Insight

3 Policies Failing Rural America

GORDON GRAY | AUGUST 26, 2015

Today, a major party leader released a policy plan for an economic renewal in rural America. Within the plan are proposals for increasing capital to rural businesses, lowering energy costs, and strengthening the Renewable Fuel Standard. All may sound great, but the devil is in the details. Most are simply plans that we have already seen suggested and fail.

Expand Access to Capital

The plan promises to cut onerous regulations on community banks, but recent policies embraced by the current administration and its supporters cast doubt on the sincerity of that promise. The implementation of Dodd-Frank, for example, was disastrous for small community banks. In total, the final regulations from the law have cost $26.8 billion and added 64 million hours of paperwork. What does this mean for a small rural community bank? For starters, from the signing of Dodd-Frank in 2010, it took until 2015 for the first new community bank to open. The Dodd-Frank Act has seriously slowed the growth of new community banks.

Over 1 out of every 4 banks will have to hire staff to just to comply with the surge of paperwork. Forcing these small banks to hire just two additional personnel, in combination with other regulatory costs, would **render a third of community banks unprofitable.** Additionally, community banks' market share has decreased by 12 percent since the signing of Dodd-Frank, double the rate of large banks.

Federal attempts to channel small business lending often fail to deliver. For example, in 2010 Congress created a small business lending fund (SBLF) that was designed to increase small business lending. However, out of the $2.7 billion that 137 banks that had received through SBLF, $2.2 billion was used, not to increase small business lending, but to pay back TARP financing. Indeed, this type of credit assistance is so dubious, that none other than Elizabeth Warren has noted that this type of program can be more problematic than it's worth by creating moral hazard through poor loan underwriting.

Lower Energy Bills

The plan also includes an oft-used line that forcing increases in renewable fuels will "…lower our energy bills…" However, if the plan is anything close to the recent regulations out of the current administration that will unfortunately not be the case. Even before the most recent Clean Power Plan, the EPA had finalized regulations that would **raise energy prices by over ten percent**.

Beyond raising bills, these plans also have a tendency to put jobs at risk, especially in rural America. AAF research shows that the Clean Power Plan from the White House is just the most recent in a line of regulations across the nation that will lead to shrinking the coal industry by 48 percent.

Strengthening the Renewable Fuel Standard

The program that determines how much ethanol is added to our fuel supply is in need of oversight before it's strengthened. Since 2010, the EPA has not once submitted the final rule on time. In 2014, it was more than 72 weeks late. Even members of the administration admit that delays like this cause "uncertainty in the marketplace." Properly administering rules already on the books would be the right first step before we give more power to the EPA.