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"How to Preserve and Strengthen Our Rural Economies", University of Montana

Max S. Baucus

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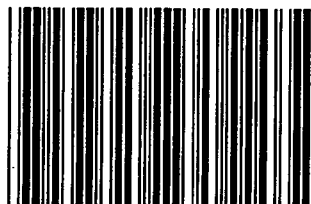
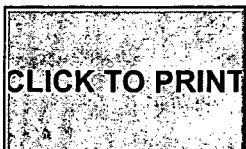
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(2) Subject* **How to Preserve and Strengthen our Rural Economies**

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BAUCUS

SPEECH BY SENATOR MAX BAUCUS

UNIVERSITY OF MONTANA

APRIL 14, 1987

INTRODUCTION

THANK YOU, PRESIDENT KOCH ("COOK").

TODAY I WANT TO TALK ABOUT ONE OF THE MOST
IMPORTANT CHALLENGES FACING OUR NATION AND STATE:
HOW TO PRESERVE AND STRENGTHEN OUR RURAL
ECONOMIES.

THE TWENTIETH CENTURY HAS BEEN CALLED "THE
AMERICAN CENTURY." SINCE THE THIRTIES, AMERICAN
INDUSTRIAL MIGHT AND A NATURAL RESOURCE BASED
ECONOMY HAVE DOMINATED THE WORLD AND GENERATED A
STEADILY RISING STANDARD OF LIVING.

BUT THAT'S NOT THE SITUATION ANYMORE. THE
WORLD ECONOMY HAS CHANGED. AND OUR RURAL
ECONOMIES ARE SUFFERING AS A RESULT.

TWO ECONOMIES

WE ARE BECOMING A NATION WITH TWO ECONOMIES:
A GLITTERING URBAN ECONOMY ON THE COAST AND A
DECLINING RURAL ECONOMY IN BETWEEN. AN ARTICLE
EARLIER THIS YEAR IN THE NEW YORK TIMES PUT IT
BLUNTLY:

"NOT ONLY ARE MANY RURAL AREAS LOSING
POPULATION, BUT MORE OF THE PEOPLE WHO LIVE THERE
ARE OUT OF WORK, LIVING IN POVERTY. AND THE
WIDENING GAP IS EVIDENT REGARDLESS OF WHETHER A
COUNTY IS DEPENDENT ON AGRICULTURE OR MANUFACT-
URING, FORESTRY OR MINING, TRADE OR ALMOST
ANYTHING ELSE EXCEPT SERVICE TO RETIREMENT COM-
MUNITIES."

WE SHOULD NOT TOLERATE THIS DIVISION OF
PROSPERITY. AS FDR SAID, OUR ECONOMY CANNOT
ENDURE "IF IT IS HALF BOOM AND HALF BUST."

ADAPTING TO CHANGE

SO HOW DO WE TURN THINGS AROUND?

WE HAVE TO START BY UNDERSTANDING EXACTLY
WHAT'S GOING ON.

THIS MEANS UNDERSTANDING THAT THE RURAL
ECONOMY IS MUCH MORE THAN AN AGRICULTURAL ECONOMY.

THE FAMILY FARM REMAINS THE ECONOMIC FOUNDATION OF RURAL AMERICA. BUT MORE AND MORE FARMERS MUST SUPPLEMENT THEIR INCOME WITH A JOB IN TOWN JUST TO SURVIVE. THE PROPORTION OF TOTAL FAMILY FARM INCOME EARNED FROM OFF-FARM SOURCES HAS INCREASED FROM AN AVERAGE OF ABOUT 40 PERCENT IN 1960 TO OVER 72 PERCENT IN 1983.

IRONICALLY, THE VIABILITY OF THE FAMILY FARM MAY DEPEND ON THE AVAILABILITY OF A NON-FARM JOB IN TOWN.

BUT WHERE WILL THOSE JOBS COME FROM?

SMALL TOWNS IN RURAL AMERICA HAVE TRADITIONALLY BEEN BUILT AROUND NATURAL RESOURCE INDUSTRIES LIKE AGRICULTURE, TIMBER, MINING, AND FISHING.

BUT AS NATURAL RESOURCES BECOME "DECOUPLED" FROM INDUSTRY, RURAL COMMUNITIES BECOME "DECOUPLED" FROM THE MAINSTREAM OF ECONOMIC GROWTH. AS A RESULT:

TT THE GAP BETWEEN URBAN AND RURAL PERSONAL INCOME IS WIDENING.

TT THIRTY-EIGHT PERCENT OF THE NATION'S POOR AND 67-PERCENT OF ALL SUBSTANDARD HOUSING ARE IN RURAL AREAS.

TT AND ABOUT 90-PERCENT OF ALL COUNTIES WITH EXTREMELY HIGH UNEMPLOYMENT RATES ARE RURAL.

HERE IN MONTANA; THE SIGNS OF ECONOMIC CRISIS ABOUND. VIRTUALLY ALL OF OUR BASIC INDUSTRIES FACE HARD TIMES.

TT WE'VE LOST 5,000 JOBS IN FOREST PRODUCTS AND HARD-ROCK MINING.

TT WE'VE LOST 3,700 JOBS IN AGRICULTURE.

-- WHEAT PRICES HAVE FALLEN TO THEIR LOWEST LEVELS SINCE 1979.

-- WE'VE SEEN A RECORD NUMBER OF FARM FORECLOSURES.

IT'S A SOBERING SITUATION.

BUT WE HAVE ONLY TWO CHOICES.

WE CAN THROW UP OUR HANDS AND GIVE UP.

OR WE CAN TRY TO TURN THINGS AROUND.

FIGHTING BACK

TO BRING LIFE BACK TO OUR RURAL AREAS, WE NEED NOT ONLY NEW JOBS IN THE TRADITIONAL INDUSTRIES, BUT NEW INDUSTRIES AS WELL.

IN MAINE, THAT MEANS REBUILDING A SALMON FISHERY THAT DISAPPEARED FROM DECADES OF OVERT FISHING.

IN MINNESOTA; IT MEANS MANUFACTURING CHOP STICKS FOR EXPORT TO THE JAPANESE.

AND IN MONTANA, IT MEANS ADOPTING FOREIGN TECHNOLOGY FOR PROCESSING SOFTWOOD INTO QUALITY FLOORING, FURNITURE AND BUILDING MATERIALS.

WE MUST DISPEL THE NOTION THAT THE RURAL ECONOMY MEANS ISOLATED AND SPARSELY POPULATED FARM COMMUNITIES.

THE RURAL ECONOMY REALLY MEANS A COLLECTION OF MANY DIVERSE ECONOMIES, DEPENDING NOT ONLY ON THE TRADITIONAL INDUSTRIES, BUT NOW ALSO ON NEW INDUSTRIES LIKE MANUFACTURING, SERVICES AND TOURISM.

UNDERSTANDING THIS, WE THEN MUST DEVELOP POLICIES THAT WILL MAKE ECONOMIC TRANSITION EASIER AND PROMOTE THE GROWTH OF NEW INDUSTRIES.

ONE WAY IS TO HELP SMALL RURAL INDUSTRIES ADOPT NEW TECHNOLOGY AND ASSURE THAT FEDERAL RESEARCH AND DEVELOPMENT EFFORTS ADEQUATELY REFLECT RURAL NEEDS.

ANOTHER IS TO IMPROVE CAPITAL FORMATION IN RURAL AREAS. THIS REMAINS A MAJOR IMPEDIMENT TO RURAL BUSINESS START-UPS AND EXPANSION.

FEDERAL RESOURCES, SUCH AS THE SBA GUARANTEED LOAN PROGRAM, SMALL BUSINESS INVESTMENT COMPANIES AND OTHERS CAN PROVIDE CRITICAL ASSISTANCE.

EDUCATION AND MONTANA ECONOMIC DEVELOPMENT

FINALLY, WE MUST RECOGNIZE THE IMPORTANCE OF EDUCATION TO OVERALL ECONOMIC DEVELOPMENT.

AT OUR COLLEGES AND UNIVERSITIES, WE MUST PROVIDE STUDENTS WITH THE SKILLS THEY'LL NEED TO DEVELOP AND PURSUE A NEW ECONOMY.

TRADITIONAL RURAL INDUSTRIES LIKE AGRICULTURE, MINING AND FOREST PRODUCTS WILL CONTINUE TO REMAIN THE BACKBONE OF OUR ECONOMY.

BUT THEY WON'T PRODUCE THE STEADY STREAM OF NEW JOBS THAT MONTANA NEEDS TO GROW AND PROSPER. FOR THIS GROWTH, WE MUST LOOK ELSEWHERE:

TT To VALUE-ADDED PROCESSING.

TT To TOURISM.

TT AND TO HIGH TECHNOLOGY.

MONTANA IS NOT GOING TO BECOME ANOTHER
SILICON VALLEY.

BUT WE DO HAVE A GREATER HIGH-TECH POTENTIAL
THAN WE SOMETIMES THINK.

AT ONE TIME, THE HIGH COST OF SHIPPING TO
MAJOR MARKETS PREVENTED MONTANA FROM DEVELOPING A
DIVERSIFIED MANUFACTURING BASE.

BUT WITH HIGH-TECH, THE TRANSPORTATION
SITUATION IS DIFFERENT.

SHIPPING COSTS AREN'T THAT IMPORTANT IF YOU
CAN PACK \$10,000 WORTH OF LASER TESTING EQUIPMENT
INTO A BOX THE SIZE OF A COFFEE CUP AND SHIP IT
OVERNIGHT ON FEDERAL EXPRESS, OR SELL INFORMATION
THAT IS TRANSMITTED VIA SATELLITE AT 183,000 MILES
A SECOND.

WHAT IS IMPORTANT IS THE AVAILABILITY OF A
HIGHLY EDUCATED WORKFORCE.

AND HERE, MONTANA HAS A DISTINCT ADVANTAGE.

-- WE HAVE THE SEVENTH HIGHEST LITERACY RATE
IN THE COUNTRY.

-- WE HAVE ONE OF THE HIGHEST HIGH SCHOOL
GRADUATION RATES IN THE COUNTRY.

-- TWENTY-FIVE PERCENT OF THE STUDENTS AT MSU
ARE IN ENGINEERING.

-- AND HERE AT UM, YOU HAVE PRODUCED 22
RHODES SCHOLARS, RANKING 19TH OUT OF 3,300 COL-
LEGES AND UNIVERSITIES.

OUR EDUCATION SYSTEM IS A VALUABLE ASSET.

IF WE ARE GOING TO STRENGTHEN OUR STATE'S
RURAL ECONOMY, WE MUST CONTINUE TO STRENGTHEN OUR
STATE'S EDUCATIONAL SYSTEM. WE MUST MAKE IT EVEN
MORE RELEVANT TO OUR ECONOMIC DEVELOPMENT.

CONCLUSION

MONTANA WAS BUILT BY DETERMINED, HONEST;
SOLID PEOPLE, WHO HAD DREAMS AS BIG AS THE SKY.
THIS LAND IS TOUGH, BUT WE HAVE CARVED OUT A LIFE
FOR OURSELVES IN THE FACE OF MANY HARDSHIPS. NOW
WE FACE A NEW CHALLENGE.

OUR STATE MUST MOVE INTO THE FUTURE. WE MUST
LOOK AT WHAT WE HAVE AND, WITH ALL OUR TALENT AND
INGENUITY, PREPARE OUR STATE FOR THE NEXT CENTURY.

I BELIEVE MONTANA, AS IN THE PAST, WILL MEET
THIS CHALLENGE.

WE HAVE THE RESOURCES

WE HAVE THE LAND

WE HAVE THE WILL.

BUT MOST IMPORTANT, WE HAVE THE PEOPLE.

TO CHANGE OUR SAGGING RURAL ECONOMY INTO A
VIBRANT, NEW ECONOMY WILL TAKE TALENTED, EDUCATED,

COMMITTED PEOPLE. WE HAVE TO FIGHT BACK, AND HOLD ON TO THE GOOD LIFE WE HAVE HERE IN MONTANA.

OUR RECENT PAST HAS BEEN PAINFUL. CHANGE ON SUCH A DRAMATIC SCALE IS ALWAYS DIFFICULT. BUT MONTANA WILL EMERGE STRONGER, MORE COMPETITIVE, AND MORE DETERMINED THAN EVER.

WE CAN BUILD A NEW RURAL ECONOMY. YOU AND I AND THIS UNIVERSITY MUST EACH PLAY OUR PART. BY WORKING TOGETHER OUR PROUD PAST WILL BE THE FOUNDATION FOR THE FUTURE.