

## STRATEGY FOR PUBLIC POLICY---THE APPALACHIAN REGIONAL EXPERIENCE

Monroe Newman\*

The Pennsylvania State University

There is an old, and reasonably accurate, saw to the effect that economics is what economists do. Much the same can be said about planners and planning. Definitions of this kind are usually condemned for being tautological but in the case of planning and planners (as with economics), the definition has more than a small grain of truth. This is so because the process of planning must be unique to the goals and program for which the planning is done. As a result, there should be no wonder that there exist so many variations on the theme of the nature of planning, and ambiguity about the proper standards for judging "successful" planning.

There are available to the regional development planner a wide variety of tools in various stages of refinement, and he obviously must know their capabilities in selecting a planning approach. The choice of tool becomes a blend of technical utility and the initial political design of the program itself. By the latter is meant the early, basic decisions about the range of geographic coverage and administrative involvement, and the first general determination of an overall policy approach and alternatives. In some significant ways, this initial political design determines the tools to be employed by establishing the relevant questions. Ideally, the planner should have an opportunity to participate during the period when the program is being initially designed politically, because only then can the potentialities of both planning and the political situation be most fruitfully meshed. It should be evident, of course, that if planning is to have any effective meaning, it must have an impact on the succeeding stages of program development and implementation.

Two preconceptions underlie these comments. The first is that planning tends to be a futile exercise if it is divorced from a political process of implementation. In fact, given the diffuse nature of governmental powers in the U.S., planning can hardly hope to obtain the necessary cooperation among governmental agencies if it does not carry with it the promise of implementation. Busy agencies, like busy people, must ration their cooperation and none are unlikely to ask the crass question "What's in it for me?" although it is customarily stated more euphemistically. The fruits of cooperation are much more imminent if planning is associated with the political process of implementation and its rewards of specific programs and projects.

The second preconception that underlies these remarks concerns the relationship between the planner and the politician. There exists in the minds of some a belief that the planning process can present to the decision-maker a number of well-articulated alternatives, leaving the rendering of judgement to the politician at that point. This is an unrealistic view of the process. Planning and decision-making must communicate with each other throughout the process and not solely when "the alternatives" are available. During the process of planning, the planner must be aware of political realities just as he seeks to inform himself of geographic, economic, social and cultural reality. He would not think he was doing a craftsman-like job if he omitted consideration of any of the last four of these, and it is equally true that his work would be deficient if he omitted consideration of the first. Just as certain approaches or alternatives may be technically unfeasible or impractical, the same can be true of their political feasibility and practicality. And somewhat analogous to the movement of a mountain or a river, the planning program, when wisely done, can help alter political feasibility.

Attempts to isolate planning from politics stem from the politician's fear that the planner will usurp his prerogatives and from the planner's fear that the politician will besmirch the technical integrity of his work. In an atmosphere such as this, in which two principal actors are jealous of and distrust each other,

it is difficult to see how a standard of cooperation can be established as an example to the many other agencies whose assistance will be required. Ideological acceptance of division of labor and consequent dependence upon one another is the first and most basic requirement for the marriage of planning and the political process. The nature of the marriage is not simple to specify and, as with all such arrangements, it must reflect the personalities of the partners. Respect for each other and each other's contribution would seem to be crucial.

These conclusions are drawn from the experience with planning for Appalachian development. In a 1966 article in the *Southern Economic Journal*,<sup>1</sup> John Friedmann correctly points out that in most areas of the world, the average absolute level of per capita income in Appalachia would hardly qualify it as a region in distress. Only on a relative basis, comparing it to the rest of the United States, can a statistical case be made for such a designation for the region as a whole. Though specific areas of the region have per capita incomes about equal to that of some underdeveloped countries, viewed from a world perspective, Appalachia is relatively prosperous. Planning for its development has recognized this fact and the even greater prosperity of contiguous areas in the rest of the country.

The Appalachian Region is favored by a rather unique institutional design. Planning for the development of the region, comprising all of West Virginia and parts of twelve other states, is a joint State-Federal responsibility. Never before in the United States has the Appalachian blending of funding and policy-making been attempted.<sup>2</sup> The result is new concepts and procedures never fully encompassed by the literature and doctrine of the regional development field. The remainder of this paper consists of a discussion of the principles of planning in the Appalachian program and a discussion of some operating experience partially through the program's scheduled life.

### Planning Principles

Planning for Appalachian development has focused around two propositions, each of which has had enormous significance for the character of the program. The first is a commitment to State responsibility. The second is a commitment to concentrate activities on a program and area basis.

The history of the present Appalachian effort began in 1960 when two unrelated events occurred within weeks of each other. The first was the primary campaign between Kennedy and Humphrey in West Virginia that dramatized to the nation--and the winning candidate--thenature of one of the Appalachian problems. The second coincident event was a meeting called by Governor Tawes of Maryland at which representatives of Appalachian States agreed that some of their developmental problems required a cooperative attack if there existed any hope for solution.

The original initiative for regional cooperation stemmed from the States themselves and they continue to shoulder the more difficult political burdens, now with the help of a solicitous Federal administration and of a joint State-Federal staff. In 1963, the States approached President Kennedy directly for assistance and in the year it took to prepare the report of the President's Appalachian Regional Commission, they participated at both the technical and political levels of the initial process.

The hear of the responsibility of the States is contained in a decision that was reached in mid-1964 and that is written into the Appalachian Act. It is the responsibility of the State (or States, in a multi-State project) to recommend those projects within its territory that are best calculated to further the purposes of the Act. And the Commission may consider no projects that a State has not recommended.

In practice, this means that it is the States who choose among competing public investments on the basis of criteria mutually accepted by them and the Federal government. State responsibility in the Appalachian context consists of

making the difficult political and technical decisions. The political difficulty is readily apparent. No longer is the State by-passed as communities deal directly with Washington nor does the State serve merely as a funnel, leaving to some anonymous Federal Bureaucrat the fate of some community's desires. This responsibility is the State's. Subject to later review, it must face the applicant when it says yes or no.

The technical problems associated with the State's responsibility are also considerable. Operating within the criteria discussed below, the State must develop a technical basis for its political decisions, a basis that provides a sound theoretical and empirical undergirding for the sets of judgments made. It must discharge another related responsibility as well. Achievement of the goals of the program will require much more than the wise investment of the funds appropriated for the program. It will require wise use of other State and Federal investments and a coordination of programs at the Federal and State levels not previously achieved. The responsibility of the States is to so influence the billions of dollars of annual investment that are made so that Appalachian objectives are furthered rather than negated.

The other basic proposition which is central to all of Appalachian planning is an emphasis on what is commonly called a "growth area" approach. The Congress enacted and the States agreed that investments under the Appalachian Act are to "be concentrated in areas where there is significant potential for future growth, and where the expected return on public dollars invested will be the greatest."<sup>3</sup> This phrase from the Appalachian Act contains the nub of the developmental strategy.

The logic of the strategy of development can be summarized as first, acceptance of the concept that infrastructure investment can alter relative competitive attractiveness. Secondly, there is recognition that the probably availability of funds does not permit infrastructure investments in every nook and cranny of the region. Third, selection must therefore be made of those areas with the greatest growth potential since, presumably, the developmental benefit of a given dollar invested to serve them is greater than in alternative locations. And fourth, the specific investments for an area must be tailored to its disadvantages and potentials so that the secondary benefits, the externalities, of the totality of the investments are maximized.

Clearly, acceptance and implementation of the development strategy required Commission definition of an area with "significant potential for future growth" and State application of this definition to their own Appalachian areas. The long history of professional discussion on the process of growth and the role of nodes or centers in that process was of obvious pertinence to the decision.

Months of discussion ultimately led to the Commission accepting as guidance for planning a staff paper containing the following definition:

"Generally, an area with significant potential for future growth will contain two geographical elements--a center or centers, and an associated hinterland.

"By a center or centers is meant a complex consisting of one or more communities or places which, taken together, provide or are likely to provide a range of cultural, social, employment, trade and service functions for itself and its associated hinterland. Though a center may not be fully developed to provide all these functions, it should provide or potentially provide some elements of each and presently provide a sufficient range and magnitude of these functions to be readily identifiable as the logical location for service to people in the surrounding hinterland.

"Some of the key relationships or 'linkages' that exist between centers and hinterlands include:

1. Commutation patterns

2. Wholesale trade services
3. Educational and cultural services
4. Professional services
5. Inter-firm and inter-industry trade
6. Governmental services
7. Natural resource and topographic considerations
8. Transportation networks

"A hinterland may itself contain secondary service centers from which the population may be more efficiently provided certain services. Whether a center falls into the primary or secondary category depends upon the range of services provided to the hinterland.

"A secondary center may be identified as an area of growth potential, but its proximity to the primary center and its position in that center's hinterland hinders its future growth, and therefore the range and magnitude of public investments to be made in it. The public investment program for a secondary center must be related to the program for the growth area as a whole."<sup>4</sup>

As the concept of State responsibility would suggest, it is the responsibility of each State to plan for its Appalachian area within the guidelines established by the Commission. No one expected fully developed and documented planning early in the program and the Commission's objective has been to have each year's plan reflect continuing refinement and progress. Annual updating covers:<sup>5</sup>

- (1) "A statement setting forth the State's goals and objectives for Appalachian development;
- (2) "An evaluation of potentials for economic and social development and the problems impeding development . . ."
- (3) "The identification of areas which, in the State's judgment, have a significant potential for future growth and other localities from which the population must be served in order to promote overall development . . ."
- (4) "A description of the State's proposed plans for Appalachian development . . . specifically setting forth those programs, and the Appalachian funding required for each, that will . . . help develop . . . potentials and resolve problems . . . Special attention will be given to areas of significant potential for future growth in order to achieve the maximum return for the public dollars invested in terms of improved incomes and permanent employment opportunities . . ."
- (5) " . . . . .Scheduling and programming of specific projects . . ."
- (6) " . . . . .(intended actions) for developing more effective Appalachian plans and programs . . ."

#### From Planning to Programs

Having defined its terminology and established its procedure for State planning, it was necessary for the Commission to apply its principles specifically to the relevant programs over which it exercises jurisdiction. For example, the Commission recognized that investment in education may well be one of the most important that can be made for the long-run future of the region. Providing



educational service, by adding to the mobility of labor and the quality of human capital, serves ends that are important and significant in themselves. However, the physical location of educational facilities can also influence the relative fortunes of areas. While recognizing that some exceptions will have to be made, the Commission decided that "highest priority should be given to those (education) facilities that are located in areas where the State has determined a significant potential for future growth exists, so that they can contribute to both educational improvement and economic development in the Region."<sup>6</sup> In this fashion, the Commission is emphasizing the complementarities that exist between human resource development and economic development--and the role each has to play in regional development.

The Commission takes an analogous point of view toward natural resource investments. Much has been said about the devastation that mining has produced in parts of Appalachia. Reclamation of all devastated areas is beyond the financial capability of the Commission and is probably unwarranted from any but the strictest of conservationist's view. The Commission's position is that mine area restoration investments should be made under its program only when the needs of a growth area can thereby be served and even then only if consideration has been given to "(a) the impact of a proposed restoration on the total land reclamation needs of a growth area, (b) the extent to which the proposed restoration is related to and complements other development programs in or serving the growth area, (c) the expected degree of enhancement of the economic development potential of the land to be restored, and (d) the expected degree of enhancement of the economic development potential of nearby lands."<sup>7</sup>

The same basic concept is applied to such diverse forms of public investment as water pollution control and the construction of local access roads. Appalachian project approval is therefore crucially affected by the State's judgments concerning the problems and future prospects of areas as reflected in the State plan. Subjects for evaluative examination come readily to mind.

#### Bases for Evaluation

A few general comments are warranted before specific questions for evaluation are raised. First, each of the States has taken the difficult political step of establishing areal orders of preference, a not inconsiderable political achievement, and one that required (among other, and possibly more important, things) a plan whose logic and conclusions could withstand the scrutiny of intelligent citizens and officials. Secondly, planning has proceeded concurrently with institution-building and facility building. Each of the three has affected, and usually improved, the others. Lastly, in many Appalachian States, a planning process more embracing than for a singly functional program is a virtual newcomer, introduced by the regional commission. In others, it was present but undernourished and of little programmatic significance. Across the region, via legislation, executive order, or less formal changes in relationships, the conscious application of program to consistent purpose, which planning makes possible, is becoming more prevalent, at least in part because of the Appalachian experience. For the long-run benefit of the region, and perhaps as a model of inter-governmental relations, institution-building may be as significant as facility-building.

However, these changes, no matter how desirable, were hardly the sole purpose for inaugurating the program. At this writing, more than half of the six year legislated life has passed. If the proof of the cake is in the eating, the proof of the program should be in the Region's data. Employment is rising; unemployment is falling; the gap between the Region and the nation is closing; out-migration has been cut by more than half; areas have shown population increases for the first time in about 20 years; incomes appear to be rising at least as rapidly as they are nationally. This would be quite a record if one could associate these effects with the program as their cause. In fact, such an association can hardly be made. The only basis for it would lie in the hopefulness and the vision of improved competitive opportunity that the program may have induced. By far the largest part of the recorded improvement probably stems from the upward pull of rising national indi-

cators and the phenomenon common to all lengthy periods of high levels of performance, the increased employment of marginal resources.

Given the long lead time between the filing of an application and the opening of a public facility for its intended use, there should be no surprise in the fact that relatively few Commission-supported projects have begun producing their services. At best, there is a difficult analytical issue involved in relating infrastructure changes to changes in private employment. Few of the investments the Commission makes are firm- or industry-specific and even if they were, all the analytical issues would not be resolved. In the present case, the issues are compounded.

The public facilities are focused on producing changes in relative competitiveness, a rather imprecise concept whose precision depends on knowing competitive for what, where, and when. It is certainly beyond the state of the art to answer those questions with a high degree of accuracy for a relatively small part of a very large open economy. Consequently, evaluating the program's effects on the Region's economies will be difficult, even in later years. To attempt to do so now would go well beyond realism.

All evaluation is not precluded, however. There is a series of four questions that can be asked and answered on the basis of informed judgment that gives some insight into the program's performance.

1. What types of investments have received Commission support and are they generally appropriate?
2. Have these investments been located to serve "areas with significant potential for future growth" as the States have determined them?
3. Will these State areal determinations withstand analytical review?
4. Are the investments reasonably concentrated and related to the problems and prospects of the areas?

#### Nature of Investments

One of the novel features of the Appalachian program, compared to traditional American legislation, is the ability of the Commission to exercise some discretion concerning the types of investments to be made. Some funds are limited by Congress to a specified use; for other areas, no more than some specified portion of the total authorization may be expended. However, sufficient discretion remains to allow a judgment of the effectiveness of planning on the basis of types of investments made.

From March of 1965 to March of 1968, the Commission approved about 625 projects, outside the ~~highway construction program and the land stabilization and erosion control program~~, which involved almost 9800 small contracts with farmers. Of these 625, almost 44 percent were in the field of education, primarily vocational and technical education at the secondary school level. Another 17 percent of the projects were health facilities. These 61 percent of the total projects consumed in excess of 75 percent of the available discretionary funds. The remaining projects were predominantly in water pollution control, restoration of environmental damage from mining operations, and airport construction.

Some obvious inferences can be drawn from these data. First, the pattern of investment implies that, to the States and Commission, the people of the Region are viewed as its most important resource. Second, the inability to make precise predictions about the future pattern of local employment dictates investments which are flexible and whose product is occupationally and geographically mobile. Clearly this means human resource oriented investments.

Virtually every State plan lists as a priority concern the improvement of human resource quality as affected by health and training. At the level of Region-wide analysis, there is little basis to contradict this emphasis. Traditionally, morbidity data for the Region have been excessive by national standards. (In fact, such a substantial amount of the excess morbidity stems from environmental problems that a sizeable fraction of the 80 water pollution control projects might be classified as part of the health program). Also traditionally, the average Appalachian has been undereducated. When the out-migrants, who tend to be the Region's better educated, arrive at their destination they find themselves at an educational disadvantage. Their mobility has lowered the average education level at their point of origin and their point of destination.

Faced with the overall situation just briefly sketched and the imprecision of our ability to forecast the industrial structure for a small part of a region, the program has to be given a fairly high grade on the first issue--the types of investments made and their general appropriateness.

#### Location of Investments

The Commission's guidelines for defining areas with significant potential for future growth and for the relationship of projects to these areas have to be somewhat general and their application subject to judgment. For example, no one can hope to draw a precise and unequivocal hinterland boundary in the absence of an impenetrable natural or political frontier. Moreover, serving a growth area need not require that a project be physically located in it. Recognizing that judgment has to be exercised, how well have the States done in locating projects to serve their areas of significant potential for future growth?

The cost to the Commission of the roughly 625 projects discussed above was about \$140 million. (In every case, other governmental entities contributed substantially to project costs, the Commission average portion being far less than half.) Of those funds, \$18.2 million or 13 percent were located outside growth areas as presently defined. However, \$11.3 million of the \$18.2 million were for projects designed to serve a growth area or to serve a population beyond the reach of a growth area. This then leaves \$6.9 million or under five percent of the total expenditure which is apparently inconsistent with Commission policy. Even this has to be qualified with the notation that most of these expenditures were made early in the program before areal evaluations were crystallized. The simultaneous development of plan and investment program consequently accounts for most of the inconsistency.

On balance, the grade again has to be high. The Commission has put its funds where it said it would.

#### Areal Decisions

The preceding section accepted the State plan decisions concerning growth centers and their hinterlands, i.e., the growth areas. The next question logically is the validity of these decisions. Can they be defended after review?

Standards for this evaluation have to be specified and the most important one concerns the relativity of the concept "significant potential for future growth." One State portion of the region contains Pittsburgh, another State portion can barely muster towns of 10,000. Clearly, an absolute standard of growth potential is inappropriate. Instead, a relative standard has to be applied which is used to determine, within each State, the relative potentials of areas. Significance of potential is consequently an intra-State, not inter-State, standard of judgment.

A second standard of overall judgment concerns the time horizon employed. The Appalachian program is designed to have effects on intra-regional linkages, most obviously through an authorized 2,850 miles of development highway. Statis-

tical data are not available to reflect changing linkages, even if they can be deemed to reflect historical ones. Although impressionistic and imprecise, it would be most appropriate to adjust historical data with a reasonable estimation of what may soon be the effects of the program.

Accepting the concepts of relativity and a reasonably short-range forecast of what is in the making, it is possible to examine an extensive list of statistical and other indicators of performance and linkages. Among the statistical indicators examined were those which show, over time, employment and its industrial distribution, unemployment, population change and migration, educational attainment, and value added and capital investment by manufacturing industry. Other indicators examined were access and quality of transportation, commutation patterns, and relationship to other areas in terms of size, industrial mix, and specialization.

Judgment was clearly an essential ingredient in this process. Wisdom therefore cautions against sweeping statements. In all, the States found about 125 growth areas in the almost 400 countries. Upon review, the hinterland definition of some is subject to question, the relative potential of some is subject to re-ranking, the strength of the linkage between some is subject to debate. Overall, agreement could probably be reached by independent analysts on 80 to 90 percent of the individual areal judgments made, with greater disagreements arising due to strategic differences over the appropriate total number of such areas.

#### Investments by Area

The program is probably most subject to justifiable criticism after examination of its concentration of investments and their relevance to the problems and prospects of specific areas. The standards of judgment again need to be specified, however, because this is so largely a matter of differing understandings and opinions.

The purposes of project concentration are basically two in number. The first revolves around economies of scale and agglomeration, the thesis that the total effect of public actions on relative competitiveness will exceed the effect of their individual parts if they are concentrated in time and service area. The second is closely related and revolves around the leadership, morale, psychological impacts on an area from a burst of public attention and activity. As Elton Mayo discovered in his famous Hawthorne experiments, there are efficiency values to be gained from the mere fact that attention is paid. In economic development terms, the pay-off is changed community attitudes towards those actions which only the locality can take to alter its competitive position.

Since concentration is a goal to be sought, hopefully the record should show several projects in the same geographic areas. In many cases it does but there is also a sizeable number of single-project geographic areas. In defense of the record two points should be made. First, virtually every project requires some local financial contribution, and there is a limit to the capital fund resources of these areas. Secondly, the record is only half made. By the scheduled end of the program, concentration may well be more prevalent as new projects bear the same geographic label as those previously funded. It will be interesting to see the extent to which this occurs but for now, an aspect that warrants improvement can be defined.

Even more improvement is warranted when the relationship between projects and area problems and potentials is examined. Again, this is a matter of judgment and even personal values so differences of opinion are probably. Some agreement might be reached however on priorities like the following:

1. The scale of facilities should allow them to operate at something approximating minimum unit costs.

2. Within any functional category, such as education, facilities that serve the needs of the average citizen should take precedence over those serving the physically or mentally impaired.

3. Facilities that serve a wide area should take precedence over those serving a smaller area.

4. The quality of service from a facility should be of as much concern as its location and physical design.

5. In an economically depressed area, public investments should focus on raising income earning capacities, not psychic income values.

Unfortunately, each of these principles has been violated in practice. Some hospitals supported, for example, are probably too small to be efficient; schools for the handicapped have been built in areas where vocational facilities for everyone were deficient; small town libraries have been built while regional libraries to serve them were absent; enrollments and equipment in some schools have been insufficient to offer a suitable range of relevant instruction; fine arts buildings and gymnasiums have been built in areas that lack what are here considered to be more basic facilities. Criticisms such as these cannot be levelled at most of the individual projects but enough examples exist to cause concern.

The Commission is now devoting increasing attention to the quality of service provided from the facilities supported and to analyzing more closely the relationship between projects and area priorities. It should be admitted, however, that in the present state of knowledge, a large factor of judgment will have to be involved in answering the question what types and sequence of infrastructure investments will lead to the jobs and incomes that can produce parity with the nation. Someday, in part perhaps because of the Appalachian effort, a less judgmental response to the question perhaps can be given.

## FOOTNOTES

\*The author formerly served as Director of Research for the Appalachian Regional Commission and is presently the Sepcial Consultant to the Commission. The views expressed are his own and do not necessarily reflect those of the Commission.

<sup>1</sup>"Poor Regions and Poor Nations: Perspectives on the Problem of Appalachia," Southern Economic Journal 32, No. 4 (April 1966).

<sup>2</sup>Prior to appearance of the Applachian Regional Commission, three types of interstate development planning had appeared in the United States. Planning, sometimes organized through interstate compacts, is common for particular functional programs, such as water resource developments. Another variety, also water related, is best characterized by TVA, which does not have a formal role for state governments in its structure but certainly has gone beyond planning solely for one category of functional programs. Still another variety, also without explicit state participation, was conducted by the National Resources Planning Board, whose orientation was toward national performance levels though it was concerned with regional differences in realizations and potentials. Clearly, the Employment Act of 1946 and all fiscal and monetary policies leading to high level stabilization could be viewed as part of the course of policy evolution that followed the N.R.P.B. To do so, however, would blur the now conventional distinction between high level stabilization and area development policies.

<sup>3</sup>Appalachian Regional Development Act of 1965 (P. L. 89-4), Section 2. -

<sup>4</sup>Policies for Appalachian Planning, Appalachian Regional Commission, Washington, D. C., 14 September 1966, pp. 4-5.

<sup>5</sup>Appalachian Regional Commission, Resolution 96, Section 2.

<sup>6</sup>Appalachian Regional Commission, Resolution 97, Section 2.

<sup>7</sup>Appalachian Regional Commission, Resolution 97, Section 3.