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## Rural Industrialization

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# Economics Newsletter

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## RURAL INDUSTRIALIZATION

Over 10 years ago this author wrote an Economics Newsletter entitled "Industry Location in Rural Areas". Much of the information is worthy of repetition, particularly in view of the many changes we have seen during the past decade.

Ten years ago most towns were seeking industry "at any cost". Some are taking another look because of problems, both real and imagined, associated with industry.

Certainly environmental factors are a greater consideration than they were a decade ago. This is no reason however, to reject industry "out of hand". Because of stringent environmental laws, industry must now meet rigid standards and for this reason industry in the community may be even more desirable now.

Another fear, often unspoken, is that industry may bring people who are not "our kind". During the past decade South Dakota has experienced a moderate amount of industrialization. These industries have been of the labor-intensive type. They have chosen South Dakota for, among other factors, the quality of labor already available here. Only a small percentage of the work force was brought with the industry and these are managers and supervisors.

### Advantages of Industry

Industry makes new jobs. South Dakota continues to be a state with a high rate of outmigration. In any survey of community needs the need for more jobs ranks among the top three needs. Industry offers our own people the alternative of staying in South Dakota or moving to a metropolitan area.

For each new industrial job, research has shown that from seven tenths to one other job is created in the community. If an industry employs 100 people there will be another 70 to 100 jobs created. This is called the multiplier effect. This effect is reflected in expanded business activity and profits from the increased incomes.

### Costs of Industry

When an industry locates in a community, as a rule, the local government must make some additional expenditures. Utilities lines may have to be extended and there might be a need for additional school capacity. These costs may be partially or wholly offset by the increased tax base because of not only the additional investment by the industry, but by the investments in new homes and businesses. There will be a time lag, however. The capital expenditures by local government are immediate while it may be some time before the benefits of the larger tax base are realized. This is particularly true if some sort of tax abatement incentive was offered to entice the industry to locate in the community.

Industry will compete with agriculture and other businesses and industries for labor and other inputs. In today's energy short world this is a factor to consider.

### Types of Industries

Basically, industry may be divided into three broad categories. (1) There are those that must be located at the source of the raw materials such as mining, forestry, and farming. These are known as resource oriented industries. (2) The

second broad type consists of those that must be located close to their primary markets. Construction, recreation, trade, and some food processing industries are examples. These are market oriented industries. (3) The third type is neither resource nor market oriented; those in this category are designated "footloose industries." These are the industries most apt to be seeking new locations, although the possibility of the other two types should not be ruled out.

#### Advantages Rural Areas Can Offer Industry

There is a relatively inexpensive and abundant supply of labor in rural areas. Unemployment data typically underestimate the number of unemployed and give very little indication of the underemployed.

Rural areas can offer adequate and inexpensive sites for industry. In addition, the Rural Development Act of 1972 provides grants and loans to local governments for the development of industrial parks. The Farmers Home Administration program can also offer guaranteed loans to businesses and industries locating in towns of less than 50,000 population.

Finally, rural areas can offer easy access to work and to play. Recreational opportunities are more abundant in South Dakota today than ever before. There must be some very good reasons for the growth of rural industrialization. Between March 1970 and March 1973 non-metropolitan areas reported increased manufacturing employment of 356,000 people while metropolitan manufacturing employment declined by 673,000.

There never has been an industry that did not cost the community something nor one that did not benefit the community. Communities interested in industrialization should analyze their resources and advantages and exploit them. They would be wise to concentrate primarily on those industries that might logically fit their area. Nationally, those towns with a head start are the ones located on the Interstate highway system.

The unwillingness of key personnel to live in communities without adequate social and cultural advantages is a factor. This includes quality education, attractive parks, adequate police and fire protection and other community services. These are worthy goals for any community whether they are interested in attracting industry or not.

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