



## Designing a viable rural economy

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When I was a farm boy growing up in rural America in the 1950s, the most important event of the week was Saturday night. That was when the farmers went to town. The main street was crammed with parked cars. The stores were full of farmers doing their weekly shopping and visiting with friends and neighbors. Even though our hometown was less than 1,000 people, it had grocery stores, clothing stores, a drug store with its own pharmacist and soda fountain, restaurants, a hardware store, a movie theater, a couple of machinery dealerships and various other businesses.

Government price support programs for farmers were in place at that time and were not very different from today's programs. It was believed that, in addition to supporting farm income, these programs also supported rural America because farmers spent this money in local towns and communities.

Fifty years later we still have government price support programs, and we still believe these programs are supporting rural communities. However, in my hometown the streets are deserted on Saturday night. The stores are gone and the farmers - the few that are left - drive through town to the big town down the road to shop at Wal-Mart. Obviously, government farm payments are a poor rural development program.

Debate on the new farm bill will start soon. It is time to reassess how we create a viable and sustainable rural America. Although we cannot save my home town, we may be able to improve economic activity in rural areas, county seat towns and regional trade area cities.

However, we cannot do this by government order. Nor will it be accomplished by pushing

large sums of government money into the rural sector with vaguely defined objectives. Sustainable rural development requires that we create modern private sector business ventures that can effectively compete with the non-farm sector. To accomplish this, rural residents must garner the entrepreneurial and business development skills and resources needed to drive the economic engine of rural America. This will require targeted government programs like the following:

1. Facilitate the creation of "business development organizations" where rural entrepreneurs can work together and share resources and knowledge in creating rural business ventures. Successful business development involves mastering business development "process" skills. These organizations provide the business environment needed to develop and hone these process skills. It also provides an environment for networking with a wide range of people involved in business development.
2. Foster programs designed to increase the information and communications infrastructure for the rural sector. The Internet has created a vehicle for eliminating the disadvantage of vast distances that has plagued rural areas. However, if the rural sector does not take advantages of this new technology, it will find itself even further behind.
3. Business development skills are best created with "on the job training" of actually creating business ventures. However, this process can be embellished with government supported programs that

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provide business development information, processes and analysis.

4. In addition to building the capacity of rural residents to create viable business ventures, programs need to be designed to build the capacity of rural business consultants. Qualified consultants play a major role in building successful businesses.

5. Provide seed capital funding for new business ventures. The value-added producer grant program provided by USDA Rural Development has been very effective in providing seed capital funds for start-up business ventures. These programs need to be maintained.

6. Programs need to be developed to assist in the creation of various types of private sector "rural business funds" that can be used to provide capital to rural business ventures. These can range from high-risk, high-return venture capital funds for start-ups to moderate-risk, moderate-return funds for the expansion of existing businesses. Rural funds would be designed specifically for participation by rural residents.

7. Implement a federal tax credit program focused specifically on business creation and development in low income, economically distressed rural areas. These credits can provide an incentive to locate business ventures in low income areas while providing the credit to local residents for investment.

8. Design programs that encourage the private and public sectors to work together. Many university research programs need to be closely linked to private sector business development organizations for potential commercialization.

The responsibility for revitalizing rural America lies in the hands of the residents that live in these areas. However, the federal government can play an important role in assisting these efforts. The points discussed above provide an outline for designing this assistance.