebuilt. Wall Street reached new heights in profits, and investors began to talk about a permanent plateau for the stock market. But what we now see as the "irrational exuberance" (the term used by former chairman of the Federal Reserve Alan Greenspan to describe the climb of the stock market in the early 2000s) of the stock market came to an end with Black Thursday (October 24, 1929) and the knockout blow of Black Tuesday (October 29, 1929).

The ensuing depression lasted more than a decade and only ended completely with the US entrance into World War II. Much as had occurred after World War I, the United States emerged from World War II even more strongly as the leader of the capitalist world. Unlike for most of Europe, the war had not been fought on US soil. Not only was its infrastructure intact, but the war industry was also quickly converted to producing civilian goods. Bombs factories began to make fertilizer and agricultural chemicals. Auto factories that had made tanks, jeeps, and planes were reconverted to their original purpose. But another important legacy of the Franklin Roosevelt administration was the laws, institutions, and agencies of the New Deal, passed during the Great Depression. Initiated in 1933, the New Deal was only partly successful in righting the economy, but it did a number of things that set the stage for a postwar expansion in which wages rose parallel with labor productivity:

- The National Labor Relations Act was passed in response to labor activism. It ensured a strong union movement after the war and allowed wages even in nonunion firms to keep up with productivity gains until the mid-1970s.

- The Glass-Steagall Act, passed in the first hundred days of Roosevelt's presidency (1933), reduced the risk of future banking crises and helped keep the US economy on an even keel, with only moderate size-recessions through most of the 1970s, allowing the working and middle classes to improve their economic well-being each decade for over three decades after World War II. After 1970 wage and salaried workers experienced a declining share of the national income, falling from over 51 percent of total personal income in 1970 to below 42 percent in 2012. Investors and proprietors gained what workers and salaried personnel lost.
- Core provisions of Glass-Steagall (1) prohibited commercial banks (federally and state-chartered banks affiliated with the Federal Reserve System) from being affiliated with firms whose primary purpose was trading securities and (2) prohibited banks that traded securities (investment banks) from taking deposits. Beginning in the mid-1960s bank lobbyists, legislators, and regulators began whittling away at the space between the two kinds of banks. The omission of savings and loan banks from the interest-rate provisions of Glass-Steagall may have contributed to the S&L crisis of the late 1980s and early 1990s. The effort to allow commercial and investment banks to merge accelerated under the Reagan and Bush Sr. administrations when a number of "exceptions" were allowed so the largest banks could control investment and brokerage firms. The final nail in the coffin of Glass-Steagall was the outright repeal of its core provisions in 1999 in a bill signed into law by Bill Clinton. Although it may not be feasible to bring Glass-Steagall back today, the undermining and repeal of its core provisions in the past quarter-century contributed to the Great Recession of 2007–2009 and its aftermath. One cannot blame the demise of Glass-Steagall on either Democrats or Republicans—the effort was truly bipartisan.
- Progressive tax policies during the Great Depression—but particularly during World War II—had a major effect on keeping inequality in check until the 1980s and the Reagan administration, when middle-class wage earners began paying at least as high a proportion of their income in taxes as wealthier people did. Figure 10.1 juxtaposes the tax rate for the highest tax bracket over income inequality for the period from the establishment of the income tax in 1913 to the present. One can see that in general there is a negative relationship between the two, and the decline in the top marginal tax rate precedes the growth in inequality, here measured as the income share of the top 1 percent of taxpayers.

Figure 10.1 Top marginal tax rate and income inequality, 1929–2010.



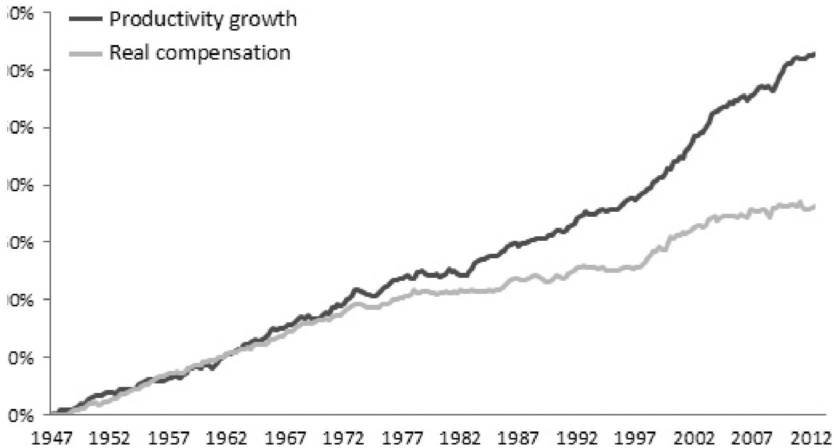
Sources: Adapted from Tax Policy Center, "Historical Highest Marginal Income Tax Rates," available: http://www.taxpolicycenter.org/taxfacts/Content/PDF/toprate_historical.pdf

Data from Eugene Steuerle, The Urban Institute; Joseph Pechman, Federal Tax Policy; Joint Committee on Taxation, Summary of Conference Agreement on the Jobs and Growth Tax Relief Reconciliation Act of 2003, JCX-54-03, May 22, 2003; IRS Revenue Procedures, various years.

The End of American Exceptionalism

The New Deal and World War II policies that reduced inequalities were slowly dismantled, beginning after World War II but accelerating in the 1970s and 1980s, resulting in unequal distribution of income and wealth today that rivals the Roaring Twenties. In retrospect we clearly see that after the mid-1970s the United States faced the challenge of generating sufficient demand as the middle class began to shrink. That may explain the executive branch's focus, regardless of the party in power, on multilateral and bilateral trade treaties such as the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA), as the United States sought to expand its overseas markets to make up for the stagnation of the home market. Since the mid-1970s economic growth and productivity have continued to increase, but wages and salaries of working- and middle-class persons have not kept pace with worker productivity (see Figure 10.2). Some have been pushed into poverty. With the collapse of the housing market and the ensuing Great Recession, these trends have resulted in a "hollowing out" of the middle class.

FIGURE 10.2 Growth in productivity and in real compensation.



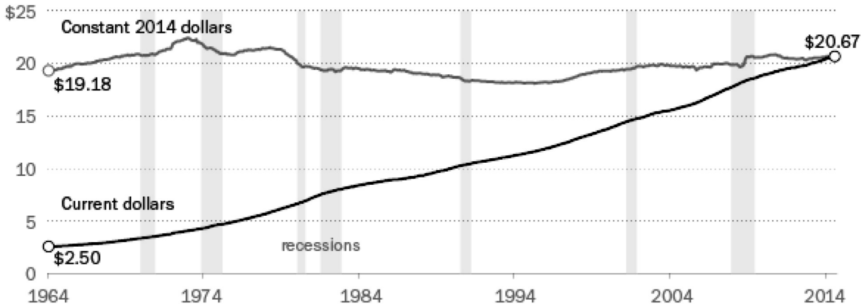
Source: Landy, Benjamin. 2012. "Graph: Does Productivity Growth Still Benefit the American Worker?" The Century Foundation. August 14. http://tcf.org/blog/detail/graph-of-the-day-does-productivity-growth-still-benefit-the-american-worker.. Data from the Federal Reserve Bank of St. Louis, US Department of Labor, Bureau of Labor Statistics.

Increasingly since the Great Recession not only the quality of jobs but also the quantity of jobs has not kept up with the growth in the workforce and more people—disproportionately children and racial and ethnic minorities but also those from the white working, middle, and lower echelons of the middle class—are plunged into poverty or teeter on its brink. This can be seen clearly when we separate wages and salaries of nonsupervisory workers from those of the managerial class.

Figure 10.3 shows that wages and salaries of workers in nonsupervisory positions have been at best flat since their peak in January 1973. The effect of the Great Recession and the slow recovery of employment can be seen even more starkly by comparing median household income in 2007, the last year before the recession began, with that of 2013 (see Table 10.1). The decline is substantial, particularly in suburban areas, which had the highest proportion of houses that were "under water"—that is, when the buyer held a greater debt on a house than its current postcrash value. Nonmetro households experienced a 6 percent decline in median household income over the six-year period, similar to the decline experienced in the principal cities of metropolitan areas.

The stimulus package that was passed in 2009 generated jobs and supplemented incomes temporarily, thereby increasing demand, but by 2011 the effects of the stimulus had largely dissipated. The cut in public-sector jobs,

Figure 10.3 Real average hourly earnings of production and nonsupervisory employees, private sector, 1964–2014.



Source: Desilver, Drew. 2014. "For Most Workers, Real Wages Have Barely Budged for Decades." FactTank, Pew Research Center. October 9. www.pewresearch.org/fact-tank/2014/10/09/for-most-workers-real-wages-have-barely-budged-for-decades.

which resulted from a misplaced push to reduce the federal deficit, also slowed the recovery. In 2013 and 2014 a number of states increased the minimum wage, but resistance in the US House stymied efforts to raise it nationwide.

Wolff (2013) and Reich (2013) point out several factors that contributed to the parting of the ways of productivity and wages that, as seen in Figure 10.2, begins to occur in 1973:

New competitors emerged to challenge US industrial dominance. Our strongest industrial competitors became Japan and Germany, the countries we had defeated in World War II and that we had rehabilitated in the interest of securing world peace. They built heavy-industry facilities that were much more efficient than the thirty-plus-year-old steel mills and auto factories that formed the core of the US industrial infrastructure. China, with its turn to a market economy at the beginning of the 1980s, became an export-oriented producer of consumer products and quickly entered the US market. Cheaper labor was a factor in the movement of industrial activities to developing countries. In the late 1970s and early 1980s US firms began moving the most labor-intensive parts of their operations to developing countries where they could take advantage of cheaper labor, and tax laws facilitated their movement overseas. This is not a good situation for middle- and low-income Americans because it reduces job opportunities as well as tax revenues for discretionary programs that might benefit these groups.

But for the economy to grow, which is necessary if profits are to increase, consumption must grow. Because the working and middle classes were not

Table 10.1 Change in median household income by rural-urban residence, 2007–2013.

	2007		*2013*		*Percentage change in real median income (2007-2013)*
		Median income (2013 dollars)		*Median income (2013 dollars)*	
Residence	*Number (thousands)*	*Estimate*	*Number (thousands)*	*Estimate*	*Estimate*
Inside MSA	97,591	58,232	103,573	54,042	-7.2
Inside principal cities	39,072	49,664	41,359	46,778	-5.8
Outside principal cities	58,520	64,538	62,213	59,497	-7.8
Outside MSA (rural)	19,192	45,631	19,379	42,881	-6.0

Note: MSA = metropolitan statistical area.

Source: US Census Bureau, Current Population Reports Series P-60, 2007 and 2013 (issued August 2008 and September 2014, respectively).

receiving any of the gains from their increased productivity, consumption could be maintained in one of two ways: either families had to work more hours or they had to go into debt to buy consumer goods to keep the economy growing. Both happened.

Labor union membership declined. Labor union membership as a share of employment peaked in 1945 and again in 1954, reaching about 35 percent of all wage and salary workers in both instances (Figure 10.4). Then it began a steady march downward, reaching a low of 11 percent in 2013 and 7 percent among private-sector wage and salary workers (US Department of Labor 2014). The reasons for this dramatic decline include the fact that all industrial workers—whether unionized or not—were doing well in 1978, when their salaries began to lag behind increases in productivity; a business-dominated press that was hostile to unions by painting them as procommunist from the beginning of the Cold War onward; the passage of the Taft-Hartley Act of 1947, which led many states to pass so-called right-to-work laws; private employers began hiring consultants to run campaigns to defeat union-recognition votes; and local union leaders who were content with the status quo—as long as the companies *they* worked for remained unionized.

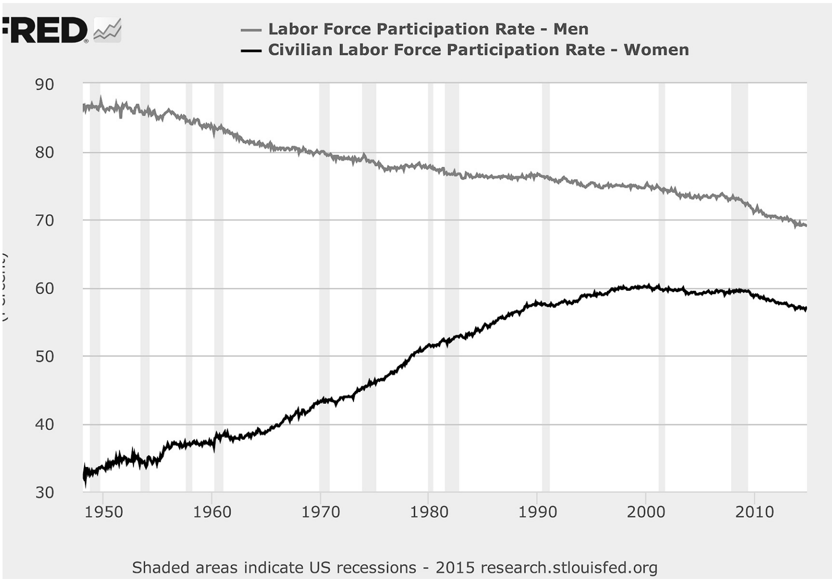
Figure 10.4 Union membership as a percentage of employment, 1930–2003.

Source: Mayer 2004.

Labor unions were never very strong in rural areas, with the major exception of miners' unions in places like McDowell County, and partly for that reason rural industrial wages remained well below wages received by their urban counterparts. In rural areas local businesspersons and farmers integrated the labor leader corruption that they had read about in their newspapers into their anti-urban perspective.

Women's participation in the workforce increased. In the early part of the postwar expansion many middle-class families, especially those in the suburbs, were able to live comfortably with a single wage earner—usually the male—as wages grew alongside labor productivity. However, in the 1950s women once again began entering the workforce in massive numbers as they had in World War II. In 1948 about one-third of women over the age of sixteen were in the workforce. The percentage grew steadily, with modest dips during recessions, until it reached 60.1 percent in December 1997. The rate leveled off and remained near the 60 percent level until the Great Recession hit. October 2008

Figure 10.5 Civilian labor force participation rate, women and men, age sixteen-plus, 1948–2014.



Source: US Federal Reserve Bank of St. Louis, Civilian Labor Force Participation Rate—Men, 1948–2014 (Graph), http://research.stlouisfed.org/fred2/series/LNS11300001; US Federal Reserve Bank of St. Louis, Civilian Labor Force Participation Rate—Women, 1948–2014 (Graph), http://research.stlouisfed.org/fred2/series/LNS11300002.

marked the beginning of a modest but steady decline in women's labor force participation. It hovered around 57 percent through most of 2014 (see Figure 10.5). Men's labor force participation rate declined gradually by about 15 percentage points from the early 1950s to the beginning of the Great Recession, when the decline became steeper, crossing below the 70 percent line sometime in 2013. Men's participation is still a dozen points above that of women.

After the mid-1970s the most probable reason that increasing numbers of women in two-adult households entered the labor force was so that the family might afford the lifestyle they desired or the culture (and the advertising industry) told them they should strive for. The steepest part of the upward curve of women's labor participation rate is between 1973 and 1980, when labor productivity and wages began to diverge: labor productivity increased, but wages did not.

It is clear that in the twenty-first century it takes more than one income earner in a household to make what one alone could earn in the 1950s. Reduced earning power of working- and middle-class men led to more women entering the labor force. The increased proportion of women working outside the home means that less time was available for household production, such as gardening, food preparation and preservation, the making and maintenance of clothing, housecleaning, and child supervision. Outsourcing these goods and services previously provided by unpaid household labor has contributed to an expansion of the consumer goods and service sectors. Not surprisingly, it has increased the amount of money a household needs to have.

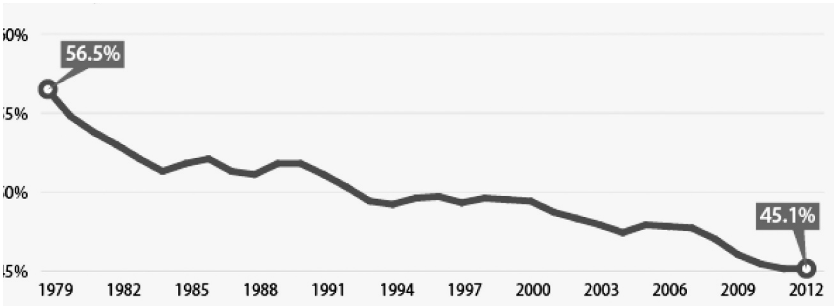
The Archer family is a typical American family. Both parents work. This puts a strain on both spouses in fulfilling traditional role expectations, but it is particularly stressful for women. Women may have entered the workplace, but there is little evidence that they have transferred many of their traditional caretaker roles to other members of the family. Women are still the primary caregivers; they continue to prepare meals, take care of the laundry, and look after the children. For women who are single heads of households, especially those in or near poverty, the burden of being both wage earner and caregiver can be a tremendous source of stress. To cope with their increased time in the workplace while continuing to shoulder their traditional caregiving roles, women have changed their consumption patterns. Evidence of this is the growth of convenience foods and the popularity of microwave ovens, to which Susan Archer can attest.

In rural areas lack of child care has put a special burden on female-headed families, which are an increasing proportion of the rural population (although still a smaller share than in the urban population) and are much more likely to be living in poverty than is true of other family types.

Thus women's increased labor force participation rates contributed to the maintenance of the consumer society, even though wages of nonmanagement workers leveled off in the 1970s. Women and men began working more jobs and more hours. Lawrence Mishel (2013) did a careful analysis of current population survey data and drew the following conclusions regarding the increase in number of hours worked by middle-income (defined as those in the middle quintile or middle fifth of the income scale) American workers during the period 1979 to 2007:

- The average middle-income worker worked 1,868 hours in 2007, an increase of 181 hours from the 1979 work year of 1,687 hours. This was an increase of 10.7 percent, equivalent to every worker working 4.5 more weeks per year.
- For these middle-income households 85 percent of the increase in household income was due to more hours worked and only 15 percent was due to higher wages. For the fifth of the population just below the middle group, 99 percent of their increase in income came from increased hours worked within the household (Mishel et al. 2012, Table 2.16, updated).

Figure 10.6 Percent of households ages twenty-five to sixty-four earning within 50 percent above or below the median income, 1979–2012.



Note: Income measure includes both earned and unearned income.

Source: Miller, Keith, and David Madland. 2014. "As Income Inequality Rises, America's Middle Class Shrinks," Center for American Progress, December 18, https://www.americanprogress.org/issues/economy/news/2014/12/18/101790/as-income-inequality-rises-americas-middle-class-shrinks/.

- Average yearly work hours expanded much more for women (20 percent) than for men (4 percent) from 1979 to 2007. Federal welfare reform, passed in 1996, may have contributed to this substantial increase in hours worked by women—along with consumerism.

Even with the efforts just discussed—massive entry of women into the labor force and adult members of families working more jobs and longer hours—the proportion of working-age households that are middle class has eroded. Figure 10.6 shows the proportion of working-age households that are within one-half and one and a half times the median income over time. With time a larger share of households have either gone below or above that broad band of income levels that one might call the middle class. As the authors point out, by this definition the middle-income households have gone from being a strong majority (56.5 percent in 1979) to a minority (45.1 percent in 2012) of working-age households whose head is over age twenty-five. Household incomes have definitely become more dispersed or unequal.

To sum up, American exceptionalism was dealt a major blow in the 1970s, not because US workers became less productive nor because the United States is no longer technologically, financially, or entrepreneurially competitive in the world but because income inequality grew and the middle class declined. Consumption continued to increase into the new century because workers—particularly women—became more productive, and families went into debt to fulfill the American Dream. The Great Recession was the coup de grace that killed American exceptionalism, not because consumption declined (which it did), but instead because inequality (after a brief dip) continued to grow and only the symptoms were dealt with rather than the deep-seated causes.

Consumption and Debt

As wages began to stagnate in the mid-1970s, households increased their indebtedness in an attempt to achieve the American Dream. Families and households began borrowing more in the immediate post–World War II period because there was more to buy than during the war. Still, by 1960 household indebtedness (the sum of mortgages and consumer debt; consumer debt includes credit cards, auto loans, student loans, personal loans, and other non-real-estate consumer debt) remained below 10 percent of annual household income. Consumer—and especially mortgage—debt began rising at a faster rate around the mid-1970s at precisely the time that workers' pay began to diverge from labor productivity growth (see Figure 9.2). Between 1959 and 2008 US household debt increased over fourteen-fold in real terms, holding total personal income constant; mortgage debt grew over sixteen times, and consumer debt increased nearly nine and a half times. Total household debt peaked in 2009 at 122 percent of disposable income. US households made significant progress in reducing their mortgage debt after the housing crisis that precipitated the Great Recession, but much of that progress was due to foreclosures and debt write-downs by financial institutions. After a modest downturn caused by the Great Recession, consumer debt began rising again in the third quarter of 2010 (see Figure 9.2), as advertisers and economists alike urged consumers to "shop for the economy." Mortgage debt continued its downward trajectory through 2014.

In November 2014 total household debt was $11.74 trillion. Of that, $8.14 trillion was in mortgages (including home equity loans), 69 percent of the total. The rest was in consumer debt, mainly student loans, credit card debt, and car loans, in descending order of magnitude (see Table 10.2).

What is most surprising about the allocation of consumer debt is that student debt is the largest-single component. When successful, previous schemes to get consumers to spend more, even though their incomes were not rising, have been more direct in stimulating demand and, therefore, economic growth. For instance, banks pushed home equity loans—borrowing on one's house in order to be able to buy vacations, consumer electronics, home repairs, and so forth—which really took off around 2000 and skyrocketed until the Great Recession began. But the contribution of subprime lending and student loans to stimulating the economy is more dubious. There is no doubt

TABLE 10.2 Consumer credit outstanding, share by type, and interest rates, September 2014.

Type of consumer credit	*Outstanding loans (in $Billions)*	*Percent of total*	*Average interest rate charged (%)*[1]
Total consumer credit outstanding	$3,245.5	100.0	
Revolving credit—mainly credit card debt	$849.2	26.2	13.18
Student loans[4]	$1,307.2	40.3	4.21 to 7.21*
Motor vehicle loans[4]	$943.1	29.1	48 mo. new car[2] 4.16 24 mo. personal[2] 10.73 New car loans[3] 4.73

Notes: [1] Rates are for loans taken out during 2014; 2013 rates are about one-half of a percent lower. Loans taken out during the period 2006 to 2008, prior to the Great Recession, range from 6.8 to 8.5 percent interest.

[2] Commercial banks: August 2014 interest rates; September was not yet available.

[3] Finance companies (e.g., General Motors Acceptance Corp, GMAC); 2011 interest rates most recent available.

[4] A limited portion of both student and auto loans may also be credit card debt, so one cannot add the three kinds of consumer debt.

Source: US Federal Reserve System 2014; US Department of Education, FSAO 2014.

that banks and their executives profit from the high interest rates on student loans (see Table 10.2) and profited on mortgages sold to new homebuyers who failed to calculate the impact of balloon mortgage payments (the official term is adjustable rate mortgage, or ARM) on their household budget. Of course the ARMs were designed precisely to entice individuals to buy homes they could not afford (Obringer and Roos n.d.), which is the definition of subprime lending. A few years after the home has been bought and house payments balloon to a higher rate and after students graduate and start a job, whatever stimulation of the economy that might otherwise occur because new people have moved into the middle class by owning their own homes and/or have taken a well-paying job as a result of completing college is dampened by the fact that much of their disposable income goes to pay off the mortgage or student loans. In other words, they reduce their consumer expenditures to pay the debts that come due. The effects are even more devastating—not just for the individuals but for the economy and society as a whole—when defaults become massive. We have yet to see the economic and societal effects of the massive student debt. Fortunately only about 20 percent of the debt held by students graduating college in 2012 was with private lenders. Because debt service is more costly with private lenders, the growth of private lenders should be watched carefully. We may conclude that to the degree that consumer indebtedness became an avenue for stimulating the economy and keeping the economic-growth machine (some would say *treadmill*) going in the face of stagnating wages and salaries for the bottom 80 percent of the population, this approach seems to have run its course. However, the path forward is not clear.

In April 2009, just as the United States technically emerged from the Great Recession, US Federal Reserve Vice Chair Janet Yellen, who in 2014 moved up to chair the Federal Reserve, pointed out the conflicting interests at work in a recession and its aftermath:

> Once this massive credit crunch hit, it didn't take long before we were in a recession. The recession, in turn, deepened the credit crunch as demand for goods and services and employment fell, and credit losses of financial institutions surged. . . . A process of balance sheet deleveraging [paying down debt] has spread to nearly every corner of the economy. Consumers are pulling back on purchases . . . to build their savings. Businesses are cancelling planned investments and laying off workers to preserve cash. And, financial institutions are shrinking assets to bolster capital and improve their chances of weathering the current storm. . . . [T]he paradox of deleveraging, in which precautions that may be smart for individuals and firms—and indeed essential to return the economy to a normal state—nevertheless magnif[ies] the distress of the economy as a whole. (Yellen 2009)

To Yellen's concern for the near term must be added the increasingly evident long-term conflict between the interests of those who hold the levers of economic power—the beneficiaries of inequality—and the need to reduce inequality in order to stimulate demand so as to make the economy continue to grow.

But what about rural areas and communities? How does the consumer society affect them? How have outsiders attempted to get them more deeply involved in the consumer society? And what is their reaction to consumerism? To what degree have they gone along with this homogenizing force that is the consumer society, and to what degree have they resisted that homogenization or given it a rural spin? What can rural areas contribute to building a new culture that depends less on consumerism?

Consumption and Consumerism in Rural Areas

As in many developing countries, which the United States was at its inception, and during much of the nineteenth century the farm population, which formed a majority of the rural or nonmetropolitan people in that period experienced a higher incidence of poverty than did urban people, was by definition more dispersed and, hence, more isolated. They also lagged behind their urban neighbors in consuming the products of the emerging industrial revolution.

Even seventy years ago it was fairly easy to distinguish rural residents from urban ones. Rural residents, particularly those who lived on farms, sometimes wore homemade clothes and still ate food they produced and processed themselves. Urban residents bought their food and clothing at the store. Urban residents were consumers; rural residents were producers. Partly because of the tremendous increase in productive capacity of US industry brought about by World War II and the postwar conversion from military to consumer-oriented production, that all changed. But by the 1950s consumption patterns no longer easily distinguished urban from rural residents, although rural residents dressed more conservatively and were more cautious in trying new things. However, as shown in Table 10.1, rural households have lower incomes than urban residents, even those in principal cities, although the decrease in rural household income since the onset of the Great Recession in 2007 is notably less than in the suburbs.

How does the rural consumer differ from the urban consumer today? The Census Bureau's Consumer Expenditure Survey for 2013 provides some fascinating information (Table 10.3). First, there is a significant difference in the amount of money that rural households have available to spend—about $5,300. The difference in actual consumer expenditures is nearly $4,100. If we were able to separate central cities where there is a great deal of poverty from the rest of metro areas, we would likely see that rural expenditure patterns are rather similar to the central cities; the differences we see in Table 10.3 would be even greater if we were able to compare nonmetro areas to suburbs.

Before looking at the differences in expenditures, it is useful to look at how urban and rural households differ from one another demographically. First, the average size of households is virtually identical: 2.5 persons per household. Rural householders are nearly five years older on average, more likely to be homeowners (82 percent to 59 percent; those who *are* homeowners are less likely to have a mortgage than urban homeowners), rural consumers are less likely to have attended college (54 percent to 65 percent) and less likely to be ethnically diverse.

Here are some of the differences in consumer spending patterns and possible implications. With respect to diet, the most salient fact is that rural households spend about 8 percent less on food than do urban households. That may in part explain differences in the foods that the two groups eat.

Table 10.3 Rural-urban differences in spending on consumer goods and services, 2013.

	Nonmetro (rural) households	*Metro (urban) households*
Money income after taxes	**$52,100**	**$57,413**
Average annual expenditures	**$47,841**	**$51,917**
Food, all	**$6,710** Nonmetro (rural) households buy more: Bakery products Beef Pork Dairy products Sugar and other sweets Nonalcoholic beverages	**$6,175** Metro (urban) households buy more: Poultry Fish and seafood Fresh fruits Fresh vegetables Food away from home Alcoholic beverages
Housing, all	**$14,165**	**$17,892**
Owned dwellings	**$5,652**	**$6,222** Mortgage interest and charges Property taxes
Rented dwellings	**$1,132**	**$3,871**
Other lodging (hotel, motel, etc.)	**$479**	**$691**
Utilities, fuels, and public services	**$ 3,980** Electricity Fuel oil and other fuels Residential phone, VOIP, phone cards	**$3,677** Water and other public services Natural gas Cellular phone service
Household operations, all	**$847** Laundry and cleaning services	**$1,218** Personal services Other household expenses
Housekeeping supplies, all (no significant difference)	**$667** Laundry and cleaning services	**$639** Postage and stationery
Household furnishings and equip.	**$1,410** Major appliances	**$1,575** Furniture Small appliances, misc. housewares Misc. household equipment

Apparel and services	**$1,236**	**$1,697** Men's and boys' apparel Women's and girls'apparel Apparel for children under two Footwear
Transportation Vehicle purchase Cars and trucks, new Cars and trucks, used Gasoline and motor oil	**$9,727** $3,836 $3,142	**$8,823** $3,130 $ 2,479
Other vehicle expenses Public and other Transportation	$2,469 $281	**$2,613** Vehicle finance charges Vehicle rental, leases, licenses, etc. $601
Health care Health insurance Medical services Drugs	**$4,153** $2,548 $878 $582	**$3,510** $2,150 $776 $442
Entertainment, all (difference not significant)	**$2,452** Pets	**$2,489** Fees and admissions Audiovisual equipment and services
Tobacco products and smoking sup.	**$488**	**$290**
Personal care products and services	**$488**	**$639**
Reading	**$95**	**$104**
Education	**$822**	**$1,216**
Personal insurance and pensions	**$5,109**	**$5,633** Pensions and social security

Note: Only those items for which there is a significant difference in means for nonmetro and metro areas are included. If the item is in column 1, there is a significantly higher household expenditure for that item in nonmetro areas; if it is in column 2, there is a significant higher dollar expenditure by urban households.

Source: US Census Bureau, Consumer Expenditure Survey, 2013.

Rural people are more likely to eat bakery products (carbohydrates), red meat, dairy products, nonalcoholic beverages, and sweets. Urban people excel in poultry, fish and seafood, fresh fruits and vegetables, and alcoholic beverages. Except for the alcoholic beverages, it would appear that urban people have more healthful and lower calorie diets. This is consistent with the finding in Chapter 4 that rural people are more likely to suffer from obesity. It should be noted that rural households also spend more on tobacco products.

Urban households spend more on housing than do rural households. Urban homeowners have larger annual expenses (including mortgage interest and fees and property taxes), and rent is higher for those who rent. They also spend more on hotels and motels. Rural households spend more on electricity, fuel oil, and voice communications services, except that cellular phone service spending is higher in urban areas. Urban households spend more on water, garbage, and so forth and on natural gas. Overall, however, utilities and household public services are about $300 more expensive for rural homes. However, urban households spend nearly 45 percent more on household operations (e.g., house cleaning) and 12 percent more on household furnishings and equipment.

Rural households spent about $1,000 more on transportation because of the greater distances they travel and because they buy more—and perhaps more expensive—new *and* used vehicles. On average rural households have more vehicles (2.4 vs. 1.7) than their urban counterparts. They also pay more in vehicle finance charges, indicating that they are more likely to go into debt to buy vehicles. Urban households pay more for car rentals and, as one would expect, more for public transportation.

Rural households spend more on health care. They pay modestly more for medical care and drugs, but most of the difference is in health insurance. Since the survey was taken in 2013 and the Affordable Care Act (ACA) went into effect in early 2014, these results suggest that rural people would stand to gain more from the ACA than urban people.

Urban consumers spend more on apparel, somewhat more on entertainment (though rural people spend more on pets), personal care products, reading material, pensions and Social Security (perhaps because they are younger), and about 50 percent more on education.

Where people consume, *what* they consume, and *why* they consume certain types of goods and services shape their lives and the lives of future generations. Rural households consume less than urban households because their incomes are lower. Although one could argue that cost of living is lower in rural areas than urban areas, the lower cost of housing in rural areas may also be related to lower demand for housing, particularly in rural communities that are declining in population. Thus resale values would be low, and one would expect such homeowner households to have lower levels of wealth (because for low- to middle-income families, their home may be their principal source of wealth) (financial capital) and less opportunity for geographic mobility. For renters, indeed the cost of living may be lower in rural areas, but job opportunities are more limited. With respect to overall nutrition and health, the rural lifestyle may be more risky (human capital) and health care more costly (financial capital). Rural people may get a good deal on education (human capital is a plus in this regard), but the advantages of rural education are likely to be exported to urban areas because of outmigration of young educated people due in part to the lack of good job opportunities in rural areas.

These and other changes have had a direct impact on consumption patterns in both rural and urban areas. People can buy more consumer goods for less money than they have in the past, but the costs of investments such as homeownership and college educations have increased dramatically, leading people to make choices that assure short-term cash flow at the expense of investment in long-term income-earning and wealth-building capacity. With the advent of the Great Recession, the proportion of young people attending college has dipped, even though lifetime earnings of those completing only high school compared to those completing college continue to diverge.

Business and Social-Service Consolidation

Perhaps no other aspect of changing consumption patterns is more symbolic of rural social change over the past four decades than boarded-up Main Street businesses, particularly those selling goods. The businesses that remain likely provide personal services: clinics, beauty parlors, and bars along with secondhand and antiques stores. The Archer family's trips to Central City Mall became typical of the changing consumption pattern of rural families in the latter part of the twentieth century, but in the decade of the 2010s malls are in trouble in both urban and rural areas. Many are closing, in part because of the convenience of online shopping and because of the higher cost of gasoline for travel to malls in larger cities. This section explores the consolidation of rural businesses, factors that explain why consolidation occurs and the impact that consolidation is having on rural social services.

The building of transcontinental railroads after the Civil War facilitated mail-order buying, which led consumers to bypass local merchants, who could neither provide the wide variety of products nor take advantage of the quantity wholesale discounts available to the mail-order firms. What was true then remains true today. Across most retail trade sectors, rural businesses find it difficult to offer the variety available in large central markets, such as urban malls or on the Internet. This has meant a loss in business for local merchants and a decline in revenue for many local governments.

Consolidation has occurred across business communities. Many locally owned stores have disappeared or have been purchased by larger retail chains; department stores have either closed or moved into suburban malls, leaving empty buildings on Main Street. Locally owned banks are now members of regional consortiums or have been taken over by large regional banks. Local businesses and services such as telephone companies, hospitals, schools, and even farm supply and marketing cooperatives have consolidated.

Some small businesses have been replaced by nationally based chain stores, which locate not on Main Street but on the edge of town right outside the city limits, where they pay only county—and not city—taxes. Mom-and-pop stores became franchises that later became affiliated with transnational chains, especially in the hardware and automotive businesses. Family-owned and -operated firms first were replaced by franchises such as Western Auto, Gambles, and the like. The franchises are now fighting a losing battle with Lowe's and Menard's. And even these big-box stores are challenged by Walmart, a transnational firm that has incorporated hardware and automotive sections into their diversified merchandising stores. In the grocery business local groceries and markets were replaced by regional chains, which were then bought out by chains that are national and international in scope. For example, Dillons stores, a regional chain based in Wichita, Kansas, purchased small supermarkets. Kroger, a national chain, eventually purchased Dillons stores and have an arrangement with Shell Oil for colocating gasoline stations alongside the supermarkets. Now Kroger and other supermarket chains are struggling against Walmart, which, once it entered the grocery business, used the same inventory control and consignment sales strategies used for its soft goods to advance a meteoric rise in its share of national retail grocery sales. Even the local primary care health provider may be forced to compete with Walmart's store clinics.

In a different model franchise convenience stores/gas stations (as opposed to those that are owned by the parent company and operated by employees) occupy an important niche. Their comparative advantage is convenience, not price. Consequently their location is more important than the prices they charge. Because economies of scale are not a driving force in their marketing, the parent firm has no advantage in directly managing individual outlets. Another small but growing market niche includes more artisanal outlets for local and organic foods, including food cooperatives and health-food stores.

Farmers markets, food hubs, and community supported agriculture (CSAs; consumers purchase a season-long subscription to receive produce from a farmer or group of farmers) provide an opportunity for local farmers to sell their wares directly to the consumer. Many farmers' markets offer electronic benefit transfer (EBT, an electronic system that allows state welfare departments to issue benefits via a magnetically encoded payment card) equipment so people can use SNAP (Supplemental Nutrition Assistance Program, formerly the Food Stamp program) to purchase fresh fruits and vegetables at many farmers' markets.

This transformation in retail trade is characterized both by a decline in the number of retail merchandising and service enterprises in rural communities and by the introduction of firms that are national in scope, often in regional trade centers. Box 10.1 summarizes research on the impact of Walmart on rural communities, but other national and regional firms emulate and sometimes outcompete Walmart. In the wake of the Great Recession existing Walmart stores in the United States experienced a real decline in sales for nine consecutive quarters (two years and three months) (Gibson 2011), bested by the likes of Target (because Walmart strayed from its working-class customer base) and Dollar Stores (customers traded down from Walmart). Following a brief return to same-store growth, there was another seven-quarter decline, until the third quarter of 2014, when same-store sales grew 0.5 percent, mainly because of robust growth of existing neighborhood markets (McGrath 2014). There has been a sharp decline in the price of a barrel of oil beginning in the second half of 2014 arising from the glut in oil production caused by new hydraulic fracturing (commonly known as fracking) and other horizontal drilling technologies, mainly in the United States. These technologies are spreading to other countries, but it is still not likely that the mall will return to its earlier glory or that people will reduce their online purchases.

The public sector has also responded to the need to maximize scarce revenue resources. Increasingly private firms are buying previously public services, such as rural hospitals. Firefighters, police, public education, and other community services continue to undergo consolidation as rural areas address the demand for increasing quality of service and the accompanying expenses. As in the retail sector, trade centers siphon off businesses that once supported local hospitals and clinics. Urban clinics now expand into nearby rural areas, often buying out local clinics and absorbing their doctors. Rural hospitals and clinics may provide space for urban specialists who come weekly or monthly to perform tests and treat people with a particular disease or condition. The more lucrative medical procedures are referred to urban hospitals, while the rural clinics and hospitals provide the routine

BOX 10.1 The Walmarting of Rural America: Who Wins and Who Loses?

Walmart has affected many small towns since the first store opened in 1962, and the opening of each new Walmart store has been met with mixed reactions: resistance because of the loss of businesses and excitement about job opportunities. Many groups have resisted the proposed opening of a Walmart near their small towns by petitioning and using town zoning rules to make it impossible for Walmart to enter the surrounding area. However, there are definitely numerous sides to the issue of Walmart's market power. Because it offers a variety of goods for low prices, many small-town businesses have had to close their doors, but Walmart also provides jobs for people who need them. For example, in Donaldsonville, Louisiana, a small town on the Mississippi River, arguments over Walmart arose when it proposed moving into town. People who owned small businesses there felt that a Walmart would wipe them out, and when they heard that one might be opening outside of town, they panicked. Shop owners closed their businesses without even waiting to see whether they would be affected; their theory was that they should "get out while the getting's good" (Ortega 1998). The other side of this debate was led by a large population of poorer black residents, who saw Walmart as an opportunity for jobs and cheaper goods. They argued that the rich white business owners feared honest competition. After several debates that ended up before the state commission, Walmart opened a forty-five-thousand-square-foot store (Ortega 1998).

What Walmart does is of concern to us all. It is the largest corporation in the world and had total sales of $476 billion in 2013 ("Global 500 2014" 2014). The company generates more than 2 percent of US GDP. It employs more than 2.2 million workers worldwide and 1.3 million in the United States ("Walmart Facts" 2014). Walmart has more than 11,156 retail units worldwide ("Walmart U.S . . . " 2014). The firm stirs passions because it is variously accused of offering low wages, encouraging its employees to go on welfare, contributing to the decline of manufacturing in the United States, squeezing suppliers until they cry "uncle," and so forth. The advertised wage for a "sales associate" (employee) in 2011 was between $7.50 and $10.74 an hour in the United States. The top level would generate $22,339 on a full-time year-round basis, below the poverty level for a family of four. Many of the employees are part time, and Walmart recently discontinued health benefits for part-time employees. But what do we *really* know about the impact of this giant firm, which began in rural Benton County, Arkansas, and used a decidedly rural strategy to become almost ubiquitous in both urban and rural America?

How does the coming of Walmart to a particular county affect employment and incomes? (How it affects community social capital is addressed later.) These straightforward questions have answers that are complicated to reach, in part because one has to separate out employment and income growth that would have occurred without Walmart from that which resulted from a Walmart store opening. Neumark, Zhang, and Ciccarella (2007) determined the Walmart employment effect since Walmart stores opened in Benton County in 1962 by calculating the expected growth rate in county retail employment independent of the Walmart opening. The authors based the expected growth primarily on retail employment growth during the four years prior to the advent of a Walmart store. They subtracted that figure from the retail employment growth following the coming of a Walmart store to that county. If one failed to take into account this "endogenous" effect of Walmart's siting its stores in growing counties, there was a positive relationship between a Walmart's coming and retail employment growth of some forty-five jobs.

However, when the expected retail employment growth in these counties was subtracted, aggregate retail job change *due directly to the advent of one Walmart store* was negative by some 147 jobs. This is not surprising because part of the reason Walmart is able to outcompete its mom-and-pop rivals (and, to a lesser extent, other big-box stores) is its greater productivity per worker. Neumark and colleagues (2007) estimate that each Walmart employee replaces 1.4 employees in the rest of the retail sector. This is due to automation and centralization of inventory, just-in-time delivery, and careful selection of store locations so as to minimize distance between stores and distribution centers (hence the concentric-ring expansion of Walmart stores), combined with high sales volume per square foot of store space and low cost of land due to the rural strategy employed.

Although the retail payroll grew by some $282 million in counties in which a Walmart store opened, it would have grown $1.5 million more in such counties had there been no Walmart store. This of course was due in part to the slower growth of employment but may also be due to the dampening effect of Walmart on wages. An additional effect, as Goetz and Swaminathan (2004) point out, is the transfer of wealth to Walmart stockholders in general and to the Walton family in particular, who rarely live in communities where Walmart stores are located, unlike the family-run stores they often replace.

Neumark and colleagues (2007) are not able to say anything about Walmart's effects on wages because the source they used—*County Business Patterns*—does not distinguish between full- and part-time jobs. They do indicate that the average yearly payroll per worker is $13,700 in the retail sector, whereas the annual payroll per job of general merchandise retail stores—which include Walmart, other big-box stores, and department stores—is $600 lower than for the retail sector as a whole. This suggests

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(**BOX 10.1** CONTINUED)

that Walmart and other big-box stores have fine-tuned the art of using part-time workers to lower wages and to avoid paying benefits where possible.

Goetz and Swaminathan (2004) use a different methodology to determine whether existing and new Walmarts acquired by counties over the decade of the 1990s contributed to higher or lower poverty than would have occurred without their presence. Both types of Walmarts led to modest increases in poverty rates. Goetz and Swaminathan estimate that each new Walmart store slowed the decline of the poverty rate by greater than 0.2 percent, and the presence of a Walmart at the beginning of the period slowed the decline by nearly 0.1 percent (the expansive economy of the late 1990s contributed to substantial overall declines in poverty rates) after controlling for location factors, pull factors, education levels, self-employment levels, social capital, and other variables. The authors conclude that the modest contribution of Walmarts' presence to higher poverty results from former employees of small independent retail firms not having opportunities for work comparable to their old jobs, even in these growing local economies. Because Walmart purchases virtually nothing locally except labor, the economic multipliers are likely lower than the retail firms they replaced. And because Walmart is more effective in reducing its personnel costs than the stores it replaced, its workers spend less locally as well, as there are fewer of them than under the scenario of no Walmart. The authors also suggest that the weakening of the local business community contributes to lower social capital and the weakening of entrepreneurialism, which then results in slower growth in employment than would have occurred without Walmart. However, this is more a hypothesis to be tested than a finding.

A third way of looking at the impact of Walmart expansion in rural areas is to assess the distributional impacts between growing trade centers and hinterland counties (Artz and McConnon 2001; Stone 1995, 1997, 1998; Stone, Artz, and Myles 2002). These studies, rather than being national in scope, generally focus on a single state, and rather than looking at employment and earnings, focus on business closures and retail sales. In general, counties that are adjacent to those where a Walmart store is sited tend to lose retail sales faster than those counties that are more distant from a Walmart. In the host county or trade center, total retail sales rise, and eating and drinking places and home-furnishings sales tend to increase because these businesses are not in competition with Walmart, which draws in shoppers from adjacent towns and counties. However, sales of grocery items, building materials, apparel, and pharmacy items by other local merchants decline because they are in direct competition with Walmart.

The final question is whether and how much consumers benefit from the lower prices Walmart charges and whether that offsets the negative effects Walmart stores have on retail employment and payroll. Basker (2005) compared prices of ten items before and after Walmart's entry into 165 cities over a twenty-year period and concluded that for items normally sold in drugstores, such as toothpaste, laundry detergent, shampoo, and aspirin, the effect of Walmart's entry was a price reduction of between 1.5 and 3 percent in the short run and between 6 and 12 percent in the long run. Items such as cigarettes, soft drinks, and apparel showed little decline. Other factors that make Walmart's low prices possible include the company's strong shift in the early 1990s to purchasing goods made in developing countries, particularly China, where wages are extremely low compared to those in the United States. There is consensus that this movement of industry to such low-wage countries has dampened inflation in the United States but at the same time has continued to erode industrial jobs in the United States—jobs that paid considerably more than do retail jobs. In 2005 Walmart initiated an environmental stewardship effort to use renewable energy, create zero waste, and ensure that the products it sells are made in a way that sustains people and the environment. This new green approach could provide an alternative building and procuring standard in rural communities.

How then does one assess the overall benefits and costs of the Walmart effect? Is a family who lives near the poverty level better off having a member who works at Walmart than at the independently owned grocery store, pharmacy, or local department store that Walmart replaced—if they can also buy the cheaper goods Walmart offers? What is the impact on local leadership and civic engagement when a Walmart comes in? Does being globally green have a local payoff in enhancing environmental capital?

A final thought, with some evidence to back it up: Walmart squeezes its suppliers in bargaining sessions that specify down to the penny what the supplier firm will receive. Suppliers will seek to produce their product as cheaply as possible, and after a few years of these bargaining sessions in which Walmart has the upper hand, the quality of the product begins to decline. If the supplier is a large company, it may keep its old line for sale through other outlets but make a cheaper, less durable product specifically for Walmart. This is precisely what Levi-Strauss does. Thus Walmart's products are cheaper than those of competitors, but they are also of lower quality—and will not last as long. This is a case par excellence of planned obsolescence. Fishman (2006) discusses a smaller firm that made lawn mowers for Walmart that found itself building a shoddy product of which the owners could no longer be proud. So are low-income people truly stretching their precious dollars by shopping

(CONTINUES)

(**BOX 10.1** CONTINUED)

at Walmart, or would they have been better off buying a higher-quality product and using it longer?

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and less profitable follow-up care. Rural hospitals have closed for a number of reasons. Medicare reimbursement policies pay rural hospitals about 15 percent less than urban hospitals to treat the same medical conditions; the result is lower revenues. In addition, rural hospitals are unable to purchase expensive medical technologies or attract trained health-care specialists. In response, some rural communities are joining together to develop collaborative health-care systems that are locally coordinated and driven.

The food industry also is increasingly concentrated. Four or five transnational firms control half or more of retail grocery business in the United States (Hendrickson and Heffernan 2007). Processing and marketing of the major agricultural commodities is extremely concentrated. Concentration in the fast-food industry also is increasing at the same rate as fast-food outlets, although fast food is a fragmented market compared to other food sales.

Another factor favoring consolidation is *economies of scale*. Such economies occur when a greater volume of business can occur at one particular site because volume is a way to spread fixed costs (of transportation, land and buildings, equipment, labor) over a larger number of units manufactured, distributed, or sold. Distance and low population in the market area make it difficult for rural businesses to take advantage of economies of scale. Central-place theory suggests that there is constant pressure to centralize economic activities in larger places.

The theory does not explain when and why consolidation occurs in a particular sector. Other factors, such as the opportunity to generate profit based on favorable macroeconomic trends, tax policies, capital availability, and organizational innovation, help explain why centralization occurs at a specific time in a specific industry. In retail trade, enterprises tend to spill over into rural areas when several elements are in place. New, more efficient forms of economic organization that are already fine-tuned in urban areas are introduced in rural areas when they appear to have promise for profit there. Centralization also occurs when capital is abundant and the marginal advantage offered by increased urban investment is no greater than what rural areas provide or when the cost of labor becomes critical and the cheap labor available in rural areas is central to profitability or the accumulation of wealth.

Retail grocery chains moved into rural areas in the 1960s after they had already organized the grocery business in urban areas. These chains developed a transportation system that was sufficiently well organized to enable them to move perishables from warm-climate areas to regions lacking a year-round growing season. When rural consumers acquired incomes large enough to demand vegetables and fruits year-round, that organization could be matched to new markets, and chains began appearing in rural communities. However, by 2000 grocery stores were leaving small towns, as it became more and more expensive to be supplied by national distributors, who prefer more densely populated distribution routes; driving sixty miles for one small store does not fit into their profit plan. The transaction costs of distribution have become critical for retailers, and the integrated chains that can reduce them the most are poised to make the greatest profit.

Walmart was a pioneer in bringing retail discount general merchandising stores to rural areas because it organized itself economically to support volume sales by attracting rural customers over a wide geographic area through computerized and centralized record keeping and stock management. As the corporation's volume grew, it negotiated with suppliers to wait longer periods between delivery of their product to Walmart and receipt of payment, something that disadvantaged small suppliers with limited credit. Walmart was able to offer lower prices and more diverse merchandise than the mom-and-pop stores, which paid in cash for theirs. Increased numbers of cars and trucks per household and relatively cheap fuel costs facilitated consumers traveling long distances to purchase the perceived bargains and the variety of goods offered. Strategic site selection coupled with careful inventory control and control of labor costs enabled Walmart to be profitable and to expand aggressively. In general, Walmart stores maintain less inventory and use more part-time workers (who receive fewer benefits) than do traditional retailers, and in no instance do they allow labor unions. They do not pay suppliers until an item is sold. (See the discussion of the impact of Walmart in Box 10.1.)

This progression from mom-and-pop stores to franchises to the "Walmarting" of rural America has multiple impacts. Small, family-owned stores had a limited variety of goods and generally used family labor. When they did hire, these businesses often hired women and youths for part-time work. In general, their inventory and sales were not organized as efficiently as were the chain stores'. Mom-and-pop stores generally had higher prices than either the franchises or the nationally based discount stores that replaced them, as their low volume required substantial markups, and they could not take advantage of volume buying. These locally owned businesses provided a more personal atmosphere for customers, especially those who came from a similar social class as the proprietors and the workers. The locally owned and operated stores often provided better service, such as providing information about the features of competing products, offering repair services, and greeting customers as they came into the store and immediately helping them find what they sought.

Retail franchises have features of both a family firm and a national chain. They offer variety in their inventory and some of the same friendly helpfulness that characterizes small towns, although they sometimes hire clerks who know little about the products. They are able to use national advertising and have frequent sales. Their regular prices, however, are not discount prices.

National merchandising firms offer "everyday low prices" but provide little in the way of customer service. For those who define shopping as recreation and for poor people and minorities, who risk unfriendly treatment by the proprietors of family firms, these changes have been acceptable. Others view the reduction in the number of clerks, the use of part-time labor, and the resulting lack of personal service as problematic.

Impacts of Increased Consumption

Human Capital

Health and Food. As women entered the labor force in greater numbers after World War II, precooked frozen food became more readily available. By the end of the twentieth century prepackaged salads, precut vegetables and meats for stir-fry, and a variety of precooked roasts and ribs were on many rural supermarkets' shelves. Deli sandwiches, pizza, and hot dogs are available at every convenience store, even in rural areas. Time once spent preparing food has been given to longer hours at work or to the scant opportunity to work around the house and to engage in leisure. Even in rural areas, carry-out meals and fast-food restaurants are growing more popular as working men and women grab a double cheeseburger with large fries rather than pack a lunch. But increasing income inequality means that many in rural areas on the lower end of the income scale must choose carefully what they consume, making hard choices between fixing the car to get to work and paying the electric bill. It may be easier to buy fast food instead of preparing a home-cooked meal, but it is not always economical. For those fortunate enough to be working full time after the Great Recession, the decision of whether money or time is in shorter supply is not an easy one. Often the determination of whether to eat a home-cooked meal or fast food is complicated enough without taking into account which meal will be more healthful.

As noted in Chapter 4, nonmetro adults are more likely to be obese than are their urban counterparts. A careful study by Sparks and Schmidt concludes that "lower socioeconomic status and less health care in rural areas may put rural adults at increased risk of obesity" and obesity-associated illnesses (2012, 67). They argue that lack of access to healthful and fresh foods as well as distance to exercise and recreational facilities and to medical services may be obstacles to maintaining a healthful weight. Sedentary lifestyles and physical inactivity are additional barriers that nonmetro adults face. It is ironic that rural people were pitied for having to engage in exhausting physical tasks a century ago but now follow a more sedentary lifestyle than do urbanites.

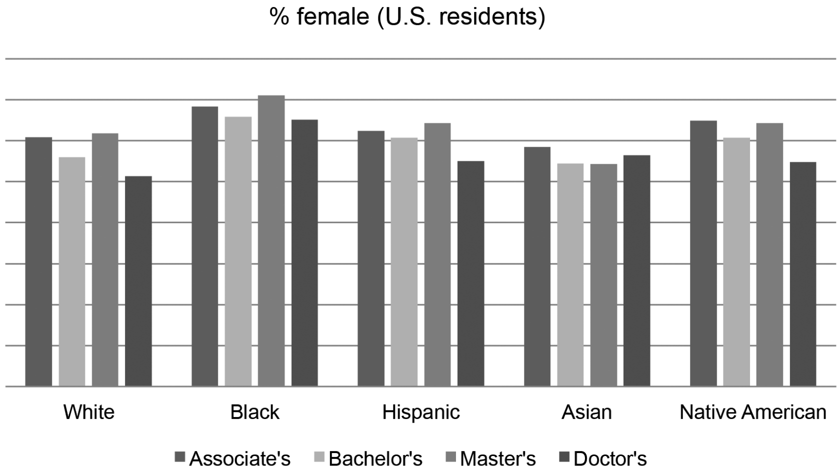
Education. Another impact of our consumptionist society is on male educational levels. In the early twentieth century Eric would have turned over his earnings from his part-time job to his mother to help run the house; now he uses them for his own consumption goals. Normative consumption for young males often includes a car, high-end entertainment equipment, and other expensive items (although these goods are relatively much cheaper than they were even in 1950). Because teenage males can sometimes earn good money in jobs such as construction, they tend to spend more time at work, devote less time to their studies, and be less likely to graduate from high school and go to college. Although this ultimately will affect their lifetime earnings, desires for immediate consumption—and the need to make payments on the debt they run up to acquire things—make the workforce seem a more attractive option. Whereas young women in rural and urban areas are more likely to finish high school and go on to college than they were in the early 1990s, young men have remained the same.

Female students now outnumber males on college campuses. In 1994 the proportion of recent high school graduates that were enrolled in college the following October was nearly gender-equal: 63 percent of females and 61 percent of males. By 2012 the figure for young women had increased 8 percentage points to 71 percent, but it remained unchanged for young men (Lopez and Gonzalez-Barrera 2014).

There are several explanations for the shift in the proportion of men and women enrolling in colleges, including the feminist movement, but many young males are (or were until the Great Recession) entering the workforce directly after high school. Before the Great Recession, many obtained jobs in construction or manufacturing, where they could have a steady income without needing a college degree. The gap between Hispanic, Native American, and African American males and females is even larger, again with more females attending college than males.

One could conclude that male identity, even more so than female identity, is based on consumption during the teens and early twenties. By comparison, as late as the 1980s in many rural communities it was assumed that if anyone went on to higher education after high school, it would be the males. By 2000 more rural females than males were graduating from college.

FIGURE 10.7 Share of degrees conferred on US residents who are female by all degree-granting institutions, by level of degree and race/ethnicity, 2009–2010 academic year.



Source: US Department of Education, NCES, 2012.

In terms of shares of degrees earned, by the 1999–2000 school year women of all racial/ethnic groups were earning more associate's, bachelor's, and master's degrees than men at the corresponding levels. In that year men earned 53 percent and women 47 percent of doctorates, but by 2009–2010 the percentages were reversed, and women formed the majority of graduates at all levels and within all racial/ethnic groups—black, Hispanic, Asian, white, and Native American (See Figure 10.7). The difference was least among Asian students.

Social Capital

Changed consumption patterns have affected the way people interact. As people work more hours to be able to maintain desired consumption levels, their in-depth interaction (bonding social capital) with other people decreases. As more goods and services undergo commodification (being moved from use value to exchange value), more activities previously done in groups are now done individually. Putnam describes this as "bowling alone"; bowling leagues declined at the same time that the number of games bowled increased. Prior to the 1950s entertainment involved getting together with friends for community events or going to the local picture show. When television was first introduced in the 1950s, the person in the neighborhood with a television set and a high antenna had all the neighbors in to watch their favorite network shows. As more homes purchased televisions, viewing became a family activity. But by the 1990s many homes boasted multiple televisions, and children and adults watched separately. Videos in rural areas substituted for the few rural movie theaters that remained, and there were fewer opportunities to encounter friends in a public gathering to discuss the movie and community issues. In both urban and rural areas reading among young people, which is strongly associated with later civic engagement, has given way to television, video games, and movies viewed on iPads and even smartphones. Frequency of viewing these forms of entertainment is negatively associated with social capital and community involvement. Why is citizen engagement important? Because if we are to solve the major problems we are presently confronting, we must have involvement and discussion among all sectors of society. The rate of participation in voting in the 2014 midterm elections was 36 percent, the lowest percentage since the 1942 midterms, when millions of Americans were overseas fighting a war against fascism—and actually did have something more important to do than voting.

The burgeoning service industry now responds to needs that previously were met within the household or the firm. Goods and services once produced at home have become commodities, items to be bought and sold. Leisure once involved reading or visiting neighbors, but now even entertainment is purchased rather than being created at home. A growing sector of the economy now generates new alternatives for the use of leisure time, from extreme sports to reality television shows.

Natural Capital

There is an intimate relationship between consumption and rural areas. Rural areas represent 97 percent of the country's land area. It is primarily this part of the country in which food and energy for the future—including wind energy, solar power, and biofuels—will be produced, where waste from human consumption is disposed of, and, if we are to be successful in combating global warming, where most of the carbon sinks, in the form of trees, pastures, and other permaculture, will be located. It is also where, if global warming is to be stalled, decreasing amounts of fossil fuels—petroleum, coal, and natural gas—will be extracted.

Consumer goods and services require *inputs*, the natural resources or raw materials needed in the production process. Once their useful life is over (and that life is becoming shorter and shorter for everything from computers to clothing), they are thrown away. Acquiring a new item, even an automobile, does not mean that it will be kept for several years. People are constantly trading or selling things to make a profit or to get something "newer and better."

The consumption that occurs in the process of producing commodities ultimately affects the environment. For instance, fertilizers and seeds are inputs that are consumed in the production of a crop. Electrical power and computers are inputs that are consumed in the process of producing goods or services in an industrial firm or an educational institution. These inputs often are included in the calculation of costs of production. The costs of other elements consumed in the course of production, such as the quality of water, soil, and air, often are ignored in such calculations. Economists refer to these costs as *externalities*. Sociologists examine consumption in terms of its totality—inputs and externalities. Environmental degradation associated with acid rain, impure water, loss of biodiversity (indigenous plants and animals), toxic-waste dumps, and soil erosion is a by-product of consumption that ultimately affects the quality of life that consumption supposedly enhances.

Climate Change. In January 2015 atmospheric CO_2 briefly reached 400 parts per million, the highest level in at least 650,000 years (Dlugokencky and Tans 2015). This reading represents more than a 40 percent increase in about 250 years since the beginning of the Industrial Era. Concentrations in 2007 were measured at about 385 ppm in the earth's atmosphere, the rate we reported in the fourth edition of this book. The potentially devastating impacts of human-induced global climate change in the present and the previous century are reminders of the limits to humanity's alteration of its home, the Earth. However, changing the rate of alteration will require a major change in cultural capital. Rather than viewing ever-increasing consumption of "stuff" as a route to personal fulfillment, as a source of status among our friends and acquaintances, and as the mechanism by which we keep the economy healthy, people must begin to cultivate a new ethic built around lessening their ecological footprint on the land.

Energy. Total energy consumption in the United States shows an upward trend from the immediate post–World War II period to the present, with periodic dips because of oil price hikes or recessions (see Figure 2.4 and the text discussing it). Until quite recently there were few signs that the public would support a decline in the level of consumption of fossil fuels, which must be the first step in slowing and then reducing worldwide growth in greenhouse gas production and conserving our rapidly depleting storehouse of fossil fuels. Only 8 percent of energy used in 2012 came from renewable sources (see Figure 2.5), but, for instance, great steps have been taken regarding wind energy in Iowa, which produces 30 percent of its electricity from wind—although California leads the nation in absolute amount of installed wind power. Solar cells are becoming competitive in price with fossil fuels in the production of electricity.

The sustainability of the US level of resource use seems to be officially questioned only when the sources of cheap energy are jeopardized, as during the oil embargo in the 1970s and the Gulf War in the early 1990s. During and following the Great Recession of 2007–2009 extraction at any environmental cost is defended as creating jobs. So far the official stance of the US government has been to seek increased production through drilling in environmentally fragile areas, including on public lands, rather than to reduce consumption or to increase fuel efficiency.

Rural areas are particularly dependent on private transportation, and the rural poor drive older, less-reliable vehicles that get very low gas mileage. We saw earlier that rural consumers spend significantly more than urban consumers do on both new and used automobiles—and on gasoline. Lack of public transportation in rural areas further disadvantages the rural poor, whose employment depends on showing up regularly and on time and whose transportation sources are unreliable and costly to operate.

Waste. A related uncertainty is the safe and environmentally sound disposal of the waste derived from consumption. The refuse from production and domestic consumption must go somewhere, and that somewhere is often a rural landfill or incinerator. The generation of municipal solid waste (MSW) increased dramatically from 1960 to 2010 (See Figure 8.1a), dipping briefly during the Great Recession, reflecting a forced decrease in consumption. Recycling began to increase during the 1990s, with about 34 percent of all MSW being recycled by 2010.

Rural Americans often have to discard their garbage in their own backyards, with little opportunity for recycling. When the trash collectors pick up garbage in the cities and the suburbs, few of their residents know its final destination. Rural communities are homes for most waste dumps, euphemistically termed sanitary landfills, including those that contain toxic materials. Most rural people know exactly where refuse—theirs and that of others—is dumped.

Most environmental degradation is considered to be the externalized by-product of production and marketing processes. The price of the commodities produced and consumed usually does not include the cost of correcting the environmental degradation caused by use or disposal of those products.

For example, the price of the farm commodity produced does not include the costs of cleaning up the waterways or the health costs of a water table polluted by pesticides that have percolated down from surface applications. These costs are borne by the public sector or the individuals, disproportionately the rural poor, who suffer the health consequences.

A dramatic example of this shifting of costs of pollution from farmers to, in this case, urban consumers is the Des Moines (Iowa) Water Works (DWW). The DWW obtains drinking water from the Des Moines and Raccoon Rivers, both of which drain some of the most productive lands (currently growing mainly corn and soybeans) in the world. It supplies some 450,000 water customers in the Greater Des Moines area. Because of the heavy agricultural (and lesser amounts of urban) runoff, the DWW has been obligated to purchase the largest and most expensive nitrate removal system in the world. Global warming has concentrated rainfall to a greater extent than previously in the spring and early summer. That leads to greater runoff from fields and lawns and has, in recent years, increased the number of days per year that the expensive nitrate removal machine must be run. In November and December of 2014 there was also unusually heavy rainfall, and the nitrate removal system had to be used for the first time at that time of year as well.

The consequences of these trends of production and consumption are of particular importance to rural people. First, their sense of material satisfaction now depends on high levels of consumption, and rural people do not differ greatly from city dwellers in their consumption levels. Second, rural residents account for about one-sixth of the US population, but they live on 97 percent of the land area. That lower population density relative to urban areas makes it politically attractive for decision makers (politicians and technicians) to locate dumps for solid, toxic, and nuclear waste in rural areas.

In general, the less densely populated the rural area is, the stronger is the inclination to select it as a waste site. From the technician's point of view, the fewer the number of people directly affected, the smaller the social impact. From the politician's point of view, the smaller and more dispersed the population is, the less the likelihood that political organization in opposition to that particular site will be effective. NIMBY ("not in my backyard") opposition may appear anywhere, but all other things being equal, politicians would prefer to have only a few people angry with them. Often the communities most affected are minority communities in addition to being rural, with even less political clout. Dumping waste in these areas is known as *environmental racism*.

The increased commodification of leisure activities also creates environmental dilemmas. The number of visitors to the US national parks each year has reached the point that the parks may no longer be able to maintain the pristine environment they were designated to protect. The proliferation of off-road vehicles for use in leisure activities encourages environmental damage that may take centuries to repair. Rural residents find themselves affected as consumers, yet they are also affected as residents of the land they enjoy using for recreation. Communities find they must carefully weigh the economic benefits of tourism and recreation against the environmental costs.

Financial Capital

High levels of consumption in the United States have meant a very low rate of savings, which has implications for those who withdraw from the labor force, either voluntarily or involuntarily. As we have seen, the Great Recession and its aftermath have both reduced household incomes and encouraged (and often obligated) families to pay down debt incurred in prior years. Those with savings (often in the form of a retirement nest egg) have had to draw them down to cover debts that arose from earlier overconsumption encouraged by bankers, credit card companies, realtors, automobile dealers, and the advertising industry. They have little cushion when financial needs suddenly arise. Emergency expenses must be taken from current disposable income, leaving many households with few alternatives. Rural areas do have less debt per capita than urban areas. A large amount of that debt is on credit cards or with relatives, but the relatives and friends of the rural poor in counties with persistent poverty are also poor, which may put them into the hands of predatory lenders (discussed in Chapter 7). This has disastrous consequences.

Mass advertising and the mass media in general have become powerful influences on the consumption patterns of rural residents. Mass media can inspire universal demand for certain consumer products. However, economic differences within rural areas make these purchases extremely difficult for some families. Class replaces rural residence as the feature that distinguishes people's consumption patterns.

Income inequality has been growing in the United States since the 1970s (Figures 10.1, 10.6, and 7.4). The incomes of the working class have stagnated or declined. National minimum wage legislation requiring $7.25 hour was fully implemented in July 2009 and was so modest that even with the low rates of inflation brought by the Great Recession, groups representing workers and poor people and later politicians began calling for raising the minimum wage to $10.10 or even $15 per hour. However, there are a number of categories in which employers can pay lower than the minimum wage, including some farmworkers, domestic workers, and frontline restaurant workers in some states. Workers in rural areas often have two and three part-time jobs at low wages. Because these jobs have no benefits, these workers must "self-insure" for health care and injury, making consumption of consumer goods a high-risk choice. It is likely that the ACA will ameliorate health care expenses for many low-income families.

The pressure to spend discretionary income is felt by all, though different groups are encouraged to buy different things. Discretionary income is very unequally distributed. Among teenagers, this inequality becomes obvious as many take on part-time work to consume such products as the latest in athletic shoes or, in rural areas, to invest in a three-wheeler or, later, a four-wheel-drive pickup truck. Often they work many hours a week, which has a negative impact on their studies.

Rural residents shop at the local Dollar Store or Walmart. As in inner-city neighborhoods, low-income rural residents shop at used-clothing stores set up by churches and other volunteer groups. Families can get high-quality clothes at these local shops selling previously owned attire. Teenagers, however, cannot buy faddish items in the year they are fashionable. Level of income continues to affect consumption patterns.

The Archer family illustrates the dilemmas of defining inequality. Compared with their parents at the same stage of their life cycle, Susan and Dan consume many more products. To do so, they both must work. The trend toward two incomes is well documented and frequently cited as evidence of growing economic inequality. Sociological research shows a dramatic increase in inequality in the US economic structure since the 1970s. Sociologists differ, however, in their interpretation of how this inequality actually affects individuals. There is growing evidence that inequality, coupled with racial discrimination, contributes to reduced health and life expectancy of African American females in rural areas and of African American males in general. Whether the hidden injuries of class and social inequality by themselves contribute to stress and stress-related illnesses is less clear. Recent studies have shown similar impacts of inequality on health and social outcomes for rural whites, Native Americans, and Latinos.

Children raised in rural, single-mother households are the poorest demographic group in the country (Duncan and Chase-Lansdale 2002). Poor, single mothers in rural areas would have to double their income to escape poverty, which means that many need to double up and live with other families. Rural child poverty is widespread, from Appalachia to the Deep South to California's Central Valley. These children are unable to consume large amounts of material goods; they often are denied such basic needs as adequate health care and safe drinking water.

Alice Smith lives in a small, persistently poor rural community with her four children. After a difficult divorce from an abusive husband, she struggled to provide for her family with income from her job in a local textile factory. Active in her church, she participated in Habitat for Humanity and worked hard to help build her new home, which she financed with a low-income loan. The loan was figured based on her income and what she needed for food, utilities, child care, car expenses, and some spending money for the children. Soon after she moved in, Alice received a phone call offering her the opportunity to refinance her mortgage to pay off her debts. At that point she had only one credit card, paying off the balance due each month. She wasn't interested. But then the textile factory closed. She began working part-time jobs, waiting tables in several restaurants, but the hours made it difficult to spend time with her children, and tips were undependable. Alice maxed out her credit card and got several more from the many offers that frequently arrived in the mail, using one card to pay off another.

When the same person called again, offering her the opportunity to consolidate her debts with her mortgage if she would refinance the house with that company, she gratefully agreed. The new loan paid off the low-interest loan on her house and her credit cards, but then, instead of paying 2 percent interest with $200 monthly house payments, she was paying 10 percent interest and $325 a month for house payments. Gradually Alice fell behind in her house payments, and she eventually lost her house.

It is clear that changing consumption patterns are having a significant impact on rural life. The service industry and the variety of products sold have expanded to meet the increased demand for services the family once performed. Increased consumption has placed added stress on the environment. Low rates of saving can occur at all income levels, putting both the formerly solid middle class and the poor at risk. Finally, wealth rather than place of residence now determines what and how much families consume.

Rural residents and rural communities are caught in a vicious cycle. This downward cycle is most notable when there is an economic downturn. Alice's story and those of families in diverse economic circumstances were repeated multiple times during the housing bust and the Great Recession of 2007–2009 and continue to be played out as we write these words. While suburban areas were hit the hardest, the electronic revolution and the increased power of advertising assure that rural residents can no longer proclaim, "We didn't know we were poor."

Built Capital

In the last quarter of the twentieth century new methods of production and distribution increased the variety of products people could consume. Flexible production, made possible by the use of computers in operating machine tools, managing inventories, and scheduling transportation, has replaced mass production. The global economy makes it possible to produce clothing in Malaysia that will be available across the United States as quickly as US-made clothing, and for a cheaper price.

The digital revolution is representative of the current revolution in the quantity and availability of all kinds of information. Although people may or may not be consuming any more information now than their parents did, they are consuming far more specialized information.

Changes in the character and price of communications technologies have made it easier for wealthier rural residents to participate in telecommunications consumption. Indeed, some observers have argued that telecommunications technology is the greatest leveling force for rural and urban residents. However, digital divides between rural and urban and rich and poor still exist. There is less demand in rural areas for broadband access, partially because it is difficult for rural businesses to know how they would use the new technology. The Cooperative Extension System, which includes national, state, and local extension staff, was authorized in the 2002 Farm Bill to help rural firms link their business plans to e-business options, much as the extension system previously gave away free hybrid seed and conducted artificial insemination on cows and sows. In those cases, once the usefulness of the innovation was established and legitimized, private-sector firms took over the distribution. However, access to broadband is still elusive in many rural areas because the large carriers concentrate on dense populations where there are more customers close together. As rural postal service declines, without federal support it will be difficult for low-income rural residents to communicate effectively or even get checks or pay bills when they do not have bank accounts (another service that is increasing in cost).

The US National Academy of Sciences (2010) addressed the issue of sustainable consumption. It found that the first step toward sustainable consumption is to recognize that consumption patterns inevitably will change in the future, if only by the force of environmental circumstances, including global warming and increasing costs of getting fossil fuels out of the ground and processed into a usable energy form. A changed approach to built capital can make a huge difference.

If human communities were to deploy all of the ecotechnologies that are already available from innovative businesses (such as energy efficiency, pollution controls, waste management, recycling, cradle-to-grave products, and zero-emissions industry), they could enjoy greater material welfare while consuming only half as many natural resources and causing only half as much pollution and waste. Decisions to transform built capital, made by rural entrepreneurs and local governments, could improve both natural and financial capital.

Cultural Capital

A result of World War II was that more and more Americans could afford to buy a wider variety of goods. Increased demand meant increased production, and more companies entered the market, seeking to differentiate themselves from other producers by more than just price. Henry Ford's dictum about the Model A—that the consuming public could have any color car they wanted as long as it was black—became a thing of the past. By the year 2001 car buyers could choose between internal combustion engines and hybrid cars that linked those engines with electric batteries charged by the cars' wheels to power electric motors. Color, style, and source of energy became ways of differentiating products and their consumers.

Radio has long targeted its advertising to its desired listeners. Rural radio stations in farm country followed daily commodity price information with advertisements for agricultural inputs. The development of commercial television in the 1950s allowed manufacturers to shape but not dictate consumer tastes. Cable television added to this by targeting specific populations and increasing product differentiation, thereby furthering the tendency to base personal or collective identities on what is consumed. The Internet has extended this targeting and segmentation of consumer groups even further.

During the early days of radio and television, advertising was directed at as broad an audience as possible. Advertising became a powerful influence on the consumption patterns of people, rural and urban alike. It had a homogenizing effect on desires, tastes, and even perhaps thought patterns and ideology. The introduction of cable television and the rapid proliferation of highly specialized channels now enable advertisers to use this tool to reach very specific audiences. The web pages accessed on a computer are tracked through "cookies," and this tracking allows advertising related to one's past searching behavior to jump onto the screen. When entering the pages of an Internet bookseller, a customer is immediately informed of purchases made by consumers whose tastes are similar to his or her own. In this sense markets have become segmented. Consumption patterns now reflect both mass advertising and the introduction of segmented markets.

Similar targeting has occurred in the print media with the proliferation of professional, sports, hobby, and other types of magazines. Rural areas have been targets of segmented market publication since early on. *Wallace's Farmer* was founded in 1895, during the golden ages of farming and journalism, the last era of parity prices for farm commodities and the era when Americans relied on newspapers for all of their news and information. At the time, more people lived on farms than in towns. Farm work was done with oxen, horses, mules, and manual labor. Farm families often had many children to help with the work. Families seldom went to town and had limited opportunities to socialize with other families. Newspapers and magazines were the primary source of information as well as a means of communication with other farm families (Goldman and Dickens 1983).

Farming was a family affair, and *Wallace's Farmer* was aimed at farm families, not just at farmers. There were sections for every member of the family: plenty of information and advertising about agriculture, "Hearts and Homes" for women, "The Boys' Page," "The 4-H Girls' Club Page," and "Little Recipes for Little Cooks."

More recently the growth of desktop publishing, made possible by the continued miniaturization of computer technology, has strengthened segmentation, with advertising and news often combined almost seamlessly. An example is the *Meatingplace*, a monthly magazine and listserv that delivers condensed updates on the meatpacking industry throughout the day (www.meatingplace.com).

Young people define themselves according to the products and services they consume, which ultimately affects the community's culture. The Archer family conversation about shoes and iPads is one repeated among both rural and urban families. Decisions about what is consumed have moved beyond mere functional necessity. Eric Archer's willingness to spend allowance money on a pair of sports shoes that he probably will outgrow in a short time is not driven by a rational comparison of the characteristics of competing brands and their relative prices; rather, his decision is based on the social acceptance he gains by consuming the more expensive pair. The disparity in the quality of the merchandise probably is not great enough to account for the substantial difference in price. At least that is what the firms that produce and advertise these shoes hope, as do their stockholders. However, the status he acquires from consuming a particular style of shoe has implications with his peers and suggests the importance of cultural capital over financial capital for the consumer. Mass media advertising and product placement in movies and television shows aimed specifically at young males reinforce the cultural meaning of the particular item consumed.

Since World War II the use of multiple media to advertise and differentiate commodities has expanded. Some observers suggest that the introduction of mass advertising was a calculated response to lagging consumption and the futility of competing just by price. Instead of responding to consumer demand, manufacturers and distributors now create a demand for a product or a particular elaboration of that product. The effort has been so successful that the resultant spending patterns are one reason the United States has one of the lowest savings rates in the industrialized world. The frenzied shopping on Black Friday, including interconsumer violence, characterizes the determination of Americans to own more stuff.

Mass advertisers often use values that are deeply seated in popular culture to create demand. Advertisers employ the rural myth to create positive images of their products. Soft-drink commercials that celebrate the honesty of farm work, family, and the land seek to connect these values to consumption of the manufacturer's product. Other advertisements rely on status attainment. Advertisements for designer athletic shoes and jeans imply that the consumption of a certain piece of clothing or footwear will bestow a particular status on the consumer.

Distinctions that once differentiated between rural and urban residents have given way to distinctions based on income and wealth. Rural communities once valued individuals for what they produced; now, as in urban areas, individuals are valued for what they consume. Different amounts of disposable income limit what any individual and household can consume. Consuming, in terms of purchasing goods, increasingly is looked upon as leisure, with entire families going together to the mall for an afternoon.

A family's income, however, limits what family members can buy and how far parents can drive to buy it. There are different versions of consumption items for different economic groups, and venues range from Saks Fifth Avenue to Dollar Stores; high-end stores cluster in urban areas—either in the downtown commercial area or in suburbs, whereas Dollar Stores and outlet malls are a rural phenomenon, as was Walmart in its inception. Yet there are still some rural residents who work hard not to be caught up in a mentality of constant consumption.

What people consume greatly determines not only their material well-being but also their cultural identity. For example, food preparation has been a significant part of the role women have played as homemakers. Certainly the nature of a homemaker's role has changed from when Susan's great-grandmother cooked meals for a threshing crew. Her great-grandmother was concerned with filling the stomachs of hungry workers engaged in hard physical labor, whereas Susan is concerned about nutrition and controlling calories. Susan's great-grandmother was known throughout the county for pie crusts made flaky by the generous use of lard; Susan, however, includes low-fat yogurt in her children's lunches. Although their meals may differ, these women were and are viewed by their peers as excellent providers of good food for their families. The definition of good food and the amount of time spent preparing it have changed dramatically: more of Susan's food preparation time goes into planning meals and shopping for ingredients or processed foods; most of her great-grandmother's time went into cooking them.

Cooking a frozen dinner in a microwave oven is a profound change in the way people consume food from the way they ate just a few decades ago. Language and culture change as a result of this alteration in consumption patterns; the verb "to microwave" did not exist in the 1960s.

What people consume can become a statement of who they are or want to be, whether in their own eyes or the eyes of others. The group identity provided by consumption makes people painfully conscious of not having or not being able to acquire the symbols that show they are "in style." This is particularly true of young people, who are changing rapidly and whose sense of self is still developing. Both Eric and Jake needed to feel they were part of the "in" group. Although an expensive pair of athletic shoes endorsed by a professional basketball star will not necessarily improve a person's basketball game any more than a much less expensive pair will, wearing them may bring their user higher status, even if not a higher vertical jump.

For those whose jobs are not inherently satisfying, being able to provide consumer goods and services for their families becomes a reason for working. Increased consumption can give meaning to work. Sociological studies show that an increasing number of people work because of what their earnings allow them to consume rather than because of what they produce or the intrinsic satisfaction of a job well done or a product well built.

How can this mentality be changed? There is no one way. Inequalities must be reduced. People need to focus on making work more meaningful and perhaps changing the way communities, firms, governments, civil society, and even families are organized. Social movements (an aspect of civil society) undoubtedly will play an important role in directly changing cultural capital and in influencing governments to encourage people to view the earth as a partner rather than exploiting it for short-term benefit.

Further, the belief that home ownership is the pinnacle of the American dream has trapped Americans in homes they cannot afford because they have lost their jobs and are unable to move to where they might be able to get work.

Political Capital

As we enter the second half of the second decade of the twenty-first century, policies are in place to support and expand the current rate and forms of consumption. Bigger is better, and tax breaks to large energy users reinforce that value. Norman Myers (2000) suggests three policy initiatives that could promote the transition to sustainable consumption:

1. Abandon gross national product (GNP) as an indicator of economic well-being. As an indicator, it suggests that Americans do not need to take account of sustainability. In the United States per capita GNP rose by 49 percent between 1976 and 1998, whereas per capita genuine progress (the economy's output with environmental and social costs subtracted and added weight given to education, health, and the like) declined by 30 percent.
2. Ensure that prices reflect all environmental and social costs. For example, US society ultimately pays at least $6 to burn a gallon of gasoline (through pollution, road accidents, traffic congestion, and so on). Pricing gasoline realistically would curtail the excessive car culture and strengthen demand for improved public transportation. Similar considerations would apply to the prices of other products.
3. Stop subsidies that encourage environmental ignorance. Such subsidies support fossil fuels ten to fifteen times more than clean and renewable sources of energy such as solar energy or wind power. There are many other subsidies that promote the car culture, industrialized agriculture, wasteful use of water, overlogging of forests, and overharvesting of marine fisheries. They induce massive distortions in the economy and do great harm to the environment.

These are radical proposals. They have strong implications for rural areas. In general, rural legislators have resisted much milder policy changes, in part because those who profit from the current forms of consumption hold much greater political capital than other citizens do. What must be worked on simultaneously is a change in mentality—a transformation in the way people think about consumption, well-being, and the greater good. This can only be done by values-based political organizing, which is addressed in Chapter 12.

Chapter Summary

To understand consumption and consumerism in the United States today, it is important to understand American exceptionalism, which is a period of fifteen decades that extended into the 1970s in which American workers experienced improved wages in relation to the cost of living. The post–World War II period was particularly good for working people. It was a period of US economic and political dominance in the world, growing productivity, the highest rates of unionization of the work force, an amazing expansion in higher education, and relatively low social and economic inequality. Soon Europe was able to outcompete the United States in the production of some goods, and the computer age made it easier for developing countries to make product components more cheaply because of lower labor costs. Large national and US multinational firms pushed strongly for deregulation of the banking system, tariff reduction, and lower taxes for corporations and wealthy individuals as well as the weakening of labor unions. Soon wages and salaries of nonsupervisory personnel stagnated while labor productivity continued to rise. Middle- and working-class families attempted to increase family income in order to consume more of the new array of products being produced around the world. This was first attempted by large numbers of women entering the formal labor force, by everyone working more hours, and finally by families going into massive debt. The expansion of credit cards and invention of new financial instruments along with modern advertising methods using new media made it easier for households to generate large quantities of debt. The overpricing of housing in particular led to massive losses by big banks and mortgage firms and a near-repeat of the Great Depression. The Great Recession, although short-lived, was followed by a so-called jobless recovery that, as we write this, has not yet been overcome in terms of producing jobs with good wages and working conditions.

Both the way goods and services are produced and what people consume have changed dramatically. The technical capacity to produce more varied products with components assembled from many parts of the world has changed the character of what people consume, and advertisers tell us that buying their products will transform our identities in the eyes of others. These changes have made a person's level of consumption a more distinguishing quality than his or her urban or rural residence, thereby influencing one's self-identity; what matters is not where people live but how much and what brand they can buy. However, rural residents are more likely to be poor than urban ones, particularly in the South, in Appalachia, the Central Valley of California, on Indian reservations, and in old and new Latino destinations. The poor in rural areas are more likely to be working than those in urban areas. In the previous era mass advertising and standardization of products went together. Mass merchandising is still a reality for the poor. The Walmart phenomenon, which began in rural Arkansas, is a case in point in which centralized electronic bookkeeping, inventory control, and just-in-time delivery were combined with massive control over other parts of the product chain and planned obsolescence. But the dominant organizing feature in merchandising is differentiation of the market (you and me) into segments, with different products' advertising being targeted at different segments. Often the rural poor and near poor have a difficult time ignoring this advertising, especially teenagers who want to keep up with the latest fads.

The final resting places for many commodities are landfills and toxic incinerators located in rural areas. As concern for the environment acquires greater importance, increases in societal consumption patterns and the consequent concerns about resources, the environment, and waste disposal will become national political issues. These issues are already personal and family issues for rural people and their communities.

Global warming offers an opportunity to rethink these outcomes—to redesign the market, civil society, and government in such a way as to transform people's relationship with the earth, their fellow humans, and technology.

Key Terms

Adjustable rate mortgage (ARM). An ARM or "balloon" loan, invented in the 1980s, is a home loan with a low initial interest rate that adjusts or "resets" (usually upward) frequently during the life of the mortgage. For decades the only type of mortgage available was a thirty-year, low- to moderate-rate, fixed-interest loan. At the peak of the recent housing boom, when lenders were trying to squeeze even unqualified borrowers into a mortgage, they began offering "creative" ARMs with shorter reset periods, tantalizingly low "teaser" rates, and no limits on rate increases.

The *American Dream* is each generation's expectation that its children will and should be better off than their parents. That expectation has morphed into the idea that the worth of the person is measured in terms of the clothing s/he wears, the house s/he lives in, and the car s/he drives.

American exceptionalism is a period of fifteen decades from the 1820s into the 1970s during which American workers experienced improved wages in relation to the cost of living.

Central-place theory proposes that population centers, whether small crossroads communities or large cities, are geographically organized into hierarchical retail and public-service markets.

Commodification is the transformation of a good or service that previously has been available outside the market (the result of community or individual effort) into a good or service that is available in the market for a price.

Consumer debt is outstanding debt of consumers, as opposed to that of businesses or governments. In macroeconomic terms it is debt that is used to fund consumption rather than investment.

Economies of scale occur when a greater volume of business can occur at one particular site, as volume is a way to spread some costs (of transportation, land and buildings, equipment, and labor) over a larger number of products.

Externalities include the social costs of production not borne by the company producing the goods. These might include the contamination of the soil, air, or water when waste products are released into the environment.

The *Glass-Steagall Act of 1933* separated investment and commercial banking activities. Over time that separation was relaxed until fully repealed by the Gramm-Leach-Bliley Act of 1999. Glass-Steagall also established the Federal Deposit Insurance Corporation, which insured individual deposits up to $2,500. The amount has been increased until today it stands at $250,000.

Household debt is the sum of consumer debt and mortgage debt held by a household. Mortgage debt includes home equity loans or any other borrowing that uses one's home(s) as collateral.

Inputs include the natural resources or raw materials needed in the production process.

"Right-to-Work" Laws were allowed by the Taft-Hartley Law of 1947. These laws, passed by twenty-five states over the years since, prohibited the union shop. A union shop is a workplace in which a majority of workers have voted in favor of having a union and new employees can be required to join the union within a certain amount of time. The union shop eliminated the free rider problem. The most recent right-to-work laws were passed by Michigan and Indiana in 2012 and Wisconsin in 2015.

A *yeoman farmer* owns and cultivates a small farm; s/he is part of the agricultural class immediately below the gentry in Medieval and Renaissance England and is similar to the "family farmer" in colonial America and the United States through World War II.

Discussion Questions

1. Why does American exceptionalism no longer work as it did before the mid-1970s?
2. Is consumerism primarily an economic concept? Discuss consumerism in rural areas in terms of the various community capitals.
3. Is inequality only a social justice issue or does it affect the economy as well? Explain.
4. How does consumption affect natural capital?

Web Resources

- Watch *Is Wal-Mart Good for America? Frontline*, PBS, 56 min. 30 sec., 2004, www.pbs.org/wgbh/pages/frontline/shows/walmart. This video explores the relationship between US job losses and consumers' insatiable desire for bargains, and the growing controversy over the Walmart way of doing business. This video also fits Chapter 9, The Global Economy.
- "Everything You Need to Know About Walmart, in Nine Charts," *Vox*, June 6, 2014, www.vox.com/2014/6/6/5779456/8-charts-that-explain-walmart. Chart two is a dynamic map that shows the explosive growth of Walmart stores in the United States from 1964 to 2006.
- Watch *The Story of Stuff* by Annie Leonard, 21 min. 30 sec., 2007, http://storyofstuff.org. *The Story of Stuff* exposes the connections between a huge number of environmental and social issues and calls us together to create a more sustainable and just world. There is a fact sheet on the website that provides the sources for facts mentioned in the video.
- Watch *Inequality for All* by Robert Reich, 90 min., 2013, http://inequalityforall.com. Website has graphics from video, discussion guide, and a brief curriculum for more in-depth study of the themes introduced by the video.
- Watch *Capitalism Hits the Fan: Richard Wolff on the Economic Meltdown*, www.capitalismhitsthefan.com. Professor Wolff, an economist, traces today's economic crisis to the 1970s, when wages began to stagnate and American workers were forced into a spiral of borrowing and debt that ultimately exploded in the mortgage meltdown. Screen the film and see Q&A with Professor Wolff on YouTube, www.youtube.com/watch?v=0HTkEBIoxBA.
- Watch videos of communities providing more opportunities for active recreation in order to reduce obesity: "Communities on the Move," Choose My Plate, www.choosemyplate.gov/videos.html#communities.
- Watch *Salt of the Earth*, directed by Herbert Biberman, 57 min., 1954, YouTube, www.youtube.com/watch?v=i9oY4rmDaWw. Based on the 1951 strike against a zinc company in New Mexico, *Salt of the Earth* deals with inequality between men and women within mining families, using actual miners and their families as actors in the film. See Wikipedia, http://en.wikipedia.org/wiki/Salt_of_the_Earth_(1954_film), for background.

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11

Governance

Arthur Crocket had been a waterman all his life, as had his father, grandfather, great-grandfather, and even his great-great-grandfather (along the rocky coast of Cornwall, England). The blue crabs Arthur caught in the Chesapeake Bay of Virginia had a good market. But blue crabs were getting harder and harder to find. What with pollution and increased fishing equipment in the bay, the catch was decreasing. It became easy to cut corners—take in a few undersized crabs at the end of the day as he threw overboard the remains of his lunch, including plastic water bottles and aluminum cans. The sea, he knew, would always take care of them. Each Sunday at his evangelical Christian church he prayed along with the rest of the congregation for the crabs to come back, because the entire Tangier Island community depended on the crabs for their livelihoods.

Art and his congregation were not the only ones concerned about the decreasing availability of blue crabs. When it became clear that government alone could not clean up the bay, Tom Stoner of the Chesapeake Bay Foundation (CBF) became part of a volunteer monitoring team to mark the progress of bay restoration. To him, the decline in crab harvests indicated decline in water quality and over-harvesting of crabs. The CBF supported the Virginia Marine Resources Commission (VMRC) regulations on blue crab harvesting, although its members were not involved in their implementation. They were alarmed that the laws were being blatantly ignored. The CBF and the VMRC used data gathered by the scientists at the Virginia Institute of Marine Science (VIMS), part of the state-supported William and Mary University.

The conflict came to a head when strict regulations were put in place in 1994; a CBF-owned shed was burned. At that point Art's pastor contacted the Au Sable Institute of Environmental Studies (ASIES), which states its mission as "the integration of knowledge of the Creation with biblical principles for the purpose of bringing the Christian community and the general public to a better understanding of the Creator and the stewardship of God's Creation. All of its programs and activities are structured to allow, and are conducted for, promotion of Christian environmental stewardship." They began to work there in 1995. Susan Drake Emmerich learned about the conflict through ASIES and chose Tangier Island to gather ethnographic data for her dissertation on faith-based approaches to conservation. She arrived in 1997 and became involved in the churches on the island, attending services and teaching Sunday school classes. Working with the Tangier Island watermen through the two churches on the island, she helped them write a stewardship covenant that acknowledged the biblical base of obeying civil law, no matter how unjust the law seemed to be, and the biblical mandate to be good stewards of the land and sea. Faith-based stewardship meant obedience to God.

As they negotiated the covenant and began what became the Tangier Island Watermen Community Stewardship 2020 Initiative, the mistrusted and seemingly threatening outsiders representing the VMRC and the CBF and the scientists of the VIMS gradually joined in the discussions and learned to respect and understand the community's distinctly biblical approach to the situation. The community formed the Tangier Waterman's Stewardship for the Chesapeake (TaSC) and a few years later joined with the CBF in implementing fishery and wetland projects.

The 2020 Initiative formed two subcommittees, the Sustainable Economic Development and Preserving Waterman Culture Subcommittee and the Fishery Stewardship Subcommittee, which conducted a survey. Much to the surprise of the organizers, who thought of Tangier Island as a very patriarchal society in which men made all the decisions, the survey revealed that the watermen would accept the assistance of their wives in working with government, environmentalists, and scientists to maintain the watermen way of life. As a result, watermen's wives created the advocacy group Families Actively Involved in Improving Tangier's Heritage (FAIITH). They collected scientific and regulatory information to aid them in their representation of watermen's interests at VMRC meetings. And they took an active role in planning economic alternatives for the island.

These activities gained momentum, and the Tangier Town Council endorsed TaSC, providing a community-based mechanism for participation by those concerned about environmental stewardship but uncomfortable with its faith-based orientation. FAIITH works with the local school district to deliver conservation education in the school. Conservation is now part of the Tangier Island lifestyle. Even the oldest watermen now carry their garbage back in a bag rather than dump it in the ocean. And the economic diversification into tourism is blossoming, mainly run by Tangier Island women.

What Is Governance?

The watermen and Tangier Island residents did not participate in a key decision that threatened their livelihood and way of life. By mobilizing around their cultural capital—their religious values and local knowledge of the natural resource—they were able to become part of the dialogue about the implementation of that decision. But for the individual watermen to defend their market interests, they had to join with state and civil society groups to work for shared desired future conditions. Once they escaped from their victim mentality, they were able to identify the core values that allowed them to negotiate their local knowledge with scientific knowledge and regulatory regimes. The people of Tangier Island utilized local institutions, first civil society (the two local churches) and later the state (town government), to make alliances that could support their market activities into the future. That ability to form internal and external alliances to inform decisions at the state level and to make decisions at the local level is what governance is about. By broadening the base of participation (increasing bonding social capital) and reaching out to others who shared their vision of the future of the region, transformational change took place at the individual, organizational, and community levels.

The Rural Policy Research Institute (RUPRI) has identified three major components of governance (Stark 2007):

1. Collaboration, which includes crossing sectors (market, state, and civil society), crossing political boundaries jurisdictions, and recognizing regions.
2. Sustained citizen engagement, which includes welcoming new voices, especially those of underrepresented individuals and youth, and envisioning a different future.
3. Regional resource leveraging, which includes multiple capitals from multiple sources to reach mutual ends. Leveraging those resources means analyzing the region's competitive advantages (focusing on strengths, identifying clusters, strengthening competencies of local elected officials, engaging key intermediaries, and investing all of the local capitals while soliciting outside investments).

Governance is particularly important in rural areas, where governments are small, elected government officials serve part time with small budgets, and few professional staff are available to find the necessary information to make sound decisions or to implement decisions when they are made. At the same time, there is devolution of responsibility, with a large portion of accompanying stresses and a very small portion of accompanying resources. In rural areas everyone knows where the mayor lives, and she may spend much of her time quieting barking dogs or containing a burst waterline, always absorbing the blame when expectations—which may be based on big-city standards of public services—are not met.

Yet even in light of their huge burdens, elected officials often do not seek collaboration with local market or civil society organizations—and vice versa. Very often elected officials view the other groups as somehow undemocratic because they are not formally elected, whereas civil society groups see elected officials as bean counters who just want to keep things the way they are. The Tangier Town Council previously had worked very hard to maintain the separation of church and state on the island, where 87 percent professed Christianity (and 13 percent did not). It was only the common goal of building a better future by increasing all the community capitals that made local government feel comfortable allying with the two churches in town on specific issues that improved the quality of life for all.

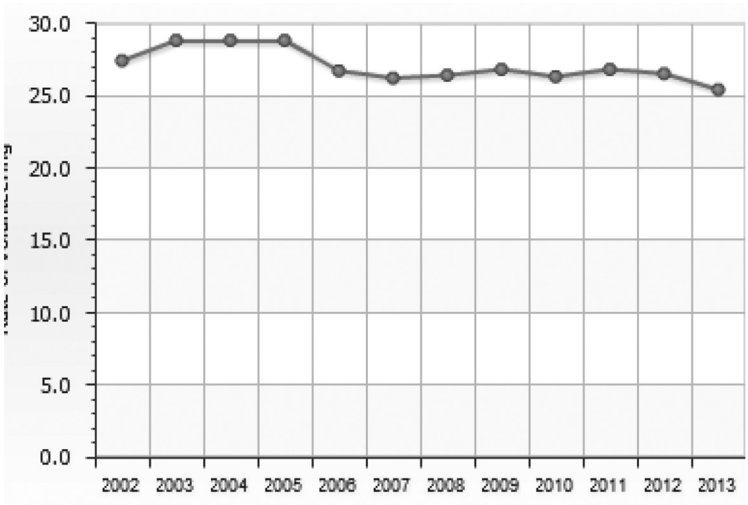
Although there are many ways that communities can benefit from collaboration with other entities, most state and federal funding is distributed through narrow, programmatic silos that discourage collaboration across jurisdictions or sectors. For example, small communities with limited Internet connectivity cannot allow local private businesses to have broadband access through the schools, which receive federal support for installation and maintenance.

Governance means moving beyond the usual way of doing things and focusing on ends, not the rules that limit the means used. Often the rules and the means become ends in themselves rather than means to an end. Governance means broader community participation and more flexibility on the part of state, market, and civil society groups. (See the discussion in Chapter 1.)

Governance provides an avenue for citizen participation beyond voting for local officials. It creates a flexible structure by which communities can respond to challenges and opportunities. And it offers an arena wherein issues of responsibility are explored.

The rate of volunteering has declined since 2004, but still involves about one-fourth of the US adult population (Figure 11.1). Religious organizations mobilize 33.9 percent of the volunteers, followed by education (26.2 percent), social

Figure 11.1 Volunteer rate. 2002–2013.



Source: Corporation for National and Community Service, 2014, www.volunteeringinamerica.gov/national.

service (14.8 percent), health (7.8 percent), civic (5.5 percent), and sports and arts organizations (4.0 percent). Although organizations, such as the League of Women Voters, are most likely to be involved in governance at the local level, other civil society groups may get involved around specific issues that they see as their purpose, as we saw with religious organizations on Tangier Island.

A number of conditions militate against governance and reinforce segmentation, fragmentation, and intergovernmental and interorganizational battles over turf. Yet as shown by the case of Tangier Island, it is possible for rural communities to move beyond the confines of jurisdiction and sector when they have a vision of an alternative future.

This chapter first discusses local governments' structures. Then it covers some of the challenges local governments face and ways in which moving from government to governance can overcome those challenges. Finally, examples of collaboration, sustaining resident involvement, and leveraging regional resources are provided.

Organization and Functions of Local Governments

What do local governments do? And how flexible can they be in the way they do it? What is needed to move from government to governance? In most places in the United States local governments control property taxes and sales tax. The ability to tax enables a government to raise the resources needed to set an agenda and implement policies to accomplish that agenda. Some local governments can exercise the power of planning and zoning, which determine land use. Governance means that the resources raised through taxes can be combined with those raised by other entities, including other jurisdictions, such as the school district; civil society, such as the CBF; and market groups, such as the watermen's association and the A&N Electric Cooperative on Tangier Island.

This section explores the powers local governments share, the types of local governments found in rural areas, and who does the work of local governments.

Power of Local Governments

The US system divides power, including the power to tax, between two levels of government. As provided by the Tenth Amendment to the US Constitution: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people." Which powers are reserved only for the states often is in question, and the resulting flexibility enables the balance of power to shift back and forth between the two levels. This form of government is referred to as *federalism*.

Local governments are not mentioned in the US Constitution. They are legalized and receive official recognition by each state, which makes for a great deal of variation across the country. Local governments derive their power either from grants of authority in state constitutions, which are known as "home-rule provisions," or by general laws or statutes passed by state legislatures.

In theory local governments provide the mechanism by which participation, needs, and responsibility are linked. They can allow for *direct* citizen participation in government, or they can provide *representative* government, in which local citizens elect officials to act on their behalf. New England town meetings are among the more famous examples of direct citizen participation. Annual town meetings enable all citizens to participate in setting the agenda as well as in making decisions. There are still localities that conduct their business through town meetings.

Under representative government local residents elect a group of people (to a town council, city commission, school board, or board of supervisors) who then make decisions about (1) what services will be provided, (2) who will be hired to provide them, (3) how the revenue will be raised to pay for those services, and (4) how land under their authority can be used.

When communities are small, as they are in rural areas, a higher percentage of residents can play an active role in this process. Wide participation should allow services to be tailored to the unique needs of the local population. Having the power to tax enables local governments to ensure that the community accepts responsibility for raising revenue needed for the services that the community values most. However, theory often falls short of reality. Elite groups in communities can block the participation of certain categories of residents. Local resources simply may not be available to respond to local needs, at which point other levels of government often become involved.

Types of Rural Governments

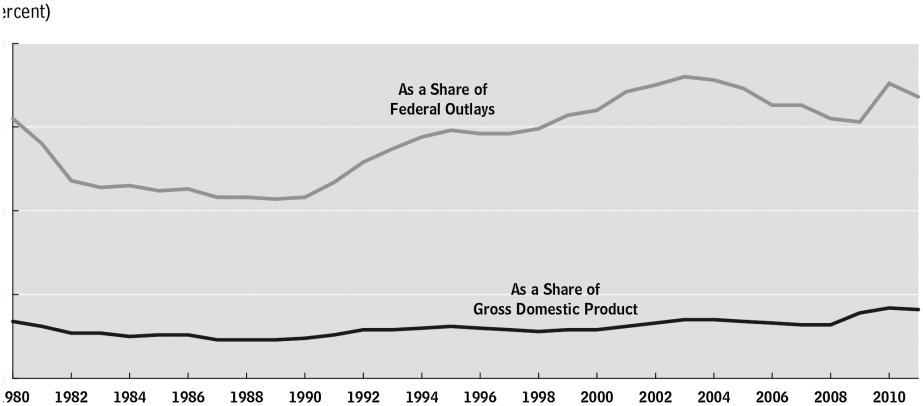
Rural governments are as diverse as rural economies. The many forms of government can be sorted into two types: general purpose and special purpose. *General-purpose governments*, as their name implies, are created to respond to the general needs of a county, city, or town. They usually have the power to raise revenue and determine its use. State governments may restrict use of certain types of taxes or place ceilings on tax levels, as happened when taxpayers revolted in states such as California, which in 1978 limited property taxes to no more than 1 percent of the property's "full cash value," defined in terms of the assessed valuation. For people owning a California property two years prior to the enactment of Proposition 13, "[t]he 'full cash value' means the county assessor's valuation of real property as shown on the 1975–76 tax bill" (California n.d.). Those property owners received an immediate reduction in their property tax bill on homes, businesses, and farms, estimated by the Howard Jarvis Taxpayers Association (Jarvis was the intellectual and political author of Proposition 13) to have been 57 percent for the state as a whole (Fox 2007). People buying a home after 1975, whether it was newly constructed or purchased from a prior owner, were to pay the assessed value based on its current full cash value. An annual inflationary adjustment of the assessed valuation is allowed that equals the percentage change in the Consumer Price Index or an increase of 2 percent, whichever is less. If the home declines in value, the assessed valuation "may be reduced to reflect substantial damage, destruction, or other factors causing a decline in value" (California n.d.). No percentage limit was placed on the decline. These property-tax restrictions greatly reduced all local governments' ability to meet the needs of citizens and had serious repercussions for such special-purpose governments as school districts.

Special-purpose governments are created to respond to specific community needs, such as schools (see Chapter 4, Human Capital), water supply, or medical services. These special districts usually can raise revenue to cover their costs, generally through fees or property taxes. Their freedom to tax is often severely restricted by state governments, but they also can raise revenue by user fees, as do water districts.

Other special tax concessions in the name of economic development, such as tax increment financing (TIF), can limit governments' ability to support the services they offer. *Tax increment financing* is a tool municipalities use to reduce or eliminate blighting conditions, foster improvement, and enhance the tax base of every district that extends into the area. It provides for redevelopment that would not occur without the support of public investments. This tool allows a city to capture the increase in state and local property and sales taxes that results from a redevelopment, which also contributes to the TIF fund. The city is required to prepare a redevelopment plan for each district that identifies uses for the TIF fund. However, the redirection of the taxes means that special-purpose governments, such as school or hospital districts, can experience flat funding during the period when the TIF is in place.

The relative importance of any one type of rural government varies by region of the country and from state to state. In some states small municipalities are the most common type of general-purpose government. In the West and throughout much of the South counties provide most local governmental services; villages and towns often are not incorporated. In the West, where counties are much larger than in other regions of the country, county government can be essentially regional in character. In the states across the Great Plains small municipalities and counties vie for political prominence, often providing complementary services. In New England and across the northern tier of states, townships are the most important general-purpose government. Differences in political traditions and state law are reflected in the diversity of local governance. These differences can also influence the flexibility local governments have to collaborate with other jurisdictions and market and civil society groups. Because Virginia limits the role of town and county governments, civil society took the lead role in negotiating with other levels of government in the case of the Tangier Island watermen. Yet the visible support for the 2020 planning effort by the town was critical in moving it forward.

FIGURE 11.2 Federal grants to state and local governments.



Source: Congressional Budget Office 2013, based on Budget of the US Government, Fiscal Year 2013: Historical Tables, Table 12.1.

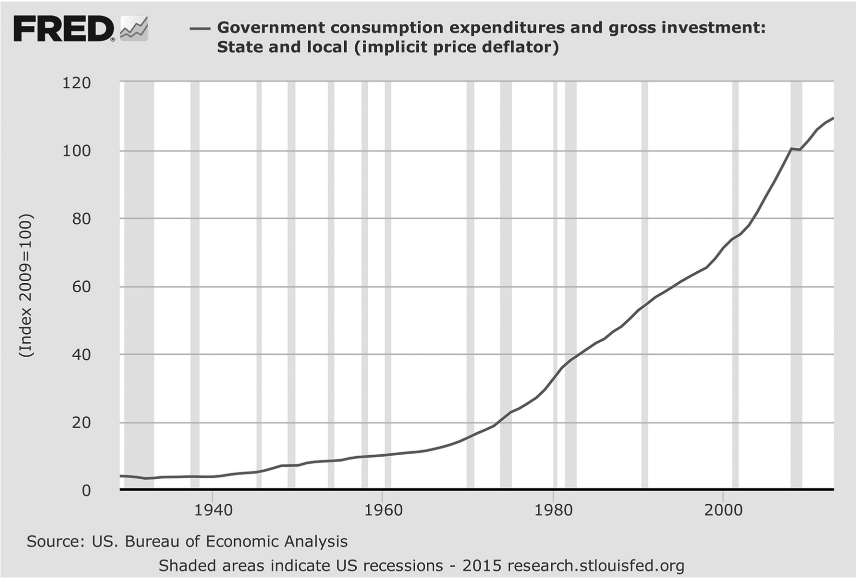
CHALLENGES FACED BY LOCAL GOVERNMENTS

Fiscal Stress

Many rural governments suffer from *fiscal stress*, which occurs when available revenues decrease and the need for services increases. When jobs are lost to plant closure, for example, property tax revenue declines, but demand increases for community services such as job training, welfare, and housing. Fiscal stress has increased greatly since the Great Recession of 2007–2009, as cuts in state and federal budgets have decreased the "flow through" funds used for such programs as rural water and sewer services and special education for school districts, as shown in Figure 11.2.

In the face of such stress smaller localities are dropping the provision of services such as public safety, relying instead on the county government to provide them. The climate of induced austerity since the official economic recovery has not allowed local governments to make up for the decrease in state and federal funding. In addition, states have imposed limits on the ability of towns and counties to vote to tax themselves. Figure 11.3 shows the increase in state and local government spending, with 2009 serving as the index year, and its steady increase since 1970. Although there was a short leveling off during the Great Recession, the rapid rate of increase continued to 2013, the last date shown. During the Great Depression and recovery

Figure 11.3 State and local consumption expenditures and gross investment.



Source: US Bureau of Economic Analysis, Government consumption expenditures and gross investment: State and local (implicit price deflator) [A829RD3A086NBEA], retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/A829RD3A086NBEA/, January 23, 2015. Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/A829RD3A086NBEA?src=ua,vs.

from it, the federal government invested heavily to meet local needs; however, that pattern did not recur in other recessions, where state and local governments met more local needs from local sources of revenue.

Some services require a certain minimum number of users before it is cost-effective to provide them. When a community's population starts to decline, the number of users may drop below that minimum level. A smaller number of remaining residents must then share fixed costs. At some point local governments must decide whether to eliminate a service, allow a higher level of government to provide it, or arrange for it to be provided privately. For example, townships in various midwestern states transferred the upkeep of township roads to county governments when farms were consolidated and the number of farmers declined. Acute fiscal stress frequently triggers decisions in which local governments give up providing services. County governments with new responsibility for more roads likely would close the roads least traveled so as to limit their fiscal exposure.

Most rural governments are funded by a combination of local, state, and federal funds. In general, rural communities rely on local sources of revenue for about 65 percent of their budgets. That percentage has been increasing since 1977, more sharply since the onset of federal cutbacks in response to tax cuts and to fund US involvement in the wars in Afghanistan and Iraq. Local governments typically rely on property taxes, often supplemented by a local sales tax. Business taxes, user charges, and miscellaneous revenues such as fines and fees bring in lesser amounts. Very few rural counties or towns levy income taxes. When compared to state sources of taxes at the onset of the Great Recession, rural communities had less severe direct income losses because of their dependence on property taxes. However, as sales, income, and corporate income taxes fell, so did the states' ability to pass through funds to local communities.

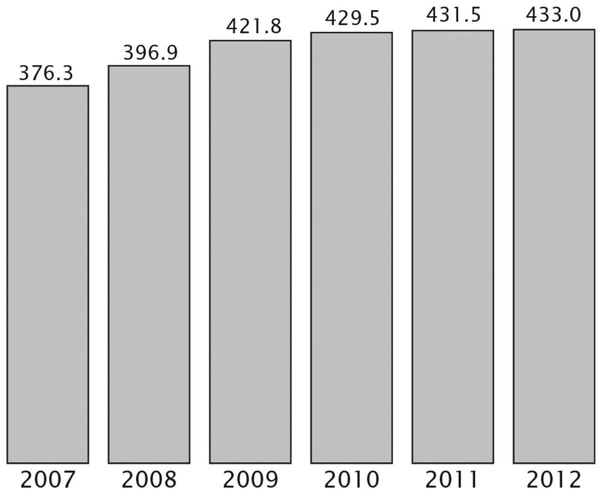
One reason these taxes fell so rapidly is that they were relatively regressive by 2006 as tax cuts for the wealthy and corporations were put into place. Corporate tax revenue for state and local governments decreased 19.6 percent between 2007 and 2012. Individual income tax revenue increased 5.9 percent during the same period (Barnett et al. 2014).

Taxes represented the largest source of general revenue for both state and local governments. Taxes can be contrasted based on taxpayers' ability to pay. *Progressive taxes* mean that wealthier individuals or firms pay a high proportion of their income or property value in taxes. Thus taxes to support the services on which the community depends fall on those most able to pay: the wealthy. *Regressive taxes* do the reverse, placing a disproportionate amount of the tax burden on middle- and lower-income taxpayers. Local taxes tend not to be progressive. Sales taxes are the most regressive of all. In contrast, real property taxes are more capricious than regressive. They are only loosely related to the ability to pay. For example, elderly people who own their own homes or small farms and are on a limited fixed income will pay a higher proportion of their income in property taxes than will a prosperous tenant farmer or wealthy banker. Because federal funds are derived primarily from income taxes, until 2000 they generally were progressive, although tax loopholes allow wealthy individuals or corporations with good lawyers to sharply reduce their tax burden. State funds come from a mixture of progressive and regressive tax sources.

Locally generated taxes depend primarily on property taxes. Because recent attempts to attract and retain businesses have given these corporations substantial property tax exemptions, property taxes tend to be on individual property. Figure 11.4 shows local property tax revenue through the Great Recession and into the recovery period.

The 1980s were a particularly difficult period for rural governments: the energy economy collapsed, timber and mining activity dwindled, and a nationwide recession occurred, with an attendant decline in retail trade. As a result, the base for property taxes (real property values) and the base for sales taxes

Figure 11.4 Local government property tax revenue, 2007–2012 (billions of dollars).



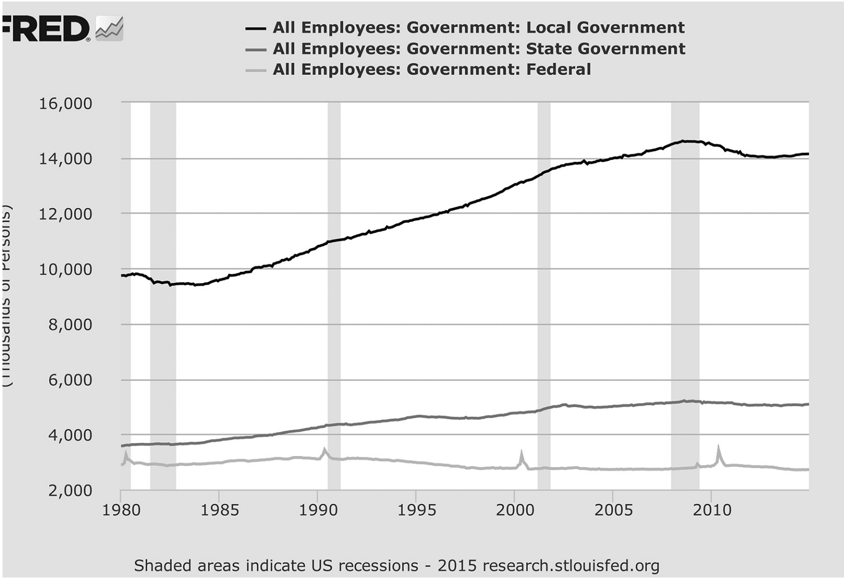
Note: Data from US Census Bureau, 2007 and 2012 Census of Governments: Finance—Surveys of State and Local Government Finances and intercensal estimates from the Annual Surveys of State and Local Government Finances.

Source: Barnett et al. 2014.

(retail trade) decreased sharply. Local governments' fiscal capacity declined at the same time that federal and state governments shifted the burden for particular services to local governments. Local governments suffered acute fiscal stress throughout the 1980s and into the twenty-first century. Only with the eight-year expansion that coincided with the Clinton administration was fiscal stress lifted. The economic downturn in the third quarter of 2001 and the costs of security measures mandated by the US Department of Homeland Security significantly stressed state and local governments' budgets. Many state governments, in order to have symmetry with federal income tax forms, implemented the tax reductions that were in the Bush administration's federal tax-cut package of 2001. They experienced significant loss of revenue through a de facto tax cut (Sawicky 2002), which continues as the tax cuts for high-income entities are made permanent. The Great Recession again decreased local governments' ability to collect the revenue needed to maintain quality of life in many areas.

Although property taxes have been the major source of local government revenue, they became increasingly unpopular in the 1970s and 1980s. Consequently, some rural areas have significantly reduced their reliance on property taxes. However, very rural areas (counties with no places larger than twenty-

Figure 11.5 Number of local, state, and federal government employees, 1980–2014.



Sources: US Bureau of Labor Statistics, All Employees: Government: Federal [CES9091000001], retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/CES9091000001/, January 23, 2015; US. Bureau of Labor Statistics, All Employees: Government: Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/CES9093000001/, January 23, 2015; US. Bureau of Labor Statistics, All Employees: Government: State Government [CES9092000001], retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/CES9092000001/, January 23, 2015. Bureau of Economic Analysis, Government consumption expenditures and gross investment: State and local (implicit price deflator) [A829RD3A086NBEA], retrieved from FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/A829RD3A086NBEA, January 23, 2015.

five hundred urban residents) still collect almost 60 percent of local revenues from property taxes. Farm land has recently greatly increased in market value, but its tax valuation remains much lower than other property.

Efforts at raising additional local non-property-tax revenues have proved difficult. Several factors hamper rural governments, including a lack of staff and leadership to adopt and administer creative financing, the relatively low incomes in some rural areas, shrinking retail sectors in smaller communities, and state government restrictions on non-property-tax sources.

In general, current mechanisms for funding local community needs have not proven effective, especially for rural communities faced with a declining economy. As a result, state and local government capital spending on education declined 7.9 percent between 2007 and 2012, largely due to cuts in capital spending on elementary and secondary education (Barnett et al. 2014).

The rapid and large increase in federal funding of safety net provisions through the American Recovery and Reinvestment Act (ARRA) was unprecedented. Further, the federal government increasingly provided the safety net for the very poor that states and localities previously provided (Gais 2011). State and local governments laid workers off (in contrast to previous recessions), increasing unemployment during the recession. Once the stimulus stopped, so did the good private-sector jobs with benefits. Meanwhile, federal, state, and local governments continued to lay off employees (Figure 11.5). Although the decline in federal employees does not seem great, it disproportionally hits rural areas, where federal employees staff federal lands and agricultural offices.

More Responsibility, Less Money

In 1981 President Ronald Reagan and his administration made large-scale reductions in federal assistance to state and local governments a major policy objective through the Omnibus Budget Reconciliation Act of 1981. Under this "new federalism," federal support of local communities declined. The Budget Reconciliation Act also converted seventy-seven categorical grants to nine new block grants, eliminating sixty programs. Cuts in local services were dramatic, and the states were forced to adjust to declining federal support. In 1987 general-revenue sharing was eliminated, with equally dramatic results. Some rural governments depended on general-revenue sharing for as much as 15 percent of their general-fund budgets.

The decline in productive investment (see Chapter 7) has led to a crisis in employment in many states. Today most states have an economic development program, but unless such programs explicitly include a rural development component, rural communities generally receive much less than their share of state funds. Urban business interests often dominate state economic development programs. In addition, many state economic development programs focus on recruiting financial institutions and, to a lesser degree, industry, both more compatible with metropolitan cities and regional trade centers than smaller rural communities.

When viewed from a national perspective, state economic development policies tend to be a zero-sum game. One state can raid other states for firms, but these efforts do not necessarily increase total industrial capacity or expand net employment opportunities in the nation; they simply move jobs from one state to another. Rather than taking the initiative by adopting policies that encourage new job development and discourage industrial raiding across state borders, the federal government is virtually abandoning economic development.

Multiple Government Structures

The very organization of local government in rural areas presents special problems for the effective delivery of services. The multiple general-purpose and special-purpose governments that serve a single community can lead to conflict. In addition, the types of services needed are becoming increasingly complex and sometimes highly technical. The capacity of local officials to deal with these issues is limited. Several examples illustrate the character of these problems.

In an effort to encourage regional cooperation, federal and later state governments created regional government districts. The Area Redevelopment Act of 1965 created a series of regional or multicounty districts through which federally supported area development efforts could be focused. In addition, states have also created multicounty strategies through which to deliver a wide range of services, including regional planning; solid waste disposal; health, mental health, and aging services; and so forth. In general, these districts have been created to distribute federal or state aid to local communities and to implement the program and planning activities required to receive the funds. These regional governments, in many states known as councils of government (COGs), when adequately staffed, can provide smaller communities with needed technical expertise and the knowledge necessary for getting grants and hiring consultants as well as generally supplying information about links to outside resources, whether human, financial, social, environmental, or even political. However, they often are not linked with civil society and depend on a small group of market actors to provide the services they support.

Conversely, combined with local governments, these regional agencies create an enormously complex structure to meet communities' needs. One obvious problem is that conflict is created when local and regional agencies are both addressing the same need. Multiple and overlapping agencies also lead to fragmented efforts that may not necessarily respond to the needs of the entire community. To promote economic growth, for example, a general-purpose government may decide to float TIF bonds on behalf of industries or businesses that that government would like to attract. Any increase in tax collections within the TIF district during the life of the bonds goes toward paying off the bonds for the newly arrived firm(s). The local government that initiates the TIF district essentially commits all other local governments collecting taxes within that district to forgo any increase in tax receipts during the same period. The logic is that if the new commercial or industrial firm had not been enticed to come, the various general- and special-purpose governments would not have had those taxes to spend because the tax base would not have grown. The rub comes, however, when the new firms generate need for greater public services. School districts depend heavily on property tax revenues for their operation, yet they do not participate in the decisions made by general-purpose governments. The decision to lower or waive the property taxes charged to local industry helps promote local economic development, but it can be harmful to local schools.

For example, the city commission of Manhattan, Kansas, used tax-increment financing to pay for the city's share of costs to build a downtown mall. This method of financing assumes that the development of a mall will result in increased valuation of the property being developed. The increased revenues expected from the higher valuation then can be used to pay off the bonds needed to finance the construction of the mall. Two or three years after the mall was completed, however, citizens realized that tax increment financing limited their short-term ability to expand school budgets or upgrade streets in response to new needs because the increased tax revenue already had been committed to the bonds used to construct the mall. One local government, the city commission, had made a decision that negatively affected another local government, the schools.

Staffing Rural Governments

Citizen officials, who receive only symbolic remuneration and thus must have another source of income, often lead small governments. The town mayor (paid for by local taxes) might also be the city postmaster (paid for by the federal government) and local fire chief (not paid at all). In contrast to their urban counterparts, rural governments are highly dependent on citizen volunteers as opposed to paid elected and appointed officials.

Despite the limited time they can devote to their duties, rural officials face many issues similar to those faced by larger governments. Professional networks and associations can be helpful, but officials in rural areas are less likely to participate in such groups than are those from urban areas. Advisory councils and technical assistance available through state agencies often provide information that aids policy decisions. They may also offer training that will improve public management. For example, small municipalities in Pennsylvania receive training and technical assistance in everything from financial investments to rural development. Those providing assistance include the State Department of Community Affairs, the Association of Township

Supervisors, the Cooperative Extension Service, borough associations, universities and colleges, private consultants, neighboring municipalities, the Pennsylvania Economic League, and others.

Small city councils rely primarily on the advice and expertise of the few people who hold paid management and consulting positions in the local government, including such people as the town clerk, the city attorney, the county engineer, and the city treasurer. These individuals are extremely valuable to the community, but they can exercise inordinate control over the decision-making process.

City or county attorneys and engineers, for example, can act as gatekeepers to the community. Because they often have exclusive control of technical expertise, these officials can limit the information that is shared about an issue or determine which outside resources are sought. These officials also can spend more time on local affairs than elected officials because they hold paid positions in the local government. Thus, paid technical staff can exercise substantial political control over inexperienced or part-time elected officials.

Providing Public Services: An Example of Collaboration

Rural governments face a common problem: providing adequate levels of public services with limited resources. The problem is common to all rural communities, whether they are experiencing growth or decline. Communities with growing populations must provide services for more people, despite the fact that tax revenue rarely keeps up with the increased demand. Declining rural communities grapple with the problem of providing continued services in the face of an eroding tax base and waning support from the state and federal governments. Poor communities have little tax base with which to provide any services, yet these communities include people whose need for assistance is great.

The problem of losing local funding and services is widespread. Many community developers agree that cooperative ventures that nurture and promote collaboration among different levels of governments or organizations—governance rather than reliance on government—are critical in the twenty-first century. In the past this cooperation, although important, often depended on federal or other funders' mandates. Can such interjurisdictional, cross-sector collaboration occur as a result of bottom-up organizing rather than state, federal, or foundation requirements?

Rural areas are particularly challenged in providing drinking water that meets the standards of the federal Clean Water Act. Water provision in rural areas is often highly fragmented, with arrangements that made perfect sense during the settlement period still in place. The planning process of the Northwest Missouri Water Partnership (Chapter 8) demonstrates how such a participatory process can work to provide a key service by combining existing assets with dynamic collaboration.

The effort began in early 2005, with county commissioners from five rural counties coming together because of an impending water crisis in an area of the state that had grown in population and income over the past decade to form a multicounty water system in northwest Missouri. The Missouri Department of Natural Resources (DNR), concerned about the quality and accessibility of water in the region, attended the group's March meeting, and in July group members met with the DNR in Jefferson City. They were told they could get state help for their project *if* they included all twelve northwestern counties and came up with a locally driven regional plan.

The expanded group of county commissioners and concerned citizens took DNR up on the challenge. With the assistance of Missouri Cooperative Extension and Northwest Missouri State University in Maryville, in November 2005 they held a well-attended regional conference on drinking water, supported by the DNR. The expanded network, which now included market and civil society actors as well as diverse state jurisdictions, continued to meet. After numerous monthly meetings, they came up with a mission. The Northwest Missouri Water Partnership is a coalition of local and regional stakeholders working to identify solutions for a long-term, affordable, high-quality water supply for the citizens of northwest Missouri. The stakeholders determined that water was the basis for achieving many of their regional goals and that the coalition formed around water would help them solidify their regional identity. With that mission, the planning began, supported by another DNR grant. First, group members mapped the assets in the region's eighty-three water districts that provide, treat, and distribute water. Based on these assets, they developed seven alternative scenarios by November 2006. The Missouri Cooperative Extension organized twelve town hall meetings around the region in which more than two hundred people participated. Only one of the scenarios, the one that utilized the maximum number of existing local resources, was approved.

To gain the participation necessary for true governance, it was necessary to increase human capital by increasing local knowledge about the water. Thus the group instituted a number of efforts to share information with citizens about the current available water supply by county, the real cost of water, the economic impact of water, and possible regional approaches to meeting water needs. As a result of the information sharing, participation in the partnership increased as citizens identified specific areas lacking water.

In 2010 the counties decided to join the Great Northwest Wholesale Water Commission, which released its pipeline study in May 2011. All the water boards will remain in place as part of the partnership, and the Missouri Cooperative Extension is offering board training on laws and regulations, duties and responsibilities, ethics, operation and maintenance, rate setting, public education and customer service, and system vulnerability and emergency response. Moving from government to governance in the provision of community services depends on investing in human, social, political, financial, and built capital as well as natural capital, the basic resource. But most important of all, it requires a change in cultural capital: a sense of regional identity and a belief that cooperation is better than each community going it alone.

The partnership illustrates a number of the key principles of effective rural governance. It crosses sectors, starting with the state (county government), but forming a civil society organization, the Northwest Missouri Water Partnership, which is now part of a public-private partnership, the Greater Northwest Wholesale Water Commission, to include investors and financers.

Sustained Citizen Engagement

The Bayview Citizens for Social Justice (BCSJ), led by the group's president, Alice Coles, headed up the movement to better their community in Virginia. The group is made up of people in the community who became active in preserving the area and improving the infrastructure.

Bayview is a town on the eastern shore of Virginia that was founded by freed slaves and in the past was dependent on the fishing and farming industries for work. The town once thrived, but when those industries dried up, it plummeted into extreme poverty and remained that way for more than a hundred years. In the 1990s Bayview residents, who were descendants of the town's original founders, were living in tarpaper shacks, most without running water, indoor plumbing, or adequate heating. The streets were dirt, and the seats and floors of outdoor privies were covered in dried sewage that had seeped up through the ground during the spring's heavy rains. Residents were cleaning their clothing in water mixed with sewage—all the water in town was contaminated, with wells in desperate need of replacement. Most people had no idea what it meant to "flush" a toilet. Some residents shared a toilet—sometimes six to one toilet—and bathing in a bucket was common. Jobs in this town were not stable, mostly seasonal or out-of-town work. Average annual household income was $10,000, and many residents depended on seasonal crop or shellfish processing jobs that brought in only $45 to $50 a month. These jobs often were an hour or more away from town.

In 1994 the Virginia Department of Corrections wanted to put a maximum-security prison near the town's limits. Although the prison would have meant 425 jobs, it would have demolished several of the area homes, which were part of the cultural landscape. The BCSJ formed in an effort to fight the prison. The group was successful, and the prison was not put near the town, but BCSJ's motivation to improve the community continued. The group decided to turn its focus toward the community's struggle with poverty and substandard housing, winning a $20,000 grant from the Environmental Protection Agency (EPA) to create a community-based plan to eliminate the substandard housing. This grant paid for technical consultants to help the group and residents come up with a plan for remaking the town into what it once was, with retail stores, churches, a post office, privately owned homes, rental units, and cottage industries. Fifty to one hundred affordable homes were to be built.

During this period the state chapter of the NAACP paid the town a visit, and members were mortified by what they saw, declaring the town a disaster and calling the residents victims of a "modern-day apartheid system." These statements greatly offended the county administrator, who said that the town had problems, but there was not an apartheid system in place. A few months after these statements were made, the governor visited Bayview, and he said the conditions were "deplorable and need attention immediately." It was then that the ball really got rolling.

The BCSJ continued in its mission to revitalize the town and the economy. It worked to form coalitions with local and state businesses, solicited the participation of more than a hundred area residents, and won grants and loans from the US Department of Agriculture (USDA) Rural Development and the Virginia Department of Housing and Community Development.

During the planning process of rebuilding the town, the EPA and the local nature conservancy teamed up with the BCSJ and held ten workshops throughout the year. Many of the workshops were organized as picnics, concerts, and fish fries, which encouraged a sense of community for participants. Storytelling was used at these gatherings to gain a sense of history and culture, which inspired participants. During the workshops design ideas were generated, and it was decided that clustered housing was the best for Bayview, and an open space was preserved along the edge of town. The group was able to purchase 158 acres of land, and on this land affordable rental apartments, single-family homes, and critical infrastructure were being built. The rent for the units is fixed at an affordable rate, accounting for no more than a third of the resident's income. New, deeper wells were dug so that homes had clean water for drinking and washing.

The next step in development is creating business development for the townspeople now that they are living in safe conditions with good physical infrastructure. Street lights have gone up, and driveways are paved. Single-family houses, apartments, and offices were built. The community has recently constructed a laundry facility, a child-care center, and a community center to serve area residents. A cooperative farm is a component of the economic development strategy. State government as well as USDA/Rural Development collaborated with financing and technical assistance.

Leveraging Regional Resources

In 1987 a fire destroyed a very popular antiques store in Abbeville, South Carolina, which was a huge tourist attraction. The town, whose population was around six thousand people, equally divided between European and African Americans, experienced a great loss of tourism when this happened. This loss of revenue deeply affected the community, and residents knew they had to take action. The community decided to contact the South Carolina Department of Parks, Recreation, and Tourism (SCPRT) for assistance. In the town's past the economy had been a mix of agriculture, manufacturing, and tourism, but the agricultural base was diminishing, which caused a revenue shift. Manufacturing in the area, although stable, did not provide enough wealth for the community's Main Street businesses to survive without additional income. Tourism could provide this source of new money if the town created attractions that would draw people to the area. The loss of the antiques store hit the town hard, and residents had to find another way to get people to come to Abbeville.

Joan Davis from SCPRT began working with local residents on resource development, starting with asking them what they saw as the town's appeal and what had changed to cause a decrease in numbers in the town. It was obvious that the answer to this was the antiques shops in the area. The SCPRT served as a "friendly government shopper," as its representatives looked for new ideas and researched opportunities for technical assistance and funding to support local initiatives. They brought in expert staff from other agencies and organizations to formulate the community's tourism plan, which included an assessment with residents of their natural, cultural, and historical resources. Together they worked on ways to develop these resources into new products to create the attractions needed to bring visitors into the community. The SCPRT was able to show residents how to capitalize on the resources they already had in the community.

Abbeville's leaders invited the entire county to participate in their regional tourism plan, which gave residents a real sense of ownership of the project. They were able to bring ideas to the table and give their input, making this a community effort. The community members' energy and support were obvious to the SCPRT, and it helped to make the project a success.

In 1991 planning of the project began, which included the preservation of cultural resources while generating more tourist dollars. Each rural community was to develop and implement a comprehensive cultural plan to reflect its diversity, and this plan would become an integral part of the community's economic development strategy. Each community was able to tell part of its regional story by showcasing its own particular cultural, natural, or historical resources. This involved a four-step process: organize, inventory, develop, and promote. The idea behind this was that each area would become a living museum that told a story of the development of the South from the beginning to the present day. This plan addressed the economic and social history covering agriculture (especially cotton), the Revolutionary War, textile manufacturing, the Civil War, education, water power, courthouse towns, and community development. The South Carolina Arts Commission gave the organized group a grant to develop a demonstration project to show the connection between economic development and cultural development. In 1996 Congress designated the South Carolina Heritage Corridor as a National Heritage Access area—one of only twenty in the United States.

The Heritage Corridor, as the project is called, extends 240 miles and includes fourteen counties across the state. Many of the communities in the project resembled Abbeville, in that their economies were declining because of population loss and a loss of economic base. Federal programs also have been reduced in recent years, so towns often have to take things into their own hands to make change. The hope of this project is that heritage tourism will lead to economic development by offering small towns and rural areas a strategy to capitalize on the economic value of their various resources. It also provides an opportunity to link economically depressed rural areas, abundant in potential historical attractions, with the management skills and infrastructure of their urban neighbors.

Heritage tourism promotes cluster sites in which towns group together to improve their economic situation. Discovery Centers are located in each of the four regions along the corridor, and these are welcome centers for visitors that offer information about the region. The centers provide interpretive themes unique to each region as well as continuing themes throughout the entire corridor. The four regions in the Heritage Corridor include the Mountain Lake Region; the Freshwater Coast Region (which includes Abbeville); the Rivers, Rails, and Crossroads Region; and the Lowcountry Region. The region that encompasses Abbeville studies the communities' impact on politics in South Carolina and the nation, including the area's effect on the state's agricultural history. Local historians claim that the Confederacy was born and died in the county of Abbeville, and according to them, the first secession papers were read aloud on a hilltop in the county in 1860. All of this adds to the political-historical focus in this region of the corridor. Block grants and contributions were used to build the Freshwater Coast Discovery Center, which was completed in 2001.

Recreational activities are available along the corridor as well, such as kayaking along the Edisto River, which is a service available in Abbeville. The focus throughout all the regions is oral history—telling the stories of the past in each region. Everyone involved believes it is a truly successful venture because it is a grassroots effort, with everyday people trying to make a living and to keep their town economically prosperous. Abbeville's successful tourism development was a result of the corridor project and active community participation in it.

For sociologists, the larger issue is how the flexible networks of market, state, and civil society can stimulate healthy local societies. No one questions the need for clean water or adequate food. Ill or malnourished children cannot learn effectively and thus cannot develop the skills they eventually will need to support themselves and their families. Although a collective desire for economic development can motivate governance, often, as is the case for Tangier Island and northwest Missouri, economic development can be a by-product of the collaborations initiated to address more concrete, immediate issues.

Chapter Summary

Governance involves the mobilization of civil society, participatory forms of engagement, public-private partnerships, and nested administrative structures. It entails a shift away from state bureaucracies and formal institutions as the locus of coordination and decision making, and its emergence raises important questions about the performance of alternative organizational configurations compared to government-centered local development. Governance is more than government, although governments at all levels play a vital role in making and implementing decisions. It can provide flexible structures by which community members participate in local decisions, find innovative ways to provide services and community facilities, and link local resources to local needs.

Governance includes the many forms of local government found in rural areas. General-purpose governments are created to respond to the general needs of a county, city, or town. Special-purpose governments are created to respond to specific community needs, such as schooling, water supply, or medical services. Part-time officials and citizen volunteers often staff rural communities' governments.

Successful rural communities not only engage local governments but also selectively link with other local governments and higher levels of government. Often such linkages, an important part of governance, are catalyzed by civil society groups or market firms that recognize the need for systemic change.

Because of their limited resources, most rural governments find it difficult to provide adequate levels of public services when acting on their own. By mandating certain services, state and federal governments can require that local resources be directed to services that may not be needed. Multiple general-purpose and special-purpose governments can lead to conflicted or fragmented responses to local community needs. Or they can overcome the natural desire to protect turf to collaborate in providing synergy and efficiency. Finally, most rural governments face fiscal stress that arises from a limited tax base facing increased demand for local services. Governance—widening decision making and responsibility to multiple jurisdictions and including market and civil society groups—can help rural governments provide services and increase public involvement.

Key Terms

Federalism is a system of government in which separate states or provinces are united by a central authority while retaining certain powers, including the power to tax.

Fiscal stress in rural communities arises when a limited tax base is faced with an increased need for services.

General-purpose governments are created to respond to the general needs of a county, city, or town.

Progressive taxes place a larger share of the tax burden on wealthier citizens and firms. The percent of income paid as income tax, for example, increases as a person's income increases.

Regressive taxes place a disproportionate share of the tax burden on those less able to pay. Consumer sales taxes become a decreasing share of people's income as their income increases. Wealthier people tend to save and invest a higher proportion of their incomes than do poor people.

Special-purpose governments are created to respond to specific community needs, such as schools or water.

Tax increment financing (TIF) is based on increased taxes in a particular area. For example, a city may rezone a given area and use the expected increased (or "incremental") real estate taxes to pay for new infrastructure, such as roads and sewers.

Discussion Questions

1. Describe three purposes served by local governments.
2. Compare general purpose governments, special purpose governments, and public authorities with respect to their function, control, and ability to raise revenue.
3. How do civil society and market organization work with or influence local governments in general and in a place you know well?
4. Describe some of the ways state and federal governments affect rural communities. Examples include mandated services and regulations imposed on localities and state and federal funding programs and how they are accessed.

Web Resources

- Watch *Hereby Notified and Called to Meet* at "Rural Communities: Legacy and Change," Annenberg Learner, www.learner.org/resources/series7.html#. How do local governments work? This video program is divided into three parts. The first part examines the nature of local government, contrasting the town of Fletcher, in north-central Vermont, which has a town meeting form of government, with the city of Caliente, Nevada, which has a mayor-council form of government. The second and third parts of the video deal with specific governmental issues: (1) in Fletcher, school financing and the conflict between two distinct groups is dividing the community, and (2) in Caliente, wresting control of ground-water pits in Caliente and the surrounding region from Las Vegas (Clark County) and the state of Nevada.
- What is Governance? Brown Dog Consulting, 1 min. 41 sec., October 22, 2010, YouTube, www.youtube.com/watch?v=zpxBeq6W2i8. Briefly explains governance, outlining the job of a board of directors. Designed for corporations, but in a membership nonprofit simply substitute the membership for the owners (stockholders).
- "Volunteering and Civic Engagement the United States," Corporation for National and Community Service, www.volunteeringinamerica.gov/national.
- Local government finances by type of government and state: 2013: American FactFinder, http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml.
- Local and state government consumption expenditures and gross investment, 1929–2013: "Government Consumption Expenditures and

Gross Investment: State and Local (Implicit Price Deflator)," Economic Research, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/A829RD3A086NBEA?src=ua,vs. You can build your own graphs.

- Watch *The Governance Problem: How It Started, Brown Dog Consulting*, 4 min. 43 sec., YouTube, January 29, 2013, www.youtube.com/watch?v=V0zemSfMWSQ. A look at the root of the main problem with corporate governance today. It happens, even with the largest corporations.

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12

Generating Community Change

Guadalupe (Lupe) Ayala spent seventeen years on the migrant circuit with her husband, Néstor, and their six children. She had grown up in Reynosa, Mexico, the twin city to Pharr, Texas, and Néstor had grown up in the Rio Grande Valley on the US side. As a young woman, she occasionally visited a cousin who lived in a *colonia* on the outskirts of Pharr. *Colonias* were—and some still are—unincorporated neighborhoods without basic infrastructure, including running water in the houses, sewer systems, and paved roads. The *colonias* were created by farmers (who offered agricultural land) and realtors who made a fast buck by selling unimproved lots for a rapidly growing population, which included migrant workers—both US and Mexican born—who followed the western and midwestern farmworker circuit and wintered in the area.

One Saturday night Lupe met Néstor at a fiesta. Néstor was a large farmer, one of the few big Latino farmers in the Valley. He asked her out and soon her trips across the border became more frequent. They married in 1950. He owned five hundred acres and employed three hundred *braceros* (immigrant workers who came from Mexico every year to do agricultural work under a US government program established during World War II). On Néstor's farm they worked in tomatoes, sugar beets, chilies, carrots, and lettuce. In 1951, the year after Nestor and Lupe were married, there was a devastating freeze in the valley, and most of the crops were destroyed. He was still paying for the some of the land he had purchased and had a large production loan with a local bank in Pharr. Because he was unable to pay his workers, he had difficulties getting most of them to return the following year. He had to sell part of the land to make payments on the loans and to pay the IRS for delinquent taxes. Because of the shortage of workers and capital to put in crops, he and Lupe over the next few years lost all the land and only had enough money to buy a modest house in Las Milpas, a *colonia* on the outskirts of Pharr. In the early 1960s they were forced to go on the migrant circuit, which was particularly difficult for Néstor, who had had a leg amputated after a boyhood accident. They spent less than six months of each year in Las Milpas. With their children in tow, they would head to California in March. The whole family would work, with the middle girl taking care of the two smaller ones, until all were old enough to work in the fields. Lupe and Néstor would return to the Rio Grande Valley in late October.

Lupe had begun her studies to become a teacher in Mexico before marrying Néstor, so she was committed to her children's education. She would arrange for her children to fly back to the Valley from California before the season ended so they could attend school and graduate from high school, unlike most of the children in Las Milpas. At the end of the 1970s Lupe and Néstor, now in their mid-fifties and their children nearly all grown, had saved up enough money for Néstor to buy a combination grocery store and restaurant in Las Milpas, and they began living in the Valley year round. Freed from the dawn-to-dusk work in the fields, Lupe plunged into the activities in her local church, Nuestro Señor Catholic Mission, leading prayer groups and assisting in the services. Her favorite part of the Bible was Jesus's Sermon on the Mount, which contains the Beatitudes.

In the early 1980s Nuestro Señor joined a fledgling community organization, Valley Interfaith. The local priests, sensing her quick intelligence, dedication, and deep religious faith, invited her to a series of training workshops that allowed her to connect her theology to community organizing. There she met Ernie Cortés Jr., the organizer for Valley Interfaith. Cortés saw her qualities of leadership, not the least of which was her passion regarding the living conditions of those who lived in her neighborhood. Lupe never intended to be a political leader, but seeing the open sewers and outhouses that, with the heavy rains, yielded feces that floated into people's backyards; seeing children lining up at the spigot beside her husband's store; and the way teachers hit her children at school when they spoke Spanish angered her. She was to become one of the most valued and effective leaders of Valley Interfaith.

But first a word about how Valley Interfaith got started and two other people who played a critical role in organizing it: Bishop John Joseph Fitzpatrick, head of the Brownsville diocese and Ernesto (Ernie) Cortés. Valley Interfaith is an Industrial Areas Foundation (IAF, established in the early 1940s by Saul Alinsky, a colorful community organizer in Chicago, where he managed to bring together the Congress of Industrial Organizations (CIO), the Catholic Archdiocese, and major meatpacking firms around the largely Polish workforce's right to organize in the packing plants; it later grew to a national organization with affiliates in most major cities and some smaller ones) affiliate that began in the early 1980s in the Rio Grande Valley of Texas. At that time the entire area was rural except for McAllen, the county seat of Hidalgo County, where Pharr and Las Milpas are located. The region has grown tremendously in the years since, and in the 1990s Harlingen, Edinburg, and Pharr became urban (population of more than fifty thousand). Valley Interfaith was and continues to be the most rural of IAF affiliates in the country.

In the 1960s and 1970s the region had been a battleground of the civil rights movement, but the civil rights organizations had pulled out or had withered and died. At the beginning of the 1980s there was little political activity among Latinos and even less among those who were mired in poverty. Bishop Fitzpatrick of the Diocese of Brownsville, which included the Valley, felt that he had to do something about the extreme poverty in the rural parts of his diocese. It is useful to know that this was a time when the Catholic Church had begun to move away from Liberation Theology, but many bishops in Latin America and some in the United States still focused on a "preferential option for the poor," particularly in a region where their congregants were predominantly Latino—and poor. And there was definitely poverty in the Rio Grande Valley. In 1980 Hidalgo County had the lowest average income per wage earner of any county in the United States. At least 10 percent of the population of the three counties of Willacy, Cameron, and Hidalgo—the most southernmost counties in Texas—lived in *colonias*.

Bishop Fitzpatrick consulted with Bishop Patrick Flores of San Antonio, who had himself been a farmworker. Flores told him about Communities Organized for Public Services (COPS), which was established in 1974. The story of COPS (and its main IAF organizer, Ernesto [Ernie] Cortés Jr.), fascinated Bishop Fitzpatrick (see Rogers 1990). COPS, an IAF affiliate, had an institutional base in the largely Latino parishes of San Antonio's West Side. The parish churches paid dues to support organizers and other expenses.

Cortés was not unfamiliar with the Valley, as sixteen years earlier he had worked with César Chávez and the United Farm Workers on a failed statewide boycott of melons produced in the Valley by workers who lacked a union. Subsequently he had been trained by IAF leaders, had interned with IAF in the Midwest, and had returned to Texas to help organize in San Antonio and Houston. Fitzpatrick convinced Cortés to explore the creation of a similar organization in the Valley. He moved into an apartment in McAllen and began talking to people. Unlike the earlier efforts at political mobilization, he did not attempt to organize only farmworkers (as the United Farm Workers did), Latinos (as had La Raza Unida), or youth (as MAYO, the Mexican American Youth Organization, had). The idea was to build a more powerful community organization that brought together groups dissatisfied with business as usual in their communities that had not previously worked together, crossing class, ethnic, and generational lines. In community capital terms, he pushed beyond bonding social capital to also build bridging social capital.

In the summer of 1983 Valley Interfaith was formally launched. Not only was Cortés essential to the birth of the organization, but so was Bishop Fitzpatick's ministry. As Cortés explained,

> We had a lot of trouble starting EPISO [the El Paso Interreligious Sponsoring Organization] at the same time that Valley Interfaith began. People would come to our meetings and find out afterwards that their tires were slashed. The local press really went after us, calling us outside agitators and digging up stuff on (Saul) Alinsky (an organizer in Chicago and the northeast of the United States) and the politics of confrontation to scare people. One of the big reasons that it didn't occur in the Valley was because of the extraordinary leadership of Bishop Fitzpatrick. (Cited in Shirley 2002, 7).

Once Cortés had gotten the work started on improving the *colonias*, school reform, and leadership development, he was able to hire Jim Drake, a minister who had worked for years with César Chávez, to become a lead organizer. Together the two discovered important leadership from within the Valley community, particularly among Mexican American women who were generally already playing leadership roles in their congregations.

That brings us back to Lupe. At one point in her career with Valley Interfaith, despite her halting English, she called Ann Richards, then the treasurer of the State of Texas, and invited her to Las Milpas. Richards's visit was a great success, as she attests to in her own words:

> Las Milpas was the first colonia I visited in the valley and I liked Mrs. [Ayala] right away, because there is a genuineness to her that makes her the kind of person that you really like to work with. And the conditions she shared with us were outrageous. Las Milpas was a trap for people desperately wanting to own their own property who had been taken advantage of by developers who were willing to take advantage of the poorest of the poor. (Cited in Shirley 2002, 15)

With other leaders from her church, Lupe organized a pilgrimage from her church to the San Juan Shrine in Pharr where a special mass was held before an *accountability session* with the lieutenant governor. When asked, he responded with a promise of $100 million for a *colonia* improvement fund and an equal amount for a venture capital fund to increase jobs in the Valley.

The governor and lieutenant governor were of the same political party as Richards, and she succeeded in delivering a series of multimillion-dollar grants to upgrade the *colonias* throughout the 1980s. (It did no harm to Valley Interfaith's cause that Richards later became the governor of Texas.) Throughout the 1980s and 1990s Valley Interfaith and two other IAF affiliates in other parts of the valley secured over $2 billion to bring water, sewer, storm sewers, and other infrastructure to the *colonias* all along the Texas-Mexico border.

A second area of concern for Valley Interfaith was that of obtaining more school funding for the public schools in the Valley. The school funding system in Texas was so decentralized that the most affluent districts in the state were spending as much as twenty times as much per pupil as were the poorest districts, most with Latino and African American student majorities. Governor Mark White appointed a blue-ribbon committee to study the byzantine school funding patterns, with Ross Perot, a computer magnate, at the head. Valley Interfaith quickly established contact with Perot and began its own research, beginning with workshops to educate its members on how money was allocated and recommendations to bring more funding to Valley schools. Perot was impressed with the thoroughness of their research. Then, when a school-funding reform bill was destined to be pigeonholed in committee, Valley Interfaith and other IAF affiliates in Texas organized busloads of parishioners and congregation members to go to Austin, the capital, to assure that it was debated and later passed. The bill focused on adding teachers in schools in low-income districts, specifically on improving student-teacher ratios at the lower grades. That resulted in dramatic increases in student achievement in succeeding years. (The above description is based on Shirly, 2002, chapter 1.)

Other successes over the years was the development of an organization called Valley Initiative for Development and Advancement (VIDA), which brought together employers, educational institutions, and low-income, low-skilled individuals to prepare the latter for living-wage jobs and a career path; a living-wage campaign that got local governments and the local community college to raise starting wages of their hourly employees by one dollar per hour (2009); and, in collaboration with other Texas IAF organizations, the persuasion of the legislature and governor to restore full funding of the Child Health Insurance Program (CHIP) to 127,000 more children (2007).

But equally important was the transformations in the lives of residents of the lower Rio Grande who took leadership roles in their parishes, congregations, and the public arena on behalf of Valley Interfaith. The example of how Nidia Torres acquires her dignity is dramatic:

> At the very, very beginning, my very first meeting going to Austin for the water board meeting . . . I wanted to sit in the very back. And then the organizer said, “Sit in the front!” and I said, “No, no. That’s where the mayor and the city manager sit.” And she said, “No, you sit in the front because you are the ones that are the taxpayers and you are the ones that are paying for their salary.” I was so embarrassed. . . . I said, “I feel so guilty seeing them sitting behind me.” But now it is very different. We go there and we sit in the front. . . . I get a paper and pencil and I don’t know how to write, but they don’t know I don’t know, and I write. I’m using my poor spelling, I spell it out so that I understand . . . I carry my things and I lift my face. I lift my head. You people are going to have to respect people. Before it was just like, humbling yourself. But it’s not that way anymore and it doesn’t have to be that way (Friedus 2001).

Community development occurred—and is occurring—in the lower Rio Grande Valley because members of the faith community were able to build bonding and bridging social capital and cultural capital in such a way as to generate political capital, which led to other community assets, particularly in the areas of human capital, built capital, and, to a lesser degree, financial capital. Thus they invested in their communities (community development) and thereby invested in themselves. Economic development is one of the results of Valley Interfaith’s efforts, but it is not the major motivation for developing the organization.

In many communities taking charge of change seems almost hopeless—as it did once in the Rio Grande Valley. New people move to town with great dreams for community improvement, but their dreams never materialize. Or local residents concerned about a declining economic base seek to attract industry, with ever-decreasing likelihood of success. What makes the difference between towns that develop and change in the face of globalization, climate change, and shifting rules and regulations of the market and the state and those that seem unable to respond effectively? What are the components of community development, and what makes it happen?

This chapter centers on theories of community development and change, which stem from the political and economic contexts in which they originated. All assume that human agency can overcome broader trends that affect places, but they take very different stances on the appropriate *source* of the agency and vary in the degree to which they take a linear or systemic approach. The next section discusses the assumptions behind these theories of change and is followed by illustrations of how they can and have been implemented in terms of which capitals are invested in and the impact of those investments on community capitals and the community's triple bottom line—healthy ecosystem, economic security, and social inclusion—which together constitute quality of life.

Community and Development

The word *community* comes from the Greek word for "fellowship." Fellowship involves interaction. Hence, *community development* implies that the quality of interaction among the people living in a locality improves over time. Such interaction both depends on and contributes to enhanced quality of life for each member of the community: better housing, better education, enhanced recreational and cultural opportunities, and so forth. Central to the concept of community development is the idea of *collective agency*, which is the ability of a group of people—in this case, those living in the same community—to solve common problems together. For community development—and collective agency—to occur, people in a community must believe that working together can make a difference and then organize to collectively address their shared needs. Often existing cultural capital instills a victim mentality in the entire community: the idea that things happen to them and nothing can be done but to endure and resent them. There is a focus on deficit and what is not there.

Community development is much broader than economic development; indeed, one could argue that economic development is often antithetical to community development for two reasons. First, economic development does not necessarily involve collective agency, and second, economic development may not result in an improvement in the quality of life. For example, the high rates of economic growth in "boomtowns" have a negative impact on community development. The incomes of some members of the community may increase, but as crime rates increase, schools become overcrowded, housing prices soar, and neighborliness declines, the quality of life for the majority of the residents may deteriorate. This is particularly true when economic growth in the community is triggered by an absentee firm, whether it is an oil or coal company, a national meatpacker, a recreational conglomerate, or a transnational manufacturing company.

A community development perspective leads to a focus on what local people do to improve the overall quality of life of the community. In the difficult economic times of the 1990s and 2000s economic development was seen as the dominant means for community betterment. But bringing in jobs is not enough, and bringing the wrong type of jobs may decrease the community's quality of life. Following is an examination of approaches taken by community members and leaders to improve their collective well-being and how these approaches relate to collective agency. Increasingly, inspired by Richard Florida's (2002) work on creative economies that attract high-quality human capital, there is more attention given to quality of life, expressed as talent, technology, and tolerance. In these cases the goal is to identify and enhance assets in a systemic way rather than to just solve a particular problem.

Models of Community Development

Three major approaches to community development have been laid out by James Christenson (1989): technical assistance, power (conflict) models, and self-help models. In this chapter the conflict model is called the *power* model because it *explicitly* takes into account the role of power in community change, unlike the other two approaches. A fourth model is added here, the appreciative inquiry approach. Each of the approaches identifies a different role for the change agent, orientation to task versus process, clientele, image of the individual, conception of the basis of change, core problem to be addressed, and action goal.

Current community development theory and practice confront the limitations of the hierarchical, problem-solving approach that has long dominated development work in the global North and South. After World War II, when much reconstruction had to occur in Europe and Asia, it was easy to believe that the solution lay in the transfer of technology and money from developed areas to those seeking to develop. The goal was modernization, which embraced technological solutions to human problems. The developer provided technical assistance, which included financing, installing, and teaching people to use technology. The secret of a good community development professional, then, was to be a good diagnostician. Unfortunately the key problem was generally found to be whatever the technical expert knew how to "fix." Solving one problem always reveals another, and thus dependency on outside experts was built into the model. But becoming "modern"—to produce more and consume more—required changing technology and mindsets.

Technical Assistance Model

Where there are low levels of community participation, community leaders often seek technical assistance that brings in resources. This can involve attracting an outside firm, often by hiring an industrial recruiter, or finding an expert to solve a particular problem.

The technical assistance model takes a problem-solving approach using an "expert" model:

- Identify the problem based on felt needs.
- Analyze its causes.
- Identify the solution, often from the outside.
- Implement the solution.

The basic assumption is to provide what is not there and fix what is not working.

The technical assistance model stresses the task that is to be performed. A few local leaders might decide that the community needs child care. After talking among themselves in private, they call in technical experts to assess the local situation and find the most efficient way to build and run a child-care center. The construction of the center might require receiving government grants or finding a private investor. The consultant and the local leaders would determine the method of funding, and the site would be chosen based on objective criteria determined by experts in child-care centers. The success or failure of the project would be judged by the presence or absence of a child-care center building at the end of a prescribed period. The combination administrator–child development specialist would be chosen using technical criteria. If a capable administrator was found, the project would continue. However, if the hired director proved inefficient or dishonest, it would be up to the town leaders (if publicly owned) or the board of directors (if privately owned), not to users of the child-care center or its employees, to correct the situation. Limited community oversight often leads to limited success.

It is assumed in this approach that answers to community problems can be reached scientifically. The problems themselves are phrased in technical terms that require expert advice about choices among a variety of technically feasible options. This approach requires that local residents, if they desire to participate in decisions, assimilate and absorb a great deal of information about complex legal and scientific issues. This greatly decreases motivation to participate. A common response is to assume that there is only one technically superior choice and that the experts should thus be left alone to make it.

Another assumption of the technical assistance approach is that development should be evaluated based on the achievement of a predetermined, measurable goal. Not only is the achievement of the goal important but so is the efficiency with which it is achieved. Cost-benefit analysis, a technical tool economists developed to determine a project's ratio of costs to benefits to the public, is a particularly appropriate tool for a technical assistance approach. Local citizens are defined as consumers of development, not participants in it. For example, with a child-care center, its success could be determined by whether it makes a profit, whether local workers use it, how well the children do in school, or an increase in labor force participation and regularity and promptness of workforce attendance. If the community is to evaluate the success of the endeavor, all of these would be important: financial, human, and social capital would all increase because of the presence of the child-care center. The center would not be administered to maximize a single goal, such as profit, but rather to optimize multiple community capitals. The technical assistance approach does not lend itself to such complex measures of success.

Government bureaucracies are the most frequent users of the technical assistance approach. This approach often works to the advantage of the power structure because of its agenda-setting ability (see Chapter 6, Political Capital). The power structure is frequently able to prevent a particular problem from reaching the level of public discussion or, in other cases, to prevent certain technically feasible solutions to a publicly defined problem from being considered as realistic options.

An illustration of how politics and the technical assistance approach relate to one another is industrial recruitment. Successful growth machines are able to define industrial recruitment as an essential economic development objective, especially in communities experiencing a loss of services or population. This is done through influential organizations such as the local chamber of commerce or community development office by identifying industrial recruitment as the only technically feasible alternative for generating new employment. However, other alternatives exist; for example, in a declining community where the elderly make up a high proportion of the population, transfer payments (including such things as Social Security, Medicare, and Medicaid payments as well as private pensions and health insurance payments) are a large portion of community income. A program for the development of locally owned services used by retirees would keep that money circulating in the community and could perhaps generate more employment and greater employment stability and income than would a potential new factory that does not use local resources other than labor. But in most cases industrial recruitment wins out because the elderly income multiplier does not even get on the agenda. Furthermore, companies considering a move do not want that information made public until the decision is final. They also prefer to deal with a single person who represents the entire community.

Both of these facts militate against broad community participation in efforts to recruit industry.

Implementing the Technical Assistance Model. In the pure technical assistance approach, a local entity, either a local government or a private entity such as a chamber of commerce, calls upon an outside expert or consulting firm either to develop and assess the effectiveness and efficiency of alternative solutions to a particular problem or to design the most efficient way to perform a certain task—that is, to implement a predetermined solution to a predetermined problem. Generally the consultant does not question the task assigned or how it was determined that the particular problem was important. The consultant merely develops a plan to implement the solution.

At times local experts, such as planners, can deliver technical assistance. They generally receive their orders from local or regional governmental officials and are involved in defining how to perform a particular task efficiently. Daniels and others (2007, 14) outline the steps for initiating, implementing, monitoring, and adjusting for effective economic development. It is a linear and iterative process:

Initial Phase
- Decision to plan and commit resources
- Information gathering

Preliminary Phase
- Problem identification
- Analysis of problem
- Development of goals and objectives

Decision Phase
- Identification of alternative solutions
- Selection of solution and plan of action
- Implementation

Follow-up Phase
- Monitoring and feedback
- Adjustment of solution

In the pure technical assistance approach an individual or firm with technical competence is called upon to complete each step in the process. However, defining the goals and objectives is usually reserved for the politicians, although planners may assist them by gathering basic information and identifying the problem. The technical assistance approach also allows for citizen input into the identification of the problem. Consultants are sometimes tasked with organizing town meetings or focus groups to gauge the public's views on what the problems or issues are and possible solutions.

The Power Approach

Criticism of the technical assistance model and its accompanying dependency began in the global South in the 1960s (Fals-Borda 1963; Freire 1970). Scholars and activists questioned the causal assumptions behind the modernization model, although they did not question the modernization goal. From revolutionary movements to liberation theology, redistribution, not just growing the pie, seemed necessary. In community development this meant organizing excluded people to analyze their own problems and situation of oppression in order to solve those problems. A major organizing tool is the confrontation of those seen as blocking the agreed-upon solution to the problem.

In early 2008 in Sioux County, Iowa, the most highly industrialized and productive agricultural county in the state, the sheriff began arresting immigrant Latino workers whom he suspected of not having proper papers for real or imagined traffic infractions (infractions known in the immigrant community as "driving while brown"). Because nearly all of the workers had cell phones, word of what the sheriff was doing spread quickly. To avoid being apprehended while driving, workers stayed home. They failed to show up to milk the cows on the large dairy farms and to care for the hogs in CAFOs. The sheriff's behavior was of grave concern to the conservative Republican farmers who owned the dairies and operated the CAFOs, as they saw their workforce disappearing before their eyes. But it was also of concern to other members of the community because agriculture is the basis of nearly all economic activity in the county. And when workers are deported, the families split apart. The Dairy Association organized a meeting to discuss the issue among employers, churches, service providers, and advocacy groups, which led to a meeting with the county supervisors, attended by dairy, beef, swine, and poultry producers; educators; manufacturing and construction firm owners; Hispanic advocacy groups; clergy; and members of the medical community as well as by the sheriff and the county attorney. Concerns were expressed about unprovoked traffic stops, families potentially being broken up if breadwinners were deported, absenteeism from work, and fear for the well-being of the key industry in this mostly agricultural county of Iowa. From that meeting a planning committee was established with representatives from the board of supervisors, Iowa State University Extension, social services, and the president of CASA, one of the two main Latino organizations in the county. That committee devised a plan for a community discussion series on immigration issues. Over a seven-month period the community was educated and facts were gathered through a series of forums. The first dealt with the legal immigration process. The group was dismayed to learn that there is no practical way for immigrants seeking unskilled positions in Sioux County to do so legally. Other discussions were on the economic impact of Hispanic workers on the county (made up of employers); law enforcement and immigrants, consisting of law enforcement officers; Hispanics and education; and Hispanics and social services. The effort culminated with a large number of people attending a county supervisors' meeting to express their opposition to the policy of the sheriff's office regarding its handling of immigrants. As a result, the sheriff stopped turning over violators of local laws without proper papers to Immigration and Customs Enforcement (ICE), the county supervisors instigated local policies to stop racial profiling, and churches and schools were encouraged to integrate education about immigration options and the immigrants' contributions in Sioux County into their lessons. The effort was successful because it included fact finding, community education, the building of a diverse and powerful coalition, and the direct exercise of that collective power to get the ultimate decision makers to change county policy. This is an example of the community power model at its best (Heronemus and Flora 2009).

The power approach to community change has both rural and urban origins in the United States. The labor movement and the farmers' movements of the late nineteenth and early twentieth centuries integrated community organizing into union and political organizing. An early effort to develop a praxis of community organizing in the South was the Highlander Folk School (now called the Highlander Research and Education Center), founded in 1932 by Myles Horton (Horton, Kohl, and Kohl 1997). It trained white and black rural and industrial workers. The Citizenship Education Schools (later transferred to the Southern Christian Leadership Conference, headed by the Reverend Martin Luther King), which worked to register African Americans to vote in the South, was started at Highlander by Septima Clark. Rosa Parks attended a workshop at Highlander months before sparking the Montgomery bus boycott by refusing to move to the back of the bus. African American women were the behind-the-scenes leaders and organizers of the Montgomery bus boycott (Robinson 1987), which propelled Martin Luther King Jr., then a twenty-eight-year-old preacher at his first post in Montgomery, to national attention. (For more information on the civil rights movement, see Sitkoff 1981; Weisbrot 1990.)

The modern-day power approach was codified by Saul Alinsky, who began as a community organizer in Chicago in the 1930s in a Polish neighborhood known as Back of the Yards. He brought the Catholic Church hierarchy together with John L. Lewis, head of the Congress of Industrial Organizations (CIO), the largest and most powerful of industrial unions (no small feat in itself), and the largely Polish workers from Back of the Yards to successfully pressure the meatpacking companies to allow their workers to unionize. The effort succeeded, and Alinsky's community organizing career was launched. This methodology was expanded to black organizing in Chicago, Illinois; Rochester, New York; Boston, Massachusetts; Kansas City, Kansas; and Kansas City, Missouri. It was the basis of organization of the United Farm Workers, because Fred Ross, who trained César Chávez, trained with Alinsky's organization, the Industrial Areas Foundation (IAF). Many community organizers around the country continue to use and modify the approach in both rural and urban areas.

Alinsky said that the world and, hence, any community, is "an arena of power politics moved primarily by perceived immediate self-interests" (1971, 12). Whereas the technical assistance approach views the existing power structure as having the interests of the community at heart, the power approach believes that those who have power must often be reminded to use it for the common good.

The power approach assumes that power is never given away; it always has to be taken: "Change means movement; movement means friction; friction means heat; heat means controversy" (Alinsky, cited in Chambers and Cowen 2004, 31). The goal of the power approach is to build a people's organization so as to allow those without power to gain it through collective action. Because organizations of the powerless do not have access to significant monetary resources, they must rely on their numbers. Their numerical strength is only realized through organizational strength.

Such organizations must be democratic and participatory. Alinsky believed that downtrodden people (whom he called the Have-Nots, as opposed to the wealthy Haves and the Have-a-Little, Want Mores—the middle class) acquire dignity through participation. Experiencing denial of participation is central to them being Have-Nots. He saw democracy and participation instrumentally: as means, not ends. The overall ends of community organizing should be such things as equality, justice, and freedom. But in an open society such as the United States, undemocratic organization by the Have-Nots can negate those ends (Alinsky 1971, 19–21; 1946, 19–23).

Following Alinsky's untimely death in 1972, "Big Ed" Chambers, who had been the lead IAF organizer to get Kodak in Rochester, New York, to hire African Americans in skilled and professional positions, became executive director of the IAF. Chambers focused on the training of IAF organizers and local leaders. Organizers were trained to work with churches, synagogues, and mosques (as well as labor unions and other secular organizations), bringing together both the Have-Nots and parts of the middle class for long-term local action for justice. Relational meetings (called one-on-ones) were emphasized as a basic organizing tool for exploring others' values and action orientations, whether those people be power brokers or potential activists, and a methodology of house meetings was used to ascertain the issues that were keeping people up at night. This participatory research was then used to determine the direction for the IAF affiliate for the next three years or so. Rather than the "three years and out" that Alinsky had proposed, the COPS (Communities Organized for Public Service) model developed by Ernesto Cortés Jr. in San Antonio involved coalitions of local organizations with a long-term relationship with the IAF. This provided financial stability for the affiliate and the IAF itself. In short, Chambers and his collaborators institutionalized the IAF, a classical case of Max Weber's routinization of charisma. (See Chambers and Cowen's *Roots for Radicals* [2004] for a full discussion of the methods of the new IAF.)

Implementation of the Power Model. Because of the control exercised by the existing power structure, an outside organizer may be necessary to catalyze the power approach. The following steps are generally used to build a permanent, multi-issue community organization to achieve its local members' interests and link with other like-minded groups across the state and nation. The steps are illustrated with examples from the organizing effort to get Valley Interfaith up and running.

1. An outside organizer enters a community, usually at the request of a local group wanting change. This reconnaissance phase generally involves (a) appraising the local leadership, looking at both formal and informal institutions in the community; (b) interviewing and identifying individuals and institutions with potential to form a people's organization or coalition, and (c) identifying an individual or small group of people to invite those individuals and/or representatives to form an organizing committee or provisional coalition.

In the lower Rio Grande Valley the “local” individual was Bishop Fitzpatrick, who saw the need for an organizing effort to combat poverty. He recruited Ernie Cortés to be the organizer.

Cortés initiated the effort in traditional IAF style with brief (forty-five minutes to one-hour) one-on-one meetings with a diversity of individuals, learning what they were passionate about, the experiences that had brought them to those views, and their commitments to act on their passions or values. These conversations educated him about how the social, political, and economic systems worked to keep people in poverty. The meetings suggested issues that were salient in the community and sometimes uncovered potential leadership for a new community organization to address barriers to alleviating poverty and show pathways to empowering those lacking power. They also revealed the people and institutions responsible for building or maintaining those barriers. The one-on-ones were supplemented with what, in IAF jargon, are called *house meetings*, which in this case took the form of four three-day workshops in churches in different parts of the Valley to collectively explore the economic and political problems in the area and to gauge participants’ (identified through the one-on-ones) willingness to take leadership in solving those problems. Shirley (2002, 6–7) describes house meetings as “ . . . small convocations of individuals in homes in which leaders learn to address the most grievous injustices in their communities and translate inchoate sources of anger into concrete issues that can be addressed in the political arena.”

2. A people’s organization is built.

    a. The organizing committee stimulates those outside the power structure to voice their grievances in order to identify major local issues and to generate additional participants in the people’s organization. This can be done by holding house meetings, through door-to-door canvassing, or in one-on-one discussions.

Cortés played the central role in organizing hundreds of meetings in homes, churches, and other venues in 1981 and 1982, but this required training people to do one-on-ones and to facilitate house meetings. Cortés—or anybody else—could not have done all those meetings. That suggests another IAF principle, which is called the *iron rule*: *never do for others what they can do for themselves*. Thus the IAF organizer should gradually disappear into the background while also always being available to teach and remind people of IAF principles and practices and to give contextualized advice on how to implement those principles and practices. But the organizer can disappear into the background only if there is a serious—indeed dogged—effort to recruit talented leaders from the community to create political capital. Shirley says,

> A central part of this organizational emphasis on the iron rule involves . . . discovering talent among those who live and work in poor communities and carefully cultivating it. . . . That talent must entail many different components, such as sensitivity and responsiveness to the needs of the community, relationships with a wide range of community members, an eagerness to learn, and a readiness to demand accountability and public service from political and economic elites. More concretely, that talent manifests itself in individuals' having a following and having the persuasive ability to bring others to the house meetings, research actions, and accountability sessions that are the essence of the IAF's model of community organizing. (2002, 12)

b. Synthesize the grievances into a statement of the problem(s). An effective strategy for this has been neighborhood or organizational meetings in people's homes, in churches or synagogues, or at other places familiar to the group of people being reached.
c. Establish issue teams to conduct research on the issues/problems identified. What goals are sought, and what are the means of achieving the goals? Which alternative means are most likely to succeed? This may involve interviewing public officials, private firms or businesspeople, or civil society leaders; obtaining relevant documents; and/or studying existing laws and proposed legislation.

Once an issue is identified as important and people step forward to work on it, a research team is formed to investigate the precise outlines of the issue. The objective is to gain adequate information to formulate a strategy and tactics for resolving the issue. Once the organization is formed, this process of generating house meetings to assess concerns ("what is waking you up at night?") and organizing issue teams around the salient issues from the house meetings is generally done every three years or so.

A research effort, which focused on identifying the resources in the Valley that could be accessed to deal with the extreme poverty found there, determined that although there were a few wealthy farmers and industries, the Valley on the whole was poor. Therefore, it was decided that rather than focusing on the reorientation of local resources to focus on poverty and related issues, it would be more fruitful to target State of Texas resources.

d. Based on the knowledge obtained through the team(s), a path to resolving the issue must be formulated, allies contacted or secured, and, to the degree possible, potential opponents or barriers neutralized. Particularly with a new organization or coalition, issues should be chosen that are winnable in a short time frame, as an ancillary objective (besides bringing about the desired goal) is to enhance the power of the organization. Although the organization is still small and not well known, it may be necessary to concentrate on one issue at a time; however, the organization should not become a single-issue organization because it will then die when the issue is resolved.

Valley Interfaith decided it would be more effective to organize toward the state rather than against it. The organization conducted a series of workshops to educate citizens and immigrants about state resources that were available and then organized a voter registration drive in conjunction with the ongoing efforts of the Southwest Voter Registration project. The voter registration drive undoubtedly caused state-level politicians to raise their eyebrows and take note that here was a group that is serious about exercising power at the ballot box.

3. Engage in collective action toward the goal. Demonstrate the value of the power of a large number of people working together to make gains from the traditional power structure through collective action. In particular, to retain legitimacy, people's organizations need to produce a stable supply of what public administration expert Sherry Arnstein (1972) terms "deliverables"—wins that are quickly achieved and yield visible benefits wrested from political and economic institutions.

When Lupe invited Ann Richards to visit Las Milpas, she laid the groundwork for collective action. Often collective action involves what is called an accountability session, where the person holding the power is invited to a mass meeting and the "ask" is made. The goal with accountability sessions is to orchestrate the outcome by meeting with the politician or corporate leadership and generally with their aides ahead of time so that the leadership already knows the answer will be positive. The idea is to make it easy for the decision maker to say yes. That requires the people's organization to figure out how to make what is being requested a win-win situation. In the case of the meeting with the lieutenant governor, in which Lupe and her church prepared by organizing a pilgrimage to a local shrine *and* attending the accountability session, Valley Interfaith was expressing not only a strong commitment to the issues of job creation but also a confidence that the lieutenant governor's response would be positive.

Occasionally the organization can be surprised or the decision maker simply will not budge. Then it is particularly important to have a large turnout for the meeting to make it clear that this is something that a lot of people want. Large turnouts for early accountability sessions will have an impact on future ones. The word will get around that the organization has a lot of people power. Particularly in places like the Rio Grande Valley, people power and moral suasion may be about all poor people have going for them. If organized properly, people power can trump money power.

4. Formalize the people's organization. Develop a permanent organizational structure, with dues and a configuration that involves members in policy, financing, and achievement of group goals and community improvements. Often this step is taken too early, thus wasting valuable time and human resources because people and organizations may fall away, judging that the new group is just another bunch of talk-lots, but do-nothing organization.

In rural areas, particularly in the Midwest, where conflict with one's neighbors is viewed as disruptive and unmannerly, the most effective use of power-focused organizations appears to be in mobilizing against the outside, particularly in efforts to stop nuclear waste dumps, power lines, school consolidation, polluting industries, and the like.

An example of such an organization is Save Our Cumberland Mountains (SOCM, pronounced "sock 'em"). SOCM was established in 1972 as a dues-paying, membership-based group that employs professional organizers. The organization is centered in the Cumberland Plateau region of eastern Tennessee and consists of six chapters that are county-, community-, or multicounty-based (see the SOCM website at www.socm.org).

The SOCM chapter is the primary political unit of the organization. It is a nonprofit grassroots citizen's group working on a local level for environmental, social, and economic justice in areas such as forestry, strip mining, toxic issues, tax reform, and dismantling racism. The various chapter groups send representatives to the larger SOCM board or to various issue-driven steering committees, such as the legislative committee, which lobbies state legislators in Nashville. The SOCM board and the various committees hold a great deal of power in the SOCM organization and plan many of the group's political activities. To qualify for staff assistance, the chapter groups have to show that they have been actively working on an issue that they have identified themselves in response to some problem originating in their local community. The staff organizer works as a "coach" for the local "teams." SOCM's recent successes include winning a ten-year battle to protect Fall Creek Falls State Park from devastation from acidic mine drainage by designating sixty-one thousand acres as land unsuitable for mining; they have also hosted their first "in-house" workshop to combat racism.

The Kentuckians for the Commonwealth (KFTC), an organization with a similar organizational structure, succeeded after many battles in stopping the strip-mining of land that did not allow the surface owner any rights or say in the matter, a practice springing from the *broadform mineral deed*, whereby land purchasers in the early 1900s were able to buy up hundreds of thousands of acres of mineral rights. KFTC was instrumental in getting legislation approved to set up Universal Service Funds as well as in getting the land around the historic Pine Mountain Settlement School declared off-limits to strip mining. In 2011 KFTC celebrated its thirtieth anniversary.

All of these examples involved confronting an outside public or private entity to stop a project or policy deemed detrimental to the inhabitants of the local community. Organizers from outside the local community and support from the parent organization are important elements in a local chapter's success against such outside forces.

Self-Help Model

The self-help model emphasizes process: people within the community working together to arrive at group decisions and taking actions to improve their community. Internationally it arose when the response of elites to the power model became extremely effective—even lethal. This coincided with the fiscal crisis of the state under neoliberal policies, which meant cutting back on programs that addressed safety nets and redistribution of existing resources.

The self-help process builds civic capacity for collective action to move toward a shared vision for the future of the community. Like the power model, it aims at systemic change. The community is not so much mobilized to complete a particular project as to institutionalize a process of change based on building community institutions and strengthening community relationships to work toward desired future conditions. The Ivanhoe Civic League (discussed below) was formed to keep a speculation building in the community, but when it was clear that this was not a useful goal, the organization's focus shifted to approaches to community and social development that built stronger relations within the community. It took a while to make the shift in perspective, but the community never looked back.

There are a number of assumptions about the nature of rural communities that are behind the self-help model (discussed by Littrell and Hobbs 1989). When these assumptions about the structure of the community are wrong, self-help as a strategy will be difficult to implement. These assumptions include (1) that community members have a similarity of interest and that community development involves building consensus, (2) that generalized participation and democratic decision making within the community are necessary and possible, and (3) that the community has sufficient degree of autonomy that community actors can in fact influence its destiny.

A central assumption in the self-help model of community development is that communities are homogeneous and based on consensus. In fact, despite the norm of "we're all just folks" endorsed in many rural communities, most communities have increasing disparities in income and access to other resources. Thus development efforts, which depend on existing local leaders as a basis for community organizing, may systematically bias development efforts away from the problems of the least-advantaged citizens. That bias, in turn, can give rise to increased inequalities and increasing poverty or to conflict-fraught community development activities. In fact, interests within communities can conflict, as shown in Chapter 6, Political Capital.

Participation and democratic decision making are essential to the self-help model of development. The self-help approach assumes that it is indeed possible to motivate a broad-based band of community members to participate in community affairs. However, if community residents are uninterested and unmotivated and do not want to become involved, participation will not take place. Some groups of local residents will not see the community as relevant to their welfare, as happens, for example, among some farmers who feel their well-being depends almost entirely on federal government programs. Thus these farmers may simply bypass the community and be actively involved only in their commodity organizations, which focus on the national and not the community level. If in a particular community no farmers are active participants in efforts to solve community problems, broad-based community participation can be said not to exist because one important segment of the community is uninvolved.

The time commitment mandated by the self-help approach may cause many to drop out, which threatens the processual aspects of this approach. Even if the community development effort's stated objectives are reached, the effort cannot be said to have been successful if participation in the process was minimal. The approach cannot be used to solve a succeeding community problem because no new means of interaction and quality of interaction were enhanced. In a word, the process was not institutionalized, and from the self-help point of view, the effort was not successful. One obstacle to effective use of the self-help approach in small towns is the fact that people know each other in too many roles. Taking a public stance, which is sometimes necessary for effective discussion, may result in public disagreement with a boss, a customer, or a colleague. This risk is seen as too great in many small towns.

Furthermore, different segments of the community have different levels of participatory skills. Higher education and professional employment give a disproportionate voice to the more privileged segment of any community, in part because they have experience with participation. As discussed in Chapter 2, middle-class youths are raised with verbal and discussion skills, whereas obedience—until a situation involving confrontation arises—is part of working-class socialization patterns.

Finally, self-help models of development assume a significant degree of community autonomy. Yet as discussed in previous chapters, rural communities are highly involved in regional, national, and even international networks that have enormous impacts on them. Being dependent on the global economy, however, does not mean that it is useless for communities to undertake self-help activities. But it does make it important that the global economic trends be understood. Part of the process of the self-help model, therefore, includes community education on the community's place in the global economy and the current trends within it.

The case of Ivanhoe, Virginia, illustrates this point. The first effort of the Ivanhoe (Virginia) Civic League following its founding in the mid-1980s was to gain control of a shell building from the county government in the hope that the community would be able to attract an industry to occupy the building. Following many unsuccessful efforts, the Civic League concluded that adult education and youth programs would be more beneficial to the community. In 1993 a vocational component rehabilitated a historic structure in Ivanhoe to provide office and educational facilities for the Ivanhoe Civic League. The Ivanhoe Civic League continues to work to make Ivanhoe a better place for all of its citizens. The educational program consists of community-based adult basic education/general education development (ABE/GED). The Ivanhoe Civic League's program offers college classes, youth tutorials that include guidance on college and careers, professional development workshops, and computer and adult literacy classes.

The citizens of Ivanhoe decided that the assets of their community—their culture and the beautiful setting—should be shared by those who share their vision of a positive future for the community. In the mid-1990s the Ivanhoe Civic League inaugurated Volunteers for Communities, now a separate organization that collaborates with the Southeast Rural Community Assistance Project and colleges across the United States to train communities throughout the region to host volunteers. Community service and celebration continue to play a major role for the Ivanhoe Civic League. They host an annual all-community Christmas party, a Thanksgiving prayer service, and a weeklong Jubilee festival in the summer as well as many other community events. They built bonding social capital to help determine the vision and they built bridging social capital to mobilize resources to be locally invested for an Ivanhoe in which young people and elders can prosper together and enhance their connections with outside advocates.

Implementing the Self-Help Approach. The self-help approach can be implemented in many ways. One of the most common, stressed by such existing community development entities as cooperative extension services, is the social action process. This approach involves a number of steps—visioning, determining desired future conditions and long-term goals, using broad-based participation, determining the assets in the community, analyzing alternative ways of using those assets to move toward the collective vision, choosing specific projects that move the community toward the desired future, generating communitywide commitment, planning the implementation phase, actually implementing the plan, and evaluating. This process focuses on social capital and generally does not address political and cultural capitals. Thus it often places heavy reliance on agenda setting by the existing power structure: The power structure has veto power over any proposal the initiators bring to it.

Recognizing the cozy relationship with traditional community leaders that this approach represents and seeing the need for more rapid change as resource-based communities experience serious problems of out-migration, unemployment, and the decline of services, cooperative extension approaches have been modified so as to incorporate broad community participation in the problem-identification phase rather than waiting until the "organizing to sell" phase. Strategic planning methodologies, futuring exercises (whereby a representative group from a community is asked to establish priorities based on a strategic plan and the community's mission), and "empowerment" approaches all involve either a careful selection of representatives from a broad spectrum of organizations and occupations or an open town-meeting approach to problem selection.

The Appreciative Inquiry Approach

The *appreciative inquiry (AI) approach* builds first on existing community capitals:

- Discover assets and what is working best.
- Dream about how what is working could work even better.
- Design how to build on current assets and what works to get to desired future conditions.

Basic Assumption: Build on What Is There and What Is Working. Appreciative inquiry (AI) began as a tool for the transformation of business leadership to build more effective organizations based on discovering the positive core of the enterprise and building assets around it. It was first used as a community development tool in the global South, beginning in Nepal. It contains many of the elements of the self-help approach but focuses on strengths and what works rather than on problems or needs. Whereas the first three models are aimed at correcting deficiencies by discovering community deficits, AI engages community partners in conversations to learn about the factors that contribute to success. Appreciative inquiry demands that the change agents approach community development as colearners to coconstruct both expert "know-what" knowledge and the wisdom that emerges from locally specific tacit or "know-how" knowledge.

Appreciative inquiry requires a different form of fact-finding from the other models. Identifying the assets, at times using the Community Capitals Framework (CCF), it attempts to build transformative change by taking into the future what works best in the present and what has worked for community well-being in the past.

It emphasizes the importance of learning from others through

- the power of storytelling,
- recognition of the wisdom of others,
- the importance of curiosity in the quest for doing better,
- the value of hearing stories, and
- the primacy of conversations and dialogue.

To learn more about AI, visit http://appreciativeinquiry.cwru.edu.

These tools are used in six iterative stages:

1. Define: Decide what to focus on.
2. Discover: Discover what is working well to identify the community's positive core.

3. Dream: Envision what might be—shared images for a preferred future.
4. Design: Find innovative ways to create that future—provocative proposition about what the community can be.
5. Deliver: Implement the design and sustain the change.
6. Debrief and dance: Reflect on and celebrate the work together, including sharing measurement of the changes (positive and negative) in community capitals and progress toward the community's desired future.

Step 6 can trigger a new set of discoveries and innovative adaptations to achieve positive change.

Appreciative inquiry requires a new sort of change agent: the coach. One of the duties of the coach is to make sure that a diversity of community participants is included in the 6-D process. In programs such as the Horizons program in Elma, Iowa, in which the objective was to reduce poverty, it is critical to include not only those who are currently doing well economically but also those who are not. Horizons, sponsored by the Northwest Area Foundation in selected communities in the nine states where the foundation operates, was an eighteen-month program with five required segments of participation that involved both education and action around poverty. Communities had to reach the thresholds of individual participation for each segment in order to move forward in the program. Although the community had to meet the thresholds, individual participation in communities required moral suasion rather than executive fiat. Simply an open call for participation will recruit those who always come to civic endeavors. Brenda Schmitt, the extension educator trained to be the coach in Elma, worked hard to include a wide range of Elma's residents, including single mothers, widows and widowers, business leaders, elder-care workers, and construction workers. As a result, sixteen of the thirty-two in the core study circle group were new participants—and their insights were particularly important in finding the positive core. Casting a broad net for participants paid off; an important fact that the study circle group ascertained from its members was that jobs were available in manufacturing and the local nursing home, but many of the principal employers within commuting distance ran second and third shifts. Thus families with young children—single moms in particular—had no access to flexible-hour child care. It was decided to establish a fifty-child care center attached to the school that would operate with flexible hours to match those of most employers. A building was located, grants were obtained from USDA Rural Development, the US Department of Education, the local school district, and a local fundraiser, and the refurbished building was in operation as a day care center within a year after funds were secured.

Although AI assumes that most of the assets for change will come from the inside and that the energy for change will be generated from within, a number of experiences show how coaches and facilitators can act as brokers to identify assets and passions within the community and link them with appropriate collaborators to achieve entrepreneurial visions (Sirolli 1999) or community visions (Rubin 2001, 497). Part of the power of the process is to turn individual bridging social capital into community-level social capital by including the community team in discussions that well-connected community members have with outsiders who have key resources, such as human capital (technical expertise) or financial capital.

Implementing Appreciative Inquiry. Around the United States and in the global South AI is being implemented. It is a dynamic approach to planning, strategizing, and monitoring change processes that is

- asset based,
- framed by the appreciative inquiry approach to work with people and change, and
- situated in the Community Capitals Framework.

The CCF allows community members to see the whole system and how the various capitals interact with one another. Appreciative inquiry shapes the process of engaging community members with each other for discussion, planning, implementation, and monitoring. The Community Capitals represent *what* people have to work with; AI defines *how* they will work with it.

In analyzing the HomeTown Competitiveness (HTC) program in Nebraska using the CCF, the North Central Regional Center for Rural Development identified three key asset transformations (Emery and Flora 2006). First, sustainable change often began when a new approach from outside the community, "know-what knowledge," was joined with local wisdom, "know-how knowledge," to create a new social practice. Tribal colleges have mobilized expert and local knowledge in a range of endeavors such as the development of wind power at Turtle Mountain Community College.

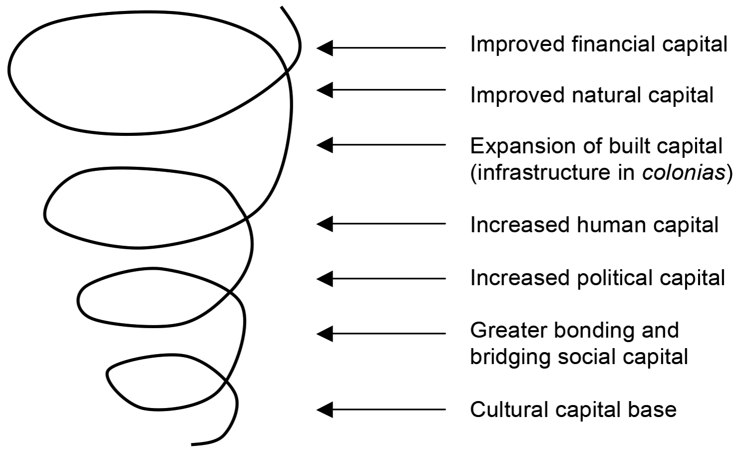
Human capital increased as more people became aware of the new approach, and increased social capital brought new people together around the new practice. At this point in the process there was a dramatic change in cultural capital, as people realized that it was possible for them to work together to make the community better. Community members told each other about how the programs helped people find their identity, empowered them to continue their education, and encouraged them to seek a new destiny, thus building human capital. They found that working together to enhance the growth of individual cultural, social, and human capital assets impacted the same capitals at the community level. They found that when they helped young people prepare to succeed in college by focusing on academics, social skills, and cultural identity, those students were more likely to return to their home community after their formal education.

Financial capital expanded using the enhanced social, human, and cultural capital. Existing businesses, such as a pharmaceutical preparation company, were inspired to expand and found willing local investors. Examples include the formation of the tribal college construction program at Sitting Bull Community College and an incubator, farmers' market, and rural health center in Hawaii. These projects were able to scale up because their initial success in building community capitals allowed them to add financial capital from public and private sources beyond grant or college start-up funding.

Mapping assets is a tool often used in an assets-based community development approach. First, assets are identified related to each of the seven capitals. Then the community draws out how they are connected to each other. Mapping often works best when reflecting on past success. By seeing what impact an investment in a particular capital had on all the capitals, finding opportunities to build on those successes was made much easier. Not only does mapping of assets provide a picture of what is and how those assets might be improved, it can yield a historical record of changes over time, represented by spiraling up and spiraling down of the various community capitals, helping community members understand what capital investments are critical at different points in the community development process (see Figure 12.1).

The Valley Interfaith organizing effort contributed to an upward spiral in the *colonias* (see Figure 12.1). The *colonias* had common cultural features, both positive and negative. Most spoke Spanish as their first language, shared a common class position, and by and large—even those who were US born—shared a culture based on common Mexican origins, although Central Americans, who were fleeing civil wars and human rights violations by several governments, began arriving in substantial numbers in the Valley in the mid-1980s. They were all subject to the same stereotypes, prejudices, and hostility to their culture and language that came from the US culture. At least to the degree to which Latino residents allowed themselves to be identified by the Anglo culture, they shared a common experience. Secondly, the organizing effort, particularly the house meetings and training meetings, created bonding social capital, as local wisdom was combined with professional expertise.

Figure 12.1 Upward spiraling of capital assets.



Adapted from: Emery and Flora 2006.

Training programs increased political and human capital, and the focus on improving education later on further boosted human capital. The first projects were aimed at improving built capital by focusing on basic infrastructure in the *colonias*. Improving built capital also improved natural capital as sewage and trash were dealt with. Lastly, the worker training programs and incentives for starting businesses began to have an effect on individual financial capital.

Factors in Effective Change

This section examines two important factors in all four models of community development—linkages with the outside and the planning/visioning process—to identify differences and similarities among the models.

Linkages for Community Change

None of the models of community development presented here denies the need to obtain outside resources for community development to take place. In the technical assistance and power approaches, an outside person or group of people is central to the process. In both cases an objective of the effort is often to obtain resources from the outside. The self-help and AI approaches emphasize reliance on local resources; however, the ability to mobilize local resources is often a proof to those who control outside resources that the self-help effort is serious. Thus there is a complementarity between mobilizing local resources and the ability to obtain resources from outside the community. Creating strategic partnerships is necessary in all cases (Blakely and Bradshaw 2002). This is particularly true under conditions of very limited outside resources because those who control such resources are especially keen to ensure that their funds are well spent. What better place to spend them than on a project that has shown it can obtain resources?

Financial capital from the outside is becoming scarcer as both federal and state governments deal with mammoth deficits by cutting funding for social programs, including those that benefit rural communities. As most foundations' endowments have declined with the stock market, so have possibilities of grants from both private and public sources decreased. Both private- and public-sector groups are starting state and regional venture capital funds, which can be an important input into community development (see Chapter 7, Financial Capital).

However, these linkages to the outside through investment can be risky in terms of the collective agency of a community. There is an old saying, "He who pays the piper calls the tune." This means that the source of funding, whether the federal government or a multinational corporation, can impose a large number of conditions on the delivery of capital resources. Sometimes those conditions actually cost the community more than it gains. For example, a number of studies have shown that the tax abatements, infrastructure construction, and other financial incentives poured into attracting industry in the 1980s did not even pay back the local public investment, much less create wealth in the local community.

Another important type of outside linkage is less hierarchical and therefore less risky in terms of loss of collective agency. More and more communities are forming horizontal linkages with other communities that have faced and dealt with similar problems. This type of lateral learning by community groups tends to foster rather than impede collective agency. Community groups analyze their own situations and consider alternative ways to confront them. Often a community member knows of another community that has faced a similar problem. Citizen-to-citizen exchanges take place as the group that has tried a solution explains both the process and the outcome to the other community.

For example, when Lexington, Nebraska, became the site of a large IBP meatpacking plant, it met with community leaders from Denison, Iowa, where IBP began as Iowa Beef Packers, and from Garden City, Kansas, where IBP's largest processing plant was located, to learn about the problems involved and discuss potential solutions. As part of the general move to consolidation in the food industry, Tyson Foods Inc. purchased IBP in 2001. Because the communities already had links, they were better able to work together to understand the implications of the change in ownership. Communities' acquisition of information relevant to their needs through lateral learning and technical assistance can strengthen their ability to maintain collective agency when they enter into joint ventures or other means of obtaining capital from the outside in order to improve their own quality of life.

Planning Versus Visioning as Strategies for Implementing Change

Increasingly, communities are recognizing that planning is a key part of development. Planning may serve any of the types of community development, but the approach to planning differs significantly according to the model of community development being pursued.

Planning is an integral part of the technical assistance model of community development. Under this model the primary concern is with the final product, the plan, which can then be used as a map that displays the explicit tasks that must be performed. Professional planners charged with developing community planning documents may consult with the community when necessary either by talking to designated leaders, conducting surveys, or presenting results to community meetings. Community members are involved in the process not as active participants in the decision-making process but as passive providers of information on which such decisions are made.

Planners then develop an overall strategy and plan of action. The plan usually consists of a baseline projection, a projection of the desired level of economic activity, and a description of ways of bringing the two projections closer together.

Once written, the plan and its implementing components can then be used to prioritize activities and eliminate options or tasks that are not to be included in it. In such circumstances the plan can be used to reinforce the notion of calling on technical rather than political solutions to problems. For example, if the plan calls for a golf course, under the technical assistance model there is little need to get broad community input into the series of decisions that goes into its construction and operation.

The increasing complexity of the decisions communities are forced to make gives a great deal of power to the city engineers or administrators who are closest to the source of technical information. Their clear expertise in understanding the arcane language of, for example, zoning and taxing alternatives aids this process. Just as in the past the city or county attorney was able to dismiss a call for change by saying the proposed change was not legal (and thus forcing the person or group who wanted the change to hire a lawyer to get an alternate opinion, which then had to be taken to a higher authority), now the city engineer can dismiss any change in community resource management by saying, "It doesn't fit the plan." At this point the power model of community development becomes appropriate because groups may mobilize to seek other experts to support an alternative action. But most often the first "technical" judgment goes unquestioned. The technical assistance approach depends on human capital (often from the outside or a few inside experts), built capital, and financial capital for incremental improvements that do not challenge the current political, social, or financial capital.

The power model of social change relies more on cultural capital. A vision of the future that one grouping or faction in the community shares but another does not often justifies a particular position. Or this vision of the future, often based on an idealization of what once existed either in the current location or in ancestral memory, is part of the culture of the entire community in contraposition to a real or perceived alien outside culture. This is often the dynamic of Native American tribes or bands in relation to the encompassing European culture, but such power differentials may be based on ethnicity or social class. The power model builds first on cultural capital to mobilize the other capitals for systemic change.

Because by definition the power model is used by those who lack power, the relationship between goals and means is less obvious than in either of the other two models. The tactical plan for implementation of goals is heavily dependent on the powerful opposition's response to the prior actions of the group practicing the power approach. Tactics may change from day to day. Alinsky emphasized the importance of the element of surprise in responding to those who are in power. This need for flexibility, quick response, and surprise coupled with the fact that initially the community organizer (who is usually from the outside) must be a catalyst for building an organization, militates toward a narrowing of decision making to a small group of people or sometimes to a single leader. However, the long-term survival and effectiveness of the organization in achieving its goals depend on broad and deep support from within the disadvantaged group. That support is best maintained through broad and active participation. So long as the organization commands few resources, participation—if not democratic decision making—is central to maintaining support for the organization. Numbers of people are a substitute for financial resources. Thus there is a permanent tension in the organization or movement between democracy and centralization of control. As the organization becomes more successful in gaining resources, participation and democracy may decline unless democratic decision-making processes are explicitly attended to in the organizational phase. Thus, in addition to goal setting, the strategy for organizing is a central part of the planning process for a group using the power approach.

The self-help model does not challenge the status quo but generally is based on a vision of desired future conditions and the cultural belief that it is important that change be locally driven. There is also a general understanding that local communities cannot control their destiny, only influence it, and thus the self-help model contains elements of flexibility, based more on a vision than a static plan. Practitioners of self-help community development favor a different version of the planning process. When conducted in a highly participatory way, planning not only allows for development of a collective vision of community but also provides mutually agreed upon signposts to help achieve it. For example, the commitment and incorporation phases of the social action approach are, respectively, the goal-setting and implementation-design phases of that planning process. But unlike in the technical assistance model, they are embedded within a participatory approach. Community members who participate in the social action or similar processes have some role in shaping the goals and means of implementing those goals (although, as discussed previously, community opinion leaders may have already channeled the social action process toward certain problems and away from others). In most participatory approaches that use the self-help model, there is broad participation in determining the basic questions to be asked. The downside of the self-help approach to planning is that it is clearly more time consuming than is the technical assistance approach.

Approaches to Economic Development

The four approaches discussed previously are based on community development rather than simply economic development. But as global forces continue to buffet rural communities, economic development can obscure a more holistic approach. Different people have different ideas about what economic development entails. Some see it as identical with an increase in community income. Others view it in terms of an expansion in the number of jobs. Still others would say that economic development involves an increase in population. The relationship between community development and economic development depends on the kind of economic development that is pursued. Approaches to economic development vary based on how broadly or narrowly it is defined and how success is measured. The firm recruitment approach generally is sold to the public as having one goal—job creation—but often firms that are recruited provide few jobs per unit of investment. If the jobs are few, they tend to be well-paying jobs, but then the question is whether those highly skilled and specialized jobs match skills that are available in the community. In addition, because the firm is being recruited from the outside rather than growing from within the locality, it may use few local inputs. Hence the economic multiplier of the investment may be low. Self-development often seeks to reduce poverty, increase local firm efficiency, increase community economic diversity, and increase local residents' assets.

Firm Recruitment

One approach to economic development that stems from the technical assistance model is the firm recruitment model. It assumes that private-sector firms have considerable geographic mobility as they seek more favorable locations. Tactics aimed at firm recruitment during the growth years of the 1950s through the 1970s were very straightforward, involving such things as the construction of industrial sites by smaller cities and towns and proactive industrial recruiting by more sophisticated cities. It was assumed that any particular locality had a series of advantages to offer and that firms would somehow find them, although by the 1970s it had become clear that despite the favorable climate for domestic industrial growth, a community had to develop a sophisticated approach to firm recruitment if it were to be successful. Planners and social scientists carried out studies to see where firms located and what they looked for when they chose new sites.

By the economic downturn of the 1980s states and localities had begun to realize that only a few firms moved each year and that those that did usually went overseas for cheaper labor and laxer pollution controls. Competition for the few firms serious about relocating within the United States became intense. States began instituting a wide variety of inducements for firms, including grants, loans, loan guarantees, tax incentives, targeted industrial revenue bond financing, tax increment financing, and state enterprise zones. When one state or locality offered an incentive, others felt obliged to do so also.

Less publicized but also prevalent during the 1980s were changes on the state and federal levels that weakened organized labor. Rural communities used low wages as a bargaining chip in attracting firms. In fact, in a number of high-growth areas where public infrastructural investments and favorable tax structures attracted industries, the jobs that were generated paid so poorly and the working conditions were so bad that immigrant workers had to be recruited to fill them. Meatpacking plants in Kansas and Nebraska are examples of this kind of industrial recruitment. Political scientist Peter Eisenger (1988) refers to these attempts to locally reduce the cost of land, labor, capital, infrastructure, and taxes as "supply side development."

The firm recruitment approach to economic development is most compatible with the technical assistance approach to community development. Local governments hire economic development professionals to obtain grants for built capital, develop local tax incentive packages, and recruit new firms. These activities require little grassroots participation. In fact, they are antithetical to broad-based community involvement. Getting grants requires technical knowledge of bureaucracies and procedures or particularistic political connections. Negotiations with firms that might move to the community are best carried out in secret. The firms insist on such secrecy so that communities competing for their branch plants can be played off against each other and their present workforce can be kept in the dark about the potential move. Firms considering a move prefer to deal with only one person who can speak for the entire community. Such approaches discourage broad community participation.

Self-Development

In contrast to the supply-based approach to economic development is what Eisenger (1988) refers to as a "demand-oriented" approach. This includes the search for new markets and new products to fit those markets. Instead of simply offering incentives to any firm willing to move, public-private partnerships are formed that help determine what firms the public will underwrite as those with the most potential for success—and positive community impact.

One type of demand-side approach that has been effective in rural communities is self-development. This involves public-sector groups, usually a city or county government, working with private-sector groups of individuals within a community to establish a locally controlled enterprise. A national inventory of self-development projects by rural sociologists Cornelia Flora, Jan Flora, Gary Green, and Frederick Schmidt (1991) identified several types of and mechanisms through which self-development efforts worked (see also Flora et al. 1992; Green et al. 1990). Key to each was local investment of time and financial capital, coupled with a sound management structure and good links to outside resources of both capital and information. Although the short-term impact on the number of jobs created may not be as great as attracting a branch plant of a major multinational corporation, communities involved in self-development have found that the risk is lower and the gains more consistent than even successful industrial recruitment. Furthermore, self-development communities were more successful in attracting branch plants than were non-self-development communities. The choice to emphasize self-development did not preclude firm recruitment, although it did make the communities less likely to offer extreme tax benefits or public investments in infrastructure.

Self-development involves sustained local economic development activities. It encourages broad-based participation, involving newcomers, women, and minorities. It depends on and encourages the development of community organizations. Self-development contributes to community development and tends to encourage participation. It gives community members a feeling of control over the economic life of their communities. In short, it promotes collective agency. It is most consistent with the self-help form of community development, although it can be compatible with the power approach.

Successful self-development models reorganize and mobilize local assets (Feikema, Segalavich, and Jeffries 1997; Green and Haines 2002; Kretzmann and McKnight 1993). Local communities and organizations that conduct asset-mapping exercises realize the power of local assets as a mobilizing tool to bring people together.

Asset mapping is a process of discovery, of learning what is there. If carried out properly, this process will result in new patterns of interaction among community members. Discovery is most effective when it revolves around an issue.

Mapping assets, however, is not enough. There has to be commitment on the part of local people to figure out ways of recombining the assets to address the issue under discussion. The Heartland Center for Leadership Development, the Nebraska Community Foundation, and the Nebraska Cooperative Extension have been engaged in important issue-oriented asset mapping as a basis for community action.

Asset mapping is important because it allows communities to move beyond a victim mentality and recognize that by working together locally, changes can be made. It means putting faith in local people to evolve a people's program (Alinsky 1946, 56). Asset mapping works best when communities begin by addressing pieces of issues that can be quickly alleviated. However, early success should be a learning experience addressing the more complex aspects of the issue, such as unequal power within the community or long-term disinvestment in the community by the public and private sectors.

Focusing on assets does not mean that a community is unaware of the impact of major social forces, including economic concentration, increasing competition, and changes in government programs. Some see an asset-based approach as ignoring such issues. Although this can happen, mobilizing local resources in new ways is more likely to create a climate for successfully addressing more difficult structural issues by strengthening local social capital.

Chapter Summary

Community development is what people do to improve the overall quality of life in the community. Although community development often involves economic development, it implies far more. Central to the concept of community development is the concept of collective agency. Collective agency is a group of people's ability to solve common problems together.

Contrasting four models of community development illustrates dramatically different approaches to community change. The technical assistance model focuses on the task to be accomplished and uses outside expertise to help community members accomplish that task. This model assumes that answers can be arrived at objectively, using the scientific method. The power model focuses on the redistribution of power among community members. It assumes that power is never given but must be taken. The self-help model focuses on the process by which people work together to arrive at group decisions and take action. It assumes that communities are rather homogeneous and consensus based. The AI approach focuses on the assets in the community, what currently works, and uses that to mobilize the community capitals to move toward a more sustainable future. Each model gives rise to a different community development strategy.

Two factors are important to all four models of community development. The first is linkages. Communities need linkages to outside sources of information. These linkages can be with external agencies or with other communities, enabling lateral learning to occur. The second factor is planning. Planning is a key part of development but will be approached differently depending on the model of community development being followed.

Economic development is one part of community development. Consequently the type of economic development strategy pursued should match the community development model used. Two of the more common models are firm recruitment and self-development. For both community development and economic development, new collaborations must be formed inside and outside communities.

Key Terms

An *asset-based approach* to development is used by most community developers now, in contrast to needs assessments. Whereas a needs assessment focused on what was *not* in a community and developed a wish list of projects and programs, an asset-based approach links the various capitals existing in a community to see how they can be recombined to achieve a desired future condition.

The *broadform mineral deed* was used by land purchasers in the early 1900s to buy up hundreds of thousands of acres of mineral rights, leaving subsequent surface owners legally helpless to prevent destruction of their homes, yards, and gardens by strip-mining when this technology came into vogue in the middle of the twentieth century.

Collective agency is a group of people's ability to solve common problems together.

Community development is what people do to improve the overall quality of the community.

The *firm recruitment model* of economic development assumes that private-sector firms have considerable geographic mobility and seeks to engage community resources to attract those industries to the community.

Futuring is a process community developers and planners use that brings together a small but representative group to assess the current environment, develop a strategic positioning plan, and establish priorities based on the assessment and that is consistent with the plan and the organization's or community's mission.

The *power model* of community development focuses on the redistribution of power among community members.

The *self-development model* of economic development involves public-sector groups working with private-sector groups to establish locally owned enterprises.

The *self-help model* of community development focuses on the process by which people work together to arrive at group decisions and take action.

The *technical assistance model* of community development focuses on the task to be accomplished and uses outside expertise to help community members accomplish that task.

Visioning is a process community developers and planners use to work with a broad-based group of citizens to determine desired future conditions and long-term goals for what their community should be.

Discussion Questions

1. What is the difference between economic development and community development?
2. In the community you have chosen, which parts of the different approaches to community development would work best? Why?
3. How might community development utilize all the capitals in the community you have chosen?

Web Resources

- Watch *Communities on the Move* at "Rural Communities: Legacy and Change," Annenberg Learner, www.learner.org/resources/series7.html#. Visionary communities and innovative approaches can compensate for limited resources. This program visits a sheep and weaving cooperative in northern New Mexico, a melon collective in Texas, and the Appalachian Center for Economic Networks in southeast Ohio.
- "CD Practice" is a web-based publication of the Community Development Society, with lots of examples of techniques to use in community development: "CD Practice," Community Development Society, www.comm-dev.org/publications/cd-practice.
- The International Association for Community Development (IACD) has lots of good resources and examples from all over the world, including a practice exchange: www.iacdglobal.org.
- The "AI Commons" shares academic resources and practical tools on Appreciative Inquiry. Hosted by Case Western Reserve's Weatherhead School of Management: http://appreciativeinquiry.case.edu.
- Watch "Power Is Not a Dirty Word," West/Southwest IAF, 15 min., www.youtube.com/watch?v=DnB7QAoOJIQ. Documents the transformation of Valley Interfaith into a power organization of congregations and churches along the Rio Grande Valley of Texas.
- Watch "The Democratic Promise: Saul Alinsky and His Legacy," produced for PBS by Media Process Educational Films and Chicago Video Project, 57 min., www.swiaf.org/videos. The first half of the film shows Alinsky's organizing methods through three case studies: Back of the Yards, which gained union recognition for Polish meatpacking workers in Chicago in 1939; the Woodlawn Organization on Chicago's South Side, which, in the early 1960s, won concessions for African Americans in battles with the Richard Daley machine; and, in the late 1960s, when Alinsky took on Eastman-Kodak's racist hiring practices in Rochester,

New York. The second half of the film focuses on two contemporary organizations affiliated with the Industrial Areas Foundation (IAF), founded by Alinsky: (1) The East Brooklyn Congregations struggled with NYC mayors to build twelve hundred low-income housing units, and (2) Dallas Area Interfaith in Texas lobbied state legislators for increased funding for the Alliance Schools Initiative.

- View "Reinventing Pilger," University of Nebraska Rural Futures Institute, 4 min. 54 sec., 2014, www.youtube.com/watch?v=jMzxHGNalR8&feature=player_embedded&list=UUjT1ATOsK57Er8XkIXdd7JQ. Shows visioning effort in a Nebraska community hit by double tornadoes that destroyed three-quarters of the town. Illustrates one tool in self-help approach.
- Watch "Mobilizing Community Assets." Civic Network Television, parts 1–10, http://vimeo.com/9871079, 9872642, 9872803, 9872896, 9873001, 9873131, 9873181, 9873278, 9873352, and 9873433. This six-module set arranged in ten videos of fifteen minutes each is based on Jody Kretzman and John McKnight's book, *Building Communities from the Inside Out*. Led by the authors, the series provides training in the asset-based community-development (ABCD) approach, a self-help perspective. Examples are mainly from Chicago. Luther Snow translates the principles from urban to rural in "The Organization of Hope: A Workbook for Rural Asset-Based Community Development," 2001, www.abcdinstitute.org/publications.
- Hundreds of communities have participated in a nationwide campaign against hate, using screenings of Not in Our Town documentaries to launch public discussions about hate groups in classrooms, town halls, workplaces, and houses of worship. The website provides discussion guides for teachers and tools for communities: www.theworkinggroup.org/niotresources.html. Two of the most useful videos are described below. (See Web Resources, Chapter 2 for a third video, "The Fire Next Time.") Videos are available for purchase from PBS and the Working Group. (1) Watch "Not in Our Town: Billings, Montana," 27 min., 1995. This PBS special sparked a national movement against hate and intolerance. Residents of Billings, Montana, joined together when their neighbors were threatened by white supremacists. Religious and community leaders, labor union volunteers, law enforcement, and the local newspaper stood united for a hate-free community. Trailer on YouTube, www.youtube.com/watch?v=rDH4gKDw_fo. (2) View "Not in Our Town II," 56 min., 1997. Briefly recaps the Billings story and tells six new stories about people working

to create hate-free towns, cities, workplaces, and schools around the United States, metro and nonmetro, including countering a Klan rally with a diversity celebration. Citizens work with police to address hate crimes, and blacks and whites rebuild burned churches together in the South. Segments are modular and may be used individually or in combination.
- View "Locked Out," by Joan Sekler, 59 min., 2011, www.youtube.com/watch?v=okgfgxGgw6Q.

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