DRAFT

DISTRESSED RURAL WESTERN COUNTIES
1969-1990

Western Governors' Association

September 1987

DISTRESSED RURAL WESTERN COUNTIES
1969 - 1990

BACKGROUND

The western U.S. is a study in significant contrast. Many states in the region have extraordinarily high urbanization rates while simultaneously boasting of the lowest population densities in the nation. The region has experienced tremendous growth in population and income over the last two decades, fueled by strong in-migration, the high value of many manufactured goods, and high commodities prices. Yet while that growth was occurring, it was unevenly spread among subregions in the West and within states. Since the decline in commodities prices and the rise in the value of the dollar in the early 1980s, the disparities in growth have become even more pronounced.

Table 1 on the following page shows those western states which performed below the national average for population, employment and income growth between 1969 - 1990. Due in large part to California's robust growth and the fact that California accounts for the half of the West's population, the western region outperformed the national average in every time interval for all the indicators.

An earlier, informal data review by WGA staff of preliminary 1985 Census Bureau population data showed that between 1982 and 1985, thirty nine percent of all the counties in the West lost population. Breaking those counties down by size showed that almost all of the counties losing population were sparsely settled, rural counties. This was not unexpected because of the downturn in the farm economy since 1981 and the softening of the natural resource based sectors.

WGA decided to complete a long range data review of population, employment, and income data for all western counties with a view toward answering the following questions:

- Where are the counties which are experiencing long term economic problems?
- What types of counties are experiencing what kind of long term economic difficulties?
- Is the decline part of a long term trend or is it cyclical in nature?

The answers to these questions will provide a framework for the second phase of study to determine appropriate strategies for private business, local government, and state government to undertake to assist communities suffering from long term economic decline.

TABLE 1

WESTERN STATES PERFORMING BELOW THE NATIONAL AVERAGE
For Growth In Population (P), Employment (E),
And Income (I) from 1969 - 1990

	1969-1972	1972-1975	1975-1978	1978-1981	1981-1984	1984-1987	1987-1990
ARIZONA	---	---	---	---	---	---	---
UTAH	---	---	---	---	---	---	---
NEW MEXICO	---	---	---	---	---	---	---
COLORADO	---	---	---	---	---	---	---
CALIFORNIA	I	---	---	---	---	---	---
NEVADA	---	---	---	---	I	---	---
HAWAII	---	---	I	---	E,I	I	P,E,I
WASHINGTON	P,E,I	---	---	---	E,I	---	E,I
ALASKA	---	---	E,I	I	---	P,E,I	I
WYOMING	---	---	---	---	E,I	P,E,I	E,I
IDAHO	---	---	---	E,I	E,I	E,I	P,E
MONTANA	---	---	I	P,E,I	E,I	E	P,E
OREGON	---	---	---	E,I	P,E,I	P,E,I	P,E,I
NORTH DAKOTA	P	P	P,E,I	P,E	E,I	P,E,I	P,E,I
NEBRASKA	P	P	P,E,I	P,E	P,E,I	P,E,I	P,E,I
SOUTH DAKOTA	P	P	P,E,I	P,E,I	P,E,I	P,E,I	P,E

Source: WGA staff calculations. Data for 1969-1984 are from Bureau of the Census (population), Bureau of Labor Statistics (employment), and Bureau of Economic Analysis (income). Projections for 1984-1990 are from Woods & Poole Economics.

METHODOLOGY

WGA contracted with the econometric firm of Woods & Poole to supply historical data from 1969 - 1985 on population (Census Bureau), employment (Bureau of Labor Statistics), and income (Bureau of Economic Analysis) for all 654 western counties. In addition, Woods & Poole supplied projections of the same data from 1985 - 1990. The data was in three year intervals starting with 1969 (1969, 1972, 1975 . . . 1990). The income data was measured on a constant dollar (1982) basis.

Percent changes were calculated for population, employment, and income between time intervals. Any county experiencing zero or negative growth in two or more of the three variables was considered to be in decline in that three year period. Counties experiencing decline as defined above in three or more of the seven 3-year intervals was considered to be suffering from long term structural decline for the purposes of this study.

Counties' per capita income was then compared to the states' average per capita income for the years 1969, 1972, 1975, 1978, 1981, 1984, 1987 and 1990. Any county that was 25 percent below the state average in three of those years and was never above the state average was considered to be economically "depressed."

The next step involved crosstabulating a county's performance (decline or growth) with its condition (depressed or not depressed). This yielded the following typology:

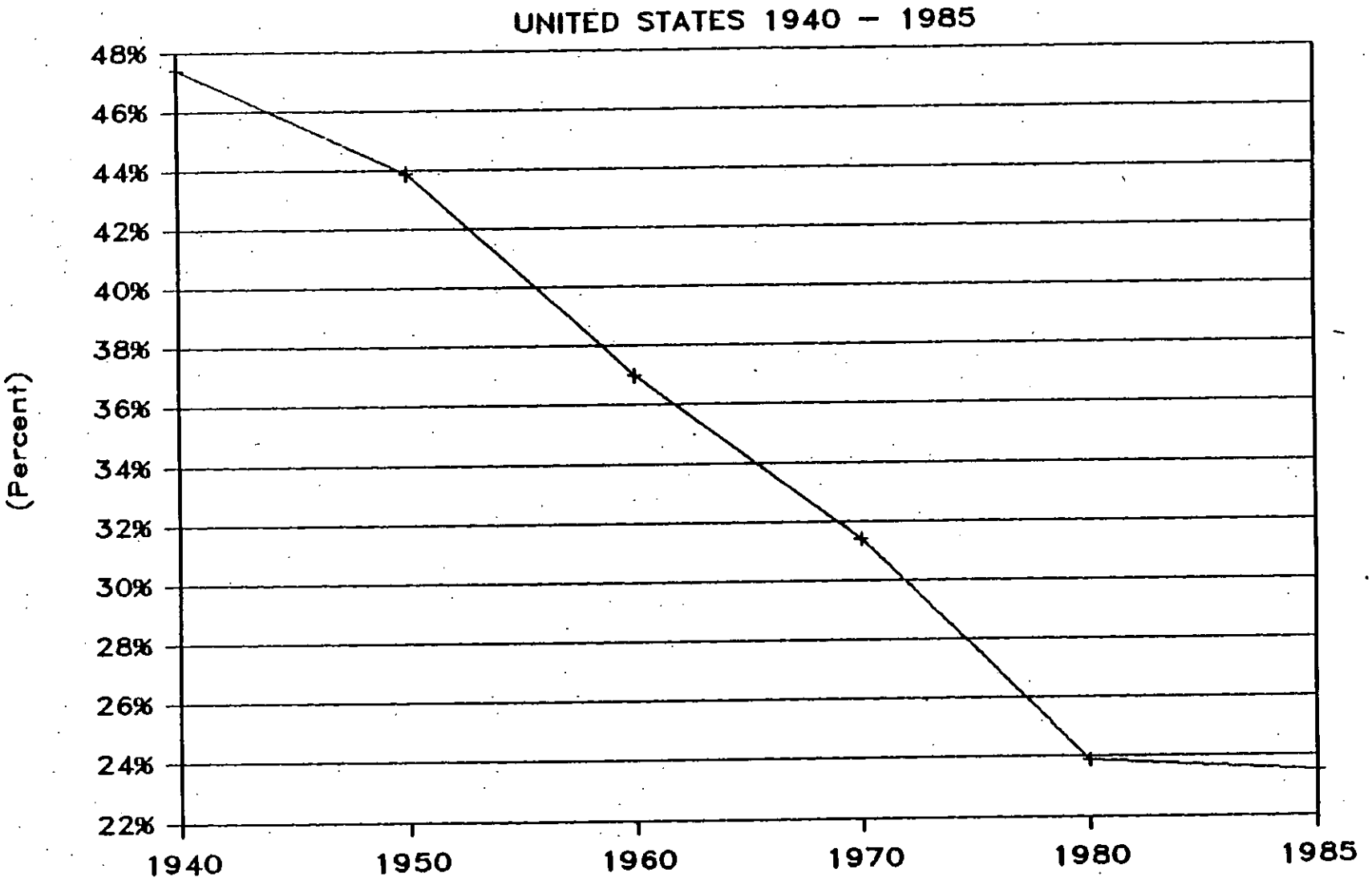
- Healthy = Per capita income at least 75 percent of state average and not experiencing any long term population, employment and/or income loss.

- Healthy but Declining = Per capita income at least 75 percent of state average but experiencing long term population, employment, and/or income losses.

- Disadvantaged = Per capita income below 75 percent of the state's average but experiencing some long term growth in population, employment, and/or income.

- Disadvantaged and Declining = Per capita income below 75 percent of the state average and experiencing long term decline in population, employment, and/or income.

DECLINE IN % POPULATION THAT IS RURAL



CAVEATS

This paper looks at long term trends only. Many will look at the counties which show up as being in "relative long term health" and see ones that are currently suffering severe job losses and income declines. This paper does not address those current dislocations unless they are part of a longer term trend. Similarly, counties with a recent upturn or counties which elect to have growth controls may not be accurately categorized.

This paper assumes that the long term trends of declines in population, employment, and income in many rural areas in the West will continue. If this trend should reverse itself, the implications for development strategies are significant. However, while this paper focuses only on a twenty year period, the trend toward urbanization has been occurring for most of this century and is expected to continue. The slight reversal in the West in the 1970s and early 80s was largely a result of the growth in commodity industries -- energy, agriculture and mining. The long term trend of population decline in rural areas is now reasserting itself. See chart on previous page.

The data used for earnings is by major Standard Industrial Classification (2 digit SIC) codes. This obscures finer points such as the differences in subcategories of mining. Economies based on oil and gas, coal, and non-energy related minerals will respond differently to changes in the national and international economies. It also obscures a major source of earnings in many Northwestern counties -- forest products. Earnings for this sector are spread through many SIC categories including agriculture services, transportation, and manufacturing. This hides the dependence of some of these counties from the broadbrush approach taken in this paper.

Data is often collected on the basis of political geography and not economic geography. County level data is used in this paper for the purposes of convenience but there is a high degree of cross fertilization which causes adjacent counties to affect each other's performance. For instance, a new factory opening on the border of County A could affect population, employment and/or income in County B.

Any time projections are used there is need for a note of caution. This is especially true when using substate projections. Major, and in some cases even minor, changes in national and international events could alter the expected typology of certain counties.

FINDINGS

The majority of western counties (379) have relatively high per capita incomes and are growing in population, employment, and income. Another one hundred and fifty eight (158) of the 654 western counties were determined to be healthy but declining. That is, these counties had per capita incomes near or above the state average but there was very little or no growth in the economy (as measured by job, population, and income growth).

TABLE 2

NUMBER OF WESTERN COUNTIES BY STATE AND SUBREGION BY RELATIVE LONG TERM ECONOMIC CONDITION

	Long Term				
	Healthy	Healthy & Declining	Disad-vantaged	Disadvantaged & Declining	Total
Arizona	10	1	4	0	15
California	35	1	21	1	58
Colorado	30	9	19	5	63
Nevada	12	3	2	0	17
New Mexico	23	3	6	1	33
Utah	19	1	7	2	29
Subtotal	129	18	59	9	215
Idaho	36	5	3	0	44
Oregon	27	7	2	0	36
Washington	30	4	5	0	39
Subtotal	93	16	10	0	119
Montana	31	22	1	3	57
Nebraska	41	38	5	9	93
North Dakota	21	30	2	0	53
South Dakota	26	31	5	4	66
Wyoming	19	2	2	0	23
Subtotal	138	123	15	16	292
Alaska	14	1	6	2	23
Hawaii	5	0	0	0	5
TOTAL	379	158	90	27	654

Source: WGA staff calculations

Ninety counties (90) were suffering from what is termed long term disadvantage. These counties have very low per capita incomes compared to the state average but are growing, albeit some are growing very slowly. Twenty seven (27) counties fell into the category of disadvantaged and declining. These counties have low per capita incomes to begin with and are experiencing little or no growth. The number of counties by state and category are displayed in Table 2 above and Maps 1-5 in Appendix A.

A subregional breakout highlights some very important intraregional differences. A significant majority of the counties that are healthy but declining are located in the Great Plains states. Conversely counties experiencing long term disadvantage are largely concentrated in the Four Corners and Southwest. Most of the Northwest counties are enjoying long term relative health. The long term picture however masks the extremely serious shorter term stress being encountered by many rural counties in the Northwest.

Table 3 shows counties' earnings dependency on different sectors of the economy crosstabulated by their long term relative economic condition. This table illustrates the heavy single sector reliance that many western counties deal with. Approximately one third of western counties rely on farm earnings for twenty percent or more of total earnings. Approximately one in ten counties rely either on mining or manufacturing earnings. One third of western counties have diversified economies but many of them are urban counties.

TABLE 3

NUMBER OF WESTERN COUNTIES BY EARNINGS DEPENDENCY AND BY RELATIVE LONG TERM ECONOMIC CONDITION

	Long Term				
	Healthy	Healthy & Declining	Disad-vantaged	Disadvantaged & Declining	Total
FARM	79	123	22	20	244
MINE/CONS.	44	10	5	1	60
MFG.	64	5	8	0	77
SERVICE	16	2	3	0	21
FEDERAL	12	1	5	2	20
OTHER	4	1	6	1	12
DIVERSIFIED	160	16	41	3	220
TOTAL	379	158	90	27	654

Source: WGA staff calculations
Note: Earnings dependency is defined as a reliance on one sector of the economy for twenty percent or more of total earnings (thirty percent in the case of services). "Other" includes transportation, finance, insurance, and real estate, etc.

Table 3 also reinforces the common belief that farm dependent counties are suffering from long term distress. Incomes in these counties have historically been at or near the state average but there is little or no growth in these counties. The recent headlines of the farm crisis, while based in fact, actually reflect part of a longer term trend.

Many of the mining counties show relative long term health. This runs contrary to the current situation of severe depression in many of the mining counties. What the data points to is the cyclical nature of many of these counties. (See Map 6 in Appendix A for cyclical growth counties.) Population, employment and incomes increase during periods of demand and then the workforce moves on when demand is low.

Some suggest that the most recent downturn in the cycle for many agriculture and mining dependent counties could be the end of the cyclical pattern and the emergence of structural decline due to the internationalization of the economy. Some of these counties may never experience a robust growth phase again. Cheaper foreign sources are infiltrating traditional U.S. markets abroad making sales more and more difficult.

Most manufacturing counties exhibit a pattern of relative long term health. Again, this ignores short term, severe economic dislocations. Diversified counties show that regardless of long term per capita income levels, a substantial majority of diversified counties are growing.

Table 4 breaks out the sector dependent counties by state and subregion. The Four Corners and Southwest region shows the lowest ratio of dependent to diversified counties. That subregion's ratio is approximately 1 dependent county for every 1 diversified county. The Northwest subregion has a ratio closer to 2:1 and the Great Plains subregion demonstrates the highest degree of dependence with a ratio of approximately 3 dependent counties for every 1 diversified county.

The Great Plains region contains the highest number of farm dependent counties, the Northwest the highest number of manufacturing counties, and the Four Corners and Southwest the highest number of mining/construction counties and federal dependent counties.

TABLE 4

NUMBER OF WESTERN COUNTIES BY STATE AND SUBREGION
SEPARATED BY DIVERSIFIED AND SECTORAL EARNINGS DEPENDENCY

	# of cntys	DIV	DEP	Dependent on: Farm	Con/ Mine	Mfg	Srv	Fed	Other
AZ	15	11	4	-	3	-	-	1	-
CA	58	31	27	10	2	10	2	3	-
CO	63	24	39	17	11	4	3	-	4
NV	17	3	14	1	6	-	7	-	-
NM	33	19	14	3	6	1	-	3	1
UT	29	11	18	2	8	4	1	3	-
Sub	215	99	116	33	36	19	13	10	5
ID	44	10	34	16	2	12	3	1	-
OR	36	13	23	4	-	18	1	-	-
WA	39	14	25	8	-	15	-	2	-
Sub	119	37	82	28	2	45	4	3	-
MT	57	18	39	29	5	4	-	-	1
NE	93	20	73	62	1	6	1	1	2
ND	53	8	45	42	1	-	-	1	1
SD	66	13	53	48	1	-	1	3	-
WY	23	11	12	1	10	-	1	-	-
Sub	292	70	222	182	18	10	3	5	4
AK	23	11	12	-	4	3	-	2	3
HI	5	4	1	-	-	-	1	-	-
WEST	654	220	434	244	60	77	21	20	12

Source: WGA staff calculations

CONCLUSIONS

More than one in every three counties in the West is experiencing long term distress. A vast majority of these counties are rural farming or mining dependent counties. The remaining counties (approximately 3 out of 5) are in a position of relative health with per capita incomes at least 75 percent of the state average and long term growth in population, employment and/or income.

The counties that are experiencing long term health are predominantly urban counties with diversified economies. Only four of the 71 metro counties in the West are experiencing long term distress. This is obviously of no help in determining development strategies for rural areas -- not every county can be an urban county with a diversified economy.

The data suggest that there are different types of economic problems occurring in the West. The healthy but declining counties which are losing population, employment and/or income but which have stronger per capita incomes will probably require different economic development strategies than long term disadvantaged counties with very low per capita incomes but which are showing some growth.

For rural economies in the West to be strengthened, one of two things must happen: international events must turn around dramatically to increase the earnings in both the farm and natural resources sectors, or strategies must be developed at the local level to move away from an overreliance on these sectors of the economy. Urban counties must also develop strategies for dealing with rural decline. Many rural residents are moving or commuting to urban centers to find work. Mechanisms for sharing the costs for the physical and social infrastructure need to be considered by both urban and rural jurisdictions.

WHERE DO WE GO FROM HERE?

The econometric analysis presented in this paper is the first step by WGA to identify where rural economic stress is occurring in the West, to define the underlying causes of that stress, and to identify state and local responses which work. The limitations of this preliminary statistical analysis are recognized and the conclusions will be modified by experience, additional research and descriptive analyses, and materials from other regions and sources.

In its next steps, WGA intends to convene an advisory group of experienced state and technical people to help formulate a vision of what state rural development can and should be doing. Especially promising ideas will be documented for governors' consideration. Materials and information will be developed to support state rural development efforts.

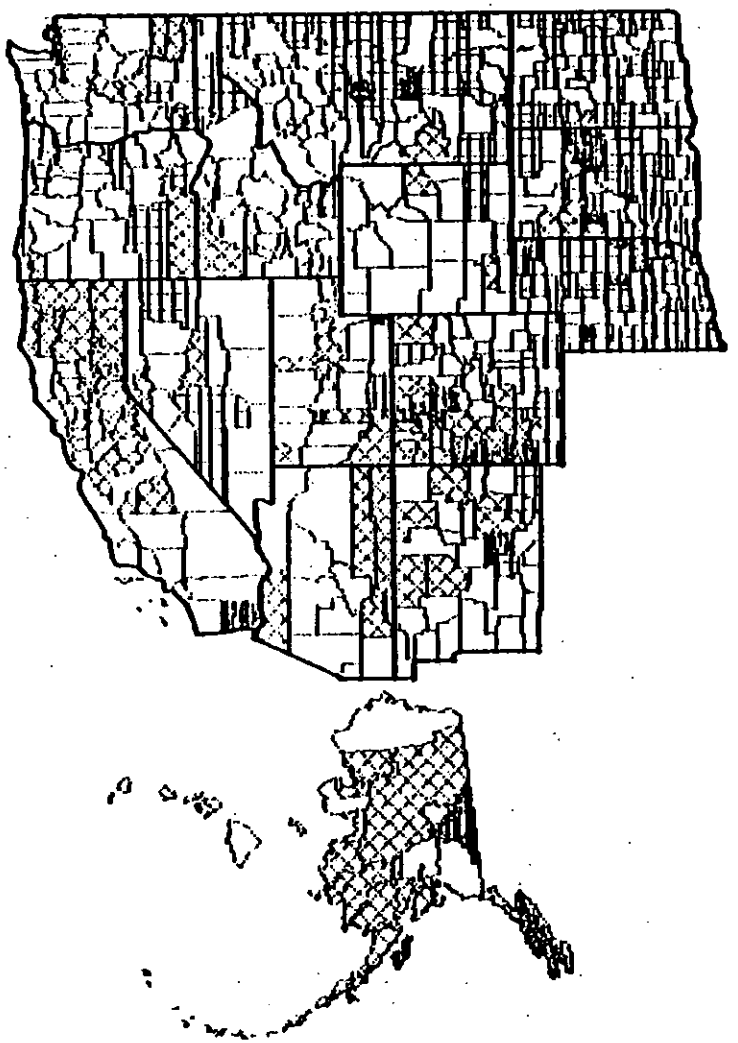
Finally, a technical assistance program will be implemented to help western states tailor economic policies and program strategies to meet their needs. The technical assistance program will organize three training workshops and three demonstration projects at the state and county level. The demonstration sites will be selected based on the type of rural economic problems being found. Results will be shared with other states and regional organizations.

APPENDIX A

MAP #1

WESTERN COUNTIES

LONG TERM ECONOMIC PROFILE (1969–1990)



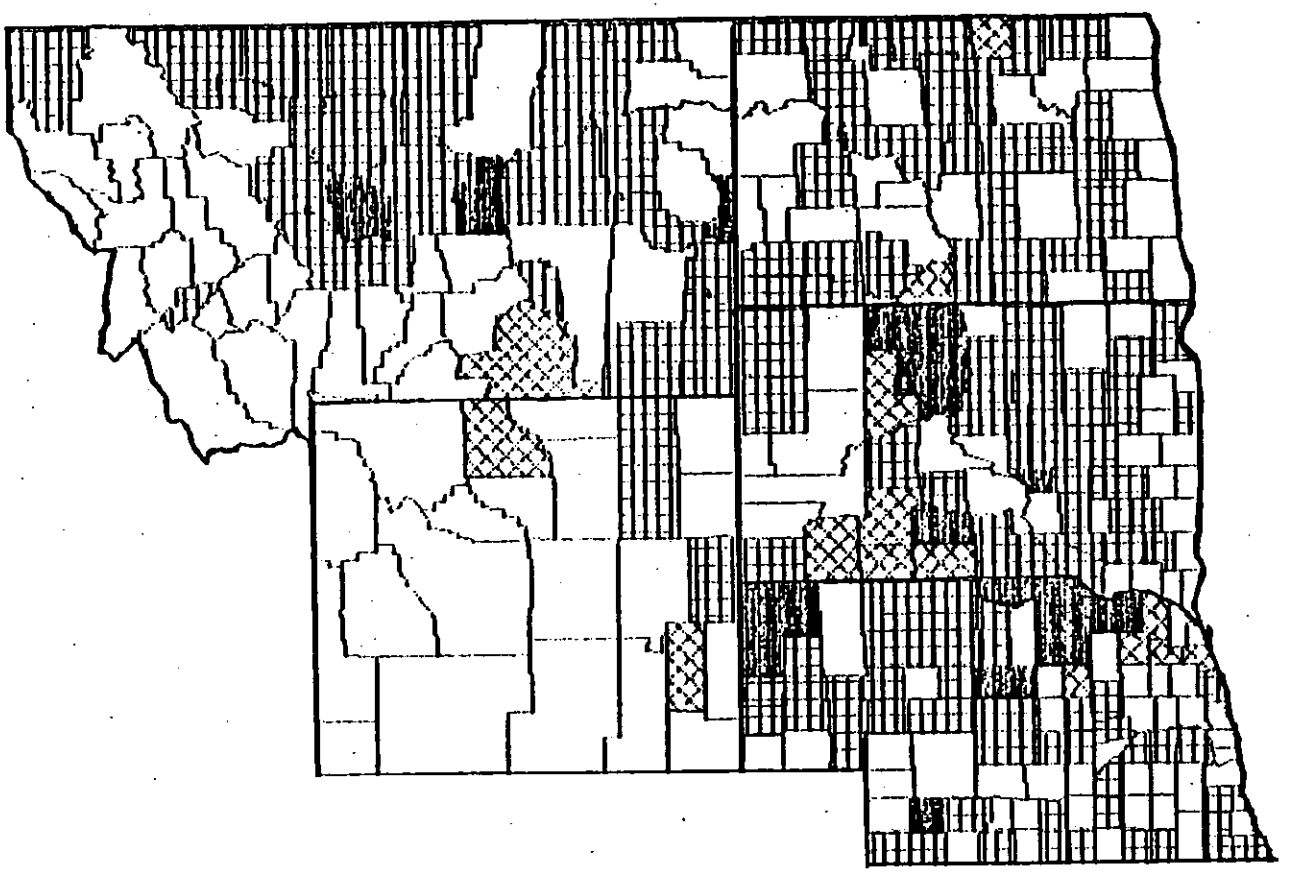
TYPOLOGY

- HEALTHY
- HEALTHY BUT DECLINING
- DISADVANTAGED
- DISADVANTAGED AND DECLINING

MAP #2

WESTERN COUNTIES

LONG TERM ECONOMIC PROFILE (1969--1990)



TYPOLOGY

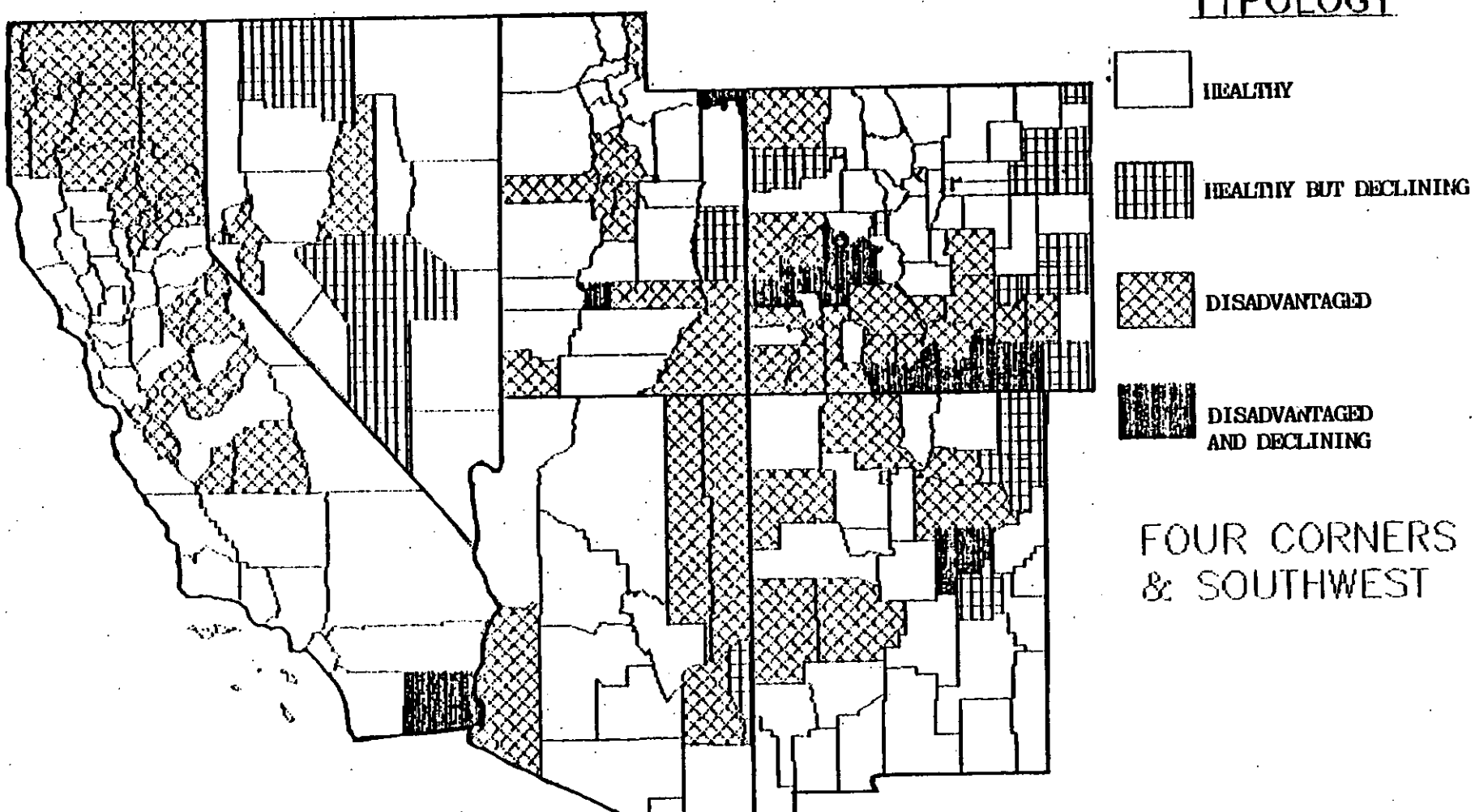
- HEALTHY
- HEALTHY BUT DECLINING
- DISADVANTAGED
- DISADVANTAGED AND DECLINING

WESTERN PLAINS

MAP #3

WESTERN COUNTIES

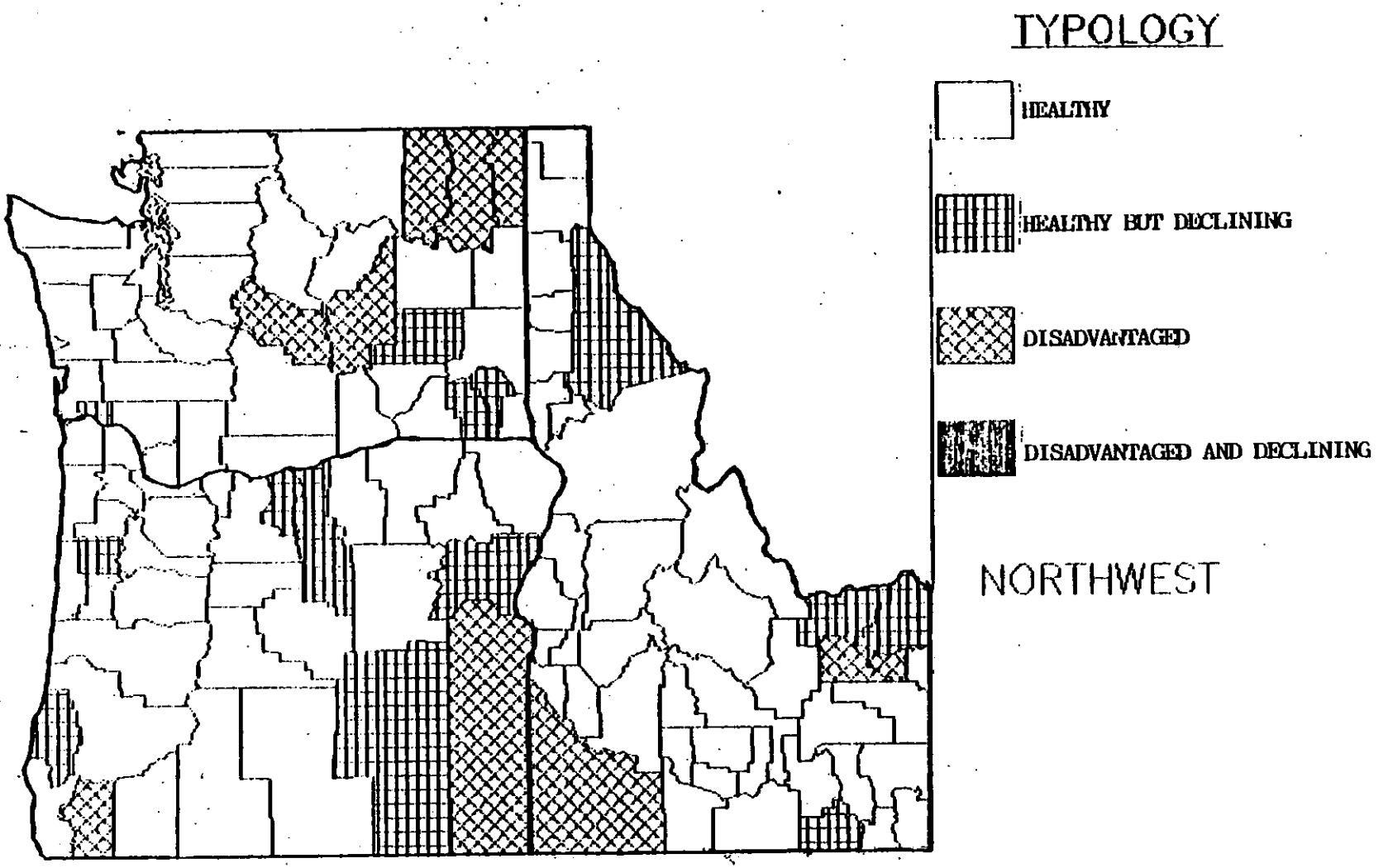
LONG TERM ECONOMIC PROFILE (1969–1990)



MAP #4

WESTERN COUNTIES

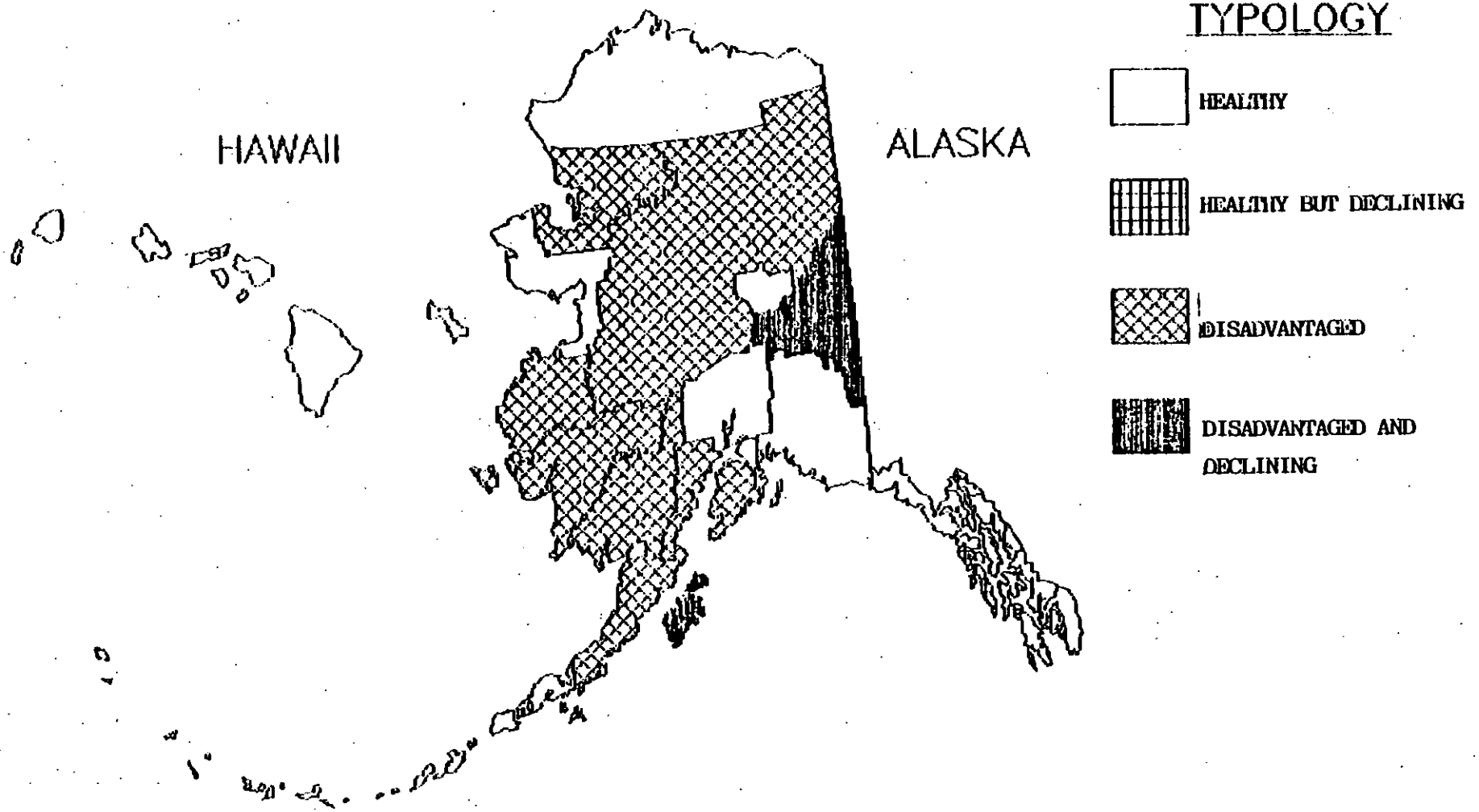
LONG TERM ECONOMIC PROFILE (1969–1990)



MAP #5

WESTERN COUNTIES

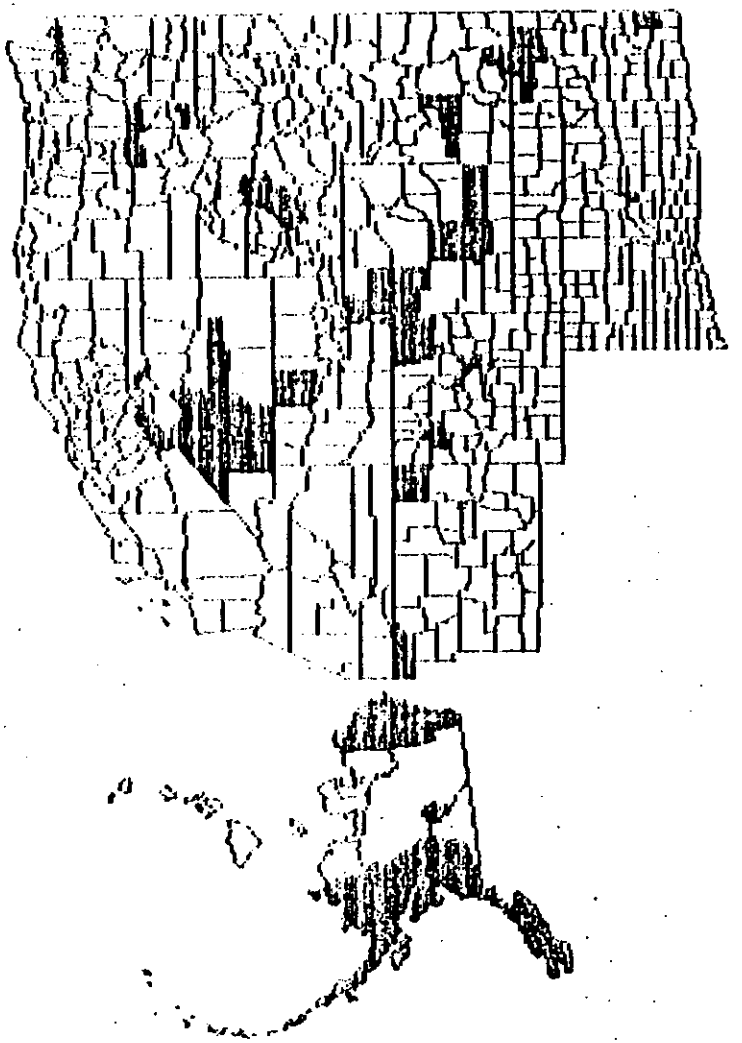
LONG TERM ECONOMIC PROFILE (1969–1990)



MAP #6

CYCLICAL GROWTH COUNTIES

IN THE WESTERN U.S.



CYCLICAL GROWTH