

Title: **A tale of two states - rural and urban Missouri**
 Author:
 Size: 50.22 column inches
 Steelville, MO Circulation: 2300



A tale of two states - rural and urban Missouri

By Rik W. Hafer

Missouri's economy has lagged the national average for many years. Over the past two decades, only a handful of states have expanded at a slower rate. Numerous causes have been suggested, among them a relatively weak educational system and an unfortunate mix of industries. Could one explanation stem from its urban-rural divide?

The Hammond Institute asked several scholars to investigate how, or if, issues that affect the state's urban and rural areas differently help explain the state's humble economic record. The complete set of studies, available in the latest issue of the *Missouri Policy Journal*, informs us about how we got to this point. They also provide a preview of the state's economic prospects once we emerge from the virus-related economic downturn.

One study compares Missouri's economic record to its more immediate neighbors, the so-called Heartland states. This narrower comparison group is more appropriate, argues the study's author William Rogers, because they share certain commonalities that differ from many of the faster growth states. For instance, they have similar weather, do not have coastlines, and, outside of Chicago, are not home to the mega metropolitan areas that attract people and business.

The Heartland states overall have been under-performing compared to the rest of the country. Roger's analysis indicates that one reason is because the region's metropolitan areas lag the rest of the country in two key areas: population inflow and earning capacity, an area's potential for generating income. When he compares Missouri to others in the region, Rogers finds that Missouri's "metro areas perform only slightly better than the rural areas," but they are unable "to pull earning capacity out of the state's non-metro areas or areas outside of the state." Metro Missouri just isn't the economic engine pulling the rest of the state along.

Missouri's economic performance is

"average for a below-average region," notes Rogers, adding that "where the state's countryside looks relatively better, the cities look worse."

Rural areas in Missouri are trapped in a complicated dynamic. Technological advancements that make farmers more productive also reduce employment opportunities. Families still living in rural Missouri have coped by becoming more entrepreneurial.

How entrepreneurial opportunities in urban and rural Missouri differ is the subject of the study by University of Missouri professor Sarah Low and her co-authors. While the so-called gig economy provides entrepreneurial opportunities in metro areas, there is little need for Uber drivers in the country. Still, when measured by the creation of employer establishments—businesses that hire workers—Low finds that entrepreneurship in rural Missouri actually exceeds the national average. Because most new jobs come from new businesses, this suggests a dynamic rural labor market.

Though actively entrepreneurial, the picture still isn't a rosy one. During the recovery following the Great Recession, the number of non-farm proprietors in metro Missouri increased 10 percent. In rural Missouri, the numbers were flat. This urban-rural disparity also is evident in incomes: Even after accounting for cost of living differences, incomes in metro Missouri are notably higher.

So what is the tale of our two states? Missouri's metro areas are not attracting new residents or growing like many others in the country. And while rural Missouri will continue to evolve, it may not see much improvement.

Is there any hope? Yes, but it requires state and local policymakers to adopt strategies that will help individuals and businesses in rural and metro Missouri prosper. But help does not mean more regulation or intervention. It means programs that increase the awareness of existing assistance and services; improve

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access to financial capital; and improve the educational attainment of our young. Such policies might just unleash that entrepreneurial spirit that will improve our economic future.

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