

Sociology Research Briefs

Economic Shocks and the Quality of Life in Iowa Small Towns

Terry Besser, Kerry Agnitsch, and Jean Friestad

There is hardly a small town in the country that has not experienced a significant economic change in the last couple of decades. Some have experienced the sudden shock of the closure or the opening of a major employer or a slow motion change like the industrialization of agriculture. The local economy plays a critical role in the quality of life in communities. The diversity, size, number, and viability of local businesses impact the tax base; the availability of products, services, and jobs; and the civic climate of the community. This is not a one sided relationship, of course. Aspects of communities also influence the local economy including the quality and availability of government infrastructure, child care services, medical services, and educational opportunities, to name just a few.

Given the significance of the economy to community quality of life, we examined the characteristics and impacts of “economic shocks”—sudden events that have a significant impact on the local economy—to a 2004 study of the quality of life and social environment in rural Iowa towns^a. To learn about economic shocks, we interviewed over 600 residents who are knowledgeable about the economy in the 99 towns in our sample. We asked them to identify events occurring between 1990 and 2003 that had a significant impact on their local economy, and tell us whether the event was positive or negative, whether it

originated internally or externally, and to rate the significance of each event. Events mentioned by two or more persons and having a minimum rating of 2.0 on a 1-5 scale of significance were designated as shocks. This information was added to the data gathered in the 1994 and 2004 community surveys.

Kinds of Shocks

A total of 152 shocks in 74 towns were identified. Twenty five towns did not experience a shock between 1990 and 2003. About 40 percent of the shocks involved changes in local businesses. (See Figure 1.) These ranged from a bank closing to a convenience store opening. Seventeen percent of the shocks resulted from non governmental services changes such as building a new medical center or an expanded golf course.

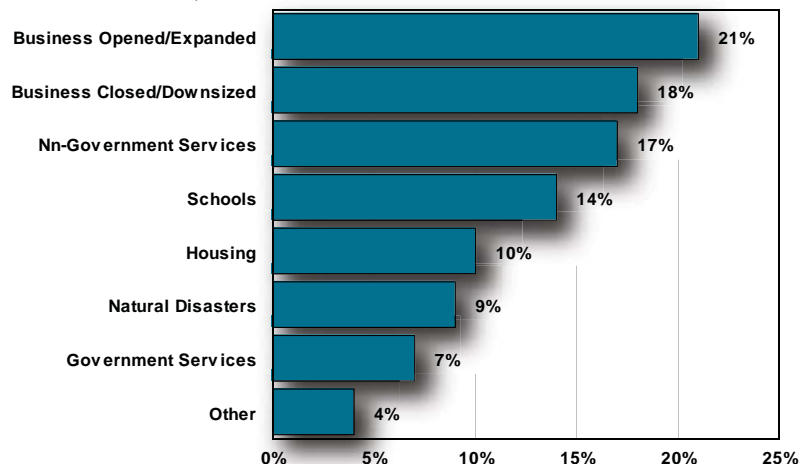
School openings and closings constituted 14 percent of the shocks and government services, such as opening an aquatic center, highway construction, and street improvements were 7 percent. The flood of 1993 accounted for most of the natural disasters. The majority of shocks were evaluated as positive in their impact on the local economy and more than two thirds originated from internal action.

Characteristics of Shocks:

- Thirty two percent were negative
- Sixty eight percent were positive
- Sixty percent originated from within the community
- Most positive shocks originated from internal action
- Negative shocks originated from external causes

Figure 1. Kinds of Economic Shocks

(Percent out of 152 shocks)



- Twenty two percent of towns had three or more shocks
- Nineteen percent had two shocks
- Thirty three percent had one shock
- Twenty six percent had no shocks

Experiencing several small shocks within a span of 13 years may have as much of an impact on the local economy and the quality of life as experiencing one large one. To take the “summative” impact of multiple shocks into account, we added together the significance scores for all the shocks experienced by each town. The significance average for negative shocks was given a negative sign so that for towns experiencing both positive and negative shocks, we could roughly estimate the net effect of the shocks. When shock significance is added (the significance of negative shocks is subtracted) for each town, the shock significance sums range from -7.2 to 16.9. The significance of individual shocks were scored from 1 to 5. Thus a score of -7.2 indicates a town with at least two negative shocks during the study period. A score of 16.9 shows that more than three positive shocks occurred in that town between 1990 and 2003.

- Forty two percent of shocked towns (thirty one) had net negative shock significance.

- Fifty eight percent of shocked towns (forty three) had net positive shock significance.

Economic Shocks, Town Size, Region of the State, and Closeness to a Metropolitan Area

- The number of miles from a metropolitan area was not related to shock significance.
- Region in the state was not associated with shock significance
- Population size was significantly related to shock significance. Larger towns had more positive impacts from economic shocks. Towns with less than 700 in population had a net negative impact from shocks during 1990 to 2003. (See Figure 2.)

The Impact of Economic Shocks on Social Capital and the Quality of Life

Social capital is a popular term today used by researchers and community developers. It refers to people’s relationships with each other, their trust in each other, and the norms of reciprocity that exist in the group or community^b. At its simplest, towns with high social capital are expected to be better able to marshal their resources to solve problems and realize positive

outcomes. We measured social capital in this study by combining questions about how many residents were known on a first name basis to the respondent, the extent of friendships and family relationships in the community, and the level of trust in the community. Collective action is a related factor that gauges how active people say they are in the community and whether they participated in a community improvement project in the previous year. We determined the quality of life in towns by asking people to evaluate the overall quality of governmental services, the overall quality of non-governmental services, and “how much (town) has going for it compared to other towns of similar size”.

We anticipated that both positive and negative economic shocks would disrupt the relationships in the community. Positive shocks may be associated with the in-migration of new residents and negative shocks with the loss of residents (friends, neighbors, and family members) due to out-migration. The decline in social capital that might come from changes in relationships may be offset for towns with positive shocks by greater optimism and generally greater trust. One would expect that negative shocks should be followed by a decline in the quality of life and positive shocks by an increase in the quality of life. Indeed, our results confirm these expectations.

Towns with positive shock significance had:

- An increase in the quality of life in 2004 compared to all other towns
- A greater increase in social capital in 2004 compared to all other towns

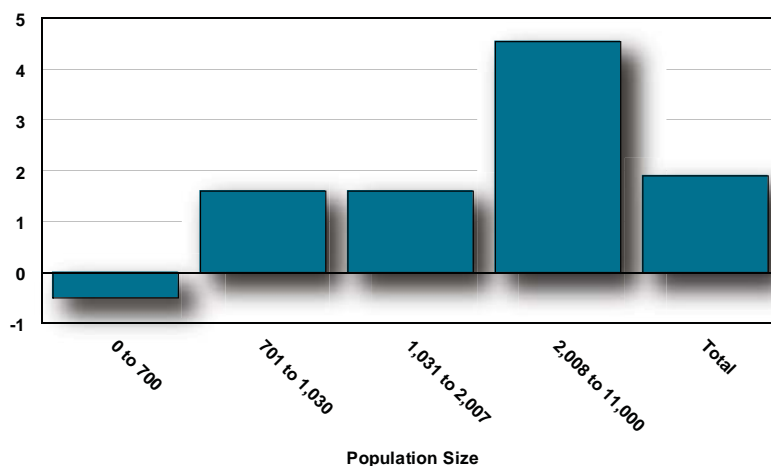
The more negative shocks a town had:

- The lower its quality of life in 2004
- The greater its decrease in social capital in 2004

The more positive shocks a town had:

- The higher its 2004 quality of life
- The higher its 2004 social capital

Figure 2. Net Shock Significance and Population Size



Collective action was not related to the number of shocks, either positive or negative, nor to the summative shock significance. Towns with greater social capital in 1994, had higher quality of life in 2004 and significantly higher levels of collective action in 2004 than other towns. Social capital in 1994 is not related to overall shock significance.

While not related to economic shocks, it is interesting to note the impact of town size on the change in the quality of life. All sizes of towns experienced a statistically significant decline in quality of life between 1994 and 2004. But as can be seen in Figure 3, quality of life in the largest towns declined the least, and in 2004, they had the highest quality of life—as measured by the perceptions of residents.

Conclusion

Our study highlights the fact that small Iowa towns are experiencing more positive shocks, than negative shocks. However, we did not examine slow motion shocks, such as the restructuring of agriculture. As expected, experiencing a positive economic shock between 1990 and 2003 was followed by an increase in the quality of life and social capital in 2004. Negative shocks were followed by a decrease in perceived quality of life in 2004, but no change in social capital.

Also, high social capital in 1994 was followed by a better quality of life in 2004.

A quarter of our towns were between 2,000 and 10,000 in population in 1994. These towns fared better in having higher positive shock significance and higher quality of life in 2004 than smaller towns. The very smallest of towns, those with fewer than 700 residents, were more likely to have negative shocks and, along with towns with less than 2,008 population, had the greatest decline in the quality of life between 1994 and 2004. Truly, the decade of the 1990s was a challenging time for the smallest of small Iowa towns.

Funding

This research was funded by a grant from the National Research Initiative, USDA and Iowa State University Agriculture and Home Economics Experiment Station, Rural Development Initiative.

Methodology of Shock Research

The names of five to ten local residents who are knowledgeable about the local economy were provided by the County Extension Education Director, the city clerk, or other local sources. 632 people were interviewed by telephone between October 2003 and June 2004, ranging from 5 to 13 per community. Eighty eight percent of those we were able to contact agreed to be interviewed.

^aThe Iowa State University Sociology Department Rural Development Initiative conducted a study of the quality of life and an assessment of the social environment in small Iowa towns in 1994 and 2004. In 1994, 99 small towns not contiguous to a metropolitan area and between 500 and 10,000 in population were randomly selected from within each of Iowa's counties. Questionnaires were mailed to approximately 150 residents of each town. They were selected at random from the town's telephone directory in 1994 and 2004. Approximately 72% of sampled residents returned surveys in 1994 and 67% in 2004.

^bPutnam, Robert. 1993. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press.

...and justice for all

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Stanley R. Johnson, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

Figure 3. Population Size and Quality of Life, 1994 and 2000

