MFI STUDENT FELLOW

SPRING SEMESTER OP-ED

2024

TABLE OF CONTENTS

Published by University of Wisconsin La Crosse
Menard Family Initiative
March 2024

Revitalizing Rural America: Investing in Youth and Small Businesses

Written by Lindsey Scheurer
March 1, 2024

Small businesses are key to keeping rural areas afloat. According to the U.S. Small Business Administration, small businesses operate 84.4% of establishments in rural areas. These establishments employ 54.3% of workers in rural communities. Despite this, employment in rural areas has not been growing at the rate of total employment in the United States.

There are many factors that contribute to this low growth rate, one being labor shortages. In the Midwest 74.3% of the population lives in urban areas (United States Census Bureau, 2023). This leaves a much smaller percentage of the population in rural and suburban areas.

In the United States, 1 in 5 people living in rural communities are 65 or older (Davis et al., 2022). This indicates that 20% of the population is past working age. Declines in the size of the working age population have been accelerated in non-metro areas due to the outmigration of young adults.

As the economic outlooks of rural towns dwindle, young adults are faced with a huge decision whether to leave or stay. The most common group that chooses to leave rural areas is the most talented young adults in search of better opportunities. From 2000 to 2010, the average rural county in the United States experienced a 19% net loss in young adults (Smith et al., 2016). The migration of these educated and skilled individuals from rural to more developed areas is sometimes referred to as “rural brain drain”. Often these people are in search of areas with more economic and social potential.

Those seeking education after high school are left with no choice but to leave rural areas, at least temporarily. However, after receiving a college degree there is more potential for high earnings and job opportunities elsewhere resulting in students not returning to their home communities. Rural areas often cannot provide opportunities for many diverse jobs, especially specialized fields. Rural businesses often are centered around resource-based activities like agriculture, forestry, or natural amenity-based recreation (David et al, 2023). Another issue is many of these jobs, especially in Wisconsin, are only seasonal and not sustainable year-round. For example, seasonal crops and agritourism.

Student loans have also been found to contribute to the hollowing out of rural areas. According to the Federal Reserve Board, only 52% of rural student loan borrowers still live in rural communities six years after entering the consumer credit panel. Also, those with the highest amount of outstanding loan balances are the most likely to leave rural areas. While this has not been proven causal, it is likely they leave in part to seek higher wages to repay their loans. Overall, rural to metro borrowers have been shown to face better economic conditions.

It is important for rural communities to address these issues before hollowing out becomes too severe. A key to this is investing in youth and growing connections within the community. One way to invest in youth would be to teach skills that are applicable to everyday life in the town rather than pushing college as the only option. Getting local businesses involved is a great way to promote skills useful for the community and build bonding social capital. For example, investing in trades courses at public schools and offering work-study programs where students can work for local businesses for school credit. This allows students to build necessary professional and job skills.

This can increase networking and provide a sense of identity in the community. It can promote innovation and entrepreneurial values as students will learn about real-world problem solving at a young age. This can provide more qualified and invested young adults to contribute to the local economy. These young adults will have the skills necessary to start their own businesses to fill the needs of the community or provide meaningful work at pre-existing local businesses.

References

Advocacy, O. of. (2023, August 22). *Small business facts: Small businesses in rural areas*. SBA's Office of Advocacy. https://advocacy.sba.gov/2023/08/22/small-businesses-in-rural-areas/

Amy Symens Smith and Edward Trevelyan. (2021, October 28). *In some states, more than half of older residents live in rural areas*. Census.gov. https://www.census.gov/library/stories/2019/10/older-population-in-rural-america.html

Bureau, U. C. (2023, March 21). *Nation's urban and rural populations shift following 2020 census*. Census.gov. https://www.census.gov/newsroom/press-releases/2022/urban-rural-populations.html

Consumer & Community Context. Federal Reserve Board. (2019). https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf

Davis, J. C., Farrigan, T., Cromartie, J., Sanders, A., Winikoff, J. B., & Genetin, B. (2023). *Rural America at a Glance*. U.S. Department of Agriculture. https://www.ers.usda.gov/webdocs/publications/107838/eib-261.pdf?v=2083.7

Massey, D. (2020). *The Rural Youth Exodus of U.S. Counties: Community Level Characteristics and Trends*. University of Wisconsin - Madison Department of Planning and Landscape Architecture. https://dpla.wisc.edu/wp-content/uploads/sites/1021/2021/09/Professional-Project-PDF_-Danielle-Massey.pdf

Picchi, A. (2019). *Rural America's "Brain drain": How student debt is emptying small towns*. CBS News. https://www.cbsnews.com/news/rural-americas-brain-drain-how-student-debt-is-emptying-small-towns/

Score. (2022, June 2). *Rural Small Businesses Play Key Factor in American economic growth but experience roadblocks to success*. PR Newswire: press release distribution, targeting, monitoring and marketing. https://www.prnewswire.com/news-releases/rural-small-businesses-play-key-factor-in-american-economic-growth-but-experience-roadblocks-to-success-301560238.html

Smith, M. (2016b). *How Migration Impacts Rural America*. Population trends in post-recession rural America. https://w3001.apl.wisc.edu/b03_16

St. Louis Public Radio By Jonathan Ahl. (2022, December 2). *Rural America is getting older, with a fifth of the population now over the age of 65*. STLPR. https://www.stlpr.org/government-politics-issues/2022-12-02/rural-america-is-getting-older-with-a-fifth-of-the-population-now-over-the-age-of-65

Giving Developers Freedom and the Community a New Voice: A Look at the Interaction Between By-Right Zoning and the Comprehensive Planning and Smart Growth Law

Written by Mitchell Kocialkowski
March 1, 2024

Development of comprehensive plans and effective zoning laws is essential to communities wishing to promote the growth of their area. The sheer amount of time spent approving projects creates a cost to both the local area and the property owner that impedes the progress of the community, making it more exclusive and less efficient. Such costs include project delay costs, legal and regulatory compliance costs, and fees associated with the project, such as permit fees. In an article published by the Wisconsin Public Radio, Danielle Kaeding (2023) writes that Kyle Koenen observes the average development takes 14 months to go through the current approval system and begin construction. Kaeding (2023) also reports that Koenen estimates regulation adds around $88,500 dollars to the average cost of building a home in the Midwest. These costs not only impact the developer's pocketbook and raise the price of a house, but also slow the economic growth of a community. Passing laws that help to streamline the process while allowing community feedback is imperative for economic growth of an area. There are two laws that interact with each other in such a way that allows for this: By-Right zoning and Comprehensive Planning and Smart Growth law. By-Right zoning allows developers to build a project if it meets zoning requirements, which streamlines the approval process and reduces costs, but gets rid of community feedback. The Comprehensive Planning and Smart Growth Law will retain the community feedback by allowing the community to come together and form a plan that outlines what the community wants for the future. Adjusting the law to require communities to make goals and quotas for the community would allow for community feedback, but not so much input that the community would be able to hinder the streamlining of the approval process that By-Right zoning provides. This op-ed will discuss these laws in further detail and the potential impact on the housing market.

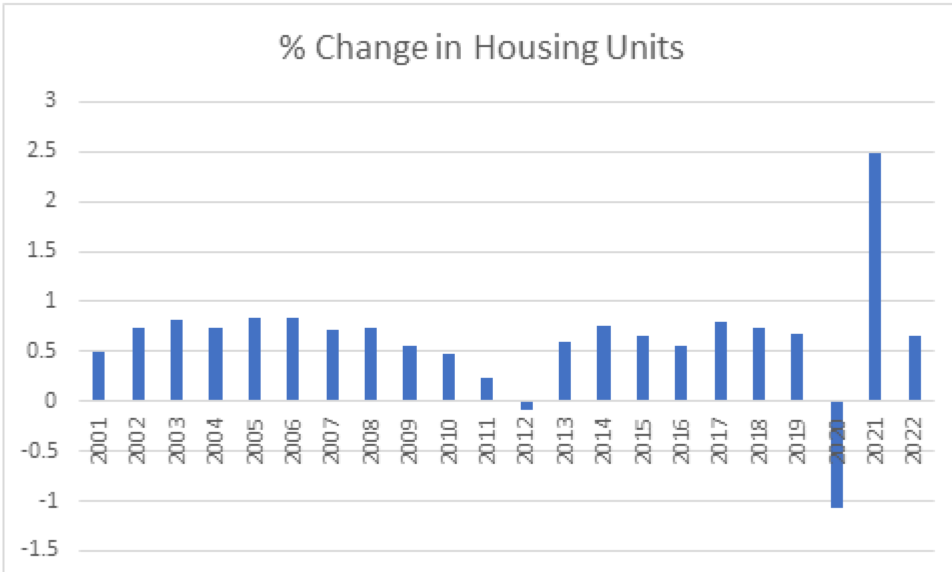
Community feedback exacerbates the struggle to increase the number of housing units by enabling a "Not In My Backyard" (NIMBY) mindset to restrict new development. Jason Sorens, a lecturer in government at Dartmouth College whose focus is in secession, state politics, and fiscal federalism, mentions a few previous research pieces in his article that highlight this general trend in the nation. Sorens explains NIMBYism as reflecting a dichotomy of homeowners' opinions on housing policy: they may support the policy in principle but oppose the passing of it when it impacts their local area. With the introduction of by-right zoning, the property owner can sidestep the community feedback process, allowing for an efficient implementation of their project. Essentially, by-right zoning will allow developers to build higher density housing, including multifamily homes, apartment buildings, and mixed-use developments, if the project fits the zoning requirements. It would also decrease the average time to start construction, the added dollars to a home's overall price (as mentioned by Kaeding), and limit urban sprawl. These impacts of by-right zoning would decrease the costs for the developers and snuff out exclusionary efforts (NIMBY), thus increasing urban development, faster planning approval, and slow the increasing rate in the cost of living.

California is one state that has enacted by-right zoning, which allowed the approval and building of affordable housing on commercially zoned lands. Looking at the change in number of housing units added to five different counties in California from 2001 to 2019 can help provide a basis for future research on the direct impact of by-right zoning. Figure 1 shows the growth in additional housing units year after year in the counties of Los Angeles, Orange, Sacramento, Alameda, and San Francisco County. Analyzing Figure 1 shows there was a decrease in the growth rate from 2006 until 2012, and after 2012, there was a growth rate that seemingly returned the counties back to their original state (with an irregular trend from 2020 to 2022 because of Covid-19). When looking at this data there is not a clear answer to if by-right zoning had a direct impact on this increase, however, it can be surmised that the introduction of by-right zoning did assist in bringing back the normal growth rate. For future research, there should an attempt at isolating the impact of by-right zoning within California, drawing on feedback from developers, price-income ratio, rent-income ratio, total housing unit changes, foreclosure rates, and percentage of increase of affordable housing compared to single family housing development.

For widespread acceptance of by-right zoning, there needs to be a substitute to the community feedback that by-right zoning eliminates. Complementing by-right zoning with the Comprehensive and Smart Growth Law that Wisconsin currently has in place will make it more manageable. Making this law stronger will help preserve the community feedback option, allowing for the community to still impact what goes on in their community. Comparing the comprehensive plan requirements from surrounding states, like Michigan, Iowa, Minnesota, and Illinois, could provide insight for what a strong and detailed plan looks like. Wisconsin's current Comprehensive Planning and Smart Growth law can be improved so that communities are better able to discuss their vision for how the area could further develop. Minnesota seems to provide an exemplary comprehensive planning law through their Comprehensive Plan Content. The law requires that areas provide detailed plans that establish goals related to housing, transportation, and especially the environment. Michigan encourages comprehensive planning with the Michigan Planning Enabling Act, and so does Iowa with the passing of its Iowa Smart Planning Principles. Illinois also promotes comprehensive planning through its Local Planning Technical Assistance Act, which advises municipalities to apply for assistance when drafting a comprehensive plan. There appears to be a focus on urbanization and the protection of land, but including a focus on development or supporting of local industries and markets may also be beneficial for these plans. The only problem that is prominent in these plans is the lack of enforceability and vagueness of goals that should be included in the plans. Some of these states require a comprehensive plan to be made, but there is no punishment if the community does not have one. By-right zoning would be that incentive if there is a connection between these two laws. To still have a say about what goes on in the community, the comprehensive plans drafted by communities must include meeting quotas and deadlines, and then applying this to proposed projects. Essentially, it would help determine if a project being proposed would facilitate meeting quotas and goals set by the community, and if the project meets correct zoning requirements, then the project must be approved for construction. Strengthening the requirements for Comprehensive Planning is to the community's benefit as it helps determine its needs through local knowledge.

Overall, there is currently a lack of enforceability and vague requirements for creating these comprehensive plans, but by making these comprehensive plans mandatory and more defined by goals such as quotas and deadlines, by-right zoning can be used to aid in meeting the communities' goals. Allowing by-right zoning necessitates the use of comprehensive planning so that there can be guided growth that focuses on the needs defined by the community, while allowing developers to freely build. The comprehensive plan drafted by communities will serve as a substitute for community feedback, preserving the local knowledge and needs of the community, whilst also decreasing the amount of time approving the project. Without by-right zoning, there is essentially no need for comprehensive planning as community feedback has control over the approval process.

Figures



(Bureau and California)
Figure 1.

References

Bureau, U. S. C. (n.d.). Explore census data. https://data.census.gov/table/DECENNIALSLDH.H001?t=Housing+Units&g=040XX00US06_050XX00US06001%2C06037%2C06059%2C06067%2C06075&y=2000

California, S. of. (n.d.). *E-8 historical population and housing estimates for cities, counties, and the State, 2000-2010*. Department of Finance. https://dof.ca.gov/forecasting/demographics/estimates/estimates-e8-2000-2010/

Kaeding, D. (2023, March 8). *As Wisconsin confronts a housing shortage, some groups seek zoning changes to aid developers*. Wisconsin Public Radio. https://www.wpr.org/economy/wisconsin-housing-shortage-groups-seek-zoning-changes-aid-developers

Sorens, J. (2022). *Changing Minds on Restrictive Zoning: How to Unclog America's Home Supply*. CATO Institute. https://www.cato.org/sites/cato.org/files/2022-04/sorens-changing-minds-restrictive-zoning.pdf

Social Capital Measures and their Impact on the Economy

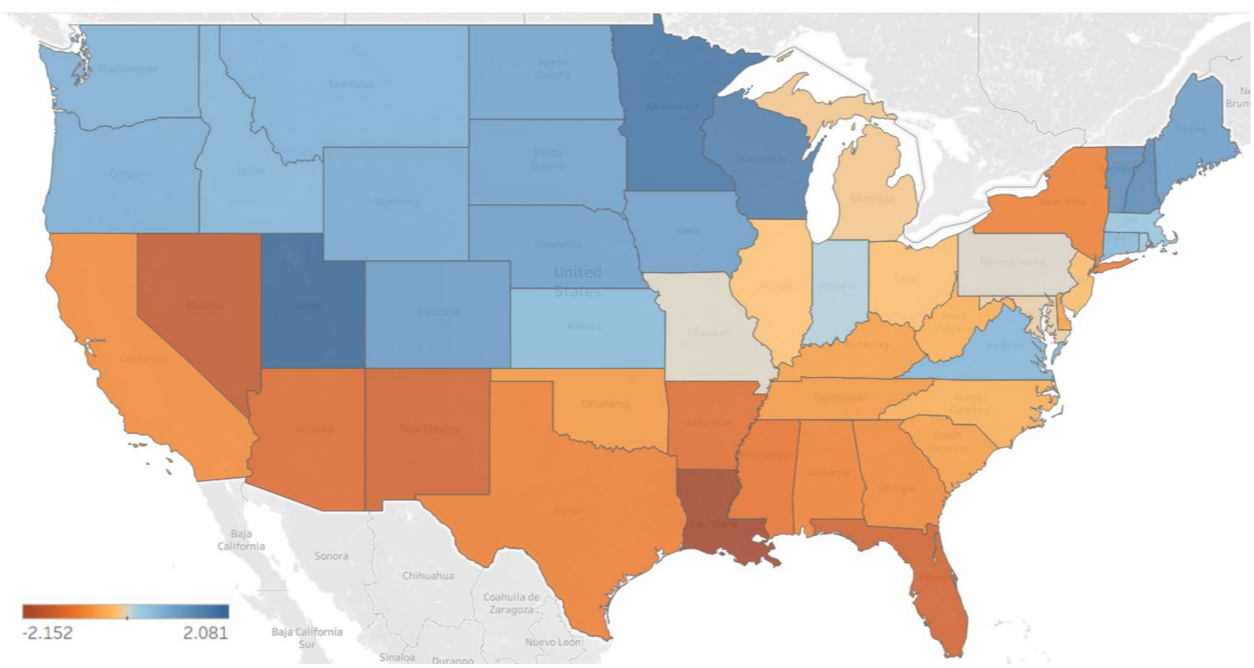
Written by Scott Rosendahl
March 1, 2024

Social capital refers to the combination of different types of interactions between people in a society and how easy it is for people to gain resources through these interactions. In this paper, I will be referring to social capital as an overall measure of the benefit a person gains from their social environment. Using data from the Joint Economic Committee Social Capital Report, I will be analyzing different social capital-related metrics and comparing them. I am looking for correlations between these metrics and economic factors and will hypothesize explanations for these correlations.

On its website, the Social Capital Project states that its goals are to "increase social capital through reconnecting Americans to work, improving investment in youth, making it more affordable to raise a family, increasing family stability, and rebuilding civil society." To accomplish this, they regularly release literature – including two books – to inform both federal and local policies. This helps policymakers determine which taxes and regulations are harmful or unnecessary to social capital.

Social capital score consists of several components. Each component is an aggregation of several relevant measures that is then transformed into a z-score, showing how many standard deviations it lies above or below the mean. For example, Florida's score for Collective Efficacy, or rate of violent crime, is about –1, meaning that its score is about one standard deviation below the mean. Subsequently, each component is computed into a weighted average to determine an overall score, referred to as the "base index". This is done using Principal Components Analysis.

Base index for US states



Aggregate social capital indices range from 2.081 (Utah) to –2.152 (Louisiana), with this measure being a representation of the z-score of the state-wide social capital distribution. Wisconsin's score is 1.609, which is the third highest. Many states with high scores on the overall social capital index are in the Midwest or the Rockies. In fact, of the states with the sixteen highest scores, thirteen of them can be found in one continuous bloc encompassing states from the Pacific to Wisconsin.

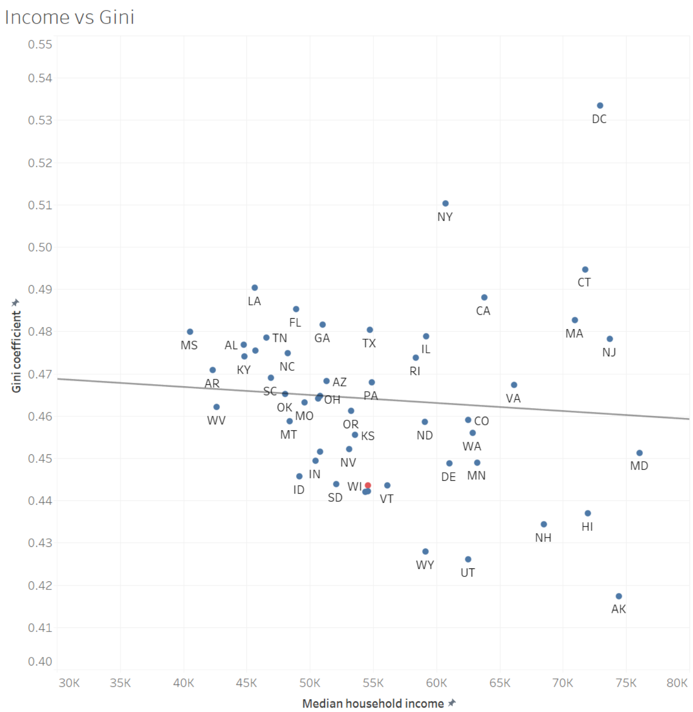
One main theory for this is the more rural nature of these states, since states with smaller populations, on average, have higher social capital scores. Additionally, many of these states have high levels of Family Unity and Family Interaction, bringing up their overall score.

On the other extreme, states in the Southern half of the U.S. form an imposing bloc of negative scores. Many of these states have denser populations and have low scores on Institutional Health, which may damage their overall social capital.

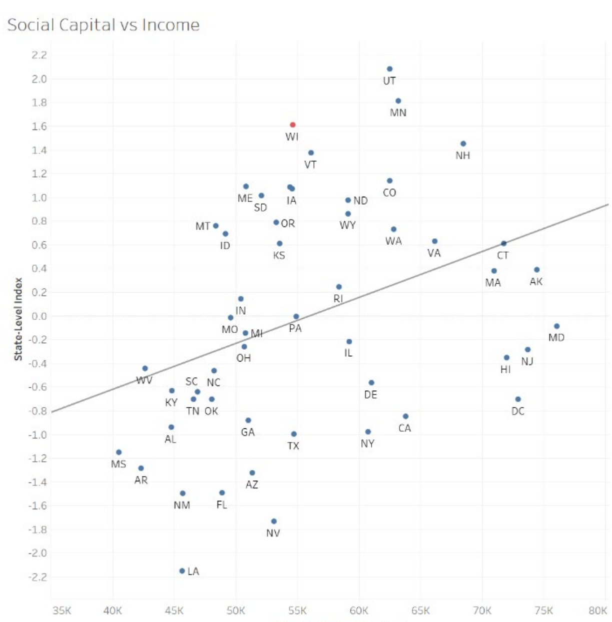
Details about Wisconsin's and the Midwest's score in other metrics can be seen below. The Midwest is defined as an average of the scores of North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Indiana, Michigan, and Ohio.

Measure	Measured by...	Wisconsin rank	Wisconsin score	Midwest score
Family Unity	Births to unwed mothers, single-parent families, percent of women who are married	16th	0.5	0.42
Family Interaction	Children who are read to by a family member, use of electronics and TV by children	22nd	0.24	-0.11
Social Support	Share of adults who trust neighbors, do favors for neighbors, and get necessary social/emotional support	36th	-0.66	-0.16
Community Health	Volunteering rates, attending public meetings, and working with neighbors	7th	0.93	0.22
Institutional Health	Voting and census response rates, confidence in media, corporations, and schools	2nd	1.94	0.94
Collective Efficacy	Violent crime rate	21st	0.41	0.22
Philanthropic Health	Share of donations to charitable or religious organizations	18th	0.45	-0.04

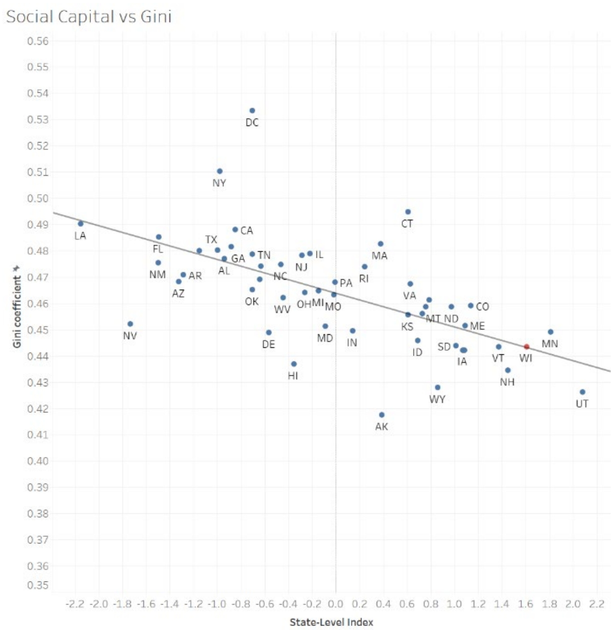
What impact do social capital factors have on the economy, and vice versa? Is there any impact at all? To answer these questions, I graphed this data alongside economic indicators: specifically, state-wide median income and Gini coefficient (This measures wealth inequality. A higher value corresponds to a higher degree of inequality.)



There is a slight negative correlation between income and inequality (Gini coefficient), but the two variables are not strongly correlated. This suggests that as median income increases, income inequality decreases.



There is a moderate positive correlation between median income and overall social capital. Both variables likely partially cause one another – wealthier people are more likely to have the resources and ability to increase the social capital of their community, and communities with higher levels of social capital are more likely to attract wealthier people.



Income inequality and social capital have a strong negative relationship. In other words, the better a community to live in, the lower the income gap will be. High levels of social capital (caused by social support, low crime rates, healthy family lives) may make it easier for individuals to pursue higher-paying jobs, but the opposite may also have an effect – if members of a community have similar income levels, they may be more united and supportive of one another, raising levels of social capital.

Data from the Social Capital Project has unearthed interesting trends about different states and access to resources in the environments of people who live in these states. Additionally, income and especially inequality have shown to be correlated with social capital. Throughout the upcoming semester, I will be exploring these findings, and gleaning new insights through my research.