

FEDERAL EXPENDITURES FOR REGIONAL DEVELOPMENT

AREA DEVELOPMENT EXPENDITURES AND ECONOMIC STABILITY IN LOCAL AREAS

DEPARTMENT OF COMMERCE

Statement submitted by Frederick H. Mueller, Acting Secretary
of Commerce

The Office of Area Development does not administer a public-works program or dispense funds for such purposes; accordingly, no comment is provided on item 1 of your memorandum.

With respect to items 2 and 3, it is worth noting that the root problem with a significant number of the local communities that seek the counsel of this Office is the presence, or the threat, of economic instability. In many of these cases, one important recommendation in any long-term remedial program is for a type of public-works program such as: (a) replacing or extending the water and sewerage system, (b) refurbishing or extending of street or highway system, (c) enlarging the water supply by addition of wells or storage reservoir, or (d) providing for improved transportation by dredging or straightening existing navigable watercourses.

All these measures are services required by industry and they are commonly critical plant-location factors. If they are not present and cannot be supplied by the community its chance of providing new business and job opportunities are negligible.

In addition to essential industrial location factors such as water or sewerage systems, an increasing number of cases come to the fore in which a community must spend money to enhance its appearance, to provide recreation outlets or similar kinds of improvements. In the face of intense intracity competition for industrial development, these seeming luxury improvements become necessities and take on a greater significance in the minds of industrial managers than they formerly had. It is recognized that these so-called marginal improvements can, and often are, provided by private sources, but if their need is revealed by a civic-minded group, in all probability the problem will become one for solution by public action, and a search for public-works funds at State and Federal levels will ensue. In fact in many quarters forthright action by community governments on matters of this kind is regarded as one of the primary earmarks of a good business climate.

While it is true that not all area-development programs require a public-works type of input in order to succeed, it is clear that industrial development and potential economic stability are extremely

forceful arguments to use in selling a local public-works program. A danger exists therefore of overselling public-works projects of marginal or questionable value, and the administrators of such programs should be aware of this possibility.

Two reports prepared by this office call attention indirectly to the close relationship between public-works activities and economic stability at the community level. These reports are Checklist for Community and Area Development Business Service Bulletin 145, and Federal Programs for Community Assistance, United States Department of Commerce Business and Defense Services Administration, Office of Area Development.