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Rural Communities: Worth the Investment

Remarks by

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It is great to be here with you today.¹ During my career, I've had the opportunity to work on issues affecting rural communities, especially access to capital. My time at the Federal Reserve has only deepened my appreciation for the opportunities and challenges of rural America, as I've traveled over the past several years to rural communities.

These communities share many challenges, and they also face distinct obstacles that require flexible solutions. What has stood out to me is the level of innovation and creativity behind many of those solutions. We should do more to elevate these examples, sharing what works and spreading ideas that can expand opportunity and support economic growth across rural America.

For example, in 2023, I had the opportunity to travel the Blues Trail in the Mississippi Delta, from Jackson to Memphis. Along the way, I met with local leaders and financial institutions, some of whom are represented here today, to learn how once-thriving rural railroad towns are adapting to both long-standing and emerging challenges.

In Moorhead, Mississippi, "where the Southern crosses the Yellow Dog,"² I saw how a bank that had struggled to maintain a branch chose to donate its building to a community development financial institution (CDFI), preserving access to banking services for a community that needed it.

¹ The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

² The phrase "where the Southern crosses the Yellow Dog" refers to the junction of two railroad lines in Moorhead, Mississippi: the Southern Railway running north-south, and the Yazoo & Mississippi Valley Railroad, nicknamed the "Yellow Dog." W.C. Handy, often called the "Father of the Blues," immortalized this crossroads in his 1914 composition Yellow Dog Blues.

In Clarksdale, Mississippi, I visited the Travelers Hotel, which was redeveloped using New Markets Tax Credits and is now contributing to the resurgence of the Blues tourism industry in that historic community.

I also connected with the Delta Philanthropy Forum, a collaborative network of philanthropic partners investing in the region to deepen impact in sustainable ways. We discussed how philanthropy can serve as a critical bridge, providing capital for essential infrastructure like broadband and water systems, while also amplifying the voices of community members who are too often left out of local decisionmaking.

On another trip, I met with leaders of banks serving members of the Confederated Salish and Kootenai Tribes on the Flathead Indian Reservation in western Montana. They spoke candidly about the challenges of providing affordable, accessible credit, particularly for home mortgages on trust lands. And I spoke with tribal leaders on the Blackfeet Reservation about the health and education challenges their communities were facing.

And when I met with farmers, ranchers, and community leaders in Nebraska, I heard about how shifts in labor availability, production costs, and technology are creating uncertainty for them, as well as for anchor institutions like hospitals and schools. At the same time, I heard powerful examples of resilience and opportunity, from young entrepreneurs planting the seeds of innovation to farmers reaching new markets with their crops.

Rural Communities Are Diverse but Face Some Common Challenges

My travels have shown me the great diversity across rural communities and reinforced the importance of adapting approaches rather than relying on a single narrative or uniform community development policy.

As this audience knows well, rural America is not one story but many. Its economic foundations, geographic characteristics, and future trajectories differ not just from region to region but often from one community to the next.

Rural communities are highly diverse in ways that shape both their challenges and opportunities. Their economic outlooks are closely tied to local industries, which vary widely from oil and gas or manufacturing to agriculture. At the same time, the physical and spatial nature of rural areas differ across regions, with some places featuring closely connected, denser towns and others defined by vast distances and limited access to urban centers, influencing everything from services to labor markets. The outlook for rural communities is far from uniform: while some struggle with workforce shortages, affordability issues, and institutional decline, others are adapting and thriving by diversifying their economies, strengthening local leadership and institutions, and leveraging natural or cultural assets to attract residents and visitors.

While each rural community is unique, these areas share a common reality: vitality requires sustained effort, coordination, and intention. This is true whether the challenges stem from intrinsic issues, such as population trends; externally generated events, such as trade policy and geopolitical events; or longer-term trends, including artificial intelligence. I will discuss each of these.

Intrinsic Constraints in Rural Areas

Research shows many communities face overlapping intrinsic structural challenges that complicate economic revitalization.

A key constraint is population decline and aging. U.S. Department of Agriculture (USDA) data show that in 2023 rural counties had relatively low shares of prime working-age adults, those aged 25 to 54, while residents 65 and over grew from 7.4 million in 2010 to 9.7 million in 2023. This imbalance leaves a smaller labor force supporting both younger and older populations.³ At the same time, migration—especially from foreign-born individuals—has become critical: between 2020 and 2025, 47 percent of rural counties grew, but only 25 percent did so through increases in their local population, while over 86 percent relied on net migration.⁴

Rural areas also face the loss of key institutions like banks, hospitals, and sometimes regional colleges, weakening access to capital, services, and economic stability. Often, communities that rely on a large employer or single industry struggle when those employers and industries leave. Long-term employment declines in agriculture and manufacturing—driven by automation and globalization—have further reduced traditional job pathways without consistently replacing them.⁵ Even though

³ Richelle L. Winkler, “As Rural Populations Grow Older, Communities Increasingly Rely on Smaller Labor Force.” *Amber Waves*, U.S. Department of Agriculture Economic Research Service, May 20, 2025, <https://www.ers.usda.gov/amber-waves/2025/may/as-rural-populations-grow-older-communities-increasingly-rely-on-smaller-labor-force>.

⁴ Census Bureau, *Population and Housing Unit Estimates Program*. Analysis by staff at the Federal Reserve Bank of Kansas City.

⁵ Andrew Dumont, “Changes in the U.S. Economy and Rural-Urban Employment Disparities,” *FEDS Notes*, Board of Governors of the Federal Reserve System, January 19, 2024, <https://www.federalreserve.gov/econres/notes/feds-notes/changes-in-the-us-economy-and-rural-urban-employment-disparities-20240119.html>.

regional universities and community colleges can buffer these losses, many communities risk losing this support because of college closures and financial strains.⁶

Affordable housing shortages are also a major constraint. Studies show that over one-third of rural renters are cost-burdened.⁷ But homeownership can be more attainable in some rural areas, with costs averaging 26 percent of median income versus 33 percent in metropolitan areas.

Despite these challenges, there are numerous examples of resilience where rural communities have managed or overcome internal constraints. Before I turn to externally generated challenges, I'll highlight a few success stories that I have heard about.

Success Stories in Rural Economic Development

Like many small Mississippi Delta towns, DeWitt, Arkansas, depended heavily on agriculture and a single major employer. When a shoe manufacturing plant closed, the town lost a significant share of its jobs, exposing the risks of economic concentration. Young people began to leave, investment slowed, and a broader sense of decline set in. An early attempt to reverse this—a biofuel project built around a new crop and local processing—ultimately failed because of a poor fit with local conditions and market challenges.

⁶ Robert Kelchen, Dubravka Ritter, and Douglas Webber, "Predicting College Closures and Financial Distress," In *Financing Institutions of Higher Education*, edited by John Campbell and Kaye Fealing, 103–162, National Bureau of Economic Research, 2026.

⁷ Sharon Cornelissen and Adam Staveski, "Rural Homeownership Support Requires Home Construction, Repairs, and Small Mortgage Financing," The Pew Charitable Trusts, June 3, 2025, <https://www.pew.org/en/research-and-analysis/articles/2025/06/03/rural-homeownership-support-requires-home-construction-repairs-and-small-mortgage-financing>.

However, that failure proved pivotal: it brought community members together, introduced new ways of thinking about economic development, and shifted the local mindset from resignation to experimentation.

What followed was a fundamentally different approach to growth. Instead of attracting one large employer, DeWitt focused on building many small, locally owned businesses, creating a more resilient and diversified economy. Leaders leaned into the town's natural assets, particularly its proximity to major hunting and fishing areas. This spurred growth in tourism, outdoor retail, and hospitality. Entrepreneurs began launching and adapting businesses based on real demand, supported by modest placemaking efforts and outside organizations that provided guidance without taking control. In the end, DeWitt's revitalization was not driven by a single project but by a combination of mindset change, local ownership, economic diversification, and a willingness to adapt, turning a failed initiative into the foundation for long-term renewal.⁸

Similarly, Thomas and nearby Davis, West Virginia, are two former coal and timber towns that reinvented themselves as hubs for arts, culture, and outdoor recreation after a period of economic decline. As traditional extractive industries faded, new residents—artists, entrepreneurs, and small business owners—helped rebuild the local economy around tourism, creative industries, and the natural landscape.

A central player in that process was a CDFI, which acted as both a financial engine and a connector across sectors. It provided small business loans, grants to entrepreneurs and artists, technical assistance, and support for local government capacity.

⁸ Anthony F. Pipa, "An Entrepreneurial Spark in DeWitt, Arkansas," *Reimagine Rural*, The Brookings Institution, January 31, 2023, <https://www.brookings.edu/articles/an-entrepreneurial-spark-in-dewitt-arkansas/>.

Just as importantly, it aggregated and deployed funding from multiple federal sources such as the U.S. Treasury’s CDFI Fund, USDA lending programs, AmeriCorps staffing, and Appalachian Regional Commission capital. This is where public–private partnership became critical: federal dollars flowed through a locally embedded institution, which then partnered with municipalities, nonprofits, and private entrepreneurs to finance businesses, revitalize buildings, and address constraints like housing. The result was a networked development model that enabled sustained growth while trying to preserve community character.⁹

There are also impressive partnerships addressing the mortgage challenge in Indian Country. Several CDFIs are helping deliver home mortgages on trust lands through a collaboration with USDA Rural Development. By combining culturally appropriate credit practices with character-based underwriting, in one region local CDFIs were able to make 35 loans—86 percent of them on reservations—representing a 400 percent increase in these types of loans in those communities.¹⁰

Recent External Developments Affecting Rural Communities

These examples highlight how rural communities deal with some of the intrinsic constraints discussed above, such as losing a major employer.

But recent external events are weighing heavily on rural areas as well. Rapidly changing trade policy and geopolitical events have affected rural communities dependent

⁹ Anthony F. Pipa, “Protecting Community Integrity During a Creative Transformation in West Virginia,” *Reimagine Rural*, The Brookings Institution, February 14, 2023, <https://www.brookings.edu/articles/protecting-community-integrity-during-a-creative-transformation-in-west-virginia/>.

¹⁰ Matthew Gregg and Harley Kell, “Native CDFI Relending Program Expands Access to Affordable Homeownership in Indian Country,” Federal Reserve Bank of Minneapolis, October 7, 2025, <https://www.minneapolisfed.org/article/2025/native-cdfi-relending-program-expands-access-to-affordable-homeownership-in-indian-country>.

on foreign markets and foreign suppliers. International partners purchased roughly \$175 billion in agricultural products in 2024, about 20 percent of all U.S. production. For certain commodities, reliance on international markets is particularly concentrated, such as soybeans, where more than 40 percent of U.S. production is ultimately exported.¹¹ These relationships have been significantly disrupted by tariff policy. For example, according to the USDA, U.S. soybean exports to China during the first three quarters of 2025 were 38 percent lower than the same period in 2024. Higher U.S. tariffs, especially on steel and aluminum, impose further costs on farmers as they have raised the price of agricultural machinery.

Most recently, supplies and prices for fertilizer have been affected by conflict in the Middle East. More than a third of global exports of urea passes through the Strait of Hormuz, and the interruption has led to a sharp price increase in this important fertilizer, up about 55 percent since the beginning of the year.¹² Prices for diesel, another important input for agricultural producers, rose 50 percent over the past year.¹³ Rising fuel prices place significant pressure on cattle farmers in rural communities by increasing both direct and indirect production costs. Higher diesel prices raise expenses for operating equipment and transporting livestock, while also driving up the cost of key inputs like fertilizer and feed. Transportation costs across the beef supply chain also rise with fuel

¹¹ Betty Resnick, "Over 20% of U.S. Agricultural Production Is Exported," *Agricultural Exports 101, Market Intel*, American Farm Bureau Federation, February 12, 2025, <https://www.fb.org/market-intel/agricultural-exports-101>.

¹² Federal Reserve Bank of Kansas City, "Disruptions in the Strait of Hormuz Pressure Fertilizer Priced Ahead of U.S. Growing Season," *Insights on Agriculture and Rural Economies*, March 26, 2026, <https://www.kansascityfed.org/center-for-agriculture-and-the-economy/insights-on-agricultural-and-rural-economies/>.

¹³ SMC³, Weekly Fuel Prices, <https://www.smc3.com/weekly-fuel-prices.jsp>

prices, contributing to higher consumer prices and squeezing returns for producers.¹⁴

Similarly, higher diesel prices are burdensome for dairy farmers because fuel is used at every stage of milk production and transport. Given rapidly changing circumstances, it is too early to know the path for prices as events in the Middle East unfold.

Longer-Term Trends Affecting Rural Communities

There are also several evolving economic trends that are likely to have enduring consequences for rural communities in the United States, among them the rise of data centers, the shift toward high-skilled service sectors, and the growing use of artificial intelligence (AI). AI may improve agricultural productivity. For example, research from the Federal Reserve Bank of Kansas City suggests that in some regions, more than half of agricultural employment could experience substantial productivity gains through the adoption of AI-enabled technologies.¹⁵ Other research finds that the rapid expansion of AI-driven data centers is increasingly concentrating in rural areas, bringing potential benefits such as tax revenue and infrastructure investment but also significant trade-offs, including high energy and water demands, strain on local infrastructure, and uncertainty about the quantity and quality of long-term jobs created.¹⁶

At the same time, broader structural changes in the U.S. economy—particularly the long-term shift away from goods-producing industries toward knowledge-intensive service sectors—have disproportionately affected rural regions, which often lack the

¹⁴ SMC³, Weekly Fuel Prices, <https://www.smc3.com/weekly-fuel-prices.jsp>.

¹⁵ John McCoy, “Artificial Intelligence Could be Useful for Increasing Productivity and Managing Labor Costs in the Agricultural Sector,” *Insights on Agricultural and Rural Economies*, January 13, 2026, <https://www.kansascityfed.org/center-for-agriculture-and-the-economy/insights-on-agricultural-and-rural-economies/>.

¹⁶ Brookings Institution, “Brookings-AEI Commission on U.S. Rural Prosperity,” <https://www.brookings.edu/projects/brookings-aei-commission-on-us-rural-prosperity/>.

capital, connectivity, and workforce needed to fully participate in these higher-skill industries, contributing to widening rural–urban economic gaps.

The Federal Reserve and Rural Communities

At the Federal Reserve, supporting a healthy economy that works for all Americans is core to our mission.

Monetary policy plays an important role in that effort. By promoting maximum employment and stable prices, it helps create the conditions for businesses to invest, households to plan, and local economies—those in rural and urban communities—to grow and adapt. While monetary policy affects the whole country, understanding how those policies transmit through rural labor markets, rural small businesses, and agricultural economies contributes to broad-based, inclusive growth.

This responsibility is reflected in how the Federal Reserve System was designed. From the beginning, it has maintained a presence throughout the country, ensuring that the diverse experiences and perspectives of people across America inform the decisions we make. At each Federal Reserve Bank, as well as at the Board of Governors, dedicated community development teams work to ensure those voices are heard and meaningfully integrated into our understanding of the economy. We actively seek to engage with as many communities as possible. One of the most important ways we do that is through our long-standing relationships with organizations working on the ground to build strong and sustainable communities. We listen closely—through local sessions, through regional convenings like the “Investing in Rural America” series hosted by the Federal Reserve Bank of Richmond, and through national gatherings such as the recent National Community Investment Conference held in Phoenix.

At that conference, we brought together a wide range of experts and practitioners to explore innovative solutions and emerging opportunities—particularly in public–private partnerships that can expand community investment. We highlighted issues central to rural economic growth, including supporting Tribal and rural small business development through innovative finance, building local capacity for investment, and catalyzing community development capital to support small-town and rural revitalization.

In addition to these engagements, the Federal Reserve works to develop a deep, data-driven understanding of local economic conditions across the country. We conduct original research through tools such as the Survey of Household Economics and Decisionmaking, the Survey of Community Perspectives, and the Small Business Credit Survey. Just as importantly, we complement this quantitative work with qualitative research to better understand the “why” behind the data.

We also recognize that a community’s ability to attract and deploy capital is essential to its vitality and resilience. Within our broader framework, our implementation of the Community Reinvestment Act (CRA) plays an important role in encouraging financial institutions to meet the needs of the communities they serve. Activities aimed at revitalizing or stabilizing distressed or underserved rural communities are part of CRA.

Despite this progress, the needs of rural communities often exceed the resources available. And yet, what we consistently see—both in research and in communities across the country—is that when multiple sources of capital come together, when public, private, and philanthropic partners align, communities can truly thrive. That is why your work is so important.

Thank you very much.