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# Creating New Rural Development Strategies: The Role of Nonprofits

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## INTRODUCTION

John Barry begins his fascinating book *The Great Influenza: The Epic Story of the Deadliest Plague in History* with the story of the transformation of medical education and practice. Approximately 130 years ago, virtually no American medical schools required their applicants to demonstrate any qualification to gain admission—except the ability to pay tuition. Almost all medical schools were run as for-profit entities and were owned by faculty members. None had a regular requirement that students perform autopsies or see patients. Most doctors graduated from medical school after attending eight months of lectures. “In 1870, even at Harvard, a medical student could fail four of nine courses and still get an M.D.,” Barry writes.<sup>1</sup>

In 1873, Johns Hopkins, a New England Quaker, died and left instructions for the founding of a new type of university. Over the objections of the presidents of Harvard, Yale, and Cornell, the trustees of Hopkins’ estate moved to create an American university modeled after the best universities in Germany, filled “with men consumed with creating new knowledge, not simply teaching what was believed.”<sup>2</sup> Johns Hopkins University opened in 1876, and its medical school opened in 1893.

By 1900, with strong collaboration from the Rockefeller Institute (founded by John D. Rockefeller), American medical practice was starting to undergo major reforms. The Rockefeller Institute championed the idea that doctors must make research an

active component of their practice. In 1904, the American Medical Association began to inspect medical schools. In 1910, with support from another foundation, the Carnegie Corporation of New York, a report was issued calling for the closing of 120 of the approximately 150 medical schools in the United States. Many medical schools were seen as “without redeeming features of any kind ... [having] general squalor...clinical poverty.”<sup>3</sup>

By the time the United States entered World War I, the transformation was well under way, and the best medical schools in America were beginning to surpass the best in Europe in the quality and quantity of research and education.<sup>4</sup> In less than 30 years, a small group of farsighted leaders, using ideas imported from other regions of the world and other fields, transformed the teaching and practice of medicine. This was done despite strong objections from the vast majority of practitioners of medicine and producers of medical doctors in America. In the beginning, it was done with virtually no public resources.

And it came at an absolutely critical time. Between 1918 and 1920, waves of influenza killed between 50 and 100 million people—approximately 5 percent of the world’s population. It was the new type of researchers and practitioners from institutions like Hopkins and Rockefeller who helped to defeat the disease.<sup>5</sup> Institutions can be renewed and transformed. And, once transformed, they can play critical roles in expanding the well-being of larger societies. But this requires vision, courage, fortitude, and resources.

## RURAL DECLINE—AND DEVELOPMENT

For significant portions of rural America, time appears to be running out. Some rural areas have lost so much population and economic activity that further decline puts their survival at significant risk. If the downward spiral is to be stopped, it must happen in this decade. Many rural communities in more remote and commodity-dependent areas have been experiencing structural, not cyclical, change for the last few decades. Nowhere is this more apparent than on the Great Plains. Citing the “2000 Census,” a publication of the Federal Reserve Bank of Minneapolis notes that “almost 90 percent of North Dakota counties lost population in the 1990s. So did most of the eastern counties in Montana, half of South Dakota counties, and most of the southwest region of Minnesota.”<sup>6</sup> Except for a few fortunate counties in the 1980s, this trend has continued for decades.

Not only have many rural communities lost population, they have lost a disproportionately high number of people in their “maximum earnings” years, between the ages of 19 and 64, and in their “optimal childbearing years,” between the ages of 20 and 34. In 2000, 62 percent of the national population consisted of people in their maximum earning years. In some northern Great Plains counties, in comparison, 90 to 100 percent of the population was either younger than 19 or older than 64, with barely 0 to 10 percent in the maximum earning period. And the picture is as bleak for those in their childbearing years—in the 1990s more than half of North Dakota’s counties lost at least 40 percent of their population between the ages of 20 and 34.<sup>7</sup>

Poverty, especially childhood poverty, is becoming more concentrated in rural areas. In 2001, 20 percent of rural children lived in poverty compared to 15 percent of urban children. According to the “2000 Census,” 48 of the 50 counties with the highest child poverty rates were rural. And minority children are almost always worse off in rural areas.

Forty-two percent of rural black children live in poverty, compared to 32 percent of urban black children; thirty-six percent of rural American Indian children live in poverty, compared to 27 percent of urban Indian children. The 32 percent poverty rate for rural Hispanic children compares to 27 percent for urban Hispanic children.<sup>8</sup>

Population loss, economic decline, and increasing poverty emphasize the need to move swiftly in developing new policies for rural America. But they are not the only reasons for urgency. America is now a suburban nation.<sup>9</sup> Put bluntly, rural areas retain significant influence in Congress and state legislatures, but not for long. We need to move quickly if policy change is to come in time to help and to be politically feasible.

America is in the middle of a transformation of its rural areas. It does not have time to find perfect or guaranteed solutions. It must take the best ideas where it can find them and begin to adapt and adopt those ideas. The practice of revitalizing rural America is roughly where medical education and practice were 100 years ago: most institutions were resisting the good ideas that a few were adopting.

In an ideal world, we would have the time and resources for an ideal approach that would make our politicians and academicians happy, while helping communities to transform. We would have the time to base decisions about what we do on a full exploration and discussion of what we *believe* and what we *know*. But we don’t live in an ideal world; we live in a real world with many desperate communities. So, we must use a real world model, where we learn by doing at the same time as we consider what we believe and what we know.

If rural communities are to survive and then prosper, we must develop multidimensional approaches. Single dimensional efforts—for example, those focusing solely on housing, job training, branch plant strategies, or early childhood education—have all

produced important benefits, but they have not reduced the decline facing many rural communities.

Our interventions must be multidimensional because community decline is itself multidimensional. Decline is both *structural* and *incidental*, resulting from underlying economic conditions and from changing events in individual lives. It is both *absolute* and *relative*, reflective of the degree to which a community can provide a minimal quality of life for its inhabitants and one community's resources compared to others. Most frustrating, it is both *persistent* and *responsive*, as community decline in one instance defies interventions, however robust and clever, and in another, responds to even modest efforts. As we plan interventions, we must realize that "artificially simplifying these dimensions or imposing an order on this complex condition can lead to responses that are incomplete and thus deficient."<sup>10</sup>

Rural community decline must be analyzed on numerous planes, in addition to these characteristics, all of which intersect, but not always in predictable ways. The use of a single characteristic to describe or predict a tendency toward community decline can initially be attractive, but it can as easily be misleading. A mill closure, for example, might have only modest impact on a rural community where wage earners have high education and skill levels, making them eligible for other opportunities. Confronting one condition (changes in local economic structure) without the other (human capital) can be dangerously limiting.<sup>11</sup>

While many factors affect the decline—and development potential—of rural communities, three factors are critical:

- Communities and firms without competitive advantage will not prosper—they will lapse into decline or subsistence.
- Nations, communities, and firms that prosper continually invest in creating new competitive

advantage rather than protecting old advantage. Risk-taking entrepreneurs are one of the keys to the development of new competitive advantage.

- Economic improvement and growth alone are not adequate enough to sustain communities. They are necessary but are not sufficient. Communities that survive and prosper also invest in building the social and human capital of their institutions and people. But communities with high social and human capital and declining economic opportunity are not likely to have positive futures.<sup>12</sup>

Communities differ. Too often government and private institutions find it easiest to work where the needs are the least and the opportunities the greatest. The following table, developed by Joan Lipsitz and David Dodson, helps us illustrate the challenge of targeting interventions to communities where they will be most effective.<sup>13</sup>

**Table 1**  
**COMMUNITY TYPES**

		Social and Political Linkages	
		High	Low
Economic Resources	High	Advantaged	Alienated
	Low	Disadvantaged	Deprived

The danger is that we will give up on rural communities that are not "advantaged" or design interventions that are only fully successful in advantaged communities. It is no coincidence, for example, that the rural areas prospering in the 1990s were primarily those advantaged by proximity to urban areas or beautiful amenities such as mountains, lakes, and coastline.<sup>14</sup>

## MOVING AHEAD—AN INSTITUTIONAL CHALLENGE

How do we find and create community competitive advantage? Here we are in a landscape littered with economic development institutions that no longer meet the needs of rural communities. Looking at existing institutions, particularly those receiving significant, ongoing government support, one would think that the majority of rural people make their living in farming and ranching. While farming remains a major economic force in some rural areas, only 4 percent of rural workers are employed in agriculture.<sup>15</sup>

At the current time, there are four models of economic development operating in rural America: commodity production, manufacturing and service centers, entertainment and amenities, and entrepreneurship. The table below indicates the key institutions, distribution, and economic status for each type.

Many of our rural economic development institutions are designed to support commodity production and branch plants. But, increasingly, the greatest opportunities lie outside those areas. While much of the political power is concentrated around those two approaches, the greatest opportunity can be found in entrepreneurship, based on competitive advantage.

**Table 2**  
FOUR MODELS OF RURAL DEVELOPMENT

TYPES OF DEVELOPMENT	KEY INSTITUTIONS	DISTRIBUTION	ECONOMIC STATUS
Commodity Production— Agriculture/Forestry/Other	<ul style="list-style-type: none"> <li>• Land-Grant Universities</li> <li>• USDA Commodity and Export Support</li> <li>• USDA Forest Service</li> </ul>	Highly concentrated, containing small percentage of workforce	Stable after significant decline
Branch Plant Manufacturing and Service Centers	<ul style="list-style-type: none"> <li>• Community Colleges</li> <li>• Economic Development Administration Programs</li> <li>• USDA Rural Development Programs</li> <li>• Local Tax Abatement</li> <li>• Chambers of Commerce</li> </ul>	Distributed nationally with regional concentrations	Declining
Entertainment and Amenities	<ul style="list-style-type: none"> <li>• Indian Tribes</li> <li>• USDA Forest Service Lands</li> <li>• U.S. Park Service</li> <li>• Local Tax Abatement</li> </ul>	Concentrated by physical characteristics and proximity to urban centers or regional airports	Expanding
Entrepreneurship—Based on Competitive Advantage	<ul style="list-style-type: none"> <li>• Some Regional Universities</li> <li>• Some Regional Development Organizations</li> </ul>	Highly distributed	Underdeveloped

This leaves rural development institutions with two great challenges:

- How to lead the transition from the “old” approaches to the “new,” without losing political credibility and resources; and
- How to re-create the institutions, so they focus consistently on increasing competitive advantage, rather than on low-wage jobs or incremental increases in productivity.

#### DEVELOPING NEW MODELS—RE-CREATION IN MOTION

In virtually every state, work is under way to find new ways to revitalize rural areas. These efforts are not academic exercises; they often are a fight for survival. Many are led by nonprofits, including foundations. Most are significantly underfunded.

All too often, these efforts are caught between the strategic needs and opportunities at ground level and out-of-date or inadequately targeted federal and state programs. Organizations are faced with the dilemma of doing what they can with the funding they receive—delivering training programs that are no longer relevant, for example—so they can continue to survive versus undertaking the work they know is needed to move the community in a positive direction. Foundation funders can make this situation worse by providing resources for an individual project rather than for core capacity. Particularly in poorer rural areas, nonprofits may have no sources of private capital to cover core operating costs.

In many rural areas, nonprofits have undertaken the critical work of changing the community’s vision of itself and its future. Nonprofits are particularly well-suited for this work because they are easy to create; trusted by many other sectors; advantaged by tax law that makes raising capital somewhat easier; and highly flexible. They are often independent of the traditional local power base, thus they create opportu-

nities to develop new community leaders. Despite these advantages, it is difficult to overestimate the challenge of community transformation. Nonprofits and communities need models and lessons to help guide their work.

Tupelo, Miss., is perhaps the best-known example of rural transformation, thanks to the wonderful account by Vaughn Grisham. But we need a hundred or a thousand similarly well-documented and well-told stories. The work of the National Rural Funders Collaborative, supported by foundations from throughout the United States, is one example of an effort to better identify what works and share those learnings across the country.<sup>16</sup> Similarly, some of the work of the Center for the Study of Rural America at the Federal Reserve Bank of Kansas City and the Rural Policy Research Institute—a joint endeavor of Iowa State University, the University of Missouri, and the University of Nebraska—is addressing the need for better examples of successful rural revitalization. The Northwest Area and The Annie E. Casey foundations are sponsoring a national conference in September 2004, “Grassroots and Groundwork,” designed to share practical models of how communities can reduce poverty and rebuild.

Three recent books that help to identify and tell stories of success are:

- *Rural Communities: Legacy and Change*, 2nd ed., Cornelia Butler Flora, Jan L. Flora, and Susan Fey. (Boulder, Colo.: Westview Press, 2004.)
- *Boomtown USA: The 7-1/2 Keys to Big Success in Small Towns*, Jack Schultz. (Herndon, Va.: National Association of Industrial and Office Properties, 2004.)
- *Better Together: Restoring the American Community*, Robert Putnam, Lewis Feldstein, and Don Cohen. (New York: Simon & Schuster, 2003.)

There is always a risk in focusing on a few success stories: communities turned into “hero communities” may never be able to meet the expectations others hold for them. This paper will instead capture a few dimensions of successful rural community transformations, based on a review of “works in process.” The following appear to be important dimensions of these new, emergent models:

- Development of a vision for the future by the whole community, not just the traditional leaders;
- A focus on the community as a whole, not just on individuals or firms;
- Pursuit of competitive advantage, not protection of the existing dominant sector;
- Multidimensional, not single dimensional;
- Multisectoral, not single sectoral;
- A focus on regional connections, not on the community in isolation;
- Cooperation among organizations, not consolidation of them; and
- Building wealth and community, not just building wealth.

The Northwest Area Foundation in St. Paul, Minn., is one of the largest funders of comprehensive community initiatives (CCIs) in rural settings in the United States. CCIs are multidimensional approaches to community development that usually include economic development, related training and skill development, strategies to increase social capital, and capacity development. The foundation focuses all of its work on helping communities reduce poverty. It believes that poverty reduction is critical to revitalizing rural communities, rather than assum-

ing that community revitalization automatically will have the effect of reducing poverty.

After approximately six years of work, the foundation has come to the following preliminary conclusions:

1. Communities must decide if *they* want to reduce poverty. This is a value decision that cannot be imposed from the outside. Some communities say they want to change, but in reality they are so stuck in the old way of doing business that outside resources make little difference.
2. The foundation can best support community revitalization efforts by identifying, sharing, and advocating what works. Identify/share/advocate is how the foundation adds value to community revitalization efforts. The foundation invests its resources so as to produce information and knowledge to be identified, shared, and advocated.
3. The transformation of communities can be observed based on progress in producing four long-term community outcomes:
  - Increased assets of the community and those who have been in poverty;
  - Development or expansion of economic opportunities that benefit those who have been in poverty;
  - Increased capacity of the community to reduce poverty; and
  - Development or expansion of the community’s decisionmaking processes in ways that create meaningful participation for those traditionally excluded.
4. The foundation can add value to its work with communities by focusing on six

capacities. There is no claim that these are the six “keys” to community revitalization; instead, the foundation believes that it must focus limited resources where it thinks it can make the most difference.

- Identify, share, and advocate inclusive approaches to critical community decisionmaking;
- Identify, share, and advocate community approaches that lead to regional impact;
- Identify, share, and advocate asset development approaches;
- Help communities find, create, and expand economic engines;
- Find, develop, and build local and regional leadership; and
- Actively transfer knowledge (related to the four outcomes) between communities.

The Northwest Area Foundation is three to four years away from being able to share conclusive findings about the comprehensive community initiative approach to helping communities reduce poverty. However, based on preliminary results coming out of urban settings, it appears that CCIs are more likely to produce transformative results in declining rural areas than the existing single-sector, single-mechanism approaches that are more commonly receiving governmental support today.<sup>17</sup>

## GAPS

Several serious gaps limit the ability of regional nonprofits to be fully successful in using a comprehensive community initiative approach to rural revitalization. First and foremost is the *lack of flexibility in federal funding*. Large amounts of governmental resources flow into almost all rural communities. But these federal resources often

operate based on program characteristics that are out-of-date or are designed to meet the needs of another part of the country. Often, these programs have a sectoral or institutional emphasis, such as commodity payments for farmers who produce certain crops or support for rural hospitals. On occasion, these single-sector or single-institution approaches are appropriate, but most often they are not. Regional initiatives that meet certain criteria should have access to the equivalent of the “638” program for American Indian reservations. Under “638,” tribes can take control over of a wide variety of federal programs operating on their reservation. If regional groups had similar authority and responsibility, they could take over direction of national forests, farm programs, and economic development activities typically overseen by federal or state agencies. The regional efforts, while fulfilling all requirements of appropriate federal or state law, could customize activities to better meet local opportunities and needs.

A second important gap is the lack of major institutional supports. Public resources are available to support agriculture and branch plant relocations, but there is no comparable support for entrepreneurship development and little institutional support for other approaches to creating new competitive advantages that benefit communities. Every state has at least one college of agriculture or equivalent at its land-grant university. No state has a college of rural development. There are individual institutions in some states that focus on rural development, such as the North Carolina Rural Economic Development Center Inc. and the Rural Development Initiatives Inc. in Oregon. There are also initiatives under way in Nebraska and West Virginia that are placing a major emphasis on small town revival. But these important efforts are exceptions, rather than the norm. Great work is being done at the regional and local level in places like the Redwood Coast region of California, western North Carolina around the Cherokee Reservation, Clallam County in Washington, west central Minnesota, and many more. But

this work often occurs with almost no broad-based support from major institutions, including government agencies and research universities. Clearly, communities and regions are ahead of the major institutions, but institutional support could make a huge difference.

A third gap is *the inability of rural regions to understand how their economy operates*, including how it can produce living-wage jobs and the inability to see how regional economies fit in the national and global marketplace. Urban areas are using tools developed by Michael Porter and others to analyze how to expand and create competitive advantages to form economic engines for the revitalization of low-income areas. Rural areas need these capacities even more than urban ones. All too often, rural areas understand their regional economy, based on what it used to be, and based on who the competition used to be. Rural communities are hampered by navigating the new economy by looking in the rearview mirror. If rural areas are to become more competitive, they must have access to economic information that is as good as the information available to highly competitive companies. But almost no institution is systematically helping communities to understand their economies and how to become more competitive.

Next, regional communities lack *systematic ways to learn from each other and to build on the knowledge of others*. America needs a nationwide, bottom-up capacity to discover what works in rural regional development and why it works—to capture and transfer lessons learned and best practices so each area does not have to reinvent the wheel. To do this will require real agreement about what it means to be a “best practice” or a “lesson learned.” And knowledge must be captured in ways that are usable by people at the community level, not just by university-based academics. America used to have a system to do this for agriculture—experiment stations and the Extension service. Today, we need public support of a system that provides meaningful experiments to

produce knowledge useful to rural communities, and we need a contemporary system to distribute that knowledge with appropriate technical assistance. The regional centers for rural development within the land-grant university system might be the starting place to build such a system.

Finally, America needs a *rural equivalent of the Brookings Institution or the Urban Institute* (both located in Washington, D.C.). The lack of adequately supported national rural public policy research organizations contributes to rural policy that is:

unfocused, outdated, and ineffective...is not the product of contemporary, thoughtful, and informed public debate...is not based in carefully crafted, desired, public policy goals...is largely a “one size fits all” approach to the significant diversity that is rural America...consists of isolated elements of sectoral policy created without regard to extrasectoral effects...is often urban policy that is poorly modified to nonurban settings...is often national policy that has been created with little or no thought for its implications for rural communities...[and] is based on the erroneous assumption that there are public institutions that serve the unique needs of rural areas...<sup>18</sup>

Both the Rural Policy Research Institute (RUPRI) in Columbia, Mo., and the Center for the Study of Rural America at the Federal Reserve Bank of Kansas City represent promising starts. But they have neither the national multisectoral mandate nor the resources to adequately develop or analyze significant federal and state rural development policies. Without such capacity, the rural component of the national policy debate always will be weak. The capacity to conduct high-quality, timely, and relevant rural public policy research need not be invested in a single institution based in an urban area. With appropriate support, today’s technology makes it possible to have a “distributed” policy analysis capacity, better reflecting the regional variations in the United States.



## CONCLUSION

Kathi Jaworski, executive director of Rural Development Initiatives, does an excellent job of summarizing America's rural challenges.

- Without a new generation of civically engaged people, rural communities will most certainly wither and die. Thus, we must increase attention on engaging youth, new residents, and new immigrants in community affairs—not only as beneficiaries but as decisionmakers.
- Without a strong sense of and value for the uniqueness of each place, rural communities will not succeed in reinventing themselves as economic underpinnings shift. Thus, helping rural communities to understand and build on their unique place and culture is critical in creating a clear, shared vision about the desired future that builds on their assets.
- Without businesses to generate income and provide jobs, rural communities will continue to depopulate or become concentrations of people of nonworking ages. If the market has failed rural communities in terms of attracting venture capital and investment, then rural communities must create innovative ways of generating jobs and income. Thus, attention must be focused on growing jobs locally through entrepreneurship, with a specific focus on building organizational capacity for social ventures that form the local foundation for such innovation.<sup>19</sup>

Throughout America, nonprofits and foundations are working to fulfill these challenges. But nonprofits, even with their substantial abilities and advantages, cannot do this without support and commitment from community people, all levels of government, and major institutions.

Thomas Rowley, in a recent editorial for RUPRI, pointed out two quotations inscribed on the walls of the Science Committee Hearing Room in the U.S. House of Representatives. Those quotations are challenges to us all, regardless of institutional responsibility:

From Tennyson, “For I dipped into the future, far as human eye could see, saw a vision of the world, and all the wonder that would be.”

From Proverbs, “Where there is no vision, the people perish.”<sup>20</sup>

Which of these describes the future of rural America? While nonprofits can play—and indeed are playing—a leadership role, they alone cannot answer that question. Policymakers—state, tribal, and national—also must step up to the challenges with new solutions.

## ENDNOTES

<sup>1</sup> Barry, John M. 2004. *The Great Influenza: The Epic Story of the Deadliest Plague in History*. New York: Viking Press, p. 32.

<sup>2</sup> Barry, p. 32.

<sup>3</sup> Barry, pp. 83-84.

<sup>4</sup> Barry, p. 35.

<sup>5</sup> Barry, p. 397.

<sup>6</sup> Nothdurft, William E. 2002. *Across the Great Divide: People, Places and Poverty in the Northwest Area Foundation's Region*, St. Paul, Minn.: Northwest Area Foundation, p.15.

<sup>7</sup> Nothdurft, p. 15.

<sup>8</sup> O'Hare, William P., and Johnson, Kenneth M., "Child Poverty in Rural America," *Reports on America*, Population Reference Bureau, vol. 4, no. 1, March 2004, pp. 6-9.

<sup>9</sup> Stauber, Karl N. "Why Invest in Rural America—And How? A Critical Public Policy Question for the 21st Century," Federal Reserve Bank of Kansas City, *Economic Review* (second quarter 2001), p. 41.

<sup>10</sup> Watrus, Bob, and Harrison, David. *Poverty in the Northwest Area: Causes and Responses*, report, St. Paul, Minn.: Northwest Area Foundation, November 1, 2004, pp. 3-4.

<sup>11</sup> Watrus and Harrison, pp. 3-4.

<sup>12</sup> Stauber, pp. 43-44.

<sup>13</sup> Lipsitz, Joan, and Dodson, David. MDC Inc., Chapel Hill, N.C. Shared with the author in conversations with David Dodson.

<sup>14</sup> Nothdurft, pp. 9-14.

<sup>15</sup> O'Hare and Johnson, p. 1.

<sup>16</sup> National Rural Funders Collaborative. *Rural Connections*, issue two. Dallas: NRFC, spring 2003, p. 2.

<sup>17</sup> FutureWorks. "Strong Regions, Smart Business, Vital Communities," Metro Businessnet (Strategies for Regional Development. Arlington, Mass.: FutureWorks, n.d.).

<sup>18</sup> Stauber, p. 1.

<sup>19</sup> Jaworski, Kathi. Private e-mail communication, April 28, 2004.

<sup>20</sup> Rowley, Thomas, "Renewable Energy or Perishable Future," Rural Policy Research Institute Web site: [www.rupri.org/editorial](http://www.rupri.org/editorial), April 30, 2004.