Major Themes in Economics

Volume 2

Article 4

Spring 2000

Population Trends in Rural Iowa: Decline and Recovery

Jake Hansen
University of Northern Iowa

Recommended Citation
Hansen, Jake (2000) "Population Trends in Rural Iowa: Decline and Recovery," *Major Themes in Economics, 2,* 21-31.
Available at: https://scholarworks.uni.edu/mtie/vol2/iss1/4

Population Trends in Rural Iowa: Decline and Recovery

Jake Hansen

ABSTRACT: In the 1980s, the population of the United States increased by 22,219,000 people, or 9.8%. At the same time, the population of the state of Iowa declined by 4.7%, meaning a loss of over 136,000 Iowans. Many experts blame the farm crisis of the 1980s for this population decline. As of 1998, only 20 of Iowa's 99 counties had experienced population growth since 1980. The purpose of this paper is to determine the factors that contributed to Iowa's population decline in the 1980s and what Iowans can do to stabilize their population in the years ahead. The focus of this paper will be on Iowa's rural counties, as classified by the Economic Research Service of the U.S. Department of Agriculture in 1989.

I. Introduction

In the 1980s, the population of the United States increased by 9.8%, an increase of 22,219,000 Americans. However, the population of Iowa declined by 4.7% during the same decade, which meant a loss of 136,000 Iowans, millions of dollars in federal money, and one seat in Congress. On the heels of a sharp recession in the early 1980s, the agricultural crisis of the mid-1980s may have hurt Iowa more than any other state in the U.S. Poor economic conditions endured by farmers as a result of a drought and depressed commodity markets were responsible for the end of many farming careers, and caused stagnation in many industries that depend on agriculture for their well being.

During the 1990s population in Iowa started to recover, as the state experienced a 3.1% increase in population. However, given that population in the US grew by 7.4% during that same period, Iowa's performance was relatively modest. Only 51 of the 99 counties in Iowa experienced population growth during the 1990s, and only 39 of the 80 Iowa counties with an urban population of less than 20,000 people grew during that span [Population Estimates Program, b, 1999].

The purpose of this paper is to examine the factors responsible for the aforementioned population trends in Iowa during the last two decades. First, an attempt will be made to explain the decline in the 1980s, including but not limited to an examination of the agricultural crisis and its effects on Iowa's rural counties, where the bulk of the population out-migration took place. Second, a review of both the successes and failures in the 1990s in Iowa's rural counties will be presented.

II. Defining A Rural County

The focus of this study will be on the 80 Iowa counties classified as non-metro counties with an urban population of less than 20,000.[1] The classifications used for this study were determined in 1989 by the Economic Research Service, or ERS, of the U.S. Department of Agriculture. Only 2 of these 80 counties experienced population growth in the 1980s, and only 12 of the 80 counties experienced population growth from 1980 to 1998. Additionally, in 1993 the ERS classified all U.S. non-metro counties into one of six economic types. Forty-one of the 80 counties in this study were determined to be farming-dependent, meaning that farming contributed a weighted annual average of at least 20 percent of labor and owner income in the county between 1987 and 1989 [ERS, a, 1989]. Twenty-six of the remaining counties in the study were determined to be non-specialized. Only 2 of the 12 counties growing between 1980 and 1998 were classified as farming-dependent, and both of these counties (Benton and Washington) are also classified as commuting counties, or counties in which 40 percent or more of all the county's workers are employed outside the county [ERS, a, 1989]. These results show a bleak future for local economies in Iowa that hope to survive as farming economies.

III. The 1980s: Recession and Decline

Although some rural counties in Iowa started losing their residents to out-migration prior to 1980, this study will begin in 1980 since accurate Census data is available for that point in time and many of the relevant economic events discussed occur in this decade. It should be noted that labor force participation percentages in agriculture declined throughout the entire 20th century, but economic events of the early 1980s accelerated the exodus of agriculture-related jobs in Iowa. When compared with the Iowa population as a whole, the 80 counties discussed in this article collectively lost residents at a greater rate in every year in the 1980s, and continued to lose residents after 1987, when the state's population began to recover [Population Estimates Program, a, 1992]. For both rural counties in Iowa and the entire state, population decline was worst in the three-year period between 1985 and 1987. During this period Iowa lost an estimated 91,609 persons, over two-thirds of which came from Iowa's rural counties [Population Estimates Program, a, 1992].

One of the main factors explaining these population trends is the state of the farm economy during the 1980s. After the 1970s, a time in which Iowa managed to keep up with the rest of the country economically, farmers were doing relatively well. Agricultural exports were very high and the relative value of the dollar was low, meaning farmers earned high prices domestically due to increased foreign demand. In the early 1980s, however, Iowa's farmers met a cruel reversal of fortune, as inflation led to tight monetary policy. The Fed raised interest rates, causing the dollar to strengthen, and ag exports and domestic commodity prices dropped sharply [Swanson, 1988, 12]. The farm economy bottomed out in 1983 when the average farm operation lost about $2,100 in income [Swanson, 1988, 27]. A slow recovery of farm income, spurred largely by federal assistance, began the following year, but by 1986 the average American farmer was paying $1.29 in costs for every $1.00 of revenues earned. Even with federal help, many Iowa farmers could not keep up. Between 1980 and 1986, an average of 2,000 Iowa farms went out of business each year, with the size of the average operation growing from 284 to 308 acres. At the same time, the average value of an acre of farmland dropped from $2,066 to $787 [Swanson, 1988, 27]. Many farmers had no choice but to pack up and sell the farm to avoid bankruptcy.

A look at the rate of population decline, both for rural counties in this study and the state as a whole, shows that the sharpest decline in Iowa's population occurred between 1985 and 1986, when the state's population fell by 1.3%, and the 80 rural counties lost 2.0% of their population, or 24,206 persons in a single year [Population Estimates Program, a, 1992]. The lag in economic trends and population decline can be explained by the fact that many farmers received federal assistance in response to the state of Iowa's economy in 1983. While the national economy started its recovery in 1983 after being in a recession from 1979 to 1982, the state economy in Iowa continued to suffer as Gross State Product (GSP) continued to decline [Swanson, 1988, 9]. Although GSP started to rise again in 1984, the state's economic performance was still below national averages. For many farmers the damage was done, and in spite of financial support from the federal government, many farmers were forced out of the business by 1985. Non-farm employment was also suffering in Iowa, as 5% of all non-farm jobs were lost between 1976 and 1985 [Swanson, 1988, 37]. Hence, many Iowa farmers had to leave the state to feed their families. The reduction in rural producers, in spite of the increase in the average farm size, resulted in a slight drop in production, which in turn helped to bring market prices up modestly by the end of the 1980s.

IV. The 1990s: The Long Road Back

After 1987, the population of the state of Iowa started to rise again following about a decade of decline. However, Iowa's rural counties continued to lose residents, although the rate of population decline was significantly lower in 1988 than in 1987, dropping from 1.5% to 0.3%. This rate of decline remained steady for the rest of the decade, and by 1990 Iowa's rural counties had lost over 227,000 residents during the 1980s, compared with 136,977 for the state as a whole [Population Estimates Program, a, 1992 and b, 1999]. While this was a good sign for the other 19 counties in the state, Iowa's rural counties faced a dangerous future. Lower population meant lower representation both at the state and federal levels, lower amounts of federal aid for cities, counties, and school districts, and a lower tax base to work with on the road to economic recovery. Many rural areas were left with a fiscal policy dilemma: Raise taxes to improve tax revenues, possibly shrinking the tax base by driving out even more residents, or keep tax rates low and streamline services and amenities, which would reduce marketability to potential newcomers. As the 1980s drew to a close, rural Iowans were faced with a new but equally challenging set of obstacles to overcome in the 1990s.

In terms of population growth and retention, many of the successful counties in rural Iowa chose to indirectly raise tax burdens for taxpayers by offering new and existing industries monetary incentives. Included in these incentives were land gifts, property tax abatements, and rebates on property and utility costs, to name a few. The idea was to spur job creation in rural Iowa by offering industry-beneficial packages that would benefit the community over the long run. For example, a common economic development incentive is a property tax abatement, which means that a property owner is exempt from paying property taxes for a certain amount of time. After that time has elapsed and the company has grown or maintained its status within the community, its relatively large tax burden would, in time, offset the abatement. The firm would provide long-term benefits for the area in the form of direct and indirect job creation, an expanded tax base, and increased population. All of these factors help cities and counties secure federal funding and representation, further aiding in economic stability at the local level.

In theory, it would be simple for a county or community to offer such a package to a large firm to bring employees to an area, but in reality, there are many other considerations. A key to attracting new and existing industry is flexible infrastructure, meaning an area must be able to expand and tailor existing infrastructure to meet the needs of a new business. Many rural areas in Iowa lack the funding to update and expand their infrastructure, and consequently are relatively disadvantaged in terms of attracting new businesses and retaining existing businesses wishing to expand. Urban areas within the state, as well as urban and rural areas in other states that can provide adequate and affordable infrastructure, can lobby firms more strongly than most rural Iowa counties. As economist Janet Rives argues, "the positive relationship between infrastructure and the level of economic development provides a compelling argument for continued infrastructure maintenance..." [Rives and Heaney, 1995, 69]. Put simply, counties in rural Iowa that wish to attract new and expanding industries need to update their infrastructure to compete with urban and out-of-state competitors.

In addition to infrastructure, many firms consider the availability of labor important to their location decision. Unemployment in Iowa generally stayed below national averages, which has led employers to believe that labor markets were tight. However, unemployment in rural Iowa was higher than state averages, mainly due to the high number of displaced agricultural workers.

While the number of available workers is important to a firm, the type of available labor is even more crucial. The state of Iowa has a number of technical and trade programs available through its community colleges and state universities that are designed to train and re-train workers to join the changing labor force. However, the state still lags behind in terms of diversifying its labor pool enough to attract new firms, especially in the rural areas. In 1996, the Iowa Legislature took a big step to help both workers and firms in the state by creating the Iowa

Workforce Development (IWD) agency. The IWD was designed to provide a statewide network of job openings and developmental offices. The agency's goals included offering assistance to workers struggling to re-enter the job market, helping firms in Iowa to locate the right kind of workers in tight labor markets, and providing Iowa with a much-needed source of labor information for laborers and firms alike. Currently, the IWD has 72 development centers in operation, 52 of which are located in the state's 80 rural counties [IWD, 2000]. The agency's website provides updated listings of thousands of jobs throughout the state and provides firms and government entities with key labor market information that can be used to make business and/or policy decisions.

In addition to re-training displaced workers from declining industries such as agriculture, the state of Iowa must act to keep its own new entrants to the labor force in the state. This especially holds in Iowa's rural areas, where in 1997 the average age of a farm operator was 52 years old [ERS, b, 2000]. According to a study conducted by Rives and Yousefi, there was a net out-migration of Iowa's university graduates between 1950 and 1984 that was attributed to a combination of a stagnant Iowa economy and a lack of professional employment opportunities in Iowa relative to other parts of the country [Rives and Yousefi, 1989, 12]. While the state appeared to be at a disadvantage in terms of attracting and retaining new entrants to the labor force (college graduates in particular), graduates that did stay in Iowa had a tendency to find work in the state's larger cities, meaning an even larger difference in the percentage of the state's residents living in urban and rural counties.

In the 1990s, rural Iowa counties went in two directions. Many were able to stabilize their population to a degree, as all 80 counties experienced either decreased rates of population decline or population growth, according to 1998 estimates [Population Estimates Program, b, 1999]. However, only 39 of the 80 counties grew in population between 1990 and 1998, and only 12 of the 80 counties grew overall between 1980 and 1998. Furthermore, of the 41 counties classified as farming-dependent, only 14 grew in population between 1990 and 1998, and only two experienced population growth between 1980 and 1998. Again, it should be noted that those two counties, Benton and Washington, are also classified as commuter counties, meaning many of their residents work in neighboring Linn and Johnson counties, respectively. Additionally, many Iowa farmers were faced with another agricultural crisis in the late

1990s. The population effects of that crisis remain to be seen.

Although no county in Iowa experienced a larger population decline rate in the 1990s than in the 1980s, about half of Iowa's rural counties continued to lose population. Many of the reasons for continued decline in these areas have been outlined already, but many of the counties that are falling behind are doing so simply because they are relying on a single source of income, agriculture in most cases, to recover. The only farming-dependent counties to experience population growth at or above the state average between 1990 and 1998 are counties adjacent to a metro county [ERS,1989], meaning urban sprawl in the aforementioned metropolitan areas is probably a factor in the growth of those counties. The rest of the counties that grew in the 1990s were counties that were able to diversify their economic base and attract more than one type of industry, meaning the county's fortunes did not rely solely on the markets in one particular industry. The only two rural counties to grow in the 1980s and the 1990s, Henry and Marion, did so with a diverse, yet healthy local economy, where agriculture was bolstered by a strong manufacturing base. These two counties should serve as an example to the rest of the state's rural counties for what kind of local economy is needed in rural Iowa to survive in the 21st century.

V. Looking Ahead

So what can rural Iowa do to attract and retain workers of all skill levels in its labor pool, and furthermore how can rural Iowa lure its native sons and daughters back home after college? Mark Drabenstott, director of the Kansas City Fed-based Center for the Study of Rural America, believes the composition of today's American economy should, in theory, make it possible for rural areas to increase their role in the economic activities of their states and the nation as a whole. However, adaptability in the new information-based economy depends on flexible infrastructure, particularly in telecommunications [Fitzgerald, 2000, 1J]. As stated earlier, many of Iowa's rural counties lack the liquid capital or existing infrastructure to provide businesses with the technological improvements necessary to compete in our economy. According to Drabenstott, rural areas still have time to catch up, but their role in the information age will rely heavily on actions taken at the state level. Specifically, states can help these areas by giving rural residents better access to high-speed communications and by supporting entrepreneurs in rural areas, much like governments supported the homesteaders who settled the same areas in the 19th century [Fitzgerald, 2000, 2J]. These steps could help to level the playing field for rural counties in Iowa and other states, but only if they are taken as soon as possible.

Throughout the 20th century, technological advances in most aspects of the American way of life spelled danger to rural America. Bigger machines and scientific advances have allowed fewer farmers to maintain the high levels of agricultural production that made Iowa a key player in the economy of America's heartland. Today, farmers are faced with a situation similar to that of the early 1980s, where federal legislation and corporate farms are providing family farmers with a new, but equally serious threat to their existence within America's economy. There is an old cliché that says people that do not learn from history are doomed to repeat it. While the events of the early 1980s made residents of Iowa's rural counties realize they would not survive by depending on agriculture forever, today's events are telling many small farmers they will not survive by depending on agriculture in the very near future. If policy makers and county leaders have learned anything from the 1980s, rural Iowa should be ready to embrace change. Otherwise, Iowans can expect the gap in urban and rural population to increase over the next few years. There are plenty of opportunities for Iowa's rural counties to catch up to the rest of the state, but if each one does not act soon, they could find themselves farther behind than ever.

VI. Conclusion

A recurring theme in this paper is adaptability. The people who have been able to adapt to the changing economy and environment in Iowa over the last two decades have managed to survive and prosper, while those who have been reluctant to accept change have found themselves lagging behind, both financially and technologically. Another recurring theme in this paper is technology. Iowans with access to better technology, including faster computers, better communications, and even bigger machinery have widened the economic gap between themselves and the rest of the state's citizens. Citizens and officials in Iowa's rural counties have long fought to preserve their way of life and their role in the American economy, but as that economy changes, they too must change.

By acting now and making technological improvements, rural Iowans can adapt to the economy of the 21st century. However, these actions will require a lot of effort on the local level and support, both financially and technically, from state officials. Positive changes can be made for rural Iowa, but time is of the essence.

While this paper outlines many of the economic trials endured by Iowans over the last few decades, there were also many social and political events not discussed that may have also affected population patterns in the state to a degree. Many of these issues, however, were probably directly or indirectly linked to the wild ride the state's economy took in the early 1980s. Further discussion on this subject might include a look at those factors, as well as an in-depth look at the economic situation of the time on a regional level. Although it has previously been mentioned that the state of Iowa was probably hurt the most by the events of the early 1980s, other states and regions probably suffered as well. Research into the actions those states took to recover might help us to understand the situation in Iowa better. The economic events of the 1980s are largely responsible for the condition of the state's economy today. Some important lessons can be gained from those events. If so, the state can use its knowledge of the past to improve Iowa for the people that will live here in the 21st century and beyond.

Endnotes

1. See Appendix A for a list of counties.

References

ECONOMIC RESEARCH SERVICE (a): "1989 Revised County Typology for Iowa." Economic Research Service, United States Department of Agriculture, December 1989. http://www.econ.ag.gov:80/epubs/other/typolog/TYP89IA.TXT (accessed 2/12/00)

ECONOMIC RESEARCH SERVICE (b): "Iowa Fact Sheet." Economic Research Service, United States Department of Agriculture, 8 February 2000. http://www.econ.ag.gov/epubs/other/usfact/IA.HTM (accessed 2/22/00)

FITZGERALD, A. (2000): "Rural Areas Must Cross Digital Divide." *Des Moines Register*, 13 February 2000, sec. J, pp. 1-2.

IOWA WORKFORCE DEVELOPMENT (2000): "About Iowa Workforce Development." Iowa Workforce Development, 2000.
http://www.state.ia.us/government/wd/policy/files/about/htm.
(accessed 4/20/00)

POPULATION ESTIMATES PROGRAM (a): "1980 to 1989 Population Estimates of the U.S., States, and Counties." Population Division, United States Bureau of the Census, March 1992.
http://www.census.gov/population/estimates/county/e8089co.zip
(accessed 2/13/00)

POPULATION ESTIMATES PROGRAM (b): "County Population Estimates for July 1, 1998 and Population Change for April 1, 1990 to July 1, 1998." Population Division, United States Bureau of the Census, 12 March 1999.
http://www.census.gov/population/estimates/county/co-98-2/98C2_19.txt
(accessed 2/13/00)

POPULATION ESTIMATES PROGRAM (c): "Monthly Estimates of the United States Population: April 1, 1980 to November 1, 1999." Population Division, United States Bureau of the Census, 23 December 1999.
http://www.census.gov/population/estimates/nation/intfile1-1.txt
(accessed 2/13/00)

RIVES, J. AND M. HEANEY (1995): "Infrastructure and Local Economic Development." *Regional Science Perspectives*, v25, n1, pp. 58-73.

RIVES, J. AND M. YOUSEFI (1989): "Economic Stagnation and the Migration of Iowa's University Graduates." *Midwestern Journal of Business and Economics*, Spring 1989, v4, pp. 1-15.

SWANSON, D. (1988): *A Decade of Adjustment: Economic, Social and Political Forces Influencing Iowa Government Policy in the 1980s.* Institute of Public Affairs, University of Iowa.

Appendix A

Iowa Counties with 1993 Beale classification of 6-9
(non-metro county with urban population less than 20,000).

Adair
Adams
Allamakee
Appanoose
Audubon
Benton
Boone
Bremer
Buchanan
Buena Vista
Butler
Calhoun
Carroll
Cass
Cedar
Cherokee
Chickasaw
Clarke
Clay
Clayton
Crawford
Davis
Decatur
Delaware
Dickinson
Emmet
Fayette
Floyd
Franklin
Fremont
Greene
Grundy
Guthrie
Hamilton
Hancock
Hardin
Harrison
Henry
Howard
Humboldt
Ida
Iowa
Jackson
Jasper
Jefferson
Jones
Keokuk
Kossuth
Louisa
Lucas
Lyon
Madison
Mahaska
Marion
Mills
Mitchell
Monona
Monroe
Montgomery
O'Brien
Osceola
Page
Palo Alto
Plymouth
Pocahontas
Poweshiek
Ringgold
Sac
Shelby
Sioux
Tama
Taylor
Union
Van Buren
Washington
Wayne
Winnebago
Winneshiek
Worth
Wright

Source: Economic Research Service, United States Dept. of Agriculture, 1989.