THE EVOLUTION OF RURAL POLICY
AND AGRICULTURAL POLICY IN NORTH AMERICA:1

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INTRODUCTION

The broad objective of the paper is to review the development of federal policy affecting rural areas in Canada and the United States, and to assess its effects on rural residents. In doing this the focus goes beyond policies that are explicitly rural in nature. Today broader social policies are the major federal influence on rural areas in both nations. In part this reflects the simple fact that these programs are where the vast bulk of federal outlays occur, but it is also the case that the availability of a set of basic social welfare programs is a vital building block in the rural development process.

Having set out the objective, it is important to recognize that in the federal systems of government of Canada and the United States the national level is only part of the picture, and that states and provinces are increasingly playing a larger role in rural development policy. Finally, it cannot be overemphasized that successful rural development is almost always a fundamentally local phenomenon. Ultimately, successful rural development depends on local initiatives.

The salient geographic feature affecting early forms of rural policy in North America is scale. The size of the land mass and the corresponding low population density and reliance on resource based activities imposed development problems distinct from those of most of Europe. The distance factor in land-extensive systems resulted in a different division of labor between country and city than was the case in more land-intensive systems. Even today, communities in the hinterland of urban areas face different problems from those in frontier areas. Canada and the United States are similar countries in many respects. Both are large land masses, with large portions of each country having low population densities. In both nations the vast majority of the population is urban and the degree of population concentration in the largest metropolitan areas is increasing. Similarly, an increasing share of national economic activity is also taking place in urban areas.

The Economic Structure of Rural Areas


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Virtually every academic model of the economic development process of nations suggests a reduced role for agriculture in GDP as a primary indicator of economic development. While the absolute value of agricultural production may continue to increase, as might the value and volume of agricultural exports, the significance of agriculture as a source of employment and as a percentage of the national economy declines. In Canada and the United States this process has occurred steadily over the twentieth century (Figure 1).

The development process in North America has essentially been one of urbanization and more recently suburbanization. In this process population and economic activity have moved to urban centers. However what is striking about Figure 1 is the fact that the aggregate rural population has stayed fairly constant in both countries. Net population growth has been in urban places, while in rural areas the decline in the farm population has been offset by an increase in rural people who are not engaged in agriculture. The shift in rural population reflects the growth of non farm employment opportunities in manufacturing, the service sector (trade, tourism and various support functions), and government and education.

As a result the occupational composition of rural North America, on average, does not look that much different from the distribution of occupations found in urban North America. Although there is a somewhat bigger share of the labor force employed in the primary sector (agriculture, forestry, fishing, etc.), the bulk of employment in both the urban and the rural case is in the tertiary sector (services and government) and in the secondary sector (manufacturing). Thus from a national perspective the path of economic development seems to occur as a single process that has had a uniform impact on urban and rural space.

However while development from the national level appears to entail a simple decline in the relative role of agriculture and a parallel set of transformations of both rural and urban economies, the nature of development is more complex when examined at the regional and local level. While the economic structure of rural areas may in aggregate look like urban areas, it is clear that no specific rural area looks anything like any urban area. Further while agriculture plays a steadily declining role in the national economy, it remains the major economic engine in a fairly large part of rural North America. A band of rural territory stretching from the prairie provinces of Canada (Manitoba, Saskatchewan and Alberta) down through the central portion of the United States into Texas and Oklahoma still depends upon agriculture as its major source of economic activity (Figure 2). This region roughly corresponds to the area described Joel Garreau as the”Empty Quarter” to describe both the low population density, a disproportionately small number of large urban centers, and the relative scarcity of economic activity (Garreau).

In most other rural parts of the two countries agriculture still remains the primary land use, indeed there was at least as much land in crops in the year 2000 as there was in 1900, but only a small percentage of the population and local income is farm related. Yet these non-agricultural rural places are also different in important ways from urban centers. The most striking economic difference is the degree of specialization. A necessary characteristic for the economic viability of rural places is a high degree of specialization. Because the local population is small the only way to reach minimum efficient scale in almost any activity in rural areas is by dedicating a large share of the local labor force to one or two industries. As a result
rural places are highly dependent upon trade, because they produce a relatively small proportion of the goods and services they consume. While it is tempting to think of rural residents as being relatively self-sufficient, this is far from the case. In reality any rural place is less self-sufficient than a large urban center, in that a smaller proportion the items and services it utilizes are produced locally. Consequently rural places are at least as dependent upon stable trade flows as are urban centers.

In both Canada and the United States, rural development policy has historically been formulated as agricultural policy. Up through approximately the first half of the twentieth century this was an effective development approach. A large portion of the rural population was either directly engaged in agriculture or was found in small communities that supported agriculture. Within large geographic regions farms were fairly uniform in size and in the mix of products they produced, had strong links to the local community. This meant that development programs that focused on, agricultural research, enhancing rural transportation systems, stabilizing the prices of a few key commodities and in providing credit to farmers had a pretty positive and uniform impact both directly on farmers and indirectly on the balance of the rural residents.

An important consequence of these earlier agricultural development efforts has been a major change in the structure of agriculture. New technologies have encouraged the growth of farm size and specialization. Credit programs and improved transportation facilitated these adjustments. As a result the number of people involved in agriculture has declined, links to local communities have weakened, specialization has taken place and in some regions of the country less productive farmland has been abandoned. At the same time manufacturing expanded into rural areas, providing rural people with alternative employment opportunity. The result is that traditional farm based development programs no longer have any meaningful effect on most rural areas and to a considerable degree have little real impact on a large share of the remaining farms. As a result agricultural development policy is no longer an effective rural development policy.

AN OVERVIEW OF RURAL POLICY

There are many notions of what rural development involves. Among those that are commonly articulated are: a prosperous agricultural sector, stronger integration of rural places with urban centers, the preservation of traditional rural culture and protection of the natural environment, and equal access for rural residents to the goods and services enjoyed by urban residents. Each of these notions has been an integral part of rural development concepts in North America, yet none of them individually offers an adequate definition of rural development. Yet, in some sense each is an important part of a complete definition of rural development.

Early Experience with Rural Policy

Prior to the beginning of the twentieth century the majority of North Americans lived in rural places, so almost all development policy was really rural policy. Now the vast majority of North Americans live in urban centers and very little national development policy has an explicitly rural orientation. This change took place over an extended period of time in both
countries. Four distinct phases can be traced in the evolution of North American rural policy (Figure 3). Although all four policy regimes have been experienced in Canada and the United States, they did not take place at exactly the same time in each country, nor did each regime last the same length of time.

In each country the first period of rural policy consisted of land settlement and the expansion of natural resource exports to Europe. In both countries this interval started at the time of initial European settlement and occupied the first phase of nation-building. The most important characteristic of this phase was the effort to settle the land, that is to ensure that no other group or nation would be able to claim part of the territory for itself. This involved policies that provided farms to immigrants and required the development of canals, railroads and roads to improve transportation systems. From the start, the development of rural North America was highly export oriented. This phase of policy continued until roughly the late nineteenth century in the United States and the early twentieth century in Canada.

A second stage, which can be described as the era of scientific agriculture began with the closing of the open frontier, when the majority of the potentially arable land had been brought into production. At this time there was a recognition that any further increases in agricultural output would have to come from more intensive use of land, rather than expanding the land base. This led to the creation of government supported research centers to enhance agricultural productivity, the creation of agricultural colleges and universities, and the development of an agricultural extension service to disseminate new scientific methods to farmers. In the United States this interest in scientific agriculture began after the Civil War with the creation of the Land Grant Universities and expanded funding for agricultural research. In Canada the process started somewhat later, but it was well in place by 1900. As in the first stage of rural policy agriculture was still the central focus, because farmers still made up the dominant share of the rural population. But the form of rural policy had significantly changed. Rather than agriculture being the main means for financing the development of the rest of the nation, it was now a sector that required external investment to allow it to increase its productivity. During this second phase rural areas were displaced by urban areas as the place where most economic activity took place, and subsequently where the bulk of the population lived.

The second period can be thought of as losing its dominant status with the onset of the Great Depression in the 1930s. The collapse of the farm sector in both countries made it clear that rural development could no longer rely solely upon agriculture. This led to a search for ways to diversify rural places. The chosen means was to introduce manufacturing into rural economies that had previously relied solely upon agriculture. The first coherent effort in this respect took place in Mississippi through the Balance Agriculture with Industry program that began in the mid-1930s. The state government made a concerted effort to recruit manufacturing firms from the northern part of the United States to relocate in rural Alabama. The advantages they promised were cheap land, cheap labor, financial assistance and limited government regulation. The intent was to provide rural communities with alternative sources of income that supplemented earnings from agriculture. Soon other parts of the southern U.S. and then other rural areas throughout the continent followed Alabama's lead.
A second important feature of the third stage of development policy was the introduction of broad social welfare programs. For the first time the federal government provided pensions and other forms of assistance to the general populace. This safety net provided greater security to all residents the country irrespective of where they lived. It can be seen as a major shift in policy approach because the programs are not driven by geography or economic sector, but by the status of people. Over time, both the types of assistance and the level of support increased, reducing the necessity of depending upon family support and improving the quality of life of urban and rural residents. However the impact in rural areas was arguably greater because few rural residents were able to receive the types of employer paid benefits that were provided to workers in large urban firms.

During the first two policy stages agriculture had been the dominant economic sector and more importantly agriculture provided a mechanism for the modernization of the country at large. Following the Depression and World War II the modernization process took place and agriculture became a fairly minor factor in terms of total national production. This third stage lasted through the 1970's and carried into the early 1980's. It was marked by major outmigration from agriculture and increased dependence upon manufacturing as a major source of rural income and employment.

After 1950, the economies of rural areas became increasingly diverse. Not only did the economic base of rural places change from being mainly driven by agriculture, but the nature agriculture also changed. In particular, farmers became more specialized, so the interests of farmers diverged. However the main change was that the local economy of most rural places became dependent upon something other than agriculture. By the 1970's important sectors in rural North America included; agriculture, manufacturing, tourism, government installations, retirement destination places, and mining and timber communities. This led to a fragmentation of rural interests. As the diversity of rural areas increased it became increasingly difficult to develop a coherent national rural policy.

At the same time the urban interest in rural places became a more significant policy factor. Urban residents increasingly saw what went on in rural areas as having an impact upon them. They became increasingly concerned with the quality of the rural environment. This growing concern has led to the fourth phase of rural policy (Swanson and Freshwater). Rural policy now is mainly driven by urban considerations, not rural ones. One important consequence has been an increase in the role of government in rural places. In the past government acted to to enhance the economic development of rural areas, now in many ways it constrains economic development to meet urban objectives.

By the late 1960's agriculture had been displaced by manufacturing as the dominant economic sector in rural areas. However in the 1970s manufacturing began to face increased competitive pressures from foreign firms. In addition increased income and wealth in urban areas and an enhanced ability to spend leisure time in rural places have led to a greater concern with the quality of the rural environment. Urban people began to value rural places not for the production that they could provide, but more importantly for their esthetics. This led to a new type of rural policy that was not concerned with what went on of rural areas in terms of maximizing production, but rather was interested in the characteristics of rural places. In the last
few years the notion of development is taken on new meaning. It is becoming a richer concept embracing both environmental and economic values. Preservation of the environment, both natural and cultural, has become an essential aspect of development. Where a focus on jobs was once the primary criterion by which development projects were considered, now a broader set of objectives is taken into account.

An important aspect of the evolution of rural policy has been a steadily increasing role for government. In the first phase, rural areas were seen as the main source of funds for development activity. In this era government policy was designed to maximize revenue from the use of rural resources by facilitating exports. In the second phase government begins to make significant investments in increasing the productivity of rural areas, particularly farming. In the third phase policy expanded to introduce new new types of economic activity in rural areas and to provide rural people with access to a greater set of social services. The final phase has seen government take on an even larger role in the rural economy, where it now establishes a much more complex set of rules under which development can take place. Government intervention has been an inherent force in the emergence of the post-1945 rural economic diversity. Public attention has been focused on the degree of government involvement in agricultural production and trade, but agriculture is fairly typical in terms of the influence of policy on rural economic activity.

One of the more obvious aspects of government influence is through the types of infrastructure that are available. The government has had a long involvement with transportation facilities, but it also influences the location of power lines, oil and gas lines and sets standards for water and air quality. In both countries the development of federally funded highway system clearly helped those communities it passed by while harming those that were not served. But even those places that have access to an Interstate highway experienced disruption as economic activity abandoned downtowns for a more desirable location near the Interstate ramp.

The most recent example of the influence of public policy on the modern rural economy is the development of telecommunications regulation. Access to the Internet is now a necessary feature for modern life and commerce. To date, many smaller places have been able to keep up in the race to adopt newer technologies, but a lot have not. As telecommunications technology evolves it becomes increasingly unlikely that most rural areas will be able to afford to keep up. High speed access is predicated on proximity to physical infrastructure that is expensive to install and maintain, whether it is a central switch, a cable system head-end, or a high capacity wireless tower. Low density places, especially, poorer places, are inherently unattractive places to make investments that have short useful half lives. A deregulated telecommunications system also has little incentive to make investments for the social good if it harms profit margins. Thus federal government decisions to abandon principles of universal service have clear implications for who has access to telecommunications. Further, efforts in the United States by state governments to ensure that hospitals, schools and libraries in rural regions have access to the Internet have often had an unintended unfortunate effect on business access. Typically the state has negotiated low cost access for these institutions but with the provision that no “for-profit” firms will be able to use the infrastructure. As a result demand for advanced services has been fragmented and the cost of establishing a parallel network to carry commercial traffic is often more than the local private sector can afford.
REFOCUSING RURAL POLICY IN THE TWENTY-FIRST CENTURY

The process of rural structural change has led to the fundamental question of what, if anything, do you do for the people who reside outside the growing urban areas? Historically rural development policy has been of national interest in Canada and the United States because rural people were, if not a majority, a large minority of the population. More importantly, as long as agriculture was the dominant rural industry there was at least the appearance of a common bond among the rural populace that created an obvious vehicle for delivering policy. Now however in many parts of each country the rural population is a minor share of state or provincial populations and the nature of rural economies at the local level is so fragmented that the old policy mechanisms are not effective.

This has led to an argument that in industrialized nations where local economies are integrated components of the national economy and national policies reach citizens in all parts of the nation, there is no longer any reason to have specific programs for rural areas, because national programs can adequately serve all the legitimate needs of the population whether they are rural or urban residents. However, while the problems of rural people and places are in general the same as those in urban areas, there are important differences that justify a specific focus.

Rural areas differ from national areas in a number of ways. Rural areas have lower labor force participation rates which is symptomatic of their smaller degree of integration into the broader economy. Residents of rural areas also tend to be less well protected by the social safety net and less subject to employment protection than their urban counterparts. Rural labor markets tend to be thin with a limited number of employers and in many remote areas the potential supply of workers is far in excess of feasible demand. Because rural workers are predominantly engaged in the production of low wage, low skill tradable commodities they are highly exposed to the effects of globalization. But, because they have low skill and education levels relative to urban workers, and there are fewer employment opportunities in rural areas, many face a particularly severe transition to the global economy.

OECD, p.35

This quote suggests that a central issue in rural development policy for all levels of government, national, state and local, is how can the chances to enhance employment be improved. Historically, rural development policy by national governments has not had a strong direct focus on enhancing employment. Instead rural policy in North America has tended to be defined in terms of either sector based policy or in terms of place based policy. In the first case governments provided support to some specific rural industries, most commonly agriculture, in the expectation that enhancing the sector would in turn create direct and indirect employment effects that would benefit the rural populace. In addition to agriculture the most common sectors for this type of support were forestry, fishing, and mining. To the extent that these sectors
were either only found, or mainly found, in rural areas their support implicitly became rural policy.

For the second type of policy, governments identified specific places and provided resources to those places to enhance their development in the belief that by improving the infrastructure of the community, or by providing tax concessions, there would be a resulting increase in economic activity and once again employment opportunities would result. This could be justified in terms of efforts to stimulate “growth poles” or for social equity reasons in the case of providing assistance to specific communities that had fallen below some performance threshold, such as average family income level or level of unemployment.

Industrial sector based approaches have a significant record of past success, but also notable failures. However they are less likely to be effective in the future. Traditional rural sectors, like agriculture and the other resource based industries, are shedding jobs and replacing labor with capital. In the process they not only create less direct employment but they also provide less indirect employment because their industrialization replaces linkages to the local rural economy with linkages to the larger regional or national economy as a source of inputs and markets. In a parallel development place based efforts to attract new business now face lower success rates as firms increasingly consider foreign as well as domestic sites (Glasmeier and Conway). Now, even when attraction efforts are successful they often lead to people from outside the community receiving a large share of the new jobs, because local workers lack the necessary skills, so the social or economic indicator that triggered the policy initiative is not affected.

An alternative approach is that instead of rural development policy being structured in terms of helping places and sectors, it should be organized as a way to help rural people (Winters). By ensuring that people have appropriate skills you ensure that they have the best chance to lead a productive life and by doing so they can contribute to a rural place if they choose to reside there. Or, if they determine that their future lies in another place they leave the rural community with the skills to be successful somewhere else.

This suggests that policy to enhance employment opportunity in rural areas should emphasize the accumulation of human capital. The changes we are seeing in the industrialized economies make it clear that the set of skills a person has are major determinants of how well they will live (MDC, Winter). In the United States where unemployment rates are at record or near record lows in most states there are large pockets of unemployment, mainly in rural areas and urban cores, where worker skills are limited. In a decade of record prosperity we find that the real income and wealth of the least skilled portion of society has declined, because they are unable to effectively participate in the economy.

While it is clear is that past policy approaches no longer fit current conditions in most rural places, identifying new rural policies has not been an easy task. The diversity of rural conditions, combined with large geographic area and low population density in rural areas requires that each place have an almost independent approach. But this type of complex approach is not possible to implement as a national policy. In practice only a small number of programs can be effectively managed by any government agency, so the challenge is to design a
limited set of programs that can be combined in a number of ways to address rural development needs in different places.

**Issues In Implementing Rural Policies**

Despite the great similarities and the increasing degree of economic integration between the two nations, striking differences remain. These are most obvious in cultural and political institutions. In particular their approaches to rural development have differed considerably. In a rhetorical sense, if we ask which country has the most rural policy the answer is simple - the United States. Canada has rarely had any explicit rural policies while the United States has a considerable body of legislation that is explicitly rural. But, how do you measure rural policy? Is it by the amount of legislation on the books, whether or not it is implemented? Is it by the amount of federal dollars spent in rural areas? Is it by the vitality of rural areas, assuming that federal influence has a bearing on vitality? Is it by the level of outmigration?

All of these measures provide some evidence, but none are adequate. Ultimately we are not interested in whether a country has more or less policy, but in the quality of life of rural residents both in an absolute sense and relative to urban residents. To address this issue we must look beyond just counting explicitly rural policies and examine broader policy questions, such as:

How do general economic policies affect rural areas? What is the effect of monetary policy, banking regulations, minimum wage laws and other policies on rural regions?

Is the set of general economic and social programs adequately meeting the place-specific needs of rural areas? Do broad social programs meet rural needs? For example, Canada's health policy guarantees universal access to health care in the sense that an individual's income and wealth does not affect the level of service they receive. But, place does, as there is no requirement that services be extended to particular areas.

If place specific policies are desirable, is it institutionally possible to develop effective place specific rural programs? Even if we would like to provide additional support to rural areas do we know how to do it?

**Three OECD Policy Regimes**

Approaches to political economy, among OECD countries have been clustered in three broad groupings or "policy regimes," termed neoclassical, corporatist, and social democratic respectively. This classification follows Gosta Epsing-Andersen's comparative analysis of social policy systems in the OECD (Epsing-Andersen,1990). This analysis is extended to include strategies of intervention or non-intervention in market economies.
Neoclassical regimes emphasize the primacy of social choice through unhindered market mechanisms in the realm of both social policy and the economy. A citizen's rights to social and economic well-being in neoclassical regimes are very closely tied to the sale of his or her labor as a commodity. Social program benefits are either tied to past labor market performance (e.g., U.S. social security payments) or emphasize needs tests for access to program benefits. Benefits for the "neediest" tend towards minimal payments for restricted periods of time. Compared to other OECD countries, the neoclassical regimes restrain the coordinating and innovating role of government in the general economy. There is an instinct that unfettered markets are the optimal vehicle for optimizing collective economic performance and well-being. The neoclassical regimes include the United States, Canada, Australia, New Zealand, and the United Kingdom.

Corporatist policy regimes emphasize a close integration of economy and society. Citizens' access to a minimum of social and economic well-being are a matter of rights rather than being conditional on demonstrating severe need. Benefits are more generous, cover a wider range of activities, and are available for longer intervals of time. Beyond minimum benefits, there are gradations in benefits that are linked to an individual's rank in the occupational hierarchy. Benefits also tend to be calculated in terms of the perceived rights of family units rather than to individual rights.

Epsing-Anderson attributes much of the corporatist approach to a preindustrial conservative political heritage. Society is viewed as a hierarchy of different groups integrated into the social organism. The converse of hierarchy is a sense of noblesse oblige. Salient examples of corporatist approaches to political economy are Germany, France, and Japan. The corporatist approach extends beyond individual social welfare rights to a sense of the obligation and rationality of governments as a means to coordinate the national economy and promote national comparative advantage. It can also involves a more cooperative relation between labor and management than is the case in laissez-faire systems.

Social democratic regimes predicate social policy on an egalitarian system of rights of high levels to social benefits which are independent of market performance. In contrast to corporatist systems, benefits tend to be allocated to individuals rather than families: child support systems, for example, will be directed towards high day care payments that encourage women's participation in the labor force and whose levels are not linked to the spouse's earnings. As Epsing-Anderson points out, high levels of social program benefits imply a high degree of government intervention intended to maintain high employment rates. State-owned enterprises play an important role in the economy. The social democratic regimes include Sweden, Norway, Finland, Holland, and Austria.

Comparative Fiscal Federalism

The political systems of OECD countries adopt a wide variety of arrangements for dividing political power between national, regional, and local levels of society. Systems of division of power do not coincide with and cannot be subsumed under the kind of economic policy regime. For example, two corporatist policy regimes, Germany and France, stand at opposite poles of the decentralization versus centralization continuum. The neoclassical regime
in the United Kingdom is highly centralist while its major offspring, the United States, Canada, and Australia, have all adopted federalist political institutions.

In parallel, the distinction between unitary and federalist political systems does not coincide with, and cannot be subsumed under, the distinction between land-intensive and land-extensive rural resource systems. Long distances do not necessarily result in a decentralization of authority via federalism, nor is a compact scale necessarily associated with a unitary system. Sweden and Norway have unitary political systems while Germany and Switzerland have adopted federal systems with a highly decentralized federal division of powers.

The baseline measure of the distribution of power between different levels of government is the relative amounts of money spent at national, regional, and local levels respectively. An initial estimate of these distribution patterns in OECD countries is presented in Ehrensaft and Freshwater (1991). The ratios of national to total civilian government expenditures demonstrate both 1) a clustering of federal systems at lower levels of national to total expenditures; and 2) within federal systems, a greater degree of national centralization in the United States and Australia compared to Germany, Canada, and Switzerland.

Another layer of complexity is imposed on the analysis by the fact that there is also not an overlapping of division of powers between 1) legislative, executive, and judiciary powers within national and state/provincial governments, and 2) the distribution of federal powers between national, state, and local governments. The Swiss federation follows the U.S. model of dividing legislative and executive authority, but is on the opposite end of the spectrum in terms of centralization versus decentralization from the U.S. The parliamentary systems of Canada and Australia, which follow the British precedent of combining legislative, executive, and judiciary power in a prime minister and collectively responsible cabinet, also stand at opposite ends of division of powers between national, provincial, and local governments.

With respect to rural development issues it is relatively easier to address rural issues in corporatist and social democratic regimes than in neoclassical ones. The corporatist and social democratic regimes attach as much importance to groups as to individuals in the interface between markets and society. A system that specifies group rights by occupation or by social class is more readily inclined to assign group rights by place than is a market-oriented regime.

The political culture in neoclassical systems, with its emphasis on individual rights and welfare, has a more difficult time dealing with issues of place. The European notion that rural society constitutes a "cultural landscape" that is a highly valued part of a nation's heritage, and therefore deserves a high degree of policy support, is a hard sell in North America. The North American reaction is to lament the decline of rural areas but to view it as an inexorable result of market forces.

Many policy-makers and analysts consider programs that facilitate out-migration by rural individuals towards higher standards of living as legitimate and principal strands of rural development policy. This is the perspective, for example, expressed in Luther Tweeten and George Brinkman's important book, *Micropolitan Development*: rural development involves improving the well-being of rural people, wherever they eventually reside. (Tweeten and
Brinkman, 1976:4) For some rural communities, there are few prospects for viability and out-migration may be the best available option. In this case, we should label this accurately and honestly as closing down communities, not "rural development."

Short of a fundamental shift in the North American political economy regime, a key issue in rural development is how to accomplish the difficult but necessary task of assigning a higher degree of legitimacy to places within a neoclassical system. The most viable route for addressing place issues in North America is on the basis of equal access to opportunities. Almost three out of ten North American citizens reside in rural and small town areas where they have less access to opportunities, because of the poor access of rural communities to the programs and facilities that foster economic development. Redress in the form of rural development policy is necessary to ensure that this thirty per cent of the population can fully participate in the national economy and make the greatest contribution to national productivity.

A second proposition is that support from urban-based environmental movements is likely to emerge as an important component of North American political coalitions that transform rural needs into place-oriented rural policies (Swanson and Freshwater). The other side of the coin of a market-oriented, individualistic political culture is a high propensity to form social movements and pressure groups to advance perceived individual rights. It is likely that in the future one strand in the creation of North American rural development policy will further develop from the urban movements which demanded the conservation of forest land as national and state/provincial parks. As urbanization and income levels increase, more people feel a need and a right to enjoy the amenities of nature.

In summary, Canada and the United States exhibit modest but significant policy differences in their approaches to public policy. While both are clearly market oriented, or neoclassical regimes, Canada has a larger role for the state and is a more typical federal system when compared to other OECD nations. Despite these differences there are greater similarities than differences.

SOCIAL PROGRAMS AND RURAL DEVELOPMENT

All policies are not created equal. The degree of importance which governments attach to competing issues can be measured along three dimensions. The first is rhetoric or the extent to which government talks about an issue, including speeches by politicians, resolutions, legislative proposals and program developments. The second measure is outlays which show how the government spends its scarce resources indicating true priorities. This includes both direct outlays and tax expenditures or foregone tax receipts. The final measure is the extent of mandates by the federal government which compel other parties to assist rural areas. In a sense they are a form of indirect expenditure where the government requires others to act on its behalf.

All three measures are useful indicators of the importance of rural issues. The first is a measure of moral suasion and indicates awareness of rural issues by politicians. It is generally a leading indicator of the degree of rural concern, since politicians typically test the water for support before allocating funds. Because rhetoric is inexpensive and political issues appear and
vanish continuously, it is not a very strong indicator, nor is it one that necessarily reflects longer term reality.

The importance of rhetoric in rural policy discussions is best seen through the power of the perceived link between agricultural and rural policy beginning in the 1970s, for more than two decades the Rural Development Division of the Economic Research Service of USDA, along with the majority of the university community engaged in rural development research in Canada and the United States, argued that farm policy was no longer an adequate rural development policy. At the end of the 1980s it appeared that continuous repetition had made an impact. The 1990 Farm Bill contained a title that included far more rural policy than had been seen since the 1970s and Members of Congress actually appeared to have become comfortable talking about the need for a rural policy that was something other than farm policy. Similarly, in the early 1990s the Canadian government created a Rural Secretariat within Agriculture Canada that was to coordinate the activities of all ministries where they influenced rural people and places, and the speech from the throne in 1992 explicitly identified rural development as a significant issue for the government. It truly appeared that perhaps inertia had finally been overcome and there was a brighter future for rural areas and rural policy.

By the end of the 1990s, despite clear evidence to the contrary, farm policy was once again being described as rural development policy (Stauber). A new farm crisis had returned agriculture to the politicians’ attention and the desire to help a favored constituency led to a revision of policy. Members of Congress once again rely upon the metaphor of agriculture when they speak of rural, the initiatives of the Rural Secretariat have been greatly diminished, and the Rural Development Division of the Economic Research Service has been eliminated. Yet rural policy issues are at least as pressing as before, and changes in public policy including reductions in social safety nets and greater trade liberalization are exposing rural residents in Canada and the United States to far more pressures than are commonly acknowledged.

Outlays are traditionally seen as the prime expression of government interest. If rural programs receive increases in their spending authority, then the government has clearly determined that there are needs that must be addressed. Outlays, per se however, say nothing about the effectiveness of the support. Another problem with simply looking at aggregate outlays is the possibility of considerable year-to-year, or regional variability in what the money is spent on and who receives it. If the opportunities for funding are fleeting and vary by category, then communities are unlikely to develop coherent development strategies. Instead they will simply take whatever money is available, even if it doesn’t really fit their needs, simply because that is what is available at the time.

Finally, governments can influence the actions and outlays of other parties. This is becoming a more important feature as claims on the government increase and as discretionary revenues decline. Governments can require that particular actions be taken through mandates or by linking assistance in one program area to behavior in other areas. In a balance sheet sense, for a particular group or region, government funds can be thought of as receipts while government mandates are required expenditures. Either approach can foster economic development.
A full assessment of the supply of rural policies requires looking at how these three forces have evolved over time in the context of changing rural conditions and differing allocations of responsibility. When one moves beyond the analysis of rhetoric to the analysis of action, direct outlay data is the dimension which is relatively easiest to investigate. At present the United States, but not Canada, maintains a comprehensive set of data at the county level. These data are the basis for all sub-state analysis. However even in the United States the national interest in collecting data at this level is shrinking. For most national purposes data only has to be accurate at the state or provincial scale, which can be achieved with far smaller samples. Erosion of this data base will make it impossible to continue to examine differences in the performance of small areas, especially rural ones.

Social programs are by far the largest expenditure category in the national budgets of both the United States and Canada. When expenditures by all levels of government are considered, Canada spends an estimated 13 per cent of its GNP on social programs, including education, compared to 11 per cent for the U.S. (Brooks, 1989) The amount of social program money flowing into rural areas in both countries is far greater than from any other single source.

In terms of the analytic framework, social policy would qualify as a "maintenance" policy, as compared to a development policy. The existence of these programs, however, can also be viewed as valuable social infrastructure expenditure that increases the willingness and ability of people to stay in rural areas and work towards their transformation. From a strict neoclassical perspective, of course, these policies can also be viewed as an impediment to the free flow of people to areas where jobs are available.

**National Differences In Social Programs**

Canada not only spends a modestly higher proportion of its national product on social programs than the U.S., but it also allocates expenditures differently. It is not only important to measure how much money is spent, but also how the money is spent. One examination of how social program funds are targeted in OECD countries suggests that there are modest differences between Canada and the United States in the targeting of social programs that reinforces the differences in spending levels. (Epsing-Andersen, 1990) Epsing-Andersen assigns "decommodification" scores to the content of social policies. By decommodification, he means the degree to which program benefits are unrelated to a person's performance in the labor market. For two major policy areas, pensions and unemployment insurance, there has been a modestly higher degree of decoupling from market criteria in Canada compared to the U.S.

Epsing-Andersen's combined decoupling score for major social programs indicates a clustering of countries into three groups (the higher the score, the greater the degree that social policies are decoupled from market performance). The first group, consisting of Australia, the United States, New Zealand, Canada, Ireland, and the United Kingdom, impose the strongest links between labor performance and benefits. Canada's score indicates that it is has somewhat more progressive policies regime than the U.S.: 22 for Canada versus 14 for the U.S. This compares with an average score of 27 for all OECD countries. Maximal decoupling is measured in the 31-39 range for a group of countries composed of the Scandinavian countries, the Netherlands, and Austria.
Both Canadian and U.S. studies show that federal social expenditures are somewhat skewed in favor of non-metro counties. The geographic distribution of social program payments in favor of rural areas in Canada and the United States has little to do with rural pressures or the existence of policies intended to direct more resources towards rural areas. Pressures for program development came primarily from the urban majority. Demographic characteristics of the rural population relative to the urban population, such as a higher proportion of old people, have resulted in the skewed distribution of resources towards rural North America.

Canadians often pride themselves on having a more generous set of social policies than their southern neighbor. More accurately, Canada can be described as having social policies which resemble the United States far more than those in most other OECD member nations. Modest differences in social policy make rural Canada a modestly more attractive place to live than the rural United States. Canada's system of public medical care and regional equalization of educational funds within provinces reinforce these modest differences. These differences, however, are not the result of an explicit attempt to improve rural conditions.

In sum, Canada spends a modestly larger share of its resources on social programs than does the United States and program payments which are uncoupled from labor market performance to a modestly greater degree than those of the United States. As in the U.S., program benefits are skewed in favor of rural regions for reasons that have much to do with demography and little to do with rural political demands.

EXPLAINING DIFFERENCES IN RURAL POLICY

Different current approaches to rural development are a logical extension of past differences. In both nations; policy formation is typically an incremental process relying on marginal change. In Canada there was a regional focus, but defined in terms of provincial units, while in the United States a more explicit rural policy was developed. In both cases the focus is not on income transfers but on improving economic conditions.

Beyond their common focus on agricultural development activities, the U.S. policy emphasis remains on providing infrastructure and business finance, while Canada stresses planning and human capital. These differences reflect the legacy of past policies and the influence of interest groups who make it easier to refine and extend existing programs rather than create new ones. In the United States, USDA is the only federal agency with a strong presence in rural areas so administratively it makes sense to build policies around it. Within Canada, no federal agency has a strong network of local offices so there is far less ability to directly deliver programs.

The different approaches reflect national attitudes, especially toward the role of government and the degree of responsibility of individuals for their welfare. Canadian policy tends to be more interventionist in this sense, while U.S. policy is more geared to facilitating individual action. Canada has a much stronger tradition of government intervention with an equalization mandate enshrined in the Constitution. Easterbrook (1990) suggests that Canada never experienced anything analogous to the influence of Jefferson, and consequently followed a
more centralized system of development with less concern for individual rights and independence. Conversely, social programs are no longer an optional safety net policy in Canada, but have become more of a status quo property right (Courchene, 1987, p.9).

Differences in the sphere of influence of the respective national governments are also important. Each government has different strengths. Although in general the Canadian parliamentary system results in a stronger central government with power concentrated in the Prime-minister and the Cabinet, in terms of rural policy the U.S. government is far stronger. In Canada the federal government is checked by the assignment of important powers in this area to the provinces while in the United States the tradition of a strong federal presence and weak state influence make rural policy a predominantly federal issue.

Different political institutions result in very different degrees of responsiveness of elected officials to local concerns. This can be characterized as a place vs. party orientation in the United states and the converse in Canada. The Canadian electoral system results in ridings that do not have an equal number of voters since seats are distributed among provinces on a formula basis. More importantly the nature of the Canadian system enforces strong party discipline with Members under great pressure to adopt party positions.

By contrast, in the United States party discipline is weak and individual members are primarily responsible for their own electoral fortune. In both the U.S. House of Representatives and the Senate, members are more likely to adopt positions that reflect the needs of their particular district or state than their Canadian counterparts. This helps explain a more visible rural policy in the U.S. where politicians from rural areas have to show they are trying to support local issues.

Canada is characterized by a stronger sense of regional identification than exists in the U.S. The most obvious case of this is in Quebec. Canadian policy evolves through a delicate adjustment of federal and provincial powers (Simeon and Robinson, 1990). Extensions of federal authority are hard to accomplish because popular support allows provinces to protect their authority. The United States is characterized by a stronger sense of commonality and collective identity that facilitates national programs being developed. The U.S. revolutionary war and the constitutional process established a country that had a common set of principles. By contrast the Canadian experience can be characterized as an economic union of diverse entities that sought to keep their own identity.

A greater concentration of economic and social power exists in Canada, as compared to the United States. Urban social and economic elites are able to make effective use of a centralized political process to maintain their position. Grassroots reform movements face a harder struggle in Canada. Social class distinctions are also more common in Canada than the United States. This structure makes it more difficult to advance a rural agenda.

**CONCLUSION - THE FUTURE OF RURAL POLICY**

Returning to the earlier questions about the need for explicit rural policy what can be concluded? In both countries there is a residual underlying social contract that holds that people
have rights to equal opportunity. One of the strong trends in both societies is growing recognition of this right; both as a result of new policies and as a result of judicial decisions. While market forces remain the dominant means of allocating resources and distributing wealth, they are not the sole means of making decisions. Legal rulings have extended these rights in both countries and while the rulings have not always been on the basis of unequal opportunity for rural people, many of the decisions have clear implications for differences in opportunity between central and peripheral regions.

In many cases we know that general social programs or specific macroeconomic policies may have adverse consequences for particular regions. Rather than changing the programs, it may be more appropriate to compensate those adversely affected by implementing other programs targeted to their needs. From a pragmatic perspective it may be easier to introduce place-specific amendments rather than restructure core macro policies.

Making programs address rural needs will require major redesign and implementation efforts. Many current economic development programs tend to miss rural areas needs. For example a major development interest in the United States, enterprise zones, is almost always seen as an urban program although the legislation authorizing these zones requires one third be in rural areas.

Providing programs that treat all parts of a nation, or all groups, equitably may require that the programs treat different the parts or groups differently. We know that conditions vary among different parts of each nation and consequently if we want to see equal outcomes, we may need to provide different resources on the basis of local needs. If there is going to be equality of opportunity then the federal government in each country will have to play a major role since it is the only level of government concerned with national standards. In the North American context where functional regions cross borders, national governments have a role in ensuring that policies are harmonized on an international basis to meet development needs. This may be one of the main advantages of greater continental integration.

National governments are also best placed to observe what is happening in other nations and in facilitating an exchange of experiences. In the United States the growing interest in education and health care as critical factors in rural development suggests the desirability of looking at the Canadian experience. In Canada, the limited success of regional development programs defined on provincial boundaries suggest looking to the United States for information on specific rural programs. Beyond the two nations the most likely places directly relevant lessons are other land extensive nations, Australia, New Zealand and the Nordic countries, since they share common problems of scale, distance, and capital intensity. However all nations have the potential to provide innovative ideas.

It is clear that general economic and social programs, even if extended beyond their current levels, will not be capable of dealing effectively with the problems of distance, scale and the loss of critical social mass in rural areas. Only by grafting place-specific programs onto the set of core social programs will we allow equality of opportunity irrespective of place. While the traditional emphasis on improving human capital to allow outmigration is important and necessary, it too requires place specific approaches. Ignoring the attachment of people to place
weakens the likelihood of success of any program since it results in no sense of community and common purpose, and therefore must rely solely on individual self-interest.

In the neoclassical policy environment of North America the most effective way to legitimize rural policy is through appeals to increased efficiency. In this context enhancing employment becomes the basis for rural development. Arguments that are constructed around efforts to reduce unemployment or underemployment by bringing rural people into the economy in more effective ways will be more likely to gain support than arguments based upon equity considerations. Because rural communities are open to both national and international trade influences they are under considerable pressure to adapt to the global economy. What they need are the resources to facilitate a speedy adjustment, otherwise they will place a significant burden on the rest of the nation, whether the people in rural areas remain there, or if they move to urban centers only to find they lack the skills to find employment.

Are there lessons from North America that are applicable for other nations? Perhaps the most important is the difficulty of untangling agricultural policy from rural development policy. Well after agriculture has ceased to be the dominant force in much of rural North America it continues to drive the policy process, to the harm of of rural development. A second lesson is that rural places will evolve in very different ways once they progress beyond being farm dependent. This makes a national rural policy that does not have a strong role for local leaders unlikely to be effective, especially in large nations like Canada and the United States. A third lesson is that despite the wish that national programs alone have the potential to meet the needs of all of the residents of a country, there is still a need for territory specific policies. National policies may be the most important influence on rural development, but they are too blunt an instrument to bring about uniform growth in all parts of a country. The final lesson is that the appropriate mix of rural policy is driven as much by social conventions as fiscal capacity. To be effective, rural policies have to fit within the nature of the social contract between the government and the people of a country. Countries as similar as Canada and the United States have adopted very different development strategies because their societies and institutions remain distinct. Pieces of the North American experience may be useful elsewhere, but North America is not a good model for anyone else.
REFERENCES


