

Approved \_\_\_\_\_

Date

3-7-89

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at \_\_\_\_\_  
Chairperson

8:00 a.m./p.m. on March 1, 1989 in room 123-S of the Capitol.

All members were present except:

Senator Alicia Salisbury  
Senator Wint Winter

Committee staff present:

Bill Edds, Revisor of Statutes' Office  
Lynne Holt, Kans Leg Research Dept  
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:

Harland Priddle, Secretary of Commerce  
Sam Brownback, Secretary of Agriculture

The meeting was called to order by Senator Dave Kerr, Chairman.

Minutes of the February 23, 1989, meeting were reviewed by the Committee. It was moved by Senator Francisco and seconded by Senator Vidricksen that the minutes be approved. Motion carried, minutes approved.

Harland Priddle, Secretary of Commerce, gave a presentation on Rural Economic Development, Attachment 1. He pointed out that things are different today with several factors being responsible for those dramatic changes. Agriculture has undergone a technological revolution and communications and transportation have made it easier for rural people to move to the cities and vice versa, making for an integrated rather than a divided rural and urban economy.

Secretary of Agriculture, Sam Brownback, spoke to the Committee on agricultural development as part of rural development and the need to look to our natural resources and our basic industries for growth. Agriculture is a natural area for Kansas to grow. He felt the best thing that could be done in state government would be to establish a vision and belief in rural areas that the people do have something they can do to make a difference. They need to start believing in themselves and that they do have some control. (Attachment 2)

Senator Kerr stated that the Economic Development Committee is often criticized because the programs started today are more likely to help urban areas. He asked whether there was anything that could be done to bring capital availability to the smaller communities. Mr. Priddle felt it was more an information issue rather than a legislative issue.

Senator Kerr asked for priorities the Department of Commerce has which will benefit constituents in rural areas. Secretary Priddle stated he felt supporting the recommendations for rural development in this year's budget would be one priority.

The Chairman pointed out the package of news clips received from Lynne Holt, Legislative Research, regarding rural issues. (Attachment 3).

There being no further business, the meeting was adjourned.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.



Presentation  
on  
Rural Economic Development

*to:*

The Senate Economic Development Committee

*by:*

Harland E. Priddle  
*Secretary of Commerce*

March 1, 1989

*Sen. Co. - Howe  
Mar 1, 1989  
Attachment 1*

Mr. Chairman and Members of the Committee, I am pleased to be here today with Secretary of Agriculture, Sam Brownback, to discuss rural development programs and rural Kansas in general. Our presentation today will consist of discussing and defining what is rural Kansas and rural America, looking at the changes in economic structure and patterns, reviewing new methods and new programs being developed, and finally, a close out with a review of the Task Force on the Future of Rural Communities.

As we begin, rural America and rural Kansas have changed a great deal during the 20th Century. At the beginning of the century, it was the center of American life. A typical rural community in 1900 consisted of a small town or village with numerous small farms within a few miles. The placement of villages and towns in Kansas and other states was oriented toward a day's horseback ride or walk to obtain services and supplies. Most people lived their lives and fulfilled most of their needs, economic and otherwise, within this community.

Today a single town may serve an area of widely scattered farms or might depend primarily on industry or another form of economic activity. Services, information, and other needs may come from areas far removed from the community.

Several factors have been responsible for the dramatic change in rural America. Agriculture has undergone a technological revolution that sharply reduced the number of farms while

increasing their specialized capital requirements. Communications and transportation have made it easier for rural people to move to the cities and vice versa, making for an integrated rather than a divided rural and urban economy.

With that background, lets discuss the changing economic structure and patterns within Kansas. Attached to your testimony and also shown on this overhead is an indication of the impact of retail sales tax in the separate counties within Kansas. As you can see by the circles, regionalization shopping and centralization are becoming a way of life in Kansas. Small communities are left with convenience shopping kinds of retail outlets and also to some extent services to support agricultural activities such as feed stores, implement stores, and other activities. We also have seen some dramatic shifts and changes of population in Kansas which point to new specialization in products and processes. Also attached to this testimony and illustrated on this chart are the population trends and changes. The tremendous increase in Southwest Kansas in population is centered around the value-added processing facilities in Garden City and Dodge City. Of course, we are all aware of the tremendous change in population in Johnson County for other reasons.

With that brief background, I would like to call on Sam Brownback who will discuss some new methods and new programs which we believe will help, in the long run, to diversify Kansas and give us a blueprint for the future. Sam.

I would like now to review a very concentrated report conducted by the Governor's Task Force on the Future of Rural Communities. This report identifies the needs of rural Kansas in the areas of delivery of programs, capital availability, health care, and needs of the aging. Attached to my testimony is a detailed outline of recommendations and actions taken with regard to the task force report. At this time, I will deviate from my written testimony and show overheads to move through the task force report.

In addition to the recommendations, Sam and I have instigated several conferences on stimulating interest and motivating people in rural communities to move ahead with programs and business opportunities. Recently we co-hosted with the companies listed on this slide an excellent conference at Dodge City, Kansas. Approximately 300 people attended this conference.

There is no magic solution to changing the face of rural Kansas in a short period of time. Rural America and rural Kansas are in transition. We must be alert and tuned in to those activities and policy decisions we can make that will assist this transition to provide for a growing and beneficial lifestyle for all of Kansas.

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# Kansas

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**Recommendations  
of the Governor's Task Force  
on the Future of Rural Communities**

**September 1988**



ACTION ITEMS:  
RECOMMENDATIONS OF THE TASK FORCE  
ON THE FUTURE OF RURAL COMMUNITIES

February 28, 1989

NETWORKING RURAL SERVICE DELIVERY

Recommendations on Coordination of Development Programs and Services:

-The Governor should designate the Department of Commerce as the lead agency in organizing and coordinating activities within the state which are involved in rural development.

-A referral assistance center must be created at the Department of Commerce to provide a comprehensive network through which programs and services can be accessed by all rural Kansans. A satellite office of this rural assistance center should be located at KSU.

-The rural assistance center conduct a review of available administrative and professional support to communities in an effort to identify the assistance communities need to compete effectively for available services.

-An intensive promotion program to inform and educate the entire state on the available development programs and services be implemented by the rural assistance center.

-Comprehensive programs should be developed to provide leadership training and civic education for communities in the areas of rural development and economic development.

-A sister city program between cities in Kansas be established to promote the concept of self-help.

Action on Coordination Recommendations:

-The Governor has announced that he will be issuing an Executive Order appointing an Implementation Team whose task it will be to carry out as many of these recommendations as possible on economic development, rural health care, infrastructure, and other issues.

-The Governor has recommended the establishment of the rural assistance center in the FY 90 Community Development Division budget.

-An implementation proposal for the rural assistance center

has been prepared by the Community Development Division.

-No action has occurred on a sister cities program.

-Action on a comprehensive leadership training program is pending start of Implementation Team.

## RURAL CAPITAL

### Recommendations on Public and Private Capital Availability:

-Kansas, Inc., study the feasibility of establishing a Kansas Charitable Trust Program.

-A state operated small business loan guarantee program be established.

-The state provide funding for the development of a small business incubator program in Kansas.

-A state infrastructure grant program for rural development be implemented.

-The proposed rural assistance center develop a system of improved access and application assistance for federal grants and loans.

-State programs working with communities on infrastructure development and general community development to educate and encourage the development of appropriate rate structure for infrastructure systems, such as user fees for water and sewer systems.

### Actions on Capital Availability Recommendations:

-Action on the Charitable Trust concept pending consideration by Kansas, Inc.

-Legislative action is required on these recommendations. Two bills have been introduced regarding Small Business Loans; a direct loan program and a guarantee program. At this point in the session it appears that the loan guarantee program will not pass out of committee. Prospects for the direct loan program appear favorable.

-No action has occurred on business incubators.

-No action on an infrastructure grant program. However, renewed funding for the Partnership Fund loan program was

recommended.

-Action on improved access and application assistance is pending funding of the rural assistance center.

-Action regarding appropriate rate structures pending funding of the rural assistance center.

### MEETING THE NEEDS OF RURAL CITIZENS

#### Recommendations on the Delivery of Rural Health Care Services:

-The State should lead in a nationwide effort to effect changes in the medicare reimbursement system.

-The scholarship program to medical students be continued, with additional focus.

-The University of Kansas Medical School consider a Statewide rural residency program.

-Barriers created by laws or regulations which unnecessarily restrict the providing of health care services should be modified or waived.

-State and Federal governments should develop innovative programs to encourage the location of health care professionals in rural areas.

-Rural areas should be encouraged to consolidate local health services.

-A number of alternatives be considered to address the medical malpractice insurance issue.

#### Actions on Delivery of Rural Health Care Service Recommendations:

-The Governor has established an Office of Rural Health to coordinate action on rural health issues.

-The Governor has recommended continued funding of the newly named Doctor Scholarship Program, providing funds for 149 doctor scholarships.

-The Governor has recommended the establishment of a Nurse Scholarship program which would provide \$3,500 to 250 nursing students. Sponsoring hospitals and nursing homes will finance half the scholarship.

-Many of Kansas' elected representatives in Washington have been active in the fight to change the medicare reimbursement system. In addition, the Governor has called for changes to the medicaid reimbursement system which would benefit rural areas.

-The Legislature is considering several bills intended to address the medical malpractice issue.

#### Recommendations on Meeting the Needs of the Aging:

-A more aggressive role be taken in utilizing the assets and meeting the needs of the aging in rural areas by developing an awareness of these issues and creating positive strategies.

- An inventory of programs and services for older Kansans be compiled.

-An economic impact study of older Kansans be conducted.

-An incentive/recognition grants program for transportation services be funded and implemented by the Department on Aging.

-The State of Kansas develop and fund a program for the provision of in-home services for disabled adults who need help to remain independent.

-The State assist communities whenever possible in developing local goals, programs, volunteerism, and leadership in meeting the needs of the aging.

-The Kansas PRIDE program be asked to incorporate an elderly citizens agenda into the "special emphasis" award portion of the program.

#### Actions on Rural Aging Recommendations:

-Most recommendations regarding older Kansans are being reviewed by the Department on Aging for implementation.

-The Governor has recommended \$250,000 for initiation of a pilot Senior Care Program to elderly persons, and match funding to participate in the McMasters senior employment training and job placement program.

-The Department of Commerce is preparing a presentation to be made at a meeting of the PRIDE Board of Directors regarding a special emphasis award.

# PULL FACTOR

## July '88 - December '88

David L. Darling  
February 15, 1989

All educational programs and materials are available without discrimination on the basis of race, color, national origin, sex, or handicap.

CHEYENNE .610	RAWLINS .560	DECATUR .577	NORTON .662	PHILLIPS .615	SMITH .615	JEWELL .318	REPUBLIC .567	WASHINGTON .398	MARSHALL .684	NEMAH .727	BROWN .599	DONIPHAN .505	
SHERMAN 1.085	THOMAS 1.025	SHERIDAN .540	GRAHAM .827	HOOKS .768	OSBORNE .566	MICHELL .844	CLOUD .741	GEAY .582	KILEY .633	POTTA- WATOMIE 1.309	JACKSON .593	ATCHISON .635	
WALLACE .548	LOGAN .912	LOVE .669	TRIGO .622	ELLS 1.277	RUSSELL .848	LINCOLN .436	OTTAWA .385	JACKSON .626	WARREN .754	WARRENSE 273	SHAWNEE 1.275	JEFFERSON .297	
GREELEY .573	WICHITA .797	SCOTT .873	LANE .597	NESS .618	RUSH .361	BARTON 1.192	FISWORTH 1.319	JEFFERSON .595	WARRENSE 273	LYON .950	OSAGE .440	DOUGLASS .994	JOHNSON 1.511
HAMILTON .575	KEARNY .367	FINNEY 1.275	INDIANWELL .278	PAWNEE .639	STAFFORD .340	RICE .518	MCDONALD .848	MARION .601	CHASE .386	LYON .950	COFFEY .476	ANDERSON .517	MIAMI .630
STANTON .538	GRANT 1.073	HASKELL .380	GRAY .417	FORD 1.307	EDWARDS .497	PRATT 1.059	HARVEY .717	MARION .601	CHASE .386	GREENWOOD .541	WOODSON .370	ALLEN .606	BOURBON .773
MORTON .691	STEVENS .726	SEWARD 1.478	MEADE .487	CLARK .406	COMANCHE .523	BARNER .630	KINGMAN .535	SUMNER .491	CHASE .386	ELK .280	WILSON .468	NEOSHO .848	LAWRENCE .770
							HARPER .717	COWLEY .766	CHAUTAUKUA .359	MONT- COMERY .785	LABETTE .667	FRANKLIN .382	FRANKLIN .382

SOURCE: KANSAS DEPARTMENT OF REVENUE  
MONTHLY SALES TAX COLLECTION REPORTS (4% State Rate)

PF = Per Capita County Sales Tax Collections  
Per Capita State Sales Tax Collections

PERCENT of POPULATION CHANGE  
1980 TO 1987  
KANSAS, + 4.7

David L. Darling

December 7, 1988

CHEYENNE	RAWLINS	DECATUR	NORTON	PHILLIPS	SMITH	JEWELL	REPUBLIC	WASHINGTON	MARSHALL	NEMAHIA	BROWN	HOMER
-3.6	-11.0	-5.9	-3.2	-6.8	-8.3	-11.4	-7.9	-12.8	-3.3	-3.4	-5.4	-2.7
SHERMAN	THOMAS	SHERIDAN	GRAHAM	BOOKS	OSBORNE	MICHELLE	CLOUD	CLAY	HILLY / POLA-WATOMIE	JACKSON	ATCHAFALAYA	LEAVELAND
-10.2	-0.2	-7.2	-5.9	-8.8	-10.1	-8.1	-7.7	-5.3	7.5	1.4	-3.6	18.0
WALLACE	LOGAN	GOVE	FREGO	ELLIS	BUSSETT	FINCH	OTTAWA	IRKINSON	WABAUNSEE	SHAWNEE	JEFFERSON	LEAVELAND
-4.4	-5.6	-8.3	-5.9	3.2	-6.9	-13.3	-2.1	-0.6	-2.6	4.8	7.6	0.7
GREELEY	WICHITA	SCOTT	LANE	NESS	RUSH	BARTON	ELLSWORTH	SALINE	GLARY MORRIS	OSAGE	DOUGLAS	JOHNSON
-1.5	-6.1	-2.7	-1.5	-4.5	-13.4	0.0	3.0	3.0	-1.2	3.7	11.0	23.4
HAMILTON	KEARNY	FINNEY	HODGEMAN	PARTEE	STAFFORD	RICE	MCPIERSON	MARION	LYON	FRANKLIN	MIAMI	ANDERSON
-1.7	16.4	27.5	-1.5	-5.5	-5.6	-7.0	1.9	-5.3	-0.6	0.7	7.0	0.7
GRAY	FORD	EDWARDS	STAFFORD	RENO	DEWEE	RENO	DEWEE	BUTLER	GREENWOOD	WOODSON	ALLEN	BOURBON
4.8	8.5	-9.6	-5.6	0.1	0.9	0.1	0.9	9.9	-7.5	-10.0	-2.0	-3.6
STANTON	GRANT	HASKELL	MEADE	CLARK	KIOWA	PRATT	KINMAN	DEWEE	WILSON	NEOSHO	CRAWFORD	ANDERSON
2.5	-2.1	4.0	4.8	8.5	-6.1	1.4	-0.6	7.5	-4.7	-3.2	-1.3	-1.1
MORTON	SEVENS	SEWARD	MEADE	CLARK	COMANCHE	BARBER	RAIFER	SUMNER	COWLEY	ELK	MONTGOMERY	LAFAYETTE
+0.5	3.5	9.9	-7.6	0.6	-4.5	-0.3	-3.8	1.5	0.1	-9.2	-3.4	-0.3
										CHAUTAUQUA	LAFAYETTE	CHEROKEE
										-9.2	-3.4	-0.5

SOURCE: U.S. Bureau of Census 1987

State of Kansas  
July 1, 1987 = 2,476,000 April 1, 1980 = 2,364,236  
Change = 4.7%



# Agriculture & Business

## *Opportunities*

for the High Plains

**February 16-17, 1989**

Dodge City Civic Center  
2100 North Central Avenue  
Dodge City, KS 67801

Co-sponsors

High Plains Journal

Western Kansas Manufacturers Association

Sunflower Electric Cooperative

Kansas State Board of Agriculture

Kansas Department of Commerce

*Coordinated by  
Division of Continuing Education  
Kansas State University*



Processing  
Kansas  
Agricultural  
Products:

Business  
Opportunities  
for You  
and Your  
Community

January 14-15, 1988  
Ramada Inn, Downtown  
Topeka, KS

Cosponsored  
Kansas State Department of Agriculture  
Kansas Department of Commerce  
Coordinated by  
Kansas State University

TESTIMONY TO SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

By Sam Brownback  
Kansas Secretary of Agriculture

March 1, 1989

AGRICULTURAL DEVELOPMENT AS PART OF RURAL DEVELOPMENT

Look to our natural resources for growth.

Look to our basic industries for growth.

Agriculture is a natural area for Kansas to grow. We feed people better than anyone else.

Growth Areas:

- A) Processing
  - 1) beef
  - 2) wheat
  - 3) others
- B) Marketing Segmentation
  - 1) white wheat
  - 2) certified angus beef
- C) New Food & Non-Food Products
- D) New or Different Crops
  - 1) resurgence of specialty crops
    - a) grape & wine
  - 2) hay
    - a) third most valuable cash crop
  - 3) lambs
    - a) fifth in lambs on feed
  - 4) sunflowers
    - a) second in state rank
  - 5) canola
    - a) import 200 million gallons/year

Activities:

- A) Started with Legislatures Economic Development Interim
  - 1) Commission Report
  - 2) Blueprint Study

*Sam Brownback*  
3-1-89  
Attachment 2



B) Food Promotions

- 1) FTLOK - 212 companies  
8 to 1 ROI
- 2) Bloomingdale's promotion
- 3) Surveyed industry - want marketing help

C) Value Added Processing

- 1) Center - need funding for technical assistance
- 2) Conferences - joint efforts
- 3) Non-Food Uses - another aspect of value added
  - a) Task Force Report
  - b) Funding research - Commodity Commissions
  - c) Conference
  - d) State government buy products
  - e) Network - beef example in pharmaceutical

Legislature Can Do:

- A) Implement Governor's Rural Task Force findings.
- B) Fund presently initiated efforts that work.
- C) Encourage targeting of present efforts to rural areas.



ISSUES  
 CLOSE  
 TO HOME

# ARE THEY LISTENING?

## Heart of country feels forgotten

By Alissa Rubin  
 Staff Writer

Gov. Michael Dukakis likes to talk about family farms. Vice President George Bush likes to talk about family values.

Each will get his share of votes in November. But when people out in the country cast their ballots, it almost certainly won't be because they think the candidates understand the struggles — or possibilities — of rural life.

During the primary campaign, both candidates made the obligatory stops in the Heartland. But for the most part they went to state capitals and large cities. Since then, they've moved on to places that can deliver more electoral votes. They're not spending a lot of time in small towns or on Main Streets.

If they did, they might find places where Americans feel almost forgotten.

They would find community

pride, but also community desperation.

In Hope, a Kansas community 25 miles southeast of Abilene, they would see a community center run by the town's elderly that is open from early morning to midevening. In

Hannibal, hard by the Mississippi River in northern Missouri, they would find a community-run slaughterhouse

where cows raised locally are processed for use in the school lunch program.

But in Manchester, northeast of Salina, they would see boarded-up buildings. And along county roads throughout the Midwest they would see too many vacant and dilapidated houses in the part of the country known as the nation's breadbasket. Across the Plains, they would see banks whose doors have closed for good.

In terms of votes, even in a

close election, it's questionable whether the rural vote is large enough to make the difference. But more is at stake than votes.

Rural America represents a part of the American identity — an ethos of community, of a close relationship between town dwellers and their country counterparts, and a sense of place — a much-needed anchor for a fast-moving and increasingly urban country.

National interest in rural policy has been on the decline since 1980, when Jimmy Carter, himself a small-town farmer, lost the election to Ronald Reagan, say political scientists and community development experts.

"There's been a philosophical shift," said B.J. Reed, a professor of public administration at the University of Nebraska at Omaha. "Carter saw rural policy as a legitimate focus. The Reagan administration has not been concerned with it. It's a basic philosophical difference."

MANY RURAL residents share the view of Dave Schirmer, a cattle farmer near Holton, 30 miles north of Topeka.

"Everybody likes to talk about rural America, but I don't know if they are clear on what they think ought to be done," Schirmer said.

"George Bush and Mike Dukakis, neither one has got rural America at his heart, neither one of them has that experience. It's hard to get excited about something you don't really know."

Most people would prefer to remain in rural areas — given a choice, say rural sociologists and development experts.

"Rural people will come back to a rural environment. There is a sense of community, of counting, that you don't see in cities," said John Cyr, director of the Kansas North Central Regional Planning Commission, which works with several dozen rural counties.

However, when jobs are scarce, people move. The past 10 years have been marked by steady migration into urban areas. People leave towns with one stop sign for county seats; they leave county seats for regional centers, and regional centers for the state's largest cities.

Since 1980, more than three-fourths of Kansas counties have lost population, according to state census estimates. The counties that have gained generally are home to the state's largest cities. Nebraska and Missouri are looking at similar patterns.

RURAL LIFE

**IN SPITE** THE candidates' **and** concern for rural areas, **have** done little more than nod politely at the Heartland.

"Both Dukakis and Bush are having trouble getting in touch with issues that are rural, and speaking to that," said Joe Engelken, a hospital administrator in rural Onaga, northeast of Manhattan. "Neither one of them would even address agricultural issues in any detail — it seems they are afraid to even touch it. They seem to want to stay with the coasts."

In recent years, a sophisticated discussion has taken shape about what is needed to revitalize rural America and the complex combination of money, leadership and coordination among local, state and federal programs that will be crucial if small towns are to have a future. Increasingly, it is clear that the troubles of the agricultural sector are only part of the story and that the survival of small towns is dependent on a wealth of other factors.

A Kansas task force made up of Main Street businessmen, bankers, farmers and lawyers concluded last summer that an understanding of the elderly — their needs and their ability to contribute to small-town life — was central to the vitality of rural towns.

"A small town can become a center for the aging, if it could deal with the needs of an elderly population — it's an area for economic development," Cyr said. "But to date, no one's taken a hard look at that."

**THROUGHOUT** THE Plains states, the elderly account for a larger portion of the total population — 10 percent to 20 percent — than in the rest of the country. As a result, a larger portion of rural counties' income is in the form of transfer payments from Medicaid, Medicare, Social Security and Supplemental Security Income. The money could turn over many times if services for the elderly were available in their hometowns.

But because services often aren't available, the elderly tend to leave their money in the local banks. And, in the wake of the farm crisis, small-town bankers are leery of investing locally, meaning that the money doesn't spur hometown business.

"The federal government could help with loan-guarantee programs," said Schirmer, citing the successes of the Small Business Administration's loan guarantees, which he thinks could do even more in rural areas.

During the past eight years, rural residents have watched the flow of federal dollars to rural areas dwindle, while revenue-sharing money has disappeared. Rural planners say there is an urban bias in virtually every federal program, whether it's reimbursements for medical care or economic development grants.

"Our hospital in Onaga is losing between \$200,000 and \$300,000 a year in Medicare payments just because we are reimbursed at a lower rate than urban hospitals," said Engelken. "We provide the same services that people get if they traveled 100 miles down the road to an urban hospital, and they can stay in their community."

Medicare reimbursement rules trigger a vicious cycle in which hospitals may be unable to offer high-quality health care, forcing the elderly to move out of rural areas. As they leave, they take with them their savings and income and some of the demand for local services, meaning there are even fewer opportunities for young people who want to stay in small towns.

Rural medical care, like roads and water, is part of the crucial infrastructure that allows the elderly to remain in small towns, and that can help to create jobs.

**JUST AS** central as health care are water, sewers and roads. Federal financing of infrastructure projects has virtually disappeared during the past six to eight years, leaving small cities no choice but to levy ever-higher taxes on their residents — many of whom live on fixed incomes. The federally financed community development block grants are still available for infrastructure projects, but they do not come close to meeting rural communities' needs.

The Reagan philosophy that the responsibility for local needs belongs to state and local governments has left voters and policymakers in rural states unable to even imagine a federal rural policy, said rural sociologists and public policy experts.

"Most of the concern of the Reagan years has been at a macro level, cutting taxes and cutting back on federal spending — anything that you could do to stimulate economic activity," said Reed of the University of Nebraska.

In contrast, the Carter administration had separate programs designed to meet the needs of rural and urban areas, and it involved members of nearly every Cabinet department in shaping the policy.

"The Carter administration had developed both an urban policy and a rural policy, and it was fairly extensive," Reed said. "There was a conscious focus in that administration that disappeared in the Reagan years."

So far, neither candidate in the 1988 election has taken steps that demonstrate a real interest in rural areas.

Dukakis says he wants to help family farmers and suggests an agricultural policy that promotes diversification from cheap commodities, and he supports research for non-food uses for agricultural

products — such as making ethanol from corn. The policies could be a boon for farm towns and would encourage small manufacturing operations in rural areas.

The ideas find sympathetic ears among rural voters and suggest that Dukakis would make an effort to address rural problems. But translating his policy papers into reality seems a long way off. Addressing concerns such as better transportation systems for the rural elderly, simpler applications for federal grants, and help in maintaining and creating a supply of clean water would be the priorities of many rural residents.

**BUSH SEES** a rural America in which larger farms are more efficient and offer better prices. But some say that spells financial trouble for implement dealers, feed store operators and pesticide suppliers, who would see steadily less business in the years ahead because larger farms would save money by buying from a single source, where they could get better prices than in nearby towns.

"Either Bush or Dukakis could help rural America if they chose to, they could get people who know about the issues in the right places," said Reed. "But so far, hardly anything has been said about rural ... issues. They don't perceive it as a major concern."

## Depressed Rural Towns Develop Jobs From Within as Industrial Lures Fail

By MARJ CHARLIER

Staff Reporter of THE WALL STREET JOURNAL

A radical change in thinking is beginning to ripple across much of rural America. Towns and counties that once based their hopes for prosperity—or survival—on roping in outside industries are beginning to see that the party's over. Now, instead of looking outward, they are undertaking a long, painful struggle to develop their own industries, job by job.

If this effort is successful, the countryside eventually will have a more diverse economic landscape. The new jobs may pay less, but they will also be less likely to evaporate all at once. A town that has developed five small businesses doing different things is more resistant to bust than a town reliant on one big one.

In building rural businesses from scratch, entrepreneurs try to capitalize on whatever small benefit or advantage nature has granted them. In Eastport, Maine, that happens to be clean, cold ocean water and a 26-foot tidal shift, perfect conditions for raising salmon. So investors pooled their funds to set up Ocean Products Inc., which now employs more than 60 people.

### A Gold Mine Rediscovered

In deeply depressed Leadville, Colo., local interests have reopened some abandoned gold mines nearby, using new technologies that are helping them produce at a profit. And in Thompson Falls, Mont., hit hard by sawmill closings, a small enterprise is now turning out logs for cabins.

Elsewhere, state and local development agencies have opened loan funds to stimulate small local businesses. Southern Development Bancorporation of Little Rock recently bought a bank to provide financing in rural Arkansas.

### Adding Jobs, One by One

This flurry of activity isn't making a noticeable dent in high rural unemployment

yet, and it probably won't for many years. Hiring by local bootstrap businesses can't begin to offset the sudden loss of hundreds, sometimes thousands, of jobs when a big mine or factory shuts down and the air goes out of the local economy. The log cabin operation in Thompson Falls employs only a handful of people, and a Chamber of Commerce official says: "If we can have a gain of six jobs a year, we'd be extremely successful."

Mindful of this, many rural authorities are still trying to bring in jobs in bunches by trolling for industry. But as the nation moves toward a service rather than a manufacturing economy, there are fewer fish to catch.

Rural America has little choice but to give fresh consideration to the grow-your-own philosophy. Many towns and counties are straining just to hang on to the jobs they have left.

### Cutting Out the Luxuries

Kenneth Deaver, director of the Agriculture Department's Economic Research Service, says there is little reason to think that "smokestack chasing" by depressed rural areas can work anymore.

In depressed towns, the people hang in and hang on. Ed Slifka lost his job in 1982 when the big Climax molybdenum mine closed, turning Leadville, Colo., into a bust town. He and his wife, Diana, who manages a convenience store, made a bed-and-breakfast out of the first floor of their home. Lately, he has been fixing up a Model A Ford to take tourists for rides in the mountains.

Mr. Slifka recently was called back to the mine in July to help strip and sell the mining equipment. But, mindful of the town's grim future, the Slifkas have cut out many luxuries. But they won't leave for the city, as many have. "I'd feel like a little ant," Mr. Slifka says.

# COMMENTARY

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## The Rural Crisis, and What to Do About It

**Robert B. Reich**  
Harvard University

*The broad decline in world prices of primary commodities is a major reason why the U.S. is in danger of becoming a bicoastal economy. America's rural economy has been a commodity-based economy, centered on agricultural and raw materials. As world prices have declined, rural America has suffered the results of this decline. The author asserts that the way to revitalize the U.S. rural economy is not to preserve primary commodity production by heavily investing in rural America, but to ease the transition of a rural economy out of an almost exclusive reliance on primary commodities and into more competitive, more specialized production. In conclusion, the author presents four key barriers that must be overcome to form a strategic approach to rural economic development, after which, rural America could shift from primary commodities to small batch manufacturing and specialized services.*

The problem of rural poverty has been with us for some time. What is new is that the problem seems to be getting considerably worse. Last August, the Commerce Department issued a report confirming that America's rural heartland has been growing relatively poorer since 1979, while the more populated coastal areas are getting wealthier. For the first time in 50 years, the two regions are pulling apart: The industrial, agricultural, and mineral-based industries at America's center are declining rapidly, while the services, defense, and high-tech industries at our periphery are doing reasonably well.

America, in short, is becoming a bicoastal economy. Notwithstanding the enormous sums being spent on farm support programs (over \$50 billion last year alone), bailouts of rural banks (an estimated \$20 billion over the next few years), and various public-works programs, vast stretches of rural America are now occupied by people who are unemployed or underemployed. Much of rural America is being vacated. Consider:<sup>1</sup>

- Between 1981 and 1985, California and 15 East Coast states had an annual growth rate of 4%. Growth in the rest of the nation lagged far behind, at 1.3%.
- America's "heartland" states, with 58% of the population, experienced only 31% of the nation's share of economic growth during this period. The coastal states, with 41% of the population, experienced 69% of the growth.
- Even within America's "heartland," rural areas are significantly worse off than metropolitan areas. Since the late 1970s, rural unemployment has been higher; housing starts, fewer; family incomes, lower.

The reasons for the trend are complex. But one major culprit has been the broad decline in world prices of primary commodities. America's rural economy has been a

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commodity-based economy. As world commodity prices have declined, rural America has been left in the lurch.

Progress in the technologies of food production around the globe—the so-called “green revolution”—has dramatically increased the capacities of many nations to feed themselves. Global agricultural output rose almost one-third between 1972 and 1985. India is now self-sufficient in grain. Pakistan is almost self-sufficient. Argentine wheat production has nearly doubled in the last ten years, and Thailand’s output of feed grain nearly tripled. China’s wheat production rose from 50 million tons to 90 million tons. Many Third World countries have gone beyond self-sufficiency and begun to export their surpluses.<sup>2</sup>

Agricultural production has also increased significantly in Europe. In the mid-1970s, the European community imported about 25 million tons of grain, a fifth of world trade. Ten years later, the European community is exporting 16 million tons. Thus, over the last decade, the annual size of the world grain market available to the United States has declined by 41 million tons. Such an overwhelming abundance around the globe also has allowed grain-importing nations, like the Soviet Union, to diversify their sources of supply, and thus take advantage of the new competition.

At the same time, global output of forest products, metals, and minerals have increased about 30% during the last 10 years. As with the “green revolution,” the largest increases in production have occurred within the Third World. With the collapse of the OPEC oil cartel, oil prices too have substantially declined.

Not surprisingly, America’s shares of world primary commodity markets have dropped precipitously. All told, the American agricultural sector registered a \$20 billion trade surplus in 1981 by exporting \$38 billion and importing \$18 billion; but by 1986, U.S. exports of agricultural products plummeted to \$21 billion, while U.S. imports reached an all-time high of \$25 billion. Over the last decade or so, the United States’ share of world cotton production has fallen from approximately 19% to about 16%; our share of world copper production, from about 19% to 13%; meat production, from over 31% to about 28%. The list goes on.

Other nations have protected themselves from American exporters of primary commodities, to be sure. They have also subsidized their agricultural sectors. Saudi Arabia, for example, pays its farmers about \$1000 for each ton of wheat they produce, while the price of wheat on the world market hovers around \$80 per ton. But import barriers and subsidies are not the major cause of America’s problems in world commodity markets. Technology is. As fertilizers, irrigation techniques, and new seed grains have spurred world output and thus put downward pressure on prices, every nation (including our own) has sought to preserve and protect primary producers in the home market. In any event, it’s doubtful that American commodity exporters would benefit much, if at all, were nations like Japan and France to remove their barriers and subsidies to primary commodities; exporters from Australia, Argentina, Thailand, and Canada, among other nations, would fill most of the breach.

The high-flying dollar also played a role between 1982 and 1986, pricing American commodities out of many world markets. But even without the dollar handicap, American commodity exporters would still have faced shrinking world markets. Now that the dollar has fallen sharply, the export situation has not substantially improved.

What should be done to help rural America? One view is that we should do nothing. For generations, Americans have been leaving farms and small towns, bound for cities. The only difference is that the towns they’re now leaving all happen to be located in the middle part of the nation, while the cities they’re bound for are becoming vast stretches of undifferentiated sprawl along both coasts. By this view, it makes sense to help someone gain new skills and relocate where good jobs are available, but not to pour money into particular communities or regions in hopes of attracting or keeping industries there. The first alternative improves the nation’s efficiency by shifting human resources to where they can be put to their best use; the second is inefficient, because it keeps people and industries in places—and doing things—where the costs of production are just too high.

As a broad rule of thumb, I agree with this view. But it misses one crucial point—the

social costs of crowding. Many of our coastal areas are becoming overcrowded and overbuilt—facing mounting problems of pollution, inadequate housing, overtaxed disposal facilities, traffic congestion, and unsafe spaces for children to play. There is a social value to dispersing our population across the land. That's why all of us urban dwellers have a long-term stake in an economically-sound rural America.

Yet the way to revitalize our rural economy is not to preserve primary commodity production by throwing billions of dollars in the direction of rural America. Our long-term challenge is to ease the transition of our rural economy out of an almost exclusive reliance on primary commodities and into more competitive, more flexible, more specialized production.

The global trend is clear. As the output of primary commodities has increased, advanced nations have added value both through the application of specialized information and through small-batch specialty manufacturing. This twin shift has been apparent in every industry. For example, most of what Americans spend for the food on their tables now goes for processing, packaging, and marketing. Most of what Americans spend for the cars they ride in or the clothing they wear goes for design, engineering, fabrication, and advertising. The same can be said for paper products, specialized chemicals and derivatives from oil, and so on.

Much of the growth in so-called "services" within the American economy is actually due to smaller information businesses specializing in sales, marketing, design, advertising, engineering, finance, and consulting of all types. Almost all of the growth in American manufacturing during the past few years has been in small-batch businesses aimed at specialized markets. These two types of businesses—information services and small-batch manufacturing—account for an ever greater share of the value that is added to primary commodities.

Indeed, since 1970 the average size of American businesses has declined: The percentage of American businesses with less than 100 employees rose from 49.5% in 1970 to 56.1% in 1983, the last year for which data are available. This trend has held even for firms involved directly in manufacturing; although overall manufacturing employment has declined in America, the level of employment in establishments of less than 20 employees has actually increased.<sup>3</sup>

The striking thing about these new forms of business is that they can be undertaken almost anywhere in the country. They don't require a huge pool of labor on site, as do heavy industries. They don't need any particular natural resources. Their products don't weigh very much, so transportation costs are relatively low. These days, data-processing can be done thousands of miles away from where the data are being gathered or used.

The design and fabrication of high-tech components—network connections, power supplies, wafers—can also be undertaken at vast distances from where they are to be assembled. Even steel can now be produced profitably in mini-mills, without a large labor force, and in a wide range of settings (indeed, this is the only sector of the steel industry that remains profitable). Information-based industries and small-batch manufacturing are thus perfectly suited to rural America. What's more, rural America has many assets—relatively low land prices, low congestion, clean air, a strong rural work ethic, a system of high-quality universities, among other things—that could make it an attractive setting for information-based services and small-batch production.

Then why hasn't rural America already shifted out of primary commodities, toward this new economic base? A strategic approach to rural economic development would concentrate on removing four key barriers as follows:

(1) *Rural transportation.* Both specialized information-based businesses and small-batch manufacturers can be geographically distant from their suppliers and customers—so long as they can reach suppliers and customers quickly and communicate with them easily. Thus today, perhaps more than ever before, an efficient system of transportation and communications is critical to rural economic development.

**Yet the way to revitalize our rural economy is not to preserve primary commodity production by throwing billions of dollars in the direction of rural America. Our long-term challenge is to ease the transition of our rural economy out of an almost exclusive reliance on primary commodities and into more competitive, more flexible, more specialized production.**

A century ago, the railroads spurred the development of rural America. For the past quarter century, the interstate highway system has been a major stimulus, and it continues to be so. For example, General Motors' recent selection of Spring Hill, Tennessee, for its new Saturn division factory was prompted, in large part, by the town's easy access to the interstate system. Similarly, the recent economic rebirth of Cuba, Missouri was aided by access to a major state highway linking it to the interstate; Cuba also enjoyed daily rail and freight service.

But the interstate highway system is aging, it fails to reach many rural areas, and alternate modes of transportation are often unavailable. In addition, rural counties and states cannot shoulder the costs of improving their own transportation systems by themselves.

The deregulation of surface transportation has in many cases hurt rural areas. Railroad spurs have been terminated. Airline connections have been cut back. Bus service has declined. When the Interstate Commerce Commission began deregulating bus lines in 1982, Greyhound promptly announced plans to drop service to 1,100 rural locations; in 1986 Greyhound announced plans to close half of its remaining company-owned depots. As deregulation has stimulated competition on previously profitable routes, it has forced regional bus lines to terminate unprofitable service to many rural areas. A recent study showed that 94% of the communities whose bus service was terminated following deregulation had populations of less than 10,000 people. The researchers found that "these very small communities were also typically not served by either scheduled air service or passenger rail. Thus, although terminations did not fall solely upon the smallest communities, they were clearly the hardest hit by terminations."<sup>4</sup>

The 1987 highway act is a step in the right direction. But the funds it will provide are aimed primarily at making existing transit services more efficient, not at significantly expanding services. The federal government currently spends \$28 per capita in mass transit funds for residents of our major urban areas, but only \$1 per capita on public transportation for America's rural population. If rural America's economy is to be revived, rural transportation will have to become more accessible and efficient.

(2) *Rural communications.* The increasingly easy availability of low-cost information processing and transmitting equipment has made it possible for specialized information businesses and for small-batch manufacturers to communicate easily with suppliers and customers, wherever they are located. For example, computerized information banks are allowing such businesses to tap into the latest technical knowledge regardless of where it's located. Satellite receivers and video-cassette players are bringing instructional and vocational programs to remote areas. An estimated 7 million Americans already "telecommute" to their offices using telephones and computers. All this is good news for rural America.

The bad news is that rural America may be at a relative disadvantage in using some of these new communications technologies. The highways of the future are likely to be fiber-optic cables, which permit a level of high-quality, low-cost transmission of large quantities of data unequalled by any other media. Although communications companies have begun stringing fiber-optic networks across the nation, these networks are centered around major cities. There has been no concerted strategy for bringing fiber-optics to rural America (a challenge that is analogous, but admittedly somewhat less crucial, than bringing electricity to the hinterland in the 1930s). To make matters worse, the dismantlement of the Bell System and the deregulation of telecommunications has led telephone companies to emphasize service to lucrative urban markets—offering specialized technologies that link up financial and business centers—and simultaneously deemphasize more traditional services to their relatively fewer customers scattered across rural areas. A strategy for reviving rural America must get the newest and most efficient communications technologies to rural America.

(3) *Rural technology extension.* Specialized information businesses and small-batch manufacturers must incorporate the latest technologies to stay competitive. But businesses



in rural locations can find it difficult to quickly discover what these technologies are and how they can be used to greatest advantage. Years ago, the Agricultural Extension Service was established to make farmers aware of the latest technologies and to help them make use of them. Today, rural America's impending shift to specialized information businesses and small-batch manufacturing requires similar help.

As with the Agricultural Extension Service, state universities can serve as hubs for technological extension. Some are already beginning to undertake this function. For example, the University of Texas is establishing a computer network that will enable country doctors to quickly obtain medical expertise and gain access to medical records. In Tuscaloosa, Alabama, the University of Alabama has made a deal with General Motors and the United Auto Workers to save a carburetor assembly plant; the university has leased a portion of the plant for use as an on-site instructional and research center. Within its first two years, this arrangement has yielded annual savings exceeding \$1 million. The university has since established other cooperative ventures with firms in Tuscaloosa and Birmingham. Other forms of technological extension are no doubt possible and desirable. The federal government, working with and through state universities, should enlarge upon this important concept.

(4) *Rural training and retraining.* The work ethic of rural America is legendary. But this ethic can only be put to work if rural Americans receive the education and training they need to meet the demands of the new economy.

Efforts are beginning. Twenty-one farm states now consider farmers "dislocated workers," rendering them eligible for job counseling, retraining, and relocation help under the Job Training Partnership Act. So far, about 15 states have helped several thousand bankrupt or dislocated farmers. In Iowa, about 60% of nearly 500 retrained farmers have landed jobs as word processors, programmers, engine mechanics, salesmen, and assembly-line workers.

But given the scale of the shift that must occur across rural America, these efforts are not enough. The need and the will to work among rural Americans is clear. (Within three days of posting new positions, a Joplin, Missouri trucking company had over 500 applications from unemployed farmers.) Present training and retraining are inadequate to respond to this need and to tap this will.

With these four barriers out of the way, rural America could shift quickly from primary commodities to small-batch manufacturing and specialized services. The policies that are required—improved transportation, communications, technological extension, and training—are hardly dramatic. A program to revitalize rural America along these lines surely would cost substantially less than the vast sums we now spend trying to preserve the older economy, based almost exclusively on primary commodities.

Over the longer term, the choice is clear: We either accept the gradual demise of rural America or ease its transition to a new economy. Two generations ago, rural Americans were lured away from the hinterland by the lure of jobs in mass-production industries, like automobiles and steel, which required large numbers of workers in close proximity. But there is now less reason for them to go. The new economy toward which we're evolving operates on a smaller scale and is far better suited to rural environments. But unless we remove the present barriers to rural America's economic transition, more and more of us will find ourselves packed ever more tightly together.

**Over the longer term, the choice is clear: we either accept the gradual demise of rural America or ease its transition to a new economy.**

## NOTES

1. These data are gleaned from the US Department of Commerce, Bureau of the Census (Washington, DC: Government Printing Office, various series); Department of Agriculture, "1986 Agricultural Chartbook" (Washington, DC: Government Printing Office, 1986).

2. Data from Barbara Insel, Foreign Affairs Office, "A World Awash in Grain" (Washington, DC: Spring 1985) and from the Economic Report of the President, 1987.

3. C. S. Harris, N. O'Connor, and K. Kummil, "Handbook of Small Business Data: A Sourcebook and Guide for Researchers and Policy Makers" (Washington, DC: Brookings Institution, January 1983).
4. C. Oster and K. Zorn, "Impacts of Regulatory Reform on Intercity Bus Service in the United States," *Transportation Journal* (Spring 1986).

## Introducing Forum

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This issue of *EDQ* marks the beginning of a section of the journal—Forum. Forum provides readers with the opportunity to comment on articles published in previous issues of *EDQ*. Authors of the articles discussed in Forum will be offered the opportunity for rebuttal. In this issue, Thomas Daniels and Mark Lapping comment on Robert Reich's article "The Rural Crisis and What to Do About It," which was featured in the February 1988 issue of *EDQ*. Robert Reich provides a response.

We are interested in continuing this type of exchange. We encourage readers and authors to submit comments, critiques, and replications of articles. Comments and responses should be limited to approximately 1000 words.

## FORUM

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### The Rural Crisis and What to Do About It: An Alternative Perspective

**Thomas L. Daniels**  
**Mark B. Lapping**  
Kansas State University

Robert Reich offers a sweeping solution to the economic problems of rural America: Do not invest in primary commodity production, but build up specialized manufacturing capacity ("The Rural Crisis and What to Do About It," February 1988). Reich's prescription is naive on several counts. First, primary commodity production directly employs only 10% of the nonmetropolitan work force, though nearly one-quarter of all nonmetro counties earn 20% or more of their incomes from farming, timber, or mining. Second, manufacturing employs a larger percentage of nonmetro labor, 25%, than urban labor, 20%. In essence, rural America is quite dependent on primary commodity production (e.g., America's farms are estimated to be worth in excess of \$550 billion), and, at the same time, rural America has diversified its economic base into manufacturing. This occurred largely during the last three decades through the introduction of transportation and communication networks that enhanced the accessibility of many formerly remote and peripheral areas. Currently, manufacturing is on the rise in the heartland; the region offers a hardworking, largely nonunion labor force that is willing to accept \$5-\$6 an hour wages. Thus the picture of a rural America defined solely by primary commodity production is only partially correct.

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*Mark B. Lapping is Professor and Dean of the College of Architecture and Design at Kansas State University. He has written numerous articles on rural issues, especially on the role of planning. He was formerly the Director of the School of Rural Planning and Development at the University of Guelph.*

## WHAT TO DO ABOUT AGRICULTURE?

Federal farm programs have cost \$50 billion over the past two years, and U.S. agriculture is on the rebound.<sup>1</sup> Surely such high levels of subsidy cannot continue given the huge federal budget deficits. The key to agriculture lies in reform of the farm programs so that they no longer reward volume of production. Specifically, large rich farms should not receive federal subsidies. Farmers should be "means tested" with the goal of preserving the 400,000 medium-sized commercial family farms. These farms are important components of rural economies, providing employment in the transportation, processing, and distribution of farm outputs.

From a national perspective, agriculture is a sector in which the United States still enjoys a trade surplus with the rest of the world, albeit there is growing competition in some commodities and there are many trade restrictions that limit further American penetration of foreign markets. In recent years, food imports in the United States have risen steadily while food exports have declined, partly from the increased value of the dollar between 1980 and 1986. American farmers should be encouraged to grow commodities that are now being imported into the country. Leakages can be plugged in a number of cases if society will structure a system of incentives and risk-reduction tools to make it possible for farmers to make a transition into new and different commodities. Further, nearly all estimates indicate that food exports will increase with the fall in the dollar. In short, if investment in agriculture falls significantly, then U.S. food imports may increase, food exports fall, and the nation's enormous trade deficits worsen.<sup>2</sup> Moreover, a basic vulnerability may be introduced into the U.S. food system. It is this fear that has sustained other nations, like Sweden, for example, to support an indigenous agricultural system relatively free of external pressures.<sup>3</sup>

There is an additional issue related to farming that Reich has all but ignored. If support for family farming is diminished and we turn away from making necessary investments in agriculture, we are likely to see an increase in the trend toward corporate control of agriculture throughout the nation. Farming is, quite simply, still lucrative and an attractive source of income generation. There is every reason to believe that the abandonment of primary commodity production in rural America, as Reich urges, will be accompanied by increased activity among multinationals who seek to control the farming, forestry, and mining sectors. These elements of the economy will not diminish in their importance but national vulnerability will increase if policymakers turn their backs on the family/small business participants in the primary commodity production sectors.

## THE BICOASTAL ECONOMIES

Studies consistently demonstrate that high-tech industries concentrate in and around areas receiving large defense contracts.<sup>4</sup> This reality goes far beyond explaining why the heartland does not have much high-tech manufacturing and why the Boston to Washington corridor, Silicon Valley, Southern California, and Seattle have prospered of late. These places are the direct beneficiaries of the largest peacetime defense buildup in U.S. history. If the defense budget were cut by \$50 billion to \$100 billion in an attempt to reduce the federal deficit, for example, it is conceivable that the much ballyhooed coastal economies would be extremely hard hit. Indeed, the high-tech revolution in many of these areas is the direct result of a system of federal subsidies not fundamentally different from those operative in agricultural regions.

The bottom line is that the United States has been living far beyond its means. We are the world's largest debtor nation and we continue to run the world's largest trade deficit. This means that we must produce more of the goods and services that Americans want, and that less federal assistance will be available. Primary production will be crucial in keeping imports down, as will manufacturing.

Certainly the idea of diversifying the rural economy is an attractive one and there must be enhanced support for many of the investments that Professor Reich urges. Still, Kansas will not

be turned into a "silicon prairie" for many reasons, not the least of which being the effects of agglomeration that typify the locational decisions of high-tech firms and industries.

### RURAL SETTLEMENT

Some adjustments will be necessary in the heartland. Much of the heartland is a web of small towns, reflecting a settlement pattern based on the phased privatization of the once vast public lands and horse-and-buggy and railroad-based transportation and communications technologies. The trend toward fewer and larger farms, the rise of regional shopping malls with ever larger catchments, and the greater mobility of people now threaten the purpose and existence of many small towns. Those towns beyond commuting distance of a regional center or major city will need to find new sources of employment. For example, many county seat towns have lately been successful in attracting new manufacturing plants. Retirement-related development is also popular in many amenity-rich areas. But not every community will survive this new period of rural dislocation. It may be necessary for the nation to develop a rural settlement policy built upon a triage approach to the targeting of public investments.<sup>5</sup>

The importance of rural economic development should not be overlooked by urban dwellers. When rural economies falter, rural people migrate to urban areas, and, as Professor Reich points out, urban America already has all the problems it can handle!

### NOTES

1. Mark Drabenstott and Alan Barkema, "U.S. Agriculture on the Mend," *Federal Reserve Bank of Kansas City Economic Review*, December 1987, pp. 28-41.
2. Alan Barkema and Mark Drabenstott, "Can U.S. and Great Plains Agriculture Compete in the World Market?" *Federal Reserve Bank of Kansas City Economic Review*, February 1988, pp. 3-17.
3. Mark Lapping and Dale Forster, "Farmland and Agricultural Policy in Sweden: An Integrated Approach," *International Regional Science Review* 7 (1982): 293-302.
4. Ann Markusen, Peter Hall, and Amy Glasmeier, *High Tech America: The What, How, Where and Why of the Sunrise Industries* (Boston: Allen & Unwin, 1986).
5. Thomas Daniels and Mark Lapping, "Small Town Triage: A Rural Settlement Policy for the American Midwest," *Journal of Rural Studies* 3 (1987): 273-80.

# Response to Letter from Daniels and Lapping

**Robert B. Reich**  
Harvard University

Professors Daniel and Lapping provide a thoughtful response to my article on rural economic development, but they hardly show that my prescription is “naive.” I agree that rural America is diversifying its economic base into manufacturing; indeed that is precisely my point. Rural areas are becoming well suited to smaller-scale manufacturing, but they could become even *better* suited if their transportation and communication infrastructures were upgraded, and if training and new manufacturing technologies were more easily available.

I do not understand their argument that American farmers should be encouraged to grow commodities that are now being imported into the country, so that America’s trade deficit can improve. Quite the opposite. Several Third World nations are just now becoming agriculturally self-sufficient—some even able to export their agricultural surpluses. But so long as advanced nations like the United States continue to protect and subsidize their own farmers, Third World farmers—who can’t penetrate the import barriers or match the subsidies—aren’t able to sell their surpluses. The unfortunate consequence of this is that Third World nations lack money to import the products of advanced nations. Hence, world trade is diminished, and our own trade deficit worsened.

The proper direction for public policy is to reduce farm subsidies and protections, and get other advanced nations to do the same. That would do more to help America’s balance of payments than any other single scheme.

As to high-tech industries and national defense contracting, the professors’ facts are correct. The Reagan administration has now pumped over \$300 billion dollars into new weapons, most of which have been designed and fabricated on the two coasts. This has been an enormous boon to the makers of specialized semiconductors, computers, fiber optics, lasers, new materials, computer-aided machine tools, airframes, engines, and a rich assortment of other defense-related technologies. New York, Massachusetts, Connecticut, Maryland, California, Washington, and Oregon have been immediate beneficiaries. Rural America, by and large, has not been among the winners.

But the professors’ conclusion is incorrect. Such military dependency is a weakness—not a strength—of the coastal economies. The flow of military contracts cannot be assumed to continue, especially given the current federal budget squeeze and the apparent desire of Moscow to reduce its own military expenditures in the years ahead. Moreover, as defense needs become even more specialized, commercial spinoffs are becoming more attenuated. Thus the costs of military dependency are coming to exceed its benefits, which is putting the two coastal economies at a further disadvantage relative to the rural heartland.

In sum, I don’t want Kansas to become “silicon prairie.” But I do want it to diversify out of primary commodities more rapidly and efficiently. My prescription for such diversification will not be easily implemented, to be sure. But to recommend it is not to be naive. That appellation is properly reserved for those who believe that rural America can and should hold on to the past.

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utive sessions of government bodies subject to the act upon invitation where such persons are present to provide information to the body or participate in its deliberations, but may not attend merely as observers. Attorney General Opinion No. 82-176.

## K.S.A. 75-4320. Penalties

### Specific Intent Not Required

To knowingly violate the act means to purposefully do the act denounced and does not contemplate specific intent to violate the law. *State ex rel. Murray v. Palmgren*, 213 Kan. 524 (1982).

### Technical Violations

The cases indicate that our courts will look to the spirit of the law, and will overlook mere technical violations where the public body has made a good faith effort to comply and is in substantial compliance with KOMA, and where no one is prejudiced or the public right to know has not been effectively denied. *Stevens v. Board of Reno County Commissioners*, 10 Kan. App2d 523 (1985).

### Available Remedies

KOMA construed to authorize no one other than the attorney general, district attorneys or county attorneys to seek avoidance of governmental action based on violations of the act. The provision found in K.S.A. 75-4320(a) providing for injunctive and mandamus relief by the court to enforce the act held to provide unlimited standing, therefore allowing injunctive and mandamus relief to private parties as well as to public prosecutors. *Stoldt v. City of Toronto*, 234 Kan. 957 (1984).

### Basis for Recall

An allegation in a petition for recall that a public official willfully violated KOMA is a legally sufficient claim of misconduct and may subject the public official to a recall election. The district judge correctly determined that members of a board of education were subject to recall for a violation of KOMA whether or not they were charged and convicted of the violation. General allegation of violation of KOMA found to be lacking specifically required under recall statutes. *Unger v. Horn*, 240 Kan. 740 (1987).

## Enforcement of Act by District Courts

### Subsequent Enactment

K.S.A. 75-4320a was not adopted until 1981. The section speaks to the issues of jurisdiction, burden of proof, assessment of costs and priority in docketing. Of particular importance is subparagraph (b) which provides that: "In any action hereunder, the burden of proof shall be on the public body or agency to sustain its action." Analysis of any fact situation presented

should recognize that the case of *State ex rel. Murray v. Palmgren*, 231 Kan. 524 (1982) was based upon incidents occurring prior to adoption of the 1981 amendment allocating the burden of proof to the public agency and was decided based upon prior law. When the court in that case articulated the five elements essential to the state's case, it did so for the purpose of showing that the trial court's decision could be upheld under the strictest standard. *State ex rel. Murray v. Palmgren*, at p.537.

### No Constitutional Rights Enforceable by Federal Court

The Kansas open meetings act confers no constitutional rights. The act provides its own enforcement mechanism, K.S.A. 75-4320a. Accordingly, as no federal question is involved, the federal district court has no jurisdiction to determine whether the Kansas open meeting act was complied with where allegation was made that KOMA violations infringed on liberty interest in participating in the political process in violation of right to due process pursuant to 42 U.S.C. Section 1983. *Boster v. Philpot*, 645 F.Supp. 798, 808 (D. Kan. 1986).

## More About "But-For"

Cont. from page 99

seems imperative that the proposed public purpose, essentially the retention or creation of new jobs, actually results because of the incentive — or, at least, it probably would not happen, *but for* the incentive.

All of this apparently rational argument does not necessarily make the final decision easier. Those who want the public incentive, or who are proposing incentives to promote community economic development, are not likely to admit that the public funds they receive or administer, be it a direct expenditure or foregone public revenue, aren't going to make a difference. Obtaining something for free, or at less than cost, seems to be part of the American Dream. Nowadays, it seems to be expected, since other places are doing it." But the application of the *but-for* principle ought to be tried. Those elected to public office should have at least a clear conscience that it probably wouldn't have happened *but for* the governmental contribution they authorized.

— EAM

## Rural Community Survival: Guidelines to Prosperity

A study of five prospering towns in Nebraska may help less fortunate communities weather the perils of the farm crisis and other economic disablers.

Researchers at the Heartland Center for Leadership Development in Lincoln, Neb., were discussing a proposed study on ways to halt the decline of rural America when it dawned on them they were asking the wrong question.

Vicki Luther and Milan Wall, co-directors of the center, decided that more important than why nine out of 10 towns in Nebraska will die by the year 2000, was why others are thriving in these difficult times.

They looked at five prospering towns for their common characteristics that might help other communities weather the worst farm crisis in 35 years. With populations ranging from 400 to 6,000, the towns were picked based on census data and recommendations from 100 state business and government leaders.

Luther and Wall compiled "20 clues to rural community survival."

Though not a formula for success, they offer guidelines to help other communities. A condensed version is broken into five categories.

**Leadership.** A strong family orientation co-exists with the general willingness to accept newcomers as members of the community family. These towns were more than willing to place women and young people in leadership positions rather than hanging

on to the inefficient and old power structure prevalent in many towns. These communities enjoyed more cooperation and community input with an eye on a common goal.

"The problems out there are so large and the changes so extensive that no community can afford to squander leadership and creativity" on unproductive squabbles and bickering.

**Community Pride.** Companies looking for new plant sites consider most important a community's location, labor force and transportation facilities. These reflect the town's pride and "a town's perception of itself is crucial" to its success, Luther said.

A positive self-image shows a greater willingness to spend money and time on the necessary services for a business to survive. These towns are not "paralyzed by fear, but rather are mobilized by opportunity," Luther said.

**Investment.** Successful communities are frugal with tax money. However, they are still willing to spend money to maintain a sound infrastructure, such as streets, water and sewage treatment facilities. They also emphasize a good local health care system and education.

**Economic Development.** All successful communities have active economic development programs. They also have a realistic attitude about their potential success.

## Old Money

### An Influx of Retirees Pumps New Vitality Into Distressed Towns

Healthy, Active and Wealthy,  
Oldsters Spend Nest Eggs,  
Creating Jobs and Tension

### Voting Down Tax Increases

By BILL RICHARDS

Staff Reporter of THE WALL STREET JOURNAL.  
KEOWEE KEY, S.C.—In the past, rural areas with the economic blahs would reflexively try to collar a new industry. But the hustling and scheming to attract new business aren't yielding good results anymore. So a growing number of distressed regions like this one are looking for salvation from a different kind of industry.

Forget about landing that widget factory; this industry is better. It gives a tremendous boost to local retail, services and construction businesses. It adds greatly to the tax base and requires little or no extra spending on police or schools. It chokes local banks with fresh money, and it doesn't belch noxious fumes into the air or turn the landscape into a moonscape.

The industry: old people. Or, more specifically, retirees with loose change and

*Second of two articles.*

a hankering to look for the good life in rural America.

Here in Keowee Key, a retirement community expanding across a stretch of this raw, piney-woods corner of South Carolina, every moving van unloading a new upscale migrant gives a lift to the once-laggard economy of Oconee County, hammered by decline in its textile industry. The tax rolls swell a bit. The average income goes up a bit. A new job is generated.

#### The Prune Juice Belt

"It's like somebody came around with a watering can and things just started popping up," marvels local restaurateur Brit Adams.

His storefront establishment, Le Champignon, is one of several restaurants that have blossomed in Seneca, S.C., the nearest town to Keowee Key. Since 1981, when retirees first started coming here in numbers, the town has been transformed into one of the state's fastest-growing commercial areas. Says Seneca City Councilman Devoe Blackston: "We ought to be looking at retirement communities as a whole new form of light industry."

Elsewhere, a growing influx of retirees into rural areas is creating similar bright spots in the economic gloom that covers much of the countryside. A 1986 study by the Federal Reserve Bank of Kansas City found that rural counties of what might be called the Prune Juice Belt—those whose economies are based on retirees—have outpaced all others in per-capita income growth.

Until recently, however, most rural authorities didn't appreciate what retirees could do for them, and those attracting them did so mainly through luck and not concerted effort. Old people meant poor people, they thought, and so they kept on lusting after conventional industries.

#### Wooing the Big Spenders

Many still do. "It's hard to overcome the smokestack-chasing mindset," says Mark Drabenstott, an economist at the Kansas City Fed. Retirees, he adds, are still "an overlooked part of the economy."

But that is changing, and fast. Thanks in large part to vastly improved pension arrangements, retirees and those nearing retirement have more to spend than any other segment of the population. Younger, healthier and more active than their counterparts of a generation ago, they are willing to spend—and spend big. Understanding this, more towns, counties and even whole states are beginning to woo them.

Michigan's Upper Peninsula and Minnesota's Iron Range, both of them depressed mining areas, are promoting their potential for outdoor recreation in trying to win retirees. When Silver Bay, Minn., lost its major industry, Reserve Mining Co., residents pooled their resources for far-flung newspaper ads (some appeared in Florida papers) offering their homes to retirees. Several dozen have already moved in.

In hard-pressed Bennettsville, S.C., officials reluctantly decided they couldn't afford the tax abatements and other incentives needed to land a new electronics plant, the town's first employment choice. Now they are cozying up to developers, hoping to get a retirement community built. The pitch: the area's rolling terrain is "ideal for golf."

#### 'Economic Salvation'

The state government of South Carolina is after retirees, too. In 1986, it bought more than 3,000 acres of land adjoining Clarks Hill Lake, near a sparsely settled stretch of the Savannah River. The state plans to put in roads and other amenities, then sell the property to a developer to build a retirement town of 12,000 people.

In doing so, the state is trying to use retirees as a vehicle to achieve a public-policy aim: pumping more jobs and money into its poorest region. Morrison Parrott, head of the Clarks Hill-Russell Authority, the state agency overseeing the development, predicts it will create 3,400 new jobs. "It's going to be our economic salvation," Mr. Parrott says.

Massachusetts is using the same strategy. It has been assembling 1,040 acres for a similar but smaller development near Mount Greylock in the northern Berkshire Mountains, an area that has lagged behind the rest of the state economically. It is estimated that the project's 2,000 residents,

*Please Turn to Page 6, Column 1*



# Old Money: Influx of Retirees Pumps New Vitality Into Rural Towns, Creating Both Jobs and Tension

*Continued From First Page*

who will pay up to \$250,000 to live among a golf course, tennis courts and ski trails, will generate about 700 permanent jobs.

For its part, Exxon Corp. is hoping that retirees will help it recover some of its investment in one of the biggest resources busts of recent years. In 1982, Exxon gave up on its giant Colony oil-shale project on Colorado's beautiful but isolated Western Slope—deflating the hopes of everyone in the region and leaving Exxon stuck with Battlement Mesa, a 3,200-acre, partly developed townsite it had set up to house workers and their families. What to do with it?

After analyzing its options, Exxon decided that retirees offered, as one official puts it, "the best return we could get." The company has changed its model-home plans from big split-levels to smaller, single-story ranch homes, beefed up insulation (warmth was a primary retiree concern), and added a golf course and indoor

swimming pool. About 1,500 people have moved in to date.

## Buying a Buick

Though the Prune Juice Belt overlaps much of the Sun Belt it is not limited to it, as shown by places like Battlement Mesa. Self-contained retirement communities are springing up everywhere. In other cases, large numbers of retirees are moving into existing rural towns, seeking safer streets, cheaper and more ample housing, cleaner air, less crowding, a sense of community. And wherever they settle, in town or in a retirement enclave, they generally bring disposable income that can and does make a big difference.

When Howard Heggem retired as president of a Chicago abrasives company, he paid cash for a 2,200-square-foot home in Hot Springs Village, a retirement community in central Arkansas. Mr. Heggem and his wife transferred their six-figure nest egg to a local bank. They hired a local contractor to build their home. When they decided to trade in their Cadillac, they bought a Buick from a local dealer.

Many people like him live in Hot Springs Village. A survey shows its residents annually spend about \$10,000 each in the area. Mr. Heggem says that while county officials ignored the fledgling development at first, "we began hearing from them when they realized we were putting \$20 million a year into the local economy."

## Clashing With the Locals

Developers say that large retirement communities generally produce one service job for every eight residents. Hot Springs Village, with 4,400 of them, does better than that. It is credited with spawning 75 new area businesses and creating more than 1,400 new jobs for rural Garland and Saline Counties.

But if retirees bring money and create jobs, they also can change the entire nature of a rural area, inspiring friction that didn't exist before. The interests and priorities of retirees often don't coincide with those of old-time residents, who may also resent the comparative affluence of the strangers in their midst.

No one denies, for example, that the upper-income retirement community of Heritage Village has transformed the economy of its host town, Southbury, Conn. Southbury used to be a one-horse town, a place where a doctor visited only twice a week. Now the Yellow Pages list a whole sheaf of doctors. There are two big shopping plazas now. And the roads are snarled with rush-hour traffic and lined with retail businesses and office buildings.

## Voting Down Tax Increases

But Heritage Village, which has 4,400 residents, is viewed with something akin to awe by the local educational establishment. The residents of the village mobilized a solid bloc of voters who rejected four school tax increases in a row before relenting. Such opposition to taxes for services they don't use is common among retirees in many places, and other residents find them formidable opponents. "These are people who ran corporations," says John Fitzsimons, superintendent of Southbury's schools. "They're smart cookies and boy, are they well organized."

Some grumbling and resentment have also been directed at the well-to-do residents of Keowee Key, here in South Carolina, who are as different from the people around them as night from day. Their average household income is above \$90,000, more than quadruple that of the rest of the county, and many of the houses they live in cost well over \$200,000, several times the average county price for homes.

The people of Keowee Key are mostly northerners who incline toward Methodism, Lutheranism, Catholicism and Republicanism—in an area where the Baptist church has long held sway and elected Republicans are as rare as 12-inch snowfalls.

## Money Makes Friends

So it isn't surprising, perhaps, to find a dumpster on the road to the development spray-painted with the message "No more damn Yankees." Or to learn that some politicians are nettled at the efforts of Key residents to get anti-littering and leash-law measures passed. "This is hunting country," says Jerry Dyar, a member of the Oconee County council. "Leash laws are kind of taboo around here."

But money makes friends, too. Keowee Key has already generated several hundred construction and other jobs, and its developer expects that when it is finished it will produce 550 permanent ones. That would make it the fourth-largest private employer in the county. Also, the kind of jobs it is creating, while paying almost as much as factory work in this fiercely non-union area, aren't likely to disappear in the next recession or shift in industrial policy, as local textile and sawmill jobs have.

None of this is lost on local residents. Says James DuPrey, the county superintendent of education: "Those folks aren't a cost item. They're a revenue item."

## Quiet Crisis

# Small-Town America Battles a Deep Gloom As Its Economy Sinks

### People Flee as Jobs Disappear, Off Farms as Well as On; Despair in Eastport, Maine

### A Parent Plea: Leave Home

By MARJ CHARLIER

Staff Reporter of THE WALL STREET JOURNAL  
EASTPORT, Maine — There are two Americas now, and they grow further apart each day.

Metropolitan America is wallowing in nervous prosperity. Times are so good that people are afraid they can't last. In the other America, the forgotten one beyond the patches of urban and suburban wealth, people would like the chance to be afraid about good times lasting.

In this town of 3,000 huddled on the cold blue coast, the bars are full of the unem-

...st of two articles.

ployed and the underemployed. They have been waiting out hardship for years, and time is wearing them down. Their vision of a rural idyll, the dream that lured them from the cities, is fading.

Outside, the deepest port on the Eastern seaboard waits for ships. Few come. The shoreline is lined with abandoned sardine canneries, a local industry killed off years ago by foreign competition. Inside the bars, young patrons swap rumors about possible—and usually temporary—jobs. A 26-year-old house painter without work (a condition he shares with almost 12% of the residents) inspects a photo of the sardine factories in boom times and says wistfully: "I'd like to have been here when the town was like that."

### A Coast-to-Coast Collapse

With variations, the same scene is being played out all across the country. The magnitude of what is happening has been obscured by the emphasis put on certain parts of it, such as the farm crisis and the drought. But the U.S. has been suffering more than a farm crisis or a drought, more than a cyclical downturn in the Western resource belt. It is in the midst of a coast-to-coast, border-to-border collapse of much of its rural economy.

In many places, it has been going on for 10 years, even as the nation's roaring economy brought about a rebirth of tired cities and enfeebled industries. Among the reasons for the collapse: cheap imports, low commodity prices at home, policy shifts in Washington and even predation on Wall Street. More than a quarter of the nation's population, or 64 million people, may be feeling at least some of the effects of the collapse.

Some parts of rural America, particularly those attracting retirees or lucky enough to have large government installations nearby, are still above water or even thriving. But elsewhere, towns are marked by deserted factories, shut-down mines and sawmills, boarded-up stores, and industrial-park sites sprouting weeds.

### Hard Times for Thompson Falls

New industries, when they can be found at all, generally don't come close to replacing all the jobs lost, and the percentage of unemployed in rural counties is commonly double or even triple the rate in cities. In California, where San Diego and San Francisco boast jobless rates under 5%, more than a score of the state's 58 counties have double-digit unemployment. They are mostly, the rural counties.

Depressed towns suffer without much attention being paid. The 1,400 residents of Thompson Falls, a western Montana hamlet isolated in mountainous country one resident describes as "steeper than a cow's face," are 100 miles from the nearest shopping center—and farther yet from the prosperity they once enjoyed.

In the late-1970s, logging operations, sawmills and an antimony mine were going full blast, employing hundreds. Only two people were drawing unemployment compensation. Today, logging is in decline, the mine is closed—cheap imports again—and the unemployment rate is 12%. Signs that advertised close-out sales are fading in the windows of shops long vacant.

"We used to have jobs and no one to fill them," says Ron Calvert, head of the town's employment services office. "Now we have good people and no jobs for them." About 15% of the work force has left town within the past year or two.

### A Parent's Plea

Many distressed communities around the country are emptying out; half of all the nonmetropolitan counties in the U.S. have lost population since 1983. As people and businesses leave, the tax base shrinks, and towns begin to cut services.

In Eastern Maine, this means cuts in programs aiding battered wives, alcoholism treatment centers, and other services. Elsewhere, schools are closing, roads are crumbling, and young people are leaving for the cities.

Their parents watch them go with resignation. Why stay when there is so little opportunity? Eastport resident Richard Klyver, who came there from New York 14 years ago in part to get his children out of city schools, hopes his son, now in college at Bar Harbor, won't come back. "I don't want him caught up in the dead-end cycle kids get into here," he says, "working minimum-wage jobs and spending everything on their cars."

In Dawson, Ga., hard-hit by two plant closings that wiped out 2,000 jobs, a visitor to a high-school class asks students where they will settle when they finish their education. Only two of 20 want to stay in Dawson. "You can't go very far here," says Duncan Moseley, a senior.

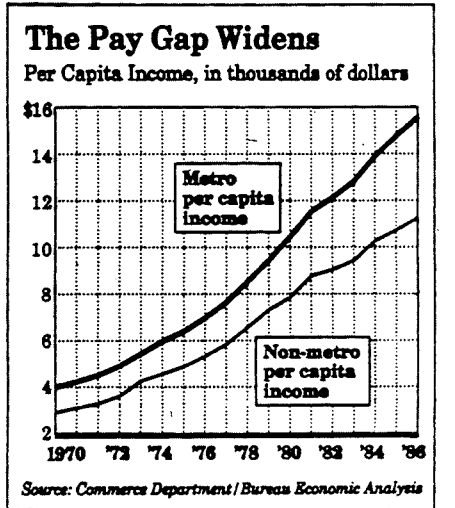
He probably is right. Dale Milner, a manager for Georgia Power Co. in Dawson, says that in the 1970s any economic development director in this area who didn't have two or three industrial prospects cooking wasn't working very hard. In the past couple of years, he adds, there hasn't been one good industrial prospect in all of south Georgia.

Meanwhile, existing jobs have evaporated. Since 1980, the rural South has lost at least 69,000 of them, mostly to foreign production, in industries ranging from electronics to transportation to textiles. Other regions have had heavy industrial job losses, too.

### More Than Cows and Corn

This is an especially bad blow for rural counties. City dwellers might think of them collectively as a vast expanse of corn, cows and mine shafts, but fully 40% of rural residents live in counties mainly dependent on manufacturing.

In the heady times of the so-called rural renaissance a decade or so ago, the com-



paratively cheap, willing and usually non-union labor available in the countryside attracted many of these plants. Now, even

# Quiet Crisis: Small-Town America Suffers Deep Economic Distress

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cheaper workers can be found overseas. "The things that made rural areas competitive in the 1970s make the Third World competitive in the 1980s," says Cornelia Flora, a rural sociologist at Kansas State University.

## 'Not the Hand of God'

There is more behind the rural crisis, however, than simply the globalization and increased ferocity of business competition. Until recently, a web of law, policy and subsidy helped maintain rural America and cushion it in hard times. That web has been torn, and some bitterly believe their government has forsaken them.

"None of this is the hand of God," insists Osha Davidson, a writer in Mechanicsville, Iowa. "It's the effect of policy."

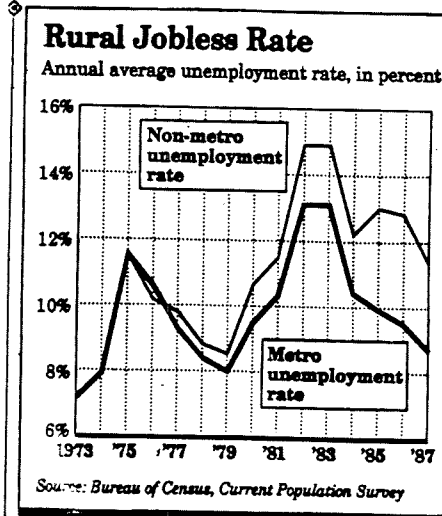
The merger mania that gripped corporate America has had a far-reaching impact. Impelled to reduce the debt load they incurred in takeovers, acquiring companies often sell off some of the assets they bought, or consolidate operations to save money. Scattered rural plants are frequent victims.

## The Cost of Isolation

The deregulation of transportation also hit rural areas hard. Airlines dropped or cut back service to small cities, leaving them and the countryside around them even more isolated—and less able to hold or attract industry. Bus service also diminished. When Greyhound cut back or ended stops in 1982, more than 90% of the towns affected had fewer than 10,000 residents.

Moreover, Congress further restricted the use of tax-exempt municipal bonds in financing private development, a practice that rural communities relied on more heavily than cities did. General revenue sharing, which poured \$4.1 billion of federal funds into local towns and counties in fiscal 1986, was eliminated the following year. Cities have other ways to get federal money. Most rural areas don't.

To many, such policies almost seem designed to destroy rural America. At the



very east, they argue, the policies are blind to the fragility of rural economies. Country towns and counties often depend on one product, one crop, even a single mine or factory. So, while a city can weather hard times in one segment of its economy, a single adverse development in a small town can mean disaster.

## The Agony of Leadville

Like Leadville, Colo. Tucked into the Rockies southwest of Denver, it has a colorful, rip-roaring past and great views of the Continental Divide.

Not that long ago Leadville was thriving. The Pasttime Bar on Second Street, the town's old red-light district, was packed at 8 a.m., when the night shift at AMAX Corp.'s huge Climax molybdenum mine got off work, and packed again at night. The mine dominated town life. It provided some 3,000 jobs and 85% of the property-tax base. When AMAX closed it in 1982, Leadville went into a slide that it hasn't been able to reverse.

Today, many of its buildings are run-down, its stores vacant. More than 200 homes are on the market. Many have been there for years, despite offering prices as

low as half what the owners paid. The streets are crumbling, but dispirited voters have rejected bond issues to repair them. Weeds grow in the yards of shut-down schools. Leadville's population has shrunk to half the 7,000 before the crash.

## A Jeffersonian Dream

The Pasttime Bar is quiet now. Owner Jerry Seme, the daughter-in-law of the professional gambler who opened the place, says bitterly: "Anybody who tells you the U.S. is a bed of roses, they're crazy. The local people still support us, but they're all leaving. It's scary."

Thomas Jefferson believed in a republic rooted not in the cities but in the virtues of the country, a republic supported mainly by the labors of small farmers and tradesmen. Though events proved him wrong and the nation became urbanized, that Jeffersonian ideal never died. In the 1970s, in fact, it seemed that the U.S. might be moving back toward it.

People were fleeing the cities then, looking for places where you didn't have to lock your doors, where there was affordable housing, clean air, better schools, a quieter life closer to nature. The country absorbed them. It could afford to.

## A Way of Life Lost

High commodity prices were pouring money into the towns. Factories and businesses were opening. Grocery stores became supermarkets, driveways sprouted boats and campers, and remodeled cafes were full of people after high-school basketball games. Then, for the first time in history, the population growth rate of rural America consistently outstripped that of urban America.

Now, the confidence people felt then has collapsed into a deep, corrosive gloom. In Calamus, Iowa, hammered into the ground by the farm bust, homes stand empty and the business district, strangely silent, is dotted with casualties—shut-down shops, including two taverns, a farm implement dealer, the grocery, and three gas stations. Resident Gary Eden sees more than that. "It's a whole way of life being lost," he says.

# America's Third World

The plight of the rural poor is worsening at an alarming rate. Poverty in the countryside now exceeds that in the nation's big cities.

BY JOHN MCCORMICK



**W**hen Americans think about poverty, most conjure up familiar city scenes: welfare moms in tenements, jobless men under street lamps, wasted kids on crack. Those powerful images belie the fact that in the nation's urban areas poverty rates are actually falling. Lost in the shadows are 9.7 million impoverished rural Americans; they constitute 18.1 percent of the 57 million people who live outside metropolitan areas. A much smaller group of the destitute—the homeless—receive far greater attention, while this disturbing, widely dispersed under-

class, call it America's Third World, rarely intersects with the rest of society. It is a world caught in a chronic recession and in which violence—particularly family violence—is commonplace. It is a world of drifters, rusting mobile homes, marginal medical care, cheap liquor and terrible nutrition. And it is a world in which conditions are deteriorating at an alarming rate.

This week the Population Reference Bureau, a respected demographic study group, will report that one-fourth of all rural children now live in poverty. Next month another Washington-based group, Public Voice for Food and Health Policy, will report that infant mortality in America's 320 poorest rural counties tops the national rate by a chilling 45 percent. But the most startling statistic of all is that America's rural-poverty rate now slightly exceeds the rate in our blighted big cities. This decade's increase in rural poverty is especially disheartening because it follows a half century of steady improvement.

While some of the rural poor work in agriculture, few are the oft-publicized "family farmers" who own their land. Only 7 percent of all rural Americans live on farms, and their poverty rate barely exceeds that of others living in rural areas. Far larger is the share of rural poor who live in the nation's small cities and towns—and who benefit little from the \$13.1 billion the United States spends on farm subsidies. In fact, the heavily publicized farm problems of the 1980s probably obscured the plight of the rural poor. Says Kenneth Deavers, the Agriculture Department's top poverty expert: "There's no way the true scope of rural poverty can compete with Dan Rather sitting on a tractor and talking about 'the Farm Crisis'."

The rural poor face obstacles their metropolitan counterparts do not. Often they dwell in sparsely settled regions where relief offices and job-training programs are hardest to find. Their small towns can't begin to afford the wealth of social services that cities offer. They tend to live in two-parent households and to hold menial jobs—attributes that curb eligibility for AFDC, Medicaid and other benefits in many states. Though they make up 30 percent of all Americans living below the poverty level, rural residents receive only about 20 percent of the \$95 billion that federal, state and local governments spend on the poor. And while three-fourths of the rural poor are white, the poverty rate among rural blacks is 42 percent, 11 percent higher than the rate among blacks in cities.

**Ida Swalley, her daughter and granddaughter; poverty spanning three generations**



**Wisconsin's Schwebke, unable to feed his son, fought loneliness and humiliation**

There are few routes of escape for the rural poor. In the past decade, broad downturns in low-tech manufacturing, mining, agriculture and oil have cut median rural income from 80 percent of U.S. urban income to 73 percent. Many economists expect that slide to continue. Seven of every eight new U.S. jobs are in metropolitan areas—and the rural jobs often pay only near-minimum wage. When the poor do escape it is often the better educated who head for urban areas, leaving the least skilled to fend for themselves.

In the past many people associated rural poverty with Appalachia and the South. Today the problem has no boundaries. A tour of America's Third World can move from a county seat in Kansas to seaside Delaware, from booming Florida to seemingly idyllic Wisconsin:

## 'There's Not Much They Can Grab'

Thick crops atop the clay loam around Ottawa, Kans., camouflage poverty's grip. The United States has thousands of Ottawas, small towns whose moribund economies offer the poor little hope of a better life. Often the destitute are overlooked even in their own communities. "These people



are lost in the shuffle, just lost," says Vivian Norton, an antipoverty worker in Ottawa (population: 11,000). "There's not much they can grab to pull themselves up."

Poverty is passed from one generation to another: it is the only legacy of the poor. Ida Swalley married at 15 to escape a hard-drinking stepfather. She has no marketable skills. Now 43, she is separated from her fourth husband and living in a squalid \$200-a-month apartment that could be owned by an urban slumlord. Swalley shares the hovel with her 17-year-old son and a menagerie of bugs and mice. An old fly swatter is the sole decoration on one wall. The Kansas heat pushes the fetid air toward 100 degrees and aggravates Swalley's heart problems. She says things may improve once her new boyfriend gets out of jail. Her fondest hope is that life will somehow be better for her daughter, Carol Sue, 26, and her two-year-old granddaughter, Jacqueline Ruth.

But that dream may be illusory. Carol Sue Stevens earns just \$3.85 an hour as a nursing-home aide. Her life, like her mother's, has been a succession of small-town romances with men prone to drunkenness and violence. Little Jacqueline Ruth was fathered by Carol Sue's current boyfriend, but the toddler doesn't carry either parent's surname. She will grow up using Ida Swalley's maiden name, Ray. "My boyfriend threatened to steal her," confides Carol Sue. "If we end up in some custody fight, I don't want her in court already using her daddy's last name."

The Swalley family at least has roots in Ottawa; many of the rural poor drift like dry leaves across the landscape. Ben and Tammie Hughes were only 17 and 16 when a burglar stole their wedding presents. Eight years and four children later, their



**Not far from Florida's vacation playlands, sweating laborers pick sweet corn**

luck has not markedly improved. They have moved 15 times, maybe more. Ben now does maintenance work at an apartment complex in exchange for a place to live and \$600 a month. To stretch the family's food budget, he barbecues foot-long turtles gathered from the roadside. Tammie tends the boys and, once a month, treks to downtown Ottawa for federal commodity handouts. The threat of hunger in the nation's top wheat-producing state pre-

sents a stark irony: to sample the bounty that surrounds them, impoverished Kansans like Tammie Hughes must wait in line for small sacks of government flour.

For the moment, the parents try to make do for the children, gently explaining why birthdays must go by without fanfare. But even things more basic than birthdays—like medical care—must sometimes wait. "People say, 'Get your kid to the doctor,' not knowing that may be the last thing on your list," Tammie says. "Not that an ear problem isn't important. But food and a place to live always have to come first."

Ottawa's poor rely on ECKAN, the acronym for a nonprofit community-action program that survives on donations and government grants. With an administrative budget of \$240,000 the agency struggles to serve seven rural counties with 17 programs, supplying when possible everything from housing aid to Christmas toys. Grant money is tight: ECKAN had to drop one project in which Blue Bear and other puppets taught children why it's important to eat.

**'He Doesn't Even Have an Address'**

When their long workday ends, the migrant laborers come in crowded vans and station wagons to a small Dover, Del., clinic run by Delmarva Rural Ministries, an ecumenical service agency. Inside, a 29-year-

**Talbot, left, must reconstruct the murky medical pasts of patients like little Noe Taviás**





old physician named Lori Talbot races at flank speed from patient to patient. By 8:10 her night already seems long, and it will get much longer. Talbot is about to encounter Noe Taviias.

Noe's mother says the boy has "a little cold." Talbot suspects pneumonia. She is disturbed that Noe has never received routine immunizations against diphtheria, rubella, polio and other dangerous diseases. And she has spotted another anomaly: although he is almost four, the boy communicates with sounds, not words. Noe Taviias cannot speak.

Talbot proceeds aggressively, but with little of the medical arsenal she could muster in a normal practice. Noe, dark-eyed and winsome, embodies much that is wrong with the care of poor migrants: his problems are severe, yet his medical past is a mystery. His mother says that as an infant Noe was given unspecified "injections" in Mexico after two serious seizures. She was told he might grow up blind or mute. His records are at a Mexican hospital; his mother seems unsure which one. Talbot says Noe needs neurological tests, a CAT scan and a speech evaluation. She asks a nurse to launch the probably pointless search for the Mexican records that would put test results in perspective. Even if useful information materializes, Noe is unlikely to get thoughtful, consistent treatment. Come September the harvest will end, and the Taviias family must leave Delaware for work elsewhere.

Talbot's part-time work at the clinic is worlds apart from her full-time job treating students at the University of Delaware. The migrants often seek care only when an ailment becomes a crisis. They suffer high

rates of anemia, tuberculosis and stunted growth; one study of Delmarva Peninsula migrants found that 34 percent had parasites. A huge caseload also pre-empts the preventive care most Americans expect. Talbot has no time to explain the perils of smoking or high cholesterol levels. She has yet to meet a migrant woman who has ever had a mammogram.

There are other frustrations. Talbot has prescribed special diets for workers who have no choice but to eat whatever camp cooks prepare; she has ordered insulin for diabetics only to learn they have no access to refrigerators in which to store it. Her commitment goes beyond office hours: she has hauled seriously ill migrants to a Wilmington hospital an hour away. She laments a shortage of bilingual social workers to connect poor migrants with available government aid. Talbot says of one cerebral palsy victim: "If Harold lived in a city he'd have plenty of help finding all the medical specialists he needs. Here he doesn't even have an *address*."

## 'I Got Lucky—My Ex-Husband Died'

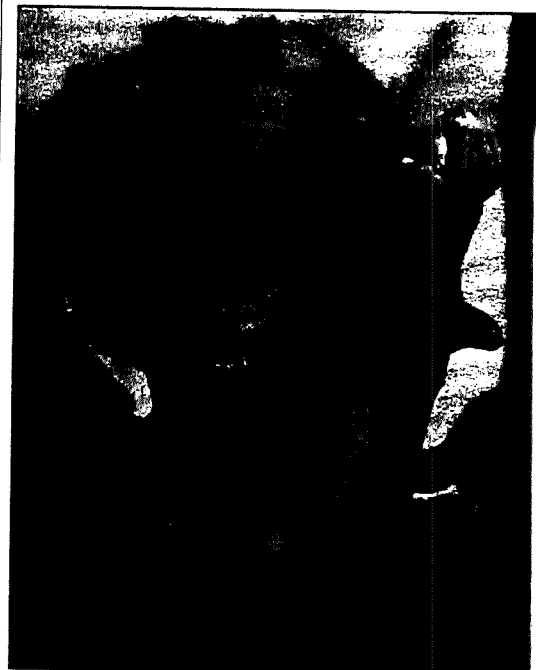
Forty miles from Walt Disney World, a huge cruciform machine called the mule train pursues black farm workers down long rows of sweet corn. Greater Orlando teems with tourists, but the noisy mule train, named for its steady, ceaseless pace, isn't a prime Florida attraction. Laborers hustle ahead of the machine, pawing through wet, buggy air to pluck ears from stalks. Atop the mule train, 20 men and women crate the corn and load it on a truck

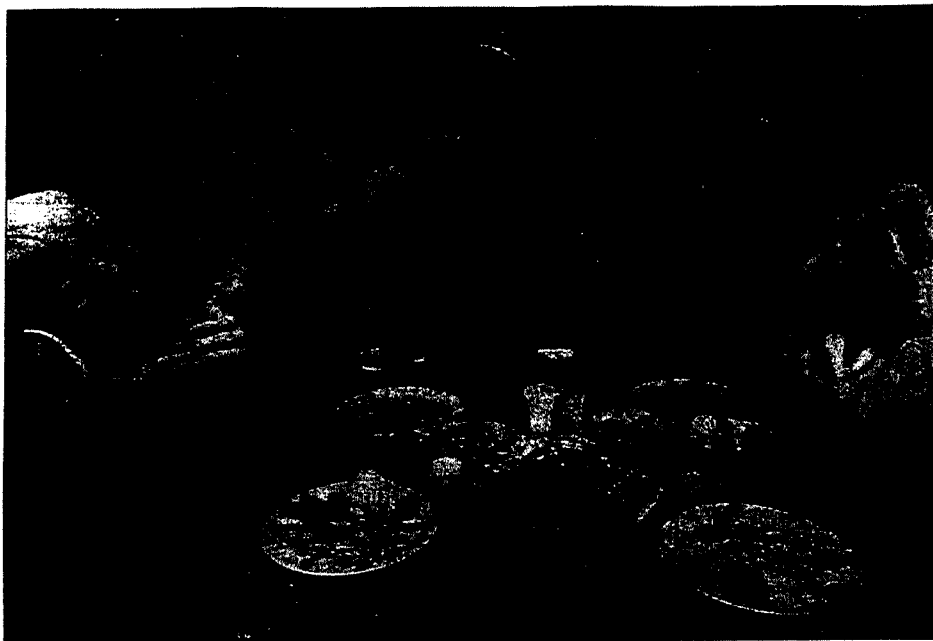
for shipment north. The rapid pace keeps workers basting in sweat: a skimpy incentive plan pulls this crew's pay above the federally mandated minimum wage. But walking with the mule train is a trek to nowhere. In days the corn season will end, and once again the workers will have to find jobs elsewhere—or not at all.

Tourism has vastly enriched parts of central Florida, but thousands of farm workers in this lush land still face shocking conditions. Better educated blacks have taken service jobs spawned by the theme parks, leaving unskilled workers to perform stoop labor at vegetable farms, plant nurseries and citrus groves. Resentments flourish as Haitian and Mexican immigrants take some of the jobs long performed by native-born blacks. Drug dealers feed on the desperate social climate, and family breakdowns are the norm. "These people's problems are overwhelming," says Armando Fuentes, an obstetrician at a farm workers' clinic in Apopka, Fla. "I have not fully accepted the fact that, when I come to work, I am in the United States."

Audrey Neal, 23, is one of Apopka's casualties. After a December fire engulfed her dilapidated home and disfigured her five-year-old son, Sergio, the former nursery worker moved in with her sister Shawana, 21. The two women and their seven offspring share a tiny, two-bedroom house in a neighborhood where crack dealers randomly crash through doors to seek refuge during drug raids. As young women struggle, young men flee responsibility. Aban-

## Sergio Neal, burned in a house fire, now shares two bedrooms with eight relatives





**Amid the bountiful Kansas crops, Ben and Tammie Hughes struggle to feed four children**

donment is so common that mothers joke about it. "I got lucky—my ex-husband died," says Mildred Bell, a mother of two. "At least we get social security."

Social worker Sally Miller says years of grueling labor leave farm workers debilitated: "People here limp from crisis to crisis in a state of chronic stress until their bodies cave in." Most lack medical insurance. Because Orlando has no public county hospital, Fuentes has at times coached poor patients to exaggerate symptoms so a private emergency room will have no choice but to admit them. When government aid is available to remedy problems, the poor often don't know how to get it. "We're talking about people who can't spell their children's names, let alone write down the identities of their last three landlords," Miller says.

A local Office for Farmworker Ministry has started a clinic, a credit union and a farm workers' association, all attempts to bring order to the lives of the poor. In the land of Mickey Mouse, the Roman Catholic advocacy group uses its own cartoon characters, Gordo (Fat) and Flaco (Skinny), to represent haves and have-nots. "We explain that both characters bear equal responsibility," says Sister Cathy Gorman, head of the ministry. "Gordo acts unfairly—and Flaco permits him to continue."

Sister Ann Kendrick, a staffer at the farm workers' ministry, hopes one day to enlighten the millions of tourists who flock to Walt Disney World and Sea World. She would erect her own tourism kiosk at Orlando's airport and promote a new attraction, Real World. To sample the true Flori-

da farm-worker experience, visitors would board a sweltering van for the ride to rural Apopka. Along the way they would eat stale peanut-butter sandwiches. They would walk muddy rows in the rich farm fields; perhaps they would take a long ride on a mule train. And they would come away knowing what life is really like in America's vacation wonderland.

**'It's as Though We Don't Exist'**

In the weeks after he lost his farm, Russ Schwebke faced a deeper humiliation: he could not afford to feed his son. The boy left Wisconsin to live with his mother while Schwebke, desperate for a livelihood, tried to start a tiny herd of 11 dairy cows on a vacant farmstead. The loneliness was unbearable. So was the cold. He couldn't afford fuel for his house and on the worst nights he slept in a barn warmed only by the animals. The intervening three years have brought countless discouragements and one joy: his 11-year-old son, Rick, is back home. Often the Schwebkes talk man to man about the father's dismal finances. Russ, 46, carefully explains that it is no disgrace to be poor. He privately hopes that adversity will strengthen his son. Beyond consolation and love, adversity is all Russ Schwebke has to offer.

Schwebke cannot bring himself to apply for food stamps or AFDC. He accepts food from the Western Dairyland Economic Opportunity Council, an antipoverty agency; his son will not endure the diet of bread topped with cream and sugar that fed impoverished farm children a generation ago. Schwebke sees congressmen attuned to the urban poor but less aware of people like

himself: "It's as though we don't exist."

Many Americans view farm problems as yesterday's news. This summer's drought aside, U.S. agriculture has begun a comeback. But many small farmers still risk ruin in marginal regions such as western Wisconsin, where broad hills jut from the sandy soil like buttes of the desert Southwest. The isolation of some areas from cities and jobs offers few alternatives to those the recovery may have permanently left behind. Across the countryside, frustrations ignite family disputes and child neglect worsens. Some women resort to support networks; they exchange tales of poverty and desolation in the same rural areas that a nearby brewery has long advertised as God's country.

Young farm wives often bear the brunt of poverty's burden. When Frank Schuh couldn't meet payments on his Buffalo County farm, it was his wife, Doreen, 37, who finally walked into the bank to admit defeat. An accident then crippled Frank's right leg, leaving Doreen to move the family to an empty farmhouse infested with bull snakes. Counseling has eased the bitterness Frank heaped on Doreen as she confronted crises he wanted to deny. She has not come to terms with dependence on welfare. The first time a caseworker brought food to the family of six, an embarrassed Doreen Schuh insisted he leave with a loaf of bread she had baked.

Even when the isolation is self-imposed, the pain can be palpable. George Richard Beck, a mechanical engineer, sits in a rented frame house outside Black River Falls, his blue eyes transfixed on a blurry "Star Trek" rerun. He lost his job in Chicago and fled north two years ago. "I was tired of bill collectors, tired of running," says Beck, 45. "When we got here I was a beaten man. Still am." He says he has submitted 300 job applications and would settle for janitorial work at a nursing home. He doubts he'll get the job: "Would you hire an engineer to mop floors?" he asks. His wife, Michel, 30, talks of the emotional torment and fighting that have plagued the impoverished household. She is gamely learning to butcher deer hit and killed on the highway.

Is there any hope for the rural poor? The Becks and others hope a new president will notice their severe problems. This week's rush to approve \$6 billion in drought relief is the latest proof that Congress, for one, would rather appease the narrow farm lobby than confront the more vexing problems of all the rural poor. Some experts propose a diversion of farm subsidies into broader rural-development projects; others suggest a sort of rural triage, with money channeled only to the most promising areas at the expense of the least. But imaginative plans won't get a serious hearing until the plight of 9.7 million rural Americans is placed firmly on the national agenda.



# Rural towns slow free 'al find success away from far

*Economic Development 12/27/88*

By Steve Painter and Bob Cox  
Staff Writers

On a recent fall afternoon, Jerry Robben of Oakley was on the phone to Clarinda, Iowa, hundreds of miles away, trying to track down a used combine for a customer at his family's farm implement and auto dealership.

That's a long way to go to get a combine for a customer, Robben concedes. But the customer was ready to buy, and in today's rural Kansas, he says, neither a business nor a rural community can take anything for granted.

The 1980s have not been kind to Main Street businesses in rural Kansas. But in the past two years, plummeting sales have leveled off and, in some cases, turned up. Main Street is beginning to feel the soothing effects of spendable income in the pockets of farmers once again.

"They're shopping now, and they're buying," Robben said of his customers. "Before, they were just shopping."

In 1986, the Robbens' dealership sold no new tractors and only five used ones. By early November this year, farmers had bought 22 tractors, six of them new ones in the \$40,000-to-\$70,000 price range.

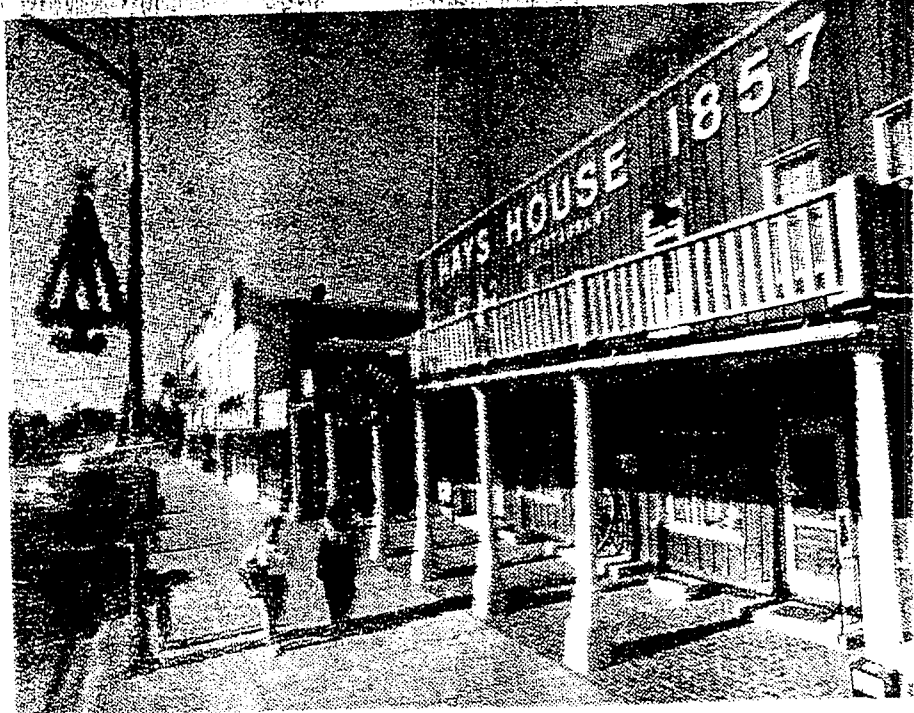
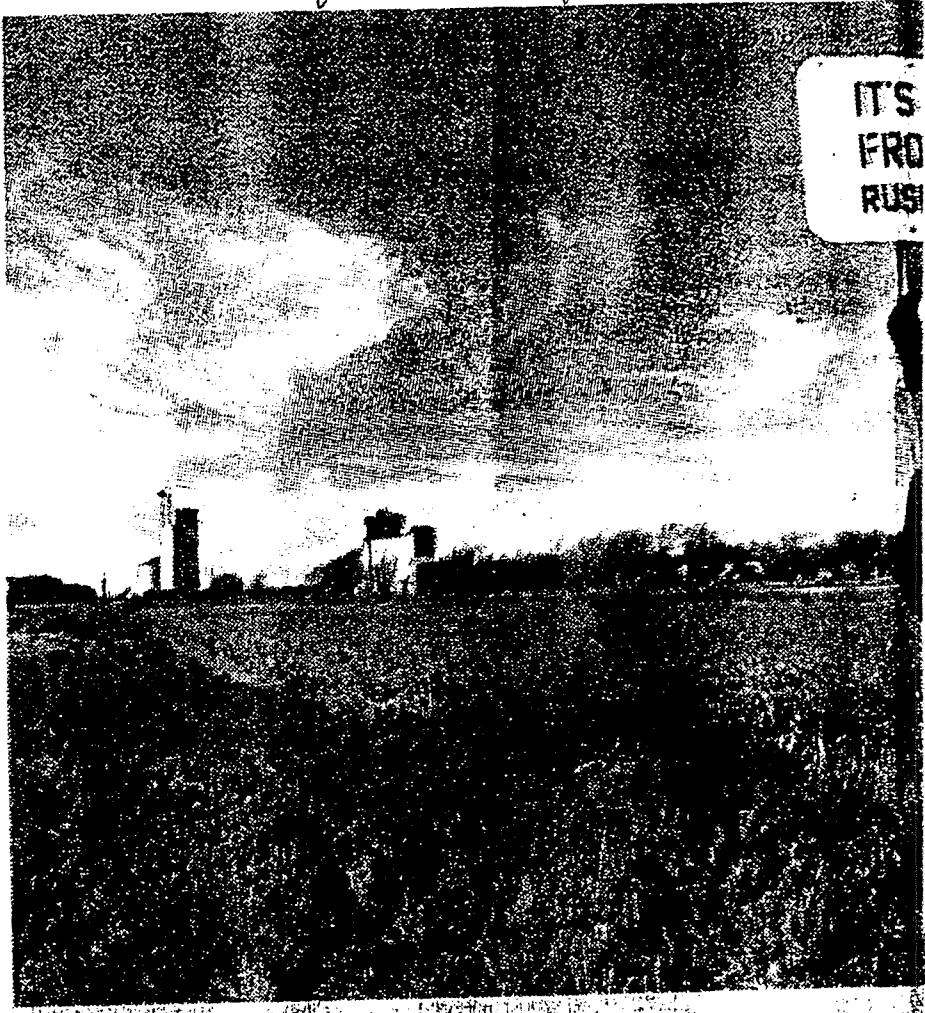
The turnaround has provided at least a spark of renewed optimism in some small towns.

"I can't really say we're better off, but our attitude is better because we're not in the free-fall that the powers that be put agriculture in," said John Means, chairman of the board of Citizens Bank and Trust Co. in Hiawatha.

An awareness also is developing in many small towns, and in rural policy-making circles, that a sick farm economy isn't the cause of all problems, nor is a healthy farm economy going to solve all problems.

Harper County's economy is receiving a shot in the arm from the success of Attica Engineering. The manufacturer of aircraft parts has boosted employment during the last three years from 20 to 75.

● TOWNS, 6A, Col. 1



*Mr Cox Also  
3-1-89  
Attachment 3*



# Successful towns are tu

● TOWNS, from 1A

Council Grove has used existing amenities to draw people into their area. Kenny Allen, Morris County's director of economic development, said the efforts were a whole lot better than sitting around watching farm foreclosure sales.

"It took those things to wake us up, to reach out and do more with our tourism and upgrade our efforts to attract industry and retirement," Allen said.

It has been two years since the farm crisis that ravaged rural America hit bottom. Farm lenders say most farmers who had ran up huge debts during the inflationary 1970s have gone out of business or lightened their debt loads, many with the help of loan write-offs or write-downs.

Government price-support payments have poured millions of dollars into farmers' bank accounts. Crop surpluses have shrunk, with the help of this year's drought, and prices for wheat, corn, soybeans and other commodities have risen dramatically. Livestock markets have been strong.

Prices for cattle have been strong, mostly because the nation's cattle herd is at a 25-year low.

All in all, the past two years have been fairly good for U.S. agriculture. And as the improved farm economy has helped slow the downward economic spiral of rural communities, nearly all of them are trying, some almost desperately, to do something to give their towns a better chance to survive.

Still, few authorities on rural America suggest any developments on the horizon will reverse the long-term decline of economic vitality in rural areas. The number of farmers continues to dwindle as farm size grows, leaving fewer people in rural areas year after year.

The trend is reflected on Main Street. Kansas counties with fewer than 15,000 people have watched retail sales plummet 46 percent in 13 years, after adjusting for inflation. Two years ago, the annual rate of decline in retail sales in the counties reached its worst point of the decade — more than 10 percent.

For now, rural areas at least have a chance to catch their breath after that free-fall.

"I think the town ... is doing better than it was. I think the attrition has stopped. It's basically stabilized rather than going downhill," said C.J. Conrady, a farm implement dealer in Anthony.

The change is reflected in a recent survey of rural bankers by the Federal Reserve Bank of Kansas City, showing that rural business stress has eased substantially.

Kansas bankers reported that 11.8 percent of non-farm businesses in their areas suffered severe financial stress during the pre-

**"They're still screamin' on Main Street because it's not as good as it used to be. They haven't realized yet that it's not gonna be."**

— Greg Close

vious six months. Two years ago, the bankers put the number at 24.7 percent.

In Garnett, Dane Smith, publisher of two weekly newspapers, has had a front-row seat to the gradual improvement in the rural economy. He arrived in town from Missouri in December 1985.

"When I first came over here, this place was like a tomb. You didn't want to ask people, 'How's it going?'" Smith said. "We've been kind of on the fringe of three good economic punches." In addition to the farm crisis and the oil price plunge, Garnett suffered from an exodus of workers as construction was completed at the Wolf Creek nuclear power plant in 1985.

Now, Smith says, he detects a much more positive attitude among the town's businesses.

But it's also easy to find voices of pessimism.

In Mankato, which lost a Du-buque meatpacking plant and its 100 jobs two years ago, the owners of the Country Cupboard cafe shut their business down Nov. 18.

"There's just not enough business to keep it open. We're not going to go any deeper into debt," said co-owner Linda Chilcott.

And in Anthony, Jim Schwensen, a pharmacist and owner of Smitty's Pharmacy, grumbles about local people taking their business elsewhere.

"It's our city (employees) people and schoolteachers that go out of town. We pay their salaries, but they go to Wichita to spend their money," Schwensen said.

The loss of business is a recurring theme in the rural towns. Three of them — Oakley, Garnett and Mankato — will see Wal-Marts open in nearby towns in coming months.

Sam Walton's approach of selling in huge volumes and keeping pay scales low may have found him a place in the hearts of shoppers across America, but he has few friends among rural Main Street businesses.

For many, the recent developments in the rural economy mean coming to grips with what the future holds for rural, farm-dependent towns.

"They're still screamin' on Main Street because it's not as good as it used to be. They haven't realized

yet that it's not going to be," said Greg Close, who works in his family's farm implement business in Oakley.

Indeed, many rural experts say it's futile for rural communities to expect a return to days like the 1970s, when rural economic growth often outpaced that of urban areas.

# are turning to industry, tourism

## A LOOK AT EIGHT KANSAS TOWNS

### Council Grove:

In the heart of Flint Hills cattle country, Council Grove was in pretty

good shape two years ago. It appears to be in excellent shape now. There are no downtown business vacancies. Many businesses are operated by young people. The town of 2,600 has a scenic setting, a popular lake and several well-preserved historic attractions.

Council Grove is aggressively promoting tourism, and succeeding in those efforts. The cattle sector of agriculture has been good for two years. There are half a dozen small manufacturers that have added 37 jobs in two years.

The county and city recently hired a full-time economic development person. In August, the town passed a \$1.2 million bond issue for a new medical clinic, and three doctors have been recruited to practice there.

Retail sales in Morris County have shown modest improvement over the past two years, after a year of sharp decline in 1986.

### Garnett:

In eastern Kansas' diversified crop country, Garnett is the

county seat of Anderson County and has about 3,300 residents. Not a lot has changed in the past two years, except in the attitude of merchants and townspeople. They are more upbeat, although some storefronts remain vacant.

Farmers had a superb harvest in 1987, and this year's crops looked good until it quit raining in July. Still, they had a good corn and milo harvest, soybeans, which are big in the region, were way off.

A couple of recent blows will hurt: United Telephone pulled several good-paying jobs out of town, and Guaranteed Products, which made doors and frames, has shut down. But those events prompted four different groups to coalesce and form Anderson County Economic Development.

Retail sales have been nearly level for the past two years, after eight years of decline — some years showing sharp decline.

### Oakley:

In the dryland wheat and cattle country of north-west Kansas, Oak-

ley has done little to lessen its reliance on agriculture. The area is a strong agribusiness center,

with three implement dealerships and a livestock auction that draws people from throughout the region. It also has I-70 going for it, plus three dentists and an eye doctor, which are a big draw to the town of 2,200.

The biggest upcoming change are plans for banks in Winona and Grinnell to move their headquarters to Oakley. The one existing bank has been under federal supervision because of bad loans and poor capital, and the president of the bank questions the wisdom of adding two more during a fragile recovery.

Most storefronts are occupied. Many business owners and residents are elderly. Few young adults are going into business.

Retail sales leveled off in the past year, after sharp declines in 1986 and 1987.

### Anthony:

Located in south central Kansas wheat country, the town, like

its Harper County neighbors, Harper and Attica, has felt the impact of the severe slump in the oil and gas industry. Population has leveled off at about 2,500.

Business leaders of the three towns banded together 18 months ago to form a county economic development committee and say they have achieved some modest successes. The committee acts as a resource for local businesses, interceding with state or local government to clear up regulatory hurdles or to seek out resources.

A sheep-packing plant in Harper and an aircraft-parts manufacturer in Attica have seen substantial growth, providing jobs that have helped offset the declining oil and gas industry. Several small manufacturing companies in the county may be on the verge of expansion.

Some retailers claim business is hurt by proximity of big stores in Wellington, but others say they are competing successfully.

### Mankato:

As the farm economy began to improve, Jewell County's economy

worsened. Dubuque closed its packing plant in late 1986, putting about 100 people out of work. With no jobs, many of those people have left the area. Population has dropped to about 1,000 in Mankato.

But there are signs of hope. A volcanic ash plant is in the process of re-opening and may employ as many as 40. A manufacturer of antique automobile supplies moved from the Kansas City area, creating 12 jobs.

"If we could just get the packing plant reopened, we'd be better off than we've been in a long time," said one merchant. But Dubuque was recently merged with two other companies and the new management doesn't return the town officials' phone calls.

The retail sector has shrunk. One grocery and one drug store remain, each having bought out its principal competitor. Retail sales have been stable the last two years.

### Hiawatha:

Stability arrived in this north-east Kansas Corn Belt town before it did in some others, though this year's drought didn't help. The business district is full. Retail sales have almost kept pace with inflation the last four years, despite the proximity to larger cities. The town's population of 3,650 is down about 5 percent from 1980.

Two large manufacturing companies provided a cushion as the farm economy fell. The town has three farm equipment dealerships, including a new Case-International outlet.

Like other towns, Hiawatha has an economic development group, and Brown County is now forming one. The emphasis is on helping local businesses "because we know that's where the

jobs will be created," said one member. "If we get anybody (new) to come in, that's just icing on the cake."

After attempting to lure a tortilla chip manufacturer to town, a local grain company has decided to get into the business itself.

### Lyons:

The population — now at 3,800 — continues to decline. The

oil and gas slump hasn't helped the outlook, as service work has ground to a near halt. But community leaders say things are better than two years ago, and they're optimistic.

Retailers — a younger, more aggressive group than a few years ago — say business is slow. They're battling to attract customers and generally believe the outlook is good. "I just think we're on the verge of an upswing," says one. Competition is stiff from stores and malls in Hutchinson, Great Bend, McPherson and even Wichita.

Alco is building a new discount store, which community leaders say is a sign the company thinks Lyons has a future. There are no vacant stores or industrial buildings. And two companies are building facilities.

As for agriculture, farmers in the area are generally in pretty good shape, according to implement dealers and bankers.

### La Crosse:

The Rush County county seat in western Kansas cattle and

wheat country is still reeling from the farm and oil slumps. The worst came in 1986 and 1987, when half the county's eight banks failed.

The county has steadily lost population during the past 10 years, and the few retail businesses are struggling. In the wake of the bank closings, La Crosse lost its hardware store, its two clothing stores, a lumber yard and one of its two grocery stores.

Business owners feel the worst is behind them and that the economy is finally leveling out. Retail sales have been declining slowly in Rush County this year, in contrast to sharp declines the previous three years.

Strenuous efforts by the county's volunteer economic development committee kept KBK Industries, one of the city's three manufacturing businesses, from moving to Great Bend. They also worked successfully to keep Skillett Trucking.

yet that it's not going to be," said Greg Close, who works in his family's farm implement business in Oakley.

Indeed, many rural experts say it's futile for rural communities to expect a return to days like the 1970s, when rural economic growth often outpaced that of urban areas.

The question for small towns is whether the times were an aberration, says David Darling, a community-development specialist with the cooperative extension service at Kansas State University.

"The old and rigid thinking is that, if we can get the commodity prices up, everything will be fine," Darling said. "Golden ages (only)

come once in a great while. That's why they're called golden ages."

The towns challenged with survival are not just the smallest, those long considered dying farm towns. Survival also is in question in many towns that traditionally held advantages over their smaller neighbors — the county-seat towns, where unified school dis-

tricts, county hospitals and medical facilities were base

Despite the advantages, rural county-seat towns in Kansas also share common characteristics that do not bode well for their support traditionally come from a combination of

Sara Quinn/St



# Voices of pessimism

## *Dwindling farm population may blu*

### ● TOWNS, from 6A

oil and manufacturing — and the manufacturing frequently has been related to farm and oil.

Economists who study rural America say those are the rural communities that are suffering.

Meanwhile, a small segment of rural communities is growing at a healthy pace — towns with amenities such as outdoor recreation. They frequently develop services for the elderly, making the towns popular places to retire. In some cases, they have economies based largely on stable government institutions.

In Kansas, Council Grove and La Crosse show the contrasting fortunes of small county-seat towns.

Council Grove is nestled comfortably in the scenic Flint Hills, next to a popular lake. It has a number of well-preserved historic attractions and a thriving and cohesive business community that includes many young adults.

La Crosse, spread out on the High Plains, has few natural attractions. The town has always depended heavily on agriculture and oil.

**D**arling paints three scenarios for rural Kansas communities:

- Their economic nosedive will continue unchecked as younger people move away and the older residents die. Many county-seat towns could go the way of their smaller neighbors.

- They will arrive, as many apparently have, at a temporary level of stability. Even so, they will continue down what Darling calls the "stairstep to disaster," vulnerable to the next downturn in the farm economy.

"Stability is nothing to brag about if you're stable and everyone else is developing," Darling said.

- People displaced from traditional rural pursuits will be stimulated to be entrepreneurial, to develop business endeavors that will bring some economic vitality to their hometowns.

The third possibility is obviously the one of choice for most rural communities. They've caught the economic development bug, just as their big-city cousins have, though most complain that it's a David-vs.-Goliath task. They just don't have the resources to develop and attract businesses that urban areas have.

Still, many rural communities have concrete economic development efforts.

In Harper County, three towns that traditionally have viewed themselves as competitors — Anthony, Attica and Harper — are cooperating under the same banner for economic development.

"The area has to start looking at itself as a community rather than individual towns," said Bob Kuesterhoff, vice president of First National Bank of Attica.

In Garnett, the new Anderson County Economic Development group held a wine-and-cheese affair recently, attended by 88 "movers and shakers." In less than half an hour, \$14,000 was raised to help pay for group efforts.

"We just basically got together and said, 'Hey, we're losing ground.' People are ready. They're wanting something to happen," said Donna Umbarger, temporary chairman of the group.

But small communities are finding that economic development can be a treacherous road. Smith, the Garnett publisher, recalls that a couple of years ago, there was considerable interest in courting the company that was searching for a site to dispose of low-level radioactive waste from several Midwestern states.

"We're talking about welcoming people who want to bring radioactive waste in here. So you can see how hungry people are for something," Smith said.

And in Lyons, some people are questioning the wisdom of luring Western Foundry to their town from Tyler, Texas, with a package of tax breaks and a loan. The company has had trouble persuading local workers to take hot, dirty jobs at low wages.

The company has resorted to bringing in resident Mexican aliens from Texas to fill the jobs. Nevertheless, Lyons Mayor Paul Jones said city leaders had no regrets about attracting the company to town.



## s of pessimism still heard g farm population may blunt rural regrowth

Most farming communities on the Plains have been emptying slowly almost since they were settled, yet some towns have managed to hold on to their people and businesses. The towns historically have had everything going their way. They were the county seats. They kept their schools when districts were consolidated. Their businesses grew. In many cases, as those in neighboring small towns closed.

But the farm crisis of the 1980s called their survival into question. Two years ago, as the recession hit bottom, Eagle-Beacon reporters visited eight county-seat towns for an in-depth report, "Crisis on Main Street."

During the past two months, Eagle-Beacon agriculture reporters Steve Palmer and Bob Cox, economic development reporter Alissa Rubin and photographer Dave Williams have returned to those towns. These stories, here and on 1F, are drawn from that reporting.

rural development, we've got to have more farmers out here," said Bentley.

The easiest way to do that, he said, would be for the federal government to implement a declining scale of commodity support levels. Giving farmers greater rewards for the first 10,000 bushels of a crop than for the second and third 10,000 bushels would encourage the development of smaller farms, he said.

Barkema, among others, is not convinced that the long-term trend can be stopped.

"It's something that's very hard to do. I think if it were easy to do, perhaps we already would have done that," he said.

Most rural policy experts, such as Drabenstott and Henry, see the federal government's role as helping to upgrade rural America's decaying infrastructure — educational facilities, roads, water and sewer systems.

The state most likely will continue its role of marketing home-grown and home-manufactured products, as well as providing some business incentives and research support, they say.

Communities and individuals will be left with the toughest job: developing the businesses, making things happen for their towns.

"They can't send us an industry. If we want it done, we're going to have to do it ourselves," said Garnett's Smith.

The future of small, county-seat towns depends largely on the people who live there. But policy choices made beyond the local level also play a role.

In an article on rural America in the 1990s, two widely respected experts on the rural economy say that regional trade centers will continue to develop, sometimes at the expense of smaller towns.

"The centers may not necessarily be county seats," write the au-

thors, Mark Drabenstott, regional economist for the Federal Reserve Bank of Kansas City, and Mark Henry, professor of agricultural economics at Clemson University.

"In fact, one town may serve as the business and financial center for several counties, especially in farm regions," they say.

The federal government has been involved in rural development policy in varying degrees for the past century. Many experts think the timing is right for a significant rethinking of rural policy.

"It's clearly the issue of the late 1980s and early 1990s, there's no question about that," said Alan Barkema, another Kansas City Fed economist. "People are speaking of trying to make something happen in rural areas, but that is

not to say that every rural community will thrive."

Barkema says the biggest problem today is that the nation's farm policy essentially serves as its rural policy.

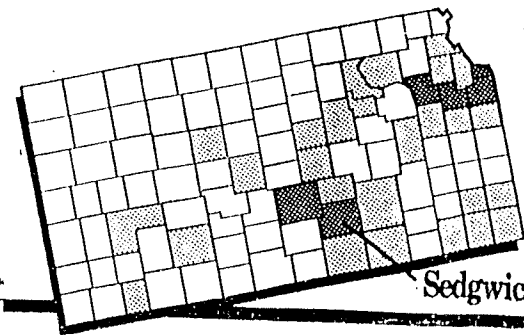
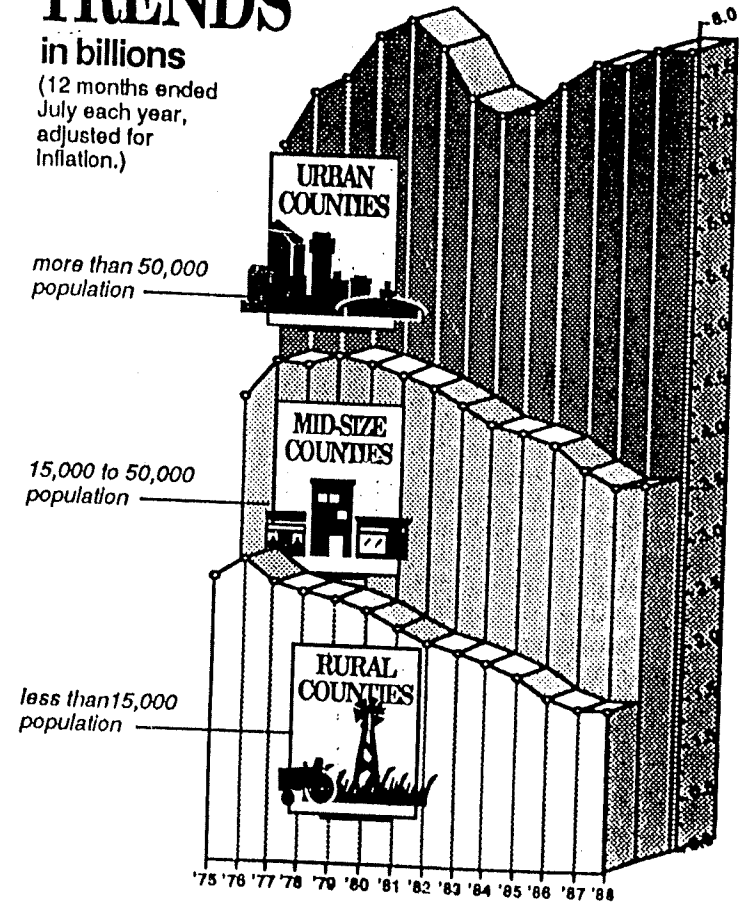
"I think that's a fundamental error. Farm policy *per se* should not be our rural policy," Barkema said. Dollars in the pockets of farmers, a small percentage of the population even in rural areas today, just don't have the kind of impact they once did, he says.

One who takes issue with that notion is Fred Bentley, director of the Kansas Rural Center. The Whiting-based group favors changes in farm policy that would reverse the trend toward larger and fewer farms.

"In my view, for the success of

## RETAIL SALES TRENDS

in billions  
(12 months ended July each year, adjusted for inflation.)



Source: Kansas Dept. of Revenue, Center for Economic Development and Business Research, Wichita State University

Sedgwick

# In Iowa, Mental Anguish Still Racks Families, Taxes Social Workers, Even as Farm Crisis Abates

By DENNIS FARNEY

Staff Reporter of THE WALL STREET JOURNAL  
SPENCER, Iowa—As she travels the greening fields of northwest Iowa, mental health worker Joan Blundall is haunted by a face in a 19th-century painting.

It is the face of the exhausted peasant in Millet's "Man With a Hoe"—a face without hope, a face without dreams. Too often, Ms. Blundall glimpses that face in the 20th-century Iowans she's trying to help. Those troubled faces, struggling courageously at the edge of despair, illustrate the crosscurrents roiling both lives and social institutions in Iowa today.

Economically, Iowa's long rural depression has begun to ease. Farmland prices are up about 20% from a year ago and record federal subsidies have stabilized the countryside. Politically, the rural crisis is in danger of fading into the background noise; the presidential hopefuls who once swarmed over this state are long gone now.

But the suffering continues. Psychologically, rural Iowa resembles a Vietnam veteran with post-traumatic stress disorder. Its stress level continues to intensify, for individuals and for the agencies that serve them.

The caseload here at the Northwest Iowa Mental Health Center hasn't decreased; at best, it has reached a plateau. The problems of the average patient haven't moderated; they've become more severe. The center is bumping the limits of what its nine supporting counties can afford. And its 45-member staff is fighting burnout.

"The entire system is under stress. We're not just propping up farmers, we're propping up the people who prop up the farmers," says the center's executive director, Patrick Singel. Recently he found himself counseling a staffer who came in and said: "Sometimes I feel like I'm bleeding to death."

Iowa's rural counties are approaching tax burnout themselves. And a new University of Iowa study predicts relief will be slow in coming.

"Local governments will be the last to get the benefits of any upturn," predicts Tim J. Shields, acting director of the university's Institute for Public Affairs. That's partly because Iowa counties compute assessed valuation on a five-year rolling average that smoothes out peaks and valleys.

In terms of tax effort—taxes levied relative to per-capita income—some northwest Iowa counties already are taxing 20% to 45% harder than the state average, the institute finds. "And available funds are being plowed into mortar, brick and tar," says chief of research David Swenson. "Community mental health services are undergoing particular budgetary stress."

## Palpable Stress

Here at the center, cited as a model by the National Association of Counties, that stress is almost palpable.

The "dream committee," an informal staff group that once gathered every Friday to talk goals and boost morale, meets only sporadically now. To supplement the center's \$1.4 million budget, Ms. Blundall reluctantly spends a third of her time con-

sulting. Executive Director Singel, a 39-year-old father of three, works 60-to-70-hour weeks—but tries to limit Saturdays and Sundays to no more than four hours each. "Pat won't do us much good if he's dead," worried one staffer recently when asked to evaluate the center in writing.

And always, there are the victims themselves. Three generations—grandparents, parents, children—have been maimed by the Midwestern shakeout. Iowa has received more attention because of its early political caucuses, but its neighboring states are grappling with the same problems. One Nebraska study found that from 1981 to 1986, farmers went, psychologically, from the least-depressed to the most-depressed segment of the population. Here at the center and its outreach gatherings in surrounding towns, the walking wounded keep coming in.

For example, there's the baffling case of a young child who simply stopped growing for a year and a half. Doctors couldn't identify a medical reason. The tentative diagnosis here: Stress. Sensing the family as whole under pressure, the child had become an "emotional caretaker" to the parents.

There is the woman in her 70s who came to Ms. Blundall seeking advice. Where could she find a job?

There is the family, fighting to hold the farm through outside jobs. With both father and mother working outside, who farms the farm? Much of the time, it's their teen-age son.

There is the farm wife in her thirties who's taken on three supplemental jobs. Some nights, she gets four hours of sleep.

"For a long time, we've lived successfully with the myth that if they worked

hard, all would be well," says Ms. Blundall. "Now, with almost a childlike innocence, we've learned how uncertain the world can be."

Although Iowans now, Ms. Blundall and Mr. Singel are Pennsylvania-born, she in Philadelphia's inner city, he in the rural Alleghenies. Only coincidence brought them both to the rolling prairie swells of northwest Iowa in the 1980s. Coincidence, and a shared commitment to social change. "We're '60s people," he explains.

## Burdened Budgets

A problem now is to find the money to underwrite that '60s compassion. As the center has added new programs, its budget has doubled in six years. Meanwhile, its caseload has jumped to 2,100 from 1,485. (The figure excludes more than a thousand people aided each year through an outreach program, Rural Response.) But with area counties strapped, the center has trimmed programs across the board, including Rural Response.

Last week that program took the 42-year-old Ms. Blundall to another town, to a support-group therapy session so charged with emotion—so poignant, so personal—that to link names with actions there would be unthinkable.

Initially, the strongest and most cheerful of the group appears to be a crew-cut farmer in his 60s. He grins, jokes and draws others into his laughter. But abruptly, while describing spring and the returning wrens, he chokes up. His eyes brim with tears.

He has been talking, almost in code, of loss. His wife loved wrens, but she died years ago. He has lost his farm. He must rent the house, once his own, from a distant landlord. He must watch as another farmer hacks away at trees he planted. "Kinda silly," he apologizes for the tears. Ms. Blundall hands him a napkin.

A woman in her 50s, struggling with her husband to preserve their farm, summarizes their life now: "Just surviving. Being afraid every year, wondering whether there's going to be another

year."

Gently, Ms. Blundall encourages these victims to vent their pain. And to talk of happier things as well: New windows for a home, victory in a legal skirmish, a gesture of love from a child. It's as if she is

drawing infection from a wound.

That's her work — "weaving dreams from the remnants," she calls it—and that's what keeps her going. "Until I'm surrounded by pictures of 'Man With a Hoe,'" she vows, "I won't give up."

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# Reagan Exhibits Support for Meese, Says U.S. Is Working on Way to Oust Noriega

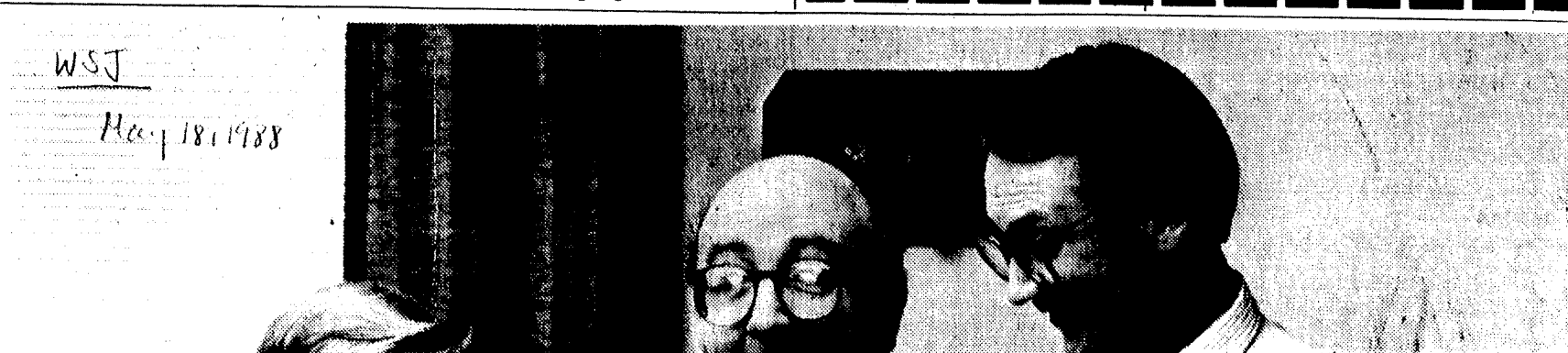
By ELLEN HUME

Staff Reporter of THE WALL STREET JOURNAL  
WASHINGTON—President Reagan expressed "complete confidence" in Attorney General Edwin Meese, and said that if the attorney general were to leave his job now "he would then live for the rest of his life" "his cloud with nothing that had ever been proven."

1. President also acknowledged, during an impromptu 20-minute session with reporters, that his policy of encouraging Panamanians to oust Gen. Manuel Noriega

prompting an outcry from Justice Department officials, conservatives and liberals alike.

## House Clears Bill Limiting Funding Of Water Projects



# MIRACLES & MISSES

Nov.  
27, 1988

## People, pluses make Council Grove thrive

**C**OUNCIL GROVE — It's lunchtime on a weekday in November. At the Hays House, where they've been serving food since 1857, the main floor is packed with diners.

Upstairs, a group of 40 is lunching in a banquet room, before an afternoon tour of Council Grove attractions. A check of license plates on the cars out front indicate the customers are from North Dakota, Minnesota, Nebraska, Missouri and all over Kansas.

Retailers up and down the business district will tell you it's a rather slow day. Stop by on a summer weekend, they say, and things will really be hopping.

More than a few small Kansas towns look upon Council Grove with envy, wishing the townspeople here could package what they have and sell it to their less thriving cousins. Don't put it past these folks in Council Grove to figure out a way to do it.

"As far as I'm concerned, every other town looks sad compared to ours," says Larry Long, who has run a hardware store in Council Grove for 25 years.

What the Flint Hills town has are scenic attractions, a popular lake, several intriguing historical sites and a bunch of enthusiastic people who know how to make the most of things.

"We have a cohesive group of

people in Council Grove who make things happen for us," said Hank White, a bank officer and president of the Chamber of Commerce. "When we advertise, we advertise 'Come to our town.' It's not 'Come to my store.' It's people being able to put the community above their own wants and desires

that makes us different, I think. You could sit on those (attractions) and do nothing and not develop them, so I think it's the people."

Among small county-seat towns, Council Grove is clearly a bright spot. It's a town that came to grips with its future long before most like-sized towns.

As support from the farm sector was shrinking, an aggressive group of town leaders successfully recruited half a dozen small manufacturers about 20 years ago. Those businesses are still going strong, having added at least 37 jobs in two years.

The manufacturers make disposable medical items, telecommunications products, plastic injector molding, tubing, insulation for doors and windows, plastic casings for fiber-optic cables, commercial mowers and wood stoves, among other things.

"We recognized that, as numbers (of farmers) went down, it



● FUTURE, 2F, Col. 1



## A younger business generation invests in Council Grove's future

● FUTURE, from 1F

didn't necessarily diminish the wealth of the area, but it did diminish the number of people buying cars and clothes," said Don McNeal, longtime publisher of The Council Grove Republican.

To add to the success of the manufacturers, the town more recently has realized what its history and natural attractions can do for it in attracting tourists. Many people give the biggest chunk of credit to Helen Judd and her husband, Charlie.

When Helen Judd inherited the Hays House from her grandmother back in the 1970s, she and Charlie gave up their teaching careers in California and returned to Council Grove. They refurbished it, the place, turning the historic restaurant into a showplace that draws attention from far beyond the boundaries of Kansas.

Connie Essington followed their lead in the early 1980s, buying the Stage Coach Motortel, refurbishing it and restoring its original name from the 1880s, the Cottage House Hotel.

The two properties and Council Grove Lake just north of town form the foundation for a prospering tourism trade.

for the doctors next to the hospital.

Despite all the extras, many business owners say they're still susceptible to the swings in the farm economy.

"The backbone of our economy

**"As far as I'm concerned, every other town looks sad compared to ours."  
— Larry Long**

But the town has more. It's known as the birthplace of the Santa Fe Trail — the treaty with the Kaw Indians that opened the trail was signed there — and there are a dozen or more well-preserved historic sites such as the Last Chance Store.

"When the farm economy was slipping, we built up our tourism. I think we just turned to that and worked with what we had to offer," said Jody Sellers, co-owner of Aldrich Apothecary.

Retail sales figures, adjusted for inflation, show that Morris County is one of the few rural counties in the state to turn in a respectable performance in the 1980s. There were two years when sales were

still is probably agriculture," said Jim Wilson, owner of a car dealership. He figures at least half of his pickup sales are farm-related, and he's having a pretty good year.

Wilson has been selling cars in Council Grove since 1963 and

off sharply, 1986 and 1981, and one year of sharp gain, 1983. The other years have been fairly steady.

That can be credited, in part, to business people such as Sellers, 30, and her partner, Connie Aldrich, 35. The business district, with every storefront filled, includes numerous young adults — an indication that the younger generation sees a future in Council Grove.

And they work hard at it, with promotions throughout the year that usually get 100 percent participation among the retailers. Their efforts are aided by having a daily newspaper in the town of 2,600. The Republican, which McNeal recently sold to his son, Craig, operates in the smallest market of any Kansas daily newspaper.

"I think we have some new, young ideas. I think young, fresh blood is always good for any business," Sellers said.

She and Aldrich, both pharmacists, were instrumental in recruiting three doctors to Council Grove this year, a feat many small towns find impossible. A \$1.2 million bond issue passed by city voters in August will pay to build a clinic

plans to be around quite a few more.

"I don't think anybody knows if or when this deterioration of small towns will stop, but I think Council Grove, Kan., has a very good chance to survive," he said.



# Grandchildren of La Crosse residents will hear tales of the 'Terrible 1980s'

Nov 23/1988

**L**A CROSSE — Some dates aren't easily forgotten. Birthdays, high school graduations, wedding anniversaries.

In Rush County, they remember bank closings.

"People who haven't experienced a bank closing or a school closing don't know what goes on inside of a person," said Byron Gilbert, a McCracken insurance agent and the town's former mayor.

"Here we are, living in this little, small, secure community and then it gets ripped apart. You have no control over what's happening to your bank, your town. Some older people had banked there for 50 years."

The bank closing in McCracken — the Western Kansas town briefly famous as the set for the Ryan O'Neal movie "Paper Moon" — like four other recent bank closings in Rush County, scarred not just the town's economy, but its sense of hope.

The closings — a record number in the Midwest for a single county — deepened a feeling of impotence in the county's smaller communities, already bitter about school closings that had moved many students to La Crosse, the county seat.

In La Crosse, too, was a feeling of desperation.

As oil prices plummeted in 1986, the farm and oil crisis began to hit home.

The suggestion — made in the early 1980s by Kansas State University extension specialists — that Rush County should view itself as a bedroom community for the booming oil towns of Hays and Great Bend — rang hollow. Those cities had plenty of vacant houses.

It was late 1985 when the Farmers and Merchants Bank of La Crosse — the largest bank in the county — failed. A year later, the city's other bank, Home State, failed. Although both banks reopened immediately and are on solid ground, the repercussions are only beginning to subside.

"The phenomenal thing is that we're still here and will have stories to tell our grandchildren about the Terrible 1980s," said Tom Dechant, a certified public accountant in La Crosse.

Since 1986, the county seat town of 1,600 has lost one of its lumber yards, a farm implement dealer, its hardware store, one of two grocery stores and both clothing stores. New businesses are virtually unheard of and houses that were selling for \$25,000 in 1980 are lucky to bring \$15,000, according to the county appraiser.

Today La Crosse is fighting back, but with the overall economy of northwest Kansas distressed, a dearth of people with the resources to invest in new or expanding businesses and a limited number with the energy to act as community cheerleaders, the struggle to keep up people's spirits is constant.

Dechant counts Rush County lucky because it has four manufacturing plants. All of them weathered the worst years, and some are adding employees. Property values have stopped their plunge and the drop in sales tax receipts is leveling off.

"The worst is over. We've got people paying taxes again and that is the best sign of times looking up," he said.

• • •  
In surrounding Rush County, people show less optimism. They think any improvement in La Crosse's economy is

coming at the expense of the small towns.

Overall, the county is caught in a downward spiral that may slow but cannot be reversed, they say.

The numbers bear out their contention. Between 1985 and 1988, the county lost 12 percent to 15 percent of its assessed value. Its sales tax collections dropped 46 percent. There were 85 to 100 farm, business and home foreclosures.

Between 1980 and 1988, the county lost nearly 20 percent of its population — 900 people. Enrollment in the school district that includes La Crosse has dropped 44 percent in 15 years.

The county's loss of population is a crucial factor in whether it will be forced to share its county courthouse and county services with surrounding counties.

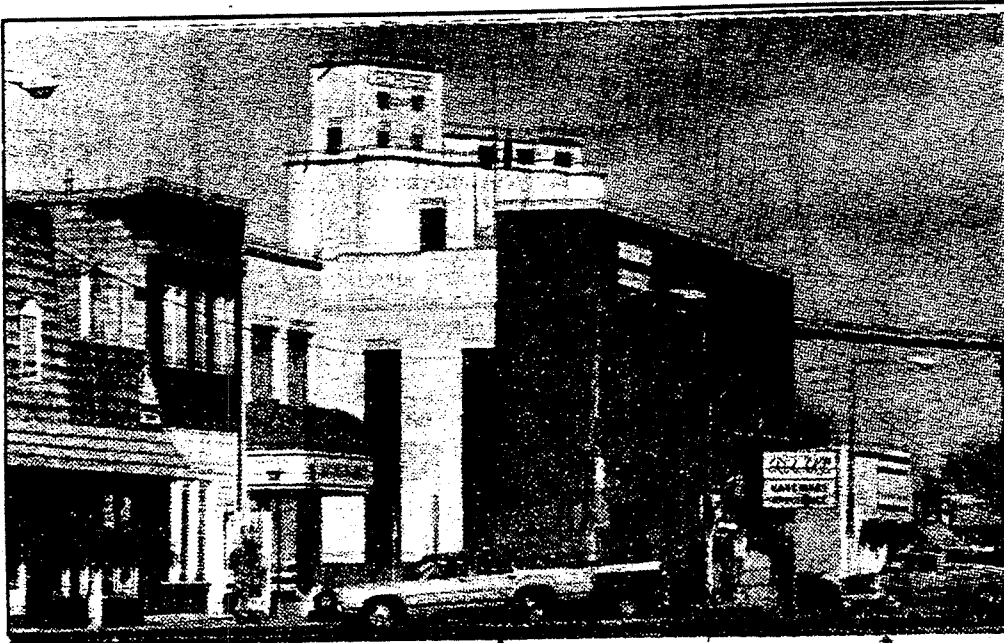
"There's a bottom amount you have to spend to run a county," said Gene Algrim, the county extension agent. "When there are fewer and fewer people, that means higher property taxes and whoever is left has to pay. It makes it harder to recruit business, too."

The county's volunteer economic development committee, started in 1985, took the first steps toward rallying the county.

They started by doing simple things. They printed a directory of county businesses. At the edges of each town they put life-size figures of a farmer in overalls holding a sign saying, "It's All Up From Here, Rush County."

They managed to keep some businesses from moving away, but recruiting new ones proved difficult.

● LA CROSSE, 2F, Col. 1



Stories by  
Steve Painter  
and  
Alissa Rubin  
Photographs by  
Dave Williams

# Nearby towns say they're paying for La Crosse's success

● LA CROSSE, from 1F

Among their successes was the retention of KBK Industries. The fiberglass manufacturer that employs 37 people considered moving to Great Bend, but because of the community's efforts and help from the county in paying for a gas line, company officials decided to stay in Rush Center.

Skillett Trucking, which contemplated moving, decided to stay after receiving help with a Small Business Administration loan application. The county has four other manufacturers, Flame Engineering, a manufacturer of propane torches; La Crosse Furniture, a furniture manufacturer; a helium plant; and an airplane parts manufacturer.

But despite the victories, the economic development committee found flagging interest countywide and after the successes with KBK



**"The worst is over. We've got people paying taxes again and that is the best sign of times looking up."**

**— Tom Dechant**

and Skillett in early 1987. Two more banks closed, making their work seem to be for naught.

"You reach a point where you can't see the positive results for the negative ones," said former committee member Scott Woodberry, who works at the La Crosse Co-op.

• • •  
In the small towns that ring La Crosse, the banks have not reopened.

The closings may help La Crosse temporarily because it gains the business of small-town residents who go to the county seat for the

services their towns no longer offer, county residents say.

In McCracken, the city fathers worked hard to recruit another bank or a savings and loan but got no takers.

After the McCracken bank closed, the town lost its liquor store. Sales dropped at its grocery store, cafes and gas station.

"The people who used to come to town to do their banking — people from Ransom and Brownell and Ness City — they didn't come anymore," Gilbert said. "They used to come, maybe buy some groceries in the store, have a cup of coffee at the restaurant and buy some gas."

Despite the bank closing, the well-kept streets of McCracken, population 290, have a lively air.

As dusk fell one day this month, farmers and ranchers were stopping on Main Street to talk about the yields on their milo and the

price for it posted at the co-op. Two cafes are going in the town, one serves the breakfast and lunch crowd, the other is open for supper.

But down the road in Alexander, the bank was the economy, said Gloria Morgan, who worked in the bank for nine years before it closed.

"The bank was the last thing people were hanging on to; even when times are bad, you're still a town if you have a bank," she said.

The unremitting economic depression can be overwhelming for a community, said Ron Fundis, a professor of sociology at Fort Hays State University.

"In the past, people would say, 'Well, we won't buy the new car,' or 'We won't get the new washer, and things will get better,'" Fundis said.

"But things didn't get better.

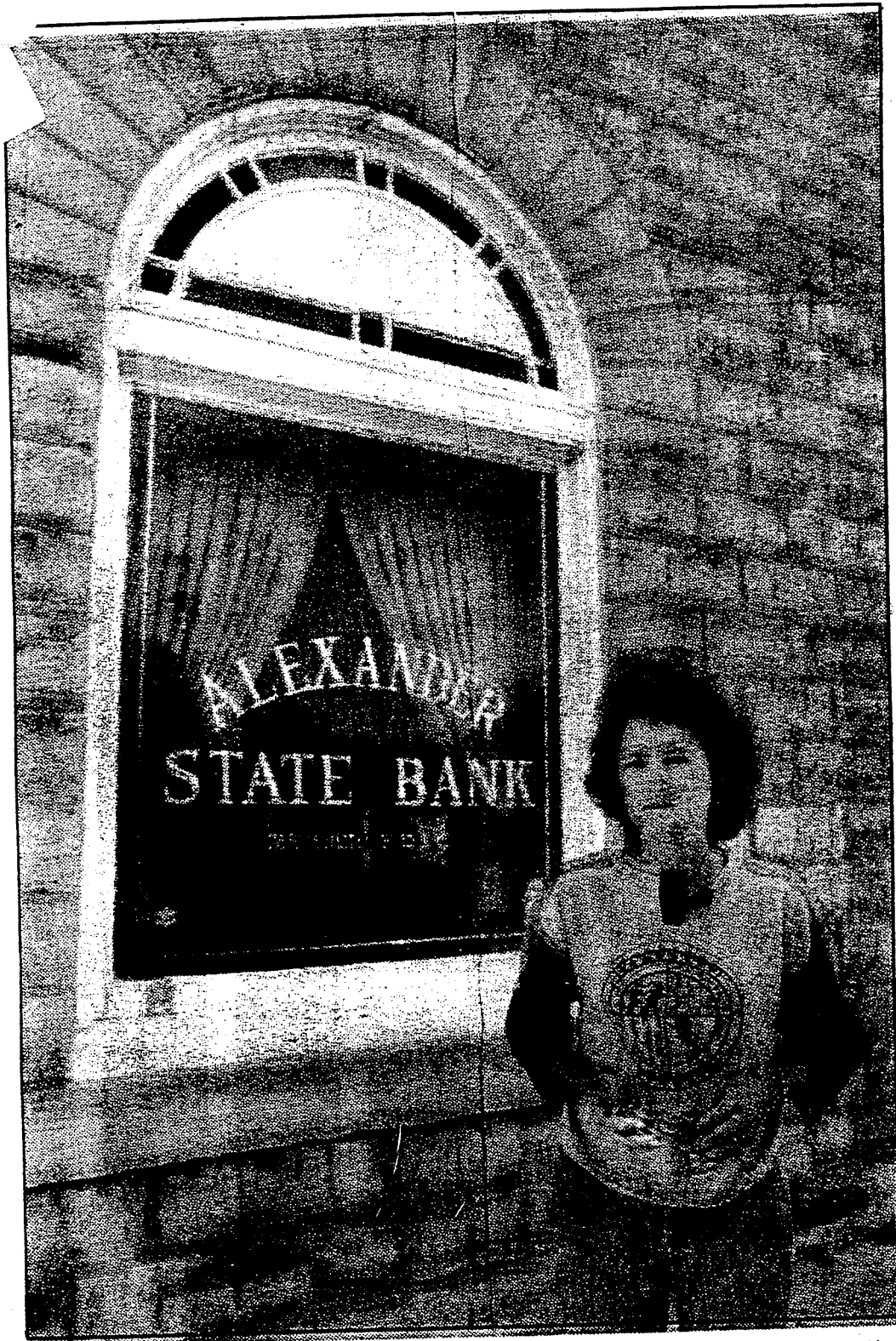
People still lost their farms. People still lost their homes.

"People did everything they were supposed to do, and bad things still happened. The psychological impact of that is terribly unsettling."

The Alexander bank, built of native stone in 1912, looks as if it is closed only temporarily. Its red carpet is bright and looks recently vacuumed. Its windows and doors aren't boarded up.

"To be honest with you, I wake up some mornings thinking the people in Washington, D.C., will come today and say, 'This has all been fun, but our experiment is over,'" Morgan said.

"We're going to start over, we're going to put all the money back in your bank, and the place will be like it never closed, everybody who was in debt is back in debt, but we're going to let you work it out for yourself."



**Gloria Morgan stands outside the closed Alexander State Bank in Alexander, where she worked for nine years. "The bank was the last thing people were hanging on to; even when times are bad, you're still a town if you have a bank," she said. The streets of La Crosse are quiet, at right. Since 1986, the county seat has lost a lumber yard, a farm implement dealer, its hardware store, one of two grocery stores and both clothing stores.**