COMMENT ON "EVALUATION OF THE 1965
ECONOMIC DEVELOPMENT LEGISLATION"

Robert J. Saunders

Kent State University

Any attempt at an evaluation of the 1965 economic development legislation is a heroic task. It is difficult to evaluate the impact of any "specific area" legislation during a period like that between 1965 and 1970 when the national economy was expanding at a relatively rapid rate and national unemployment was declining. Given the "spillovers" into depressed areas of an expanding national economy, in the form of available jobs for outmigrants and some private sector expansion in the urban centers of the depressed areas, it is hazardous to guess just what would or would not have occurred if the 1965 development legislation had not been enacted at all.

Mr. Rainey and Mr. Cotton, possibly for the above reasons, have chosen not to present arguments relating to the specific "causation" of changes in economic activity in existing depressed areas. Instead they take the approach that theirs is strictly a "subjective" review of the general logic of the legislation as well as an examination of the legislation in practice. Generally, subjective reviews, void of supporting empiricism, of topics that have been around for awhile leave me relatively cold. In many cases the subjectivity deteriorates into a rehash of previous exchanges of ignorance. Rainey and Cotton did not, in my opinion, let that happen and have written a paper which I found interesting and worth attention.

My primary function as a discussant is to give the paper a critical review so I will pass over the numerous points with which I personally agree and mention several things where we might find some discussion.

My first point relates to the objectives of the paper. The objectives of the Rainey and Cotton paper are all stated in terms of "goals" or "activities" which are one level removed from what I would have liked to see. The paper examines the legislation in terms of "strategies" and "organizations" and "agencies" which is one step away from saying something about eliminating high unemployment rates, raising incomes, and generally making Appalachia a "non-depressed" region. I agree that it takes goals and strategies to establish some benchmark for evaluation, especially when a large amount of Federal money is involved. However, a little more impact analysis, which is admittedly very difficult, and a little less strategy evaluation would have, in my opinion, been preferable.

As an example, in their "Evaluation of the Acts in Practice" section the discussion was limited to only two points: (1) Did the agencies (EDA and ARC) establish a system of planning and action to carry out the programs at the regional, state, and district levels, and how advanced are these agencies, and (2) to what extent did the two 1965 programs concentrate their resources in communities offering the "best" prospects for growth.

These are good yardsticks for evaluation and I generally agree with the conclusions that ARC was more flexible and did put somewhat more money into "growth centers." My criticism is that the yardsticks are unnecessarily limited.

For example, the fact that both ARC and EDA are "physical facilities" programs and that other alternatives do not exist in the human resources

area, was not given much attention. Also, given the "worst first" limitations of EDA, which were adequately discussed under the first point in the evaluation section, it seems like setting up an EDA straw man to then define the only other major point of evaluation as which agency stressed growth points the most, the one that could (ARC) or the one that could not (EDA with its "worst first" limitations). My only suggestion is that in future work the criterion for evaluation be expanded to include not only the things that each program did, but also a few more of the things that they could be doing.

With regard to the "growth point" criterion it is possible to argue that neither ARC or EDA did exceptionally well in this respect and that the differences between them are in some cases not too great. ARC seems to have said more of the "right" things about primary growth points and secondary growth centers, etc. However, in practice ARC has been basically a highway program, which may by the way, not be all bad. But with regard to growth points, if I read the figures presented by Rainey and Cotton correctly, of the relatively small proportion of ARC money left for other things, only 59 percent went into defined growth areas, whatever they are.

Recent ARC maps which I have seen show Appalachia divided into sixty plus subregions or Planning and Development Districts, most of which have several "growth centers." The communities to be designated as growth centers are suggested by the states which in general, for political purposes, would like everything to be a growth center. The Area Redevelopment Act of 1961 was criticized for being spread too thin to have much impact. Rainey and Cotton rightly criticize EDA for the same thing. I am sure that the authors would agree that the same applied to ARC.

With regard to the local development districts, they seem to have been defined by the states with few guidelines from ARC. The authors state "it is the belief of many of the Commission Staff that because of the wide range of problems and strategies throughout the region it is not practical or desirable to prepare a single detailed handbook to guide the LDD's; rather it is more desirable for each state, with the Commission's assistance if desired, to formulate its own district program." I agree that this is the way it was done. However, with the West Virginia experience in mind, in many cases districts were created with few guidelines, very little technical expertise, and without a comprehensive look at labor sheds or labor market areas or functional economic areas or whatever one might argue should be reviewed before defining "economically viable" districts.

Finally, I agree with Rainey and Cotton and with Professor Rothblatt that the Appalachian experiment of state initiative and planning, while inefficient at times, has been unique and has brought forth a new experience in state-federal cooperation. However, it is possible to argue that this "primary state control" element in the experiment has resulted in the neglecting of one of the two major alternatives for a depressed region.

For example, assume there has been a structural change in the national economy which results in the appearance of a depressed area. It does not matter whether this change has been caused by new technology (automation in the coal industry) or by a shift in tastes so that national economy no longer demands what is being produced in the depressed area. The point is that there is a misallocation of resources, nationwide, and one solution is for the excess factors to flow out of the depressed areas and into areas where their marginal products are higher.

A second approach to the excess factors is to realize that from time to time there are nationwide spatial misallocations, but that in the long run the excess factor areas can be viable again if they are assisted in the short run.

The misallocation can be remedied without a massive outflow of factors by instituting programs designed to make the depressed areas again attractive to private investment capital.

In practice EDA and ARC adopted both solutions, one de facto and the other by design. The internal investment approach was the stated policy. Most outmigration was a result of inadequate resources being committed to the internal investment approach and of a form of "demand pull" from the growing national economy.

However, an argument might be made that, given the limited resources available to both ARC and EDA, a greater impact on Appalachia might have been made if some resources had been committed to the migration alternative. If ARC and EDA had concentrated some of their efforts on assisting outmigrants, and on providing information about available jobs and scarce labor areas to potential outmigrants, it is possible that (1) the factor flows out of Appalachia would have been somewhat more organized and larger and (2) many of the migrants would have gone to areas, and to types of employment where they could find immediate work rather than spending extensive periods of time with relatives in the Appalachian ghettos of Cleveland and Detroit. The point is that the "state initiative" focus of ARC probably worked to the political disadvantage of the "promotion of outmigration" alternative. After all, very few local and state politicians would be willing to actively encourage the voters who elected them to leave, if the center of the labor shed in which the voters were located happened to lie in another state.

In conclusion, I want to restate that the Rainey and Cotton paper did essentially what it set out to do and I think it is well worth reading. Rainey and Cotton have provided us with a relatively good, relatively complete categorization of many of the virtues and faults of the 1965 EDA and ARC legislation, as well as several interesting proposals for reform.