PROGRAM EVALUATION: THE APPALACHIAN EXPERIENCE

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Recently, a debate has emerged over the efficacy of the Appalachian Program. Some critics argue that the program is inefficient because the region defined does not include the most promising growth centers available to Appalachia--prosperous metropolitan areas on the edge of the region--to which migration and investment should be directed.[1] Other critics of the program claim that the heavy emphasis on the Appalachian Development Highway System may be hurting the region since the region already contains an adequate highway network and highway investments may only divert funds from investments in more essential fields, such as human resources.[2]

Advocates of the program believe the regional delineation makes sense with respect to common social and economic problems of Appalachia and the topography and natural resources of the region.[3] Others defend the program's highway orientation because the reduced transportation costs may attract economic activity which would otherwise not come to the region.[4]

How can we resolve this debate? Is it in fact possible to evaluate the Appalachian experience at this time? And how should such an evaluation be conducted? This paper will address these questions, and attempt to provide a framework for their answers.

Our approach to evaluating the Appalachian program will be to assess the value of the planning institution responsible for the program--the Appalachian Regional Commission (ARC). That is, we shall assess the benefits and costs of the ARC to the Appalachian Region, and compare them to an existing structure for administering a public investment program for regional development--a Federal agency.

BENEFITS OF PLANNING

Fortunately, the regional economic goals of the Appalachian Program were clearly stated by the ARC:

> obtain the largest return for the public dollars invested. And that return is to be measured in terms of increased incomes, job opportunities and standards of living for the people of Appalachia.[5]

While the debate over the Appalachian program has been waged largely in these economic terms, we will include political and social aspects of the program in our analysis. The justification for considering these additional benefits is not only that their inclusion would be implicit in most public programs as "contextual elements,"[6] but that the legislation creating the program clearly indicated that the ARC shall:

> develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State and local planning in the region.[7]

Accordingly, the major benefits that could be generated for the region by a public planning institution such as the ARC would seem to be the following:[8]

a. Political and Social

1) the increased rationality of public decision-making.
2) providing an opportunity for local groups to participate in the planning process.

b. Economic (State Regional Goals of the Appalachian Program)

1) the increased income and employment opportunities per dollar of public investment created through the coordination of programs and projects in space and time.
2) the increased income and employment opportunities generated from otherwise lost opportunities, due to the supply of additional information.

A. Political and Social Benefits

It can be seen from Table I that the Appalachian Planning process does not have the capacity to meet fully all of the requirements of a model of rational decision-making. Goals can be made only partially operational due to present limitations of benefit-cost analysis, particularly with respect to the long-run effects of public investments[9]; and the examination of all alternatives can be achieved only in part due to time and budgetary constraints.[10] Yet, Table I reveals also that the planning process does have the ability to perform most of the steps of a rationality model: comprehensive overview, goal articulation and agreement, implementation and feedback. Through the efforts of the Commission, each state was induced to articulate its goals in state plans and transform such plans into annual programs which are being incorporated into a regional budgetary system, which in turn is being reviewed as a whole by the national government for annual appropriations.[11]

Thus, as a total system, the Appalachian planning process does have the capacity to approximate a pure rationality model. Moreover, during the FY 1965-68 period, the actual Appalachian planning process has converged rapidly with its capacity for rationality. An exception to this general trend has been the lack of knowledge or unwillingness on the part of the ARC and the Appalachian states to operationalize their goals.

Clearly, the ARC induced Appalachian public decision system has been greatly "rationalized." No doubt the information generated by the planning process was crucial to State articulation of goals and strategies, and the continual re-evaluation and refinement of the entire program.[12] However, a critical question remains: would the planning processes of the Appalachian states have developed in the absence of the ARC. The answer seems to be both yes and no. With respect to those few states with a planning tradition which developed state plans spontaneously (e.g., Tennessee) the answer would be yes. The answer would probably be no, however, for most of the Appalachian states, as they were reluctant to establish broad planning functions at the behest of a Federal agency.[13] Apart from the incentive of conditional grants--an incentive which many Federal agencies also have--the ARC was able to induce state planning mostly because the ARC policies were made largely by the states themselves--a co-opting mechanism most Federal agencies do not have.[14]

Although the Appalachian Program had established Local Development

Districts (LLD's) in more than half of the Appalachian sub-regions by the end of FY 68, most of these multi-county units did not greatly increase the local participatory nature of public decision-making in the region. As Table II indicates, many LLD's have only an advisory role without authority to direct local implementation of the program, and most do not adequately represent all local groups, particularly the poor.[15]

Other programs in the region have done at least as well as the ARC in generating local citizen participation, albeit for a price. The Office of Economic Opportunity created local groups more representative of the poor (Community Action Programs) than the Appalachian Program, but alienated both state and local governments with their independent action.[16] The Economic Development Administration established Economic Development Districts (EDD's) which were often similar (if not identical) to the LDD's. EDA, however, has similar problems of representation in its EDD's and has also alienated much of state government which it circumvents.[17] Thus, while the Appalachian LLD program may not have been the most effective method of organizing local groups per se, it has been unique in two ways: it attempts to reconcile local, state and regional interests without the alienation common to Federal programs and it is comprised of a geographically nested hierarchy which is more conducive to consistent regional-wide policy than the spatially fragmented approach of the other programs. If made into a more representative system, the LLD's could transform the Appalachian Program into a more locally responsive effort without destroying the spirit of intergovernmental cooperation that exists between the states and the Federal Government. As things stand now, the local participatory nature of public decision-making under the Appalachian Program has not filtered much below the state level and can only be considered a "potential" benefit for most communities in the region.

B. Economic Benefits

The economic benefits accruing from spatial coordination of projects developed by the planning process are difficult to assess. It seems clear, however, that the State interests which dominated the program in the early days of the President's Appalachian Regional Commission (PARC) and ARC were pursuing goals other than economic efficiency. The circuitous portions of the Appalachian Development Highway System[18] and the dispersed nature of the early ARC non-development highway investments[19] testify to this.

Gradually, however, the ARC began to assert its influence on the state and local governments of the region. The commission elicited a state commitment for regional economic efficiency by requiring state plans to determine growth areas.[20] By the end of FY 68 areas designated by the Appalachian states as growth centers (covering approximately 12 per cent of the regional geography) received about 95 per cent of the dollars for non-highway investments.[21] If we assume that concentrated investments in urban areas create more regional economic benefits (in terms of increased income and employment opportunities) than dispersed investments,[22] we might obtain a qualitative estimate of the Commission's coordinative value by determining the extent to which the ARC influenced concentrated investments.

One way to assess the ARC's influence on focussed investment in the region is to compare the degree of concentration of Appalachian investments with those of a comparable program for regional development administered by a Federal agency--the Economic Development Administration. We made this comparison for investments approved or pending during the FY 1965-67 period in West Virginia--a state known to have an unusually dispersed pattern of Appalachian investments (see Figure I).

As Table III reveals, in the entire state of West Virginia, there was a substantially higher percentage of Federal dollars invested in primary growth under the Appalachian Program (72.3%) than under the EDA Program (54.7%). Moreover, these differences seemed to be distributed over much of the state as four of the nine state sub-regions had much greater concentrations of Appalachian investment than of EDA, and in no sub-region were the EDA investments more concentrated than those of the ARC. Thus, if West Virginia--a state which has a more dispersed pattern of ARC investments than most Appalachian states--has a substantially greater concentration of ARC than EDA funds in primary growth areas, it seems likely that other Appalachian states experienced differences in the degree of concentrated investments between the ARC and EDA. Indeed, evidence used in other studies substantiates this for the region as a whole.[23] It appears, then, that the Commission has induced focussed investments in urban areas of the region which would not have occurred in the absence of the ARC.

The actual measurement of these economic benefits due to the more concentrated Appalachian investments is difficult at best. As mentioned earlier, the use of benefit-cost models is limited by our inability to estimate the long-term non-user benefits of public investment. One alternative for measuring these benefits would seem to be an ex post evaluation of the Appalachian investments. However, since it may require several years, if not decades, for the major effects of these long-run benefits to develop, and since the Appalachian program is approximately 4.5 years old at this writing, it does not seem feasible to make an ex post measurement of these benefits now.

If enough time had elapsed to make feasible an ex post measurement of these benefits, we would need to estimate the difference between the net economic benefits (increased income and employment opportunities per public dollar invested) in areas associated with each project of Appalachian investments and similar investments made by a Federal agency such as the EDA. We might be able to impute this difference in benefits to the more concentrated Appalachian investments.

The economic benefits of timing provided by the Appalachian planning process seem to be threefold. First, the setting of time priorities among programs is helping states meet their goals or eliminate critical problems more quickly. As shown earlier, the ARC planning process induced most states to express and pursue their priorities with increased clarity and vigor. The second type of benefit comes from increasing the output of individual projects by relating them to one another in time. An obvious example of this is the simultaneous completion of new school facilities and needed access roads to such facilities (e.g., Salem, West Virginia). Finally, the timing of projects and programs is helping to balance planned public expenditures against the likely availability of public resources. For example, as a result of the ARC planning process, West Virginia is adopting a state-wide capital budgeting program for the first time.[24] This is helping to avoid the diseconomies which could result from the depletion of public funds before important projects are completed. Thus, the annual state planning which is incorporated into the ARC budgetary process has created economic benefits related to the "when" of public investment. While the extent of these benefits cannot be easily measured (in terms of increased employment and income in Appalachia), it seems likely that many of these benefits would not exist in the absence of the ARC, as no comparable budgeting system was induced at the state and regional level by a comparable Federal program.

With respect to economic benefits from otherwise lost opportunities, it seems clear that the Appalachian program was responsible for a substantial increase of public investment in the region. As recently stated by Ralph Widner, the ARC executive director:

> In [FY] 1965, prior to passage of the Appalachian Regional Development Act, the Region received 7.7 percent of the funds obligated for basic Federal grant-in-aid programs; that is, it received less than its fair share of national resources. In [FY] 1966, this rose to 9.2 percent and in [FY] 1967 to 9.7 percent.[25]

Thus, the region with approximately 9.1 percent of the nation's population in November 1967,[26] was able to attract a larger share of Federal grant-in-aid dollars (9.7 percent), which as Table IV indicates, represents an increase of Federal investment well beyond that of the Appalachian Program. Much of this increase of Federal investment was due to the supplemental grant program which enabled the state and local governments to receive as much as an 80 percent Federal grant for many types of projects. Since this shift of financial burden increased the benefit-cost ratio of Federal programs for state and local governments, the supplemental grant program also induced an increase in state and local public dollars invested in the region (see Table V).

This increase in Federal, state and local public investment in Appalachia probably had a positive effect on per capita incomes and employment opportunities in the region. As Table VI indicates, during the first full year of the program, 1966, the unemployment rate in the region (4.3 percent) approached that of the nation (3.8 percent) even though portions of Appalachia continued to have high unemployment rates (e.g., 6.8 percent in West Virginia). It also seems clear from Table VII that during the first two years of the Appalachian Program (1965-67) the average annual rate of employment growth was higher in the region (5.8 percent) than it was for the nation (5.1 percent) after the region had lagged behind the country during the three year period (1962-65) before the program began. A small portion of these favorable trends may be attributable to the construction of public facilities during the early years of the Appalachian Program as Table VII shows that the largest 1965-67 percent increase in regional employment relative to the nation was in contract construction (211.5 percent). Most of these regional trends, however, were probably due to the near capacity production and high employment rates in the country as a whole. The data in Table VII suggest that approximately 86 percent of the 1965-67 employment increase in the region was due to the growth of the national economy during the same period.

It is not clear, however, that the economic benefits generated from otherwise lost opportunities--benefits from investments which would not have occurred in the absence of the supplemental grants program--were greater than those of a Federally administered program because of the ARC planning efforts. While it is true that ARC staff members aided state and local governments by providing information and technical assistance with regard to the Federal programs available for supplemental grants, many Federal agencies can perform this function.[27]

Perhaps the ARC has created an intangible economic benefit by increasing the acceptability of information and technical assistance throughout the region. That is, because the ARC staff members are employed partly by the Appalachian states,[28] and because they are recruited largely from the region itself, they may be more responsive to the needs and styles of state and local officials than would Federal employees who are not accountable to the states and may come from other parts of the nation. For example, the lack of accountability of EDA representatives to the Appalachian states has created much friction and often a breakdown in communications between such representatives and state and local officials within the region.[29] Thus, it seems likely that in the absence of the ARC, some of the benefits of the Appalachian Program might have been lost, due to a lower receptivity of information and technical assistance on the part of state and local governments.

COSTS OF PLANNING

The costs of planning have been estimated as the state dollar expenses incurred because of the existence of the ARC. As Table VIII indicates, these state costs are comprised of the state share of ARC expenses; the cost of supporting the State's Regional Representative Office; and the state share of state and local expenses for the Appalachian planning process.

Although the ARC expenses (for research, planning and administration) were borne entirely by the Federal government during the FY 1965-67 period, the Appalachian states did pay one half of these expenses during the ensuing years in accordance with Section 105 of the Appalachian Act. This of course, does not reveal whether or not the Appalachian states would have been willing to pay for these commission expenses in order to receive only the ARC planning benefits--in absence of all the Federal grant-in-aid programs under the Appalachian legislation. Taking a skeptical view, one might say that the state financial support of the ARC was an unwanted state cost which had to be borne in order for the states to reap the benefits of increased Federal grants under the Appalachian Program.

If we look at the history of the Appalachian Program, however, it is apparent that the Appalachian states placed a positive value on the benefits of a regional planning commission per se, as organizations representing state interests--the Conference of Appalachian Governors, and the President's Appalachian Regional Commission--pressed for the creation of such a planning agency. Since the legislative requirement[30] for the Appalachian states to pay half of the ARC expenses is based on a recommendation of the states themselves in the 1964 PARC report,[31] and since the Appalachian states have made no attempt to change this requirement,[32] it seems reasonable to assume that the Appalachian states were willing to pay approximately $1,233,000 for the ARC planning benefits through the end of FY 69 (see Table VIII).

It also seems likely that the Appalachian states considered the cost for supporting the States' Regional Representative Office a necessary planning expense, as the states voluntarily created this office which was not called for in the legislation.[33] While it is true that the states created this office to increase their influence in the ARC, they were nevertheless prepared to incur the expense of approximately $352,172 through the end of FY 69 to modify the regional planning process.

The state share of the state and local expenses for the planning process induced by the ARC is more difficult to measure than the other two regional costs. While we have an estimate, through the end of FY 69, of $3,283,333 that the states were willing to pay in matching grants for planning activities under Section 302 of the Act, it is not certain that all of these expenditures were due to the ARC influence on state and local government. That is, in the absence of the ARC, many of these planning expenditures might have been induced by a Federal agency such as EDA. For example, if Appalachia received and obligated its fair share (9.1 percent)[34] of the appropriated funds for technical assistance under the EDA program of $98,125,000,[35] the region would have made local planning expenditures of approximately $2,976,500 through the end of FY 69. Therefore, we can only say that during the FY 1965-69 period, the additional costs of state and local governments induced by the ARC lies between zero and approximately $3, 283, 333.

In summarizing the ARC costs to the region, Table VIII totals the three cost factors in two ways: a minimum total when the state share of state and local planning expenses is taken as zero; and a maximum total when the entire state share of state and local planning expenses is used. Employing this technique, we estimate that during the FY 1965-69 period the ARC cost to the region lies between $1, 585, 172 and $4, 868, 505.

CONCLUSIONS

It appears that the Commission's greatest value to the region is its role of innovator in the Appalachian planning process. This role was made possible, no doubt, by the participation of the states in ARC decision-making for this legitimized the Commission's planning policies and increased the acceptability of innovations among the Appalachian states. As Table IX indicates, most of the benefits of the resulting planning process--political, social and economic--appear to be real and substantial, albeit difficult to measure. The principal unrealized benefits of Appalachian planning have been the political and social gains of widespread local participation and some control of the Appalachian Program.[36] Although this limitation seems to depend on the unwillingness of state governments to relinquish their authority under the Appalachian Program, the states have begun to decentralize some of their decision-making under the Local Development District Program.

We estimated that the Appalachian states were willing to pay between $1, 585, 000 and $4, 869, 000 for the ARC induced benefits during the FY 1965-69 period. While a benefit cost-ratio cannot be made for the ARC efforts with respect to the region, it would seem that these costs (which represent between 0. 3 and 0. 8 percent of the estimated total state and local investment under the Appalachian Program during the FY 1965-69 period)[37] were a modest price to pay for the long-term benefits of the Commission's activities.

The ARC has also created benefits that transcend the boundaries of Appalachia. No doubt the creation and successful activities of the ARC have had a substantial impact on our national policy toward other depressed areas and toward regional planning generally. During the legislative process in 1964, 1965, 1967, and 1969 there was Congressional pressure to expand the Appalachian Program approach to much of the nation. Consequently, regional commissions modeled on the ARC were created and developed for other depressed areas of the country under the Public Works and Economic Development Act of 1965. Further, as a result of a Presidential Executive Order,[38] the Federal Advisory Council on Regional Economic Development was created for the purpose of coordinating national and regional development policies of all the regional commissions. Some observers[39] see this trend leading to the establishment of a new Federal Cabinet post for the coordination and development of national regional policies. Thus, it appears that the ARC has not only induced planning in Appalachia and other parts of the country, but may represent a major turning point in the evolution of a national regional development policy in the United States. For these reasons, the Appalachian Program may well embody the most significant institutional development in our nation for regional planning since the establishment of the TVA.

In addition, the Commission'a activities can be viewed as a controlled experiment in multi-functional planning with broad application (e. g., model cities). That is, the ARC, with part of its funds available only for certain defined categories of expenditures and part for modified block grants under the supplemental grant program, has demonstrated the superiority of the latter to respond to specific felt needs of state and local governments. It has been shown, for example, that the flexible supplemental grant program enabled the Appalachian states to respond to their growing desire for investment in human resources.[40] As Walter Heller pointed out about conditional Federal Grants:

> To some extent...the state-local government trades fiscal freedom for fiscal strength....We must move toward broader categories that will give states and localities more freedom of choice, more scope for expressing their varying needs and preferences, within the framework of national purpose.[41]

Since Congressional appropriations for the Appalachian Program are now made as block grants, the ARC has shown that such a procedure does give a multi-functional planning institution greater sensitivity with respect to client needs and increased effectiveness in obligating funds.[42]

The ARC also provided insights into the issue of allocating funds among participants of multi-jurisdictional planning effort (e.g., metropolitan planning agency). The Appalachian experience has shown that a mechanism of inter-sectorial and intertemporal bi-lateral trading of funds, together with supplemental grants, tends to transform a rigid allocation procedure into a modified block grant.[43] This finding suggests that a multi-jurisdictional allocation process should either use allocation formulas that reflect realistically the needs of each participant, or funds should simply be divided into modified block grants for each participant. The latter seems to be the most efficient choice since it tends to occur anyway (due to shifting and unquantifiable felt participant needs and bi-lateral trading) but with substantial administrative cost.

The Appalachian experience suggests a rather simple model for the allocation of funds for a multi-functional and multi-jurisdictional planning agency. First, Congress should authorize and appropriate block grants, perhaps constrained for reasons of national interest (such as civil rights). Then some equitable means (e.g., based on population or per capita income) should be used to apportion the regional grant into participant block grants. Again, only in cases and programs which have a broader regional or national impact (such as a major highway system) should constraints be placed on the use of funds. Finally, some mechanism for bi-lateral trading should be provided to accomodate the varying priorities or absorptive capacities of each participant.

Perhaps the most important benefit of the Appalachian Program is that it suggests ways to help bridge what may be growing authority gaps between different realms of public-decision making.[44] The Commission has shown that with adequate incentives, such as the availability of Federal aid to resolve a common problem, a group of states having such different political views and styles as those of Mississippi and Pennsylvania can form a consensus about a complex regional program. Although not yet fully developed, the Appalachian planning process is evolving into a three tier (LDD-State-ARC) decision system which suggests a new institutional means for reconciling the goals of local groups with those of large scale planning agencies.[45] In short, the ARC is establishing a highly democratic and workable means for creating a regional development policy.

While there are, no doubt, many inefficiencies of the Appalachian Program as the critics correctly point out, the Commission has created benefits for the region and nation which would not have occurred under an existing alternative form of administering the Program, (such as a Federal agency). As things stand now, the ARC is, as Niles Hansen states "the most promising regional development institution in the United States."[46]

FIGURE I - PRIMARY GROWTH AREAS IN SUBREGIONS OF WEST VIRGINIA

Source: West Virginia Department of Commerce, West Virginia Appalachian Guidelines 1967-1968, 1967.

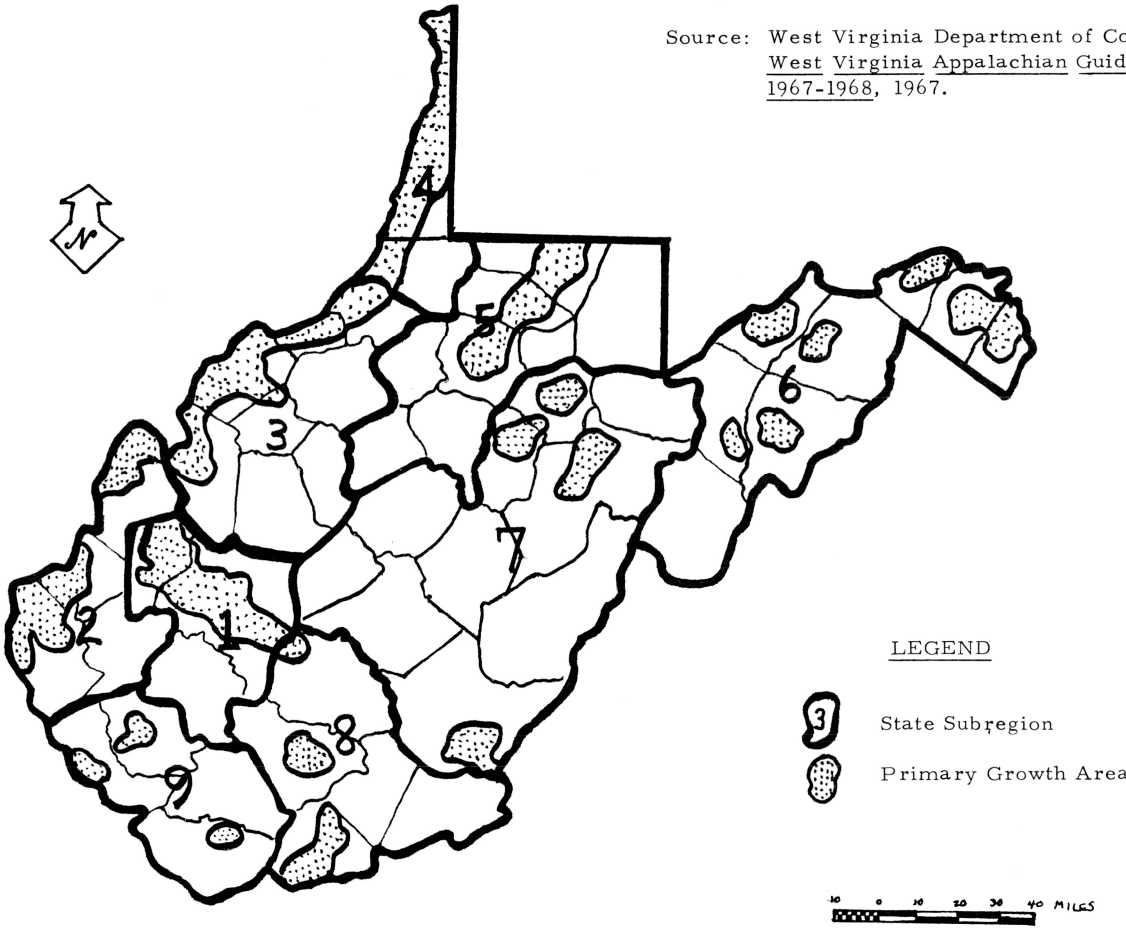

TABLE I - THE RATIONALITY OF THE APPALACHIAN PLANNING PROCESS: FY 1965-68

		Appalachian Planning Process			
		Capacity	Performance		
		Does the Planning Process Have the ability to overcome the obstacle and perform this Step?	Has the Planning Process Performed this Step?		
Pure Rationality Model	Obstacles		During FY 1965	During FY 1968	FY 1965-68 change[e]
1)Comprehensive Overview of Policy Area	Policy Area may be too complicated to view comprehensively.	Yes	Partly	Yes[d]	+
2)Goal Formulation	Goals may not be clearly defined or agreed upon.	Yes	Partly	Yes	+
3)Goal Operationalization	Goals may not be translated easily into operational criteria.	Partly[a]	No	No	±
4)Examination, Evaluation and Choice of Alternatives with respect to maximizing goal attainment	Few alternatives are examined since their choice depends on "satisficing" rather than maximizing goal attainment.	Partly[b]	Partly[c]	Partly[d]	+
5)Implementation of Alternatives Chosen	Planning Agencies may not have the political power to implement their plans.	Yes	Partly	Yes	+
6)Feedback to adjust Steps 1) through 5)	Effects of feedback are only small incremental shifts.	Yes	No	Yes	+

TABLE I (continued)

Notes:

a. It is conceded that due to the present limitations of benefit-cost analysis (e.g., inability to precisely calculate long-run external effects of public investments), most goals can be considered partly operational at best.

b. It is also conceded that because all possible alternatives will not be explored due to time and financial constraints, the examination of alternatives can only be partly achieved.

c. During FY 1965, alternatives were considered only for sectorial allocations.

d. By the end of FY 1968, the Appalachian Planning process had become comprehensive in the sense that most programs relevant to the problems of the region were being considered by each state and the ARC. In addition, Congressional appropriation review had become comprehensive by FY 1968, as most budget requests related to the Appalachian Program were examined simultaneously by the Appropriation Committees.

e. +Means that this step of the Appalachian Planning Process has become more congruent with its capacity to conform to the Pure Rationality Model during the FY 1965-68 period; ±means little or no change in congruence during this period.

TABLE II - APPALACHIAN LOCAL DEVELOPMENT DISTRICTS: JANUARY 1968

State	State Planning Sub-Regions Total	State Planning Sub-Regions With LDD Representation	LDD Authority Advisory	LDD Authority Substantial Control of Local Functions
Alabama	4	0	-	-
Georgia	5	5	-	x
Kentucky	10[a]	10[a]	-	x
Maryland	1	1	x	-
New York	2	2	x	-
N. Carolina	7	7	x	-
Ohio	3	1	x	-
Pennsylvania	7	7	-	x
S. Carolina	1	1	x	-
Tennessee	5	2	-	x
Virginia	6	1	-	x
W. Virginia	9	3	-	x
Mississippi	1	0	-	-
Total	61	36	-	-

[a]Kentucky's original 13 State Sub-Regions were consolidated into 10 multi-county districts

Sources: Appalachian Regional Commission, "State and Regional Development Plans in Appalachia," July, 1968, 1967-68 Appalachian State Plans; and Appalachian Regional Commission, "The Local Development District: Foundation for Regional Development," Appalachia, I, No. 4 and 5, January, 1968, pp. 9-12.

TABLE III - ARC AND EDA INVESTMENTS IN PRIMARY GROWTH AREAS[a] OF WEST VIRGINIA: FY 1965-67

State Subregion	Funds (dollars)	% Total ARC Investment in Subregion	Funds (dollars)	% Total EDA Investment in Subregion
1	562, 100	100. 0	2, 065, 000	100. 0
2	1, 136, 000	96. 8	372, 000	22. 1
3	762, 400	60. 6	0	0. 0
4	2, 030, 100	100. 0	2, 141, 000	100. 0
5	608, 700	49. 5	430, 000	28. 7
6	1, 412, 300	100. 0	3, 930, 500	100. 0
7	2, 473, 400	80. 5	1, 724, 500	24. 5
8	536, 400	44. 7	3, 324, 800	43. 9
9	487, 800	100. 0	824, 000	100. 0

[a]Areas considered to be most promising for economic development by the West Virginia Department of Commerce and referred to as "Supplemental Investment Areas" in West Virginia Appalachian Guidelines, 1967-68, 1967.

Source: West Virginia Department of Commerce, West Virginia Appalachian Guidelines, 1967-68, 1967.

TABLE IV - SELECTED FEDERAL GRANT OBLIGATIONS IN APPALACHIA: FY 1965-67

Program	Fiscal Year	Expenditures in Appalachia	Section 214
Libraries	1965	$2, 054, 974	--
	1966	3, 736, 887	$2, 422, 813
	1967	3, 133, 834	1, 687, 999
Vocational Education	1965	6, 157, 296	--
	1966	13, 696, 215	4, 928, 315
	1967	13, 252, 731	8, 319, 967
Higher Education	1965	18, 950, 993	--
	1966	43, 662, 098	8, 811, 362
	1967	43, 958, 333	11, 187, 049
Sewage Treatment	1965	11, 829, 037	--
	1966	13, 612, 113	4, 886, 087
	1967	14, 746, 448	2, 489, 871
Hospitals	1965	18, 209, 797	--
	1966	25, 131, 005	4, 755, 145
	1967	40, 296, 475	9, 147, 740
Airports	1965	7, 934, 570	--
	1966	10, 644, 272	842, 949
	1967	8, 409, 378	636, 912
Totals	1965	$65, 136, 667	--
	1966	$110, 482, 590	$26, 646, 671
	1967	$123, 797, 199	$33, 469, 538

Source: Appalachian Regional Commission, <u>Staff Evaluation</u>: <u>Appalachian Regional Development Program</u>, 1965-68, April, 1968.

TABLE V - STATE EXPENDITURES IN APPALACHIA: FY 1963-68

State	Average Expenditure, FY 1963-64 Base Period ($Millions)	Actual Expenditure FY 1966 ($Millions)	Percent Increase Over Base Period	Estimated Expenditure FY 1967 ($Millions)	Percent Increase FY 1966-67
Alabama	$154.26	$199.06	28.5	$222.02	11.5
Georgia	65.00	71.94	10.7	79.43	10.4
Kentucky	86.15	95.18	10.5	107.29	12.7
Maryland	27.92	37.72	35.7	50.84	34.8
New York	216.67	255.17	18.1	317.82	24.6
North Carolina	98.94	119.25	20.2	138.53	16.2
Ohio	164.28	170.09	3.7	221.54	30.2
Pennsylvania	699.52	832.60	19.0	970.06	16.5
South Carolina	49.65	59.82	23.0	65.89	10.2
Tennessee	125.03	155.62	24.8	159.79	2.7
Virginia	44.33	61.56	40.9	66.51	8.0
W. Virginia	157.80	180.50	13.2	199.13	10.3

Source: Appalachian Regional Commission, Staff Evaluation: Appalachian Regional Development Program 1965-68, April, 1968.

TABLE VI - APPLACHIAN EMPLOYMENT AND UNEMPLOYMENT: 1962-66

Area	Employment (Thousands)			Unemployment (Thousands)			Unemployment Rate		
	1962	1965	1966	1962	1965	1966	1962	1965	1966
Alabama	661.9	735.0	768.9	47.7	33.9	32.9	6.7	4.4	4.1
Georgia	207.0	228.1	228.7	17.1	11.4	10.1	7.6	4.8	4.2
Kentucky	193.8	203.7	209.6	29.1	22.5	21.9	13.1	9.9	9.5
Maryland	69.3	71.4	76.4	6.1	4.4	3.7	8.1	5.8	4.6
Mississippi	135.3	141.1	147.9	11.8	8.4	6.6	8.0	5.6	4.3
New York	383.8	391.2	409.0	24.0	17.3	15.2	5.9	4.2	3.6
N. Carolina	344.7	373.8	392.3	22.7	20.3	14.7	6.2	5.2	3.6
Ohio	311.6	321.1	335.9	26.4	19.1	17.2	7.8	5.6	4.9
Pennsylvania	1,999.1	2,107.0	2,163.3	216.7	103.0	80.8	9.8	4.7	3.6
S. Carolina	219.8	260.7	274.6	9.4	10.3	8.3	4.1	3.8	2.9
Tennessee	551.2	599.4	628.5	41.6	26.2	23.4	7.0	4.2	3.6
Virginia	137.8	140.9	142.7	11.7	7.5	6.8	7.9	5.2	4.5
W. Virginia	540.9	536.4	583.1	73.7	47.6	42.6	12.0	7.8	6.8
Appalachia	5,756.2	6,136.8	6,360.9	538.0	331.9	284.2	8.6	5.1	4.3
United States	66,702.0	71,088.0	72,895.0	3,911.0	3,366.0	2.875.0	5.5	4.5	3.8

Source: Appalachian Regional Commission, Staff Evaluation: Appalachian Regional Development Program, 1965-68, April, 1968.

TABLE VII - AVERAGE ANNUAL RATE OF EMPLOYMENT CHANGE IN APPALACHIA AND THE U.S.A.: 1962-1967

	1962-65 Employment Change				1965-67 Employment Change			
	Percent Change		Appalachia-U.S.A. Difference in Percent Change		Percent Change		Appalachia-U.S.A. Difference in Percent Change	
Industry	Appalachia (A)	U.S.A. (B)	Absolute (A)-(B)	Percent of U.S.A. (A)-(B)/(B)x100	Appalachia (A)	U.S.A. (B)	Absolute (A)-(B)	Percent of U.S.A. (A)-(B)/(B)x100
Agricultural Services, Forestry and Fisheries	8.1	5.6	2.5	44.6	-0.9	6.9	-7.8	-113.0
Mining	-2.2	-1.2	-1.0	-83.3	0.2	-0.4	0.6	150.0
Contract Construction	10.9	5.5	5.4	98.2	8.1	2.6	5.5	211.5
Manufacturing	3.3	2.4	1.1	45.8	4.9	5.1	-0.2	-3.9
Transportation and Other Public Utilities	1.7	2.3	-0.6	-26.1	4.1	4.7	-0.6	-12.8
Wholesale Trade	3.0	2.0	1.0	50.1	4.2	3.8	0.4	10.5
Retail Trade	3.2	3.8	-0.6	-15.8	3.5	4.8	-1.3	-27.1
Finance Insurance and Real Estate	3.8	3.6	0.2	5.6	4.7	3.1	1.6	51.6
Services	5.7	5.5	0.2	3.6	8.0	7.7	0.3	3.9
Total	2.3	3.2	-1.1	-34.4	5.8	5.1	0.7	13.7

Notes: 1. Employment change based on number of employees by industry during the mid-March pay period for years shown.

2. Employment data on which this Table is based represents approximately 68.4 percent of total United States paid civilian employment in 1967, 66.7 percent in 1966, 66.2 percent in 1965 and 63.7 percent in 1962.

Source: U.S. Department of Commerce, County Business Patterns, 1962, 1965, 1966, 1967.

TABLE VIII - ESTIMATED REGIONAL COST FOR THE APPALACHIAN REGIONAL COMMISSION: FY 1965-69

	Fiscal Year				
State Costs	1965-66[a]	1967	1968[c]	1969[c]	1965-69[c]
1) State share of ARC Expenses	0[b]	0[b]	567,000	666,000	1,233,000
2) Cost of States' Regional Representative Office	82,166	68,006	92,000	110,000	352,172
3) State share of State and local Expenses for the ARC Planning Process[d]	543,667	569,333	1,083,333	1,087,000	3,283,333
(1) + (2) Minimum Total	82,166	68,006	659,000	776,000	1,585,172
(1) + (2) + (3) Maximum Total	625,833	637,339	1,742,333	1,863,000	4,868,505

Notes: a. This period covers the last $3\frac{1}{2}$ months of FY 65 plus the entire FY 66.
b. During the FY 1965-67 period, all the ARC expenses were paid by the Federal Government.
c. Based on estimates made by the Federal Co-Chairman of the Appalachian Regional Commission on December 13, 1967, and March 28, 1968.
d. Computed as the state matching grant, or one third the Federal grants allocated for local planning and research under Section 302 of the Appalachian Act.

Sources: State share of ARC Expenses: FY 1965-69 from U.S. 90th Congress, Senate, Committee on Appropriations, Hearings, _Independent Offices and Department of Housing and Urban Development Appropriations_, 1969, (March 28, 1968), pp. 1-6.

Cost of States' Regional Representative Office: FY 1965-67 from Appalachian Regional Commission, Resolution 7, April 19, 1965, FY 1968 from U.S. 90th Congress, Senate, Committee on Appropriations, Hearings, _Supplemental Appropriations for Fiscal Year 1968_, (December 13, 1967), p. 172; FY 1969 from U.S. 90th Congress, Senate, Committee on Appropriations, Hearings, Independent Offices and Department of Housing and Urban Development Appropriation, 1968, (March 28, 1968), p. 38.

State share of State and local Expenses for the Appalachian Planning Process: FY 1965-69 computed from Section 302 data given in _Ibid._, p. 19.

TABLE IX - REGIONAL BENEFITS AND COSTS FOR THE APPALACHIAN REGIONAL COMMISSION: FY 1965-69

Benefits		Costs
Political and Social		
More Rational Public Decisions	+	From $1,585,172
More Local Participation in Public Decision-Making	$\underline{+}$	to $4,868,505
Economic (Stated Regional Goals of the Program)		
Increase regional income and employment through:		
Coordination	+	
Otherwise Lost Opportunities	+	

Notes: + Means that this Benefit appears to be accruing from ARC efforts.

$\underline{+}$ Means that this Benefit has not yet occurred.

FOOTNOTES

[1]For example, see: Niles M. Hansen, Urban and Regional Dimensions of Manpower Policy (U.S. Department of Labor, 1969), pp. 142-150; and John R. Firedmann, "Poor Regions and Poor Nations: Perspectives on the Problems of Appalachia," The Southern Economic Journal, April, 1966, pp. 470-473.

[2]Although not dealing directly with the qualitative aspects of the existing Appalachian Highway network (e.g., real travel time between centers of development), John Munro's study presents evidence supporting the thesis of highway adequacy for the region. See: John M. Munro, "Planning the Appalachian Development Highway System: Some Critical Questions," Land Economics, May 1969, pp. 149-161.

[3]Appalachian Regional Commission, "Experiment in Appalachia," Appalachia, September 1967, pp. 1-2.

[4]See: William H. Miernyk, "Appalachia's Economic Future," Appalachia, June-July 1968, pp. 16-18; and Ralph R. Widner, letter to the editor of Land Economics, October 24, 1969.

[5]Appalachian Regional Commission, op. cit., p. 3.

[6]"Contextual elements" are value conditions which ought to be realized or ought not to be violated in the attainment of the stated goals. See: Martin Meyerson and Edward C. Banfield, Politics, Planning and the Public Interest (The Free Press, 1955), p. 317.

[7]Section 102 of the Appalachian Regional Development Act of 1965 (PL89-4).

[8]These planning benefits are based on concepts of public welfare presented in Gerhard Colm, "The Public Interest: Essential Key to Public Policy," and Richard A. Musgrave, "Efficiency in the Creation and Maintenance of Material Welfare," in Carl J. Friedrich (ed.), Nomos V: The Public Interest (Prentice-Hall International, 1962), pp. 107-128; and, Walter W. Heller, "Reflections on Public Expenditure Theory," Edmund S. Phelps (ed.), Private Wants and Public Needs (W. W. Norton & Co., Inc., 1962), pp. 124-136.

[9]Limitations of benefit cost measurement are related to the non-economic impact of public investment (e.g., social, psychological, esthetic) as well as the difficult to predict "external" or "spill-over" economic effects of projects which cannot be measured directly by user benefits and costs, such as the long-run economic development of areas associated with highway investments. For example, see: George Wilson, et. al, The Impact of Highway Investment on Development (The Brookings Institution, 1966), pp. 190-218.

In addition to measurement problems, the use of benefit-cost analysis may be limited by our inability to consider all the important program effects. It has been pointed out that the unanticipated side effects of a program may become as important to an organization as the attainment of its originally stated goals. These unanticipated side effects may embrace what Meyerson and Banfield call "contextual elements." See Meyerson and Benfield, op. cit., p. 317.

[10]Herbert A. Simon, Models of Man (John Wiley & Sons, Inc., 1957), pp. 196-206.

[11]Donald N. Rothblatt, Appalachia: An Experiment in Regional Planning (D. C. Heath & Co., forthcoming), Chapter III.

[12]Ibid., Chapter III, Section B.

[13]Even with the financial and technical assistance of the National Resources Planning Board, the Appalachian state plans were not as comprehensive as they are under the ARC. See Albert Lepawsky, State Planning and Economic Development in the South (National Planning Association, 1949), pp. 14-19.

[14]Although a co-opting process exists under the Federal TVA and Urban Renewal programs with respect to local communities, the co-opted parties have not had a say in major policy decisions as they do with the Appalachian Regional Commission. See Philip Selznick, TVA and the Grass Roots (University of California Press, 1953), pp. 259-266; and, "Citizens' Participation in Urban Renewal," Columbia Law Review, LXVI, No. 3, March, 1966, pp. 485-507.

[15]Much of the planning and influence that LDDs have generated does not represent the desires of all local community groups, particularly the poor. This is often the case because the multi-county units are frequently dominated by either local notables such as leaders in business and finance, or state interests when the leadership is appointed by the Governor. In some instances, the Federal influence prevails through the field officers of the Economic Development Administration. Even in states that require representatives of the poor and minority groups to participate in such decisions, such as West Virginia, their votes are easily outweighed by the more numerous local notables.

See the description of LDD membership in Appalachian Regional Commission, "The Local Development District: Foundation for Regional Development," Appalachia, January, 1968, p. 10; and notice that the LDDs of eight of the thirteen Appalachian states have some of their membership either directly appointed or defined by the Governor. See Appalachian Regional Commission, "State and Regional Development Plans in Appalachia," July, 1968.

[16]In Kentucky and Tennessee, Community Action Programs of the OEO attempted to usurp the authority of Appalachian LDDs. See Minutes of the Appalachian Regional Commission Conference, January 13, 1966, pp. 3-4.

[17]Under the Public Works and Economic Development Act of 1965 (PL89-136) the Economic Development Administration (EDA) of the Department of Commerce is authorized to fund and give technical assistance to multi-county Economic Development Districts (EDDs) which are often coterminous with Appalachian LDDs. As a rival agency with the ARC, competing for the same clientele, it is not surprising that state officials connected to the Appalachian Program have viewed with dismay the EDA's development approach (which, in contrast to the ARC, "builds up" from counties to EDDs to regions) and activities which can be relatively independent of and in conflict with state development policies. See, for example, the statement of Dr. Richard Slavin, former Deputy Commissioner of Commerce, West Virginia, castigating the EDA approach in Minutes of the Appalachian Regional Commission Conference, August 2, 1967, pp. 3-4; and the proposal of John Whisman of Kentucky to eliminate EDA influence on the LDD program in Minutes of the Appalachian Regional Commission Conference, July 10, 1968, pp. 1-2.

[18]Munro, op. cit.

[19]Rothblatt, op. cit., Chapter III, Section A.

[20]See Appalachian Regional Commission, Resolution 96, September 14, 1966; and Ibid., "Policies for Appalachian Planning," September 14, 1966.

[21]Ralph R. Widner, "The First Three Years of the Appalachian Program: An Evaluation," Appalachia, August 1968, p. 17.

[22]This seems to be a reasonable assumption, as historic evidence suggests that most economic development occurs first in "growth poles" or urban areas and then permeates the surrounding hinterland. For a theoretical discussion supporting the growth pole concept, see: Albert O. Hirschman, The Strategy of Economic Development (Yale University Press, 1963), pp. 183-201. For empirical evidence supporting the growth pole concept, see: Jeffrey G. Williamson, "Regional Inequality and the Process of National Development: A Description of the Patterns," Economic Development and Cultural Change, Part II, July 1965, pp. 1-84; and Robert A. Easternlin, "Interregional Differences in Per Capita Income, Population and Total Income, 1840-1950," in Trends in the American Economy in the Nineteenth Century (National Bureau of Economic Research, 1960), pp. 73-140.

[23]For the region as a whole, it was estimated that 58 percent of ARC nonhighway investments were made in growth areas through 1968, while only 42 percent of EDA investments went to these areas. See: Niles M. Hansen, "A Review of the Appalachian Regional Commission Program," University of Texas, November, 1969, p. 74.

[24]Based on personal interviews with staff members of the State Planning Office, West Virginia, held in April, 1968.

[25]Ralph R. Widner, "The First Three Years of the Appalachian Program: An Evaluation," op. cit., p. 21.

[26]Appalachian Regional Commission, Staff Evaluation: Appalachian Regional Development Program, 1965-68, April, 1968, p. IB-3.

[27]For example, the EDA provides technical assistance, research and information under the Public Works and Economic Development Act of 1965 (PL89-136, Title III).

[28]Since the beginning of FY 68, one half of the ARC expenses, including the salaries of ARC staff members, are paid for by the Appalachian States. See PL89-4, Section 105.

[29]So great is the alienation between the EDA representatives and the Appalachian state governments that the ARC unanimously voted to propose an amendment to the Public Works and Economic Development Act of 1965, to exclude the use of EDA funds for technical assistance, research and information in the Appalachian Region. This action occurred during the Appalachian Regional Commission Conference, November 12, 1968, which the writer attended. See Appalachian Regional Commission, "Outline of Possible 'Appalachian Regional Development Act Amendments,'" Section 302, September 30, 1968, mimeo.

[30]PL89-4, Section 105.

[31]President's Appalachian Regional Commission, Appalachia, 1964, p. 61.

[32]When the Appalachian states had an opportunity to change this requirement during the 1967 Congressional Hearings to amend the 1965 Appalachian

Act, no effort was made to do so. See, for example, John L. Sweeny's statement in U.S. 90th Congress, Senate, Special Committee on Economic Development of the Committee on Public Works, Hearings, Appalachian Regional Development Act Amendments of 1967, January 24, 1967, p. 54; and Joe W. Fleming's statement in U.S. 90th Congress, House of Representatives, Ad Hoc Subcommittee on Appalachia of the Committee on Public Works, Hearings, Appalachian Regional Development Act--1967, May 9, 1967, p. 31.

In addition, no changes in these requirements were contemplated for the 1969 Appalachian Act amendments. See Appalachian Regional Commission, "Outline of Possible 'Appalachian Regional Development Act Amendments,'" op. cit., Section 105.

[33]Appalachian Regional Commission, Resolution 7, April 19, 1965.

[34]This represents the Appalachian population as a percent of the national population in November, 1967.

[35]This amount represents the funds appropriated for Title II of the Public Works and Economic Development Act of 1965 (PL89-136) for the FY 1966-69 period. See the appropriation acts PL89-309, PL89-797, PL90-133, and PL90-470.

[36]Of course, these are programs for which local control may not be desirable (such as national defense).

[37]These percentages are based on an estimated $618.4 million of total state and local investment for projects under the Appalachian program during the FY 1965-69 period. This estimate was obtained from the records of the Appalachian Regional Commission, January, 1969.

[38]Presidential Executive Order 11386, December 28, 1967.

[39]During a personal interview held in December, 1967, John L. Sweeny, the first Federal Cochairman, stated that the Appalachian Program would ultimately lead to a regional development cabinet post which would coordinate national regional development policy through the Federal Cochairman of Regional Commissions.

[40]Rothblatt, op. cit., Chapter II, Section C.

[41]Walter W. Heller, New Dimensions in Political Economy (W. W. Norton & Co., 1966), p. 142.

[42]Rothblatt, op. cit., Chapter II, Section A.

[43]The supplemental grant program under Section 214 of the Appalachian Act which provided modified block grants to the states, can be seen as a second round additive correction of the initial allocations generated by the allocation formulas. An ARC established procedure for intersectorial and intertemporal bi-lateral trading among the states for non-highway allocations can be viewed as a third allocation process. It has been shown that the second and third round allocation mechanisms tend to transform the rigid allocation formula procedure for non-highway programs into a modified block grant. See: Ibid., Chapter II, Section D.

[44]For a discussion of the authority gap between state and Federal governments, see: Heller, op. cit., Chapter III. For a presentation of the growing authority divergence between the movement for decentralized local decision-making and large scale planning efforts, see: Nathan Glazer, "For White and

Black Community Control Is the Issue," The New York Times Magazine, April 27, 1969, pp. 36-55; and Robert E. Millward, "PPBS: Problems of Implementation," Journal of the American Institute of Planners, March, 1968, pp. 38-49.

[45] Rothblatt, op. cit., Chapter III.

[46] Niles M. Hansen, "A Review of the Appalachian Regional Commission Program," op. cit., p. 85.