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Federal Reserve Bank of Chicago - -

January 11, 1963

Adjustment to change is a continuous process in all kinds of activities. And, while the long-run results almost invariably are highly beneficial, it often is inconvenient or costly to make adjustments. There is a strong inclination, therefore, to postpone such action. To encourage a faster pace of adjustment in both rural and urban areas, the Government has undertaken a number of programs in recent years.

In the nation, 927 areas have been declared eligible for assistance under one or more of these programs. Although most of the eligible counties are in the South and Appalachian regions, there is a substantial number in the Midwest (see back of Letter).

The Rural Development Program was started in 1955 on a "pilot" basis. Efforts were made to coordinate the work of existing agencies to promote the establishment of new manufacturing and trade firms, improve farming practices, develop recreation facilities and expand hospital and school facilities and other needed public services. During the first year of the program 51 counties were selected in areas where:

1. Most farm families lived on farms with low productive capacity incapable of utilizing available labor or too small to provide adequate incomes;
2. Lack of capital limited needed adjustments and investments to provide adequate incomes.

Beginning in 1959, the program was expanded and by the end of 1960 over 200 counties were participating.

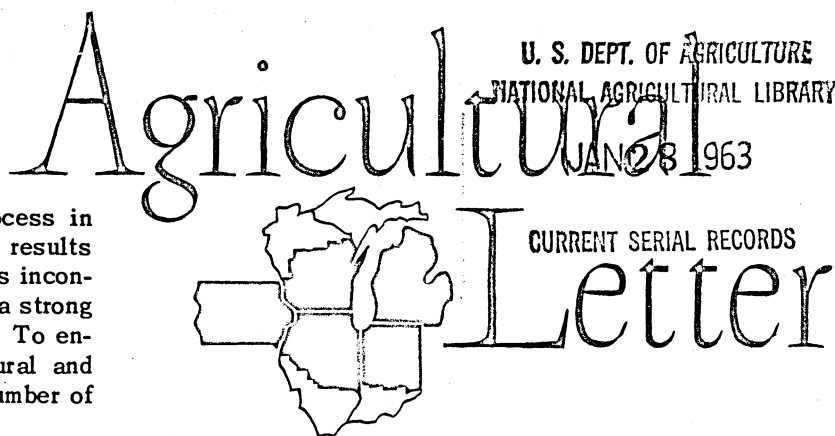
The Area Redevelopment Act of 1961 supplemented and broadened the programs already under way. In addition, the act authorized funds for loans, grants and technical aid to private businesses and local governments to initiate new activities. The act was broadened to cover not only rural areas with low incomes but also urban areas with chronic unemployment.

Criteria established to determine rural counties eligible for development aid are:

1. Counties in which half of all families had incomes of not more than \$1,887 in 1959;
2. Counties in which half the farm families had incomes of not more than \$1,415 in 1959;
3. Rural counties in which very small areas of high unemployment existed;
4. Counties with over 60 per cent of commercial farms selling less than \$2,500 of farm products in 1959.

Criteria established to determine urban areas of high unemployment eligible for aid are that the past or present rate of unemployment is 6 per cent or more of the working force.

The Manpower Development and Training Act of 1962 provides funds for vocational training and for assistance to trainees while they are receiving training. The training is designed to prepare workers for jobs in new and expanded local industries or in other areas.



Number 686

The act provides the following criteria for selecting people for training:

1. Persons who cannot be reasonably expected to obtain fulltime employment without training;
2. Members of farm families with less than \$1,200 annual net income.

The Accelerated Public Works Program of 1962 is designed primarily to stimulate employment through accelerating government expenditures for building and improving community facilities such as roads, hospitals, flood control works, sewage disposal facilities and public housing.

The program authorizes the Federal Government to initiate and accelerate public works in areas which have been designated as eligible under the 1961 Area Redevelopment Act and in those areas which the Secretary of Labor determines have suffered from substantial unemployment for at least 9 of the preceding 12 months.

The objective of economic activity is to provide the maximum production of consumer goods and services through maximum economic growth. To achieve this requires that the limited resources available in the economy be used as efficiently and productively as possible. Under the operation of the free market mechanism, the shift of resources to the most productive uses is accomplished through the incentives of higher returns in those activities. For individuals, the absence of adequate information about employment alternatives and the lack of appropriate skills required in these alternative occupations makes the adjustment process slow, imperfect and painful.

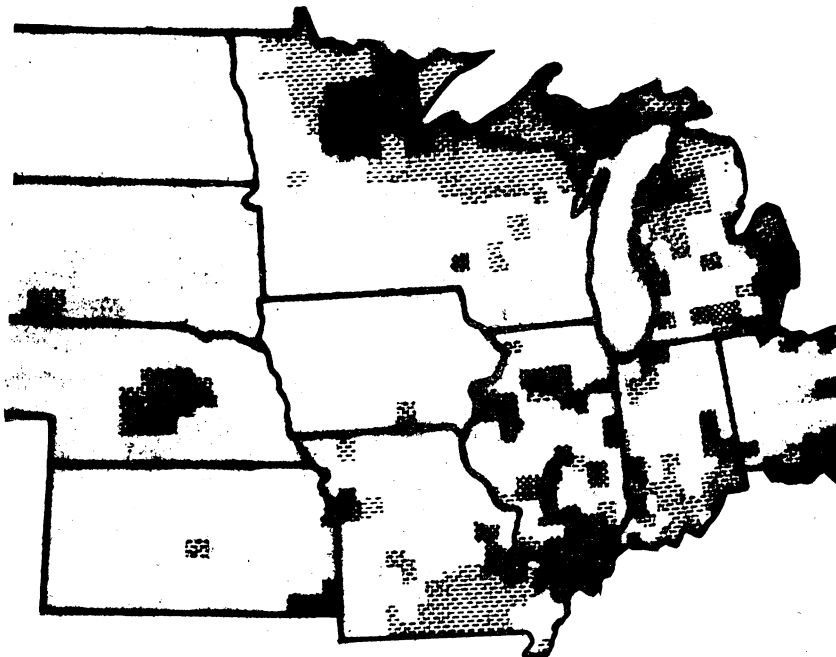
In this context, development programs should not be viewed as a "cure-all" to eliminate continuous need for adjustment but rather as one of many means to achieve desired goals. The major decisions about adjustment will, of course, be made by individuals, businesses, community groups and local governments, guided by their private desires to improve their situations; but the state and national governments can play an important role in encouraging and assisting needed adjustments. One can be hopeful that the expanded activities of the Federal and state governments in recent years will assist a more rapid and less painful adjustment to the forces of economic change.

Research Department

Rural Development Programs Aid Low Income Counties

RURAL AREAS

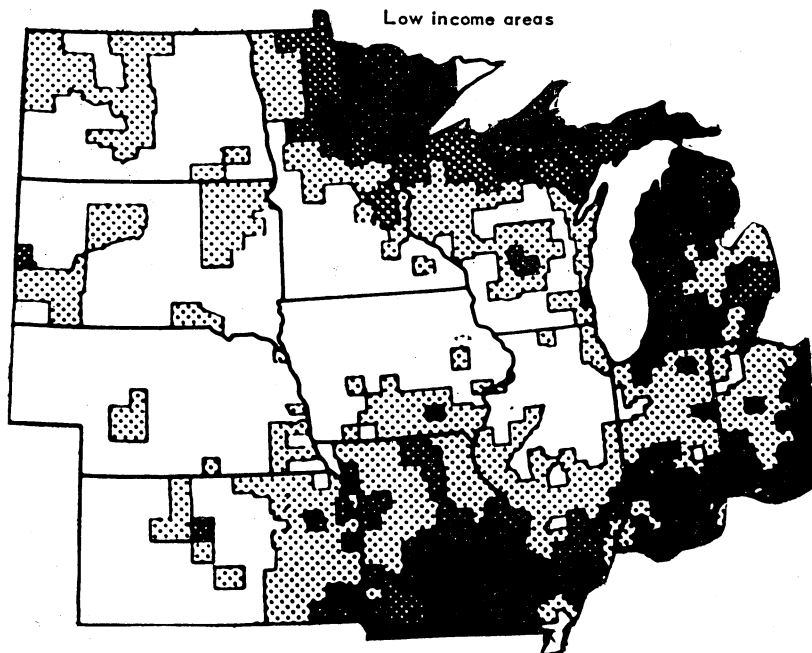
Development counties



Urban areas of unemployment

Areas of low income; low farm production; low farm income; very small areas of unemployment; Rural Development counties or others

Low income areas



Criteria for inclusion are as follows:

- (1) Low income
- (2) Low farm income (none in 12-state area)
- (3) Rural development counties
- (4) Low production farming
- (5) Very small areas of unemployment
- (6) Other

REDEVELOPMENT AREAS - SEPTEMBER 1962

ILLINOIS

Calhoun (5)
Carroll (5)
Edwards (5)
Jersey (5)
Marshall (5)
Mercer (5)
Monroe (5)
Moultrie (5)
Randolph (5)
Richland (5)

INDIANA

Clark (3)
Clay (5)
Crawford (3)
Dearborn (5)
Greene (5)
Harrison (3)
Jasper (5)
Jennings (5)
Lawrence (5)
Martin (5)
Monroe (3)
Morgan (5)
Ohio (3)
Orange (3)
Perry (3)
Pike (5)
Pulaski (5)
Ripley (3)
Scott (5)
Spencer (3)
Starke (5)
Sullivan (5)
Switzerland (3)
Vermillion (5)
Washington (5)

IOWA

Appanoose (5) & (6)
Monroe (6)

KANSAS

Rice (3)

MICHIGAN

Alger (3) & (5)
Antrim (5)
Arenac (5)
Baraga (3) & (5)
Benzie (5)
Charlevoix (5)
Cheboygan (5)
Chippewa (3) & (5)
Crawford (5)
Dickinson (3)

MICHIGAN (cont'd)

Emmet (5)
Gogebic (3) & (5)
Gratiot (5)
Hillsdale (5)
Houghton (3) & (5)
Huron (5)
Iron (3)
Keweenaw (3) & (5)
Lake (5)
Lapeer (5)
Livingston (5)
Luce (3) & (5)
Mackinac (3) & (5)
Manistee (5)
Mecosta (5)
Menominee (3)
Missaukee (5)
Oceana (5)
Ontonagon (3)
Osceola (5)
Otsego (5)
Presque Isle (5)
Roscommon (5)
Sanilac (5)
Tuscola (5)
Van Buren (5)
Wexford (5)

MINNESOTA

Beltrami (3) & (5)
Carlton (3)
Clearwater (3) & (5)
Cook (4)
Douglas (5)
Hubbard (3) & (5)
Kanabec (3)
Koochiching (3)
Lake (3)
Lake-of-the-Woods (3)
Pennington (5)
Pine (3) & (5)
Roseau (5)

MISSOURI

Bollinger (1)
Carter (6)
Dallas (1)
Dent (3)
Douglas (1) & (3)
Grundy (3)
Hickory (1)
Howell (3)
Lafayette (5)
Mercer (3)
Oregon (6)

MISSOURI (cont'd)

Ozark (1)
Pemiscot (5)
Reynolds (1)
Ripley (1)
Shannon (1)
Stone (3)
Taney (3)
Texas (6)
Wayne (6)
Wright (1)

NEBRASKA

Boone (3)
Buffalo (3)
Custer (3)
Dawson (3)
Garfield (3)
Greeley (3)
Howard (3)
Loup (3)
Nance (3)
Sherman (3)
Valley (3)
Wheeler (3)

OHIO

Highland (3)
Morgan (3)
Perry (5)
Washington (3)

SOUTH DAKOTA

Shannon (1)

WISCONSIN

Ashland (3) & (5)
Bayfield (3) & (5)
Burnett (3)
Door (5)
Florence (3)
Forest (3) & (5)
Iron (3) & (5)
Juneau (5)
Langlade (3)
Lincoln (3)
Marinette (3)
Menominee (6)
Oneida (3)
Portage (5)
Price (3) & (5)
Rusk (3)
Sawyer (3) & (5)
Taylor (3)
Vilas (3)
Washburn (3)

NOTE: Indian reservation not included.

per cent of farms with less than \$2,500 gross sales by counties—1959

