

2009 SRSA Fellows Address, April 3, San Antonio, Texas

Profiles in Change: Regional Economic Policy Thus Far in the Obama Era*

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1. INTRODUCTION

As we all know, Barack Obama ran his Presidential campaign on a theme of change. We've seen some significant changes in the U.S. economy since we last gathered. Change has also been a theme in my life since we last met. After 29½ years in the Regional Program at BEA, and, before that, five years at a university, I decided that I would either soon retire or begin a second career. On July 6, 2008, I joined the Economic Research Service, USDA, as the Associate Administrator—in essence, the Chief Operating Officer of ERS. They gave me no break-in period, and I was put to work immediately revamping the administrative and financial services functions in ERS, integrating ERS more fully into the U.S. statistical system, learning the culture of the organization, and reading and reviewing a host of manuscripts on the many diverse subjects on which ERS does research—the economics of food, farming, natural resources and the environment, and rural development.

The previous Administration had made plans for a post-W era, assigning career senior executives positions in the sub-cabinet posts of USDA that later would be filled by Obama-appointed and Senate-confirmed political folks. Neither the ERS Administrator nor I was tapped to serve in any acting political appointee role.

And then came the Inauguration. On January 21, 2009, the day after, the ERS Administrator Dr. Kitty Smith was summoned to Ag headquarters and told by Agriculture Secretary Vilsack that she was to be Acting Under Secretary for our mission area, rather than the Bush-designated senior executive official. And Kitty's first official act was to tell that official that he was out and she was in as Acting Under Secretary.

Our mission area includes, in addition to ERS, the Agricultural Research Service, National Agricultural Statistics Service, and the National Institute of Food and Agriculture (formerly the Cooperative State Research, Education and Extension Service). Kitty is serving in that role until a political appointee is named, vetted, and confirmed by the Senate; and none of those things has happened yet. She came to my office to tell me that news, and, oh, I am to serve as Acting Administrator of ERS while she is serving as Acting Under Secretary, and I am to keep my day job as Associate Administrator. That was it, she was off to Ag headquarters and I was there, alone in the front office, only six months into my second career at ERS, and I was in charge of an \$80 million budget and 400 employees.

As you can imagine, my days, nights, and weekends have been pretty busy performing the functions of the two jobs, that and the frenetic pace of the first 100 days of the Obama Administration have left little time to wax philosophical about the state of Southern regional economics. (The press often refers to Mr. Obama as the president-in-a-hurry.) So, I would like

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to walk us through the President's first 73 days in office (and my first 73 days as Acting ERS Administrator) to inform this organization what regional economic policy is and is likely to be in the Obama era. You may be very surprised to learn of what has been accomplished so far.

Whatever the policy, it is reassuring to know that it will be based on sound, scientific reasoning. A memo from the President, entitled "Scientific Integrity," signed and dated March 26, 2009, ensures that political officials will not suppress or alter scientific or technological findings and conclusions. It further ensures that selection of candidates for science and technology positions within the federal government should be based on the candidate's knowledge, credentials, experience, and integrity—only. That scientific information should be subject to well-established scientific processes, including peer review.

This is very good news for my organization, and for EPA and the Department of Justice, among others, and should assure you that things have changed. Now, on to the regional economic policy that the President has already established...

2. URBAN POLICY

First, President Obama is the first U.S. President to create an office of urban policy. On February 19, 2009, President Obama signed an executive order establishing the "White House Office of Urban Affairs." The purpose of the Office is to develop a strategy for metropolitan America and to ensure that all federal dollars targeted to urban areas are effectively spent on the highest-impact programs. The Director of Urban Policy will report directly to the president and coordinate all federal urban programs.

Second, President Obama and Vice President Biden will create a federal program to support "innovation clusters" -- regional centers of innovation and next-generation industries. This innovation clusters program will provide \$200 million in planning and matching grants for regional business, government, and university leaders to collaborate on leveraging a region's existing assets—from transportation infrastructure to universities—to enhance long-term regional growth. Thriving innovation clusters across the country like the North Carolina Research Triangle Park and Nashville's thriving entertainment cluster prove that local stakeholders can successfully come together and help reshape their local economies.

3. RURAL POLICY

The Obama Administration quickly implemented Country of Origin Labeling (COOL) so that American producers can distinguish their products from imported ones. On February 20, Agriculture Secretary Tom Vilsack announced that the final rule for the COOL program will go into effect as scheduled on March 16th. The COOL regulation requires country of origin labeling for muscle cuts and ground beef (including veal), pork, lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; peanuts, pecans, macadamia nuts, and ginseng sold by designated retailers. These commodities must be labeled at retail to indicate the country of origin.

It moved to quickly implement the 2008 Farm Bill. There is a set of direct payments that are made to farmers that are based just on the amount of land they own, rather than the farming they undertake; 36 percent of farmers receive these payments. The President is proposing to phase out those payments over time for farms with revenue of more than \$500,000 a year.

On January 27, Agriculture Secretary Tom Vilsack announced that utilities in 13 states were selected to receive \$18.1 million from USDA Rural Development's Rural Economic Development Loan and Grant program. Rural Development is awarding \$14.2 million in loans and \$3.9 million in grants to a total of 27 applicants. Funds are allocated to Rural Utilities program borrowers, usually rural telephone or electric cooperatives, which in turn provide loans to local rural businesses and communities. Funding of individual recipients is contingent upon their meeting the conditions of the loan or grant agreement. The projects are expected to create or save a total of more than 1,800 jobs in Alabama, Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Missouri, Nebraska, North Dakota, South Carolina, South Dakota and Tennessee.

4. THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

Establishing these policies was just the beginning. In addition, and perhaps more importantly, the American Recovery and Reinvestment Act of 2009 and the broad outlines of the 2010 Federal budget yield further clues as to an Obama regional economic policy.

In another element of change during my Acting Administrator tenure, in March, I was tasked with coordinating for all of USDA a common methodology for estimating reasonable measures of jobs creation for the ARRA, or Stimulus bill. I gathered experts in the Department from agencies that were to receive stimulus monies, inventoried the methods they were using to estimate jobs-creation effects, and then suggested that we all adopt the same basic approach using IMPLAN regional multipliers for the exercise. I was tasked with briefing the senior policy-makers in USDA and then tasked with drafting a memo to Christina Romer, chair of the President's Council of Economic Advisers, describing our approach and ensuring that there was a consistent, peer-reviewed, credible methodology being used throughout the Department for estimating the jobs creation effects of ARRA.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law by President Obama on February 17, 2009. It is designed to jumpstart the Nation's economy, create or save millions of jobs and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. Totaling \$787 billion, the Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need. There was \$28 billion provided to USDA in the Recovery Act.

Among the Act's provisions: The Farm Service Agency will use immediately \$145 million of the \$173 million provided in the Recovery Act for its Direct Operating Farm Loan Program, which will give 2,042 farmers—almost 50 percent are beginning farmers and 10 percent are socially disadvantaged producers—direct loans from the agency.

USDA Rural Development Agency will initially provide nearly 10,000 rural families with \$14.9 million (\$1.17 billion in loan guarantees) for homeownership financing, creating or saving more than 5,000 jobs.

The Natural Resources Conservation Service will release up to \$145 million provided in the Recovery Act to restore frequently flooded land to its natural state; create jobs in rural communities nationwide when landowners establish these floodplain easements; and restore and protect an estimated 60,000 acres of flood-prone lands nationwide through the floodplain easement component of its Emergency Watershed Protection Program.

Rural Broadband Access. Congress authorized \$2.5 billion to USDA and \$4.7 billion to the Department of Commerce for broadband access. President Obama's broadband initiatives will accelerate the availability of broadband in unserved and underserved areas spurring much-needed job growth and economic activity.¹

Forest Service Projects. In Colorado, \$5 million of Recovery Act funding has been targeted to remove dead trees along 150 miles of roadsides affected by the large-scale mountain pine beetle infestation. In Oregon, initial wildland fire management projects totaling \$16.5 million have been identified. Many of these projects are associated with the Youth Employment Initiative and will offer work that supports natural resource management and conservation education. In Florida, a state-wide hazardous fuels reduction program and a public safety and educational campaign are already underway because of Recovery Act funding.

The Economic Development Administration announced the availability of \$150 million to create jobs and boost development in parts of the country hit hard by the recession. Priority consideration will be given to those areas that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring.

The Department of Energy. Cities and counties will receive nearly \$1.9 billion under the Energy Efficiency and Conservation Block Grant Program, and states and territories will receive nearly \$770 million. States will receive and administer funds for those counties and cities that are not large enough to qualify for direct DOE funding. More than \$54 million will flow directly to Tribal governments.

These are just some of the projects in the stimulus bill that have a regional dimension. Except for four states, there are Internet sites already set up to monitor activity relating to ARRA. You can go to the White House Web site, click on Recovery Act, and get to recovery.gov to see the projects named thus far and their likely jobs creation effects.

5. BROAD OUTLINES OF A 2010 BUDGET

The 2010 budget that the President released on February 26 also shows a regional policy aspect of the Obama Administration. Complete details will be released on April 28.

Provide Americans a 21st Century Transportation System. The Administration proposes a \$1 billion-a-year high-speed rail State grant program, in addition to the \$8 billion provided in the recovery Act.

Maintain Rural Access to the Aviation System. The Administration is committed to maintaining small communities' access to the National Airspace System. The Budget provides a \$55 million increase over the 2009 level to fulfill current program requirements as demand for subsidized commercial air service increases.

Rural Broadband. The 2010 Budget includes \$1.3 billion in USDA loans and grants for the Department of Agriculture to increase broadband capacity and improve telecommunication service as well as education and health opportunities in rural areas.

¹ ERS has done some preliminary research on rural broadband, and has found that, while rural residents enjoy widespread use of the Internet, they are less likely to have high-speed, broadband Internet access than their urban counterparts. Many content-dense applications and documents, and such critical services as anti-virus protections, are not readily available via dial-up. Increasing broadband access to rural areas would enhance activities such as teleworking, provision of government services, and telemedicine, and give rural businesses greater access to online retail sales, and online wholesale trade of farm products.

State and Local Government. The Budget will build upon \$6.3 billion provided for clean energy and energy efficiency grants to state and local governments in the recovery Act to help support their efforts to reduce their energy use.

Green Our Nation's farms. The Budget increases funding levels over those provided in previous years for programs, such as the Conservation Stewardship Program and the Environmental Quality Incentives Program that provide incentives for farmers to better conserve their lands and reduce pollution from sources such as animal feeding operations.

Eliminating the Resource Conservation and Development (RC&D) Program. The Budget eliminates funding for RC&D. First begun in 1962, the program was intended to build community leadership skills through the establishment of RC&D councils that would access Federal, State and local programs for the community's benefit.

6. CONCLUSION

And so, that is a brief outline of President Obama's regional economic policy in just the first 73 days of the Administration. Implementing the ARRA has already begun, and Congress is now holding hearings on the 2010 budget. It's still too early to tell the overall regional economic effects of these policies, but Mr. Obama's executive orders, his first budget, and his stimulus package should assure this body that this President pays attention to things regional.

This month marks the 30th anniversary of my employment with the U.S. federal government. I recall 30 years ago working on a paper using my multiregional econometric model to analyze the regional economic effects of solar energy commercialization in the U.S.—an alternative energy policy advocated by then U.S. President Jimmy Carter. And here we are, 30 years later, more addicted to foreign oil than we were in 1979, and once again talking about alternative energy sources. Change is hard.

I'd like to conclude on that notion of change, which is where I began this profile. Change, be it changing Administrations, changing policies, changing ourselves, or even changing the direction of SRSA—can best be summed up by quoting a scholar and political theorist,

"The future is not a result of choices among alternative paths offered by the present, but a place that is created—created first in the mind and will, created next in activity. The future is not some place we are going to, but one we are creating. The paths are not to be found, but made, and the activity of making them, changes both the maker and the destination."

-John Schaar (University of California)

7. EPILOGUE

I am submitting this to the journal's editors in the Fall of 2009, after having served as Acting Administrator of ERS for seven months—from Inauguration Day plus one, January 21, 2009, through August 21, 2009—a total of 213 days. At the time of the presentation of this Fellows Address, I was 73 days into my new role, as was the President his. Has Obama regional economic policy changed in the days after the 73rd?

There certainly has been a focus on foreign policy, on health care policy, on energy policy, in addition to the economic recovery. Despite these critical issues facing our nation,

additional progress has been made on rural and urban policy since I presented this address. For example, on June 30, 2009, President Obama launched the “*Rural Tour*,” an effort to engage in a more robust dialog with folks living in rural America. Led by Agriculture Secretary Vilsack, the tour has held more than a dozen forums with Secretaries from the Departments of Education, Housing and Urban Development, Health and Human Services, as well as local elected officials from the areas travelled, including rural communities in Louisiana, Arkansas, North Carolina, Iowa, Oklahoma, New Mexico, and Nebraska.

On July 23, 2009, the White House kicked off the “*National Conversation on the Future of America’s Cities and Metropolitan Areas*” in Philadelphia, PA. The tour takes the discussion of a new vision for urban America outside of the Beltway and into cities and metropolitan areas that are working on innovative ideas and integrated solutions to address the challenges we face today. For example, in Philadelphia, Pennsylvania’s Fresh Food Financing Initiative (FFFI)—an effort that brings fresh food to underserved communities, both rural and urban—also known as “food deserts,” was highlighted.