



**The Current U.S. Rural Policy Framework:
Toward a Regional Rural Innovation Strategy**

Presented to the

International Seminar on Rural Development

And the Agroalimentary Sector:

Future Strategies

Queretaro, Mexico

March 25, 2006

**Charles W. Fluharty
Director, Rural Policy Research Institute
Truman School of Public Affairs
University of Missouri-Columbia
<http://www.rupri.org>**

The Rural Policy Research Institute provides objective analysis and facilitates public dialogue concerning the impacts of public policy on rural people and places.

On February 16-17, 2006, the United States Department of Agriculture held its annual Agricultural Outlook Forum. This annual event has a distinguished, storied history. The USDA began laying the groundwork for its first Outlook Forum in 1913. Shortly thereafter, the number of farms in America would reach its zenith, at 6 ½ million. That first Outlook Forum, hosted in 1923, brought together our nation’s most eminent leaders in agriculture, a tradition which remains strongly in force today. Over the last 85 years, however, the Forum has broadened its focus to include discussions of the latest scientific research and new products, global aspects of trade, health issues, and the changing dynamics and economy of rural America. Today, it brings together our nation’s leading producers, scientists, economists, consultants, industry leaders, analysts and public policy makers. It is, without question, the preeminent U.S. agricultural policy forum each year.

The 2006 event, however, was a watershed moment in USDA history, and a landmark event for U.S. rural policy. The Forum title, “Prospering in Rural America,” created a thematic backdrop for the gathering’s central framework –ensuring the future prosperity of all of rural America, through and beyond agriculture.

This became evident to the over 1,700 participants shortly into the keynote address by Secretary of Agriculture Mike Johanns. The full import of this moment was fully grasped as he reached the midpoint of his address, which contained one of his central points¹:

“This forum is an opportunity to learn and to gauge the changes in agriculture and to get our bearings if you will, not only for the next year but for our future.

I found the same to be true over the past months as we traveled across this great country doing our Farm Bill Forums. Those forums were the place to gain some perspective on the future of agriculture and farm policy and to hear directly from farmers and ranchers. . .

¹ Transcript of Keynote Speech by USDA Secretary Mike Johanns speech, USDA Ag Outlook Forum, February 16-17, 2006

Well in about six months' period of time we hosted 52 forums, and I conducted over 20 of those sessions myself listening and taking stock in listening to people. What's on your mind, we would ask. These are the people that put food on our table. . .

But we heard ideas and concerns that differ from one crop to the next, and as you might expect from one region of the country to the next. But interestingly enough – and I started talking about this about halfway through the forums because I found it so interesting -- interestingly enough we heard unanimous support for our Rural Development efforts. . .

After hearing such compelling stories about the importance of Rural Development, I came back to Washington eager to examine the state of our rural economy. . .

What does that tell us about what is occurring on the majority of ag land and the income source for the majority of those producers? Reality is that 92 percent of producers, those who manage about two-thirds of ag land, rely heavily on off-farm income. They choose to carry on the great tradition of American agriculture, but they do not depend on it as their sole source of income or in many cases even as their primary source as income.

These statistics help to bring clarity to the reasons behind the changing face of the rural economy, which helps us to explain the resounding praise for our Rural Development efforts, which was echoed across the country unanimously.

I am here today to assure all those who stood in line at the forums, I was listening. Now today I'm not prepared to present a detailed piece of legislation but I can tell you that I believe future policy must acknowledge what I have just laid out in terms of the changing face of our rural economy. We must provide greater economic opportunity for people to choose a rural quality of life, a lifestyle that upholds the values and principles upon which this great nation was truly built.

If most agricultural producers are dependent on off-farm income, then we must pay special attention to our support of rural economies and beyond agriculture. To quote from a report recently released by the American Farm Bureau Federation: 'Farmers are more dependent on rural communities than rural communities are dependent on farmers.' . . .

Federal programs should enable farmers and ranchers to come together with rural communities to create economic opportunity. . .

We have an opportunity to develop farm policy that recognizes that this farm economy has changed. With fewer producers overall and the majority of farm production accounted for by a small percentage of producers, we must thoughtfully consider how we deliver support to rural America. I heard that message loud and clear during the forums, and I'm eager to engage in further dialog, not only with you but with stakeholders across this nation. . .”

The Secretary’s comments set the tone for one of the most energizing rural policy moments in USDA’s recent history. As the ensuing Forum sessions unfolded, it became clear that a new departmental perspective and commitment was finally taking hold and being incorporated within the growing consensus across other federal departments and agencies – namely, that a new rural policy framework must become a more central component of the public policy dynamic of our nation. With this recognition, USDA leadership has joined the culminating apex of a decade-long dynamic, in which enlightened rural public decision makers, business and community leaders, and public policy scholars have coalesced around commitments to a set of principles for a new rural policy framework in the United States: “Regional Rural Innovation.”

In my brief comments today, I would like to accomplish three main tasks:

1. Briefly review the current U.S. rural development context, with attention to developments which enhance the potential for this true renaissance in U.S. rural policy;
2. Address the current design of territorial / regional development programs unfolding within these dynamics; and
3. Discuss several salient concerns and considerations which must be accommodated in this new vision.

The Current U.S. Rural Development Context

Rural development has remained a “back-water” concern for U.S. public policy over the last four decades, usually rising only with a new Farm Bill tide, and then receding, after sufficient lip-service, with only minimal impact. However, over the past decade a number of

dynamics in the U.S. culture and political economy are driving significant new attention to these challenges. The most important components of this context are outlined below.

A Rural “Tipping Point” in Public Consciousness

In the U.S. today there is a growing public consciousness of the challenges in rural areas, and increased attention to these issues. This has been occasioned by many developments, including the need for a “purple” challenge in the red and blue geography of our national politics. As this “reductionist” thinking becomes more suspect, powerful media outlets including the New York Times, National Public Radio, and key regional newspapers are now staffing a “rural desk.” This attention both reports upon and informs new inter-jurisdictional and institutional experiments, and brings new attention to promising cross-sectoral policies and programs. In addition, this attention has increased rural interest within the Administration and Congress, as well as in governors’ mansions and State Houses. Most particularly, this has shed new press light on current agricultural commodity payments, and fostered a growing recognition of the true nature of the rural economy.

Growing Understanding of the True Rural Economy and of Rural Poverty

As the rural economy in the U.S. continues to consolidate, and as commodity producers, whether in agriculture or manufacturing, are forced to respond to the dynamics of globalization, it is becoming increasingly clear that innovation and technology must drive new rural economic engines, and that this is not only possible, but a necessity. This has helped to support a new commitment to building regional competitiveness strategies that seek to identify and exploit a region’s unique assets, and build integrative strategies and marketing approaches to optimize this

potential. Furthermore, there is now a clear understanding of the delimiting worth of reliance on business attraction strategies, and much greater attention to asset-based innovation and entrepreneurial design, which I'll address briefly below.

There is also no question now that rural is no longer synonymous with agriculture, and that rural economies must become more diverse, as rural incomes continue to lag urban, with the greatest lags most often occurring in commodity-dependent counties.

Similarly, attention to rural poverty has increased over the last decade. While many organizations, institutions and individuals deserve credit for resurfacing these concerns, much of this is a direct result of specific attention within major philanthropic organizations, including but not limited to the Annie E. Casey Foundation, the W.K. Kellogg Foundation, and the Northwest Area Foundation. Recently, the tragedy wrought by federal and state inability to address the plight of the poor during Hurricane Katrina, and the efforts of 2004 Democratic Vice Presidential Candidate John Edwards in addressing poverty during the campaign and founding an institute to address poverty considerations have enhanced this awareness. However, in our nation today, persistent poverty is largely a rural challenge, as 340 of our nation's 386 persistently poor counties are rural.² And this differential disadvantage is increasingly being viewed by decision-makers as a lag on broader regional economies.

The Rural Federalism Disadvantage

One of the largest challenges for rural development in the U.S. remains the inherent structural disadvantage which rural areas face in federal funding commitments. Current federal funding policy inadvertently, but significantly, disadvantages rural areas. The Consolidated Federal Funds Report for 2001 (the most recent reported data) shows that the federal government

² Economic Research Service, USDA, County Typology

returned \$6,131 on a per capita basis to urban areas, while returning only \$6,020 to rural areas³. This amounts to a nearly \$6 billion annual federal disadvantage to rural areas. However, an equally challenging issue is the difference in the nature of these federal funds.

In Fiscal Year 2001, direct payments as a percent of all federal funds per capita were 50.5% in metropolitan areas and 63.9% in nonmetropolitan America⁴. This 13% differential funding builds much of the community capacity and infrastructure of urban and suburban America. Therefore, with each passing year, these dynamics further disadvantage rural jurisdictions and organizations.

Part of this challenge is the fact that Metropolitan Statistical Areas (MSAs) have a “place entitlement” to HUD Community Development Block Grants (CDBG) from the federal government, which assures that these funds will be available each year, allowing multi-year capital and program planning – an excellent aggregation tool for integrative, cross-sector public capacity building. This is also one of the most flexible federal funding programs. Unfortunately, rural towns and cities of less than 50,000 population and counties with populations of less than 200,000 must compete against one another for the smaller, state-administered “State CDBG” program, which is neither assured nor multi-year funding.

These community capacity disadvantages are stark, and additive. Each year from 1994-2001, the federal government spent two to five times more, per capita, on urban than rural community development, and one third as much on community resources in rural areas⁵. Per capita spending on community resources in 2001 was \$286 per person less in nonmetro areas

³ Analysis of Consolidated Federal Funds data by the Economic Research Service, USDA.

⁴ *ibid.*

⁵ W.K. Kellogg Foundation (2004) “Federal Investment in Rural America Falls Behind”

than in urban America, a \$14.1 billion dollar rural community capacity disadvantage (based on 2003 metropolitan classifications of Census 2000 population)⁶.

These rural implications are exacerbated by an ongoing federal “push down” of funding and statutory responsibility to states and localities, which further challenges rural resources and community capacity. Federal block granting has become a more common framework for these shifts, with increasing use of loan and loan guarantees, and fewer direct granting possibilities, which is forcing new interjurisdictional cooperation – a good thing, with reduced federal commitments – a huge challenge. However, while the U.S. has a somewhat incomplete and incremental regional development framework, these challenges have increased interest in new collaboration, and have renewed interest in new regional approaches, which I will address briefly below.

The Rural Disadvantage in Foundation and Corporate Grantmaking

These rural community capacity challenges in federal funding are exacerbated by an equally uneven commitment to rural community and economic development by our nation’s foundations and corporate grantmakers. In a May 2004 report, the National Committee for Responsive Philanthropy⁷ noted that of the \$30 billion distributed annually in by our nation’s foundations, only \$100.5 million was committed to rural development. Of 65,000 or so active grantmaking foundations in the United States, only 184 engaged in rural development grantmaking. About 20 foundations doing rural development grantmaking accounted for 80% of this total, and two foundations, the W.K. Kellogg Foundation and the Ford Foundation, constituted 42%. While the significant rural community and economic development

⁶ Economic Research Service/USDA, U.S. Census Bureau.

⁷ National Committee for Responsive Philanthropy (2004) “Beyond City Limits: The Philanthropic Needs of Rural America.”

commitment of these two foundations is commendable, these numbers indicate that the majority of grantmaking foundations in the U.S. have not seriously addressed the rural development needs of not-for-profits serving rural populations.

Sadly, the same rural differential disadvantage also applies to corporate philanthropy. While total corporate grantmaking in the U.S. amounts to \$12 billion annually, a 2000 study of the 124 Fortune 500 corporations found that corporate grantmaking for rural, racial / ethnic organizations amounted to 1% of their total racial / ethnic grantmaking. In total, corporate grantmaking for rural groups constituted seven-tenths of one percent (.7%) of the grant dollars awarded by the 124 surveyed corporations for racial / ethnic giving. Rural organizations received only 153 of the 10,905 grants made, approximately 1.4% of all grants.

New Rural Governance and Entrepreneurship

Despite, or perhaps as a result of these challenges, a new “Rural Governance” is expressing itself across the U.S. rural landscape. By “governance,” I mean the process by which decisions are made regarding the distribution of public and private resources and responsibilities across multiple stakeholders, including the public, private and non-governmental sectors. The dynamics in U.S. federalism outlined above are forcing ever greater interdependence of rural governmental and nongovernmental organizations, as the central government’s role continues to reduce over time and circumstance. This requires greater coordination, facilitation and negotiation, through multiple policy networks which are often diverse and overlapping. While this offers a possible new set of strategies to confront the community capacity challenge outlined above, it also creates the necessity for new intermediaries to be formed and functioning.

These intermediaries provide the “glue” that enables new rural governance to express itself, and these new actors are now playing critical roles across multiple institutional settings. As an example, over 20 states now have a rural policy center, either located in the office of the governor, within state government, as the result of state legislative action, or operating through the private efforts of regional universities or NGOs. Intermediaries such as these are becoming much more relevant to state and local governmental decision making, and will play a more important role in the future of rural policy, as these processes evolve.

One of the most promising new rural intermediaries assuming increased community and economic development significance in the U.S. is our nation’s community colleges. These institutions, often the key human and social capital aggregators in our most isolated rural landscapes, have long fulfilled multiple, unfunded roles in building regional collaboration. With major changes in our nation’s workforce investment policy and program design, these rural institutions have taken on added responsibilities and significance. It could indeed be said that these institutions are building the “Extension Service of the Next Century,” grounded in place, working from an asset-based value set, sensitive to indigenous culture and heritage, and focused upon building the human capital of some of our nation’s most disadvantaged rural citizens.

RUPRI is working closely with the Rural Community College Alliance, through our National Institute for Rural Community Colleges, to assure these institutions become a more central player in future regional rural strategies. (See Appendix Map #1)

Given all this, three critical questions will determine whether these forces are passing fads or sustainable platforms for new policy innovation:

- Will public sector champion(s) step up, take on the New Governance mantle, and support public and private entrepreneurship?

- Will institutional innovator(s) accept the challenge of building these new intermediary structures, and the burdens of institutional innovation?
- Where are the constituencies to support these innovative leaders and institutions?

All this hinges upon the emergence and support of a strong cadre of rural public entrepreneurs. This reality is clearly recognized, and leadership support for this dynamic is being supported in multiple settings across the U.S., by major foundations such as the W.K. Kellogg Foundation, regional and community foundations, and corporate grantmakers.

The final, yet equally crucial element in this emergent framework is rural entrepreneurship. While much has been written about this critical component, only recently have significant public and philanthropic investments begun to be made in its development. Enlightened rural development practitioners have recognized for some time in the U.S. that the foundation for regional success is the leveraging of unique rural assets, the real rural added value. Fostering innovation and linking to metropolitan centers in a regional interdependence is now widely seen as what “local regional competitiveness” entails.

However, until now, the traction necessary to warrant serious public sector commitments to rural entrepreneurship systems has been lacking. A major commitment to this effort by the W.K. Kellogg Foundation two years ago, growing public policy education by institutions such as RUPRI and the Center for the Study of Rural America in the Kansas City Federal Reserve Bank, and new initiatives by regional foundations, governors, and many of our nation’s institutions of higher learning are currently bearing fruits, and resulting in new commitments for governmental innovation to support entrepreneurship systems at the federal, regional, state and community levels.

The challenge before us remains the development of rigorous, quantitative evaluative tools to assess the return on investment for public sector commitments to these systems. Absent such, we will still have too few risk management tools for public entrepreneurs willing to risk such commitments. However, serious attention is currently being paid to this deficiency, and many in the field are discussing approaches to address this challenge.

The New Farm Bill

One of the most important opportunities for capturing this new attention to regional rural strategies in the U.S. will be the new Farm Bill. Secretary Johann's speech is but one reflection of significant new attention which Rural Development will receive within this omnibus legislative package. Congressional Agriculture Committee Members and staff, USDA leadership, and the broad range of interest groups advocating within this process are all approaching this process with a shared recognition that this Farm Bill will reflect a difference of kind, not just degree, from prior efforts.

The Rural Development, Energy and Conservation Titles will see innovative new policy approaches and funding increases, and the Commodity Titles will be radically reformed. While many rural policy analysts felt this had the potential to occur in the 2002 Bill, we all agreed this outcome is assured next year.

The potential to resurrect an approach similar to the Rural Strategic Investment Program, contained within the 2002 Farm Bill, is quite high. This program, originally funded at the \$1B level through House floor amendment action, was eventually passed at the \$65 million level, but never implemented. RSIP was designed to create regional, new governance collaboration, to create innovations through a strategic regional framework, and had two purposes:

1. *to provide rural communities with flexible resources to develop comprehensive, collaborative, and locally-based strategic planning processes; and*
2. *to implement innovative community and economic development strategies that optimize regional competitive advantages.*

*Subtitle I, Sec. 385A-H
The Farm Security and Rural
Investment Act of 2002*

This is but one potential approach which could find its way into law next year.

Regardless, the die has been cast, and some framework for a new Regional Rural Innovation Policy will be incorporated into this package.

The U.S. Regional Development Framework

All these considerations will impact the ultimate structure and relevance of this new U.S. rural development framework. However, one overarching dynamic, of most relevance to this gathering, is the increasing importance of regional and territorial policy. To understand this current context, four U.S. regional elements are most relevant:

1. Federal / State Regional Commissions
2. U.S. Regional Planning And Development Organizations
3. Emergent Federal Initiatives
4. Micropolitan Designations

Federal / State Regional Commissions

Several federal / state regional commissions function as an important component of the federal portfolio aimed at alleviating persistent poverty and economic distress in numerous

states. (See Appendix Map #2) All of these are federal / state / local partnerships. The nation's first authorized and funded regional effort, the Appalachian Regional Commission, was established in 1965. In 1998, the Denali Commission in Alaska was established, and in 2000 the Delta Regional Authority was authorized and funded. In 2002, the Northern Great Plains Regional Authority was authorized, and during the last several Congressional sessions authorizing language has been pending to create the South East Crescent Authority and the Southwest Regional Border Authority. (See Appendix Map #3)

These federal regional commissions have flexible and comprehensive program tools to address the needs of their regions, and to build basic economic development infrastructure, job skills training, leadership and civic capacity, entrepreneurship, business capital, and accessible health care services. Each commission is a quasi-federal independent agency of the Executive Branch, although leadership is vested in a governing board consisting of a Federal Co-Chair, and the governors of the region, one of which is selected as the State Co-Chair. The Federal and State Co-Chairs have alternates, and all members serve term appointments.

In the FY06 Federal funding cycle, the Appalachian Regional Commission was funded at the \$65.4 million level (+ \$490 million for highway systems through the SAFETEAU-LU). The Delta Regional Authority received \$12 million and the Denali Commission \$50 million.⁸

Regional Planning and Development Organizations

The U.S. currently has a national network of over 500 sub-state planning and development organizations, and 320 regional development organizations that primarily serve

⁸ NADO News Special Report on the President's FY2007 Budget

small metropolitan and rural America⁹. (See Appendix Map #4) These organizations, governed and owned by local governments, with increasing engagement from the private sector, are multi-jurisdictional organizations providing administrative, professional and technical assistance to more than 2,000 counties and 15,000 municipalities across the nation. They are variously known as councils of government, area development districts, economic development districts, local development districts, planning and development commissions, regional planning commissions, and regional councils. These organizations are usually governed by a policy board of local government officials, with local representation from the private and community sectors.

The primary role of these organizations is to promote regional cooperation of local officials and the jurisdictions they represent, develop professional planning and program expertise, and package and administer increasingly complex federal and state grants and projects.

These rural organizations are particularly critical in our current federal structure, since 75% of our nation's local municipalities are rural, and 2,192 of our nation's 3,066 counties have a population of less than 50,000¹⁰. Over time, these regional development organizations have become more complex and cross-sectoral in both funding base and technical assistance programs, and many administer programs that run the gamut from culture and arts support to brownfields remediation. The core federal support for these programs remains a planning grant program located within the Economic Development Administration in the Department of Commerce.

⁹ NADO Research Foundation (2003) "Federal State Regional Commissions: Regional Approaches for Local Economic Development." National Association of Development Organizations Research Foundation.

¹⁰ Data from presentation by Matthew Chase, Executive Director, National Association of Development Organizations. "Prospering in Rural America: Regional Approaches to Rural Competitiveness." 2006 USDA Ag Outlook Forum, Washington, D.C. February 17, 2006.

Emergent Federal Initiatives

One of the most significant new regional initiatives was developed last year by the U.S. Department of Commerce, the “Strengthening America’s Communities Initiative.” This proposed structure consolidated numerous federal programs, in an effort to provide both greater targeting as well as flexibility to local regions. This legislation, which was not passed in last year’s Congressional session, will be reintroduced this year. One of the most significant and controversial components of the prior program related to the Community Development Block Grant, which last year distributed \$4 billion in federal support, 70%, or \$3 billion to entitlement cities, and \$1 billion, or 30% to the 14,000+ small metro and rural communities of our nation.¹¹ Funding for the CDBG program was significantly reduced in this proposal, and the entire program was to be moved from the Department of Housing and Urban Development to Commerce. In this new approach the CDBG proposal has been deleted, and other structural changes have been made to address Congressional concerns raised during last year’s hearings.

SACI, while controversial, created a national debate following its introduction, and has been the catalyst for much greater federal, state and regional attention to the most appropriate regional framework for innovative economic development policy in our nation. I anticipate a similar, vigorous public dialogue this Session. Regardless of the outcome, the Department of Commerce has assumed new federal leadership in encouraging multi-state and multi-regional collaboration, and it is anticipated that a new series of Commerce grantmaking proposals will be forthcoming this spring, to encourage these innovative dynamics.

¹¹ *ibid.*

Micropolitan Regions

One of the most intriguing, but as yet unutilized, federal vehicles for both regional targeting and programming is the new Micropolitan Area designation. First defined in 2003 by the Office of Management and Budget, Micropolitan Areas have a core principal city of 10,000 – 49,999, and include surrounding counties linked by commuting ties to this city. Currently, there are 582 Micropolitan Statistical Areas, which range in size and character from “edge cities” with close proximity to metropolitan areas, to others in much more isolated landscapes. (See Appendix Map #5) These micropolitan areas contain more than 28 million people, nearly 1 in 10 Americans, account for over 1/5 of all U.S. counties, and are as diverse as the U.S. geography, with Eastern micropolitan areas mostly lying between metropolitan areas, and Midwestern and Western micropolitan areas more isolated from metropolitan areas¹². While demographers, statisticians and policy analysts are only now beginning to fully apply and leverage the utility of this new designation, all anticipate that micropolitan areas will soon become a designation for legislative and regulatory targeting, as have metropolitan and nonmetropolitan areas in the past. However, these new “federally designated places” remain the only ones in the U.S. currently not receiving “place entitlements” from the federal government, through the CDBG program. It is widely anticipated that rural policy advocates will continue to challenge this funding inconsistency, as many of these micropolitan areas would provide the logical “regional growth” center for federal designation and funding as part of a new “Regional Rural Innovation” framework.

¹² Lang, Robert E. and Dawn Dhavale (2004) “Micropolitan America: A Brand New Geography.” Metropolitan Institute at Virginia Tech.

Summary

While each of these territorial management models offer strengths and weaknesses, U.S. policymakers have been less than fully successful in integrating these disparate funding streams and programs. Indeed, disparaging comments often refer to the “Balkanization of U.S. Regional Policy,” as additional federal commissions are proposed. In this regard, we have much to learn from developments in your nation. Mexico has become a global leader in crafting creative regional strategies to embrace the new economic realities of a global marketplace. Recent legislative innovations here further substantiate this standing. The U.S. continues to search for and move toward a more integrative framework. But we move in fits and starts, and have yet to reach consensus on either the need for a conceptual model or a practical, working design for this more integrative, regional innovation. Lacking either, there is minimal political will to challenge existing public policy path dependencies.

A Regional Rural Innovation System

However, one remains hopeful that the Regional Rural Innovation System can become a reality. If it happens, we will move from attraction strategies to entrepreneurship; identify and encourage “functional economic regions” to build on existing assets, broadly defined; and move from sector to place-based approaches. This regional framework will be appropriately configured, and will engage our institutions of higher education in a new regional compact, where public and private entrepreneurship will be central, a new rural governance between the public, private and philanthropic sectors will be evident, and new regional leadership, through innovative institutional renaissance, will be expressed.

While this may seem a bridge too far, parts of it are already emerging across rural America. Purdue University has designed and developed a new Discovery Park and Center for Regional Development, both outstanding new intermediaries, creating traction and scale for new regional dynamics. Dr. Sam Cordes, Director of the Center, has been working with the Governor and Lieutenant Governor of Indiana over the past year to create the Rural Indiana Strategy for Excellence 2020 (RISE 2020)¹³. This effort has engaged over 150 Indiana organizations and institutions, and has become a national model for new rural governance and regional development. Northeastern Ohio institutions created a new Regional Competitiveness Strategy, linking higher education, the private sector and governments in a 15-county area, to generate significant innovation and collaboration success. Multiple counties across the United States are beginning to forge collaborative “functional” compacts, and everywhere, federal, state, regional and local governments are rethinking and defining their appropriate roles.

Over time, I anticipate the growing number of such innovations will result in our federal government creating incentives for regional partnering, expanding investments in basic research and regional community and leadership capacity, and funding the development of new public goods for regional decision making, as key elements in a national rural entrepreneurship framework. Should this occur, the federal government will become an enabler rather than a driver of such dynamics, in which regional, state and local actors work together to build effective structures for regional governance, public and private collaboration, and identification of unique regional assets. If this is accomplished, a rural entrepreneurial development system can emerge, to enable innovation to leverage these assets, across space.

¹³ The Indiana Rural Strategy (2006) <http://www.purdue.edu/pcrd/Indiana%20rural%20strategy.htm>

Globalization has had profound and lasting effects. It also has created two unmistakable rural challenges: uneven growth across space, and new drivers of sustainable growth, primarily innovation and entrepreneurship. Building a Regional Rural Innovation System, which acknowledges these necessities and seeks to address them, must and will emerge within the U.S.

The promise of a Regional Rural Innovation Policy is premised upon the following realities:

1. National competitiveness is increasingly determined by the summative impact of diverse regional actions, to capture asset-based competitive advantage.
2. Support for such an approach will require a substantive rethinking of core missions across federal departments, state agencies, and regional and local governments, and a commitment to leadership renaissance within these institutions and organizations.
3. Funding support for these place-based policies are WTO-compliant, non-trade distorting opportunities for the federal government.
4. Finally, such a commitment improves the potential for Congressional Agriculture Committees to retain existing funding baselines, and for these Committees to retain statutory responsibility for rural development policy.

Final Concerns and Considerations

The current context for regional and rural development in the U.S. is dynamic and complex. Attention to these considerations will play an important role in our 2006 mid-term elections, next year's Farm Bill, our 2008 presidential election, and our nation's ongoing efforts to explain, understand, and address intractable poverty and a widening bifurcation of wealth, by class and geography, in the world's richest democracy.

In closing, I offer several considerations, particularly relevant in light of this nation's enlightened approach to microregional advancement. The U.S. currently lacks consensus upon a

vision for the future of rural America, its peoples, communities, and regions. And, as we all know, budgets and policies are ultimately about visions and values. While one may argue that a coalescing may be beginning within these dynamics, a cautionary word must be added.

In our current “rush to regionality,” we must be careful to listen to those silent, yet ultimately most powerful forces - culture, community, heritage, arts, and landscape. That is the beauty of your microregional approach, and one we have yet to fully validate and act upon.

In the U.S., we have not answered three critical questions regarding our rural development policy. One is ontological: “What is this ‘rural policy’ being?” Another is teleological: “What is our ‘purpose,’ toward what do we strive?” And the last is epistemological: “Upon what foundational pillars does our knowledge framework for this field rest?” Absent answers to these, all is hubris.

We must assure that we do not lose track of “the place in space,” and why our rural citizens choose to live where they do. And, until we answer these questions, we must not allow our rural policies to easily fall back upon four devastating defaults:

1. Homogenization – In the absence of an appreciation for our rural distinctiveness, our assets, our culture, and our natural resources, one development will be indistinguishable from any other. If rural communities and regions fail to act primarily from this “placedness,” they obviate their most unique competitive advantage in a globalizing world – leveraging their precious human, cultural, social, psychic, religion, economic, physical and institutional assets.
2. Commoditization – Most of our rural landscapes are the result of generations, and in your case, centuries of careful stewardship. These “working landscapes,” sustained by intimate relationships between caring peoples and their lands, will become an

increasingly valuable asset in a world in which markets are trumping and trampling culture. Until we as a nation are prepared to place a true market value on the natural resources we have so long assumed are unending, and available for the taking at little or no cost, we will not treat them as assets requiring skillful stewardship and management, which could offer significant new economic possibilities for rural people.

3. Urbanization – In the U.S., it is not uncommon at all for rural areas to define progress in one-dimensional growth terms – i.e., growing more urban. While economic progress is essential, if the only avenue to assuring your rural community’s survival is to make it urban, thereby obliterating the rural assets we sought to sustain, what have we gained? This essentially assumes that the non-agricultural composition of rural America has no intrinsic, non-urban value, and is just waiting there to be urbanized. We must be capable of more complex policy design.
4. Colonization – This thread, which winds through homogenization, commoditization and urbanization, is the most insidious, and destructive. This is the process by which rural people cede their futures to some wider interest or purpose, be it governmental, corporate, or non-governmental. Rural people and their communities must become equal partners in determining their own futures. Until their interests are perceived as being equally important to all others, and until they are given the tools and capacities to direct their own destinies, they will never achieve sufficient voice or platform, and metropolitan-framed solutions will continue to define their future.