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A Program of Regional Economic Development

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In an article appearing in this Review last month, Mr. Chester C. Davis referred to the interest of the Federal Reserve Bank of St. Louis in the problem of regional development. The concern of this bank with the promotion of balanced economic development in the district is not a new or passing one.

The entire Federal Reserve System has an interest in encouraging economic stability and growth in the various regions of the nation. It is obvious that a nation with our far-flung and diversified economic interests would show considerable variation in economic activity from one section to another. Even with the growth of interdependence of all parts of our economy it remains true that a sound balance of agricultural, commercial and industrial activity within any particular region is the basis for national stability.

The immediate responsibility of the Federal Reserve System is the maintenance of a sound structure of credit and the supervision of monetary policy. However, since financial and monetary strength is an outgrowth of fundamental economic conditions which promote stability, the concern of the System with promotion of regional development is clear. Moreover, it is essential to the formulation of sound monetary and credit policy that as complete factual information as possible concerning economic developments throughout the nation be made available.

Perhaps it can be summed up this way: This nation is too vast in its economic ramifications

to permit understanding in terms of national totals or averages alone. If sound policies are to be developed, we must have available information concerning conditions in the various parts of the nation's economy.

The Eighth Federal Reserve District, served by the Federal Reserve Bank of St. Louis, has a peculiar interest in this problem of regional development. In some respects the Eighth District is typical of the nation as a whole. It is centrally located and consequently, in environment, is part north, part south, part east, and part west. It has major manufacturing areas, primary distribution centers, and most types of agriculture that flourish in the United States. Its industry is very well diversified—the St. Louis industrial area alone contains two-thirds of the various manufacturing types classified by the Census of Manufactures. Its basic resources are equally well diversified—it produces commercially, coal, gas, oil, lumber, lead, zinc, manganese, fluorspar, bauxite, iron, and a host of other raw materials, even including diamonds. It produces more cotton than any other Federal Reserve district, but is also a primary producer of corn, oats, tobacco, rice, wheat, truck crops and fruit. Each of the five basic farm commodities is grown in sizable volume in the district. It has and is aware of the Negro problem, the soil conservation problem, the slum problem, and a multitude of other problems common to the national scene. For these reasons the Eighth District is an excellent laboratory for the study of national problems on a smaller and more workable scale.

ECONOMIC PROBLEMS OF THE EIGHTH DISTRICT

In other respects the problems of the Eighth District differ from the national picture, and in that variation they point up some of the more serious economic problems that we must face. This is a district which is in process of change from an older form of agriculture to a newer, more balanced type of farming, and it is also a district which typifies the shift from agricultural to industrial activities in a marked degree. The southern portion of this district in particular, including the State of Arkansas and parts of the States of Kentucky, Tennessee and Mississippi, reflects the "growing pains" of the Old South as the area shifts from its heavy dependence on cash crops, such as cotton and tobacco, to a more diversified use of the soil, and as industrialization spreads more rapidly than in other sections of the nation.

The Eighth District, in so many respects typical of the nation, is out of line in that it has a less-than-average per capita income. It faces the problem of catching up with the national average, a problem which has characterized the less industrialized regions of the nation.

Among the special problems of economic development in this district are those of improving the balance in agricultural production, increasing the industrialization of rural areas, and the task of urban redevelopment. In the December issue of this Review an article on "Agricultural Changes in the Mid-South" emphasized the rapid shifts which have taken place from the older cotton economy in that region to a more diversified type of agriculture. Throughout the entire district substantial improvement in per capita income on the part of the farming population can be secured through improvements in soil conservation and farm management practices.

One of the most challenging opportunities in these middle states centers in the possibility of industrialization in the smaller cities and towns. Much is now happening on this front, but it is important to make sure that in addition to the legitimate interest which each community has in industrial expansion, a sound over-all program for the region results. We need to know our industrial resources better, and we need to develop a program for their more effective utilization.

All larger cities and metropolitan areas are facing problems of economic development or, perhaps we had better say, redevelopment. Eighth District cities are no exception. A metropolitan area such

as St. Louis is facing many problems which result from the growth of population and of industrial and commercial activity. As in all such centers, difficult questions of public finance, of depressed business and residential areas, and of traffic congestion have given birth to metropolitan planning organizations which are struggling with these economic problems. Just as depletion of the soils is a problem calling for wise management and earnest thought, so are the problems of loss of urban property values through deterioration, and the myriad problems of transportation which focus in an urban center. Moreover, the social problems of health, education and recreational opportunities are fundamentally tied to the questions of economic development and economic planning within such an area.

Running through all of these problems of economic development is the common thread of necessary financing method. It is probably fair to say that our technical knowledge of desirable soil conservation practices and of the engineering and planning requirements of metropolitan areas is much more advanced than is the development of appropriate and adequate means of financing these needed improvements and adjustments.

The contribution of this bank to the solution of the problem of balanced farm production has been in the encouragement of a sound program of bank credit for soil conservation. In the matter of industrialization of the area, no question is more important than that of capital investment, its availability and sources. And one needs only to read the newspapers to discover that the chief difficulty in the way of developing needed improvements in most metropolitan areas is financial. Hence the pervading interest of this bank and its member banks in the whole range of problems of economic development of the district. It is not primarily a question of adequacy of funds. It is a question of devising methods, procedures and programs both in the field of private and public finance that will facilitate these developments.

A PROGRAM OF REGIONAL RESEARCH

In the interest of facilitating regional development, this bank has inaugurated a program of regional economic research. There are no new or particularly unique ideas involved in this program, nor is it a program which this bank can develop on its own responsibility. It must be a cooperative venture in which many agencies, private and public, join. We visualize this regional research program in three steps.

The first is a rather dull and routine activity but one which is essential. It consists of bringing together in compact usable form comprehensive economic information concerning all of the states, counties and political subdivisions making up the Eighth Federal Reserve District. With the cooperation of many other organizations and agencies this information is being gradually drawn together.

The second step consists of publication of articles and pamphlets which present parts of this information in the interest of broader public understanding of the problems. Beginning with the November, 1946, issue of the Monthly Review published by this bank, we have inaugurated a series of special articles dealing with certain phases of economic development in the district. We invite the cooperation of readers in suggesting particular topics for inclusion in this series of articles and in suggesting ways of improving the material and making it more useful. From time to time it is expected that the studies will result in special publications. As an illustration, the emphasis on soil conservation has resulted to date in one or two publications which have had rather wide circulation throughout the district. Some 17,000 copies of "Bank Credit for Soil Conservation" have been distributed to bankers and others interested in the development of better balanced farming.

The third step might be described as an extension activity of this research program. It consists of meetings and conferences which are arranged with individuals interested in particular problems of economic development. Over a period of fifteen months this bank has been promoting the development of soil conservation and balanced farm production through a series of meetings held throughout the district. To date, 27 meetings have been held in five of the seven states represented in the district—Mississippi, Arkansas, Tennessee, Kentucky and Illinois—with a total attendance of approximately 3,000, mostly country bankers and key farmers. While this bank has sponsored and arranged the meetings, in all instances the state bankers association, the state university, the soil conservation service and other agencies have cooperated in promoting the meetings, and the state university and other groups have helped in providing speakers and illustrative material.

As a follow-up of these meetings we are discussing with interested groups the possibility of additional series of meetings dealing with the proper development of pasture acreage and with the development of forestry and use of timber resources.

More recently arrangements have been made to initiate some discussions of problems of economic development with a group of bankers and businessmen in one or two cities in the district. Out of these discussions it is hoped that a particular program may develop in the industrialized and urban areas somewhat paralleling the farm development program now under way. It is also planned to schedule some discussion groups among the bankers concerned more specifically with credit and financial problems.

If such a program is to succeed there must be close cooperation among the many groups interested in the economic development of the region. The job is of such size that it would be a great misfortune to have duplication of effort. A pooling of all resources and energies is essential. In the agricultural program splendid cooperation has been received from the bankers, the university groups, and the various Governmental agencies concerned with soil conservation, as well as interested private individuals.

Contacts are being established with the various state and metropolitan planning bodies throughout the district and with national and regional groups that are interested in these problems of regional economic development. Cooperative arrangements have been set up with such agencies as the research committee of the Cotton Council, the National Planning Association's committee of the South, the Council of Economic Advisers to the President, and the Committee for Economic Development. In the latter four instances, officers of this bank are serving on the committees of these organizations and endeavoring to coordinate the research work of this bank with the broader programs of these agencies.

Fact gathering and analysis will not in and of itself produce solutions of economic problems. Nevertheless, such studies are essential first steps in providing the background of knowledge necessary to policy formulation.

The task of regional economic development is much too large for any single organization to undertake successfully. This bank is devoting its limited resources to two objectives.

1. The coordination of some of the factual material relating to economic conditions in the district.
2. The encouragement of cooperation among the many agencies which in the final analysis have the resources and the capacity to carry out the task of creating a stable, high level economy in this district which is at the very heart of America.