

The 2010 Northeast Rural Summit
Generating Rural Innovation and Regional Partnership
Burlington, Vermont
April 12, 2010

Content Keynote: Brian Dabson, Rural Policy Research Institute¹

Good morning...I am delighted and honored to be asked to provide some remarks as the content keynote to the 2010 Northeast Rural Summit... and to be back in beautiful Burlington, Vermont.

If I was writing a manifesto for rural America it would read something like this.

- We are not about the ills and misfortunes of the past but about the opportunities for present and future generations of rural Americans to experience well-being and to be resilient in the face of often dramatic natural and economic change.
- We are about changing the narrative that constrains and defines rural America in ways that are backward looking. We are about lifting up the creativity of rural people and places to make the most of opportunities that present themselves or to cope with disaster.
- We are about finding ways to invest in scale-appropriate, decentralized, and democratic economic activities that are socially inclusive and ecologically responsible.
- We take a systems view of the world that explores the interconnectedness of humans and their environment.
- We pursue innovation and entrepreneurship to convert our rural assets into economic opportunity for rural people.
- We seek to replace or rework the historic governance structures that control the way things get done in rural America but no are no longer appropriately matched with the scale and complexity of the challenges and opportunities facing our people and places.

As it happens, these are the principles that underpin a new venture I am leading at RUPRI – the Rural Futures Lab, which was quietly launched on an unsuspecting world last week. It is fortuitous that Paul Costello invited me to talk today on themes that are at the heart of the Lab – rural innovation and regional collaboration. It is exciting for me that the four topics for the conference – food systems, energy, broadband, and rural economic development – also play important parts in the work that I anticipate the Lab will be working on in the coming years.

Let me begin by talking about regionalism and regional collaboration.

The limitations of framing solutions to societal problems within the existing pattern of governmental jurisdictions or within the silos of sectors and disciplines are becoming increasingly obvious. For instance, rural counties just do not have the technical or financial resources to tackle challenges such as migration, economic development or environmental degradation on their own. Nor can the major challenges such as climate change, energy, and urbanization be tackled as discrete problems of agriculture, health or transportation; they have to be treated holistically across sectors. Viewing rural problems through a lens of regional innovation allows the exploration of rural-urban connections, and

¹ Brian Dabson is Director, RUPRI Rural Futures Lab, Vice President & COO, Rural Policy Research Institute (RUPRI), and Research Professor, Harry S Truman School of Public Affairs, University of Missouri.

the potential for collaboration across public, private, philanthropic, and community sectors to take on seemingly intractable challenges such as long-term rural poverty.

Regional approaches to dealing with pressing, complex issues date back to 18th century Philadelphia but they have since fallen in and out of favor with changes in the economic and political mood of the nation. Generally speaking good economic times lead to a declining interest in regionalism, and hard times reawaken interest in its possibilities.

This ebbing and flowing has left a complex legacy of regional organizations and administrative structures, such as the Tennessee Valley Authority, the Appalachian Regional Commission, the nationwide network of economic development districts, and a variety of other less formal arrangements. These were formed at different times in response to different motivations – the better management of natural resources, the alleviation of poverty, the promotion of economic development, and the improvement of global competitiveness to name a few.

In the last five years, there has been a resurgence of interest in regionalism, driven in part by arguments that future national prosperity will depend on strong and vibrant metropolitan regions. These have been influential in the framing of the Obama Administration's approach to urban policy, and in particular, a set of policy principles to advance its domestic and fiscal priorities. I quote from a White House memorandum:

“Many important challenges demand a regional approach. The Nation is increasingly a conglomeration of regional economies and ecosystems that should be approached as such. Federal investments should promote planning and collaboration across jurisdictional boundaries. Given the forces shaping smaller communities, it is particularly important that rural development programs be coordinated with broader regional initiatives. Programs in neighboring zones and within larger regions – some of which connect rural communities to metropolitan regions – should complement each other.”

This clear argument for thinking regionally also reflects a growing global recognition of the importance of rural-urban interaction and interdependence. Despite official definitions that distinguish urban from rural, and metropolitan from non-metropolitan, the realities of settlement, commuting, and migration patterns suggest a far more complicated interface in which much mixing occurs among urban and rural populations, and rural areas themselves exhibit a great deal of diversity.

America's rural and urban areas are interdependent across many domains: rural areas provide critical consumption goods for metropolitan customers, such as food, energy, labor, land, and unique natural and cultural experiences. Urban areas are the end market for rural production and provide specialized services, offer diverse job opportunities, and generate resources for public and private investment in rural America.

Recently, we have been looking at the regional economies and potential for wealth creation in central Appalachia which I think offers some important insights. One is that we need to frame policies for rural and urban development and revitalization in a broader regional context. Policies that focus primarily on urban cores may not necessarily offer any improvements in the prospects for the rural periphery – trickle-out effects cannot be guaranteed. Similarly, policies designed to revitalize rural areas may serve ultimately to provide significant benefit to the residents of the urban core.

For both urban and rural areas, and for a region as a whole to succeed, then policies need to recognize and embrace the interdependence of all parts of the region. Moreover, policies need to provide incentives to innovative and effective approaches to regional collaboration so that the challenging tasks of cross-jurisdiction, cross-sector, and rural-urban planning and investment can yield positive outcomes.

It is against this backcloth that new Federal programs are emerging. The Sustainable Communities Initiative has brought together the US Department of Housing and Urban Development, the US Department of Transportation, and the US Environmental Protection Agency around a set of 'livability principles' and a proposed \$150 million program for 2010. These principles relate to more transportation choices, equitable affordable housing, enhanced economic competitiveness, support for existing communities, coordination of policies and leverage of investment, and the valuing of communities and neighborhoods. A \$100 million grant program within this initiative would encourage multi-jurisdictional, multi-sectoral partnerships to achieve holistic development goals for metropolitan regions.

Regional collaboration is also central to another new program from the US Department of Agriculture, in which \$130 million has been set aside to encourage rural regions to create partnerships around broadband, bio-fuels, food systems, ecosystem markets, and forest restoration and land conservation. Indeed, this conference is also evidence of the USDA's interest in supporting regional approaches to rural development across the nation.

Recently, I came across an unattributed definition of innovation, which I think fits in well with my task today. "Innovation occurs when someone changes how the world works, how people organize themselves, or how they conduct their lives. It is the change that alters how people perceive the world."

In a rural context, innovation may be regarded as a mixed blessing. The extraordinary work in the land grant universities in the mid 20th century and the subsequent technological developments pioneered by agribusiness corporations to increase corn yields and to rapidly expand the uses to which corn and corn derivatives can be put is a testament to rural innovation. These innovators can point to the benefits in terms of cheap food, exports to a hungry world, predictability of quality and availability, and new products that consumers want to buy.

But this process has also transformed the landscape, particularly in the Midwest from diversified farming to monoculture; it has turned independent, decision-making farmers into semi-skilled labor locked into contracts with large retailers or processors; and it has emptied out rural communities as local economic opportunities and basic facilities disappear.

I am not, however, arguing against innovation. Indeed, as I said in my opening "manifesto," it is essential to rural America's future. Here are two broad directions we can take.

First, we can embrace the global competitive process and do all we can to ensure that our communities have the capacities and attitudes to compete as regions. This strategy accepts that there is no hiding place from the global economy – Thomas Friedman's "flattening forces" – and that in a highly competitive world some places will win and others will lose. This approach also recognizes that the global economic engines are the metropolitan regions with the capacity to attract global talent, create new products and industries, and be the hubs of innovation and creativity.

A great deal has been written about the new paradigm of converting assets into intellectual capital, about the power of regional specialization or clustering coupled with the diversity inherent in urbanization to improve regional economic performance. The model has been explored in a rural context through my former colleague, Mark Drabenstott, looking for regional competitive advantages in rural manufacturing, biotechnology, and renewable energy, through new approaches to regional collaboration across sectors and geography.

I think it is highly appropriate for rural regions to do what they can to organize themselves around competitive sectors. In that context, we can look at the food systems and energy as competitive sectors, exploring technologies to improve food yields, create value-added products, stimulate fast growing energy crops and plantations, and develop large scale solar and wind farms. This will offer major economic opportunities for some regions and communities that have the right mix of geography, research capacity, capital access, and business leadership.

The second direction can be an alternative to the first or a complement to it. I am of course referring to what some call “localization.” This is an approach to a number of major concerns that relate to the costs of globalization – the geopolitics of energy production and uncertainties over future cost and availability of energy for transportation, business and household needs; the loss of economic opportunity in small communities as jobs are outsourced or technology removes the need for labor; the loss of biodiversity and increased vulnerability to pests and diseases associated with monoculture landscapes with a high dependence on fertilizers and pesticides; the health ramifications of fast foods and high calorie beverages, and the general disconnect between people and the growing of food; and the list goes on.

The response to these concerns can be seen in the rapidly growing interest in low mileage and organic foods, in innovative farming practices, in the expansion of farmers’ markets, in community-supported agriculture, in farm-to-school programs, and in small-scale renewable energy projects. Research in Iowa has shown that local foods production can generate substantial economic impact in terms of jobs and incomes to local communities without significantly reducing the amount of land available for large scale agriculture. This localization movement is still in its infancy and its ultimate success as a rural revitalization strategy will depend on a region’s ability to build an infrastructure of organic and low input production, nearby processors and aggregators, savvy buyers, and a general shift in consumer expectations.

We have seen a large scale commitment to rural broadband through NTIA and USDA backed by a national plan and rural strategy by the FCC. There remains considerable skepticism from many quarters that investing in high speed telecommunications in rural areas is a waste of public money. I don’t intend to get into all the counter-arguments, but I do want to say that a fully developed broadband infrastructure is absolutely essential for both globalization and localization strategies.

A globalization strategy requires instantaneous access to global information and markets for businesses to compete; a localization strategy requires technology to support local value chains and integration of demand and supply at a regional level. Moreover, the very survival of rural communities is dependent on them being able to sustain local health and education facilities – and in the face of growing financial pressures to consolidate, the use of telecommunications to facilitate remote access to specialist teachers and doctors can be a powerful tool for decentralized local learning and health care.

The final content area is rural economic development. I want to come at this from two directions – wealth creation and retention and entrepreneurship. For many rural communities and regions of the

United States, the path out of poverty towards resiliency and prosperity is blocked by factors that drain or diminish the value of their assets and inhibit the creation of new community wealth.

Assets, both natural and created attributes of a place, a community, or an individual, can either be increased in value by investment to create wealth, or decreased by abuse or neglect. Wealth, both individual and collective, is a stock which accumulates or dissipates depending on the flows in and out. We usually talk about accumulated net income or savings in a household or business, where accumulation occurs when income is greater than expenditures – or at a broader economy level, when production exceeds consumption. When this accumulation is invested in a productive asset, it becomes wealth. This approach can apply equally well outside the traditional areas of household and business into the realm of human, social and environmental assets. When expenditures exceed income, or for instance when removal of timber exceeds its replenishment, the result is a draining of the stock of wealth and eventually disinvestment out of a productive asset.

Putting these two ideas together, we get the sense that a truly wealthy community is one:

- where most or all of its assets are being put to productive use and managed in ways that continue to enhance their value, and
- which is able to leverage its economic and other connections with its neighbors, both urban and rural, to expand and develop its assets, and strengthen its ability to manage them sustainably.

I referred earlier to work we have been doing with support from the Ford Foundation in central Appalachia. Another insight we gained was the need to frame policies for urban and rural revitalization in terms of their potential for regional and community wealth creation – the necessary precondition for tackling deep-seated poverty, inequality, and lack of opportunity. This requires an understanding and appreciation of regional and community assets. We identified a number of strategies for reducing the draining of wealth from rural areas to their urban cores and the outside economy, all of which require an orientation towards building on assets, together with fostering entrepreneurship, mobilizing local capital, and encouraging local ownership and engagement in economic development.

1. **Add greater value to locally produced goods** – finding ways to locally process, package or otherwise add value to raw materials extracted from rural peripheries opens up opportunities for increased rates of return, additional and better paying jobs, and improved trading conditions. The presence of drying kilns and milling facilities to process timber before it is shipped out; the local slaughtering of livestock and meat processing; the development of local supply chains for farm produce are all examples of adding value. The extent to which this is possible is determined by who owns the raw materials, who controls the distribution and processing chains, and the ability of the region to attract the necessary capital investment to conduct value-added activities.
2. **Substitute imports from elsewhere** – identifying goods and services that rural areas purchase from the urban core or from the outside economy that could be produced locally. For this strategy to work, any goods and services produced in the rural periphery would have to be offered for the same or lower cost or for the same or higher quality as those available from elsewhere, and to generate levels of value-added higher than alternative uses of the resources used in their production.

3. **Diversify and localize ownership and control over the production of goods and services** – in theory this would enable the rural periphery to have greater say in the operation of their local economy and to intervene in the previous two strategies. However, this cannot be based on a notion that local ownership is a self-evident good – for it to have an impact on wealth creation possibilities, investments made by local actors would have to be in the high value, high return activities.
4. **Mobilize local capital for community investment** – attracting or retaining individuals with higher net worth who would be willing to invest in local productive activity. This is in part another facet of our third strategy, but it also refers to mechanisms to capture outward flows of capital, such as intergenerational estate transfers from rural areas to the cities and suburbs. Actions might include pooled investment opportunities through community foundations or angel networks.
5. **Identify new productive assets** – encouraging entrepreneurial activities to convert assets, whether they are economic, social or environmental, into economic opportunity. Such a strategy would yield, if successful, a double benefit of impacting both the current account by increasing exports, and the capital account by creating new regional assets.

This last strategy of entrepreneurial development provides me the opportunity to make a few final points. Entrepreneurship development is an essential component of rural economic development and for some places it is the only way in which revitalization may be possible. Creating an environment where entrepreneurship thrives requires major cultural change – moving from an attitude of “waiting to be saved” or recruiting companies to relocate from elsewhere, to one of “growing our own” – a localization strategy for economic development.

Innovation in rural America will only happen through entrepreneurship – whether private, public or social. If we want things to be different, then we need the skills and attributes of entrepreneurship to figure out how we can change our economies, our communities, and our futures. Finally, entrepreneurship development forces to think in terms of systems – just as integrated local food or alternative energy production or natural resources management requires us to take a systems perspective – we need a collaborative systems approach of “connecting the dots” among resource providers, within the public, private and non-profit sectors, between communities and schools, and between practitioners, researchers and policymakers.

I will end by returning to the themes of this conference – rural innovation and regional collaboration. I ask you to think about why you want to encourage innovation and to what purpose you want to collaborate. As rural leaders, we can choose routes that may continue the paths we are now on – that are defined by the inevitability of globalization and rural irrelevance, or we can choose a different path that uses innovation and collaboration to create a more hopeful future. The task for the rest of today and tomorrow is to explore these alternatives.

Thank you...