

# Beyond GDP: Measuring Rural Assets, and Why It Matters

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## Introduction

Governments and development organizations broadly recognize that measuring and tracking the well-being (or wealth) of places needs to move beyond gross domestic product (GDP) and other purely financial indicators.<sup>1</sup> One challenge with using only measures of market activity (such as GDP, which measures the total quantity of goods and services produced in an economy during a certain period) is that governments are incentivized to measure and maximize their performance in this space, and not in other areas that may actually better reflect the societal welfare of their citizens. “What we measure affects what we do”;<sup>2</sup> if measurements are flawed, then actions are distorted, limiting the effectiveness of policy. To illustrate, economist John Pender and others, in 2014, pointed out that a natural disaster may increase GDP because of the increase in spending to rebuild the devastated area, but nobody would argue that a community is better off as a result. Despite this widespread agreement of the limitations of purely economic measures, GDP continues to be almost universally used to assess how well a society is doing.<sup>3</sup>

Over the past two decades, many researchers, international development organizations and others have proposed alternative measures for wealth, well-being and human flourishing that incorporate nonfinancial metrics. As a few examples, philosopher Martha Nussbaum developed the “capabilities approach” to human progress, which argues that well-being is related to people’s capability and functioning. Accordingly, the measurement focus of this approach is not on the means of people and society but on the ends (what they can do with the means). The Economist Intelligence Unit created *The Global Liveability Index*,<sup>4</sup> which ranks places according to qualitative and quantitative measures across five areas: stability, health care, culture and environment, education and infrastructure. The Sustainable Development Solutions Network—using data from the Gallup World Poll and supported by many large foundations, private corporations and universities—created

the *World Happiness Report*.<sup>5</sup> It relies on residents' self-reports of how they evaluate their quality of life, incorporating questions of the impact of social and natural environments. And the Organization for Economic Cooperation and Development (OECD) Better Life Initiative includes a “dashboard” of indicators by country to provide information about society and economy, and thus helps steer policymakers toward a more accurate assessment of how their countries are doing.<sup>6</sup>

There are a few particular challenges, however, with many of these approaches. First, many of these indexes include too many indicators to be helpful in directing policy. Economist Joseph Stiglitz, in 2020, noted that though countries should share five to 10 common indicators (one of which should be GDP), many of the measurement and indicator recommendations are too numerous to be helpful when comparing countries and to support governmental decision-making. By way of example, he points to the United Nations' 17 Sustainable Development Goals, which are measured by 232 indicators.<sup>7</sup>

Second, though these reports and indexes have helped to move countries further in a dialogue about how to measure progress, most comprehensive measures are still only available at the national level, and thus are not particularly helpful to governments at the subnational level. This can be particularly problematic when trying to understand well-being in rural areas, where important differences and trends can be hidden by aggregation and a use of absolute rather than relative values. As a recent example (though it has subsequently been corrected), Tim Marema, editor of *The Daily Yonder* (an online news platform focused on rural America), pointed out that, during the early months of the COVID-19 pandemic, The New York Times mapping system for COVID-19 infections distorted infection-rate data in rural counties, making it appear that rural areas had far fewer cases. He notes that giving the impression that lightly populated areas do not have COVID-19 can lead to dangerous perceptions, including that people living in those places do not need to protect themselves.<sup>8</sup> What we measure has important impacts for policy. In this case, it could have influenced what policy restrictions and protections were put in place, under an incorrect assumption that there was no need to increase pandemic-related health resources in rural places.

This chapter proposes two priorities for improving national data on rural people and places, to promote appropriate rural development investments

and to track their outcomes and impacts over time. First, the focus must shift to measuring assets and not just needs. Second, data should reflect diverse rural realities. In the rest of this chapter, we first discuss why an asset-based approach is important. Next, we highlight the importance of data's reflecting diverse rural realities. We conclude with recommendations and implications for U.S. rural policy.

## **Defining and Measuring Assets**

Within the U.S., there has been some recent, preliminary work to develop indicators specifically associated with rural wealth,<sup>9</sup> defined as the stock of capital assets (net of liabilities) that contributes to people's well-being.<sup>10</sup> This conception of wealth builds on the popular "community capitals" paradigm, and stocks of wealth are characterized as financial, human, cultural, social, built, natural and political.<sup>11</sup>

Collectively, this body of work on U.S. rural wealth has some shared principles. First, measurement of rural wealth distinguishes between flows and stocks. A flow is a quantity that is measured with reference to a specific period of time. GDP is a flow measure; it is the total value of goods produced and services provided in a country during one year. A stock is a quantity that is measurable at a particular point in time. Wealth is a stock because it is measured at a single point in time;<sup>12</sup> for example, the quantity of prime farm land. Flows to and from these stocks of assets, and the ownership of these assets, provide the conceptual basis for measuring changes in net wealth of regions, or the people living in those regions.<sup>13</sup>

Second, measurement of rural wealth distinguishes between people- and place-based wealth. Natural capital assets, for example, may not be owned by people who live where the assets are located. Pender and researcher Shanna Ratner write about the importance of ownership, treating only assets that are owned or controlled by local actors as endogenous. Distinguishing between people and place wealth is also particularly important in that only owners of an asset can leverage it to create more wealth.

Third, rural wealth considers differences between private- and public-sector wealth. For example, built capital owned by the public sector, such as highways or broadband, may contribute in more meaningful ways to sustainable community development than housing stock if it is owned by a few private individuals for personal benefit.

These principles highlight the need to take an asset-based approach to rural development. Assets are resources or advantages within a community. Through a focus on assets rather than deficits, communities focus on building on positive aspects, which is purported to have a snowball effect—positively influencing other areas within a community.<sup>14</sup> Unfortunately, many national rural development policies are created based on deficiencies, including low incomes, food insecurity, low educational attainment and lacking access to important modern-day amenities like broadband services.

Despite the progress made in measuring and theorizing wealth, one shortcoming is the implicit assumption that the more capital the better. This notion has been rightly critiqued, for example, in Robert Putnam's *Bowling Alone*, in which the political scientist devotes a chapter to the “dark side of social capital.” Social capital can conflict, for example, with values of diversity. Some types of social capital can promote bonding capital over bridging capital, often exacerbating exclusion. That being said, it remains difficult to identify indicators of negative capital.

## **Reflecting Diverse Rural Realities**

To continue the rural wealth creation approach described above, we need more creativity in documenting and describing rural community assets. This means leveraging unique data sets, testing new methods for making data available for small populations while maintaining privacy, and exploring new data collection strategies to accurately capture the diversity of rural people.

To more creatively identify rural community assets, we should use untapped data sources, including unique public and proprietary data sets, to help fill gaps in understanding the strengths and needs of rural people and places, and to measure change over time.<sup>15</sup> For example, a variety of public data sets compiled and maintained by the federal government through its Homeland Infrastructure Foundation-Level Data help pinpoint:

- built environment characteristics, from transportation infrastructure to the presence of child care centers and hospitals that rural residents can access;
- natural resources for recreation—including national forests and rivers—and energy resources including oil, natural gas and coal; and
- community facilities and gathering places, such as schools and places of worship.

Also public and free to use, the National Center for Charitable Statistics compiles Internal Revenue Service data on nonprofit organizations by sector—from arts and culture to social and educational—to help identify these community assets.

Many private-sector stakeholders also collect data that can be valuable for understanding the economic activities of rural residents and businesses. This includes consumption patterns identified by product barcodes at a store that links purchase types to a place, or through credit card purchases that link to an individual. Real estate transactions—including property types, and sales dates and prices—are also compiled and tracked by multiple data sources as useful indicators for economic health. Based on the number and nature of the transactions, however, there is a chance that data may be of poor quality for rural areas or withheld for privacy reasons.

We must also narrow data to the rural base. Regardless of the data source, quality rural data are often available only at the county level because of small populations and measurement errors at smaller geographies. But county-level data may not be fine-grained enough to point to community-level assets and rural development solutions. Privacy concerns keep data from being released, which makes sense to protect people and businesses, but that can hurt rural places that could use those data to target community and economic development solutions. For example, the Bureau of Labor Statistics collects data on business establishments, employees and wages by industry through its Quarterly Census of Employment and Wages. These data provide standardized longitudinal information helpful for measuring current levels and changes over time in the number of businesses or employees in a particular occupation, as well as local wage levels for comparative analysis. But these data are released only at the county level and, even then, not released for every county if privacy standards are not met.

To overcome these data limitations, new types of data privacy methods are being tested. Differential privacy is a newer privacy definition that methods can satisfy to help generate more geographically granular data while preserving privacy. This type of approach quantifies the privacy loss of each statistic with a “privacy budget” that cannot be “overspent.” The addition of some noise into the data guarantees that individual or organizational information prepared for release remains private. Small populations can

make this difficult to implement, although some initial tests of the Quarterly Census of Employment and Wages show promise in synthesizing data at the census-tract level on numbers of rural business establishments and employees by industry.<sup>16</sup>

A final rural data challenge is ensuring that available data adequately reflect the diversity of rural America across multiple subpopulations, including those of different races and ethnicities, veteran status, disability status, LGBTQ+ identities, and more. Right now, subpopulations can be so small in some places that they don't get reported at all, or the reports are extremely imprecise. To advance equity and inclusion of diverse populations in rural development processes and outcomes means we must do better by capturing the data on a larger number of people who fall within these diverse groups. Approaches might include more-robust validation of self-reported data and improved survey data collection methods. For example, collecting data on rural populations or subpopulations might require oversampling in surveys, as well as boosting response rates, through building community trust (e.g., discussing how the community benefits from the data collected), engaging the community directly in the data collection (e.g., providing training for volunteer surveyors) and leveraging local champions.

## **Conclusion**

When rural development policies and practices emphasize problems, those who care about and want to invest in rural people and places may not see a clear path toward action and solutions. Embracing an asset-based framework and a set of broad principles for defining rural wealth beyond GDP can set a foundation for changing deficit-based narratives around rural people and places and for ensuring that data show a clearer, comprehensive story. Improving existing data and leveraging innovative data sources can reflect rural realities—including the diversity of rural residents—more accurately. Most importantly, advancing comprehensive measurement of rural assets can lead to more rural-conscious policies and investments to create, expand and sustain rural wealth across its multiple dimensions.

We offer the following recommendations for pursuing data collection and release that reflect the diversity of assets of rural places—not just data that define rural from a deficit framework:



- Move beyond GDP in defining and measuring the unique assets that could help to lift rural places, rather than focusing on filling deficits. The decline of rural populations is often the focus of discussion. Yet, as columnist David Brooks points out, rural areas may have higher levels of civic mindset. Many data sets miss this, because most existing definitions of social capital focus on formalized nonprofit organizations, whereas rural communities may be more likely to have larger informal networks. Accordingly, we recommend that definitions be expanded to include more intangible or informal measures.
- Partner with researchers who understand the nuances of existing rural data, including disclosure issues, and emergent data sets—including from nontraditional sources—to provide the strongest evidence needed for informed programming, policies and initiatives. Seek innovative ways of collecting, linking and analyzing data for rural places, including leveraging administrative data and tapping into new data sources. For example, the Homeland Infrastructure Foundation-Level Data described above may be useful in understanding unique rural assets, relative to data sets with more disclosure issues.<sup>17</sup>
- Ensure that efforts to prioritize, collect and report data reflect diverse rural realities. This includes working with rural practitioners and rural communities, ensuring that rural research is done “with” communities instead of “on” them, especially where there is a history of misuse and well-placed mistrust.

Ultimately, what is measured in rural places should focus on what is valued by rural people, so that measurement promotes agency, self-efficacy and action.

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## Endnotes

- <sup>1</sup> See International Integrated Reporting Council; Stiglitz; Stiglitz et al., 2009, 2018; and World Bank, 2006, 2011.
- <sup>2</sup> See Stiglitz et al., 2009.
- <sup>3</sup> See Stiglitz.
- <sup>4</sup> See The Economist Intelligence Unit.
- <sup>5</sup> See Sustainable Development Solutions Network.
- <sup>6</sup> See OECD.
- <sup>7</sup> See United Nations; and Stiglitz et al., 2018.
- <sup>8</sup> See Marema.

- <sup>9</sup> See Pender et al., January 2012, March 2012, 2014; and Schmit et al., 2017, 2021.
- <sup>10</sup> See Pender et al., January 2012.
- <sup>11</sup> See Emery and Flora.
- <sup>12</sup> See McGowan.
- <sup>13</sup> See Pender et al., 2014.
- <sup>14</sup> See Green and Haines.
- <sup>15</sup> See Scally et al.
- <sup>16</sup> See Bowen et al.
- <sup>17</sup> Adapted from Scally et al.