AREA REDEVELOPMENT PROGRAMS AND RURAL COMMUNITIES

by Harold L. Sheppard

Introduction

A little more than eighteen months ago, President Kennedy signed the Area Redevelopment Act. Briefly described, the program is directed to assist in the economic development of approximately 1,000 labor market areas and counties marked by chronic high unemployment or low rural income. Such assistance is in the form of long-term, low interest industrial and commercial loans, loans and grants to communities for public facilities determined as necessary for economic development, technical assistance and training.

As a prerequisite for such assistance, however, designated areas must first organize local committees with community-wide representation for the purpose of preparing an Overall Economic Development Program. For most of the communities we deal with, such an experience in economic analysis and planning had never taken place before, or at least not in recent times. Properly accepted and properly helped, this one facet of the Area Redevelopment Administration's activities might well turn out to be the principal contribution to be made in the course of ARA's history.

Before coming directly to the main topic in this paper, I would like to make a few comments regarding area redevelopment and economic growth.

First, despite all the attention and discussion that preceded the final passage and signing into law of the Area Redevelopment Act, there still seems to be--among many economists, not only in academic but in governmental circles--the belief that if the national economy as a whole improves (as measured by total aggregate statistics) then obviously the problem of depressed areas is solved. It follows from this belief that the solution to the problem of area unemployment and low income would lie in the direction of overall fiscal and monetary policies applicable to the economy as a whole.

Unfortunately, the facts do not back this up. We know that even when national aggregate statistics have shown improvements in demand, production and employment, the nation still had in its midst countless urban and rural pockets of high unemployment.

In other words, a general increase in demand does not automatically, either in the short or long run, employ a coal miner in Kentucky or West Virginia, raise the sales of a druggist in the Upper Peninsula of Michigan, nor the income of a

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family farmer in Georgia. To be sure, out-migration from distressed areas is likely to rise as a result of increases in general demand, but like every other solution, migration is not a total solution. Too frequently, however, we hear from a variety of social scientists that this is the solution. "Let 'em move out" is the modern-day equivalent to Marie Antoinette's "let 'em eat cake."

My main point here is that specific problems require specific solutions, and that area redevelopment, just like manpower training and accelerated public works, is a direct, specific attack on a specific weakness in our society.

Too many generalizations or inferences are made without any empirical investigations of how rates of unemployment respond within areas of changes in gross national product, or national consumer demand, etc. Overall, aggregate improvements in employment or family income, as a result of improved GNP and related factors, do not necessarily mean that corresponding improvements take place in the depressed areas of our country.

Of course, it is obvious that if we were enjoying a dramatic expansion of demand nationally, the tools made available through ARA would have a much greater chance of being utilized. Nothing that I have said here should be construed as a denial of that proposition. But in two major respects, the positive role of an ARA-type program must be articulated:

1. In times of very high national demand, many areas would still need governmental investment assistance in order to make possible the private and public facilities required to take advantage of the increased demand.

2. As an independent variable, and not merely as a dependent one, the increased employment made directly possible under an ARA program is one additional factor in a number of policies and programs contributing to an increase in demand. That is, an increase of, say, 100,000 direct jobs made possible with the help of ARA financing—jobs which otherwise would not have been generated—is in and of itself a direct contribution to increased demand.

I will not discuss here in any detail the arguments centering on "structural unemployment" vs. "inadequate aggregate demand." Suffice it to say that there does exist the paradox of shortages in various occupations in the midst of a surplus of unemployed and underemployed workers with obsolete skills, or poorly utilized skills. We in ARA believe that programs aimed at alleviating structural unemployment are a supplement to, and not in opposition to, programs aimed at increasing aggregate demand.

I am sure that a critical evaluation of the potentials of a national training program—an evaluation along the lines of Theodore Schultz' concern with investments in human resources—will show its role in contributing to economic growth.

It is much too early to judge the success of the Area Redevelopment Administration. The figures I want to present at this point merely indicate trends, although we prefer to believe that they are portents of what can be accomplished on a much larger scale, as the program becomes more widely known and accepted by the public at large.
As of May 1, 1962, one year after the program began, ARA had pending on its books 202 project applications for both industrial-commercial projects and public facility projects. Six months later, on November 1, 1962, there were 408 applications. On the earlier date, in May of this year, we had announced approval of a total of 40 projects, involving the direct employment of nearly 11,000 jobs. Six months later, 94 additional project approvals had been announced, which will involve another 13,000 jobs. Thus, in the first twelve months, only 40 projects were approved, but, in the six-month period after that, 94 had been approved. It is idle to speculate on whether future progress should be estimated on a rate-of-increase basis or on an absolute increase basis, but I do think it is safe to predict that on the second anniversary of ARA, we will have approved at least another 100 to 120 projects, employing roughly an additional 20,000 workers. If this turns out to be correct, and I have projected on the conservative side, we will have approved a total of approximately 250 projects within two years, with a direct employment total of about 50,000 jobs.

A slightly less conservative estimate calls for 350 approved projects involving about 70,000-80,000 new jobs.

But all of these estimates must be judged against some hard facts. For example, there are at least 1 1/4 million unemployed or underemployed persons in our designated areas, and to reduce the unemployment rate or its equivalent in rural areas to 4 per cent (which is still beyond what I would consider as "normal") we would have to do much more than we are doing. But ARA was not intended to solve the entire problem by itself.

III

In earlier discussions of the potentials of a program of area redevelopment, concern was expressed that small communities would lose out in competition with the major industrial areas. James S. Brown referred to this possibility at the Iowa conference two years ago. It is true that in certain rural areas, especially those with the characteristics described by Professor Brown, the prospects for growth look pretty dim. But there are other features that tend to offset his general doubts.

For example, the population in our 5(b) areas—non-urban, non-industrial areas eligible for ARA assistance—constitutes only 38 per cent of the total population in all ARA areas. But the number of direct jobs made possible through direct ARA loans for industrial and commercial projects in rural areas constitutes 44 per cent of all our direct employment figures. If you take the number of industrial and commercial loans approved as of November 1, you will find that more than one-half of these loans were in the 5(b) areas. Furthermore, most of the approved loans were in our historically non-industrialized parts of the United States, that is, outside of the Northeast and Lake States regions.

The figures for all pending project applications show an even greater distribution among our 5(b) areas. Out of 272 applications for industrial and commercial loans (as of November 1), 64 per cent were from 5(b) areas. Equally important, if not more important, most of these projects were for non-agricultural industries.
As for public facility projects needed for the creation and expansion of private employment enterprises, three-fifths of our applications and approvals are located in the traditionally non-industrialized areas of the country.

Another feature might tend to be neglected in considering the relative prospects of large urban vs. smalltown rural areas for development under ARA type programs. It belongs in the realm of sociology: large urban industrial centers experience greater difficulty in organizing and stimulating effective community action for economic development. They contrast sharply with the more numerous smalltown "rural" communities, where communication, coordination, and consensus are easier to achieve and where problems of leadership are less complicated and less aggravated by such obstacles as conflicting community power groups and difficulty in mobilizing community support.

These and other data suggest that, at present, rural areas are sharing significantly in the total national effort to develop and redevelop the economic well-being of areas suffering from chronic unemployment and/or low income. They suggest that for many if not most rural areas, salvation can be found through more than migration and death. It can be found through integration into the mainstream of American economic growth, i.e., through industrialization and the tertiary activities that accompany a high degree of industrialization. It is not just a coincidence that one of the largest categories of applications for financial assistance from ARA is tourism and recreation. I should point out, in addition, that ARA is prohibited by law from financing plant relocations. In other words, the progress being made by rural areas under ARA is not at the expense of existing industrial areas.

Industry is moving into previously non-industrialized areas. Employers are not merely waiting for rural migrants to move to large, urban industrialized centers.

I have not mentioned any of the dozens of technical assistance activities of ARA which, if successful, will benefit many of the rural areas of the country, nor the many training programs taking place in rural areas, nearly all of which are for non-agriculturally related occupations.

IV

I would like to devote this part of my paper to a brief recitation of some basic problems and topics of discussion relating to area redevelopment.

1. First, one issue that I am afraid will always be with us is "priorities." Is it really possible for a federal agency to determine in advance which specific counties have zero probabilities of success and therefore should not be helped? Even if it were possible, and I am not sure that it is, I am sure it is not desirable. In any event, the ultimate decision is a product of many forces, including the initiative and organization of the local area, economies of scale, the willingness and interest of the individual entrepreneur or corporation, market factors, etc. Moreover, each project application is gone over with a fine tooth comb by several waves of government financial investigators to determine its feasibility for the local region and/or the national economy.
The problem reminds me very much of the controversy over the actual or potential intelligence of individual human beings as measured by the standard I.Q. tests. Shall we seal the fate of an individual whose I.Q. is judged to be low when tested at an early age by excluding him from any opportunities to improve that allegedly sacred and unchangeable I.Q. score? We now have sufficient evidence to conclude that, short of physical brain damage, special, concentrated programs of education and therapy can raise I.Q.'s. And, for that matter, there are some experts who seek to remedy brain damages.

2. Another problem that we are dealing with on a pragmatic basis so far has to do with a number of proposals for the active encouragement of regional planning. While no one in ARA would deny that inadequate and disjointed economic activity can result if regional aspects are neglected, there still remain some serious questions, such as: Shall the federal government do this planning, and if so, how does it get such planning accepted by the regions concerned? How does a regional OEDP (Overall Economic Development Program) become effectively incorporated into the thinking and behavior of the ultimate prime movers in ARA's program, individuals in counties and urban metropolitan areas and their local governmental representatives? We have the distinct impression that such prime movers will be less likely to act if some more encompassing entity, such as a state planning or development agency, submits a general plan as a substitute for a locally conceived and locally written OEDP. Would it not be wiser to hope for and work at local acceptance of a regional approach in the course of experiencing success and failure on concrete projects and through such intermediate stages as multi-county economic plans? And shouldn't such local institutions as universities and utility companies, labor unions, and farm organizations--in addition to the field representatives of ARA and RAD--be taking the responsibility for blending the local area plan approach with the approach of regionalism?

3. As many of you know, ARA's statute requires that for every industrial or commercial project it helps to finance (a maximum of 65 per cent of the project cost for as long as 25 years at 4 per cent interest currently) a minimum of 10 per cent of the cost must be contributed by the local community or by a quasi-public industrial development body, and this 10 per cent cannot be repaid until the federal loan has been completely repaid. In this respect, Professor Brown's concern is a real one. The requirement for this type of local participation is laudable and should not be eliminated, but we already have several dozen cases in which a small community has been unable to gather such funds. Many of our projects for rural areas run into the millions of dollars each, and it is obviously impossible for such communities to raise as much as $100,000, not to mention larger amounts in the case of larger projects. One solution is the establishment of state government development funds, but so far only a handful of states has seen fit to establish such funds. We hope that more states will do so in the future, however. Another path--which would require Congressional action--would be to allow for quicker repayment than the law now allows. There is a possibility that such an amendment will be introduced in the next session of Congress.

If this problem is not solved, the truly significant development of rural areas under ARA can be thwarted.
4. I want to raise another question, possibly more delicate than any of the others, and that is: Are there conditions under which a uniform application of the current "save-the-family-farm" policy actually does harm to the at least equally valuable goal of economic development--for the benefit of a given area, as well as the national economy and society? Here is something for economists and sociologists to grapple with. There might be instances in which opportunities for substantial increases in income are denied in the name of this policy despite the fact that average farm family income in such instances is far below any decent standard of adequacy. There are instances in which farm family income has to be meagerly supplemented through employment in far-removed, low-wage activities. Neither of these is a satisfactory, long-run solution to the basic problem of underemployment. There is need to shift rural inhabitants from low-paying agricultural to higher-income agricultural arrangements and/or non-agricultural occupations in a meaningful manner.

What I am saying is that long-standing policies which had a positive function in the past should be evaluated in terms of the overriding task today of all the agencies and organizations involved. That task is the fight against long-term unemployment, rural poverty and general economic stagnation. In other words, rural poverty can be perpetuated, in certain circumstances, under a rigid application of uncritically accepted policies in the nation's agricultural program.

5. Another vital question to be asked about and by rural communities is, will they be ready for an expansion of non-farming industrial and commercial prospects? I mean the necessary conditions for modern industrial society, which include adequate public facilities, the right kind of educational and health institutions as well as the general community attractions that often make a company decide for or against location in a given community.

I have no way of judging how well this aspect of rural area development is generally recognized and acted upon. But I can report that within ARA alone 50 per cent of all our approved public facility projects (as of November 1) were in the 5(b) areas, and that among the pending applications 70 per cent were from such areas. The figures do suggest that many rural communities are acting to provide, with federal assistance in the form of loans and grants, such facilities as adequate water and sewage, port developments, access roads to industrial parks, etc. I should emphasize here that ARA makes no loans or grants unless there is a commitment from a specific employer to create additional employment as a result of such new or expanded public facilities. These figures do not include any developments under the new Public Works Acceleration program.

If we view rural communities as being on the threshold of a new era, as entering a stage of early urbanization, then it seems to me that urban planning and urban community development concepts must be incorporated into their thinking and actions. Also there must be a recognition of what constitutes genuine economic development for the nation as a whole (including the desirability of building upon growth and not upon economic cannibalism through luring industry from other areas).
Two years ago at this conference, Frank Fernbach, an economist with the AFL-CIO and a member of ARA's and of RAD's advisory committees, pointed out that "expansion into acres outside metropolitan centers should occur for wholly legitimate economic, social and security reasons." He went on to say:

Many people in our rural labor force may conceivably prefer to live and work in communities where they have their roots. Land and other production costs may often be lower than in the impacted cities. From the standpoint of national security, too great a concentration of people and industry is clearly hazardous and should be avoided....Perhaps those of us who spend weary hours battling through the city traffic to our workplaces and home again, who suffer from inadequate recreational facilities, urban slums, and a score of other ugly aspects of city blight, are most aware of the value of a more remote and restful place in the sun.

If we mean what we say about making rural communities such idyllic places in which to work and to live, then it is imperative that urban development techniques be made a part of rural area development programs.

All of us should be motivated by the primary goal--the creation of jobs capable of sustaining a decent standard of living, jobs in industries that will contribute to the general economic growth of each area and of the nation as a whole. There is much that university economists and sociologists could be doing. For example, a great deal of professional work on depressed area development (and here the old line between rural and urban becomes blurred if not invisible.) They could educate adult membership organizations about conditions for economic growth; they could devise methods to prevent or mitigate the errors of omission and commission made by old urban areas as rural areas become urbanized; they could create inter-university regional centers for economic development similar to the 19th century and early 20th century state land-grant colleges and experiment stations.