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Re-examining the Case for Federal Involvement in the Market Economy after a Prosperous Decade

THREE DIAGNOSES

Students of regional development trends in the United States seem to be members of one or other of three schools of thought—the "noninterventionists," the "adaptors," and the "radical transformers." The first group argues that the competitive forces of the market do create an *optimal spatial distribution of population and economic activity*. Their claim is that continuous changes in demands for goods, services, and productive factors are continuously mirrored by adaptions on the supply side. This, they argue, is achieved not only in the aggregate but also at every level of spatial disaggregation. Thus, should any locality, city, or region experience a fall in the demand for its exports without any compensatory rise in price, whether because of a change in tastes or public-sector decision-making or because of a persistent decline in regional competitiveness, then export revenue will be reduced. Falling export revenue may result in a severe rise in unemployment and underemployment and a fall in participation rates, especially if the industries affected are important high-paying employers with strong product linkages, both backward and forward, within the region. Moreover, if the attempt to regain business results in a policy of *defensive investment* in which capital is substituted for labor, then layoffs may continue over long periods of time. However, adherents of this line of argument assert that labor market disequilibrium cannot persist over the long run since the owners of factor services—labor, capital, and land—will take steps to utilize these services in those circumstances most advantageous to them. Thus, if our problem area possesses any relative or absolute advantages for the development of new export sectors, then private capital will flow in, and join locally provided investment funds in the creation of a new export base. Ultimately, the demand for labor will rise and the unemployed will be reabsorbed. If, on the other hand, the region does not possess any supply advantages, then some capital and some labor will flow out to areas of greater net returns, and the area will move to a lower level of economic activity, albeit without heavy unemployment or without major differences in the rewards for given skills as compared to other regions (Cameron 1970).

The message to the federal government from the noninterventionists is simple. In using fiscal, monetary, and incomes policies to help achieve full employment, to moderate inflation, and to sustain continuous per capita income growth, the federal government should ignore the spatial (or subnational) dimension, since this will automatically look after itself. Indeed, most noninterventionists would argue that any deliberate attempt to alter the spatial incidence of the demand for labor or its supply can only result in the mislocation of economic activity or population or both, with a consequent reduction in the growth of real GNP and inevitable pressure for continuing subsidization of firms and people.

The "adaptors" argue that competitive forces have not and are not likely to create an optimal allocation over space of economic activity and population. Although their diagnosis varies in its details and stress, the causes of the alleged maldistribution can be captured in three basic propositions (Cameron and Wingo 1973):

1. In a relatively few metropolitan and large urban centers, desirable production and distribution externalities have resulted in the concentration and rapid growth of high-productivity, high-income activities. These continuously attract large flows of capital and people, both rich and poor, drawing them from rural areas, small and medium-sized urban areas, and lagging industrial regions.
2. This net inflow of capital, people, and ideas to a few centers is occurring too rapidly, since it is accompanied by unwanted costs in the form of:
   a. Inflationary pressures within the growing metropolitan areas as the demands of the growing metropolitan populations press upon scarce local resources, these inflationary pressures being ultimately transmitted throughout the whole system by nationally organized trade unions, regardless of local differences in productivity and in costs-of-living;
   b. The duplication of economic and social overhead capital in the population-receiving areas and the underutilization of existing capital in the population-losing areas;

c. Increased social, political, and racial tensions within the central cities of migrant-receiving areas;
d. Accelerated suburbanization, urban sprawl, and social segregation of metropolitan populations;
e. Enhanced environmental despoilation within the growing urban areas;
f. Growing fiscal imbalance between inner cities with dwindling tax bases and ever-growing demands for public services, for suburban areas with enlarged taxable resources, and for political configurations favoring moderate public expenditure.

3. This pattern of overrapid and imbalanced growth in metropolitan areas and overrapid decline in population-losing areas is unlikely to be restrained by normal market processes. Thus, in the population-losing areas, the net loss of population denudes communities of precisely those people most needed to provide leadership, professional expertise, and energy for the processes of structural adaptation. These areas and their inhabitants remain trapped in a vicious cycle of low prosperity, low investment, low productivity, and hence low incomes. Similarly, in the population-gaining areas, overrapid growth is not curbed by the generation of unwanted externalities partly because the key decision makers are unaware of the alternatives for more efficient production elsewhere and partly because many of the major creators of unwanted externalities avoid bearing the full costs of their actions. Also, some of the newcomers housed in central cities may not be able to break out of their environment and move to locations where local job growth is most vigorous precisely because of racial discrimination.

The "adaptors" typically do not claim that this diagnosis is foolproof or conclusive. Even more significantly, they insist that because of deficiencies in our knowledge of the complex and interacting processes which shape the settlement pattern, including demand management by the federal government, capital and recurring expenditure decisions of government at all levels, private investment actions, internal and international migration, and perhaps national increase, any deliberate attempts to alter the basic structure of this urban pattern are doomed to have uncertain and perhaps undesirable outcomes (Thompson 1973, Wingo 1973, Alonso 1972a). If we follow this line of reasoning then the most that national, state, and local governments should do is adopt a benevolent posture regarding research, make commitments to evaluation and public education, and search for specific solutions to the adjustment problems of *people* faced by rapid changes in the spatial distribution of demand and supply.

The final group—the radical transformers—accepts the mislocation analysis outlined above, but, in addition, claims not only to know precisely what type of settlement pattern will improve national welfare but also how government at all levels should mold private and public actions so as to achieve that pattern. More often than not this group values a *balanced* spatial development in which every part of the urban hierarchy grows at approximately the same rate so that "excessive" growth in major metropolitan areas is avoided and lagging areas are revived.

A typical program agenda resulting from these ideas would include, among others, controls over the growth of the major metropolitan areas; planned decentralization of economic activity and population to new towns, expanded towns, or planned suburban areas; the building or accelerated expansion of towns in sparsely populated areas to divert population growth from overpopulated regions; the creation or development of contiguous growth centers, which would draw population out of the areas of labor surplus; and the use of subsidies to create employment opportunities in these lagging areas.

THE CASE FOR INTERVENTION

Were we to accept the case of the noninterventionists, our best course of action would be to pack our bags and enjoy the delights of Williamsburg! Sadly, however, it is not an insincere defense of our irrelevant specialism which should keep us talking. There is conclusive evidence that in the past, market forces have not prevented the occurrence of persistent and heavy localized unemployment. Take, for example, the situation in June 1966 when national unemployment was at 4 percent (the then administration's interim full employment rate) and GNP continued to rise sharply. At this time, seven major, fifty medium-sized, and over four hundred minor mainland labor markets were officially designated as areas of "persistent unemployment." In those areas, with their combined labor force of over 2 million, approximately 150,000 people were out of work. Significantly, the smallest areas, on average, not only had the heaviest unemployment but had responded least well to the rapid growth in demand after 1964 (Cameron 1970, p. 85).

A close analysis of the causes of persistent labor market disequilibrium in these areas indicates a wide variety of factors (Chinitz 1969; Cameron 1968). Some of the areas with higher incomes had experienced very large inflows of labor for which there were insufficient job openings. Other once prosperous but narrowly based local economies had experienced a reduction in demand for their key employing sector, sometimes as a result of cuts in defense expenditures. A small group of relatively large and "old industrial" labor markets was suffering all the effects of an economic structure which had been adapted all too slowly to changes in demand. The most serious and persistent problems were felt in the remote coalmining and other mining areas, where the economic structure was overwhelmingly linked to the basic industry.

However, whatever the initiating cause of disequilibrium, the general evidence suggests that in all of these areas the *unsubsidized out-migration of labor was an insufficiently elastic response to the decline in local employment opportunities.*[1] Thus, lack of information about job opportunities elsewhere, inadequate retraining facilities, illiquidity that limited job searches, savings tied up in housing difficult to sell in falling markets, a misplaced belief in the future upturn in local job demand—these and many other factors limited the out-migration flow (Morrison 1972). Indeed, Lansing and Mueller (1967) have shown that the *rate* of out-migration was no higher from distressed areas (both high unemployment and low income) than it was from nondistressed areas. Where the distressed areas differed was in the lower rate (and quality) of in-migration.

Similarly, at the other end of the urban spectrum, in the central cities of many large metropolitan areas, a picture of persistently high unemployment emerges. Gold (1972), in analyzing data for the twenty largest, has shown that unemployment, which was heavily focused upon nonwhites, reached significantly higher levels in the central cities than in the surrounding "rings."[2] Even this data may mask the severity of the problem. For example, Labor Department studies in the mid-1960s showed that as much as 40 percent of the labor force in disadvantaged areas of large central cities had severe employment problems.

In this context, causality is hard to disentangle, but the general verdict appears to be that while inadequate job training and general education limit the opportunities available to the unemployed, the basic problem is that in a situation where job growth is most vigorous on the periphery, some of the central-city unemployed are prevented by job discrimination, fragmented public transit systems, and housing market discrimination from obtaining those jobs or living close to where they exist (Gold 1972; Hoover 1971).

These areas and their unemployment problems, therefore, provide the first potential targets for government action. Since persistent and unacceptably high localized unemployment occurs in spite of rapid growth in the economy at large, we have a population set in need of assistance. What that assistance should be I consider in a later section, but meanwhile I point out that the system fails to take advantage of usable resources. Moreover, bringing these resources into use moves the economy closer to the full employment level but presumably without stoking the fires of inflation.

A different type of localized problem—that of concentrations in contiguous counties or even subregions of persistently low family income—occurs throughout several areas of the mainland United States. Wingo (1973) has analyzed figures for 1965 which show that the incidence of "officially recognized" poverty was two and one-half times greater in nonmetropolitan areas than in metropolitan ones. The difference in the rate of incidence between rural farm areas and suburban rings of metropolitan areas was a staggering five to one.

All this suggests that given the existence of persistently high localized unemployment, the model of automatic adjustment, as suggested by the noninterventionists, is seriously deficient. It also suggests that as long as there is an official policy of defining family poverty levels and an official commitment to the eradication of poverty, then one parameter of these policies will be spatial concentration rather than spatial ubiquity in the population in need.

DISTRESSED AREAS—A VANISHING PROBLEM

So far so good, but is it not reasonable to ask whether the problems of the high-unemployment, low-income areas are anything other than very short-run? It could, for example, be argued that the United States is almost at the end of a dramatic and pervasive process in which rural-based activities have been increasingly replaced first by manufacturing and now increasingly by tertiary activities, both of which are overwhelmingly tied to an urbanized settlement pattern. Indeed, Chinitz and Dusansky (1973) have shown the following:

1. As far back as 1870 the regions which are most highly urbanized today—New England, Middle Atlantic, Pacific—already had less than one-third of their employment in agriculture.
2. The regions which are least urbanized today had more than one-fourth of their employment in agriculture as recently as 1940. The period 1940–1960 was one of further sharp reductions in agriculture (absolute as well as relative) in those regions.
3. By 1960, the range had narrowed considerably, and there were only two regions with more than 10 percent of their employment in agriculture.[3]

The opposite side of the coin, the emergence and growth of new metropolitan areas and the further growth of older metropolitan and urban areas, is well documented. Irene Taueber's analysis (1973, p. 60) shows that "three-fifths of the population of 1900 was rural. The population was half urban in 1920. Fifty years later, in 1970, it was almost three-fourths urban."

In the early part of the century this process of urbanization was largely fueled by in-migration from rural parts of the United States and from overseas. Internal migration from rural counties to urban areas continues. Indeed, Wingo (1973), quoting an analysis by Clawson, has shown that 45 percent of all U.S. counties lost population in the 1960–1970 period, and two-thirds of these had lost population in one of the two preceding census periods. However, as Alonso has shown (1972b, p. 327), the crucial point is that the rate of migration to all metropolitan areas, which now contain over 60 percent of the rural population, has declined from 21 per thousand inhabitants per year in the first decade of the century to less than 5 per thousand in 1960–1965. As a result, migration's share of total metropolitan population growth declined over this same period from 70 percent to approximately 20 percent, and only approximately 5 percent of the growth was associated with rural-to-urban migration.

Does this mean that any policy for affecting the spatial incidence of demand is being directed toward a target that has already disappeared, since the drastic changes in the pattern of demand which initiated labor market disequilibrium and concentrated spatial poverty have largely run their course? In the remainder of this paper I argue as follows:

1. While the focus of federal efforts ought increasingly to be on solving the problems of labor market spatial disequilibrium at the *intrametropolitan* level, there is likely to remain, for the foreseeable future, persistent problems of unemployment, underemployment, and spatially concentrated poverty in small lagging centers and rural areas, which will not be totally solved by the mechanism of unsubsidized out-migration. In consequence, there will be a need to augment private migration potentialities.
2. While out-migration may be privately beneficial, it may generate social costs for those who are left behind, thus calling for federal support measures of a wide ranging kind to help disadvantaged nonmigrants.
3. While migrant flows are inherently rational, there may be valid cultural, social, and personal reasons for encouraging a greater volume of moves to "nearby" growth centers by augmenting information and placement channels.
4. The large-scale movement off the land has tended to destroy the existing urban servicing hierarchy, with a consequent need for the planning of new networks.
5. Heavy localized unemployment, even in conditions of national full employment, is unlikely to be the preserve of remote small urban centers and rural areas. It will also occur in seemingly prosperous small and medium-sized urban centers because of secular reductions in demand for given sectors, the phasing out of particular products, or labor supply increases in excess of the flow of job openings.

Of course, even if the arguments above are accepted as an agenda of spatial problems emerging from the process of rural to metropolitan transformation, it does not necessarily follow that the federal level of government should be involved in the formulation of policies to solve such problems. There can be no simple justification for this involvement. However, in circumstances where federal grants are being sought; where federal actions have directly caused unemployment disequilibrium; where the remedial policies of one state may deleteriously affect the remedial opportunities for another state or states; and where the achievement of full employment, the prevention of discrimination, and the eradication of family poverty are unlikely to emerge from the actions of states on their own, then there may be a prima facie case for federal involvement.

THE ROLE OF MIGRATION

We have already noted that, as a general rule, the *level* of migration from areas with a depressed level of economic opportunity is not increased by this factor but is primarily associated with the population structure, particularly the age distribution. The absolute reduction in population that often occurs in such areas can be ascribed primarily to a low level of in-migration and ultimately to a low birth rate since the net migrant losses are concentrated among the young. However, for many areas this loss of population is not sufficient to restore equilibrium.

As a general rule government activity to facilitate migration from depressed areas is liable to be both collectively and privately beneficial. Morrison (1972) has argued that the movement of labor from surplus to scarcity areas results in a growth in national output and personal gains in real income and occupational status of the migrants. Consequently, he concludes that "migration, coupled with manpower development programs, may be an efficient way to improve living standards for the rural poor" (p. 310).

We appear to have the ideal solution. If the out-migration flow is restrained by lack of information, lack of retraining facilities, illiquidity, tied investments, and so on, there may be a strong case for governmental support to overcome these and other barriers to movement. Others at this seminar will doubtless expound on the kinds of policies required, but migration allowances, job-market information, job counseling before and after the move, assistance in house selling and/or renting new housing, may be necessary in parts or as a package depending upon circumstances. This way, *efficiency goals*, that is, a growth in real GNP, and *equity goals*, that is, economic benefits for the currently disadvantaged, appear to be coincident. It is also reasonable to claim an additional advantage, in that national demand management may become easier, since the economy can be pushed further along an expansionary path without inflation.

There are, however, two crucial questions to ask of this process. First, to what extent should the out-migration flow be made to occur in a way which takes account not only of private costs and benefits but also of social ones? Second, what are the long-term economic and social effects of subsidized out-migration on the population-losing areas?

CHANNELING MIGRATION STREAMS

A feeling persists that migrants who crowd into the major metropolitan areas from poor rural, remote industrial, and mountain areas make personal gains both in income (even after allowance for cost-of-living differences) and in access to better health, educational, cultural, and employment opportunities but that somehow the receiving community suffers real costs as a result of this inmovement. If so, it would logically follow that migration subsidies should be allocated or information given in such a way as to encourage migrant movement to urban centers that have a capacity for migrant absorption without attendant unwanted externalities.

Although this notion is obviously attractive from an efficiency viewpoint, the evidence on whether migrants do impose severe unwanted costs on the residents of large urban areas is inconclusive. On the one side, there are those who argue that the marginal costs of providing public services rise sharply after a certain urban size is reached; that the *marginal* migrant creates unwanted externalities in the form of added congestion and air and water pollution but, at most, bears only the *average* cost of unwanted externalities created by all inhabitants; that social problems in the inner city increase dramatically as competition for scarce jobs and for scarce housing grows. They further assert that in-migration exaggerates the pressures toward suburbanization and that this denudes local leadership and local tax bases. This in turn leads to a decline in the quality and range of public services in the central city precisely at the time when beleaguered administrations are faced by the almost plaguelike growth of juvenile delinquency, drug addiction, broken families, building abandonment, and the entrenched fears and hostilities of the "haves and have-nots" (Howard 1974).

On the other side, there are those who point to the *wanted* economic externalities of urban growth—the increasingly diversified labor markets, the extension of the range of urban services as scale thresholds are passed, the improvements in accessibility resulting from enlarged and diversified transport and communication modes—all these result in high productivity and high incomes which compensate for any unwanted externalities associated with this growth (Tolley 1969). They further argue that the social problems of psychological stress, anomie, drug taking, crime, and so on, so often claimed to be generated by cities, are, in fact, problems "in cities" and not "of cities." In any event, if unwanted economic externalities and social problems become oppressive, then there are realistic ways for governments to internalize externalities (Mills 1972) or for populations to avoid settling in areas where incomes do not compensate for unwanted externalities. Neither case is wholly valid, and both are overstressed. Indeed, as the Commission on Population Growth and the American Future has argued, in an evaluation of beautiful balance (1972a, p. 25):

> ... the process (of metropolitan growth) has brought efficiency and confusion, affluence and degradation, individual advancement and alienation. The buildup of transport and communication has made possible increased contact and exchange, increased concentration and dispersal and increased segregation of activities and people. While the metropolitan economy has reached new heights of productivity, the people who staff it, their families and the businesses and roads that serve them, have settled miles and miles of formerly rural territory creating a new enlarged community—a real city with common problems but no common government to manage it. Minority migrants have found better jobs and education but in so doing have traded the isolation imposed by rural racism for the isolation of the inner city and the institutional racism of metropolitan America. And the growth and dispersion of the metropolitan population has brought wholly new problems of environmental management as well as social organization.

In the present state of knowledge it would be foolhardy to take radical steps to control the growth of the major metropolitan centers. In any event the evidence does suggest that the population of the largest centers (i.e., over 2 million) is already growing less rapidly than the nation as a whole; that the average densities of urbanized areas are declining; and that "the appropriate scale at which to grasp emerging settlement patterns includes the metropolitan area but goes beyond it to the urban region—a constellation of urban centers dispersing outwards" (Commission 1972a, p. 119). Moreover, we have already noted that rural-to-metropolitan migration is now an insignificant component in metropolitan population growth.

Thus, until we know much more about the private and social costs and benefits of migrant moves to different sizes and types of urban areas, there is no clear-cut rationale for weighting migration subsidies according to destination choice. However, two policy areas are worth detailed scrutiny. First, the federal government should evaluate whether a genuinely nationwide and up-to-date public system of job market information should be created out of the existing and fragmented employment information and placement services and as a complement to information networks based on friends and kinships. Obviously, the quality of the decisions made by distressed area employees contemplating a move would only represent a small proportion of the target for such a system.

The second policy area concerns the role of growth centers, which seem to have the environmental and labor market capacity to absorb the unemployed from the contiguous or accessible declining areas. The arguments in favor of the growth-center approach have not changed much in recent years. Thus, it is usually suggested that the unemployed often would prefer to migrate to a center within their own or an adjacent region rather than travel to a far distant city (Hansen 1972); that the infrastructural cost of supporting employment-population growth in a limited number of centers is lower than in a scattered settlement pattern; that the subsidy cost of attracting exogenous capital is lower if it is confined to a few centers where external economies of scale have been generated and that a spatially concentrated development process is more certain to lead to self-sustaining growth (Cameron 1968).

Despite the important work of Alonso and Medrich (1972), we have only begun to test some of these assertions. Meanwhile, we have no hard criteria on which to base any selection of given growth centers. Nonetheless, it would be premature to write the requiem for an approach which is of such recent operational vintage and which still appears to be based on plausible assumptions.

A related question is the operational size of the growth center and its surrounding "economic development districts." Fox (1973) has suggested that one approach could be to determine the minimum size of important public services consistent with economies of scale. Clearly, this whole question, together with an examination of retail and wholesale trading patterns in conditions of population decline, could form the subject for important federal initiatives in research, planning, and implementation.

COUNTERACTING THE EFFECTS OF MIGRATION LOSSES ON THE DEPRESSED AREAS

An accelerated outflow of population, presumably of the young, most able, and enterprising, would increase the likelihood of leaving aging, leaderless communities facing increased user charges for public services as tax bases are reduced. The outcome, almost inevitably, would be the persistence of spatially concentrated poverty, poor employment prospects, and inadequate public services. Any direct attack on this poverty would, of necessity, be complex.

Insofar as the quality of education is a function of the local taxable base, then federal supplementation of state educational budgets can be expected to diminish the flow of inadequately educated people. Moreover, a flow of trainable labor has the precious advantage of being either an attraction for mobile capital or a usable factor in alternative labor markets without heavy costs of training. On public-sector efficiency grounds there may be a case for trying to gain economies of scale in the provision of public services in specified service centers.

However, while these measures could provide some additional employment, it is obvious they are unlikely to provide sufficient opportunities to absorb the unemployed. The critical question is whether federal aid should be extended in the form of loans, grants, tax relief insurance guarantees, and so on, to companies creating employment in specified lagging areas. The economic justification for such an action, as I noted earlier, was that in contrast to the fully employed metropolitan areas, output in lagging areas could be raised without fear of generating cost inflation, social and economic overhead capital was underutilized, and metropolitan entrepreneurs were misinformed about the true costs of operating in such areas.

The first justification may be difficult to sustain insofar as there are large pools of unemployed in the central cities of the metropolitan areas. The second argument seems invalid, since most lagging areas have overhead capital that is outworn or functionally unsuited to new demands. That there may be unjustified biases against lagging areas may provide one rationale for federal involvement in the subsidized dissemination of information. It is, however, unlikely that such information could have much of an impact upon the job level of the lagging areas. The most important "pull" factor—low labor costs—is increasingly being negated by the spread of unions and the consequent convergence of wage rates over space (Thompson 1973). Moreover, capital mobility is severely constrained by the regulations in all previous spatial legislation that job creation in lagging areas must not result from the closing or running down of plants in nonlagging areas. An even more serious possibility is that the flow of manufacturing jobs "over space" may be diminishing both because of this sector's relative decline in importance over time and because improved interstate communications may be freeing more and more plants to concentrate production, gain internal economies of scale, and distribute their products over large regional or multiregional markets.

All of this suggests that without subsidies that directly lower costs of production (such as wage subsidies), the chances of attracting capital to lagging areas that are remote from metropolitan areas are likely to be thin in the extreme. It also follows from the very small scale of most of these lagging centers that the creation of external economies is liable to be a very lengthy process, so that competitive production in, and distribution from, such areas may necessitate continuous subsidization.

A general conclusion therefore might be that policies for compensating those affected by the collapse of the economic base and yet unable to take advantage of the inducements to out-migrate should focus strongly upon health provisions, supplements to private retiral pensions, and unemployment benefits. To use Winnick's graphic phrase (1966), the objective should be "people prosperity" not "place prosperity."

SOME GENERAL PRINCIPLES FOR FEDERAL INTERVENTION

The United States is almost at the end of the process of transferring population from relatively low-productivity rural environments to higher-productivity urban ones. Although this process has probably benefited most migrants, an unacceptably large number, living in the inner-city ghettoes of the receiving metropolitan areas, remain without adequate earning opportunities. Accordingly, a continuing federal policy objective must be to help remove the barriers preventing a match between labor demand and labor supply within metropolitan areas. This will require a federal-state-city collaboration of a multidimensional nature dealing with changes in jurisdictional boundaries, equalization of local tax bases, housing and job discrimination, labor training and placement, public transit systems, and so on. Similarly, an unacceptably large number of families remain trapped in poverty within depressed rural and mountain areas.

In general, a policy of industrialization for those lagging areas is liable to require long-term subsidization and, in any event is unlikely to attract sufficient private capital to generate substantial benefits for the most poor. The policy route which promises the most efficient future use of the currently unemployed and underemployed of lagging areas is the subsidized encouragement of out-migration. While there is a general case for strengthening the information network, through a nationwide job-market information system and individual job counseling, to assist out-migrants in choosing their destination, there is no overwhelming reason why the federal government should commit itself to a radical alteration of the urban settlement pattern. Similarly, the use of migration subsidies which vary according to the destination choice should be eschewed. However, because of the importance of short-distance migration and so as to permit the easier maintenance of familial, social, and cultural ties with the origin location, the most detailed job-market and other information should be collected on large urban growth centers that are close to the migrants' original locale and possess an environmental and labor market capacity for low-cost growth. The testing of the role of such growth centers should remain an important item on the agenda of any federal activity.

The process of accelerated out-migration from depressed areas is likely to add to the problems of the remaining core of immobile, undereducated, low-productivity, and poorly serviced residents. On efficiency grounds there may be a case for federal supplementation of state provisions for education and training, since a high-quality flow of labor may attract capital or give workers skills that are salable elsewhere. On efficiency grounds, also, there is a case for federal grants to consolidate the provision of public services in a limited number of servicing centers. On equity grounds there is a case for federal supplementation of state health services and, possibly, for supplementation of unemployment benefits and private pensions.

Since persistent local labor market disequilibrium may occur in any area, even a currently prosperous one, and since state efforts to attract new capital may be inadequate or liable to lead to "inducement inflation," there is a case for a federal agency to monitor locational tendencies, maintain information on industry-by-industry locational requirements, and act as an information center for business on the opportunities in rural depressed areas and any others experiencing persistent labor surpluses. Further, in high-unemployment areas where the long-run prospects for unsubsidized growth appear strong, there may be economic justification for providing subsidies that directly lower the costs of production of competitive firms in the short run.

CONCLUSION

The gist of this paper is simple. I reject the approach of the noninterventionists on the ground that serious problems of localized unemployment and poverty exist and are likely to persist. Similarly, I reject the approach of the radical transformers, on the grounds that we have insufficient knowledge of the likely effects upon those groups in need (which we have identified as being the target for federal aid) of seeking a balanced growth of the different parts of the urban system. Pascal (1973) captures this whole argument when he says: "Growth centers, rural revivals, new cities have not to date resulted in much elevation of the status of the poor. To promise that they will in the future represent an important escape route from poverty and at the same time to squeeze shut an option of known effectiveness implies more faith in the power of our models than I find myself able to muster."

What we are left with is the need to find specific solutions to the problems of people faced by drastic changes in the demand for their skills, and these solutions should consist of adaptations of the basic processes of rural to urban migration and central city to metropolitan region decentralization.

NOTES

1. The work of Lansing and Mueller (1967) was crucial in giving substance to this idea.
2. The data relate to 1969 when central-city unemployment was 3.9 percent and "ring" unemployment 3.0 percent.
3. West North Central with 18.1 percent and East South Central with 12.2 percent.

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