

FEDERAL EXPENDITURES FOR REGIONAL DEVELOPMENT

Walter Isard, professor of economics, University of Pennsylvania

The topic of this panel is very closely related to the subjects of other panels; namely, to those on Federal expenditure for natural resource development, for economic growth, for urban redevelopment, for transportation, and for human resources. In the papers to be presented at these latter panels, much of the materials relating to our topic will be discussed. I, therefore, will limit this paper to a presentation of two important aspects which are not likely to come under consideration in these other discussions.

MODIFICATION OF FEDERAL EXPENDITURE PROGRAMS TO ACHIEVE REGIONAL EQUITY

When one considers the range of Federal programs designed to encourage and promote actively development of resources one is struck by the regional imbalances which result. Resources whose development logically require Federal participation are not evenly spread among the several regions of the United States. The eastern regions particularly have a low proportion of such resources; whereas the western regions have a high proportion. Thus, it is to be expected that a Federal policy geared to national growth and welfare will lead to an unequal distribution of Federal expenditures among the regions. But such a policy can be blind to important considerations. It can fail to recognize the fact that the health of the national economy in large part reflects the health of the several regions constituting the Nation. If from one region the Federal Government drains excessive financial resources for the support of projects in other regions so that the health of the first region is undermined, clearly this defeats the very purpose of the overall Federal policy. In fact, such policy can lead to large Federal expenditures on social-security and other welfare programs in the region adversely affected. An excessive drain of financial resources from a region may interfere with that region's normal process of growth, may chase away industry which normally might develop in the region, may lead to urban deterioration within the region, may make tenuous the fiscal balance of the region, and may even lead to the emergence of depressed industries and areas within such a region. Clearly such consequences should be avoided. Clearly policy on Federal expenditure for national-resource development, economic growth, transportation, and so forth, must take into account the regional dimension and must provide for a proper amount of inequality in taxation and expenditures among regions.

FEDERAL EXPENDITURES AND REGIONAL AND NATIONAL STABILITY

Starting with the premise that Federal expenditures to forestall recession and depression are desirable in general, one may inquire into the regional implications of such a policy. When one studies the historical record and notes the manner in which recessions and depressions spread, one clearly observes significant spatial aspects. It is true that regional cycles fairly closely resemble one another and the national cycle both as to timing, intensity, and duration. But clearly, national cycles tend to start at one or more sore spots within the national economy. Such sore spots have a definite geographic position. Such sore spots should be identified, and programs prepared to nip in the bud any spread of recession forces from these spots. This is not to deny that there are also industries whose growth is slow and which are very sensitive to recession. However, further investigation points up the fact that typically the sensitivity of such an industry differs among the several regions. For example, textiles in New England are much more sensitive to recession influences than textiles in the South. The coal-mining areas centering around Scranton, Pa., are much more sensitive to depression influences than the coal-mining areas in certain parts of the Ohio Valley. Therefore, if a prime purpose of Federal expenditure policy is to nip in the bud recession movements, and to forestall depression, then it would seem essential that this policy assume a regional orientation and be primed for attack upon particular areas of a nation which are sensitive to depression influences. Generally speaking, desirable policy would go even further. It would attempt to identify sore spots in the economy, and attempt in times such as these and through programs of diverse types to build up the cyclical resistance of such areas.