

# Recent trends in rural entrepreneurship

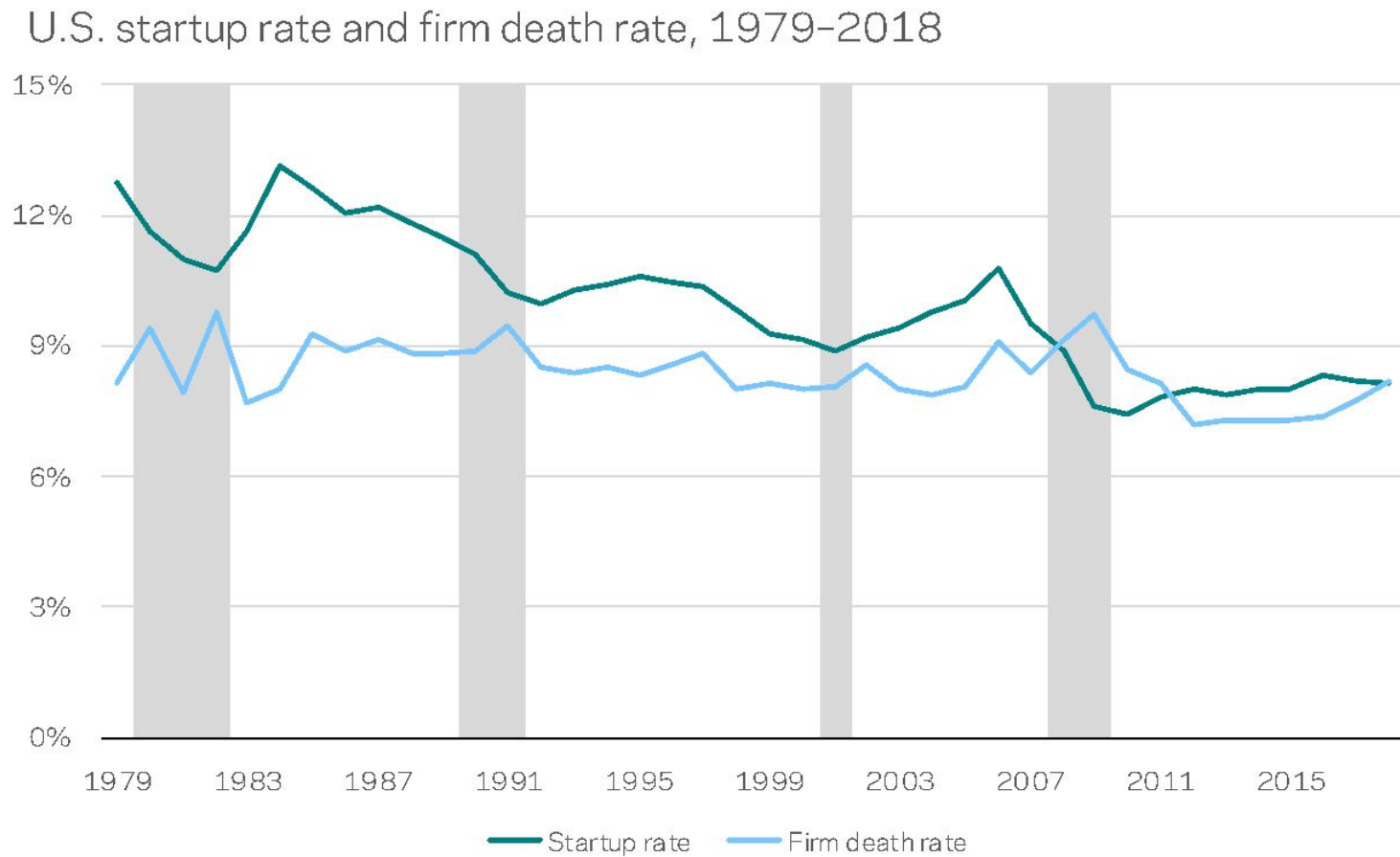
Kenan Fikri, Research Director

ECONOMIC INNOVATION GROUP / Washington, DC

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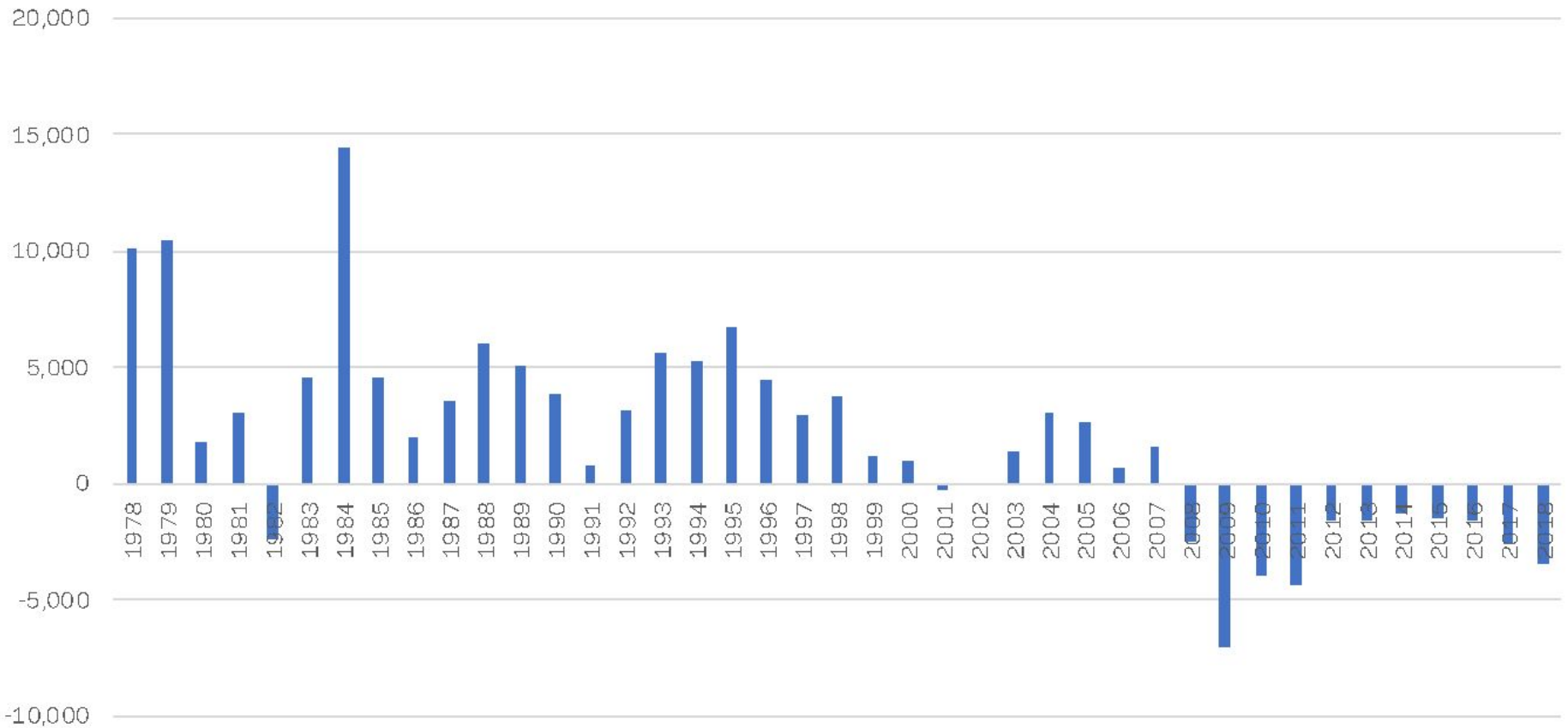
Prior to the pandemic, U.S. startup rates had drifted downwards for decades and then stagnated.

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Starting with the Great Recession, rural (non-metro) areas have contended with a net loss in firms each year since.

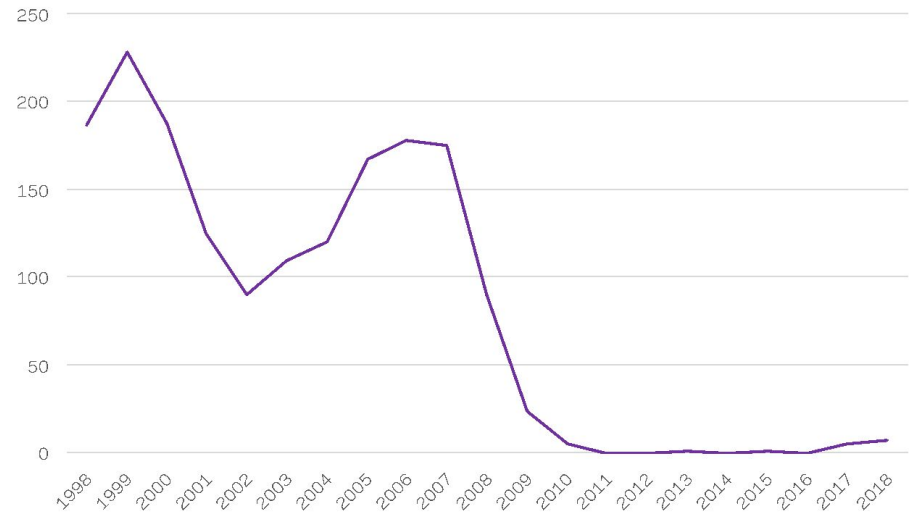
Net difference between firm starts and firm closures  
in the nonmetropolitan United States



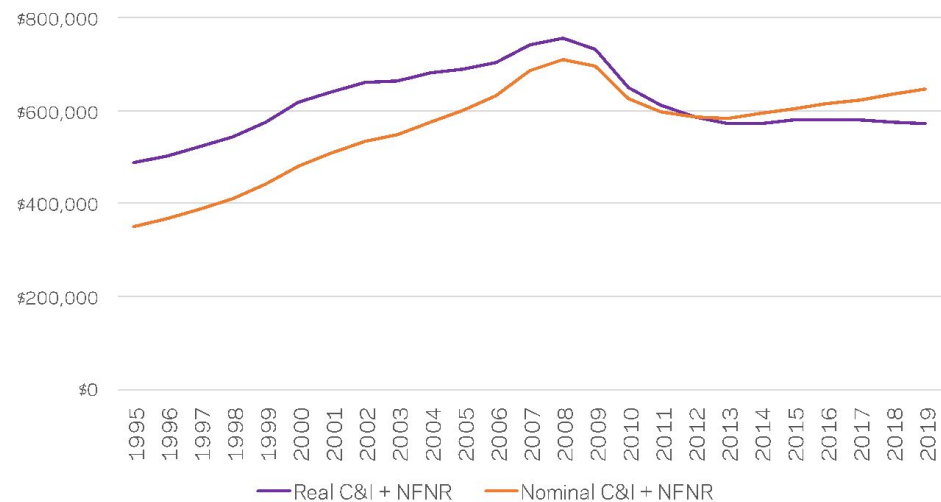
Numerous factors likely contributed to these outcomes,  
nationally and in rural areas in particular

- Demographic change and population loss
- Market concentration and reduced competition
- Broader shifts towards the (generally urbanized) knowledge economy
- Transformations in capital markets towards consolidation, less small-scale lending, and fewer new bank starts

Total New Commercial Bank Charters

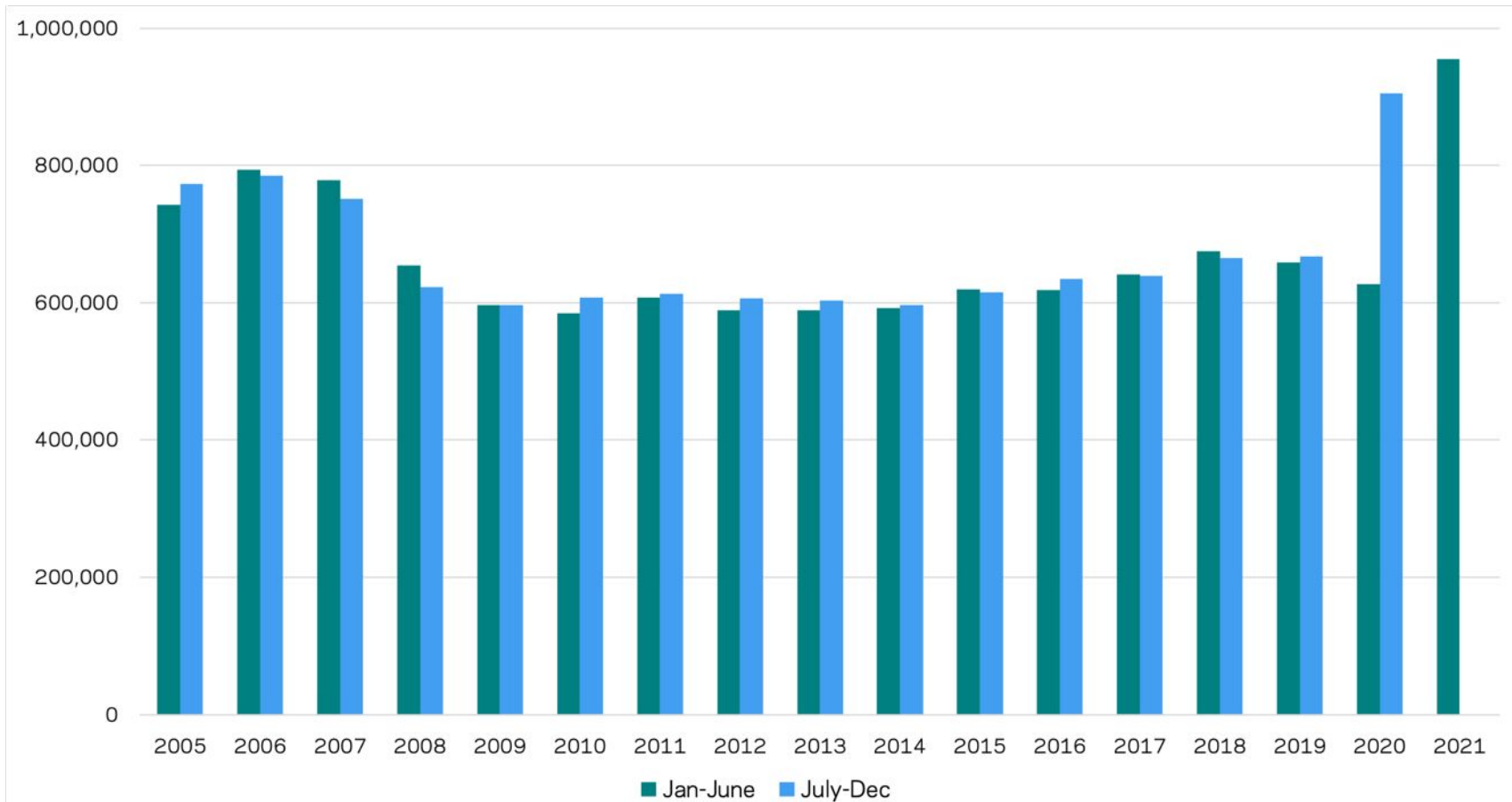


Small Business Loan Balances (millions)



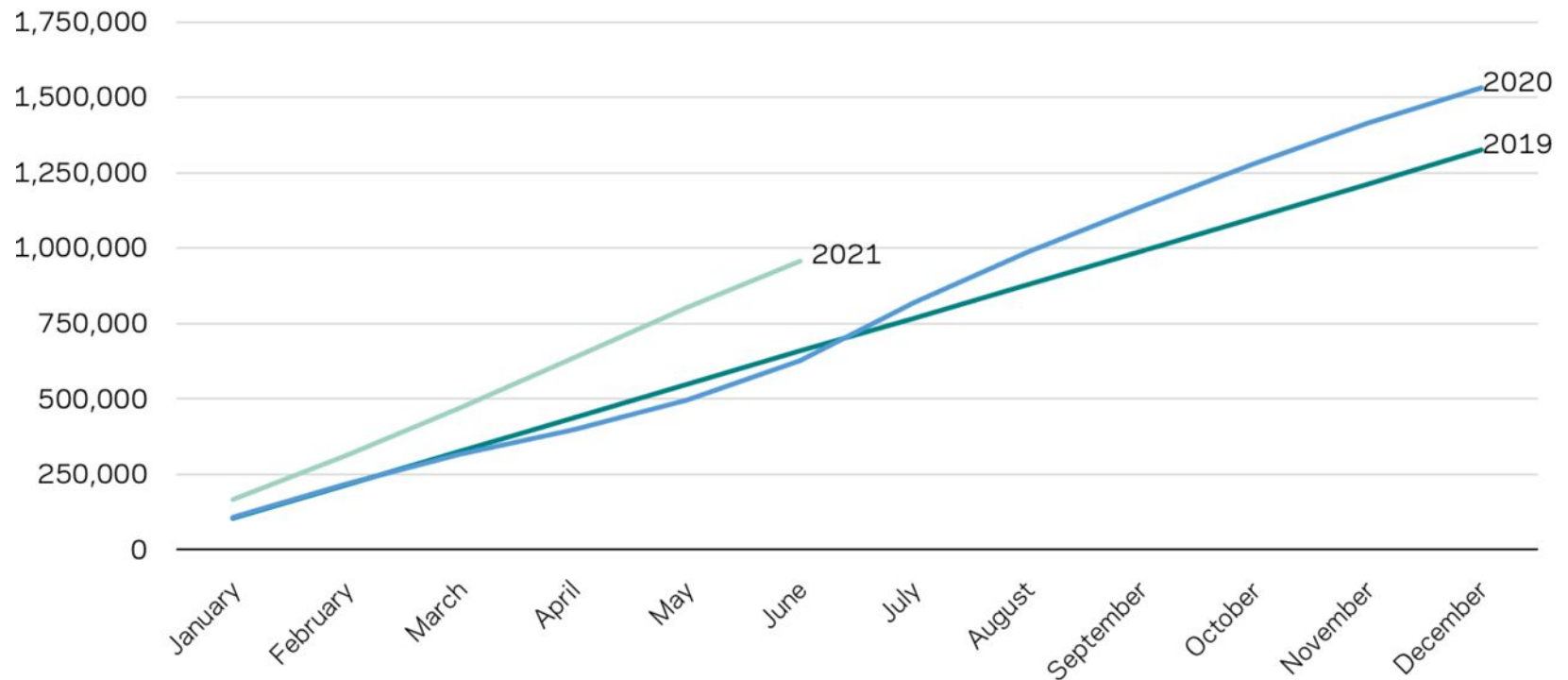
And then, something changed...

Total likely employer business applications, 2005-2021



2021 is on course to be the best year for American entrepreneurship in a generation

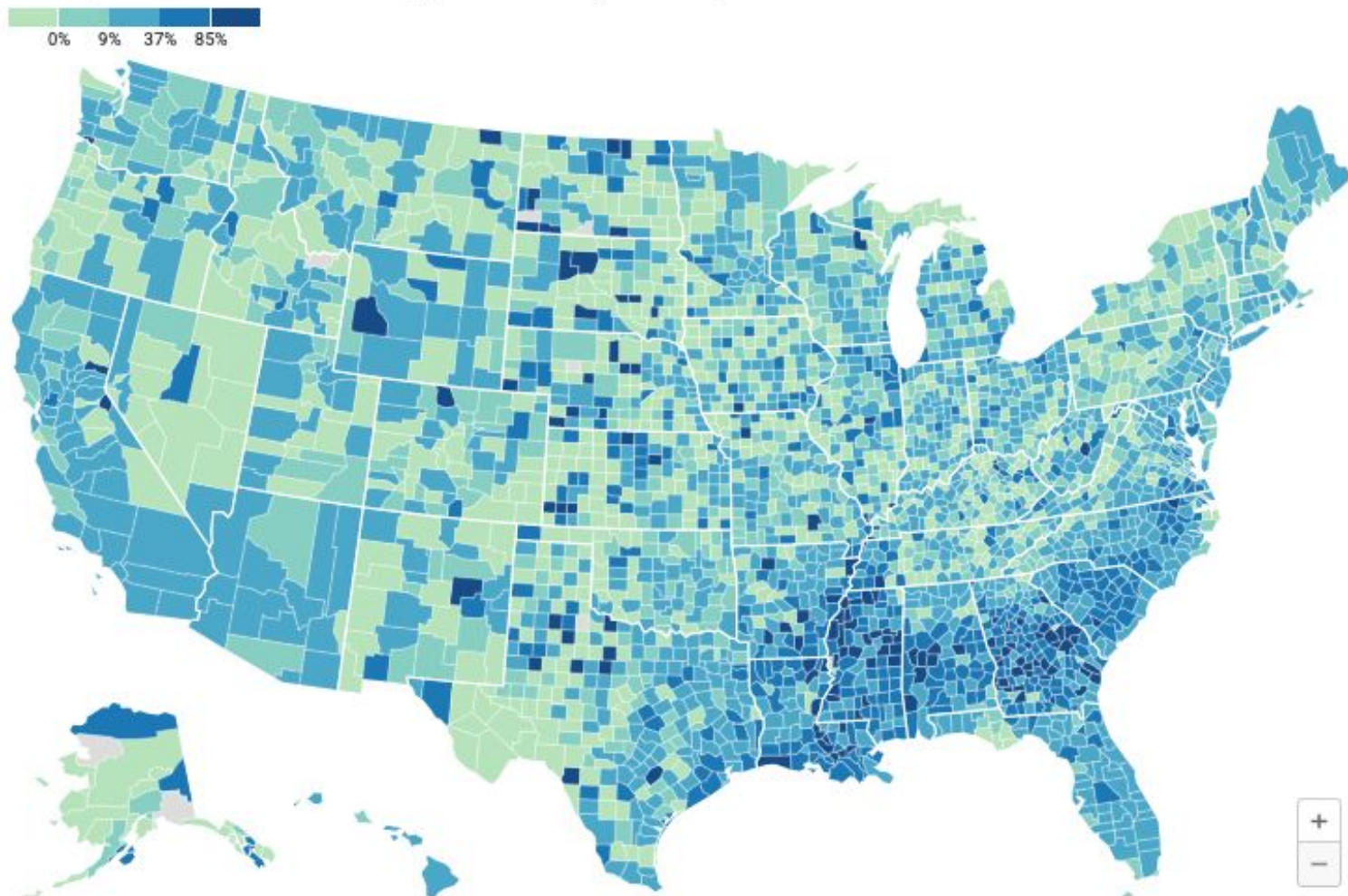
## Cumulative Likely Employer Business Applications, 2019-21



Source: U.S. Census Bureau's Business Formation Statistics, Seasonally Adjusted

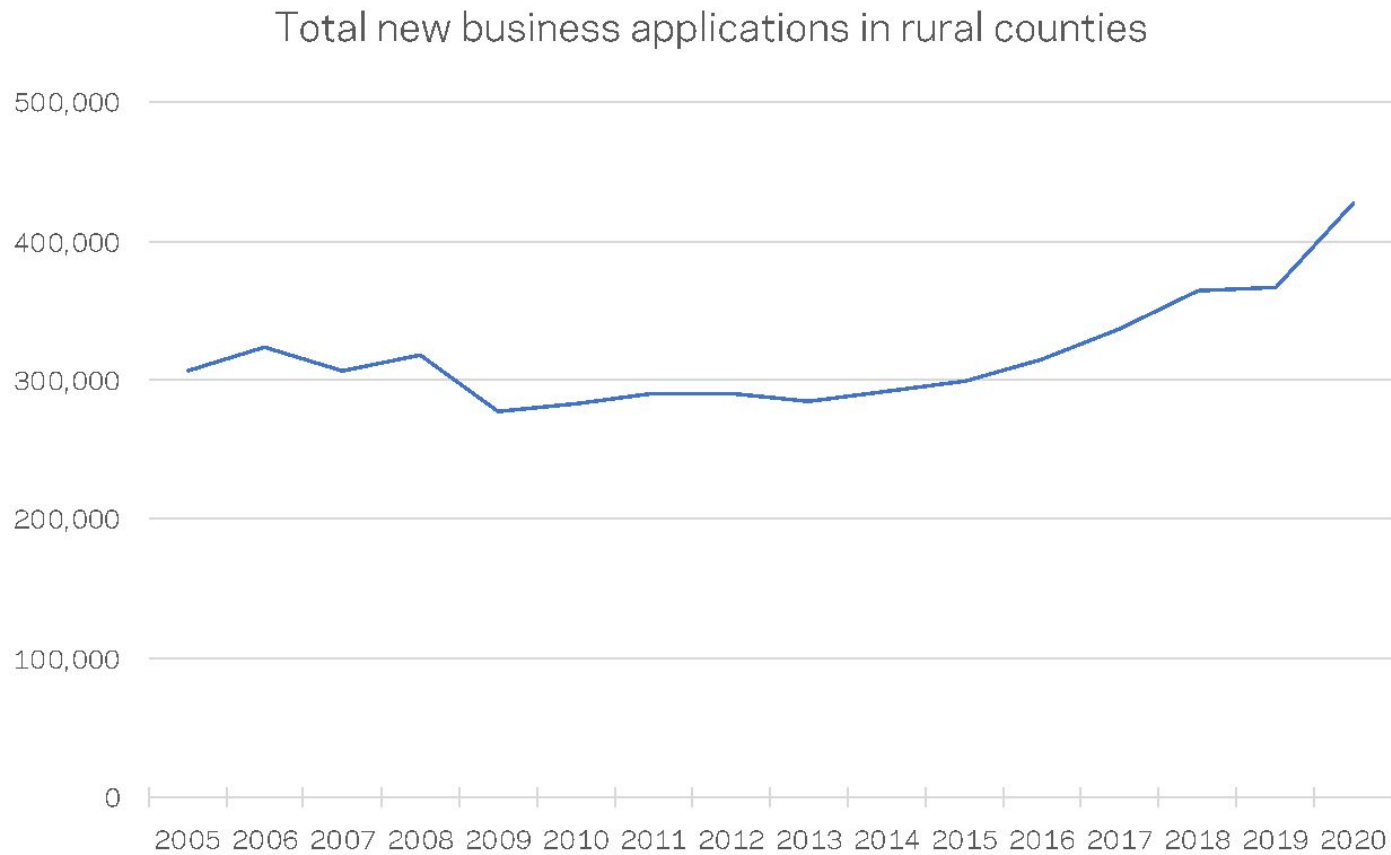
In many parts of the country, rural areas are leading the entrepreneurial charge

**Change in Total Business Applications by County, 2019-20**



There are a number of reasons to believe that the 2020s will be a good decade for rural entrepreneurship.

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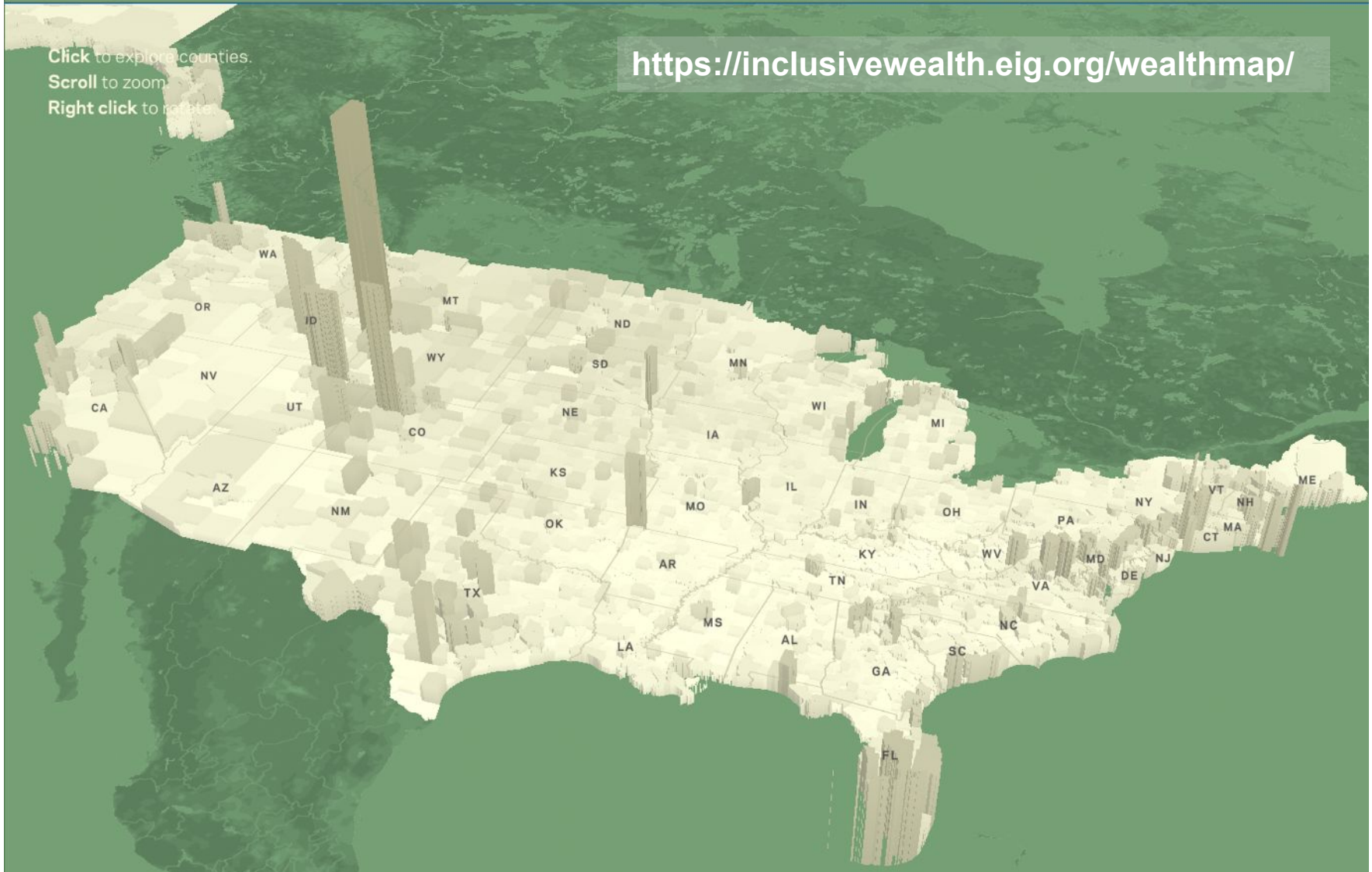
In some rural communities wealth can help fuel entrepreneurial ecosystems;  
In others, entrepreneurship can help build local wealth



An initiative of the ECONOMIC INNOVATION GROUP

Click to explore counties.  
Scroll to zoom.  
Right click to rotate.

<https://inclusivewealth.eig.org/wealthmap/>



# What Rural Prosperity and the Geography of Newly Affluent Rural Communities Tells Us About Rural Development

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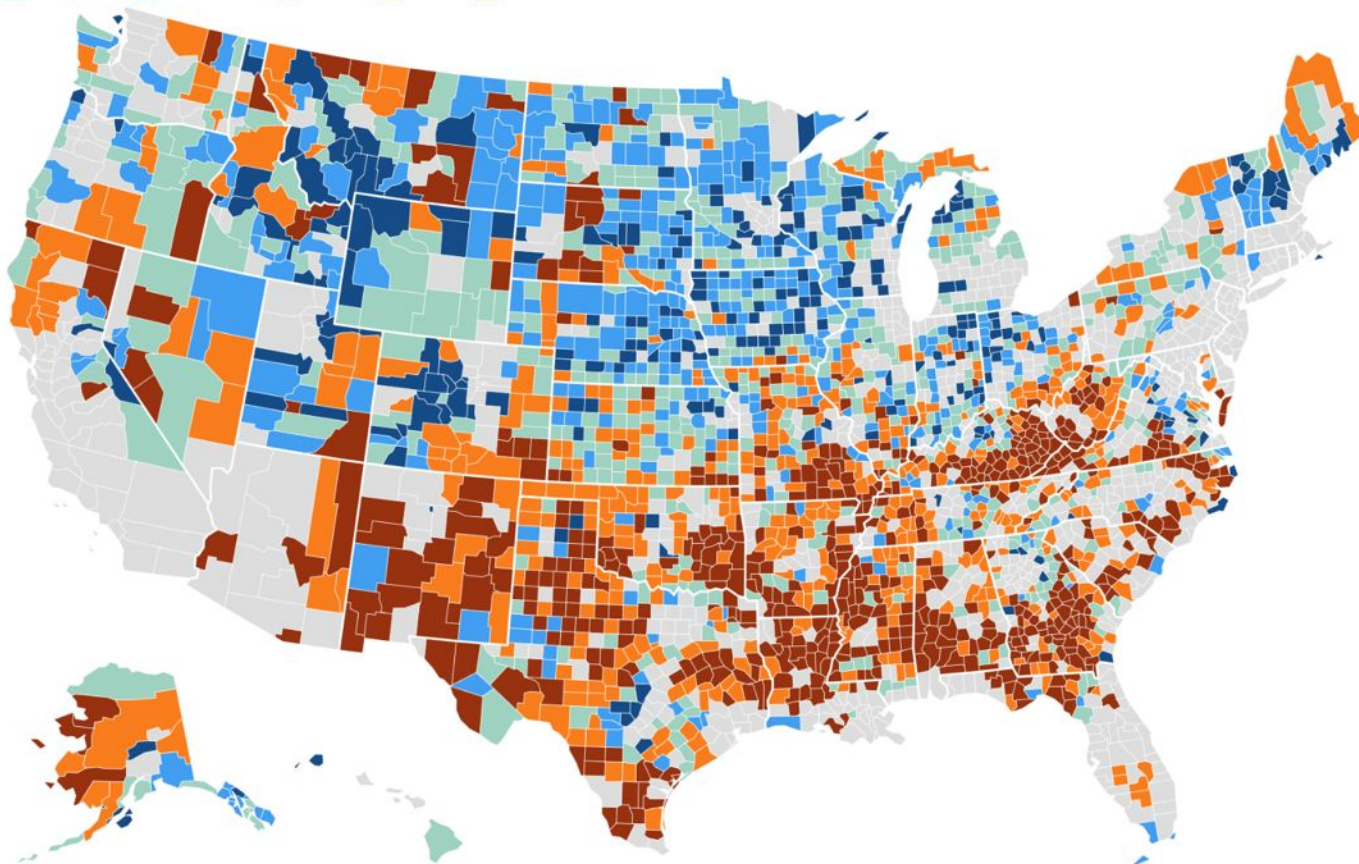
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While much of rural America is economically less prosperous than non-rural parts of the country, there are many rural areas that enjoy high levels of economic well-being.

### Rural Counties by Quintile of Economic Distress

Using quintiles of economic well-being from EIG's 2020 Distressed Communities Index

■ Prosperous ■ Comfortable ■ Mid-tier ■ At risk ■ Distressed



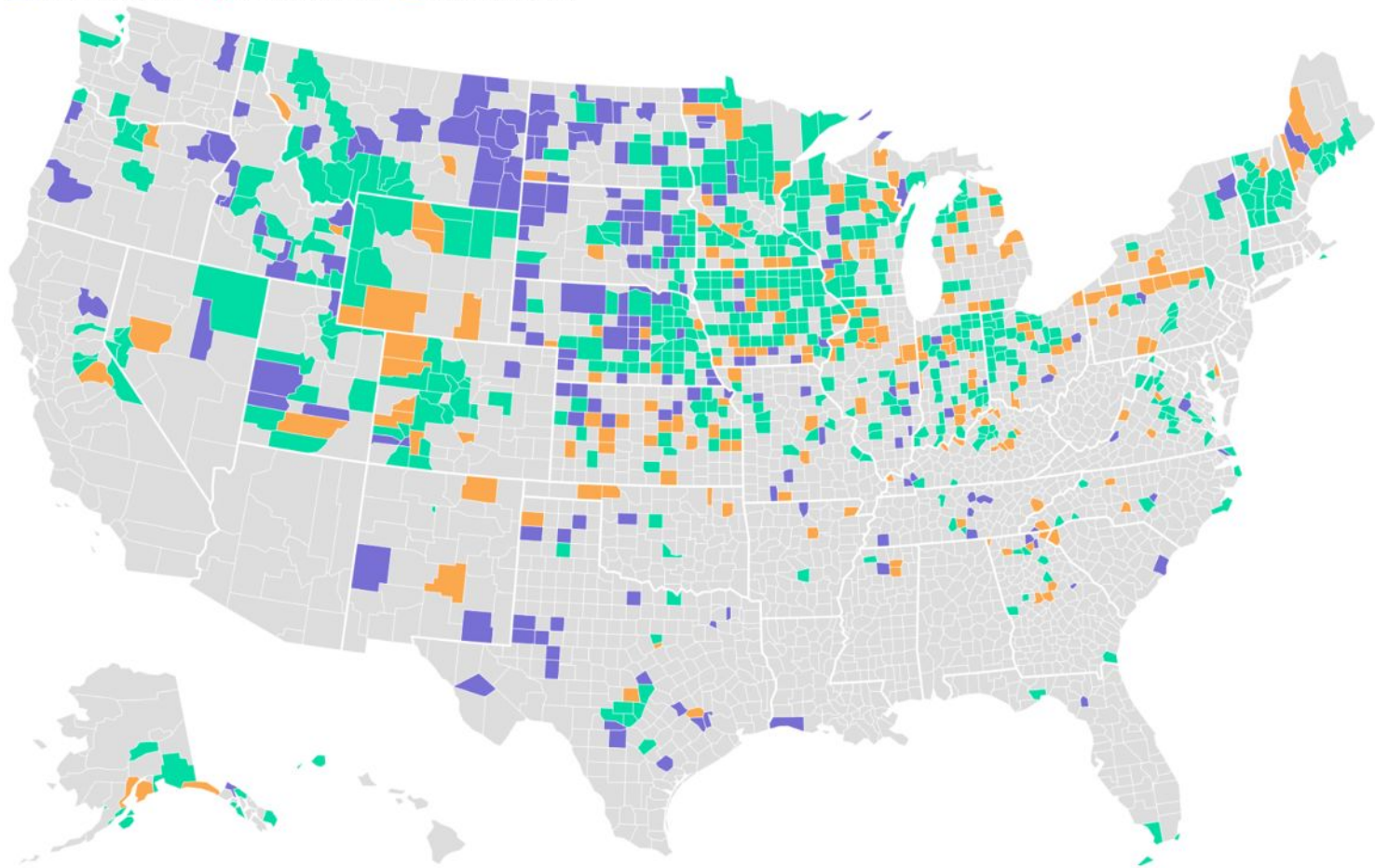
Source: EIG's Distressed Communities Index • [Get the data](#) • Created with [Datawrapper](#)



Communities continue to rise into those highest tiers of prosperity.

### Prosperity Typologies in Rural America, 2000-2018

Budding prosperity Persistent prosperity Slipping prosperity



Source: EIG's Distressed Communities Index • Get the data • Created with Datawrapper

Those rural communities that are economically prosperous enjoy a high level of economic well-being, including in comparison to their prosperous non-rural counterparts.

### Rural vs. non-rural comparison, prosperous and comfortable counties, select metrics

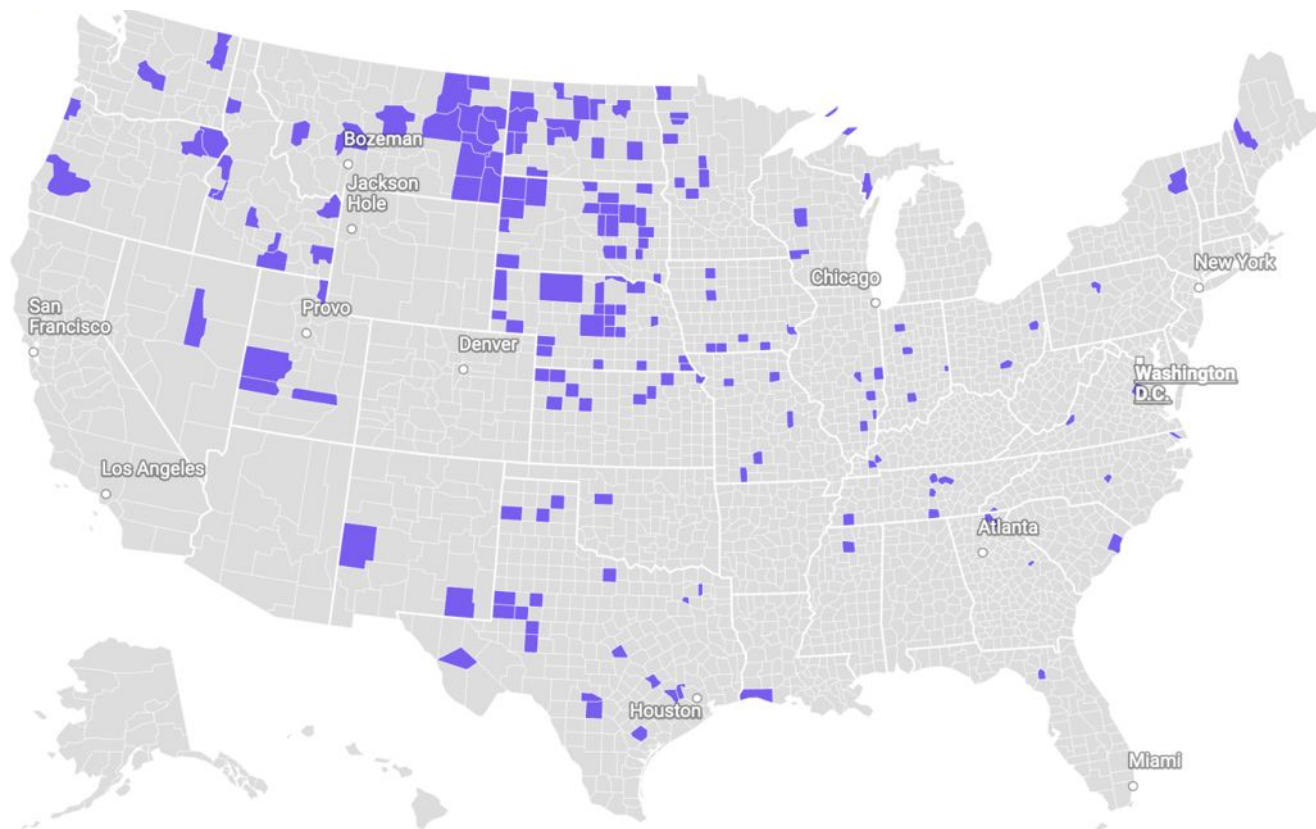
		Average % of Adults w/o a High School Degree	Average Poverty Rate	Average % of Adults Not in Work	Average Housing Vacancy Rate
Prosperous counties	Rural	7.7%	9.3%	16.7%	7.4%
	Non-rural	8.4%	9.7%	18.6%	5.9%
	All counties	8.1%	9.5%	17.8%	6.5%
Comfortable counties	Rural	9.9%	11.6%	19.1%	9.7%
	Non-rural	11.4%	14.2%	22.4%	8.4%
	All, counties	10.4%	12.4%	20.2%	9.3%

		Average % Change in Employment	Average % Change in Establishments	Average % of 25+ Population w/ a Bachelors Degree or Higher
Prosperous counties	Rural	10.7%	6.3%	27.2%
	Non-rural	10.5%	7.1%	35.6%
	All counties	10.6%	6.8%	32.1%
Comfortable counties	Rural	3.7%	2.0%	21.6%
	Non-rural	6.9%	4.3%	28.3%
	All, counties	4.8%	2.8%	23.9%

There are some clear trends among rural counties that have risen into the highest tiers of economic well-being since 2000.

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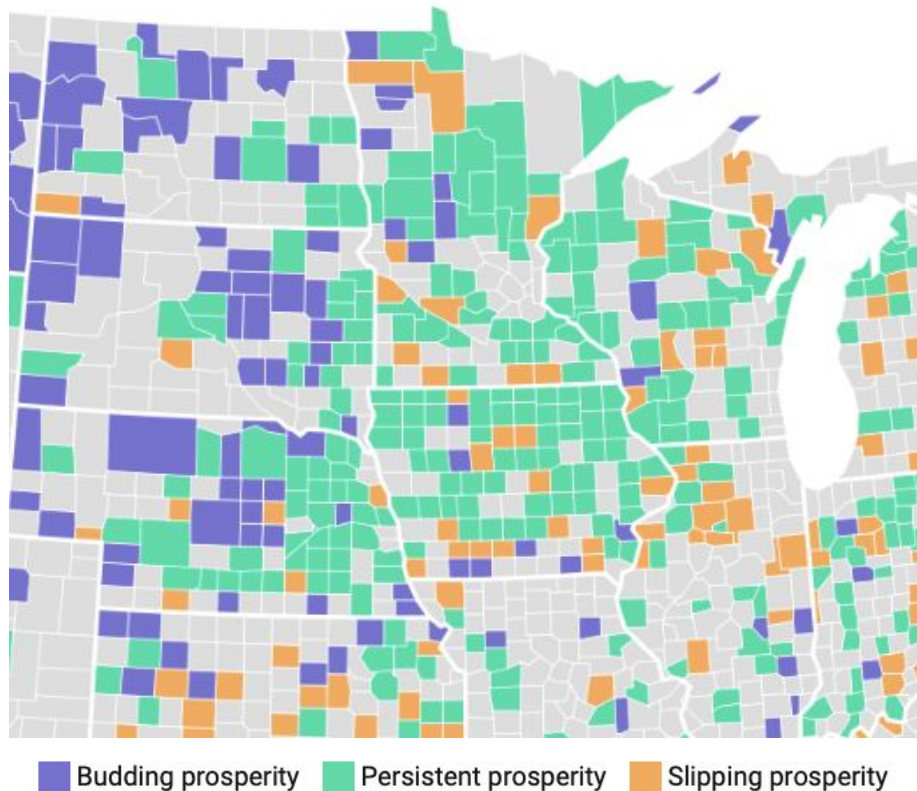
- Just over a quarter of the most well-off rural counties in 2018 enjoyed relatively newfound prosperity.



[Get the data](#) • Created with [Datawrapper](#)

## Trend 1: Previously middling places filled in the map of prosperity

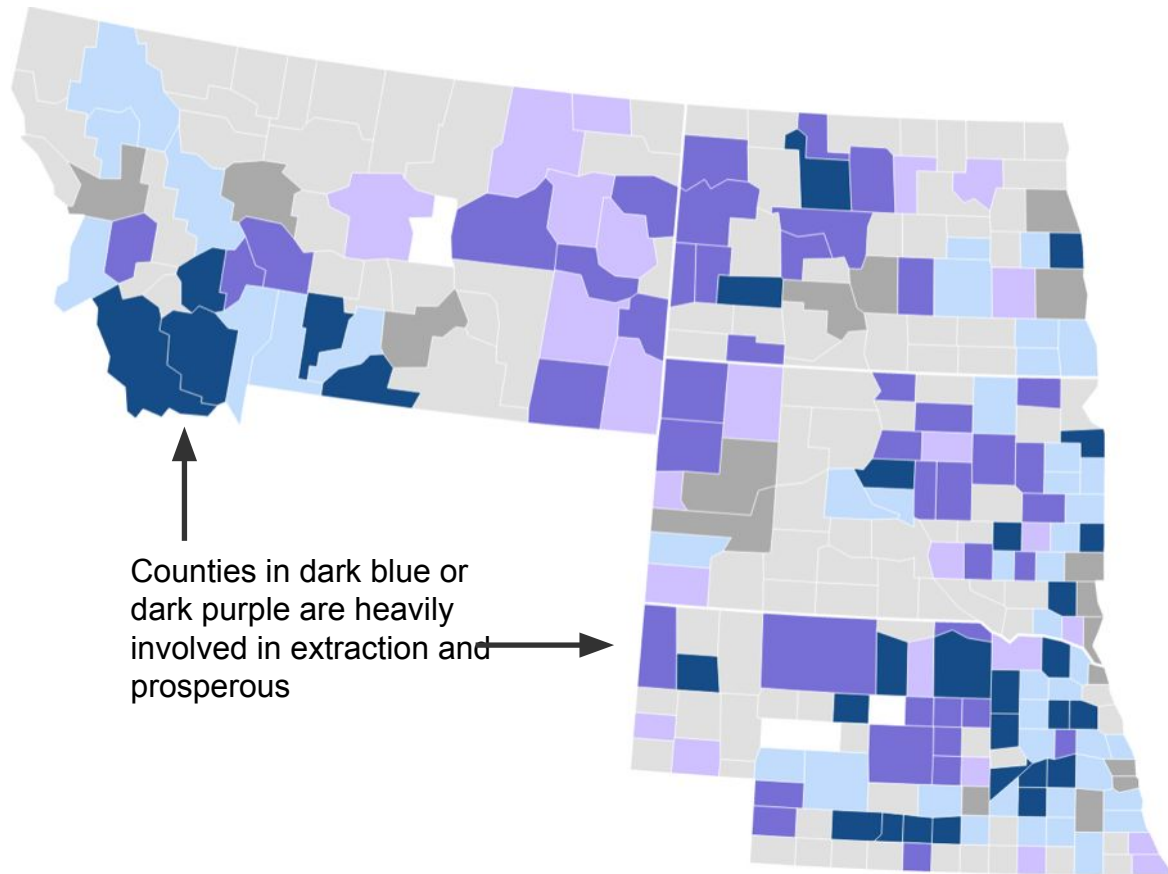
- 2/3 of the counties that rose into the top tiers were middling relative to the rest of the nation in 2000.
- Many newly prosperous places filled in the map between previously persistently prosperous places.
- **Key example:** Nebraska
- **Key takeaway:** Steady progress towards prosperity was much more common than major economic transformations.





## Trend 2: Extraction is common in upwardly mobile rural counties, especially in the Northern Plains

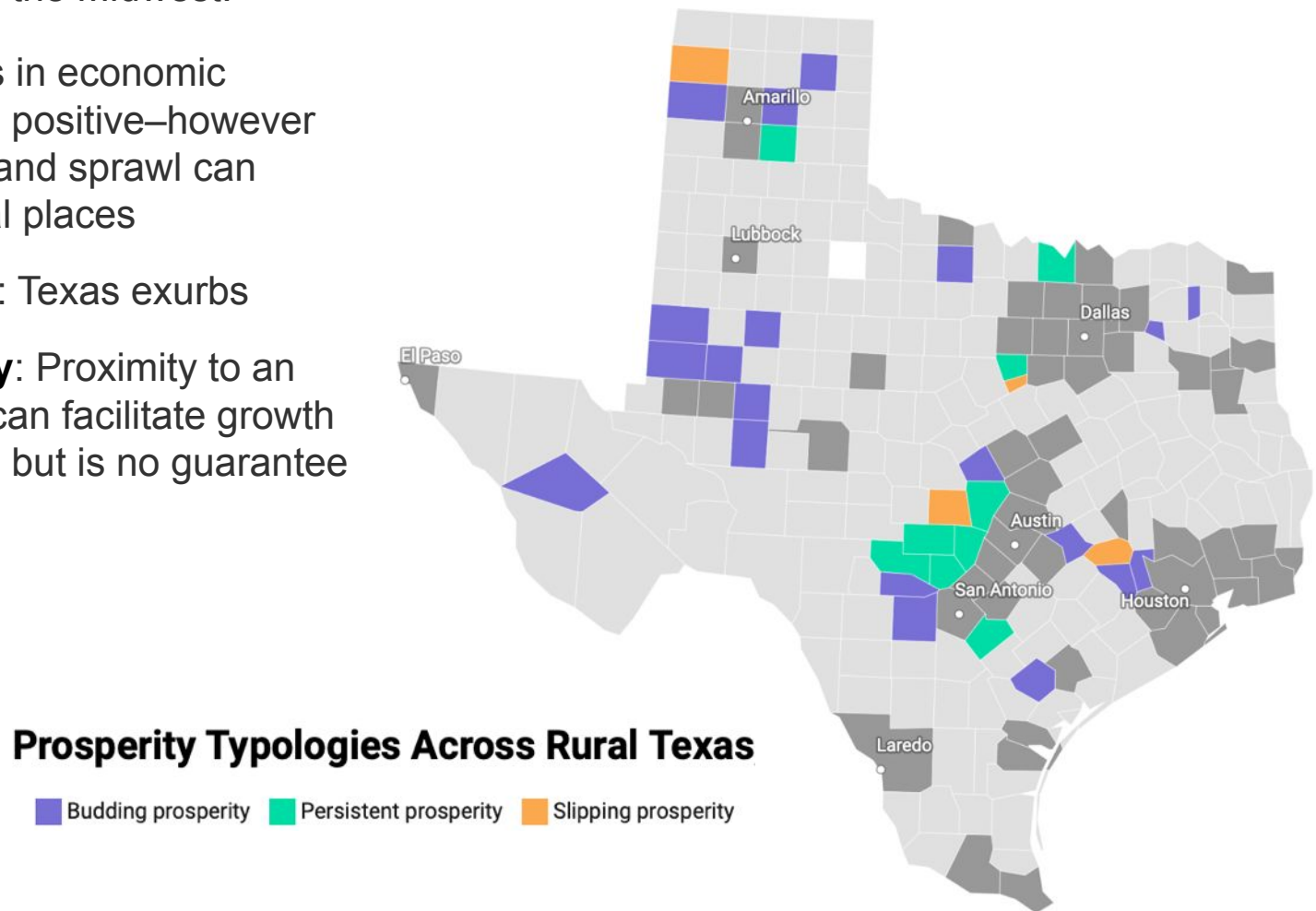
- 46 percent of all budding prosperity counties were heavily involved in natural resource extraction
- Neighboring counties with less extraction also prospered
- **Key example:** The Northern Plains and Western Montana
- **Key takeaway:** Much of the newfound prosperity across rural America is tied to natural resource extraction





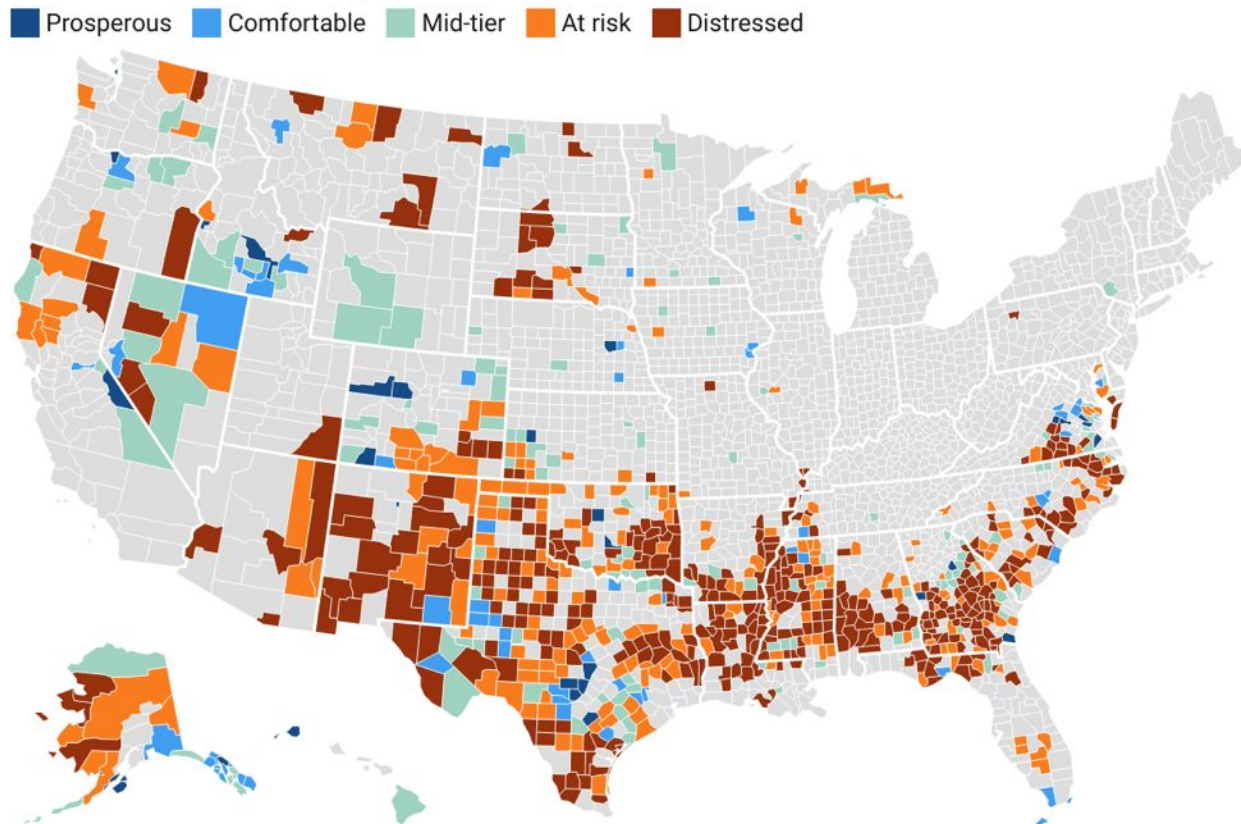
## Trend 3: Exurban counties on the edges of some metros were winners as well

- 43 percent of the budding prosperity counties were adjacent to a metro area, particularly in the South and the Midwest.
- Improvements in economic well-being are positive—however development and sprawl can transform rural places
- **Key example:** Texas exurbs
- **Key takeaway:** Proximity to an urban center can facilitate growth in rural places but is no guarantee



## Trend 4: Majority-minority rural communities were largely excluded from the upwardly mobile cohort

- There are 80 times more majority-minority rural communities in the lowest quintile of economic well being (161 counties) than in the highest (2 counties).
- **Key takeaway:** The past two decades did not see transformations that resulted in very many of rural America's most diverse communities breaking into prosperity.



## Policy Implications

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1. No silver bullets in development policy.
2. Geography is intimately tied to economic success in rural places. Geography isn't destiny, policy is vital, but it is the union of the two that shapes outcomes. A recognition of this relationship should guide policymakers as they work to deliver broader prosperity.
3. Organic economic transformation beyond exurbs and extraction centers takes time but is achievable.
4. Steady progress, not spontaneous renaissance, is the more common path to rural prosperity.
5. It is particularly hard for rural communities to rise alone: an implicit argument for rural regionalism.

## Resources and publications from the Economic Innovation Group

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- [What Rural Prosperity and the Geography of Newly Affluent Rural Communities Tells Us About Rural Development](#) (August 2021)
- [From wealthy enclaves to asset deserts: What the geography of asset income signals about wealth distribution in the United States](#) (August 2021)
- [The Startup Surge: Economic Upheaval Leads to Record Business Formation in First Half of 2021](#) (July 2021)
- [Redefining Rural: Towards a Better Understanding of Geography, Demography, and Economy in America's Rural Places](#) (March 2021)
- [Dynamism diagnostics: Five observations from the latest data](#) (October 2020)
- [The Spaces Between Us: The Evolution of American Communities in the New Century](#) (2020 Distressed Communities Index) (October 2020)
- [Policy responses to the Great Recession failed entrepreneurs; We can't make that mistake again](#) (March 2020)
- Restoring Well-Being and Entrepreneurship in Rural America (forthcoming chapter in Federal Reserve Rural Development compendium, fall 2021)
- [Opportunity Zones Activity Map](#) (ongoing)

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