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SOUTHERN ECONOMIC DEVELOPMENT: SOME VIEWS ON RESEARCH NEEDS

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The purpose of this paper is to present some ideas on research needs in the area of Southern Economic Development. Discussion is centered on subtopics of agricultural development, industrial development, and research orientation. Exposition is generally in terms of questions posed but unanswered.

AGRICULTURAL DEVELOPMENT

The traditional role of agricultural development has been to provide for food and fiber needs with fewer and fewer resources, thus, freeing resources for use in producing other goods and services associated with a higher standard of living. Such a process requires that nonagricultural enterprises be able to effectively use the kind and amount of unneeded farm resources thus released [5]. It is readily apparent that individuals displaced from farming employment by agricultural technology¹ may be no better off (or even worse off) if they are unqualified by education and skills to win employment in business or industry.

Thus, desirable adjustments in agriculture hinge on other factors, such as investment in education and presence of jobs in local areas, or the availability of assistance in finding jobs outside the local area. There may be cultural and institutional (as well as economic) barriers to development². Without external influence or interference in the form of planned development programs, current undesirable differentials in income may be self-perpetuating.

Opportunities for aiding the economic development of an area (i.e., raising the incomes of rural residents) perhaps exist mostly in terms of industrial develop-

ment, but agricultural development could also contribute significantly in specific geographic areas. The farm programs of the present and the past 35 years bear on economic development. Perhaps too much emphasis has been placed on how big agriculture is, without sufficient regard for secondary effects and contributions to local, area, and state economies. What effects have program emphases on volume-associated benefits had on the present structure of farming in low income areas? What beneficial effect (in terms of local economic development) might certain reorientations of such commodity programs have? One such reorientation might take the form of payment limitations which could conceivably inhibit development by lessening the demand for agribusiness services and products as well as lowering the demand for consumption goods and services.

The need for studying the problem of farm-nonfarm linkages received considerable impetus during the 1950's. Withdrawal of cropland lessened the demand for purchased inputs, as well as encouraging many farm families to migrate to urban areas. Consequently, many farm related businesses as well as other services suffered from a decline in their trade.

We should know more about the impact of such programs than their direct monetary effects through payments to "commercial" farmers. How much of these payments has been to "small" farmers? What contribution has been made to the stability and growth of agribusiness firms through maintaining or increasing input demands? How many jobs have been provided for rural residents through multiplier effects stemming from a prosperous commercial agriculture?

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¹ It is estimated that 30 percent fewer man hours of farm labor will be required in 1980 than in 1967 [1, p. 115].

² See [2] regarding these factors.

INDUSTRIAL DEVELOPMENT

As pointed out above, opportunities for aiding the economic development of an area perhaps exist largely in terms of industrial development. In one sense, economic development of rural areas does not proceed independently of the remainder of the economy; although national economic growth may be the sum of conditions in all sub-areas, it still provides the climate and stimulus towards growth in smaller segments of the economy. In another sense, however, the problem of economic development in the South is lack of a sufficient core of staple or export industries in the rural periphery as contrasted to urban centers. The export staples of continually growing regions do not remain constant. As older staple industries begin to falter, some new export activity replaces them in a growing region. Many older industries filter out into the peripheral area where competition for resources is less keen. Since the South is characterized by the older farming areas of the country, the development of industry is likely to be more difficult than in areas adjacent to older industrialized centers.³

If it is accepted that industrial development is required to relieve the low income and underemployment problems of a rural area, would the job come to the worker, or should the worker be moved to the job? Theoretically, the market has allocated private investment capital so that net returns are as high as possible. Thus, any shift of capital to locate industrial activity in rural areas would conceivably reduce the monetary returns. But the social desirability of such relocation may offset this financial loss so that private enterprise could receive a measure of subsidization in order to provide employment for many whose labor opportunity cost is essentially zero. What are the proper criteria for making such an evaluation? What is the role of government funds in subsidization of private industry for development purposes?

In order to evaluate industrial development potential, it is necessary to know what such development has occurred (when, where, and for what reasons); the level of business, government, and related activities; schools, churches, recreation, and other public services available; and the labor and transportation situation. Generally, the requirements for raw materials, labor, and markets determine the type of area or general locale in which plants locate. There may be many other reasons why a plant is placed at a certain location within such a general area. Other things equal, economic enterprises will prefer to locate where attractive public services are available. Just how strong are these attractions? How effective can we expect

programs of public investment in schools, recreation, medical services, etc., to be?

We could know more about the requirements for attracting industry, and we especially need to know more about the profitability of courting various types of industry. How do industries compare in their contribution to growth in the local community? Communities striving for development need the greatest return for dollars spent in industry attraction, with consideration given to long-term growth potential as well as short-run benefits.

RESEARCH ORIENTATION AND SUMMARY OF NEEDS

The ultimate aim of economic analysis is to provide for rational decision making. Thus, it is the role of the economist to objectively evaluate the alternatives available and to present this evaluation in terms of what can or cannot likely be achieved. This is not to say that it is incumbent on the economist serving the public to say what should be done, but rather what could be done and at what cost.

But it is possible to be too hesitant about exploring some possibilities for fear of implying that certain alternatives are good in a normative sense. Economic development has no artificial boundaries in terms of content - it should have no artificial limitations placed on the research methods and imagination that are employed in seeking answers to questions of growth in income, employment, and the general social welfare.

Perhaps, one of the greatest deterrents to coordinated research efforts on problems of economic development is reflected in our lack of formal theories of how development occurs at the area or regional level. Such a formal framework for analysis is not so obviously lacking at the firm and national levels. The heterogeneity of units that may be considered in the development process (counties, districts, areas, states, regions, etc.) complicates the development of coherent theoretical guidelines. What has been developed has been primarily through extending empirical results. It may well be that the greatest contribution in regional and area economic growth will come from empirical studies that focus on specific situations, laying out needs and projecting outcomes for alternative means of achieving fuller employment, higher incomes, better educations, and higher levels of community services. But, such empirical studies require some framework of orientation as to what constitutes a viable economic development area or trade area. Further research on this question, followed by

³ See [6], pp. 13-21 for a discussion of theories of poverty and economic stagnation and pp. 84-88 regarding industry location and inducement.

empirical analyses, could reasonably provide for the determination of an optimum mix between agricultural and industrial development for given resource situations.

For all our work in area adjustments within the farming sector, little is known about the impact of changes in agriculture on the local economy. There also exists the need to ascertain the effectiveness of various kinds of public investment programs (e.g., investments in natural resources, recreation, education, medical care, employment services, welfare services, etc.) which have been offered as solutions to the problem of lagging economic development. Perhaps, too much research has been focused narrowly on natural resources (i.e., material aspects) on one hand and human resources (i.e., primarily qualitative aspects) on the other. We could bridge a gap between natural resource development and human resource development by concentrating on understanding how various programs and activities affect income distribution. Such coordination between subdisciplines would serve to keep economic development "people" oriented.

If we select income distribution as the relevant criterion, we are logically induced to more explicitly define economic development. The usual definition of "rising per capita incomes" does not provide a substantive base for comparison or evaluation. The attachment of a quantitative measure such as an "acceptable" rate of growth provides some improvement,

but isn't our desired guideline a growth in the average level of income with specified minimum levels for individuals or families? This at least appears to be the crux of the controversy about commodity program payments to farmers where minimum-level allotments (in cotton, for example) receive premiums. Such, also, is the implication of reports by national study commissions and others [1, pp. 115ff.; 4, pp. ix-xii; 3, p. 75].

These questions touch on only minute aspects of the overall problem of development. They are mentioned here because they emphasize the need for a better understanding of the major economic linkages among the various producing, business, and public service sectors of an economic or geographic area.

The greatest prospect for success in achieving the objective of development of rural areas lies not in an isolated examination of various segments of activity in regions characterized by lagging economic development, but by concentrating on the linkages and interactions between the various segments. This in no way detracts from the earlier statement about the potential usefulness of empirical analyses of specific situations, but is intended to emphasize the futility of such analysis in isolation. The complementarity of agriculture, industry, and public services for attaining growth in income and employment requires better understanding - and the acquisition of such understanding necessitates an imaginative research endeavor by concerned economists.

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