MONTHLY REVIEW

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FEDERAL RESERVE BANK OF MINNEAPOLIS

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Community and area development

The impetus for community and area development has emerged out of a growing awareness of the deleterious effects accompanying the dynamic shifts which are an integral part of the private enterprise system. Programs have been developed in an attempt to relieve the major dislocations occurring in production, employment and income, affecting industries and even whole geographic regions.

A review of the progress that has taken place in the nature of development programs since their inception immediately following World War I provides a much needed long-term perspective. A number of successful procedures have emerged in community and area efforts to stimulate economic expansion. These methods will be described in general terms as they must be adapted to meet the needs of a specific community or area.

Private enterprise

As the term "private enterprise" implies, one of the important characteristics of such an economy is the strong reliance placed on individual decisions. These decisions, through competition and the interrelated price system in relatively free markets, result in the efficient use of the nation's human and natural resources. Although governmental policy often limits or modifies individual action, on the whole the American people pursue their economic goals through individual choices.

The private enterprise system, in conjunction with our great historic abundance of natural resources, has provided a high standard of living to the people in the U.S.; well over 80 percent of the people live substantially above the level of poverty. This system is, indeed, among the greatest achievements of man.

On the other hand, there is a price paid for this competitive system. Both production and distribution involve a constant effort to increase efficiency and reduce costs, and this often leads to major and serious dislocations. When better natural resources are discovered in other areas, older producing regions experience detrimental competition from the new sources as has recently been illustrated in iron ore mining. Technological change often reduces the number of jobs in industries that have grown up around natural resources; this has been the situation in both farming and mining in the Ninth district. The effort to increase efficiency and reduce costs has also led to progressively more automation. In manufacturing, automation has reached the stage where the total number of workers employed is declining, while at the same time output is expanding.

As there is an awareness of the disadvantages attending rapid economic progress, an increasing effort is being made to minimize their effect on workers, on owners of businesses and on municipalities by attempting to create new employment opportunities as old ones disappear.

Stages of community and area development

Prior to World War I, community leaders put forth little to mitigate the effects of major economic dislocations. The concept of development through community initiative had its origin in the 1920s, during the readjustment period following the war. The activity in this field expanded rapidly

after World War II. Some 14,000 economic development programs were in existence in the U.S. in 1957-1958, according to a survey made by the Committee for Economic Development, and the number increased still more sharply following the federal government's entry into the field in 1961.

Following World War I, community leaders began to observe the need for economic growth to create new employment opportunities when the managements of firms contracted their operations or closed down. As a result, local chambers of commerce or other civic groups usually embarked upon promotional campaigns consisting of the purchase of expensive advertisements in leading business periodicals or of the development of colorful brochures to extol the economic and social advantages of the community.

Such campaigns proved to be effective for some communities, but as more and more adopted this promotional technique, it became increasingly ineffective for any one community. Advantages depicted for a particular community applied to many others; for example, almost any urban center is "in the heart of" or "the gateway to" some region or market.

Following World War II, some communities continued with advertisements and brochures, but an increasing number began to consider the more technical aspects of industrial development. Local groups acquired suitable industrial sites which were sold to prospective manufacturers when the opportunity arose. In large metropolitan centers, this type of promotion led to the development of industrial parks with easy access to the different types of transportation and with utilities installed and streets constructed.

Some local promotion groups ventured a step further and constructed a general purpose industrial building to be leased or sold, often at a nominal figure, to a prospective manufacturer. Some embarked upon this venture with a specific manufacturer in view while others had no definite prospects. That a suitable building was available, they thought, would — and in some cases did — attract a manufacturer.

In addition to the physical facilities, some local groups also accumulated pools of capital for the purpose of providing industrialists with long-term capital through the purchase of stocks or bonds or the granting of long-term credit. Often tax concessions were granted.

In the decade of the 1950s, new criteria developed in the evaluation of development programs. It became increasingly evident that industrial plants were not located solely on the basis of favorable sites, facilities or credit made available in specific communities. The attitude of citizens and local government leaders toward accepting responsibilities entailed by new firms was relevant. For instance, were citizens prepared to have the local government authorities expand public services as they were required by the new firms? Equally important, how efficient was the local government, since this had a bearing on local tax rates? As more workers entered industry with a high school or college education, they demanded better facilities and a higher level of cultural opportunity in the communities housing their firms.

There also was an increasing awareness of the limited number of firms seeking sites in new communities and, consequently, attention was focused more on the possibility of encouraging expansion of local firms. It has been estimated that, of the total expansion in the U. S., about 80 percent in recent years has stemmed from local firms and only about 20 percent from outside firms attracted to a community.[1] As a result of these observations, local development programs were enlarged from the narrow scope of preparing industrial parks to the improvement of the entire community atmosphere, such as city zoning and the upgrading of public services.

Community development is a more complex undertaking than industrial promotion. It gen-

[1]U. S. Chamber of Commerce.

erally involves a comprehensive study of the entire range of public facilities and services, which then is used as a basis for a community improvement program. In some large metropolitan centers, this development has led to extensive urban renewal programs such as are underway in the downtown areas of both Minneapolis and St. Paul.

The support of the citizenry is required to carry to completion such an improvement plan. Even with a federal grant to cover part of the cost, programs frequently have been turned down where bond issues for proposed improvements were submitted at the polls when citizen support had not been obtained.

State programs

Major economic dislocations frequently result in excessive unemployment over wide areas. In Ninth district states, as in other regions, declining employment opportunities in major industries such as agriculture and mining also have created serious problems indirectly for small town business proprietors and for municipalities, through a steady shrinking of the tax base. Furthermore, the complexity of community development programs dealing with this problem has required expert council. Consequently, the search for a solution has led to a springing up of development programs on the state level.

A department of business or industrial development has been established in each of the Ninth district states. In some states, in addition, public funds have been authorized for economic development. As far back as 1936, the State of Mississippi adopted its "Balance Agriculture with Industry" program and provided for the financing of new industrial capital requirements with municipal revenue bonds. About seventeen states have adopted similar legislation, among them Michigan, North Dakota and Wisconsin in this Federal Reserve district.

A general function of state departments of economic development has been the furnishing of essential techniques and guidance to community leaders interested in improving the attractiveness of their cities for their own citizens as well as for prospective industrialists and their key employees. As a result, such programs have been better conceived and designed. Nevertheless, the combined local and state development plans, whether financed by private or public funds, have had limited success in solving the problems, especially in the smaller communities. The number of communities seeking business firms, especially manufacturing plants, to secure the prize of a payroll exceeds many times the number of business managements seeking new locations for firms.

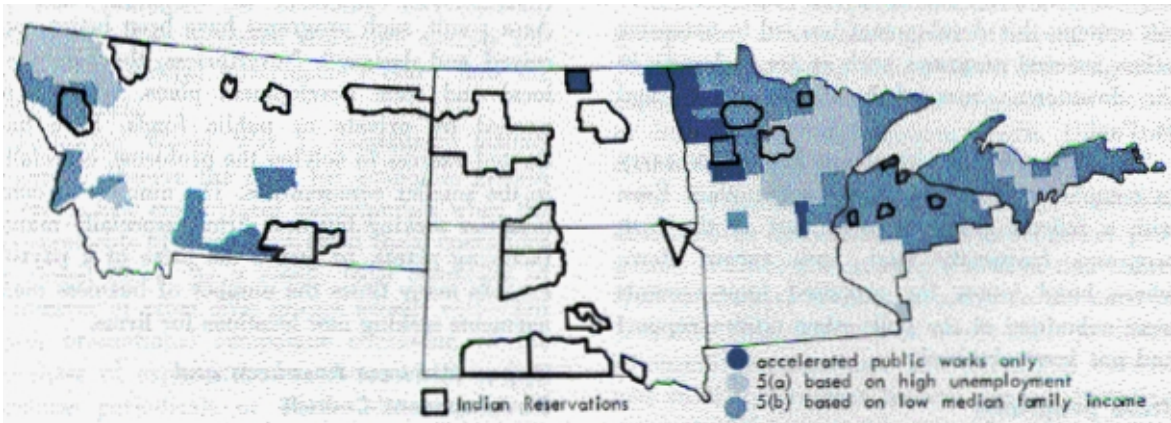
Upper Midwest Research and Development Council

An experimental approach is now being made to the problem of slow economic growth on a district basis. The Upper Midwest Research and Development Council was organized in 1958 as a nonpolitical and non-profit corporation to pioneer in area-wide economic development.

Economic growth in the Ninth district since the end of World War II has lagged behind that of more industrialized sections of the U.S. Technological change, with few exceptions, has reduced the number of jobs in industries that have grown up around natural resources; this has been the situation especially in district farming, timber, and perhaps mining. Although employment opportunities have expanded substantially in manufacturing and service industries, the expansion has not been sufficient to absorb the labor available.

As a result, in spite of progress made in industrial and community development, employment opportunities have lagged. In most of the states, the total population rose in the decade from 1950 to 1960, but far less than the natural growth of excess births over deaths. The district lost approximately 500 thousand people through out-migration as individuals found better opportunities for employment in other regions. These persons, largely in the age bracket from 25 to 40 years, tend to be

Ninth district areas declared eligible for redevelopment under ARA and Accelerated Public Works Program



the most productive and, therefore, a decided asset to this region.

The program of the Upper Midwest Research and Development Council was organized into two major phases: The Upper Midwest Economic Study and an action program based on facts developed by the study.

The economic study consists of numerous research projects divided into three major parts: first, an accumulation of factual information depicting the region's current economic position; second, an analysis of how this position is likely to change; and third, the identification of alternative actions essential to accelerate regional growth and to meet problems associated with change.

A substantial number of the research projects have been completed. Upon completion of the entire study, the research director will submit a report giving the basic facts determined by the study, analyzing their significance and indicating possible directions for future growth in the region. This report is to be followed by one from the Council members, based on facts developed by the study and the paths of economic progress indicated. This information then will be used by the Council with the assistance of its regional advisory committees, consisting of some 250 leaders from all parts of the six state area, to propose an action program. The objective is to stimulate economic growth throughout the area by creating more and better jobs.

Federal development programs

There are four general ways in which the federal government has assisted in community and area development. Although federal programs are restricted to areas of chronic unemployment or underemployment, the general objective is identical to those sponsored by municipalities, states and the Upper Midwest Research and Development Council, namely, to stimulate economic growth by creating employment opportunities.

1. Area redevelopment

The U.S. Government entered the field of local economic development with the enactment of the

Federal Area Redevelopment Act on May 1, 1961. This legislation was designed to assist people residing in areas subjected to chronic unemployment for many months and in some cases for many years. It is a long-range program for economic redevelopment of chronically depressed areas as distinct from a short-term, anti-recessionary program.

An area is designated for assistance under the Act by the Area Redevelopment Administrator on the basis that "there has existed substantial and persistent unemployment for an extended period of time." The levels of unemployment are defined in terms of the unemployment estimates compiled by the Bureau of Labor Statistics. For urban areas with fairly large labor markets, the current rate of unemployment must be 6 percent or more, excluding that due primarily to seasonal and temporary factors; and the annual average rate of unemployment must have been above the national average by 50 percent in three of the preceding four calendar years, by 75 percent in two of the preceding three calendar years, or by 100 percent in one of the preceding two calendar years.

Rural areas and small labor markets may qualify on the basis of low income or underemployment rather than unemployment. More specifically, this includes areas with low farm income (one-fourth of the national median), with low family income (one-third of the national median), and Indian reservations with serious unemployment or underemployment problems.

By mid-February 1963, in a period of 21 months following the passage of the Act, 996 areas and 51 Indian reservations with a total population of 36.5 million, 19.4 percent of the nation's total, were designated eligible for assistance. The areas designated in the Ninth district are listed on the accompanying map. They are concentrated in the mining and former timber regions. All of Upper Michigan, fifteen counties in northern Wisconsin, nineteen counties in northern Minnesota and ten counties in Montana have been included. All of the Indian reservations in the district states are included in the Act.

The procedure designed for providing federal assistance places the major responsibility on local initiative. After a community or county is designated a redevelopment area, local leaders must develop an over-all economic development plan for the area, to be approved by the state in which the area is located, before it is submitted to the Area Redevelopment Administration in Washington, D. C. After approval of the over-all plan, local community leaders can then solicit specific commercial and industrial projects consistent with the plan, secure the endorsement of the state organization and submit the specific projects to the Administration in Washington for final approval.

The over-all economic development plan for a specific area serves a unique purpose. It forces local leaders to assemble information on the natural resources and on the training and skills of its labor force, and then to identify or develop possible alternative solutions to the chronic unemployment or underemployment problem. Specific projects undertaken must fit into the over-all program and contribute to a permanent addition of employment opportunities. The object is to create new employment opportunities by developing and expanding new and existing facilities and resources rather than by merely transferring jobs from one area of the U. S. to another.

By mid-February 1963, over-all economic development plans had been submitted by 77 percent of the areas designated, and 67.6 percent of the plans had been approved. In the Ninth district, plans had been submitted and approved for all but four of the designated areas and in these, plans were in process.

The Area Redevelopment Administration had approved a total of 648 projects by mid-February 1963. Funds extended in the form of grants and loans aggregated $92,105,380 involving 32,887 direct jobs and 16,952 worker-trainees. A total of 125 industrial loans had been approved, totaling $37,156,939 and involving 14,285 jobs.

In the Ninth district, the economic expansion anticipated from industrial projects is small. Ten projects had been approved with the federal government extending loans aggregating $1,163,450. Applicants for these loans estimated that these projects will create 286 new jobs, a small number in comparison with the unemployed in the chronically depressed areas. Such projects are presented to the Area Redevelopment Administration only when they have been appraised as marginal by financial institutions in the respective communities.

The Area Redevelopment Administration has extended both loans and grants for the construction of public facilities. In this district, funds have been made available for a ski resort, a convention auditorium, a sewer system in one city, and a sewer, water and storm drainage system in another. The applicants for these projects estimated that about 520 jobs were created.

The Administration may have its greatest effect on economic growth in the field of technical assistance and research. In the district, for example, the information gained from studying new timber processing facilities, testing new methods of processing low-grade non-magnetic iron ore, exploring the potential for recreation and tourist business, and many others may open up new profitable business ventures. By mid-February in Ninth district states, approval had been given to 15 projects for the study of a wide range of resource utilization. Most of the grants made were small, totaling slightly over a million dollars.

The training and subsistence program is another important type of work undertaken in the chronic unemployed or underemployed areas. In all states, the employment service has reported openings of specific types of jobs and an insufficient number of applicants with either the required academic background or the vocational training needed to fill them. The Area Redevelopment Administration in the brief period of its existence, from May 1, 1961 to mid-February 1963, has enrolled 2,771 persons in a wide range of trade courses in the states wholly or partly in this district. The subsidy paid has aggregated $1.3 million. As the enrollment is limited to the openings in the labor market, employment is practically assured; the program has already made a noted contribution in the employment field.

2. Manpower development and training

The Manpower Development and Training Act was enacted in March 1962 to delve deeper into the problem of unused manpower, in an effort to find a solution. Essentially, the training of unemployed persons under the Area Redevelopment Administration has been extended from critical areas to all labor markets in the nation.

Two developments have increased the seriousness of the unemployment problem. First, an increasing number of young people are entering the labor force. In 1963, 1 million more youths will reach the age of 16 than in 1962. The rapidly growing supply of labor is seen even more dramatically when a wider age range and a longer period of time are considered. During the decade of the 1950s, the labor force between the ages of 14 and 24 increased only by about 400 thousand. In the decade of the 1960s, the same group will increase by about 6 million. The increase in the number of these young workers in the 1960s will be about 15 times greater than in the 1950s. Second, the more rapid rate of automation in the economy is eliminating substantially the number of unskilled job opportunities. An attempt to break this vicious circle of an increasing number of youth entering the labor market while automation is reducing the number of jobs is being made under the Manpower Act.

The problem is approached in this manner. Present and future manpower shortages are estimated on the basis of current information and most probable future trends. Persons who have the ability and interest to fill these vacancies through education and training are being selected for specific training. The training program is now proceeding at 50 thousand to 60 thousand per year.

(Continued on page 12)

Current conditions . . .

Judging by the latest available statistical indicators, the Ninth district economy appears to be moving along at about an even keel. There is little evidence yet, however, to show any strong upthrust such as various indicators have suggested at the national level. Nevertheless, district businessmen in general are expressing optimism about current prospects. Automobile and farm machinery dealers, particularly, have been enjoying favorable sales in recent weeks. Total nonagricultural employment continues to expand at a modest rate, and this is true also of personal income. Department store sales at mid-May were up about 11 percent from a year earlier, and total bank debits for the month of April had expanded 11 percent from April of 1962.

While 1963 district crop production is not made or lost by performance up to June 1, the season certainly is off to a good start. Both surface and subsoil moisture conditions thus far have been unusually favorable and, of course, the season is off to an early start.

Fortunately, too, heavy spring rains are reported to have improved irrigation water supplies in the western areas of the district. Whereas a month or so ago, it appeared a deficiency of irrigation water supplies was in prospect, now the supply, both east and west of the Continental Divide, may exceed that of last year and the recorded average.

Farm incomes thus far in 1963 have managed to exceed those in early 1962, but drastic price declines for cattle have hurt. Many cattle feeders delayed marketing fat cattle this spring, hoping for some price recovery. This resulted in a relatively large number of cattle on feed on April 1 and average weights were up. Many feeders report losses on their operations, which means heavy production credit requirements in the feeding areas to finance seasonal farm operations this spring and summer.

During the first quarter of 1963, the district financial scene continued to show substantial strength. District member bank credit expanded at a rate in excess of seasonal expectations, although even this marks a slowdown from the very rapid rate of increase experienced in the fourth quarter of 1962. Deposits, primarily time deposits, also displayed a significant extraseasonal growth in the first quarter.

District banks did not appear to be hampered by liquidity needs over the quarter, despite a rise in the loan-deposit ratio. Excess reserves increased by a little more than $2 million, and the level of member bank borrowings from the Federal Reserve bank continued to be negligible.

April offers some evidence of a slight fall both in district bank credit and deposits, primarily demand deposits, which declined relative to normal seasonal expectations.

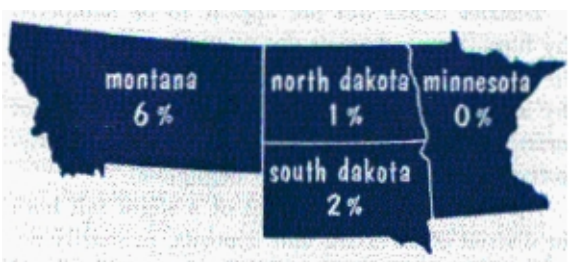
The following selected topics describe particular aspects of the district's current economic scene:

FARM LAND VALUE UP

The average market price for farm real estate, as reported by the U.S. Department of Agriculture, rose throughout much of the district during the past year. The largest increase occurred in Montana where farm land values advanced steadily between November 1961 and November 1962, with a total gain of 6 percent. In South Dakota, land values advanced between November and July, and then declined to some extent. At the November 1962 reporting date, farm land values showed a 2 percent increase in that state. Much the same pattern was experienced in Minnesota, although the November figure indicated no gain in land values for the 12-month period. Land values in North Dakota fluctuated during the period with a gain of 1 percent at the November 1962 reporting date.

Further increases in land values are expected during 1963. According to the U. S. Department of Agriculture, the demand for farm land is expected to remain quite strong as established farmers continue to seek additional land. At the same time, the supply of farm land for sale remains relatively tight in spite of prevailing high market prices.

Change in dollar value of farmland*
(percentages, November 1961 to November 1962; U. S. increase 4 percent)



*Based on index numbers of value per acre, including improvements.

DISTRICT BANKING PICTURE

This appears, because of the recent availability of the requisite data, to be an ideal time to attempt an assessment of the first quarter 1963 performance of the Ninth district financial structure. Such an assessment will provide a broader perspective of recent financial developments which, in turn, will serve to place the data of subsequent months into a more meaningful and intelligible framework.

The seasonally unadjusted volume of district member bank credit extensions declined during the first quarter of 1963 at an annual rate of approximately 1 percent. By contrast, district bank credit expanded in the fourth quarter of 1962 at an annual rate of approximately 17 percent. A seasonal adjustment of these absolute figures, however, reveals that while there may have been some weakening in the district bank credit picture, it was still growing at a relatively rapid rate after allowing for the necessary seasonal factors. This first quarter seasonally adjusted expansion of district member bank credit appears to have been essentially restricted to district country banks; city bank credit, on a seasonally adjusted basis, declined during the first quarter of the year. By comparison, in the fourth quarter of 1962, both district country and city banks shared in the extraordinary extra-seasonal expansion of bank credit.

The first quarter rise in district bank credit was concentrated in net loans, and more particularly in the net loan component of country member bank credit. Seasonally adjusted investments declined over the first quarter of 1963, representing primarily a decline in investments of city banks. Country bank investments on a seasonally adjusted basis appeared about constant over the entire first quarter.

The most significant first quarter change in the composition of bank credit extensions was a decline in loans to other financial institutions coupled with a pickup in commercial and industrial loans. Both of these changes represent re-

versals of direction when contrasted to fourth quarter 1962 behavior.

The volume of district member bank credit, on a seasonally adjusted basis, declined during April. This decline was concentrated in investments; seasonally adjusted loans, in fact, held about constant. Both city and country banks experienced this shift in the composition of bank credit.

Seasonally adjusted district member bank total deposits also increased during the first quarter of 1963, although again the rate of increase was less than that experienced in the fourth quarter of 1962. This retardation in the first quarter rate of growth was primarily a consequence of a larger than seasonally expected decline in city bank deposits. Country bank deposits, on a seasonally adjusted basis, rose during the first quarter of 1963 at a rate comparable to that experienced in the fourth quarter of 1962.

This first quarter slowdown of the growth rate in total district member bank deposits consisted almost solely of a decline in gross demand deposits. Time deposits, in fact, rose in the first quarter at an annual rate of 13.8 percent, whereas in the fourth quarter of 1962, they grew at an annual rate of 14.5 percent. Time deposits thus continued to grow at very nearly the rapid rate set in the last quarter of 1962.

During April, both district city and country banks experienced a rather sharp decline in seasonally adjusted deposits. This decline was concentrated in demand deposits, as was the case for the entire first quarter. Over the month of April, time deposits increased by $33 million, which consisted, in turn, of a $21 million increase in time deposits in city banks and a $12 million increase of country bank time deposits.

In summary, then, the district financial picture continued, in the first quarter of 1963, to exhibit a significant measure of strength when contrasted to historic first quarter seasonal behavior. The month of April, however, appears to have been characterized by a slight fall of both the deposit and bank credit totals.

CASH FARM RECEIPTS SHOW GAIN

Cash farm receipts to Ninth district farmers during the first quarter of 1963 totaled $836 million, an increase of 3.6 percent over the total for the same period of 1962. Receipts from the sales of crops amounted to $299 million, an advance of over 18 percent above last year's January-through-March total of $253 million. Livestock receipts were off 3.6 percent, totaling $537 million this year as compared to $554 million during the first quarter 1962. The over-all district increase compares with a national increase of 1.4 percent in first quarter cash receipts from farm marketings.

Almost all of the district increase is attributable to the states of North Dakota and Montana. Total

CASH RECEIPTS FROM FARM MARKETINGS, JANUARY-MARCH 1962 AND 1963

	1962	1963
	(thousands of dollars)	
Minnesota		
Crops	126,489	99,422
Livestock	283,087	269,358
TOTAL	409,576	368,780
Montana		
Crops	28,897	42,356
Livestock	35,471	36,823
TOTAL	64,368	79,179
North Dakota		
Crops	55,335	112,410
Livestock	46,030	44,815
TOTAL	101,365	157,225
South Dakota		
Crops	36,823	39,792
Livestock	122,477	121,907
TOTAL	159,300	161,699
District*		
Crops	253,123	299,306
Livestock	553,579	536,522
TOTAL	806,702	835,828

*Includes Upper Michigan and western Wisconsin.

receipts in North Dakota amounted to $157 million during the first quarter, up 55 percent from last year. Receipts from crop sales in that state more than doubled the 1962 first quarter sales, while livestock income was down 3.6 percent. First quarter receipts from both crops and livestock were ahead of last year's figures in Montana, showing gains of 46.5 percent and 3.8 percent, respectively. Total cash receipts during the period in Montana amounted to $79 million, an increase of 23 percent. South Dakota farm receipts were up 1.5 percent, totaling $162 million during the first quarter. A slight decrease of .5 percent in livestock receipts was more than offset by an 8 percent increase in crop sales for that state.

The only state to experience a decline in first quarter cash farm receipts compared to last year was Minnesota. The total for this year amounted to $368 million, down 10 percent from last year's $410 million. Both crop and livestock receipts were off, down 21.4 percent and 4.9 percent, respectively. END

(Area development article; continued from page 8)

Thus far, most of those finishing training programs have been placed in jobs. In this district, such training programs have been initiated by state employment departments in the larger cities.

3. Public works

The Accelerated Public Works program was enacted by the U. S. Congress in September 1962, as another measure to alleviate the unemployment or underemployment in the chronically depressed areas of the U. S. The objectives are to provide immediate, useful work for individuals in such communities and, at the same time, to assist these communities, through the improvement of their public facilities, in becoming more conducive to industrial development and better places in which to reside.

Areas eligible for assistance under this Act are those which have been designated as eligible for assistance under the Area Redevelopment Act of 1961, and those which the Secretary of Labor determines to have suffered from substantial unemployment for at least nine of the preceding twelve months. In this district, a few areas in addition to those eligible for the Area Redevelopment program are eligible for the Accelerated Public Works program.

The qualifying projects are of two general types: federal projects that are already authorized by Congress under the supervision of federal departments or agencies in eligible areas, for example, public buildings, flood control, river and harbor projects of various kinds, roads and trails, reforestation and range improvements on public lands; and state and local government projects with federal financial assistance, for example, airports, hospitals, waste treatment systems and community facilities. Assistance is given to newly initiated projects and to the acceleration of existing ones.

Certain restrictions are placed on the projects authorized. They are limited to those that will meet an essential public need consistent with locally approved comprehensive plans for the

specific area. They must contribute significantly to the reduction of local unemployment, with schedules initiated or accelerated within a reasonably short period of time, so that a substantial portion of the projects can be completed within 12 months from the time of initiation or acceleration. School construction is specifically excluded; funds cannot be made available for the planning or construction of any school or other educational facility.

A specific requirement made on state or local projects is that they represent a net increase in total expenditures made by governmental units for capital expenditures. This provision assures that the extra effort made by the federal government to create useful employment is matched by a comparable effort from the state or local governments.

Federal grants-in-aid on state and local projects can be made up to 50 percent of the cost of construction, without regard to previous laws limiting federal financial assistance to less than this percentage. Where a state or local government does not have sufficient economic or financial resources to assume the additional cost, the federal grant can be increased to 75 percent of the total.

Provisions in the Act provide a formula for the distribution of funds among states and among large and small communities. Not more than 10 percent of the funds authorized can be made available for public works projects in any state, and not less than $300 million of the $900 million authorized to be appropriated under the Act must be allocated to generally rural areas or small communities suffering from chronic unemployment or underemployment.

This legislation has accelerated public works in the U. S. In the brief period of seven months, over $16.5 million of federal funds and nearly $2 million of local government funds were authorized for projects in Ninth district states. The depletion of the original federal appropriation made it necessary to postpone additional projects. The principal type of projects authorized includes public and institutional buildings, highways, sewer and water systems, and conservation and development projects.

As this program is limited to the chronic unemployment areas, the projects authorized in this district are restricted to Upper Michigan, northwestern Wisconsin, northeastern Minnesota and western Wisconsin, northern Minnesota and western Montana (see table, following page). A few projects have been authorized on Indian reservations in both North and South Dakota.

4. Rural area development

The preceding federal programs were designed primarily for urban areas. A similar program has been designed for rural areas, administered on a state level. The Rural Areas Development had its origin in 1955, when President Eisenhower urged that action be taken by appropriate agencies to alleviate the situation of low income rural families. At first, the program was limited to those counties with substantial problems due primarily to low income farms. In 1960, the program was expanded to include any county or area faced with problems of adjustment, whether rapid growth or persistent decline. Agricultural extension specialists and others now assist local leaders (1.) in developing organizational procedure, (2.) in the formulation of an economic development program which serves to identify the problems and to develop alternative solutions, and (3.) in helping to carry out appropriate action programs.

Concepts in community and area development

A community improvement program, not one limited to industrial development, benefits the people already in the community. In most communities, economic growth stems largely from the expansion of existing firms or the establishment of new ones by local people rather than from the attraction of outsiders to a center. Well planned urban centers encourage an expansion in business activity.

An essential part of the preliminary work of

initiating a community improvement program is the drawing up of an over-all economic development program. When this work is properly organized, it serves several purposes. First, the working panel for this task, by constituting a cross-section of the people in a designated area, will insure wide representation. Second, the assembling of the information on the available resources, both natural and human, and the formation of an economic plan on this basis will tend to eliminate unsound solutions. Finally, the panel developing the plan will promote general support among the electorate.

The technological transition in the Ninth district economy is so far-reaching that merely developing a plan will not guarantee the restoration of all urban centers. Since the end of World War II, the population in large metropolitan centers has grown rapidly; in medium-sized centers it has remained stable or has increased slowly. But in the small centers it has declined. The large and medium-sized urban centers will survive, their rate of growth depending, in some measure, on effective leadership. Many small towns will continue to decline as the function they served largely disappears. As the population on farms declines, the population in urban centers serving farm regions also decreases and some of these municipalities face the possibility of disappearing altogether.

Nevertheless, some small towns are needed. For instance, even in this age of rapid transportation, a farmer cannot afford to drive a hundred miles for a new fan belt on his tractor, nor can his wife drive such a distance to buy the groceries. The solution may be a consolidation of the facilities in several towns into an efficient municipality that can provide the ordinary product distribution and services required today. This concept has been developed at Kansas State College. The faculty is providing leadership to citizens in small centers who are interested in this kind of a solution.

In summary, the primary objective of community and area development and redevelopment programs is to minimize the effects of the dislocations resulting from the rapid progress in our economy. Efforts are made to open new opportunities for employment to offset those disappearing due to rapid changes in both production and distribution by encouraging sound expansion of old firms and establishment of new ones.

—OSCAR F. LITTERER

ACCELERATED PUBLIC WORKS PROJECTS IN NINTH DISTRICT STATES, MARCH 1, 1963
(thousands of dollars)

Broad classification	Number of projects	Source of funds: Accelerated Public Works Administration	Other federal funds	Local matching	Total	Estimated on-site man-months
Nonresidential						
Hospital and institutional	7	$ 825	$287	$ 829	$ 1,941	1,721
Administrative and service	2	477	.....	.....	477	317
Other nonresidential	78	3,966	.....	42	4,008	4,581
Highways	57	4,246	.....	19	4,265	5,824
Sewer and water systems	29	2,090	79	966	3,135	2,456
Conservation and development	58	4,363	.....	73	4,436	8,441
All other public projects	3	423	.....	.....	423	466
TOTAL	234	$16,390	$366	$1,929	$18,685	23,806

Source: Accelerated Public Works Program Directory of Approved Projects as of March 1, 1963, U. S. Department of Commerce—Area Redevelopment Administration.

1962 reports available

Copies of the **1962 Annual Statistical Review,** presenting data for principal statistical series relating to the Ninth Federal Reserve district, are now available from the Research department of this bank.

Also available upon request from this department are reprints of "Federal Reserve Open Market Operations in 1962," a report which appeared in the April issue of the **Federal Reserve Bulletin.** The article describes the open market operations of the Federal Reserve System against the background of broad System policy objectives on the one side and money and capital market developments on the other.

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