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INTRODUCTION

Regional economic development was reaffirmed on the nation's agenda with the passage of the Area Redevelopment Act and the creation of the Area Redevelopment Administration in 1961. Economic development has always been a concern of the United States, beginning with the Land Act of 1785. The creation of a national transportation system was proposed by Albert Gallatin in his *Report on Roads and Canals* (1807). Grants for railroad building, river and harbor surveys and improvements, settlement of western lands, and other measures continued through the nineteenth century. In the depression years new emphasis was placed on planning and public works in Franklin Roosevelt's New Deal, especially with the creation of the Public Works Administration and the National Resources Planning Board. Conservation and systematic development were stressed. The Tennessee Valley Authority evolved from an experiment to a permanent element in regional development. State planning commissions proliferated, and most of the elements of a federal program were in one way or another put in place or anticipated. The Second World War interrupted the federal process but induced such great shifts in population location and industrial development that new problems in development came to the fore. Prominent among them were the depressed areas created, in the main, by shifts in

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demand, depletion of resources, and technological change. Extensive pockets of poverty, such as in Appalachia, and the pervasive rural poverty of the South, along with some major industrial areas that faced declining or shifting markets (as in coal and textiles), created a new sense of urgency about the dilemma of decline in the midst of postwar boom.

With Senator Paul Douglas in the lead, the new Kennedy administration responded to the problems of regional growth with the creation of the Area Redevelopment Administration (ARA). In 1965, the agency was redone, expanded, and given greater financial support by its transformation into the Economic Development Administration. Neither ARA nor its successor have had a tranquil life, having had to face successive changes in leadership, hundreds of proposed procedural and substantive changes in the act, few of which were enacted, and periodic extensions of its life span. In later years, EDA has become more and more a vehicle for countercyclical public works programs, though it earlier had led in the development of manpower and other programs tied to job creation in the depressed areas. The severest test was faced in 1972 when the Nixon administration proposed abolishing it altogether in a wave of "New Federalism" and its extension was vetoed. The expectation that the EDA would go out of business prompted its leadership to propose a project that would review the history and development of the agency and evaluate its effectiveness, as well as suggesting appropriate strategies and elements for any successor agency, even though no successor was contemplated at that time. EDA wanted to have in the files, so to speak, a review of its role in economic development. The expectation was that Congress could use this and other records as ready references. The EDA by 1973 was fully, if somewhat reluctantly, committed to closing up the shop.

I never believed Congress would accede to White House wishes in the matter, a belief that was greatly strengthened by events in 1973 which were far removed from regional economic development. When the EDA asked the National Bureau to prepare a research proposal in early 1973, I suggested that by late 1973, as a first stage in the research, a conference be held to give a select group of scholars opportunity to have their say on possible future directions of regional development policy. The papers were to be addressed both to policy matters and the research needed to advance policy discussion. The result was the Conference on New Directions in Federal Economic Development, which was held in Williamsburg, Virginia, on November 30 and December 1, 1973.

As a conference proceeding, the papers are not subject to Bureau rules on review by its Board of Directors. They represent the views of the authors. The Bureau has traditionally eschewed policy pronouncements. Facts are somehow supposed to speak for themselves. But more than facts, indeed years of experience and much study, are necessary to form opinions of value in policy formulation and research guidance. Both the authors and the participants in the conference were chosen for their experience and involvement in research and the administration of area development. What was supposed to have been a swan song conference turned out to be part of a new beginning. EDA is alive and well, and has contributed significantly to the U. S. stabilization and recovery from the severe recession of 1973–1975 with its substantial program of public works grants. These large appropriations by Congress were a response to the recession, and more than ever before put EDA in the business of being an agency primarily devoted to countercyclical, as opposed to depressed area, concerns.

The conference papers generally reflect long-run concerns of the process of economic development. As a result of the eligibility criteria, however, much EDA effort is put on short-run responses to economic changes, and as the eligibility criteria have become more liberal, more areas have qualified for aid. In the case of special public works programs, the spread over the nation is even wider. Funds available for EDA's regular program have not matched growth in responsibilities and were hardly adequate for any substantial impact on the designated areas in the first place. We must recognize that eligibility criteria reflect congressional mandates, and these mandates have changed over time. Certainly since 1970 EDA has become more and more an agency concerned with cyclical matters, and funds have tended to become more readily available for areas at the higher end of the income distribution (of the changing set of designated areas) than for the traditional set of depressed areas characterized by high and persistent unemployment and low income.

At the time the conference took place the oil embargo was upon us, after a summer of increasing gasoline shortages. A luncheon speaker, better unnamed, advised the conferees that the economic outlook was good and that the oil crisis would cause only a temporary difficulty, soon to be overcome by the continued expansion of the economy. I differed with him, saying that unemployment would rise to 6 percent by mid-year 1974 and that the outlook, especially considering the energy situation, was glum. But our speaker was overly influenced by the Council of Economic Advisers' interim outlook, which had been made shortly before, and which proved to be one of their least distinguished looks into the future. The extent of the ensuing recession (November 1973 is dated by NBER as the cycle peak), then unknown, was to involve EDA even more in the countercyclical public works program. Unemployment did not reach 6 percent until later in 1974, but because of the intervening economic and political events Congress did not allow EDA to cease operations. EDA is now carrying out a program with the largest appropriation it has ever had. So much for its demise.

Of the six papers presented at the conference, one, by Robert Haveman, has been published in full in *Regional Studies* (vol. 10, 1976) and is here published in reduced form. The five other papers are presented in their original form as given at the conference. All of the authors have something to tell us about the general strategies used by EDA, about particular ones which seem to them effective or not, and about changes in strategies which might improve EDA performance. While emphasis varies in the degree to which measuring performance may be successful under present data limitations and the limitations of statistical techniques, the need for more careful and complete analysis is favored by all. Designation of "depressed" areas is still the central problem of the agency, however much EDA may think that time and experience may have enlightened them on this. William Nordhaus goes further than the others in questioning the concepts of regional differences via traditional income and employment measures. Drawing on his work with James Tobin for the National Bureau in "Is Growth Obsolete?" which was published by the Bureau in *Economic Growth* (Fiftieth Anniversary Colloquium V, 1972), Nordhaus pursues some refreshingly new thoughts on regional differences in the quality of life and their possible measurement.

The deficiencies of present measured differences, upon which policy and strategies are based, are substantial. The difficulties of developing new measures are very great, and their imprecision would cause their rejection by federal statistical agencies. Measured GNP and per capita income, unemployment rates, and similar accepted criteria, however lacking in sensitivity to real welfare measurement, e.g., real consumption, are the "best" we have. Nordhaus discusses measures of regional indexes of a "measure of economic welfare." No social scientist should avoid the questions raised by Nordhaus, and regional economists and administrators of regional programs in particular should not let these issues remain in the background because they are difficult to solve or may never be solved. The current emphasis on the quality of life—the expenditures for environmental control and health, for example—and the concern with "balanced growth" are but a few of the many elements the public is increasingly concerned with in viewing its real standards of living. An increasingly sophisticated view of real consumption variables is, in my opinion, very likely to change much of the existing set of federal grant and aid programs. Regional programs can be substantially revised as these views emerge and are likely to be undertaken even if the measurement of their effects is maddeningly imprecise to the scientist. The scientific community will have to catch up with the policymakers. After all, Congress has enacted more than one program without knowing what its effects would be, and it is not likely to wait around for the statistical community, for one, to bless new programs before the bills reach the floor. As an nation we like to experiment. We hope we learn by doing. The Nordhaus and Tobin data "suggest we have grossly overestimated the importance of the rural-urban income differential in regional comparisons of the level of income," and I suspect the migration data of the future will confirm Nordhaus's observation.

If the Nordhaus observations seem to readers to cast too much doubt on some traditional measures of development, they may find themselves with further doubts on the more accepted measures of regional impact studies after reading Robert Haveman's report. This is a perceptive discussion of the range and shortcomings of existing regional impact studies, when account is taken of what ought to be known for policy evaluation and program development. The requirements of an ideal regional impact analysis are enumerated, and suggestions for closing the gap between existing analyses and the ideal are given. Here Haveman stresses the need for studies that will show the effects of policy instruments on nontarget as well as target regions, given the high degree of interdependence among regions. He argues for evaluations aimed at estimating a common set of economic impacts, with attention to important linkages between policy actions and regional impacts, such as induced investment effects and interregional employment and income distribution and environmental impacts. He believes that too much attention has been focused on evaluating the impacts of individual projects or small programs, when the primary emphasis of impact research ought better to be on the regional effects of major policy strategies, such as those concerned with national energy policies, welfare reform, national health insurance, and the like.

William Miernyk addresses several questions including EDA effectiveness in relieving urban economic distress. Citing the Oakland, California, experiment in particular, he concludes that an objective evaluation of effectiveness in this case is not possible, but is doubtful of EDA's effectiveness in such large urban areas. Miernyk believes that EDA would be better able to concentrate its limited resources through a combination of capital subsidies via a tax credit mechanism and wage subsidies for the unemployed, with growth centers strictly defined and designated on the basis of a demonstrated need for economic development. He believes that spreading EDA's resources over much of the United States cannot be effective; yet he is not sanguine about his own concept of an effective strategy, preferring not to engender false hopes of achieving a textbook equilibrium.

Miernyk cites several external and internal studies of EDA that evaluated its programs. Studies of the business loan program confirmed its positive effects, but evaluation of public works effectiveness on job creation is much more difficult. Miernyk classified the public works projects according to their direct, indirect, or amenity links to economic development. On that basis, almost 79 percent of the public works disbursements through 1972 were for amenities, i.e., they served a community need but did not have a direct link to a specific economic activity or an indirect link via removal of some barrier to expansion not tied to a particular firm. Amenity investments might have an economic impact but there was no guarantee they would contribute to local economic development. Nonetheless, amenity investments would still be part of an economic development program in Miernyk's view, but that program would be much less liberally spread over the nation.

The papers by William Alonso, Gordon Cameron, and Niles Hansen are addressed to the problems of regional development from different perspectives and the emphasis each author puts on various program elements differs as a result; yet the three exhibit agreement more often than not. None are satisfied with present programs. All see the need for broader and more flexible policy responses to regional differences. All take a very broad view of regional development and change.

The broadest view is taken by Alonso. He observes that the renewed interest in the regional dimension of federal policies is "in some measure a response to disillusion with problem-oriented programs, a search for a larger context" and that "our situation of the past decade might be called a plethora of programs in search of a policy." But the idea of a national plan often thought of in the context of land use "is a chimera" for it presumes we know how the system works and that "we are clear enough in our own minds as to what we want to be able to plot a clear course from where we are to where we want to arrive."

Cameron would call those who think they know where we are and where we should go the "radical transformers," as distinct from the "adaptors," who believe competitive forces have not and are not likely to create optimal allocations, and the "noninterventionists," who believe competitive forces work toward optimal spatial distributions of population and economic activity. Hansen thinks that the sentiment for doing something for islands of poverty has considerably abated and that the preservation of the status quo is in reaction to the activism of the 1960s. Alonso, Cameron, Hansen, and probably most regional economists can be put in the adaptors' camp. Too much is unknown for anyone to take up the mantle of the radical transformers, and enough is known of the failures of market forces to discourage anyone from subscribing to the prescriptions of nonintervention.

We are very likely to continue to have programs in search of a policy. The case for federal intervention can be made, and both Alonso and Cameron make it. There is no simple justification for intervention. However, the federal programs are so large and varied, and have so many impacts, that there is a prima facie case for intervention as long as economic processes transcend state boundaries while rural-urban shifts and metropolitan-region decentralization continue. None of our authors would argue, however, for intervention that would radically alter present settlement trends. To Alonso the "belief in the automaticity of the process from infrastructure to jobs has been one of the least commendable features of many programs," while "human capital programs have traditionally been slighted by regionally oriented agencies." Emphasis has also been placed on obtaining employment growth in manufacturing when, in fact, the probabilities for such growth have diminished: the absolute number of production jobs in manufacturing has been almost static for three decades. Both Alonso and Cameron stress the growth of service activities, especially in the urban centers. Alonso cautions, however, that despite the rapid growth of the service sector it "remains for the most part *terra incognita*" and little is known of its locational dynamics. Yet the reader may be reminded of Colin Clark's growth model which made a central point of the "tertiary" activities of advanced economies.

Cameron and Hansen both stress the need for increased efforts to solve problems of labor market spatial disequilibrium. In their view, better labor market information, relocation assistance for some and wage subsidies for others, and encouragement of centers most likely to grow are needed. Alonso believes a growth center strategy makes sense in its concentrated efforts, but reminds us that there is no objective means of identifying growth centers and that their proliferation by the political process is likely. Alonso is wary of notions of "balanced growth." They are inherently nonoperational. Population decline in various areas is to be expected in response to declining economic opportunities. These economic opportunities have not moved to the cities so much as they have declined in certain places as part of the "evolutionary logic of these activities in their own regions." The fact that some other places will grow does not mean that the growth experience can be learned and "applied to all declining places." Alonso reminds us that we have paid very little attention either in theory or in empirical studies to the phenomenon of decline and that there is an urgent need for its study.

Alonso, Cameron, and Hansen are people-oriented, i.e., their emphasis is not on place. Thus, subsidies to people take preference over subsidies to capital. Infrastructure investments are not high on their agendas.

While each of the authors suggests policy changes and increased emphasis on certain programs, Alonso prefers more than any of the others a new look at service activities and at government's role in advancing these activities and influencing their location. The notion of externalities as the prime reason for the territorial dimensions of our problems and the regional issues they raise, and the hope for new ways of looking at national policy as a context for problem-oriented programs, should stimulate much discussion and we hope, much thought, in policymaking circles. We may be indebted also to Alonso for reminding us of the social and other aspects of territorial development and of development as a learning process. His warning that "problem-oriented programs . . . cannot add up to a national policy, but it is unlikely that they will be replaced by it" should, if it does not give us hope, at least spur us to reform. The "geographic perspective of all social issues" must be ascertained. Many will be important, and their realities will have to be dealt with.

The papers presented here cover a wide range of problems with spatial or geographic content. Many institutions, government and private, have an impact on the territorial dimensions of national problems. These problems go beyond EDA and its limited role in economic development, but within its own sphere it is a pretty fair bet that it can improve its performance. The conference papers reflect both the dissatisfaction with EDA performance and the hope for its improvement. Aspirations have not been much dimmed by the realities of the difficult job.

The research on economic development programs was completed for EDA and will be published in revised and reduced form outside the Bureau. Robert Leone and Curtis Martin are authors of that work. Another part of the report to EDA, containing the statistical appraisal of EDA impacts by Mahlon Strazheim, will be published at a later date. Ester Moskowitz has performed the difficult task of editing (most) all of that work, including this issue of *Explorations.*

Robert Leone and I directed the research efforts. The perceptive comments of John Meyer as the work proceeded were of great value to all the participants. Aiding me in preparing for and setting up the Williamsburg conference were Jill Kaiser, Donald Gilmore, and Robert Leone. I am much indebted to them and to the staff of the Williamsburg Conference Center for their help. William Blunt, then acting administrator of the Economic Development Administration, and Sam Rosenblatt, then director of the Office of Economic Research, Roger Prior and Eli March of the Office of Economic Research, and Herbert Becker of the Office of Program Analysis were of continuous help and encouragement to all of the Bureau staff involved in the work. I extend heartfelt thanks to the authors of the conference papers for their help and cooperation. Their patience in waiting for their work to appear is to be commended.

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