Are Rural Firms Less Likely to Export?

Conventional wisdom says “yes” to that question, citing three reasons:

1) rural firms have less information than urban firms about where, how, and why to export;
2) rural areas lack the economies of scope, scale, and agglomeration that make exporting easier; and
3) rural industries tend to be labor and resource intensive—not good candidates for export.

A recent study, however, says “not so fast.”

“Internationalizing the Rural Southeast: The Determinants of Rural Southeastern Manufacturers’ Decision to Export” by Steven Livingston and E. Anthon Eff finds little difference in the export behavior of the southeast’s rural manufacturers and their urban counterparts. According to the study, both rely on the same sources of information; roughly the same percentage of rural and urban firms export; and rural firms do not appear to suffer from any major obstacles specific to their rural location. While they do find that locational factors influence a firm’s decision to export, those factors are not determinative. Rather, firm characteristics relating to size (bigger is better in terms of exporting) and management (tuned in, not surprisingly, to export opportunities) appear to be far more important.

These findings should be viewed as good news, according to the authors, who remind us that “success in a global economy is characterized by the ability to compete in foreign markets.”

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