

EDA Redevelopment Area Analysis

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One Nation, Pulling Apart

I. Introduction

In accordance with the Area Redevelopment Act (Public Law 87-27), in 1965 the EDA designated "Redevelopment Areas," which included counties or clusters of counties, county equivalents, or Indian Reservations within the U.S. As further described below, "5(a)" Redevelopment Areas were marked by high unemployment, while "5(b)" Redevelopment Areas were characterized by a range of unfavorable economic conditions. It is assumed that, at least initially, the EDA allocated a disproportionate share of funds for public works and other development projects to 5(a) and 5(b) areas rather than to other parts of the country. This analysis begins with an explanation of the criteria used by the EDA to select Redevelopment Areas. It then provides a general description of socioeconomic characteristics of Redevelopment Areas compared to the rest of the U.S. in the 1960s. Finally, it assesses changing economic conditions in Redevelopment Areas compared to the rest of the United States over time, specifically the period 1960 to 1990, utilizing descriptive statistics as well as a set of cluster analyses. In sum, this analysis considers socioeconomic conditions in EDA Redevelopment Areas both prior to the EDA's inception and 25 years thereafter.

5(a) and 5(b) Criteria

Redevelopment Areas, in accordance with sections 5(a) and 5(b) of the Area Redevelopment Act, included areas that met the following criteria:

- For 5(a) designated areas, nontemporary unemployment was 6 percent at the time of designation and had averaged 6 percent for either
 - 1) 3 out of the preceding 4 years and had been 50 percent or more above the national average or
 - 2) 2 out of the preceding 3 years and had been 75 percent or more above the national average or
 - 3) 1 out of the preceding 2 years and had been 100 percent or more above the national average.
- The EDA selected 5(b) Redevelopment Areas based upon one or more of the following criteria:
 - 1) low income
 - 2) low farm income
 - 3) rural development
 - 4) low production farming
 - 5) very small area of substantial and persistent unemployment
 - 6) other needs

A total of 166 and 746 counties or county equivalents met the EDA's 5(a) and 5(b) criteria respectively (see Appendix Table 1 and Maps 1-7 for classifications by state). A significant number of counties were in the Appalachian Region (246), which reflects, along with the inception of the Appalachian Regional Commission in 1965, the federal government's concern in the 1960s with Appalachia's socioeconomic conditions. The EDA also designated a large number of Redevelopment Areas (128) in the Mississippi Delta Region. In general, 5(a) and 5(b) counties were distributed throughout much of the U.S., often in clusters, and there was a significant number of such designations in Appalachia, the Mississippi Delta Region, and Indian Reservations in the Southwest, while the EDA designated very few Redevelopment Areas in the central part of the country, including states such as Iowa, Kansas, Nebraska, and South Dakota. As noted previously, counties could qualify as EDA Redevelopment Areas based upon one or more of the 5(b) criteria; thus, for example, a number of counties qualified by meeting criteria of low income, low farm income, and persistent unemployment. Conversely, there was no overlap between 5(a) and 5(b) counties. In the 1960s, EDA Area Redevelopment counties and county equivalents, when compared to the rest of the nation, were characterized by the following conditions:¹

- Small populations, including a smaller percentage of the population living in urban or metropolitan areas. While close to 70 percent of the U.S. population was living in urban areas in the 1960s, Redevelopment Areas typically had urban populations of approximately 20 percent. Furthermore, most 5(a) and 5(b) counties were located a significant distance from metropolitan areas, limiting employment opportunities and access to social services.
- High rates of poverty, with a median poverty rate of 46.12 percent compared to a median poverty rate of 28.27 percent in non-EDA designated counties.
- Educational attainment rates well below the national average. Approximately only one-quarter of all residents living in Area Redevelopment counties had High School degrees in 1960, while this figure was closer to 40 percent throughout the rest of the nation.
- Substandard housing conditions. For example, the number of families without plumbing in EDA Redevelopment Areas was more than twice as high as in the rest of the U.S.
- Finally, as would be assumed based upon Redevelopment Area designation criteria, 5(a) and 5(b) counties had exceptionally lower per capita incomes and higher rates of unemployment than much of the rest of the U.S.

II. Geographic and Economic Analysis by Individual Designation Criteria

5(a) Designations

A total of 166 counties met the EDA's 5(a) criteria. Though these counties were distributed throughout much of the United States, there were notable clusters of 5(a) designations in the Appalachian Region, Northeastern Minnesota, Southern Illinois, and Western Washington.

¹ Based primarily upon 1960 and 1970 U.S. Census data.

Kentucky, West Virginia, and Pennsylvania were the states with the greatest number of 5(a) counties, with 29, 28, and 24 5(a) designations respectively. The primary reason for 5(a) designation was unemployment. The median unemployment rate in 5(a) designated counties in 1960 was 7.97 percent, while in remaining U.S. counties it was 4.64 percent. By 1970, median unemployment had dropped to 5.66 percent in 5(a) designated counties and 4.01 percent in all other U.S. counties. Thus, five years after the EDA initially designated the 5(a) counties, unemployment in such counties had dropped at a rate of 28.98 percent, while unemployment in the remaining U.S. counties had dropped at a rate of only 13.58 percent. In 1980, unemployment had significantly risen throughout much of the U.S.: in 5(a) designated counties, unemployment averaged close to 10 percent, while in the remaining U.S. counties it averaged almost 7 percent. In 1990 unemployment had declined to 7.99 and 5.65 in 5(a) and non-5(a) counties respectively. In sum, in comparing 1960 to 1990 unemployment had remained virtually the same in 5(a) designated counties, while in the rest of the U.S. it had increased from 4.64 to 5.65 percent.

5(b)1 Designations (areas of low income)

A total of 178 counties met the EDA's 5(b)1 criteria of low income, and these counties were concentrated in the Southeast, particularly in Alabama, Georgia, Mississippi, and Tennessee. In 1960 median per capita market income in the 5(b)1 counties was \$607, or approximately only half of the national median of \$1,147. By 1970, 5(b)1 counties demonstrated a significant improvement in income growth compared to the rest of the U.S., rising to approximately 64 percent of the national average. This rise continued through the 1980s and 1990s, so that by 1990 per capita market income in the 5(b) designated counties was approximately 72 percent of the U.S. average.

5(b)2 Designations (areas of low farm income)

A total of 129 counties met the 5(b)2 criteria of low farm income. Like the 5(b)1 designations, 5(b)2 counties were concentrated in the South, and counties in Alabama, Georgia, Mississippi, and South Carolina accounted for the preponderance of 5(b)2 designations. In 1960, the median percent employed in agriculture, fisheries, and forestry in these counties was 27.87 percent, compared to a national median of 18.76 percent. This number dropped significantly both nationally and in the 5(b)2 counties between 1960 and 1970, to 9.55 percent and 10.48 percent respectively, indicating a continued and remarkable trend in the U.S. throughout much of the century of declining employment in agriculture. By 1990, the percent employed in agriculture, fisheries, and forestry in the 5(b)2 counties mirrored the national median of approximately 5 percent. Income trends in the 5(b)2 counties were similar to those in the 5(b)1 counties during the period 1960 to 1990. In 1960, median per capita market income in the 5(b)2 counties was only 57 percent of the national average, but by 1990 it had risen to 75 percent of the national average.

5(b)3 Designations (Rural Development Areas)

5(b)3 designations included a total of 209 counties. As opposed to the 5(b)1 and 5(b)2 designations that were clustered in the South, 5(b)3 designations were distributed throughout much of the U.S., though there were notable clusters of 5(b)3 counties in Northern Pennsylvania, Northern Wisconsin and Peninsular Michigan, East Texas, and in New Mexico. Texas had the largest number of 5(b)3 designations, totaling 33. As indicated by their designation, such counties were in need of rural development, and approximately only 30 percent of the residents

of 5(b)3 counties lived in urban areas in 1960. These counties have remained exceptionally rural over time, with only 33 percent of those living in 5(b)3 designated counties living in urban areas in 1990. Like trends in the 5(b)1 and 5(b)2 counties, per capita market income improved relative to the rest of the U.S. in 5(b)3 counties between 1960 and 1990, rising from 82 percent to 86 percent of the national median.

Remaining 5(b) Designations: 5(b)4 (Low Production Farming); 5(b)5 (Small Area/Persistent Unemployment); 5(b)6 (Other)

Compared to the other designations, there were far fewer counties meeting 5(b)4 and 5(b)6 criteria – only 57 and 36 respectively. 5(b)4 designations (areas of low production farming) were primarily clustered in the South, especially in Alabama and Mississippi. These counties demonstrated trends similar to the 5(b)2 counties, with per capita market income notably improving over time. The few counties meeting the 5(b)6 criteria were spread throughout much of the U.S. 5(b)5 areas (small areas of persistent unemployment), were similar to the 5(a) areas in terms of their designation being based upon unemployment and also in terms of geographic location. A total of 365 counties met the 5(b)5 criteria – the most of any 5(b) designations. Arkansas, Indiana, New Mexico, Oklahoma, Tennessee, Utah, and West Virginia were states with a high percentage of counties meeting 5(b)5 criteria. As was the case with 5(a) counties, the 5(b)5 counties demonstrated improvement in unemployment relative to the rest of the U.S. over time; while unemployment in the U.S. increased from 4.64 to 5.65 percent between 1960 and 1990, it grew at a slower rate in 5(b) counties.

III. Regional Cluster Analyses

Finally, to gain a further indication of how EDA Redevelopment Areas have fared between 1960 and 1990 compared to the rest of the U.S., this research utilized cluster analyses and then a comparison of EDA Area Development counties and non-EDA counties in terms of unemployment and income change over time. A cluster analysis attempts to identify relatively homogeneous groups of cases based on selected characteristics. This research utilized cluster analyses in three different regions to identify similar groups of counties within each region based upon income, population, and employment characteristics, particularly per capita market income and unemployment in 1960, and the following characteristics in both 1960 and 1990: urban population; percent employed in agriculture, fisheries, and forestry; percent employed in mining; and percent employed in manufacturing. Because so few EDA 5(a) and 5(b) counties were parts of metropolitan areas, and because of the socioeconomic impact that being a part of a metropolitan area can have upon a county, only counties that were nonmetropolitan in 1960 as well as in 1990 were included in the cluster analyses. Furthermore, so to account for broader regional change over time, this analysis did three separate cluster analyses: one that included counties primarily in New England, the MidAtlantic States, and the Midwest; another that included counties in the South; and a final cluster analysis that included counties included in the Rocky Mountain Region and the West. Four clusters were identified in each of the regions, though only 8 of the 12 clusters included enough EDA or non-EDA counties (30 or more of each within each cluster) to allow for a reasonable comparison over time within such clusters. These eight clusters are described as follows:

- *Cluster 1 (Northeast/Midwest Distressed)* – 75 counties, 41 designated as Redevelopment Areas by the EDA. These counties were in many respects similar to

Cluster 2 counties except that they had higher rates of unemployment and much lower rates of urbanization. Manufacturing employment held fairly steady in many of these counties over time. Considering the location of these counties, urbanization was exceptionally low. Though labeled as distressed, these counties should be understood as distressed relative to other counties in the Northeast and Midwest Regions, as income in these counties was relatively high compared to much of the rest of the U.S.

- *Cluster 2* (Northeast/Midwest Transitional) - 124 counties, 61 designated as Redevelopment Areas by the EDA. These counties had high unemployment and high per capita income in 1960. As might be expected because of their geographic location in the industrialized Northeast and Midwest, they were less rural than many of the other counties in the analysis. These counties had high employment in manufacturing in 1960, but were losing jobs in manufacturing over time.
- *Cluster 3* (Northeast/Midwest Competitive) – 119 counties, 31 designated as Redevelopment Areas by the EDA. These counties were characterized by high per capita incomes by national standards, but high unemployment by national standards as well. However, unemployment was lower in these counties in 1960 than in the other two Northeast/Midwest clusters. These counties were highly urbanized, and had a large share of jobs in manufacturing in 1960 but had lost a lot of jobs in this sector by 1990. These counties were doing much better economically than counties in *Cluster 1* and *Cluster 2*, so it is not surprising there were less EDA designated counties in this cluster than in the other two Northeast/Midwest clusters. Along with *Cluster 8*, the economic conditions in this cluster were the best of the eight clusters
- *Cluster 4* (South Distressed) – 148 counties, 118 designated as Redevelopment Areas by the EDA. In these counties, unemployment rates were similar if not better than the Northeast/Midwest clusters, but income was very low – typically half of that found in the Northeast in 1960. These counties had a high percentage of the population employed in agriculture, fisheries, and forestry in 1960, with a steep drop in employment in this industry over time. This was countered by a drastic increase in manufacturing in these counties between 1960 and 1990. South Distressed counties were in 1960 and remained in 1990 extremely rural, with typically less than 10 percent of the residents living in urban areas. This cluster of counties had the worst economic conditions of the eight clusters. In sum, these counties were in 1960 and remained in 1990 the least urbanized and had very low per capita incomes.
- *Cluster 5* (South Weak Transitional) – 246 counties, 147 designated as Redevelopment Areas by the EDA. These counties were in many respects similar to *Cluster 4* counties except that they had slightly higher incomes and approximately twice as many residents living in urban areas, though by national standards *Cluster 5* counties were still extremely rural in both 1960 and 1990. These counties also had fewer employed in agriculture, fisheries and forestry than *Cluster 4* counties in 1960, though by national standards employment in this sector was high.

- *Cluster 6* (South Strong Transitional) – 173 counties, 64 designated as Redevelopment Areas by the EDA. Like the Northeast/Midwest Competitive counties, the majority of these counties were not designated Redevelopment Areas by the EDA. These counties typically had per capita incomes that were not quite to national standards, but much closer to national standards than counties in the other two southern clusters. These counties were also more urbanized and had far less employment in agriculture, fisheries, and forestry in the 1960s than the other two southern clusters. Rates of manufacturing in *Cluster 6* counties remained fairly high over time.
- *Cluster 7* (West Transitional) – 92 counties, 35 designated as Redevelopment Areas by the EDA. These counties had relatively high income and high unemployment by national standards in 1960. They also had average to low levels of urbanization, and low levels of employment in manufacturing. West Transitional counties were especially characterized by high employment in agriculture, fisheries, and forestry in 1960 as well as in 1990, with a notable decline in 1990, but still a much greater share of employment in the sector than in the rest of the nation at that time.
- *Cluster 8* (West Competitive) – 142 counties, 30 designated as Redevelopment Areas by the EDA. These counties were more economically competitive than the other western cluster, with lower unemployment and income close to the national average. These counties were also relatively more urban than counties in most other clusters. As was the case with *Cluster 7*, employment in these counties was relatively high in agriculture, fisheries, and forestry. Along with *Cluster 3*, this cluster demonstrated the strongest socioeconomic conditions over time.

Change Within Individual Clusters Over Time

This analysis compared rates of change in unemployment as well as in income between EDA and non-EDA designated counties in each of the individual clusters during the period 1960 to 1990. It should be noted that throughout the U.S. unemployment generally increased during this period of time. Nonetheless, as indicated in Table 2, unemployment tended to increase at a slower rate in the counties designated as EDA Redevelopment Areas than in non-EDA counties in each of the individual clusters. Moreover, the only two sets of counties that demonstrated an improvement in unemployment over time were EDA-designated counties, in the *Northeast/Midwest Transitional* cluster and in the *West Competitive* cluster.

Table 2: Unemployment and Income Rates of Change between 1960 and 1990 by County-Type

	<i>EDA Red. Area Unemployment</i>	<i>Non-EDA Unemployment</i>	<i>EDA Red. Area Income</i>	<i>Non-EDA Income</i>
Northeast/Midwest Distressed	8.25/8.81 (6.8)	5.67/6.76 (19.2)	1007%	1004%
Northeast/Midwest Transitional	8.61/8.05 (-6.5)	5.76/6.98 (21.2)	936%	965%

Northeast/Midwest Competitive	7.39/7.92 (7.2)	4.94/6.16 (24.7)	912%	937%
South Distressed	5.80/8.61 (48.4)	5.19/7.03 (35.5)	1552%	1526%
South Weak Transitional	6.50/8.18 (25.8)	5.22/6.93 (32.8)	1284%	1359%
South Strong Transitional	7.22/8.17 (13.2)	5.35/6.57 (22.8)	1133%	1173%
West Transitional	8.75/9.48 (8.3)	4.97/6.29 (26.6)	849%	956%
West Competitive	8.68/7.74 (-11.2)	5.34/7.10 (33.0)	861%	848%

Note: Calculations done by author. Unemployment rates and per capita market incomes based upon rates in entire groups of counties. For unemployment, numbers reflect unemployment in 1960/1990 and rate of change between 1960 and 1990 in parentheses. For income, percent increase over time in nominal dollars.

IV. Conclusion

This analysis indicates the criteria by which the EDA designated Redevelopment Areas. The descriptive and geographic analysis as well as the cluster analysis demonstrates that the EDA had primarily selected the most rural, economically jeopardized counties in the U.S. for development assistance. EDA designated counties have improved over time, especially in relation to their initial designation criteria. For example, 5(a) counties – counties that the EDA designated as Redevelopment Areas based upon high unemployment – demonstrated improvement in unemployment rates over time relative to the rest of the U.S., as did 5(b)5 counties (small areas with persistent unemployment). Furthermore, this analysis gives an indication of how EDA Redevelopment Areas have fared over time relative to similar counties within their particular regions that were not designated as Redevelopment Areas by the EDA. The cluster analyses and corresponding statistical analyses demonstrated that EDA designated counties, when compared to similar counties over time, fared better in terms of unemployment, but had mixed results regarding income. Importantly, while this research indicates that there has been improvement in EDA-designated areas over time, per capita incomes, unemployment, rates of educational attainment, and other socioeconomic characteristics of these counties are still deficient relative to much of the rest of the U.S. In 1965 the EDA selected the worst counties in the country for assistance, and many of these counties continue to face adverse circumstances. This analysis demonstrates relative improvement in these counties over time. It is also important to note that had it not been for federal development efforts, many of these counties may have been far worse off today relative to the rest of the U.S. than they were in the 1960s. Recent work done by Dr. Amy Glasmeier and myself indicates that between 1960 and 1997 there has been a growing disparity between distressed and non-distressed regions in the U.S. The research described in this paper demonstrates that EDA Area Development counties, at least during the period 1960 to 1990, had improving employment conditions compared to much of the rest of the United States. Such improvement is noteworthy, especially in the midst of growing regional disparity more generally.