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Dimensions of the Depressed Area Problem*

Vernon W. Ruttan**
Department of Agricultural Economics
Purdue University

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Area development legislation has been considered in each session of the United States Congress since 1955. Both parties have introduced such legislation. Disagreement within Congress, and between Congress and the Executive with respect to the nature and acuteness of the area development problem; the possibilities of alternative program proposals; and the appropriate role of the Federal Government in area development has prevented either the passage of the legislation by Congress or its acceptance by the Executive.

It is more apparent today, however, than at any time during the last decade that in an increasing number of labor market areas unemployment and underemployment responds sluggishly, or not at all, to the generalized monetary and fiscal policies utilized to regulate fluctuations in the general level of employment (Table 1). There is every indication that increasing awareness of the area dimension of the structural unemployment problem combined with strong support from the Executive will result in the Douglas Area Development Bill becoming law within the next few days.

The Area Development Bill, as amended, provides for the establishment of an Area Development Administration within the Department of Commerce. Redevel-

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Table 1. Major Labor Market Areas Classified as Having a Substantial Labor Surplus During Periods of High Employment and Unemployment, 1951-61.

Period	Low Unemployment	High Unemployment
1951 (Jan-April)	11	
1952 (Oct-Nov)		19
1953 (May and June)	15	
1954 (May and June)		53
1955 (Nov-Dec)	19	
1956 (Jan-Feb)		
1956 (Nov-Dec)		
1957 (Jan-Feb)		
1958 (May-Aug)		90
1959 (Nov-Dec)	32	
1960 (July-Aug)	42	
1961 (Jan-Feb)		101

Source: Tabulated from U. S. Bureau of Employment Security, Area Labor Market Trends, Bimonthly.

opment areas will be defined to include both urban areas of substantial and persistent unemployment and rural areas characterized by substantial and persistent unemployment or underemployment.^{1/}

The Douglas Bill provides authority for the Administrator (1) to make loans to finance the purchase of industrial sites and the construction or modernization of plants; (2) to make loans and grants for improvement of public facilities; (3) for technical assistance in local development planning; (4) for urban planning and renewal assistance; and (5) for expansion of vocational training and retraining including the payment of subsistence grants to trainees.^{2/}

In this paper I identify the magnitude of the unemployment and underemployment problem in the areas which meet the definitions employed in the Area Development Bill and point to some considerations that will influence the impact which the programs developed under the Bill can have on the redevelopment areas.

The Redevelopment Areas

The redevelopment areas presumably will include most of the areas currently designated as areas of chronic labor surplus by the Department of Labor^{3/} and as generalized low income rural development areas by the Department of Agriculture.^{4/}

The Chronic Labor Surplus Areas

In September 1960, just prior to the current recession, 42 major and 116 smaller labor market areas were classified by the Bureau of Employment Security as having "substantial labor surpluses". -- that is, 6 percent or more of the local labor force unemployed.

Twenty-two of the 42 major labor surplus areas and 74 of the 116 smaller areas were classified as areas of "substantial and persistent" unemployment on the basis of criteria similar to that employed in the Douglas Bill. Of the 22 major metropolitan labor markets currently classified as chronically depressed, 16 have been in this category since they were initially classified as having a substantial labor surplus during 1951-53. Another 6 were initially classified as having substantial labor surplus during 1954-57. Whether a group of 10 additional areas that were first classified as having substantial labor surplus in the 1957-58 recession and still have failed to recover^{5/} plus several other areas first classified as depressed areas during the current recession^{6/} will remain in this category will not become clear until after employment levels have again recovered.

By September 1960, 11 major labor market areas previously classified as chronically depressed had experienced sufficient growth in employment to have the chronic designation removed -- 5 from the group that were initially classified as having "substantial and persistent labor surpluses" in 1951-53 and 6 from the group that were first placed in this classification in 1954-57. Again it will be neces-

sary to wait until the end of the current recession to see if these areas continue to remain off the chronic list, or whether other areas recently classified as chronic, emerge from that category.

A comparable analysis has not been completed for the smaller labor market areas. It is noted, however, that of the 74 smaller labor market areas classified as having "substantial and persistent" unemployment in September 1960, 64 were experiencing "substantial unemployment" in June 1955, a period of relatively low unemployment.^{7/}

The chronic labor surplus areas tend to be concentrated geographically. In September 1960, 82 of the 96 major and smaller labor surplus areas were located in three regions: (1) the Northeast contained a total of 39 chronic labor surplus areas, 16 in Pennsylvania alone; (2) The Upper South, including North Alabama, accounted for 28, 12 in West Virginia alone; and (3) Illinois, Indiana and Michigan accounted for a total of 15 areas.

For a substantial number of these communities the condition of chronic depression appears to be based on one or a combination of the following four elements: shifts in the regional distribution of industrial location, international competition, shifts in demand, and technological change.^{8/} Shifts in the regional distribution of the textile industry has been of continuing importance in the Northeast. After World War II the woolen and worsted industry and the full-fashioned and seamless hosiery industry followed the cotton textile industry to the Southeast. More recently many of the new textile areas in the Upper South have experienced unemployment resulting from competition by textiles imported from the Far East. In two of the hardest hit areas, Pennsylvania and West Virginia, technological changes in transportation, some of which were reflected in declining demand for coal and others in shifts in demands for transportation equipment were of major importance.

Table 2. Major Labor Markets of Chronic Labor Surplus.

Major Labor Markets	No. of Bimonthly Periods Reported as "Substantial Surplus"									
	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960 ^{a/}
<u>Chronic Group Ia (10-yr.)</u>										
Terre Haute, Ind.	3	6	6	6	6	6	6	6	6	4
Lawrence, Mass.	3	6	6	6	6	6	6	6	6	4
Lowell, Mass.	3	6	6	6	6	6	6	6	6	4
Altoona, Pa.	3	6	6	6	6	6	6	6	6	4
Scranton, Pa.	3	6	6	6	6	6	6	6	6	4
Wilkes-Barre, Pa.	3	6	6	6	6	6	6	6	6	4
Providence, R.I.	3	6	6	6	6	6	6	6	6	4
Fall River, Mass.	1	3b	3b	6	5	4	6	6	6	4
Atlantic City, N.J.	1	6	6	6	6	4	4	6	6	4
New Bedford, Mass.		3b	3b	6	6	4	4	6	6	4
Utica-Rome, N. Y.		3b	2b	6	5	2	3	6	6	4
Durham, N. C.		4	6	6	5	2	3	6	6	4
Mayaguez, P. R.		4	6	6	6	6	6	6	6	4
Ponce, P.R.		4	6	6	6	6	6	6	6	4
San Juan, P.R.		4	6	6	6	6	6	6	6	4
Johnstown, Pa.			4	6	6	6	6	6	6	4
<u>Chronic Group Ib (7-yr.)</u>										
Duluth, Minn.				5	6	6	6	6	6	4
Charleston, W.Va.				5	6	6	5	6	6	4
Huntington, W.Va.				5	4	4	3	6	6	4
Erie, Pa.				4	6	3	3	6	6	4
Evansville, Ind.				2	2	6	3	6	6	4
Detroit, Mich.						4	5	6	6	4
<u>Recovered Group IIa (10-yr.)</u>										
Asheville, N.C.	2	6	6	6	6	5	5	6	4	
Reading, Pa.		2b		4b	4		1	5	2	
Winston-Salem, N.C.		4	6	6	2					
Tacoma, Wash.		3	6	6	6	2		4	3	
Albuquerque, N.M.			2	6	3					
<u>Recovered Group IIb (7-yr)</u>										
Muskegon, Mich.				6	1	3	6	6	4	
South Bend, Ind.				5	6	4		6	2	
Knoxville, Tenn.				4	5	4	5	6	3	
Flint, Mich.						3	3	5	6	
Kenosha, Wis.						4	6	4		
Grand Rapids, Mich							5	6	3	

a/ Through August 1960.

b/ Allocation of number between two years uncertain.

Source: Data provided by J. M. Peterson, Associate Director, Industrial Research Center, University of Arkansas. Compiled from U. S. Bureau of Employment Security, Area Labor Market Trends.

During the period between the 1958 and 1960-61 recessions, the "chronic" labor surplus areas typically accounted for about 5 percent of the Nation's non-agricultural labor force and 15 percent of the nation's total unemployment. The unemployment rate was somewhat more than double the national average - just under 11 percent as compared to about 6 percent. If a 4 percent unemployment rate is regarded as normal then the total number of chronically unemployed workers in the areas where the labor surplus has been "substantial and persistent" is, on the Basis of Employment Security Data, approximately 315,000 (total unemployment 490,000 less "normal" unemployment of 175,000).

It should be emphasized, however, that use of the Employment Security Data results in an extremely conservative estimate of the number of workers who are unemployed due to chronic depression in the labor market areas in which they reside. The Bureau of Employment Security's reporting and classification program consistently covers only the 150 "major" labor market areas which have a central city with a 1950 population of at least 50,000. "Smaller areas" with a labor force of 15,000 or more are reported only when they are officially classified by the Bureau as areas of "substantial labor surplus". The Federal labor market classification program, therefore, does not currently provide regular coverage for all areas or for all workers. Only non-agricultural wage and salary employment is surveyed and the areas covered by the national reports account for less than 70 percent of the Nation's non-agricultural employment. Even in the areas that are included it seems likely that the extent of unemployment is underestimated. This is particularly true in the chronically depressed areas where long unemployment results in the elimination of substantial numbers of workers from the labor force estimates.

It seems quite reasonable, therefore, to assume that the number of non-agricultural workers who are unemployed due to the chronic nature of unemployment in

the labor markets in which they reside is at least 500,000 rather than the 315,000 estimate derived directly from Employment Security data. This figure could be expanded to well over 1,000,000 if labor force participation rates in the chronic labor surplus areas were to rise to levels currently achieved elsewhere in the nation.^{2/}

The Rural Development Areas

A large number of rural areas as well as urban labor market areas are characterized by the problem of persistent labor surplus. The magnitude of this surplus is typically not measured in terms of unemployment but rather by underemployment - that is in terms of employment at levels of productivity or income below the levels that comparable workers are receiving elsewhere in the economy. Although the precise extent of the underemployment problem in rural areas is hard to identify some of the dimensions of the problem can be captured by available data.

It is clear, for example, that agricultural underemployment in its area dimension, in contrast to its personal dimension, is concentrated heavily in the South and in certain peripheral areas such as southern Ohio, Indiana, Illinois and Missouri.^{10/} In these areas, designated by the Secretary of Agriculture as generalized low income rural development areas, non-farm employment has not expanded at a sufficiently rapid rate to absorb the new entrants to the labor force resulting from population growth plus the workers released from productive employment in agriculture by a rapidly expanding agricultural technology. Although migration out of the region has been rapid, it has been impeded by institutional barriers at both the local level and in urban labor market areas.^{11/} As a result the generalized low income areas are characterized by a high level of underemployment in agriculture and by high levels of both unemployment and underemployment in the small towns and cities of the region.

One indication of this concentration is that in 1959 the South accounted for 522 thousand or 54 percent of the nation's 966 thousand full time commercial farms with sales of less than \$5,000 (Table 3). In spite of the fact that farms with sales of under \$5,000 declined from 1.1 million to 522 thousand in the South between 1954 and 1959 more than 57 percent of all southern farms had sales of less

Table 1.9. Regional Distribution of High and Low Production Commercial Farms, 1954 and 1959.

		All Commercial Farms	High Production commercial farms (Sales from \$10,000 or over)	Low Production com- mercial farms (Sales of less than \$5,000
1.91 Number of high and low production commercial farms in each region.				
		(000's of farms)	(000's of farms)	(000's of farms)
United States -	1954	3,328	583	2,038
	1959	2,514	794	966
North -	1954	1,628	357	804
	1959	1,273	478	388
South -	1954	1,405	123	1,109
	1959	911	197	522
West -	1954	294	103	125
	1959	228	118	56
1.92 High and Low production commercial farms as a percentage of the regional total.				
		(percent)	(percent)	(percent)
United States -	1954	100.0	17.5	61.2
	1959	100.0	31.6	38.4
North -	1954	100.0	21.9	49.4
	1959	100.0	37.5	30.5
South -	1954	100.0	8.8	78.9
	1959	100.0	21.6	57.3
West -	1954	100.0	35.0	42.5
	1959	100.0	51.8	24.6
1.93 High and low production commercial farms in each region as a percentage of the United States total.				
		(percent)	(percent)	(percent)
United States -	1954	100.0	100.0	100.0
	1959	100.0	100.0	100.0
North -	1954	48.9	61.2	39.4
	1959	50.6	60.2	40.2
South -	1954	42.2	21.1	54.4
	1959	36.2	24.8	54.0
West -	1954	8.8	17.7	6.1
	1959	9.1	14.9	5.8

(Footnotes continued on next page)

Footnotes to Table 1.9.

Source: 1954 - U. S. Bureau of the Census, U. S. Census of Agriculture 1954, Vol. III, Special Reports, Part 9, Farmers and Farm Production in the United States, Chapter VIII, Part time Farming, USGPO, Washington, 1956, p. 11, (Tables 5 and 6).

1959 - U. S. Bureau of the Census, 1959 Census of Agriculture - Preliminary Series AC59-1

- (a) Summary for Forty-eight States, January 1961
- (b) Summary for 21 Northern States, January 1961
- (c) Summary for 16 Southern States, February 1961
- (d) Summary for 11 Western States, February 1961

than \$5,000 in 1959.

Another indication of the continued concentration of underemployment in southern agriculture is available from the regional median income estimates. Calculations based on data presented by Johnson^{12/} indicate that farm and non-farm family purchasing power and labor incomes are roughly equivalent when farm family median incomes are slightly less than seventy percent of non-farm family median incomes. On this basis the "real" median incomes of farm and non-farm families are roughly equivalent in the Northeast and the West, and differ by a relatively narrow margin in the North Central Region (Tables 4 and 5). In the South, however, the median "real" incomes of both white and non-white farm families are almost one-third lower than realized by comparable non-farm families. The median income levels of non-white families are roughly half as high as the median income levels of white families in both rural and urban areas indicating that underemployment among colored workers is not a phenomenon that is confined to rural areas.

It seems clear that in the rural development areas there are at least 500,000 farm workers engaged in low productivity agricultural employment, not because they are personally incapable of higher productivity employment, but because they are located in areas where local non-farm employment is either contracting or expanding slowly. These workers could be released from their present agricultural employment with essentially no impact on farm output.

Table 4. Median Money Incomes of Farm and Nonfarm Families by Region and Color, 1958.

	Median incomes			Rural farm income as a percent of	
	Urban	Rural nonfarm	Rural farm	Urban income	Rural nonfarm income
United States					
Total	5,469	5,048	2,747	50	54
White	5,679	5,211	3,025	53	58
Non-white	3,392	2,361	1,123	33	48
Northeast	5,595	5,704	3,848	69	67
North Central	5,555	5,034	3,305	60	62
South					
Total	4,679	4,424	2,055	44	46
White	5,192	4,777	2,411	46	51
Non-white	2,569	2,068	1,089	42	53
West	5,970	5,342	4,130	69	77

Source: U. S. Bureau of the Census, Current Population Reports, Series P-60 Consumer Incomes, No. 33, Washington, January 18, 1960.

Table 5. Median Money Income of Rural Farm Families and Proportion with Incomes Under \$2,500, by Regions: 1958 and 1953.

Region	Median Income		Percent with incomes under \$2,500	
	1958	1953	1958	1953
United States	\$2,747	\$2,131	45.8	56.5
Northeast	3,848	3,253	29.6	36.0
North Central	3,305	2,886	36.4	44.6
South	2,055	1,299	59.8	72.6
West	4,130	1/	24.5	1/

1/ Percent and median not shown where there were fewer than 100 sample cases reporting on income.

Note on reliability of the data: These figures are estimates derived from sample surveys and, therefore, are subject to sampling variability. In addition, as in all field surveys of income, the figures are subject to errors of response and nonreporting.

Source: U. S. Department of Commerce, Bureau of the Census, unpublished tabulations. Data for 1953 and 1958 derived from the consumer income supplements to the April 1954 and March 1959 Current Population Surveys.

Summary

The magnitude of the problem facing the administrator of the Area Development Program can perhaps best be summarized in terms of the number of people involved. There are 500,000 to 1,000,000 unemployed workers in 22 major and 74 smaller chronic labor surplus areas plus 500,000 or more underemployed farm workers in the generalized low income rural development counties whose unemployment or underemployment is due primarily to the lag in the local growth in demand for labor rather than to frictional or cyclical unemployment or to personal inadequacies. Furthermore, local employment opportunities for these workers respond weakly, if at all, to the generalized monetary and fiscal policies utilized to regulate fluctuations in the general level of employment.

Considerations Affecting the Impact of Area Development Activities

Regardless of the combination of programs or activities and the relative weights given to each activity there are a number of considerations which will bear heavily on the success or failure of the Area Development Program. Among these considerations are: the growth of the national economy; the balance of forces leading to industrial centralization or decentralization; and the relationship between local urban industrial development and underemployment in rural areas. The relationship between industrial employment and tertiary employment might also be added to this list but will not be discussed in this paper.

The Growth of the National Economy

Rapid and continuous growth of the National Economy is a prerequisite for a program which hopes to achieve any substantial success in reducing the number of labor markets classified as "chronically depressed" or on the number of counties which meet the "generalized low income" criteria. This is true whether the ultimate solution to the depressed area problem is found in local employment growth or in migration to other areas.

If local employment growth is looked upon as a major hope for the redevelopment areas this hope must clearly be based on rapid expansion in employment at the national level. The areas which have emerged from the depressed area classification during the last decade have typically achieved this distinction during periods of rising economic activity. The areas that have entered the "chronically depressed" classification since 1951-53 were typically first classified as areas of substantial labor surplus during a downswing in the employment cycle (Tables 1 and 2).

It is equally important for the national economy to maintain a high level of growth if migration is looked upon as an essential element in the solution

to the depressed area problem. This is demonstrated by the relationship between migration from agriculture and fluctuations in non-farm employment. During periods of high level economic activity annual net migration from farms has typically been above five percent of farm population at the beginning of the year. During each recession since World War II net migration has fallen to below three percent of the farm population at the beginning of the year.^{13/}

The net effect of the last three recessions has probably held migration from farms 1.5 to 2.0 million below the level that would otherwise have occurred, and it has undoubtedly limited inter-area labor market mobility in the non-farm sector sufficiently to force some areas into the "chronically depressed" category and to prevent a number of other areas from emerging from the "chronically depressed" area category.

The Prospects for Industrial Decentralization

A second factor that will have to enter the considerations of an Administrator attempting to arrive at the appropriate combination of activities designed to speed local employment expansion and encourage migration from depressed areas will be the general tendencies toward industrial centralization and decentralization in the national economy. This question is particularly pertinent to the solution of problems faced by the smaller depressed labor market areas and those on the periphery of the nation's major industrial belts.

In reviewing the history of the past several decades it seems apparent that there is no strong tendency for the dispersion of industrial employment to the less industrialized regions of the nation (Table 7). Only the Pacific and West South Central Regions have significantly increased their share of total industrial employment during the past decade.

It seems equally apparent that the dispersion of industrial employment that has occurred in recent years has not been accompanied by an increase in the pro-

Table 2.1 Total Manufacturing Employment of the United States, Distributed by Geographic Region: 1899-1954.

Year	Total U. S. manufacturing employment ^{1/} (millions)	Manufacturing employment of geographic regions, as percent of U. S. total								
		New England	Middle Atlantic	East No. Central	West No. Central	South Atlantic	East S. Central	West So. Central	Mountain Pacific	
1899	4.9	17.6	34.1	23.2	5.8	9.5	3.7	2.4	1.0	2.7
1939	9.5	11.8	28.9	28.3	5.2	11.6	4.3	3.5	0.9	5.5
1947	14.3	10.3	27.6	30.2	5.5	10.7	4.4	3.9	1.0	6.4
1950	14.5	9.8	27.0	29.9	5.6	11.1	4.4	4.1	1.1	7.0
1951	15.3	9.6	26.5	29.9	5.8	10.9	4.4	4.2	1.1	7.7
1952	15.7	9.4	26.5	29.4	6.0	11.0	4.4	4.2	1.1	8.0
1953	16.7	9.4	26.2	30.0	5.8	10.7	4.4	4.3	1.1	8.1
1954	15.7	9.1	26.3	28.5	6.0	11.1	4.6	4.6	1.2	8.6
1955	16.3	8.9	25.6	29.0	5.8	11.3	4.7	4.6	1.3	8.9
1956	16.7	8.9	25.8	28.4	5.8	11.3	4.7	4.7	1.3	9.1
1957	16.6	8.7	25.7	28.2	6.0	11.3	4.6	4.7	1.3	9.5
1958	15.5	8.8	24.5	26.4	6.1	11.9	5.0	5.0	1.5	9.9

^{1/} Includes employment, both production workers and nonproduction personnel, at operating manufacturing plants only; excludes employees of manufacturing firms at separately reported central administrative offices, sales offices, auxiliary units, and other non-manufacturing activities.

Source: Murraray D. Bessel, "Long Term Regional Trends in Manufacturing Growth: 1899-1955", U. S. Department of Commerce, Office of Area Development, Area Trend Series No. 2, Washington, February 1958, p. 8. and preliminary tabulations provided by the office of Area Development.

portion of total manufacturing employment located outside of the standard metropolitan areas. For the United States as a whole, the percentage of manufacturing employment located outside of the standard metropolitan counties declined from 28 percent in 1947 to 26 percent in 1958 (Table 8). There were, however, differences in the tendencies toward industrial dispersion and concentration among the several regions. In the East South Central region between 1947 and 1954 the percentage of total manufacturing employment located outside of the standard metropolitan areas increased both 1947-54 and 1954-58. In the East North Central region the percentage increased between 1947-54 but declined in 1954-58. For the entire period 1947 to 1958, however, the percentage of total regional manufacturing employment in the standard metropolitan areas remained unchanged or increased in every region except the East South Central region. The importance of small town and rural industrial employment in the Southeast can be traced to the heavy concentration of lumber and textiles in the regions economy. With a relatively high percentage of total national employment in these two industries already located in the South it seems likely that a location pattern favoring the standard metropolitan areas can be expected to emerge in the East South Central region in the future.

One is forced to conclude therefore, that to the extent that industrial decentralization is occurring in the American economy, it is a very special kind of decentralization. By and large, it does not represent a shift away from the major industrial centers. Rather it represents a lag in the rate of growth of the major industrial centers in the Northeast and East North Central regions relative to the growth of major industrial centers in the less industrialized regions of the Nation.^{14/}

One should recognize, of course, that the data presented in Table 8 reflects, to some extent, both the relatively high levels of unemployment in 1954 and 1958 and a relatively heavy concentration of labor surplus areas in the Northeast and the East North Central regions in both years. Regardless, of how one discounts for these two effects, however, it seems clear, that an Area Development program

Table 2.2 The Location of Manufacturing Employment^{a/} in the United States and Selected Sub-Regions, 1947, 1954 and 1958.

	Metropolitan areas 1/						Non-metropolitan areas		Area Total	
	Large 2/		Medium 3/		Total		Num-ber	Per-cent	Num-ber	Per-cent
	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent				
<u>United States</u>										
1947	8,305	58	1,952	13	10,257	72	4,027	28	14,284	100
1954	8,902	57	2,468	15	11,371	73	4,259	27	15,630	100
1958	9,114	56	2,720	17	11,834	74	4,190	26	16,025	100
Change										
47-54	597	44	516	38	1,113	83	231	17	1,345	100
54-58	211	53	251	63	462	117	68	-17	394	100
47-58	809	46	767	44	1,576	91	163	9	1,740	100
<u>Northeast 4/</u>										
1947	4,172	73	313	5	4,485	79	1,206	21	5,692	100
1954	4,299	73	493	8	4,793	82	1,035	18	5,829	100
1958	4,461	76	447	8	4,909	84	959	16	5,869	100
Change										
47-54	127	92	180	132	307	225	171	-125	136	100
54-58	162	104	46	-115	116	289	76	-189	40	100
47-58	289	163	134	76	424	239	247	-140	176	100
<u>East North Central</u>										
1947	2,875	66	455	11	3,331	77	992	23	4,322	100
1954	2,917	65	476	11	3,394	76	1,065	24	4,459	100
1958	2,776	65	509	12	3,285	77	970	23	4,255	100
Change										
47-54	41	30	21	16	62	46	74	54	137	100
54-58	-140	69	32	-16	108	53	95	47	204	100
47-58	-99	148	53	-80	45	-68	21	32	67	100
<u>West North Central</u>										
1947	362	46	189	24	551	70	234	30	786	100
1954	408	43	259	28	668	71	271	29	939	100
1958	425	44	251	26	677	70	286	30	963	100
Change										
47-54	46	30	70	46	116	76	36	24	152	100
54-58	16	68	7	-31	9	38	15	62	24	100
47-58	62	35	626	35	125	71	51	29	177	100

Table continued on next page.

	Metropolitan areas 1/						Non-metropolitan areas		Area Total	
	Large 2/		Medium 3/		Total		Num-ber	Per-cent	Num-ber	Per-cent
	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent				
<u>South Atlantic</u>										
1947	49	3	405	33	454	37	789	63	1,242	100
1954	78	5	463	32	541	38	890	62	1,432	100
1958	83	5	550	35	634	41	919	59	1,554	100
Change										
47-54	29	15	57	30	87	46	102	54	189	100
54-58	5	4	87	72	92	76	29	24	121	100
47-58	34	11	144	47	179	58	131	42	311	100
<u>East South Central</u>										
1947	119	18	193	31	313	49	322	51	635	100
1954	128	17	204	29	332	47	381	53	714	100
1958	142	18	214	27	357	46	426	54	783	100
Change										
47-54	8	11	10	13	19	25	59	75	79	100
54-58	14	21	9	14	24	35	44	55	68	100
47-58	23	15	20	14	43	30	104	70	148	100
<u>West South Central</u>										
1947	103	18	213	39	316	58	233	43	550	100
1954	131	18	303	43	434	61	278	39	713	100
1958	138	17	364	46	503	63	295	37	798	100
Change										
47-54	27	16	90	55	117	72	45	28	162	100
54-58	7	9	61	72	68	81	16	19	85	100
47-58	35	14	151	61	186	75	61	25	247	100
<u>Mountain States</u>										
1947			67	48	67	48	73	52	140	100
1954			97	52	97	52	90	48	187	100
1958			135	57	135	57	100	43	235	100
Change										
47-54			29	63	29	63	17	37	47	100
54-58			38	79	38	79	9	21	48	100
47-58			67	72	67	72	27	29	95	100
<u>Pacific States</u>										
1947	622	68	114	13	737	81	176	19	913	100
1954	939	69	170	13	1,110	82	244	18	1,354	100
1958	1,085	69	247	16	1,332	85	233	15	1,565	100
Change										
47-54	317	72	55	13	373	85	67	15	440	100
54-58	145	69	76	36	221	105	11	5	210	100
47-58	463	71	132	20	595	91	56	9	651	100

Footnotes to Table 2.2

a/ Employment in 000's of workers.

- 1/ A standard metropolitan area is a county or a group of contiguous counties which contains at least one central city of 50,000 inhabitants or more. Contiguous counties are included in a standard metropolitan area if they are essentially metropolitan in character and are sufficiently integrated with the central city. All data in this table are based on 1947 area definitions.
- 2/ Metropolitan areas with over 40,000 industrial employees. These include metropolitan areas roughly equivalent to Peoria, Illinois, Columbus, Ohio and Flint, Michigan and larger.
- 3/ Metropolitan areas with less than 40,000 industrial employees.
- 4/ Defined to include Maryland and Delaware.

Source: 1948 and 1954 - U. S. Bureau of the Census, United States Census of Manufactures: 1954, Volume III, Area Statistics, USGPO, Washington, D. C., 1957.
1958 - U. S. Bureau of the Census, United States Census of Manufactures: 1958, Preliminary State Reports, Series MC(P), SI-S51, Washington, 1960.

will not be able to depend on a strong autonomous movement toward industrial decentralization to bolster its chances of success. Success will be achieved only if the program is able to modify the current industrial location tendencies.

The Impact of Local Non-Farm Employment Growth

A third factor involved in designing an appropriate mix of local industrialization and migration is of particular importance to the solution of the problems of rural underemployment. This is whether income and productivity levels in rural areas and the smaller labor market areas can be brought in line with the income of comparable workers in other parts of the economy in the absence of local industrial-urban development.

The record of the past several decades would seem to indicate that growth of local non-farm employment opportunities is an essential complement to migration in the reduction of rural underemployment to reasonably low levels.^{15/} When the median incomes of rural farm families are plotted on one axis and the proportion of the population that is non-farm on the other axis of a chart, the result for most areas is a clear positive relationship. On a national basis only the West, where much of economic activity is still strongly resource based, stands clearly outside of this relationship. Within the South most of counties which have achieved levels of farm family income comparable to the levels achieved elsewhere in American agriculture are located in close proximity to developing urban labor markets. By and large inter-area migration does not seem to occur at a sufficiently rapid rate to produce income convergence between the areas losing and gaining population through migration.^{16/}

Summary

The design of an effective area development program must then, take into account the constraints laid down by the growth of the national economy, the tendencies for centralization and decentralization of industrial activity, and the relationships between local urban industrial development and underemployment in rural areas.

Of particular relevance is the fact that the last two constraints are in at least partial conflict with each other.^{17/} On the one hand the program risks the danger of failure if it ignores the tendency for greater centralization of industrial activity within standard metropolitan areas in most regions. On the other hand failure to achieve a substantial industrial dispersion seems likely to leave residuals of unemployed or under-unemployed workers in the smaller labor market areas and in the rural development counties. The seriousness of this conflict is one of the first issues that must be faced by any administration appointed to carry out the Area Development Program.

Footnotes

1/ More precisely the redevelopment areas will include "any area -

(1) where the rate of unemployment, excluding employment due primarily to temporary or seasonal factors, is currently 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in sub-paragraph (2) below; and

(2) where the annual average rate of unemployment has been at least -

(A) 50 per centum above the national average for three of the preceding four calendar years, or

(B) 75 per centum above the national average for two of the preceding three calendar years, or

(C) 100 per centum above the national average for one of the preceding two years."

Areas will also be designated as redevelopment areas which - - - - - are among the highest in numbers and percentages of low-income families and in which there exists a condition of substantial and persistent unemployment or underemployment. In making the designations the Administrator shall consider - - - the number of low-income farm families in the various rural areas of the United States, the proportion that such areas, the relationship of the income levels of the families in each such area to the general levels of income in the United States, the current prospective employment opportunities in each such area, the availability of manpower in each such area for supplemental employment, the extent of migration out of the area, and the proportion of the population of each such area which has been receiving public assistance. "Paul H. Douglas, "The Area Redevelopment Bill", Congressional Record, January 5, 1961.

- 2/ Ibid.
- 3/ U. S. Department of Labor, Chronic Labor Surplus Areas: Experience and Outlook, Bureau of Employment Security, Washington, July 1959 and current issues of Area Labor Market Trends.
- 4/ U. S. Department of Agriculture, Development of Agriculture's Human Resources, USGPO, Washington, April 1955.
- 5/ These include New Britain, Connecticut; Brockton, Massachusetts; Springfield, Massachusetts; Albany, New York; Buffalo, New York; Pittsburgh, Pennsylvania; Chattanooga, Tennessee; Beaumont, Texas; Roanoke, Virginia; and Wheeling, West Virginia.
- 6/ These include Baton Rouge, Louisiana; Battle Creek, Michigan; Patterson, New Jersey; Lorain-Elyria, Ohio; and Youngstown-Warren, Ohio.
- 7/ In June 1955 the labor market classification scheme was shifted from a 4 to a 6 way basis. See U. S. Bureau of Employment Security, "Area Classification System Revised", The Labor Market and Employment Security, June 1955, pp. 1-4, 13.
- 8/ I am indebted to Stefan Robock, University of Indiana, School of Business for use of the material which is condensed in this paragraph.
- 9/ For an excellent discussion of the "hidden" labor surplus see David A. Grossman and Melvin R. Levin, The Appalachian Region, Maryland Department of Economic Development, Annapolis, May 1960, pp. 13-19.
- 10/ U. S. Department of Agriculture, Development of Agriculture's Human Resources, op. cit., p. 7.
- 11/ For a discussion of institutional barriers to migration see the articles by W. E. Hendrix, "Income Improvement Prospects in Low Income Areas" Journal of Farm Economics, Vol. 41, #5, December 1959, pp. 1065-1075; and "The Economics of Under-Employment and Low Incomes", paper presented at the Annual meeting of Southern Agricultural Workers, Birmingham, Alabama, February 1-3, 1960.

- 12/ D. Gale Johnson, "Labor Mobility and Agricultural Adjustment" in E. O. Heady, et.al., (eds) Agricultural Adjustment Problems in a Growing Economy, Iowa State College Press, Ames 1958, pp. 162-172. The author has modified the Johnson calculations to apply to median rather than per capita income estimates.
- 13/ Larry Sjaastad, "Trends in Occupational Structure and Migration Patterns in the United States with Special Reference to Agriculture". Paper presented at Conference on Labor Mobility in Agriculture, Iowa State University, Ames, Iowa, November 8, 1960 - pp. 17-19.
- 14/ This conclusion appears to be in conflict with a good deal of literature on industrial decentralization. See for example, Benjamin Chinitz and Raymond Vernon, "Changing Forces in Industrial Location", Harvard Business Review, Vol. 38, (January-February 1960) pp. 126-136. It is more nearly in line with the emphasis in William J. Byron, "Needed: Local Leadership in Depressed Areas", Harvard Business Review, Vol. 38, (July-August 1960), p. 120.
- 15/ See V. W. Ruttan, "The Impact of Urban-Industrial Development on Agriculture in the Tennessee Valley and the Southeast", Journal of Farm Economics, Vol. 37, #1, February 1955; Daniel G. Sisler "Regional Differences in the Impact of Urban-Industrial Development on Farm and Nonfarm Income" Journal of Farm Economics, Vol. 41, #5, December 1960, pp. 1100-1113.
- 16/ George H. Borts, "The Equalization of Returns and Regional Economic Growth", American Economic Review, Vol. 50, #3, June 1960, pp. 319-347.
- 17/ See L. T. Wallace and V.W. Ruttan, "The Role of the Community as a Factor in Industrial Location". Paper presented at the Annual Meeting of the Regional Science Association, St. Louis, Missouri, December 28-30, 1960.