The Myth of Rural 'Subsidies'

The federal government provides “a raft of subsidies (devoted) to sustaining rural living.”

That’s what Ezra Klein wrote in The Washington Post in a blog post that has caused a minor uproar — especially after Ag Secretary Tom Vilsack blundered into the argument. But is that true?

Klein’s initial point was that cities are unique in the efficient way they create new wealth. He then said that we should capitalize on this unique attribute of urban life, but that we won’t because the structure of the Congress inevitably leads to programs and spending that subsidize rural life.
USDA Secretary Tom Vilsack took Klein’s column as a “slam on rural America.” Vilsack called the Post writer and the two had a remarkably pointless conversation about the cultural values found in rural America. Klein was unimpressed with Vilsack’s argument, as were most others. You can read the exchange here. [4]

Our interest is Klein’s assertion that the federal government lays out some huge “subsidy” for those who live in rural America. Klein just assumes that “Rural living ends up costing a lot more than urban living on a variety of measures” and that this results in disproportionate spending in rural America.

So, is it true that the rural-dominated Congress spends more money on rural residents than on those who live in cities?

No. That’s not what happens at all. In fact, as you can see from the chart above, the total per capita federal spending in rural counties is regularly lower than per capita spending in urban counties.

The USDA’s Economic Research Service keeps track of federal spending in metro and non-metro counties. You can find the data here [5].

Yes, there are federal crop subsidies and they go largely to rural counties. But federal crop subsidies are a drip in the bucket of federal spending. (Ag subsidies and natural resources spending is one percent of the national per capita spending that can be attributed to a county, four percent in rural counties.) In most program categories, per capita federal spending in rural America is far, far lower than for comparable programs in urban counties.

Klein contends that disproportionate representation in Congress (where each state gets two Senators, regardless of its population) leads to a rural bias in spending. If Klein is right and Congress regularly subsidizes rural areas, then we would expect that bias to show up in spending on community development.

But, again, this isn’t the case at all. Spending on community resources in rural areas (for housing, community assistance, Native American programs, environmental protection, regional development and transportation) is far lower on a per capita basis in rural counties.

Klein says we ought to be subsidizing urban areas because cities are the foundation of economic growth. The figures tell us that this is already happening. There is simply no sign of a federal subsidy for rural life.

(We should also remember that rural development constitutes a decreasing share of non-profit [6] spending, too. You can look all over for a disproportionate rural “subsidy” and not find it.)

The chart below shows the per capita spending on community resources in rural and urban counties. (Again, you can get the data and the definitions here [7].)
The one area of federal spending where rural areas exceed urban ones is in the broad category of income security. This includes medical benefits, Social Security, disability, food and nutrition programs and education.

In 2009, the per capita spending on income security in rural areas was $1,639 per capita higher than in urban counties. Income security amounted to 69% of total federal spending in rural areas, but only 51% in urban areas in 2009.
What’s the cause of this disparity? Rural people are, on average, poorer and older than those who live in the cities. As a result, almost all of the difference in spending on income security derives from spending on Social Security, disability and other direct payments, according to an analysis by the Rural Policy Research Institute.

Per capita spending is lower in rural areas than in urban counties in total — and the only reason the totals are even close is that rural people are, on average poorer and older than those who live in the cities.

Klein might make a slight argument that rural people could make more money if they moved to the cities, where labor is more productive. (Rural people have been doing this in the United States for a century.) The powers of the city aren’t so great, however, that they would make these people younger or healthier.

So what is Klein talking about? Ag subsidies, of course. (We have no idea what Secretary Vilsack was talking about.) And here we get to the crux of the problem.

When people talk about rural policy, they talk about crop subsidies. But agriculture is just a tiny part of the rural economy. There are probably more full time artists living in rural America than full time farmers.

Chuck Fluharty, head of RUPRI, testified before Congress [8] recently about the links between rural and urban America. Each needs the other. There is no bright line between rural and urban America. The two meld at the edges, and their economies are totally intertwined.

The Klein/Vilsack tussle is typical of how we talk about issues these days, and about fellow
citizens. We begin with assumptions. We add our opinions and biases. We divide into “us” and “them.” We argue without resorting to a single fact (even though the facts are easily found). Then things get ugly (thanks here to the New Republic’s Jonathan Chait who wrote “The Idiocy of Rural Talking Points” [9]).

Nothing changes and nothing gets better, but everybody feels supremely righteous.

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The Washington Post's Ezra Klein is dead certain Congress subsidizes "rural living." But per capita federal spending is higher in urban counties than it is in rural ones.


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