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Persistent Low-Income Nonmetropolitan Areas in the United States: Some Conceptual Challenges for Development Policy

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The person versus place distinction has been a major theme in poverty research and policy in the United States. The personal perspective focuses on individual and/or family attributes associated with entering, exiting, or persisting in poverty; the place perspective emphasizes characteristics of local infrastructure and institutions, especially the local economy and labor market, as determinants of differential rates of poverty among areas.[1] While this distinction is somewhat artificial, since the ultimate intent of anti-poverty policy is to improve the well-being of individuals and families wherever they reside, it cannot be denied that the nonmetropolitan and rural poor tend to be geographically concentrated and that the characteristics of place of residence condition opportunities to escape poverty.

Recent discussions of progress against poverty (or lack thereof) have concentrated on the changing fortunes of individuals and/or families, while, with the possible exception of inner-city ghettos, place poverty has been relatively neglected. This paper seeks to redress this imbalance somewhat by focusing on nonmetropolitan and rural poverty, and specifically on nonmetropolitan areas that have been poor throughout the "War on Poverty" years and into the present. We will identify these persistent low-income nonmetropolitan areas, compare their sociodemographic and economic characteristics with those of other nonmetropolitan areas, examine questions about which conceptual frameworks may be helpful in explaining why they became and persist as low-income areas in the midst of an advanced industrial society, and propose some challenges for policy development.

Background

An official poverty rate of over 17% in 1964 helped to convince President Johnson of the need to wage a War on Poverty.[2] Considerable progress against poverty was made during the next 15 years as the official poverty rate fell to 11.7% by 1979. The anti-poverty effectiveness of the War on Poverty's broad range of social and labor market programs is still a matter of academic and policy debate, but it is undeniable that the nation's poverty rate would be considerably higher if not for the cash (and in-kind) transfer programs developed during these decades. In fact, the pre-transfer poor remained constant at about 20% of the U.S. population during this period, while the percentage of persons who were poor after the receipt of cash transfers declined by about 30% (Haveman, 1987).[3]

The severe recession of the early 1980s refocused attention on poverty, as the nation's poverty rate increased from 11.7% in 1979 to 15.2% in 1983. The economy has recovered since then and the national poverty rate has responded by falling to 13.1% (U.S. Bureau of the Census, 1989a). However, not all areas (or population subgroups) have shared equally in this recovery. Nonmetropolitan areas, in particular, have not benefited as much as metropolitan areas from upturns in the business cycle (Henry, Drabenstatt, & Gibson, 1987; U.S. Department of Agriculture, 1990). The nonmetropolitan poverty rate did not decline until 1987, and the inflation-adjusted income gap between metropolitan and nonmetropolitan areas has steadily widened each year since the recession, until 1988. In that year, nonmetropolitan per capita income was only 73.5% of metropolitan income, compared to 77% in 1979 (U.S. Department of Agriculture, 1990).[4] The severity of nonmetropolitan poverty can be judged by the fact that the poverty rate in eight highly rural states still exceeds 17%, the national rate that triggered the War on Poverty in 1964 (Plotnick & Danziger, 1988).[5]

Ironically, while present-day discussions of poverty and antipoverty policy highlight inner-city ghetto situations (Pearson, 1989; Wilson, 1987), they seldom include explicit recognition of the severity of nonmetropolitan and rural poverty. The truth is that poverty is disproportionately concentrated in *both* central cities and nonmetropolitan areas. Twenty-eight percent of the nation's poor persons live in nonmetropolitan counties compared with only 22% of the total population. The central city shares of poor and total population are 42% and 31%, respectively. Data from the *Current Population Reports* further indicate the similar extent of nonmetropolitan and central-city poverty rates, 16.9% and 18.6%, respectively. In contrast, the poverty rate of metropolitan suburbs is only 8.5% (U.S. Bureau of Census, 1989b). This lack of attention to nonmetropolitan poverty is difficult to explain. Many social scientists dismiss it, explaining that it is not the nonmetropolitan environment per se that contributes to high poverty rates, but rather the low educational and skill levels of the rural and nonmetropolitan population. In fact, the data indicate that high nonmetropolitan poverty rates appear to stem from the characteristics of the nonmetropolitan poor, from the industrial and occupational structure of nonmetropolitan economies, and from the underdeveloped institutional capacities of poor rural communities. Our paper attempts to understand how these poor communities have evolved with such low human and institutional resources, and low-wage industrial structures.

The "invisibility" of nonmetropolitan poverty is another possible explanation for its neglect (Harrington, 1981). However, while some rural and nonmetropolitan poverty may be hidden by geographic isolation or camouflaged by pleasant scenery, it is highly visible in national statistics. Both the poverty rate and the absolute number of nonmetropolitan poor persons are large relative to other residential sectors. The 9.1 million poor persons living in nonmetropolitan areas represent a population that is 66% as large as the 13.9 million poor people living in metropolitan central cities.

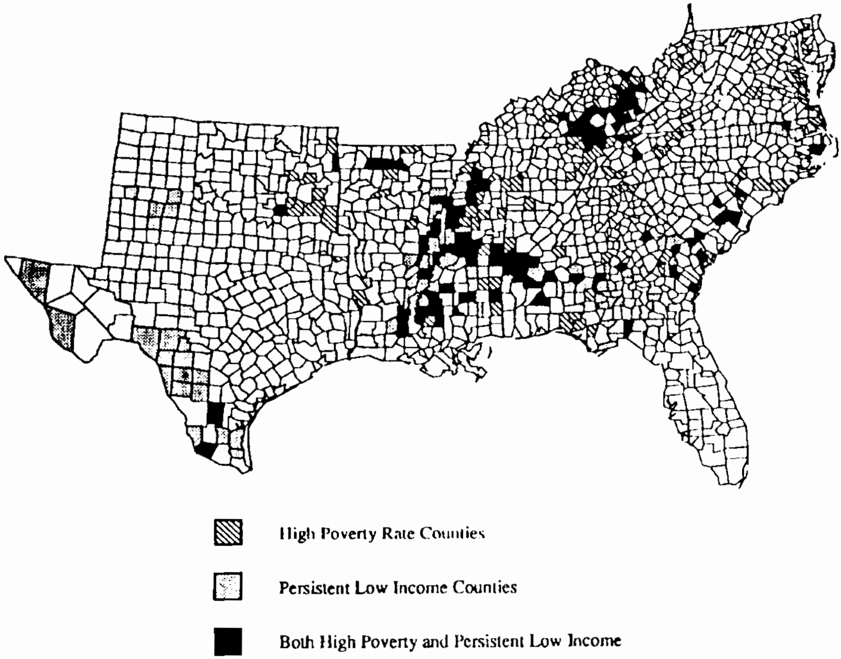
Moreover, the nonmetropolitan poor population tends to be concentrated in Appalachia, across the mid-south, and in the Mississippi Delta. This is not to say that other regions do not contain a substantial number of poor nonmetropolitan persons, but rather that the poor constitute a disproportionately large share of the total population in these subregions of the South. Thus, we do not believe that nonmetropolitan poverty is an obscure phenomenon that can be easily dismissed. We suspect that the lack of highly visible social problems associated with rural poverty, as well as the lack of local political concern, reduces its salience as a national political issue. Lack of strong working-class representation in political debate in the South has contributed to a historical acceptance of poverty, thereby reducing its visibility on the national scene. In the industrial North and Midwest, class conflict led to some sharing of power between the working class and the industrial elite, by the time of the New Deal. In the South, however, the power of elites was not effectively challenged until the civil rights movement of the 1960s, and then it was accomplished in part by outside intervention from the federal government (Bensel, 1984).

The Nonmetropolitan Places Left Behind

An insidious aspect of nonmetropolitan poverty is that it tends to persist in particular geographic areas over time. In fact, the income levels in some persistently poor nonmetropolitan areas do not appear to respond very much to changes in the national economy. There are several ways to identify chronically depressed areas. The U.S. Department of Agriculture's Economic Research Service ranked nonmetropolitan counties by per capita income in 1950, and has followed the bottom quintile over succeeding years. By 1969, about half (298) of the original group of counties was still in the lowest quintile. During the next 15 years, 92 of these counties improved their income sufficiently to exit the category, leaving a core of 206 counties that have been in the lowest income group for at least 35 years (Bellamy, 1988). Almost all of these counties are in the South (188 of 206).

Alternatively, areas can be identified by a high percentage of persons (or households) in poverty. The map of these two county delineations is not necessarily the same, although the general patterns have much in common. High-poverty counties also have relatively low per capita income, but some of them are not included in the persistent low-income category because of extreme inequities in income, especially between blacks and whites. In these instances the high-income levels of whites elevate per capita income enough to eliminate the counties from the persistent low-income category, but this may not alter the percent in poverty. These "places left behind," whether delineated as persistent low-income or high poverty-rate counties, are the principal focus of the remainder of our paper.[6] A discussion of various aspects of these places—location, socioeconomic characteristics, industrial composition, and race and class—follow.

Figure 1



1. *Location.* Persistent low-income nonmetropolitan counties are mainly located in the South (all but 18), but within that region they are concentrated in four distinct subareas—Appalachia, the Southern Coastal Plains and Black Belt from North Carolina to eastern Mississippi, the Mississippi Delta, and the Ozark-Ouachita plateau (Figure 1). The location of persistent low-income counties bears a resemblance to the map of the 200 nonmetropolitan counties with highest poverty rates, but there are distinct differences, as well. The Mississippi Delta, Black Belt, Appalachia, and the Ozark-Ouachita plateau appear on both maps, but the high poverty-rate counties are far less prominent in the Black Belt. Persistent low-income counties are conspicuous in the Rio Grande Valley, but high poverty-rate counties are largely absent in this area. (High poverty-rate nonmetropolitan counties outside of the South are located throughout Hispanic-dominated areas of the Southwest, and in Native American areas of the upper Great Plains.) Overall, 105 nonmetropolitan counties in the South share both low-income designations; 83 counties are persistent low income but not high poverty, and 95 are high poverty but not persistent low income.

2. *Socioeconomic Characteristics.* A comparative profile of persistent low-income counties, high poverty-rate counties, and other southern nonmetropolitan counties is presented in Table 1. These data permit us to determine whether gross differences in sociodemographic characteristics are associated with markedly different levels of material well-being in these three

Table 1
Comparative Profile of Persistent Low-Income, High-Poverty, and Other Nonmetropolitan Counties, South 1984

Item	Persistent Low Income[a]	High Poverty Rate[a]	Other Nonmetropolitan[b]
Number of counties	188	200	823
Size and location			
Population per county	16,379	16,955	28,818
% rural (1980)	86.0	77.6	68.2
% adjacent to metropolitan (1980)	30.9	30.0	49.0
Population characteristics			
Per capita income	$ 6,999	$ 7,465	$ 9,721
% black (1980)	24.5	32.3	15.6
% adults completed high school (1980)	39.8	40.1	48.1
% families below poverty (1980)	24.3	27.1	15.1
% persons below poverty (1980)	29.2	32.9	18.9
Labor force			
Employment/population ratio	33.1	36.0	43.0
Unemployment rate	12.9	11.9	8.6
Economic structure			
Sources of income			
% earnings	60.0	59.6	62.2
% property income	16.4	17.9	20.2
% transfer payments	23.6	22.5	17.6
Total	100.0	100.0	100.0
Earnings by industry			
% farming	10.7	14.5	9.1
% mining	4.6	5.0	6.3
% construction	5.2	4.8	5.6
% manufacturing	23.8	19.3	24.5
% services	33.6	35.7	36.8
% government	22.0	20.7	17.7
Total	100.0	100.0	100.0

Note: Data are for 1984 unless otherwise noted.
Sources: U.S. Bureau of Economics Analysis, U.S. Bureau of Labor Statistics and U.S. Bureau of the Census as computed by Bellamy and Ghelfi (1988).
[a]Not mutually exclusive categories.
[b]Neither persistent low income nor high poverty.

categories of counties. We compare county size and location, human capital endowments, and economic structure, factors frequently cited as accounting for area differences in economic development and material well-being. The depressed economic condition of persistent low-income and high poverty-rate counties is clearly indicated by their per capita incomes which are only 72% and 77% as high as other southern nonmetropolitan counties, and by their average poverty rates which are 54% and 74% higher than other nonmetropolitan counties in the South (29.2% and 32.9% versus 18.9 %, respectively).[7]

The data in Table 1 suggest that small population size, a low level of urbanization, and relative isolation from metropolitan centers are associated with the low level of economic development in persistent low-income and high poverty-rate areas. These attributes probably constrain these counties' abilities to benefit from economies of scale, or from easy access to nearby metropolises, thereby limiting the potential for cooperation and cost sharing, reducing opportunities for economic diversification, and negatively affecting the capacity (fiscal and otherwise) of local governments and other institutions to provide infrastructure and public services that support economic development, human capital development, and social welfare.

The data also indicate that persistent low-income and high poverty-rate counties are at a substantial human capital disadvantage compared with other nonmetropolitan areas in the South. For example, only 4 of 10 adults in persistent low-income or high poverty-rate counties have completed high school, compared with about half of adults in other nonmetropolitan counties (and two-thirds of adults in southern metropolitan areas). In addition, earlier data presented by comparing persistent low-income counties to all nonmetropolitan counties showed persistent low-income counties to have a higher rate of work-limiting disabilities, a higher proportion of female-headed families, and a slightly higher proportion of elderly. Labor utilization is also lower in persistent low-income and high poverty-rate counties. The unemployment rate in 1984 was substantially higher in such areas than in the rest of the nonmetropolitan South, and employment to population ratios were about one-fifth lower. Accordingly, labor-force-age persons in persistent low-income and high poverty-rate counties are marginalized from the work force more often than is true in other parts of the nonmetropolitan South. This difference is reflected in the sources of income data which indicate that persons living in persistent low-income and high poverty-rate counties derive a substantially higher proportion of their incomes from cash transfer payments (24% and 23% versus 18%).

3. *Industrial Composition*. Curiously, given their lower labor-force participation and higher unemployment rate, the proportion of income derived from wages and salaries does not differ much between high poverty-rate, persistent low-income, and other nonmetropolitan counties in the South. The share of income derived from property, however, is somewhat lower in persistent low-income and high poverty-rate counties than in other southern locales.

The industrial composition of earnings in persistent low-income counties, at least as reflected by highly aggregated industrial categories, is also similar to the rest of the nonmetropolitan South. We suspect that a more detailed breakdown of these gross industrial categories would show that a higher proportion of persistent low-income county manufacturing, for example, is routine production, and that a disproportionately large share of persistent low-income workers performs routine tasks within these industries. However, at the gross level included in Table 1, the representation of industries in persistent low-income counties does not appear to differentiate them from the rest of the nonmetropolitan South. In contrast, the industrial composition of high-poverty counties differs markedly from other nonmetropolitan counties and from persistent low-income counties, as well. High poverty-rate counties derive a higher percentage of their earnings from farming and a lower percentage from manufacturing. Thus, they are more consistent with a traditional conception of underdeveloped rural areas.

It should be noted that manufacturing in the rural South overall tends to be concentrated in the low wage and low-skill peripheral industries, such as textiles, apparel, furniture, timber, and leather products, so the persistent low-income industrial composition is not necessarily beneficial. In fact, Falk and Lyson (1988) have shown that almost one-half of manufacturing in the rural South is peripheral, in the dual-economy sense, compared with about one-fifth of manufacturing in the region's urban areas.[8]

4. *Race and Class.* Low-income and racial minority populations are often concentrated in the same counties. In the Southeast, for example, one-quarter of the total population of all persistent low-income counties and 32% of the total population of all high poverty-rate counties are black, compared with only 16% of the population of other nonmetropolitan counties. It has been shown that nonmetropolitan counties with high poverty rates can be subdivided into four major areas based on racial and/or ethnic-cultural heritage. Within each of these areas it is the economic condition of the key racial or ethnic groups that accounts for the high poverty rates (Fuguitt, Brown, & Beale, 1989). Hispanics predominate in the Rio Grande Valley and adjoining southern Plains counties, Native Americans in the Four Corners region of the Southwest and northern Plains, white highlanders in Appalachia and in the Ozark-Ouachita areas, and blacks in a broad sweep of counties that extends from the Southern Coastal Plains through the Black Belt and throughout the Mississippi Delta. The latter area represents the heart of the old agricultural South, where the imprint of the plantation economy and the tenancy system that followed it is still evident in the social structure. Southern agriculture was not reorganized after the Civil War to make room for independent black farmers. The tenancy system which developed enabled freed blacks and poor whites to eke out a living by continuing to provide labor and menial services to large land-owners who gained most of the profit. Jim Crow legislation further solidified this stratification system and tied blacks more tightly to tenancy, since landholding whites dominated the credit, legal, educational, political, and economic systems throughout most of the South (Taeuber, 1988).

Despite much progress, the level of rural poverty in the South is still extremely high, with substantially higher rates for blacks than whites in the same counties. Black poverty rates are especially high in counties where the size and/ or proportion of the black population is high. For example, Washington (1986) showed that black median family income was less than half as high as white median family income in 14 Mississippi Delta counties with over 40% black population. Over 75% of black adults had not completed high school in these counties compared with one-third of whites, and over a quarter of black dwelling units lacked complete plumbing, compared with less than 2% of white units.[9] In addition to these socioeconomic differences, Washington showed that, compared with the rest of the nonmetropolitan South, high-percentage black counties had extremely low levels of public infrastructure such as hospitals and medical facilities. Although the Appalachian Regional Commission has made significant investments in community infrastructure, similar disadvantages in educational attainment and housing quality are also found in high-poverty white counties in Appalachia.

Previous debates over people versus place prosperity have been critiqued for treating people and place as single dimensional factors of production: people as labor and place as land. Place represents the much richer social context within which people play out their lives. Separating people from place prosperity leads to policy prescriptions which focus on labor mobility and place abandonment (triage) (Agnew, 1984). Ultimately, in this paradigm, improving people's material well-being requires out migration in response to the public and private divestment that is necessary to promote national (and broad-regional) economic growth and income security. In the persistent low-income and high-poverty counties, it is clear that attention needs to be given to the complex interactions between people *and* place to better understand the dynamics of persistent poverty over the decades.

Explaining Persistent Low-Income Nonmetropolitan Areas: Alternative Perspectives and Conceptual Challenges for Development Policy

Persistent regional concentrations of poverty are often explained as an outcome of low rates of economic growth and developmental change. Growth and development, however, must be distinguished in such discussions. Economic growth implies more output and greater efficiency in production, both of which are considered critical for increasing employment and reducing the incidence of poverty. As aggregate demand for goods and services increases in a local economy so does demand for resources of the poor (i.e., labor power), thus increasing employment and income. Development, in contrast, goes beyond economic growth to imply structural and institutional changes which promote a more equitable distribution of new jobs and income generated by growth (Herrick & Kindleberger, 1983). Thus, poverty reduction rests not only on economic growth, but also on developmental changes that generate adequate incomes from work; reduce institutional barriers to material well being (such as discrimination, locational isolation, and price fixing); and provide adequate support to those who are unable to work (the elderly, disabled, and single women with small children) who represent a disproportionate share of the rural and nonmetropolitan poor (Bryant, Bawden, & Saupe, 1981).

The persistent low-income and high-poverty rate counties which are the focus of this paper are characterized by low rates of economic growth and by a relative lack of developmental change. Peripheral integration with national markets; concentration in low-wage, low-productivity industries; and an underdeveloped resource base (particularly in the areas of physical infrastructure and human capital) characterize these areas and contribute to their lack of growth and development. The distinction between growth and development implies that economic growth may be a necessary but not sufficient condition for poverty reduction in depressed nonmetropolitan areas.

Many U.S. rural development policies have been guided by the assumption that strategies to increase economic growth will result in a decrease in poverty. Because the rural poor have relatively high levels of attachment to the labor force, economic growth strategies, particularly those that promote higher employment and wage levels, may have a positive impact on rural poverty reduction. There is mixed evidence for this point. Martin (1979) evaluated Economic Development Administration programs and showed that they played a role in stimulating growth in lagging areas. Howland and Miller (1988) showed that Urban Development Action Grants created and retained jobs in depressed rural areas. In contrast, if we look at coal producing areas of Central Appalachia, we note that despite improvements in infrastructure (resulting from activities of the Appalachian Regional Commission) and growth in aggregate income and industrialization, these counties continue to have a skewed income distribution and persistent poverty (Tickamyer & Tickamyer, 1986).

What factors explain this persistent low-income status even during periods of growth? Why doesn't increased economic activity necessarily result in a further reduction in poverty? Distributional and equity considerations will be key to our understanding of the fundamental difference between growth and development. First, we will undertake a brief review of the key attributes of growth and development theories that attempt to explain uneven development. Insights provided by neoclassical theory as well as political-economy perspectives will be considered. The following discussion, like U.S. development policy, is grounded in neoclassical economic thought. However, we will attempt to identify conceptual challenges offered by more critical political-economic analysis which may contribute to a more effective understanding of, and response to, problems of persistent nonmetropolitan poverty and underdevelopment in the context of our advanced industrial society.

Four theoretical perspectives are outlined below in an attempt to highlight key differences in assumptions which affect development policy prescriptions. Each perspective places differing levels of importance on the role of the marketplace and government policy in development. Much of the theoretical work mentioned does not fall neatly within one perspective. However, in order to draw out some of the challenges stemming from root differences, we have chosen to highlight individual contributions within one of four broad traditions: neoclassical, structuralist, dependency, and critical/Marxist.[10]

1. *Neoclassical perspective.* Neoclassical development theory focuses on the role of market and price mechanisms in determining the direction and nature of economic development. Differences in individual preferences are sorted out in the marketplace through substitution and exchange relationships which promote utility maximization. Implicit assumptions of harmonization of interests through the market mechanism, and of an economy which tends toward equilibrium, discourage direct attention to social and political factors. Benefits from economic growth are expected to "trickle down" within the system. Thus the role of public policy is to promote private competition and economic growth. Equity concerns are not addressed directly.

2. *Structuralist perspective.* Differentiation among economic sectors (productive sectors, composition of the labor force and investment) is considered critical to explain persisting disequilibria as manifested by excess supplies in some markets and excess demand in others. These disequilibria may prevent the erosion of interregional and interpersonal differentials and instead promote further concentration of income among the wealthy, and stagnation among the poor. Structuralists emphasize the role of structural and developmental change to promote harmonization of interests and erosion of these interregional differences. Structuralists rely on market forces to promote structural change. Distribution and equity concerns are key concerns for development policy.

3. *Dependency perspective.* Differentiation between the "developed" core and the "underdeveloped" periphery is explained in part by disarticulation of economic interests of the core from those in the periphery. Returns to labor in the periphery are insufficient to support development so that lagging regions are perpetually marginalized. External exploitation by the core blocks internal development in the periphery and prevents articulation of divergent class interests into common societal goals. Governments in the periphery have limited ability to promote structural change due to the powerful hegemonic interests of the core.

4. *Critical or Marxist perspective.* Critical theorists stress the importance of the role of history, and social and political relations, in economic development. They are impatient with the static equilibrium of neoclassical theory, and stress the importance of a continuing process of conflict between opposing forces to reach synthesis and promote change. The role of both external and internal forces in capital penetration and exploitation is emphasized. The particularistic, empirical nature of this analysis, rooted in the "scientific" historical context, frustrates attempts to suggest universal conclusions. Public policy, itself a product of socio/political/economic relations, is unlikely to address fundamental change needed for equitable development, even if explicit attention is given to equity and distributional concerns. Heightening contradictions ultimately may result in class-based revolution and radical social change.

Much development thinking in the U.S. has been guided by a neoclassical perspective: promote growth, and broader development goals will also be met. Differential growth and uneven development, however, have characterized the history and evolution of U.S. economic development. We believe that attention to regional or sectoral differences, and to the role of politics and social relations as advocated by the dependency and critical approaches, offers an important opportunity to further our understanding of the dynamics of persistent poverty and underdevelopment in nonmetropolitan America.

Most neoclassically based theory and development policies have tended to emphasize the overriding explanatory power of market variables in stimulating regional economic growth. In reviewing theories of regional economic growth, Edwards (1981) identified five bases of growth which form the focus of many market-oriented models of uneven development. Typically, uneven development is characterized by some form of market failure caused by endogenous economic factors, or by exogenous noneconomic factors that interfere with market operation. Edwards recommended a more comprehensive neoclassical policy framework that incorporates five bases of economic growth in an integrated fashion. Contributions to each of these bases are indicated below:

1. *Increasing resource availability.* Regional variations in growth are explained by variations in the availability and quality of land, labor, and capital. Policies focus attention on capital accumulation and on the role of public investment to stimulate regional growth.

2. *Advancing technology.* Technological change is a key to growth. Endogenous economic forces induce technical and institutional change. However, technical change may have negative impacts on labor (displacement) and quality of life (e.g., routinization of work, environmental externalities).

3. *Expanding markets.* Exchange is a basis for growth. Increasing demand through exports, government, and business investment, stimulates growth due to comparative advantage and multiplier impacts. However, free trade among regions may contribute to differential growth and underdevelopment in some areas.

4. *Conquering space.* Location and distance may be important barriers to economic growth. Some theories suggest complementarity between urban and rural hinterlands facilitates rural area economic growth; others suggest rural areas decline due to technical and market conditions which favor urban areas. Investments in communication and transportation infrastructure are generally assumed to have a positive impact.

5. *Building institutions.* Institutions can facilitate the other bases of growth (through worker training, zoning, financial regulations), or serve vital economic functions independent of the other bases of growth (e.g., building local leadership). Purposive institution building may modify unsatisfactory results of the competitive status quo such as divergent regional growth, uncertainty, market failure (especially in the case of public goods), and distributional inequities.

Much U.S. development policy has addressed these differential bases for growth, in part to counteract the uneven development characteristics of some regions. The Appalachian Regional Commission and Tennessee Valley Authority are prime examples of such broad-based development efforts.

While distributional concerns are at the base of political discussions of policy, differences in perspective are not often articulated clearly in discussion of policy choice and measurement of policy effectiveness. Jansma, Gamble, Madden, and Warland (1981) did this in their review of current rural development theories. They suggested a conceptual framework which included socioeconomic aspects (microefficiency concepts), the role of organizational and institutional forces (macroefficiency concepts), and the role of spatial arrangements. They questioned the acceptability of the commonly used Pareto efficiency framework as a measure of microefficiency in development because the equilibrium, consumer sovereignty, and resource mobility assumptions are often not met, and because Pareto efficiency accepts a given income distribution. In the macroeconomic context they stressed the need to address the role of political mechanisms in allocating goods among competing interests. Their analysis showed the impact of alternative distributional perspectives on choice of conceptual frameworks and policy responses to promote regional development.[11]

These alternate perspectives also affect policy responses within a spatial framework. For example, efficiency advocates recommend regional investments be made to areas of highest marginal return, while equity advocates stress the need for public investment to overcome chronic underinvestment in depressed regions. Drabenstatt, Henry, and Gibson (1987) reflect the efficiency perspective in their discussion of "transitional" versus "economic development" policies for depressed rural areas. Similar notions of "triage" are found in regional development policies such as growth centers or public disinvestment depending on a region's economic prospects. Measurement of regional policy benefits thus depends critically on whether one evaluates the policy from an equity or efficiency viewpoint.

When development is viewed primarily as a market-perfecting process, then development failure is explained either by market failure or by exogenous noneconomic factors that interfere with market operation (Herrick & Kindleberger, 1983). Such a dichotomy between economic and noneconomic factors is rejected by both Jansma et al. (1981) and Edwards (1981), who emphasize the shortcomings of theories which focus on one base of growth or one distributional perspective. They emphasize the process of two-way causation between social, political, and cultural factors and the process of economic development, and call for a comprehensive approach which would address development as a function of markets, capital, technology, location, and social and political institutions. Indeed, much theoretical work now focuses on the importance of noneconomic factors in development analysis (e.g., Tweeten & Brinkman, 1976; Hayami & Ruttan, 1985).

Recognition of two-way causation between social and economic forces is not a new idea. Marx criticized early classical theorists for failing to emphasize the fundamentally social nature of economic relations. He suggested that social relations were not exogenous to the economic system but rather determined by and determining of economic structure (Howard & King, 1975). Recognition of the mutual causation between social and economic change is necessary to explain why some areas (and population groups) are chronically poor. Unfortunately, robust models and policies that give comprehensive attention to the relationships between social and economic forces have not been well articulated either in the neoclassical or Marxist traditions.

Early growth-stage theorists, of which Marx was one, sought to explain the process of development (from agrarian to industrial economy) as one of structural transformation. A number of dual-economy models were formulated to explain how traditional lagging sectors or regions are incorporated into the modern economy. These theories were critiqued as providing descriptive models of western economic development, but failing to provide sufficient insight into the nature and causes of such transformations. The more radical dependency perspective which grew from this debate suggests that incorporation does not lead to a disappearance of dualism but rather perpetuates marginalization of lagging regions. Development of lagging regions is "blocked" by extraction of economic surplus by areas with more developed capitalist concentrations (de Janvry quoted in Hayami & Ruttan, 1985; Blomstrom & Hettne, 1984).

Dependency perspectives are most fully developed in Latin America, but they occasionally have been used to look at uneven development in the U.S. For example, despite exploitation of vast mineral reserves in Appalachia, little economic development benefit has accrued to the region. A dependency perspective would emphasize the relationship between external forces (concentrated absentee ownership and external investment in mineral extraction) and local elites to secure low taxation rates and other public subsidies to the coal industry. These relationships maximize mineral exploitation without promoting broader economic development (Lewis & Gaventa quoted in Billings, 1988). A structuralist perspective might view such investments in infrastructure and reduction in taxes as appropriate incentives to overcome regional disparities and promote growth and development. It is interesting to note that the western states were more receptive to the use of severance taxes to enhance the economic development impact of mineral extraction. However, as the mining sector has declined, political pressure to abolish severance taxes has surfaced in these states as well.

Although dependency theorists attempt to understand the role of capital accumulation in conditioning the formation of domestic production systems, class structure, and sociocultural institutions, they have been criticized by more radical theorists for relying too heavily on external forces in explaining uneven development. The critics, adhering more closely to the classical Marxist tradition, emphasize the important role of internal class relations, local government, and the structure and dynamics of local industry as factors explaining differential development among regions.

This return to the fundamental propositions of classical Marxism has been evidenced in the debate over internationalization of capital. With the appearance of development in the newly industrialized countries, more attention is being given to the relations between external investment, local elites, and the state in defining the nature of economic development (Marcussen & Torp, 1982). With few exceptions, however, little attention has been given to this perspective in U.S. development debates. (A Howes and Markusen [1981] study of underdevelopment in Appalachia is one exception.)

Discussion and Policy Relevance

The above debate has provided some insight from alternative perspectives on the importance of distributional and equity criteria in explaining underdevelopment in nonmetropolitan America. The neoclassical attention to markets, location, resource availability, technology, and institutions is critical in explaining regional underdevelopment. However, the need to incorporate historical, social, and political concerns as suggested by the dependency and critical schools is also important. Less attention has been given to these latter perspectives in discussions of uneven regional development in the United States. As a result, the base of empirical research and policy experience to support the conceptual challenges which we outline below is weak.

Attention to equity and distributional effects requires that more direct attention be given to (a) the role of the historical development of social production and exchange relationships on the characteristics of a region's economic structure; (b) the articulation of political and economic interests in promoting or constraining equitable development; (c) the importance of class, gender, and race on development policy choice and its impacts; and (d) the limits of institutional reform within a given social/economic context. In elaborating upon these conceptual challenges we draw evidence primarily from Appalachia and the deep South. While similar arguments could be made for other areas of persistent rural poverty, our purpose is merely to illustrate the importance of these considerations for future research and policy development.

1. *Role of history in economic structure.* The current industrial structure—based on coal and manufacturing in Appalachia; and plantation agriculture, manufacturing, and services in the Black Belt and Delta, for example—no longer requires a large pool of unskilled labor to keep production costs low. In these regions, technological change has enabled capital to be substituted for labor in order to increase productivity (Billings, 1988). However, labor displacement has not been followed by aggressive investment in human resources and the pursuit of alternative economic strategies to promote full employment. Despite the emphasis given to retraining and job development programs for displaced workers by the Commission on the Future of the South, such programs do not appear to have generated the level of governmental response one might expect given the level of displacement caused by recent restructuring of the southern economy in response to the internationalization of production (Gaventa, 1988). One explanation of this failure to mobilize community resources may lie in the failure to articulate the economic interests of a broader spectrum of society in development discussions. This may also explain the difficulty in winning broader support for poverty alleviation programs. V. O. Key, in his study *Southern Politics in State and Nation*, stressed the importance of suffrage restrictions on blacks and low-income whites. The restrictions prevented a working class party from emerging in political debate (Key quoted in Bensel, 1984, p. 253).

2. *Political and economic interests.* Are equity goals in development,

which include an emphasis on social production for human needs, undermined by the forces for private concentration of economic power? A critical perspective would suggest that they are. Lack of broad-based democratic participation throughout the history of the Delta and Appalachia has narrowed the development options and resulted in regional economies whose organization and development is based more on private capital accumulation than on broader social and economic development. Indeed, the low-wage job creation strategies, anti-union climate (in the Delta and Black Belt), and inadequate transfer payment levels for the poor suggest that human development needs have been subordinated to capital accumulation in development of the Delta, Black Belt, and Appalachia. The present economic structure of the Delta and Black Belt is a direct result of a de facto industrial policy to utilize a large pool of low-skill, low-wage labor to keep costs low (Lyson, 1989).

The South has long served as the industrial periphery where cheap labor served as a regional advantage in attracting routine production. However, this "advantage" turned to a disadvantage in the 1980s as peripheral industries moved off-shore and these areas lacked the basic skills required to compete in the advanced industrial economy. With the internationalization of the U.S. economy and the development of new communications and information technologies, the old core/periphery debate has lost much of its meaning.

The sectional stress between the industrial North and the underdeveloped South, which has been a dominant influence on American politics (Bensel, 1984), is being supplanted by the more localized and fragmented spatial dimension of the new economic restructuring, determined more by characteristics of individual industries and localities, and public and private investments in them, than historical regional development patterns (Agnew, 1988). High-poverty and persistent low-income communities can expect to remain marginalized in this context, with the added disadvantage of loss of commonality of interests with regional political and economic power centers which served to protect some common regional interests in the past.

3. *Class, race, gender.* Where the social unit is narrowed by race, class, gender, or ethnicity, ability to achieve equity goals in development may be constrained (Herrick & Kindleberger, 1983). In the Delta and Black Belt, for example, while one should not dwell on the role of racism in the economic structure, discrimination and prejudice have resulted in a racial division of labor which is reinforced by shifts in the advanced industrial economy that adversely impact the low-wage sector of the economy (Wilson, 1987). For example, Lichter (1989) has shown that blacks continue to experience twice the level of underemployment as whites in the nonmetropolitan South, and Falk and Lyson (1988) showed that the occupational composition of southern rural black employment was unchanged by the industrialization of the 1970s. A similar argument could be made with respect to class differences among whites in Appalachia. Thus, it is important to analyze the differential impact of economic policies on groups concentrated in low-skill, low-wage economic sectors, and the implications for persistent poverty.

4. *Institutional reform.* The institutional infrastructure which has grown out of conditions of unequal class and race relations reflects the efforts (conscious or unconscious) of the dominant class to retain economic and political control. As James (1988) has demonstrated, racial differences in enfranchisement in the South were closely articulated with local class structures typical of labor-intensive cotton agriculture. The interactions between these social relations and the economic structure have resulted over time in development policies which discourage broader ownership of the economic base, limit investment in new technologies which may increase distributional equity, and undervalue the human resource base. Recent efforts to address these problems through progressive development policy proscriptions, as articulated by the Commission on the Future of the South, may have limited impact on alleviation of persistent poverty unless the social and economic interactions which form the basis of the current institutional framework are altered to reflect broader social goals.[12] The ability of southern states to follow through on the commission's recommendations could be further limited by the trend toward shifting responsibilities for antipoverty programs from the federal government to the states. Since the financial ability to pay for such programs varies among states, being especially weak in much of the South, high-poverty and persistent low-income counties will require special assistance if the "new federalism" is to avoid a deepening of poverty (Deavers, Hoppe, & Ross, 1986).

Conclusion

The above discussion suggests that development policies focused on promoting economic growth cannot be expected to have a major impact on poverty reduction in persistent low-income and high-poverty counties. Even policies which explicitly address equity and distributional goals may have limited poverty reduction effects if broader historical, social, and political factors are not taken into account. For example, most poverty alleviation programs have focused on job training and business and infrastructure development in an effort to create more employment opportunities for the rural poor. These approaches assume that the poor will benefit through "trickle down" effects in the labor market. Although few systematic evaluations have been undertaken of the impact of these programs on poverty alleviation, most have recognized that even among these programs where distributional goals were key, tension between competing goals of economic viability and developmental equity has limited the poverty alleviation impacts in both urban and rural areas.

The above discussion suggests that investments in human capital, social institutions, and political democracy may have greater impacts on poverty reduction than direct investments in economic development. When investments are made in economic development programs, the poverty alleviation impacts should be measured by (a) gains in stability and level of income for large numbers of people; (b) improved control over government policies and market forces which shape the economic conditions of the poor; and (c) empowerment of individuals, households, and communities (McKee, 1989). Clearly, the conceptual challenge of incorporating social and political considerations both in economic development and in broader human development policies and programs is critical if the continuing pattern of economic underdevelopment and poverty is to be redressed in persistent low-income and high-poverty nonmetropolitan areas.*

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Notes

[1]For an excellent review of cultural and structural explanations of rural poverty see Duncan and Tickamyer, 1988.

[2]The official poverty rate includes cash transfers as money income, but does not count the cash value of in-kind transfers.

[3]The percentage of persons who were poor after the receipt of cash and in-kind transfers declined by 55%, from 13.4% in 1965 to 6.1% in 1979. A recent Census Bureau study found that benefit programs lifted 15.1 million persons out of poverty in 1986. Social Security and Medicare, which are not based on financial need, were found to lower poverty more than other government programs (U.S. Bureau of the Census, 1988).

[4]While there are no official estimates of cost-of-living differences between metropolitan and nonmetropolitan areas, most economists believe that it does not take as much money to live in rural areas and small towns. However, even applying the very liberal measures developed by Hoch, Hewitt, and Virgin (1984), only one-half the metropolitan-nonmetropolitan income differential is offset by cost-of-living differences. In addition, Ghelfi (1988) showed that the cost-of-living differences between urban and rural areas in Wisconsin are due to the higher proportion of rural households that hold older, less costly home mortgages. Lower home ownership among the poor reduces the relevance of cost-of-living differences in comparing the material position in urban and rural areas.

[5]West Virginia (22.8), South Carolina (17.6), Kentucky (18.5), Tennessee (17.8), Alabama (21.5), Mississippi (25.6), Arkansas (22.4), Louisiana (20.8), New Mexico (20.7).

[6]Counties might also have been grouped by percentage in poverty in an earlier year, and the highest quintile followed over time. However, since the statistical definition of poverty is revised from time to time, some counties could exit the high-poverty group because of definitional change, not because of an improvement in their income distribution.

[7]Similar differences are observed when comparing percent of households in poverty (24.3% and 27.1%) with other nonmetropolitan counties (15.1%).

[8]For a discussion of the dual economy paradigm see Horan, Beck, and Tolbert (1980).

[9]Washington (1986) documented similar racial disparities in a 16-county area of the Alabama Black Belt.

[10]Discussion is based in part on Herrick and Kindleberger (1983), and Howard and King (1975).

[11]These distributional perspectives are self-interest, equity, and efficiency. Self-interest advocates stress the need to increase aggregate income to increase demand for their products. This traditional economic base approach is the motivation for many industrial development programs. Equity advocates stress the need to increase per capita income through increased productivity. Viewed from this vantage point, development policy should increase the standard of living of a broad spectrum of a region's population. This goal is achieved through public investments to reduce unfavorable comparative advantage. Efficiency advocates stress market imperfections which result in differences in regional factor prices. Public policy should reduce barriers and promote efficient regional capital and labor markets (Leven in Jansma et al., 1981).

[12]These policy prescriptions focus on the role of education and technology in increasing the global competitiveness of the work force. While these goals primarily serve the interests of current economic leaders, attention also is given to broader societal goals such as strengthening at-risk families, developing new leaders, and improving the performance of local governments (Southern Growth Policies Board, 1986).

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