



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

A.E.A. (pd.)

NEW ENGLAND AGRICULTURAL ECONOMIC COUNCIL

GIANNINI FOUNDATION OF
AGRICULTURAL ECONOMICS
LIBRARY

JUL 6 1965

ECONOMIC DEVELOPMENT

PROCEEDINGS - JUNE 1965

AT THE

NOVA SCOTIA AGRICULTURAL COLLEGE

TRURO

N. S.

USE OF RESOURCES IN ECONOMIC DEVELOPMENT

Buis T. Inman
Resource Development Economics Division
Economic Research Service
U. S. Department of Agriculture, Washington

Your program chairman has asked me to discuss the use of resources in economic development. Much has been written on economic resources and economic development. What I say here today is not altogether new. However, I will strive to present to you some of the thinking that guides and should guide our actions in current programs of economic development in the United States, particularly as it pertains to rural areas. I believe this will also have relevance to your Canadian programs.

Let's first consider why the widespread interest today in economic development. Also, what do we encompass in economic development?

Cause of Interest in Economic Development - In the United States, considerable public concern for the low incomes prevalent in segments of our farm population and in geographic areas was expressed in the 1930's. This concern resulted in some measures to relieve the problem, as resettlement of people from sub-marginal farm lands. This, to my knowledge, was the first recognition in a public program that the economy does not grow uniformly in all geographic areas and that special stimulants to the economy may be needed in same. In recent years, intensified concern has been expressed for low income families and the need for increased economic development, particularly to stimulate economic growth in depressed areas. We have recognized that there are large segments of our population that by modern standards do not command an adequate level of living. Furthermore, this condition, both area wise and family wise, has a tendency to self perpetuation. The Council of Economic Advisors in its report to the President in 1964 included in the poor those who are not maintaining a decent level of living, including adequate education and health requirements of their families in a developing America. Using this guide, the Administration has set a somewhat arbitrary upper limit of poverty--\$3,000 family income and \$1,500 for unrelated individuals. Thus, in 1960, there were 35 million people, or one-fifth in poverty; 17 million of these lived in rural areas. Approximately 6 million lived on farms. This standard of the Council would place most families of the world in poverty outside Canada, Western Europe, Australia, and New Zealand.1/

Our efforts in economic development are being marshalled to bring about fuller utilization of our resources to raise the income of low-income families and thereby narrow the spread between the low- and the high-income families. Our interest is based upon the belief that we can, by appropriate means reduce the amount of poverty substantially by increasing the productivity of low-income family workers.

Economic Development Defined - There are many definitions of economic development. However, in the above framework economic development for an area has the objective of increasing per capita real income per worker in the labor force.^{2/} For an area, this definition permits economic development, even though the gross income to the area might not be increased. The increase per capita could be achieved through reduction in the number of workers. Nationally, this definition requires not only an increase in gross income, but an increase at a more rapid rate than the increase in population.

This definition requires new production functions. Not only must the best known technology be adopted, but new technology must be developed.

Low incomes may be due to lack of opportunity for earning a higher income, or limitations of the human factor--the inherent lack of capacity or desire of the individual to earn a higher income. The lack of opportunity may be caused by a lack of total national demand for labor, lack of basic resources to fully occupy the individual, lack of knowledge of alternatives, or other causes that result in unemployment or economic underemployment of the individual. The lack of desire may be the result of inadequate education and orientation, particularly among youth, or it may be an inherent trait in the few. The lack of capacity to earn a higher income may be caused by the low level of education or by physical limitations such as advanced age, female family head, or a physical handicap.

A second characteristic of the problem of low incomes, mentioned above, is the generally low incomes of an area. In such an area the problem of amelioration is intensified, compared with an area with few low-income families. In the low-income area, the level of many local government or group activities that promote economic growth are restricted because of a low tax base. Schools, transportation, and health measures are likely to be inferior; loss of leadership often occurs through outmigration, and underdeveloped resources are prevalent. Once area income differences occur, they tend to become self perpetuating, just as for the individual.

In current programs to stimulate economic development, much stress is placed upon the human resource and upon advancement of knowledge. This is not without real basis. In assessing the sources of national income among factors of production in the United States, Denison attributed 77 percent to labor and only 3 percent to land.^{3/} Furthermore, two-thirds the income to land was from nonagricultural uses, particularly locations for commercial, industrial, residential or similar use. The remainder was attributed to reproducible capital goods. He also estimated that from 1929 to 1957 our national growth rate per head was 1.6 percent per year, .6 percent of which resulted from advance in knowledge.

The Economic Report of the President in 1964 lists the

major elements in economic growth as (1) technological change; (2) increase in the available quantity of the basic resources used in production-growth of the labor force and accumulation of capital; (3) improvements in the quality of labor as a result of the better health, education, training or motivation of members of the labor force; and (4) reductions in costs from economies of scale.^{4/}

In evaluating means of area economic development we must not lose sight of the fact that a prime condition for economic development of a rural area or region is a high level of employment nationally. This makes possible the drawing off of excess labor capacity for use elsewhere. Our lagging areas of the United States were meshed more fully into the national economy during World War II, and the gap in incomes between areas became less. There was very little unemployment. A part of this was also due to the Federal program of allocating defense contracts, location of military installations, and other such measures. Many of these were placed in labor surplus areas.

The Importance of Human Factor - In 1960, our urban population 25 years old and over averaged 11.1 years school completed compared to 9.5 for rural nonfarm and 8.8 years for farm. The great dependence on the human factor in economic development both in the worker and advances in knowledge shows the need for improved school systems in many areas that will hold youth and start them in adult lives as well-equipped human beings. They learn faster at this age and are more malleable.^{5/} This is of top priority in breaking the poverty chain. Since our economy today is characterized by rapid change, training today should be in the basic skills to permit flexibility in job selection. This is no truer than for farm and other rural youth where they are most likely to seek employment elsewhere. Vocational training and retraining of adults should be made available only to those who can benefit from it in their employment.

The need for technically trained persons is becoming more acute. This need is for well-trained persons to keep the more complicated economy working with its growing automation and technology. This is particularly true for agriculture. There is also the need of the highly skilled scientist to further increase our store of knowledge. We are fortunate in both Canada and the United States in that our early settlers were well educated for their times. They established institutions of which we are proud today. There were many artisans among them. There occurred, as the westward migration developed, areas where the less educated became prevalent and relatively isolated, and problems occurred that are with us even today.

Physical Resource Use - In our emphasis on the development and use of human resources, we should not lose sight of physical resources. These are much more important to the development of specific rural areas than the data above imply nationally. In many rural areas, the depletion of minerals, soils, and timber, contributed heavily to the low incomes today. The Appalachian

Region is one of the most publicized. In agriculture, we also had the development of more productive lands to the westward which added to the decline in economic productivity of lands settled earlier.

Much of our rural poverty today is associated with excess labor in relation to physical resources. In such geographic areas, this may have resulted from opening up of more productive lands in agriculture, depletion of resources of an area, high birth rates, and low mobility of labor.

Requirements for Economic Development - Malenbaum recognizes three requirements for economic development. They are: (1) technological advances in factor use and combinations; (2) motivation of the individual; and (3) the proper political framework.^{6/} Malenbaum recognizes development theory today as a combination of transformation models and precondition models. Through transformation models we can make more efficient use of given factor supplies and known technology. Precondition models include noneconomic influences, as tradition in production, techniques, custom as an allocation device, sharing as a consumption criterion, etc. They persist throughout large parts of the country. Actions of the Government to maintain law and order and property, to support public health and education, to develop an effective banking system, and an equitable and efficient fiscal system are likewise preconditions of economic development. For precondition models, economic aid must focus on resources for mass education and special skills to facilitate institution building and attitude formation. This requires time. In comparison with underdeveloped countries, we should be proud of our institutions. Yet they retard change and should be subjected to reshaping where the need arises. The process of economic development has strong influences outside the economic sphere, which requires that other social sciences must play a basic role. This raises the question--are we utilizing the political scientist, the sociologist, the industrial psychologist, the education specialist, and other disciplines sufficiently today in our research and extension?

Today, employment and economic growth are becoming concentrated in metropolitan areas. We are not completely sure of the cause of this. Some of the apparent causes are availability of trained workers, markets for products, and cultural attractions. Small communities do not provide the goods and services demanded by many people today. Improved means of transportation such as expressways and rapid rail transit enable many people to live considerable distance from the place of employment. Thus, residences may not be as concentrated as places of employment. We may still live in the country if we desire but have access to city employment. This tendency of concentration means that our public programs to stimulate growth obtain fuller response if we tailor them to the growth centers. This means we don't resist the trend.

We agricultural economists in the United States are, and I believe it is true for you in Canada, rapidly becoming charged

with problems of all rural people and not just farm people. Too, farm people have become so fully integrated into the national economy that we cannot solve their problems separately. Even our farm families receive half their income from nonfarm sources. 7/ Furthermore, several Federal and State programs vital to farm people are not agricultural programs. Social security is an example. Recently President Johnson directed the Secretary of Agriculture to assist in any appropriate way in making effective all Federal programs applicable to rural areas. This puts a much broader demand on the agricultural economist--whether researcher, teacher, or extension specialist.

One of our major problems in use of public means for stimulating economic development in the United States is the lack of a national economic development policy. Therefore, the problem is intensified of just how to combine, integrate, or otherwise apply the myriad of Federal, State, and local programs to an area. I am told that Western European countries, especially France and the Netherlands, have specific policies that guide the public expenditures among regions.

More Direct Programs - Even though one of our ultimate objectives of policy has been the improvement of the welfare of rural people, we have not always succeeded. The spread between the incomes of urban and rural people is increasing. In the past, we have focused attention on nationwide measures, as monetary and fiscal policy, and in agriculture on physical resources, particularly land. This indirect approach has not been entirely adequate over the past quarter century. In recognition of this problem, the Economic Opportunity Act, passed by Congress last year, places emphasis on the direct approach of improving the individual. It is an attempt to break the poverty chain to provide greater economic opportunity. The problems of bringing this kind of a program to rural people are great. Not the least of these is selecting and communicating with the recipients.

Need for Labor Mobility - Current forecasts are that major structural changes will occur in the future demands for labor. Many jobs of the future don't exist today. These are of particular concern to economic development and to income improvement of low-income rural families. Agriculture is the only major occupation that is expected to have a major decline in the number of workers from 1960 to 1975.8/ The occupations with the most rapid increase in employment are expected to be in the professional and technical positions, with an increase of 65 percent by 1975 over 1960. The most skilled in the manual occupations, craftsmen, foremen, and kindred workers are expected to increase at the same rate as the total labor force. Semi-skilled service occupations are also expected to increase. The projected number of laborers will remain the same. This points up the vast need for higher levels of training of our labor force. During the 1950-60 decade, metropolitan counties experienced immigration of 9 percent while non-metropolitan counties experienced similar decreases. Movement of people was similar for the previous 1940-50 decade. This movement has been almost in direct relation to the degree of rurality.9/ These trends are expected to continue for some

time, both from the open country and the small towns and villages.

Summary

I have attempted to show that a primary concern in recent years in economic development and the use of resources is in increasing the efficiency in use of under-utilized human resources to narrow the gap in incomes between high-and low-income peoples. We have come to believe that the direct approach as through programs that upgrade the human factor in production is necessary to break the poverty chain. In this new emphasis, we should not lose sight of the fact that these objectives are obtainable only with a condition approaching full employment nationally.

Many of our problems of low incomes in agriculture and in rural areas are associated with decline in the physical resource base. An excess of labor in relation to physical resources has occurred.

Three requirements for economic development are recognized: (1) technological advances in factor use and combination, (2) motivation of the individual, and (3) the proper political framework. To meet these requirements, we, as economists, should solicit the cooperation of those in other disciplines such as the political scientist and the sociologist. We must also recognize that the agricultural sector of the economy is becoming more fully meshed into the rural area economy and the national economy. This requires a broader perspective for the economist in the problems and programs he must be concerned with.

REFERENCES

- 1/ Arthur B. Mackie, Foreign Economic Growth and Market Potentials for U. S. Agricultural Products, USDA, ERS, FAE Report 24, 1965.
- 2/ Robert B. Glasgow and E. L. Baum, Considerations for Planning Economic Development for Rural Areas, Journal of Farm Economics. December 1963.
- 3/ Edward F. Denison, The Sources of Economic Growth in the United States, and the Alternatives Before Us. Supplementary Paper No. 13, Committee for Economic Development. January 1962.
- 4/ Economic Report of the President, with annual report of the Council of Economic Advisors. January 1964.
- 5/ Mary Jean Bowman and W. Warren Haynes, Resources and People in Eastern Kentucky, Problems and Potentials of a Lagging Economy.

- 6/ Wilfred Malenbaum, Economic Factors and Political Development, the Annals of the American Academy of Political and Social Science, March 1965.
- 7/ Robert H. Masucci, Income Parity Standards for Agriculture, Agr. Econ. Res. Vol. XIV, No. 4. October 1962.
- 8/ Manpower Report of the President, 1964. Chapter III.
- 9/ Components of Population Change, 1950 to 1960, for Counties, Standard Metropolitan Statistical Areas, State Economic Areas, and Economic Sub-regions, Current Population Reports, U. S. Dept. of Commerce Series P-23, No. 7. November 1962.

DISCUSSION

John Connor
Associate Professor, Economics
Acadia University, Wolfville, N. S.

Some comments following "Use of Resources in Economic Development"---Buis T. Inman, U. S. Department of Agriculture, before the New England Agricultural Economics Council Annual Meeting, Truro, Nova Scotia, June 16, 1965.

Mr. Inman has laid the base for economic development in conceptual terms which are analogous to the pure economist's exposition of the requirements for production; namely, land, labor, capital, and that mystic quality, enterprise. His argument rounds off with the contention that the fullest utilization of resources requires a harnessing of many skills from separate disciplines. There is little doubt that none of us would dare argue with such a view. However, for those of us involved in the implementation or promotion of development programmes, the vital question that arises is, having agreed upon the fundamentals, how to proceed from such an agreement.

In essence, the developer requires clearly defined objectives and a determined means whereby these may be accomplished. Within my own local experience these two ingredients are often lacking. To obtain them implies a knowledge of the extent and nature of the separate resources and a technique for organizing them in the best interests of the Society within which we live. At present we do not possess such knowledge or techniques nor have we devised a convenient system whereby we can acquire the information.

Therefore, one tends to question whether we are in step or are thinking in terms of the needs and requirements of the twentieth century. Is there a possibility that too often we are guided by precepts evolved in a bygone age? For example, we exercise tax systems and taxation units created in the late eighteenth and early nineteenth centuries in an age when we can harvest in North America and market in Europe within a matter of hours. I believe we should be prepared to reconsider our institutions and systems to find out whether or not they are suited to the conditions of today. How appropriate are provincial or state units with populations often exceeded by many urban centres? Can we continue without truly national employment services capable of operating in the best interest of the body politic? Can we afford the wide diversity in the field of education with respect to provision and standard that exist throughout the land?

The problems of the differences of income are not new and probably will never disappear, but surely we have the capacity to ameliorate the burden and the frequent sufferings of those at the bottom end of the affluence scale. However, for this to be successful, people must be prepared to accept the realities

of the world around them. Again, this is not new. The crofters of Scotland's Highlands found themselves in straitened circumstances and the response came in the form of a clearance of people to populate areas of Cape Breton, Australia, New Zealand and beyond. The expanded Irish population that grew with the post-Napoleonic War boom had to adjust to the new conditions of the mid-nineteenth century when the granary of Western Europe was established in North America. Fortunately, at that time there evolved a continuing demand for policemen in Boston, New York, and Philadelphia which helped to ease the situation. But adjustments had to be made, and there was no question of the innate conservatism refusing to change. What is new in our present time is the pace at which change is occurring. Probably at no time in our history has the process of technological change been so rapid. In all probability our reactions have not become acclimatized to this new rate of change.

And so the problem remains: "Where do we go from here in North America"? If we accept the premise that a problem only exists until it is resolved, then there must be a solution. It has been demonstrated that the North American continent has the capacity to produce food and industrial goods well beyond its own needs. If it is a fact that the vast majority of the people's of Africa, and Asia, nay perhaps two-thirds of the world's population, goes hungry every day, then surely there must be some means whereby the surpluses of continents can be transferred to meet the deficiencies of others.

If the Economists, Political Scientists, Geographers, Psychologists, Sociologists, Engineers and others can resolve or assist in the resolution of these problems, then they justify their existence. If not, they should give up. But even today we cannot entreat the apparent failures to return to the farm as in days gone by, for today's agriculture has become far too complex and sophisticated to sustain blundering amateurs or professional misfits.