

T H E N E W R E G I O N A L I S M

An Address by

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The desire to improve one's own lot and that of his community is a fundamental and compelling motive of American society. It is made obvious in many ways, and the response to this basic urge takes many forms. But perhaps there can be at least these two generalizations:

..... as American life becomes more complex in its organization, men of like interest and concern find they have to consolidate their efforts to get anywhere --

..... their efforts are usually directed to increasing the local share in national economic growth.

What is the ideal unit for this effort, and what are the action choices?

As to the first question, the United States is polarized between a strong central government and fragmented state and local governments of bewildering variety and capability. National objectives are much easier analyzed and debated than local ones. There is a sense of removal on the part of the individual from the broad domestic policy directions and the outline legislation Congress uses to contain them that makes debate easy -- but like another subject on which everyone has an opinion -- the weather -- no one is in a position to do anything about it. The circumstances of application of this legislation are set at present by the roughest kind of criteria. Obviously these must comprehend the problems of New York City as well as Broken Bow, Nebraska. And what are these problems? Only in the broadest possible dimension can they be said to be comparable. Yet to each individual in Broken Bow his problems are as obvious and of as great concern to him as those of the resident of New York.

Vut it is not necessary to use so dramatic an example. Closer to home are the states of the Midwest -- an area perhaps of greater homogeneity than any other of similar size in the United States. Yet within these there exist substantial variations in human and financial capital, of fact knowledge, and assessment of priorities. Add to this the incredible multiplicity of public and private organizations through which effort to improve "the human condition" must be exerted, there is little wonder human and financial resources are wasted in the process. More wonder, perhaps, that so much does get done.

The problem is two-fold then -- how to develop the knowledge about our communities, which must be a prerequisite to action, and then how to administer the programs so the real needs of each community are served. Obviously this cannot be done without some type of intermediary between the federal government and the single community. The one is too big, and the other usually too small and suffers from a problem of geographic definition. Good will and energy are not enough -- the economic and social disciplines require as much expertise and experience as any other profession. Talent and capital are not evenly distributed -- and if the distribution of these scarce commodities is directed from Washington, they must inevitably suffer some dissipation and misapplication in the process -- a conclusion amply supported jointly and singly by common sense and history.

Thoughtful business leaders, educators, and others in and out of all government structures have shown increasing concern. One possible and partial solution has been indicated in the development of private regional councils designed to serve as such an intermediary between the nation and the separate states and local communities. Two such -- and there may be others -- are the New England

Council, and the Upper Midwest Research and Development Council. Both of these have been privately organized with support from a number of quarters. National and regional foundations have not only supported these in some instances, but have supported and encouraged other research and dialog to examine the usefulness of the regional concept. The literature reflecting this inquiry is expanding, as are the number of conferences and symposia -- a sure indication of the degree of national concern.

It might be helpful to you if I told you something about the Upper Midwest Council. It was organized in 1959. Its roster of membership is an admirable cross-section of its region, which is the same as the Ninth Federal Reserve District -- Montana, the Dakotas, Minnesota, northern Wisconsin, and the Upper Peninsula of Michigan. Businessmen, educators, organized labor -- all have been represented. There is a small staff of technicians in the four areas of major concern -- urban development, business and industry, education, and agriculture -- headed by an executive director. A board of directors of eighteen sets policy for the over-all activities, and a small executive committee in each state (upper Wisconsin and Michigan are combined for this purpose) assist in the tailoring of district-wide objectives to each state.

I am not unduly disturbed by the questions about Federal Reserve Bank district lines, at least in the Ninth District. These are as good as any, I suspect, for us. Any effort to establish a geographically described district anywhere in the United States that will encompass any more than the roughest kind of economic homogeneity is not going to be successful. Even in the Ninth District, economic activities are surprisingly diverse. Broad categories of similarities lose significance when specific areas, geographic or economic, are under examination.

Patterns of economic activity that start out with a rough similarity have a habit of shifting. If Appalachia, for example, presently has validity as a region because of its depressed condition, then what happens to it when it is brought up to the average standards of the United States? It makes more sense, it seems to me, to build a district along natural business lines, although I admit that the term "natural business lines" is a fuzzy one. Let me try to illustrate what I mean.

The Ninth Federal Reserve District came into existence for two reasons. First of all, the law said that there had to be \$400 millions of deposits. In the upper midwest, as it existed in 1914, this assured the district would be large in a geographic sense, if such a deposit goal was to be attained. It also meant, though, that it had to start with the Twin Cities. For it was from the Twin Cities that lines of colonization, transportation, finance, and communication, throughout Montana, the Dakotas, Minnesota, northern Wisconsin, and well into the Upper Peninsula of Michigan, extended. In short, most of the district was within the sphere of influence of the largest urban center of the region. This, it seems to me, satisfies the first requirement of an economic region, that it include at least one metropolitan center and its trade area. It is as difficult for smaller communities to admit their dependence upon a metropolitan center as it is sometimes for the metropolitan center to acknowledge that it is the existence of the smaller communities within its region that makes it great. But at least in such a structure we start with a community of business interest and a fact of economic relationships, even though it may not always be acknowledged publicly.

I also happen to believe that a regional effort to be successful has not only to be initiated by the business community, but recognized by it as being in their legitimate self-interest. Certainly there are many instances where the

normal patterns of competition between communities or among different business groups must be recognized and respected, but this leaves an enormous area of social and economic effort where the pooling of human and financial resources is the only thing that makes sense. I suspect that in this group there are memberships in as many as 200 or 300 different trade associations, civic improvement organizations, business leagues, and the rest of the organizations attempting to improve in one way or another some aspect of the society in which you live. Each of these has a proper vested interest in a specific program, and each places a call upon you for time and money. Whose money and time is being whacked up? Surely there are areas of overlap -- areas where a concerted approach, a positive attack, on broad problems that run across the broad spectrum of our communities, would save both time and money. Such a marshalling of effort is possible only through an organization which is broad enough in its composition and geography to cut across these common lines. But it is as important to know where to stop as to start. Responsible business leadership can assure a recognition of the role of the special interest organizations in the area, and a firm resolution to avoid creating a super organization bureaucracy.

You will notice I have carefully avoided any attempt to define a region for you. It would certainly be somewhere within the area intersecting the lines of influence of Denver, the Twin Cities and Kansas City, for example, with Omaha as its center. I suspect that there might be less disagreement than you think about the outlines of the district. More difficult, perhaps, would be outlining the areas of interest. The Upper Midwest Council has divided its objectives into four large areas, as I said before -- education, urban development, business and industry, and agriculture. A systematic effort to accumulate facts about each

of these areas through a research program has substantially been completed. With financing from the Ford Foundation and private industry, an impressive amount of data has been accumulated. In fact, I suspect you would find, as we have, that your own research, when added to that existing or under way in the universities of the region, the great regional corporations, not to mention the many governmental units, would very quickly reach self-generating proportions, so that the zealous researcher could happily, if not profitably, spend his time researching the research. Yet I do not want to belittle the effort even though I poke fun at it. Just because you or I can run a single business successfully, and by virtue of long experience can make intuitive judgments about a course of action in our business that may be reasonably sound, does not mean that we are necessarily competent to make decisions in somebody else's field without due and careful examination of all the facts. And more than that. In many of the areas where we so glibly pass judgment outside of our own field, at least as much technical skill and training may be required as in our own.

But assume the research has been done, you have the facts, and a small staff of technicians in the several fields of your interest has been hired. What next? What are the action choices? In the Upper Midwest Council we see at least these three: communication, government reorganization, and financing. Intertwined with the last two is the first -- communication. Main Street has not been mobilized. Generally, concern is of a simplistic order -- "What we need is a new plant, preferably General Electric or U. S. Steel." With this concern, the individual is able to leapfrog over all the immediate problems outside his door. Schools, streets, the local regulatory climate, can be comfortably forgotten in the assurance of success when the new plant comes in. Money that could be applied much better by the contributor himself is channeled into a business

development effort, and spent in usually fruitless efforts to attract a major industry. Preliminaries like industrial parks with the grading and utilities done, adequate credit facilities, a favorable pattern of local regulation, an orderly plan for city expansion and improvement geared to a realistic tax base -- these take time -- seeming eons -- spent in community meetings where the compromises between the conflicting demands and desires of the community are beaten out. It is hard for an impatient people to go this route -- yet is there any other? The results of the best research effort left untold, and unsold, to community leaders are a useless academic exercise..

It has become increasingly popular to blame the inertia of the business community and the unwillingness of the farmer to participate in the total community effort for our failure to accomplish more. This criticism may have some justification, but the researcher, the professional planner, the top business leader, have major responsibilities. There is a basic goodwill, a basic concern, among the members of the business and farming communities. But the catalyst is missing. In chemistry a catalyst is a neutral substance which must be present before other substances can react to each other. It is this catalytic role the private regional council must play.

The second area of effort is that of improving the pattern of our political organization. I am not referring to political organization in a narrow party sense, though, but in the larger sense of the body of ordinances, regulations and statutes which have spawned the bewildering complex of state and local political entities. This pattern, which in large measure is part of our Anglo-Saxon inheritance, may have been a useful one somewhere, sometime, but has little merit today. Its impact on the rate of industrial growth cannot be measured, but that it is considerable cannot be contested. "Fiscal drag" is a term of popular usage. "Tmg drag" is its local counterpart -- the "tmg" standing for "too many governments".

Instead of serving as the lubricant of society, local government has become the glue. Ineffective or non-existent zoning regulations and tax structures inconsistent with current needs, are just two of the more sticky areas.

Not only is the legal pattern of regulation calculated to deter all but the valiant; the attitude that accompanies their enforcement is not designed to minimize their impact. It is tragic that the disposition to make the "novel, social, and economic experiments" Judge Brandeis spoke about as such an important part of our political heritage, has been surrendered along with a substantial part of the national tax base to the federal government. The problem with this surrender has been that broad innovative national programs have a distressing philosophic resemblance to the bed of Procrustes when regionally or locally applied. Of more than passing interest to me, then, was this clipping from the Seattle Post-Intelligencer of September 24, 1966. It reports a talk given by Norton Clapp, Chairman of the Board of the Weyerhaeuser Lumber Company of Tacoma, and I quote:

One of Washington State's leading industrialists Friday night called for formation of a new Puget Sound regional government as a modern solution to a present-day "horse and buggy" system that, in effect, blocks smooth development.

Clapp pulled few punches in describing the present system of government:

Governmental unit has been piled on top of governmental unit, and things have become extremely complicated and quite uncoordinated -- and often, very illogical.

The problem today is, however, that we are still operating under the old system, which has been repeatedly patched up in attempts to meet changing needs.

Change will not be easy, he warned, adding:

To begin with, we have a surprisingly large herd of sacred cows. The rigidity of much of our community and governmental structure, by its very nature, tends seriously to limit both the extent and the quality of our growth. Our institutions were designed to meet past needs.

Any discussion of regional economic growth either starts with, or is stopped by (and sometimes both) an exploration of financing. Where is the money to come from? Preliminary to a discussion of public financing is an understanding of the role the federal government must play. It is not easy for many of us to think objectively about the role the federal government must play in economic growth, particularly for those of us who have witnessed with increasing anxiety the enormous growth of the federal government over the last thirty years, and the degree of intervention it now exercises in the American society. But it has been inevitable, and it has come about because of the increasing complexity of our society, to which earlier reference was made. As a nation, we are pledged to the principle of equal opportunity in every sense. Whether it is attainable becomes an academic question when assessed against the desires of our citizens. The existing inequalities of opportunity are obviously of universal concern, or councils like the Upper Midwest would not come into existence. The very size of the problems and the inequalities require massive support and assistance. The federal government through its revenue sources, has effectively marshalled the means to attack the problems of inequality. To wish that it were otherwise is not only a fruitless exercise, but can be attacked on reasonable grounds. But it seems to me that recognition of this fact is quite a different thing than advocating surrender of the direction of the expenditure of tax revenues. It is here that a regional structure on the government side can be of the most use. The Economic Development Act, now law, comprehends just such regional development commissions. Certainly expenditure of federal economic development funds can be tailored to the necessities of the individual community of whatever size by people closer to that community than Congress; but to turn this money back to the political subdivisions now existing -- townships, counties, cities, and state governments -- without some pooling of the talent already in short supply, will lead to as great inefficiency

as exists on the national level. This is the dilemma of our government organization. The reservoir of administrative ability and financial capital, great as it is in this country, is not of such proportions as to permit a reasonable system of distribution through existing government structures. There has to be a screen interposed. A moment's reflection by those of you who have had to deal with a number of government bodies on the federal, state, and local levels, will convince you of the presently existing disparity in quality and performance among them. There is no assurance that the regional screen would be immediately better. However, the visibility of the process would be enormously improved. And this is of utmost importance to a democratic society.

How about the private sector? There are indications that a few businesses, notably the utilities, are moving into regional economic development in a larger sense. This is born of a recognition that the national government is entering this sphere only because there exists a vacuum, which a majority of the people want filled. Support of business councils, community planning efforts, even direct financial assistance, are becoming common. These efforts are not being confined to the direct one of industrial development, either. In many instances, they are being directed towards improvement of the total community environment. Support of vocational education programs, even the operation of a job corps camp by your own Northern Natural Gas Company, are examples. If, as many businessmen publicly maintain, government programs are always inefficient and staffed by incompetents -- at which point their criticism stops -- there are many, many opportunities in a surprising number of areas to demonstrate that business can do a better job. Unhappily, the decision is often lost by default.

The problems of marshalling internal resources of a region, where there exist such variations in entrepreneurial skill and capital as in these areas of the midwest, are receiving increasing attention. SBICs have been a combination

of public and private effort. Unfortunately, their record has hardly been spectacular, but it does represent an effort. Again, the business council can serve a catalytic role, distributing the results of research, enhancing awareness of the importance of entrepreneurial skill and investment knowledge, serving in an advisory capacity to the regional commissions created under EDA. If we were to judge by the uniform noise level of protests, financing in one area of the Ninth District, for example, is as easy, or as difficult, as another. But is it really? Again, business helps. It's a lot easier to put a development package together in the Twin Cities than in most small towns of the Ninth District. Research and entrepreneurial and investment expertise are the difference between a successful beginning and none at all for the exploitation of a good idea. A regional business council can be of enormous value as a middle man -- a wholesaler of business knowledge -- for the entire business community of its region.

In summary, it has been said that we need a moratorium on solutions, for each solution leads to more problems. In this facetious comment there is a substantial truth. Economic growth is accompanied by tensions, and the solutions and economic problems do seem to progress in geometric proportion. But unfortunately, there is no moratorium on problems inherent in avoiding growth. Decay has its own, in even more generous measure. The choice is easy.

While our knowledge of the processes of economic growth is hardly adequate, there do exist the essential building blocks. Those of us who have expressed a concern for building economic growth have a responsibility to become involved, first, in the design of a pattern of growth, then to assist in the execution of the design, and finally to commit ourselves to the maintenance of continued growth.