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Rural rising: Economic development strategies for America's heartland

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I**n downtown Clarksdale, Mississippi,** in a repurposed freight depot built in 1918 for the Yazoo and Mississippi Valley Railroad, sits the Delta Blues Museum. The state's oldest music museum, it is central to the growing tourism industry in the Mississippi Delta, "the land where the blues began"—once home to John Lee Hooker and Muddy Waters. Yet on March

18, 2020, as the COVID-19 crisis escalated across the United States, the museum was forced to temporarily close its doors. Tourism across the country slowed to a trickle, and Clarksdale's Coahoma County—85 miles from Memphis, 77 percent Black, and with 35 percent of its population living in poverty as of 2019—suddenly lost one of its main sources of income and employment.[1] By April 2020, the county's unemployment rate had reached about 20 percent.[2]

Meanwhile, about 1,000 miles northwest, in rural Chase County, Nebraska, the unemployment rate in April 2020 was only 2.2 percent. Businesses struggled to fill positions and attract workers; the poverty rate in Chase County was lower than the US average and remains so today.[3]

As these stories show, rural America is not one geographical unit but a mosaic of different landscapes, people, and economic realities.[4] It includes agricultural powerhouses, postindustrial towns, and popular tourism enclaves. Some rural communities are relatively close to major cities, while others are hundreds of miles from the nearest urban hub. Some have thriving workforces and a handful of economic anchors, while others face declining populations and some of the lowest living standards in the country. Some benefit from endowments such as energy resources and beautiful landscapes, while others have few natural amenities.

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Below, we examine the types of rural communities in the United States and suggest that attention to three foundational elements—sectors, workforce, and community and connectivity—can promote economic success. We then outline a data-driven approach to economic development that can be tailored to meet the needs of different communities and share examples of initiatives that have led to positive outcomes in rural communities throughout North America.

Tracking growth across rural America's five community archetypes

In collaboration with Walmart, we've identified five archetypes of rural American communities (Exhibit 1).[5]

Americana. The largest rural community archetype, comprising 879 counties and 40 million Americans, Americana counties have slightly lower GDP and educational outcomes than urban areas. They are relatively close to major cities and often include several major employers.

Distressed Americana. Distressed Americana communities comprise 18 million people living in 973 counties (many in the South) facing high levels of poverty, low labor force participation, and low educational attainment. Historically, these communities have been hubs for agriculture, extractive industries, and manufacturing. Their decline has mirrored the struggles in these sectors.

Rural Service Hubs. Rural Service Hubs are so named because the areas (often close to highways or railways) are home to manufacturing and service industries. Because these hub communities typically serve surrounding counties that are more rural, they tend to specialize in industries such as retail and healthcare.

Great Escapes. Great Escapes are the smallest but most well off of the rural archetypes, home to wealthy enclaves and tourist destinations. They comprise 14 counties and 300,000 people. While the focus on tourism in Great Escapes communities results in many low-paying service jobs, their GDP, household income, and educational attainment outpace their rural peers.

Resource-Rich Regions. This category comprises 177 counties that are home to almost one million people. As the name suggests, these communities are defined by economic reliance on oil and gas or mining, often alongside high rates of agricultural production. Due in part to the value of the resources, household income, GDP per capita, and educational attainment in Resource-Rich Regions tend to be higher than average.

Exhibit 1

Over the past ten years, the populations of all archetypes except for Distressed Americana have grown (Exhibit 2). Resource-Rich Regions in places such as West Texas and North Dakota have seen some of the fastest growth. For example, since 2010, the populations of McKenzie County, North Dakota, and Loving County, Texas, have grown by 134 percent and 104 percent respectively, while median household incomes have increased by nearly half in nominal terms.[6]

Exhibit 2

Yet while the population of Loving County soared, Concho County, Texas, another Resource-Rich Region, witnessed a 33 percent decline in population over the past decade. Approximately two-thirds of Resource-Rich Region counties faced similar, though often less precipitous, declines.[7]

Counties where residents typically have access to world-class natural amenities, which are often among the Great Escapes, have been among the most uniformly successful since 2010. The appropriately named Summit County, Colorado, is home to one of the greatest concentrations of ski resorts in the world, featuring Breckenridge, Copper Mountain, Keystone, and Arapahoe Basin. Over the past decade, the county's population has grown by 11 percent and median household income has increased by 54 percent.[8]

Gallatin County, Montana, home to Bozeman, is a Rural Service Hub, though it also features the world-class natural amenities common to Great Escapes. It contains Big Sky Resort and is one of the gateways to Yellowstone National Park. The county, particularly the city of Bozeman, has seen a significant influx of remote workers during the pandemic, which may have contributed to a jump in housing prices of more than one-third since the beginning of 2020.[9]

Meanwhile, Pender County, an Americana region on the southern coast of North Carolina, achieved 22 percent population growth from 2010 to 2020 while positioning itself as a logistics hub. Pender Commerce Park, a 450-acre industrial center developed as part of a partnership between Pender County and Wilmington Business Development, attracted FedEx Freight in 2018.[10]

Rural counties' wide range of economic performance over the past decade reinforces that there is no one-size-fits-all playbook for growth. Instead, we have identified some of the fundamental characteristics that thriving counties tend to share, even as the appearance or impact of the characteristics varies from place to place.

Elements of a thriving rural community

Rural communities require three interconnected, baseline elements to thrive: sectors, workforce, and community and connectivity (Exhibit 3). Rural economic development initiatives typically tie into one or more of these key elements.

Sectors. Sectors refer to stable or growing tradable industries that bring wealth into communities, create employment opportunities, and carry strong multiplier effects that support the overall economy. Thriving rural communities play to their region's strengths, supporting sectors such as agriculture, manufacturing, energy, tourism, and postsecondary education.

Workforce. People are the lifeblood of any community. A healthy, skilled workforce is the most important factor in attracting and retaining employers in key sectors.[11] In addition, workers spread wealth and create additional jobs by buying goods and services within their communities.

Community and connectivity. The most intangible element, community and connectivity includes services and amenities critical to quality of life, such as transportation infrastructure and access to broadband, healthcare, childcare, and arts and culture. Because these assets support the workforce, they are essential to developing thriving sectors.

Exhibit 3

While thriving communities are succeeding across all three elements, more narrow or focused efforts can still catalyze economic growth. For example, even if job creation is low or GDP growth has plateaued in a community, improving residents' quality of life can slow outmigration and attract thriving sectors in the future.

Creating an economic development strategy

Creating an economic development strategy for a rural area is similar to doing so in other places. It is a multistep process that requires assessing the current state of the region, identifying the value proposition, evaluating existing programs, and establishing partnerships and rural hubs. When those steps have been taken, communities will be in a position to prioritize specific initiatives.

Assess the current state of the region

Before engaging in an economic development strategy, it is important to understand the current state of a region, its competitive position, and its strengths and challenges. This requires using quantitative data from sources such as the US Census Bureau, the Bureau of Labor Statistics, as well as the National Center for Education Statistics and qualitative data from sources such as stakeholder interviews to assess regional performance across a variety of metrics. The framework in Exhibit 3 provides a starting point. Regions can be assessed by sector, including factors such as employment rate, GDP, specialization, and growth by industry; workforce, including a demographic breakdown, employment by occupation, and educational attainment; and community and connectivity, including factors such as transportation infrastructure and access to broadband, childcare, and healthcare.

With these data, policy makers can understand their region's strengths and challenges relative to other regions and begin to focus on assets, or competitive advantage, and potential barriers to development.

Identify the value proposition

After the diagnostic phase has resulted in a picture of a region's strengths and challenges, the next step is formulating the value proposition, which is part of a strengths-based approach to economic development. The value proposition is about creating a regional story line that answers questions such as: Why would someone live here? Why would a company locate here? Why would someone visit? The value proposition can take many forms across sectors, the workforce, and community and connectivity. For instance, it may be a high-performing local talent pool, a knack for retaining and growing local businesses, an ability to build partnerships to attract investment, or distinctive industry clusters. The value proposition for residents might include a strong local community, a high quality of life, or access to natural amenities. The most effective economic development strategies leverage and develop a region's strengths and reinforce its value proposition.

Evaluate existing programs and initiatives

Any one region can be affected by multiple programs and initiatives, including those from federal, state, and local governments and from groups such as chambers of commerce and business improvement districts. Policy makers may want to take stock of existing programs before developing new initiatives to avoid reinventing the wheel. Key questions to ask include: What does this program cover? What are its strengths and weaknesses? Can it be improved? Is it possible to increase engagement? Successful economic development strategies often leverage existing efforts or improve them incrementally by updating programs or increasing participation. An analysis of a region's current programs also reveals genuine gaps that can be addressed with new initiatives.

Establish partnerships and rural hubs

Rural regions often include multiple stakeholders, such as governments, nonprofits, and educational institutions, that have a —sometimes overlapping—hand in the three foundational elements of economic development noted above. In addition, multiple communities within a broader region may have shared economic needs. Partnerships in rural areas can therefore allow communities to direct limited resources and expertise to shared initiatives. When regions and institutions band together, they create economies of scale, also called rural hubs.

Designing rural economic development initiatives

Rural regions are not monoliths, so rural economic development strategies will vary. The approach outlined above will help leaders identify their region's unique strengths, challenges, and assets that can be formed into cohesive value propositions. That said, many broad economic development initiatives can be tailored to meet the needs of different regions. Below is a nonexhaustive list of initiatives that may apply to rural regions, based on their specific assets and needs.

Launch 'big push' investment

The idea of the "big push" is to funnel a significant amount of investment into a particular area of need to create a sustainable, long-term, virtuous cycle of economic growth. This can take many forms but is most frequently associated with the attraction of a major employer or the construction of large-scale infrastructure. Due to its size, big-push investment usually requires involvement and funding from an overarching government body, such as the state or federal government.

An example of big-push investment in electric vehicles can be found in Tennessee. The state has offered Ford Motors and its partner, South Korea–based SK Innovation, hundreds of millions of dollars in incentives to develop BlueOval City, a site for the production of electric pickup trucks and advanced batteries. Leaders expect the project to create nearly 6,000 jobs in Stanton, Tennessee, a town within Distressed Americana Haywood County.[12]

Embrace placemaking

Residents want to live in communities that are safe, interesting, and attractive. Placemaking means creating those environments. It is, by one definition, "the process of creating quality places that people want to live, work, play, and learn in." [13]

Funding for placemaking efforts can come from a variety of sources, including private groups and local, state, or federal governments. For instance, the US Department of Agriculture's Rural Placemaking Innovation Challenge made available $3 million (with a maximum grant of $250,000) to rural areas for technical assistance related to placemaking.[14] Like their urban counterparts, many rural cities and towns have seen success in creating business improvement districts (BIDs), small-scale economic development organizations often funded by local stakeholders, such as businesses. BIDs deliver services in a particular area, often at the neighborhood or "Main Street" level. The services might include street cleaning, public safety, beautification, or events.

One example of placemaking comes from Douglas, Georgia, a city of roughly 12,000 people about 115 miles northwest of Jacksonville, Florida. It is the county seat of Coffee County, characterized as Distressed Americana.[15] In the late 1980s, Douglas faced downtown vacancy rates of about 25 percent. In response, the city restored historic facades (funded by an initial $10,000 from the city and the local industrial development authority), replaced sidewalks, and added lighting. Today, Douglas's downtown is a community gathering place where festivals take place regularly. Walking paths connect the downtown area to local community colleges. By 2012, the vacancy rate had dropped to 6 percent, thanks in part to 12 newly opened businesses downtown. Surrounding areas of the county gained nearly 8,000 new residents between 1990 and 2000, increasing the county's growth rate to 26 percent—up from 11 percent between 1980 and 1990.[16]

Develop tourism infrastructure

Tourism is technically an export sector—it draws in spending from outside the region to generate economic growth. Some rural communities can leverage existing assets, such as state or national parks, to capture tourism value. Others can use their environment or location to create a reason for tourists to visit.

Crosby, Minnesota, is 125 miles north of Minneapolis and home to just shy of 3,000 people. The town was a hub for iron ore mining until the industry collapsed a half-century ago. In the 1980s, leaders from Cuyuna Range Economic Development Inc., a regional economic development organization, and other stakeholders petitioned the state to create a recreation area on the former mine sites and surrounding land.[17] The Cuyuna Country State Recreation Area was officially established in 1993. In 2011, it became the state's first mountain bike park, featuring 25 miles of trails. Since 2011, 15 new businesses—including a brewery, a yoga studio, and a farm-to-table restaurant—have opened in Crosby, largely serving the tens of thousands of annual visitors to the trail system. Once the trails reach completion at 75 miles, leaders anticipate a local economic impact of $21 million.[18]

Attract, retain, and expand small and medium-size businesses

Sixty-five percent of workers in nonmetropolitan areas are employed by small and medium-size enterprises (SMEs), a higher share than in the nation as a whole.[19] These companies provide benefits to communities beyond direct employment. SMEs generate local wealth, because profits go to the owner, who is more likely to live and spend locally than shareholders of a large corporation.[20] Rural communities with a relatively high share of SMEs also tend to have better health outcomes.[21]

While attracting new businesses generates local excitement, expanding and retaining SMEs has a higher return on investment, in part because existing businesses do not require tax incentives to move to the area. Local businesses are stalwarts of the community, paying economic dividends through local taxes and job creation. Leaders can initiate a business retention and expansion strategy by collecting qualitative data from interviews with entrepreneurs about expansion plans and business challenges. In addition, economic development practitioners can support SMEs by helping them access loans and grants, navigate regulatory requirements, write business plans, plan for succession, and connect to large companies doing procurement in the region.

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Northern Development Initiative Trust, an economic development agency representing rural Northern British Columbia, has made SME support a core part of its mission. The agency offers programs such as the Competitiveness Consulting Rebate, which helps SMEs recover up to 50 percent of costs (to a yearly maximum of CA $30,000 [US $23,400])[22] for external business consulting on services such as website creation, marketing strategy, and workplace health and safety plans. Thus far, the program has allotted more than CA $5.5 million (US $4.3 million) to SMEs across 552 projects. A complementary program, the Northern Industries Innovation Fund, supports regional SMEs' innovation projects, such as providing funds to develop a technical process to adapt forestry equipment for drilling.[23]

Attract remote workers

Many companies have adopted long-term remote work strategies prompted by the COVID-19 pandemic and employees' desire for flexibility. These strategies primarily affect knowledge workers, who tend to be highly educated and high earning. Historically, remote workers have flocked to smaller communities with natural amenities. A 2018 Gallup poll showed that 27 percent of Americans would prefer to live in a rural area.[24] This presents an opportunity for rural communities to make strategic investments to attract remote workers. Some investments, such as strong broadband infrastructure, may be a requirement. Others, such as assets related to quality of life or outdoor recreation, may carry varying weight depending on the region.

Some regions offer direct financial incentives to remote workers who relocate. For example, the Shoals region includes Lauderdale and Colbert Counties in rural Northwest Alabama. Remote Shoals, a partnership launched in 2019 between the Shoals Chamber of Commerce and the Shoals Economic Development Authority, offers participants a stipend of up to $10,000 to move to the region and work remotely for at least 12 months.[25] The program received more than 200 applications from 33 states in 2019 and 500 applications in 2020.[26] By March 2021, the total payroll of those in the program was $1.8 million.[27]

Increase access to healthcare

According to the Centers for Disease Control and Prevention, significant disparities in health outcomes exist between urban and rural America, with residents of rural communities more likely to die from ailments such as heart disease and cancer.[28] Limited access to healthcare in rural regions is one of the drivers of this imbalance.[29] However, many rural regions are working to address this challenge by making it easier for patients to access care—virtually or in person—and by training the next generation of rural healthcare workers.

Project ECHO, based at the University of New Mexico, uses a combination of telemedicine, case-based learning, and web-based disease management tools to offer treatment for people with chronic diseases at more than 250 sites across the state.[30] The program saves many rural residents from long trips to hospitals in more urban areas to receive specialized care. In Alabama, the University of Alabama at Birmingham and Tuskegee University, in partnership with rural community clinics, train registered nurses in three identified areas of health professional shortages. The effort became particularly relevant during the COVID-19 crisis.[31]

Rural America is indeed a mosaic. From a distance, it is often idealized but misrepresented. Upon closer examination, it reveals a diversity of colors and images. It is not one place but thousands—each community with its own identity, culture, strengths, and challenges. Some rural regions are thriving, while others have yet to fully capture their potential value. But all rural areas could benefit from an economic development plan that strengthens sectors, the workforce, and community and connectivity.

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