Economic Development Administration

Legislative History

The Economic Development Administration (EDA) has been the subject of much debate and legislation; perspectives on, and goals and objectives for, this agency are legion as well. Here, we provide a chronology of EDA's inception and continuation, beginning in the 1930s and 1940s when national economic development objectives were formed and escalated. We then move from the history of the agency's creation to a discussion of its present position within policy legislation.

To set the context, information is provided here about the early legislation that established EDA's predecessor, the Area Redevelopment Administration (ARA). This is followed by a summary of the transition from ARA to EDA, ending in a consideration of the evolution of the EDA policy mandate. Particular attention is paid throughout to the policy position of the presidential administration relevant to each phase and its impact on the history of distressed area legislation.

EARLY LEGISLATION

Prior to the Great Depression the government had already established legislation for select elements of area economic development (e.g., highways, vocational technical education).[1] Areas not receiving attention included the chronically depressed regions of the United States. President Roosevelt's New Deal programs were the first to have significant application to these depressed areas, although the focal point was national recovery.[2] Several planning authorities created through the New Deal had a substantial impact on the evolution of regional economic development policy. These included the following:

- The Public Works Administration (PWA): established via the National Industrial Recovery Act (NIRA) of 1933 for the purpose of completing a plan to construct, repair, and improve public highways, buildings, and other publicly owned facilities, as well as for the conservation and development of natural resources. Like the future EDA, the PWA found it challenging to establish criteria for project selection and prioritization.

- The National Resources Planning Board (NRPB): originally the National Planning Board, est. 1933 and renamed 1934, designed to implement the public works planning and construction provision of the NIRA.[3] Besides examining the

[1] See *Local Economic Development* (Curtis H. Martin and Robert A. Leone, Lexington Books, Lexington, MA, 1977), chapter 1, for background on early federal economic development policy.
[2] In 1935 President Roosevelt expressed his belief that individual lives and localities were best served through action that promotes the national economy (U.S. Congress, *Congressional Record*, 74th Congress, 1st session, January 24, 1935, 79, part 1: 866).
[3] *Executive Order No. 6777*, June 20, 1934.

physical aspects of regional economic development, NRPB recommended the creation of coordinated interstate, state, and local planning boards and districts, which are conceived of as early proposals for the Area Redevelopment Act of 1961 (ARA) and the Public Works and Economic Development Act of 1965 (PWEDA).[4]

- The Tennessee Valley Authority (TVA): designed to meet Roosevelt's vision of a national system of interlocking river-valley regional development projects, it is the most well-known and well-funded of more than forty state planning commissions established during the 1930s to help coordinate federal economic planning. The TVA planning approach served as a precedent for other development commissions, such as the Appalachian Regional Commission (ARC).

The need for such planning stemmed from increasing concerns that regional economies would suffer from the dismantling of the war industry at the close of World War II.[5] In 1943, the NRPB expressed its belief that the federal government should play a role in developing a national policy to aid people in moving from depressed areas to regions of greater opportunity.[6] Shortly thereafter, Congress did away with the NRPB and created special House and Senate committees to manage postwar economic policy and planning. While no new legislation stemmed from these committees, it was generally acknowledged that some regions' postwar economic problems were acute and thus required regional remedies.[7]

During this period, the legislation developed to aid depressed areas was largely driven by several administration officials and congressional representatives, including Henry A. Wallace, who, as Secretary of Commerce, negotiated congressional hearings on the issue of chronically distressed regions. Wallace focused on the South, arguing that the nation could not achieve full employment when an entire region was lagging. His proposal to ameliorate such conditions was to develop a comprehensive federal strategy for depressed areas.[8]

In 1945 two legislative proposals on depressed areas reached Congress. The first bill became the 1946 Full Employment Act. This Act was amended in September to assist underdeveloped areas.[9] The second proposal was the Hays-Bailey bill (proposed by North Carolina Senator Josiah Bailey and Arkansas congressman Brooks Hays), which was

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[4] National Resources Planning Board, *Report* (Washington, DC: Government Printing Office, 1934), p. 64.
[5] National Resources Planning Board, *Security, Work, and Relief Policies* (U.S. Government Printing Office, Washington, DC, 1942), p. 503.
[6] National Resources Planning Board, *Industrial Location and National Resources* (U.S. Government Printing Office, Washington, DC), p. 1.
[7] U.S. Congress, Senate, Special Committee on Postwar Economic Policy and Planning, *Post-War Economic Policy and Planning: Report Pursuant to S. Res. 102*, 78th Congress, 2nd session, S. Report 539, part 4, 1944, pp. 7-8.
[8] Wallace, Henry C., *Sixty Million Jobs* (Simon & Schuster, New York, 1945), p. 131.
[9] U.S. Congress, Senate, *Congressional Record*, 79th Congress, 1st session, September 24, 1945, 91, part 7: 8917.

drafted under Secretary Wallace's direction. The intent of the second bill was to provide industrialization aid to underdeveloped areas.[10] It was the first bill to be concerned directly with underdeveloped areas, and to shift remedial action for rural problems from a people–to–jobs orientation (worker mobility) to jobs–to–people (employment establishment expansion). In sum, it promised assistance to private economic initiatives, mainly by providing information and shared know-how. The proposed budget was $5 million, which was to be divided among the nation's under-industrialized regions. Opposition to Hays-Bailey resembled that later encountered by proponents of the Area Redevelopment Act (ARA):[11]

- It impinged too closely on the private sphere.
- It was a beggar-thy-neighbor approach, resulting in redistribution of existing production and employment.
- The proposed quantity of aid was too small; to be effective appropriations would need to be raised year after year.

As these bills arrived for consideration in Congress, two significant statistical collection and distribution agencies were established: the Bureau of Employment Security and the Area Development Division. These additions reflected the Truman administration's desire to narrow regional differentials by raising productivity and incomes in lagging regions by improving agricultural methods and land use, industrial expansion and diversification, and increased health and education levels. To achieve these goals the Council of Economic Advisers began to develop ways to integrate programs in business, labor, agriculture, and all levels of government that would benefit each and contribute to the whole.[12]

Another noteworthy bill from this period was the Murray-Sparkman bill, presented to Congress in June 1949.[13] Murray proposed additional federal involvement in promoting economic expansion in line with the Employment Act of 1946. It was the first comprehensive area development legislation proposed in the United States to contain provisions for areas of serious unemployment and the maintenance of employment opportunities. Although never passed by Congress, the issues brought to the table via this bill were an important step toward development of a depressed area policy.

The next significant juncture took place during the Eisenhower administration. President Eisenhower believed that economic problems stemmed from various causes and therefore

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[10] S. 1385, *A Bill to Provide for Aid in Industrialization of Underdeveloped Areas*, 79th Congress, 1st session. U.S. Congress, Senate, Subcommittee on Domestic Commerce, *Hearings on S. 1385*, May 3, 6, 7, 1946, p. 14.

[11] Martin, Curtis H. and Robert A. Leone, *Local Economic Development.* Lexington Books, Lexington, MA, 1977, p. 25.

[12] *The Economic Report of the President*, January 14, 1948 (U.S. Government Printing Office, Washington DC), p. 58.

[13] *Congressional Record*, 81st Congress, 1st session, July 15, 1949, 95, part 7: 9548-9549.

required different remedies that could not be determined in advance.[14] His deep concern over these issues surfaced in a strong appeal for legislation to aid chronically depressed areas, and opposition to bills that would establish policy for area assistance. In general the Eisenhower administration tended to favor technical assistance and loans to depressed areas. Policy contributions in that direction included the passing of the Small Business Act in 1953 and the initiation of the Rural Development Program in 1955. Overall, the economic improvement programs of the Eisenhower administration focused more on the efforts of state and local governments, as well as civic organizations, than in the past.[15] This led to a new Area Assistance Program, designed to better assist communities that had experienced persistent and substantial unemployment by invoking four major principles as found in the *Economic Report of the President* (January 24, 1956):[16]

- Federal assistance should aim at helping communities help themselves (major economic redevelopment responsibility must remain with citizens from within the focus community).

- The program should aim at lasting improvement of job opportunities by the establishment or expansion of productive industries (projects that generate temporary employment should not be targeted).

- Federal assistance should be contingent on the active participation of governmental authorities that are close to the troubled community (funds must be in part matched by state or local government, credit corporations, or community-sponsorship).

- Federal aid must not be extended to a community if the proposed project will create unemployment in some other area.

Despite this appeal, Eisenhower rejected several measures proposed by both Democrats and Republicans, including two bills designed specifically for designated area assistance.

Sparked by rising unemployment in a few concentrated regions of the nation, the Senate Subcommittee to Investigate Unemployment, Committee on Labor and Public Welfare, held hearings on the causes of chronic unemployment in March 1955.[17] This was the second such hearing (the first were held in 1950); Senators Douglas, Kennedy, and other subcommittee members heard testimony on the acute unemployment problems of declining mining regions. Democrat views of the situation were presented in the 1955 *Joint Economic Report*. In addition, in pointing out the chronic unemployment of the coal, textile, and specific other durable goods industries, Democrats expressed the

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[14] *The Economic Report of the President*, January 28, 1954 (U.S. Government Printing Office, Washington DC), p. 113.
[15] *The Economic Report of the President,* January 20, 1955 (U.S. Government Printing Office, Washington DC), pp. 59-61.
[16] *The Economic Report of the President*, January 24, 1956 (U.S. Government Printing Office, Washington DC), pp. 61-63.
[17] U.S. Congress, Senate, Subcommittee to Investigate Unemployment, *Causes of Unemployment in the Coal and Other Specified Industries*, July 14, 1955, Senate Report 2042, p. 2.

urgency of immediate aid to distressed and chronically depressed areas.[18] Douglas drafted legislation conforming to these views, and submitted it for consideration by the Senate. Representative Daniel Flood introduced the legislation in the House (S. 2663 and H.R. 7857, respectively).[19]

The Douglas bill, like the Murray and Hays-Bailey bills as well as the Full Employment Act of 1946 and other earlier programs, identified causes of decline, broad purpose, and tools for remediation.[20] Further, it made original contributions to federal depressed area legislation:[21]

- It was the first to acknowledge that a people–to–jobs orientation may be undesirable, and therefore eliminated provisions for relocation assistance.

- It wrote into legislation the need for a centralized depressed area authority, as suggested earlier by the NRPB.

- It utilized unemployment area statistics provided by the Department of Labor in order to better specify program eligibility criteria.

- It stressed the importance of developing depressed areas during periods of economic upswing, when measures to combat cyclical economic problems would not conflict with efforts to defeat localized ills.

The Senate version of the Douglas bill passed, but then died in the House Rules Committee in 1956. The 1955 Douglas bill was followed by one introduced by Senator Martin in January 1956, which reflected the views of the Republican minority and was supported by the Eisenhower administration (S. 1433). Subsequently, yet another Douglas bill, the Douglas-Payne bill (S. 694), was introduced. The major differences between the Republican– and Democrat–sponsored bills centered on the organizational relationship to the executive, criteria for the certification of areas for aid, and total allocations for grants and loans.[22] The flow of depressed area legislation proposals continued, but at the close of 1959 none received full legislative and executive support.[23]

[18] U.S. Congress, Joint Economic Committee, *Joint Economic Report, 1955, pp. 17 & 39.*

[19] U.S. Congress, Senate, Subcommittee on Labor of Committee and Public Welfare, *Hearings, Area Assistance Act of 1956,* 84th Congress, 2nd session, 1956. U.S. Congress, House, Committee on Banking and Currency, *Hearings, Area Assistance Act of 1956,* 84th Congress, 2nd session, 1956.

[20] For further discussion see Levitan, Sar A., *Federal Aid to Depressed Areas: An Evaluation of the Area Redevelopment Administration (Johns Hopkins, Baltimore, 1964).*

[21] U.S. Congress, Senate, Subcommittee on Labor, *Hearings on S. 2663,* Area Redevelopment, 84th Congress, 2nd session, Part 1, January-February 1956, Testimony of William Miernyk, p. 154.

[22] Dillon, Conley H., *The Area Redevelopment Administration: New Patterns in Developmental Administration*. (Bureau of Governmental Research, College of Business and Public Administration, University of Maryland, 1964), p. 8. Comparison of the bills is given in the U.S. Congress, Senate, Subcommittee on Banking and Currency, *Hearings, Area Redevelopment Act,* 85th Congress, 1st session, 1957, p. 49.

[23] For a detailed summary of the movement of S. 722, the most debated of the bills, see the *Congressional Quarterly Weekly Report* (CQ, Inc., Washington DC), No. 19, week ending May 6, 1960 pp. 784-785 and No. 20, week ending May 13, 1960, pp. 828-829.

THE AREA REDEVELOPMENT ADMINISTRATION

Immediately following his election, President Kennedy appointed a task force to study the "frontier" of area redevelopment. Headed by Douglas, the task force reported back to the President in December 1960 with recommendations for immediate passage of legislation to relieve unemployment in depressed areas.[24] In response, three competing bills were introduced to Congress at the start of the 1961 session. In many ways the three bills were similar to those proposed under Eisenhower: the main differences had to do with issues of organization, funding sources, and the extent of assistance given:

- S. 1 (S. Douglas): set up as an independent agency administered by the President, offering private project loans or rural and urban depressed areas (funded by the Treasury Department), loans and grants for public facilities, technical and retraining assistance grants.

- S. 6 (S. Scott): establishment of ARA within the Department of Commerce, directed by the Secretary of Commerce, providing direct loans to rural and urban depressed areas (financed by congressional appropriation), public facilities loans, technical and retraining assistance grants, but no public facilities grants.

- S. 9 (S. Dirksen): establishment of ARA within the Department of Commerce, directed by an administrator appointed by the President but who reports to the Secretary of Commerce, limited loans to private projects and public facilities supported not by ARA funds but by existing agencies (i.e., urban renewal and community facilities provisions of the Housing Act), no private project loans for rural areas, no facilities grants or technical and retraining assistance grants.

A bill was then submitted by Congressman Brent Spence, Chairman of the Committee on Banking and Currency (H.R. 4569)[25] that proposed placement of the ARA within the Department of Commerce. In addition, it contained provisions for technical assistance to depressed communities, participating loans in the event other financial services were not an option, financing for public facilities to support industry, and assistance in the cooperation efforts of state, local, and private organizations.

Luther Hodges, the newly appointed Secretary of Commerce, recommended that S. 1 be amended to conform to the language of the bill introduced by Spence, particularly with regard to placement of ARA within Commerce. Douglas and others strongly opposed this proposal—proponents of maximum aid to depressed areas had fought since 1955 to

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[24] Referred to in the statement by Senator Douglas in U.S. Congress, Senate, Committee on Banking and Currency, *Hearings, Area Redevelopment*, 87th Congress, 1st session, 1961, pp. 1-2.
[25] U.S. Congress, House, Subcommittee of the Committee on Banking & Currency, *Hearings, Area Redevelopment Act,* 87th Congress, 1st session, 1961.

create an independent agency. In response to questioning by Douglas, Hodges pointed to the advantages of locating the ARA within Commerce:[26]

- The Office of Area Development, located in the Department of Commerce, had done work in assisting industry.

- Additional assistance work of the Business and Defense Services Administration of the Department of Commerce.

- Hodges intent to give the new program his personal attention to see that everything possible should be done to carry out the objectives of the legislation.

- The agreement of the Secretary and other cabinet members on the nature of administrative cooperation needed to carry out the program.

- The advantages in terms of speed, efficiency, and economy of launching the program from the Department of Commerce.

In both the Senate and the House hearings the Secretaries of Agriculture and Labor expressed support for these ideas. The greatest opposition was found in the testimony of organized labor representatives, such as Solomon Barkin of the Textile Workers of America and William Schnnitzler of the AFL-CIO.[27] Mayor Louis Miriani of Detroit, Flood (PA), and Congressman Carl Perkins (KY) expressed additional opposition.[28]

Inevitably, to ensure prompt passage of legislation, those supporting the concept of a separate agency were forced to compromise, thereby enabling an administrator to be appointed by the President and assigned to the Secretary of Commerce.[29] As such, a depressed area redevelopment act was finally passed during the first year of the Kennedy administration (PL. 87-27) and slated for termination at the close of June 30, 1965.[30] Some of the major components of the administrative unit of the act, the new Area Redevelopment Administration, included the following:[31]

- Approximately one third of ARA appropriations were allocated for business loans: this provision was based on ARA advocates' belief that a lack of capital was the impeding factor to business expansion in depressed areas. However, in

[26] U.S. Congress, Senate, Subcommittee of the Committee on Banking & Currency, *Hearings, Area Redevelopment Act*, 87th Congress, 1st session, 1961, pp. 641-650.
[27] U.S. Congress, House, Subcommittee of the Committee on Banking & Currency, *Hearings, Area Redevelopment Act*, 87th Congress, 1st session, 1961, pp. 561-565, 589.
[28] *Ibid*, pp. 522, 99, 93.
[29] U.S. Congress, House, *Conference Report, Area Redevelopment Act*, 87th Congress, 1st session, 1961. Report to accompany S. 1 as amended to adhere to the language of the Spence bill.
[30] U.S. Congress, *Area Redevelopment Act*, PL. 87-27, 87th Congress, 1st session, 1961.
[31] For a detailed account of organization and administrative procedures see Dillon, Conley H., *The Area Redevelopment Administration: New Patterns in Developmental Administration* (Bureau of Governmental Research, College of Business and Public Administration, University of Maryland, 1964), chapter 2.

order to discourage business relocations (beggar-thy-neighbor consequence), ARA restricted the use of loans for venture capital purposes.

- ARA was given the authority to make public facilities loans and grants where communities demonstrated that their projects would improve the opportunity for business expansion and thus provide additional employment to the area. (Grant funding was later excluded in 1963.)

- The ARA provided a program for vocational retraining in which the Secretary of Labor worked alongside the Secretary of Agriculture to define retraining needs and the secretary of health, education, and welfare to set up and implement the training effort.

- ARA provided "know-how" by supplying businesses and public facilities with market information and technical assistance. This provision was not limited to redevelopment areas but was made available to any individual, enterprise, or community.

- The ARA also included a research component designed to study and determine the causes of unemployment, underemployment, underdevelopment, and chronic depression, and to come up with effective area appropriate solutions.

In 1962 the sluggish economy and early failure of the ARA to significantly reduce unemployment in depressed areas prompted the Kennedy administration to introduce a bill that would give the President standby authority to commit federal funds to public works projects in order to combat recession before it became fully developed.[32] The original bill was amended, renamed the Public Works Acceleration Act, and designed to enable the immediate commitment of funds by the President for capital improvement programs in areas designated for redevelopment under ARA and for those with unemployment rates of 6 percent or greater for more than one year.[33]

Opposition to the Public Works Acceleration Act centered on the transfer of power from the legislative to executive branch, to give the President authority to take away funds appropriated for other programs without legislative approval.[34] Eventually a new version of the bill was passed that excluded presidential standby authority, and included a provision to accelerate public works programs by federal, state, and local government bodies.[35]

Much like those preceding the ARA, the Accelerated Public Works program was clearly an antirecessionary measure aimed at increasing employment (unemployment had

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[32] U.S. Congress, *Standby Capital Improvements Act,* H.R. 10318 February 21 and S. 2965 March 8, 1962.
[33] U.S. Congress, Senate, *Report, Public Works Acceleration Act of 1962*, 87th Congress, 2nd session, 1962.
[34] *Ibid,* pp. 19-28.
[35] Public Law 87-658, 87th Congress, S. 2965, signed by the President September 14, 1962. A legislative history of PL. 87-658 can be found in *Compilation of Documents on Public Works and Economic Development,* Committee on Public Works, U.S. Senate, 1965, p. 41.

reached its highest in ten years just prior to its passing).[36] In a press release distributed before the signing, President Kennedy referred to the program as "a significant milestone in our efforts to strengthen the economy and provide a greater measure of economic security to the unemployed."[37] The program was seen by the administration as a companion to ARA efforts because it provided funding for similar purposes. The difference? Monetary provisions were nine times greater than those for the ARA and were to be expended over a one–year rather than four–year period.[38] Projects under the program were filed and processed by agencies with primary operating responsibility (dependent on project characteristics), yet the ARA acted as the primary coordinating unit—organizing activities, allocating lump sum funding, establishing matching fund criteria, and providing a data clearing house.[39]

The ARA was increasingly faced with organizational and administrative difficulties, due largely to its operation through delegate Federal agencies. In addition, the ARA's ability to utilize its public facility loan funds was hindered when it ran out of grant funds within its first two years of existence. Area Redevelopment Amendments were introduced to increase funds for industrial and commercial loans, public facility grants, and technical assistance.[40] Debate about additional funding went this way: "Federal funds have been dispersed to too many areas, for projects with too little economic value, at too high a cost in terms of benefits received."[41]

Together, the two Acts reflected the desire to maintain a high level of performance in the national economy and the belief that concentrations of unemployment and underemployment detracted from the national welfare. However, the organization and implementation of these programs (the ARA itself and its discretion over Accelerated Public Works projects) were greatly criticized. A summary of those criticisms, as defined by Martin and Leone in *Local Economic Development*, follows.[42]

- ARA gave unfair competitive advantages to certain enterprises and regions and although it attempted to guard against area to area relocations it was something that could not be enforced.

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[36] PL. 87-658, September 14, 1962. Sundquist, James L., *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years,* Brookings, Washington DC, 1968, pp. 72, 85.
[37] Referenced in Dillon, Conley H., *The Area Redevelopment Administration: New Patterns in Developmental Administration* (Bureau of Governmental Research, College of Business and Public Administration, University of Maryland, 1964), p. 74.
[38] Comparison of the mandates for both public laws shows this difference, although the ARA language allows for additional funding within those four years upon legislative approval.
[39] U.S. Department of Commerce, Area Redevelopment Administration, *Your Community and the Accelerated Public Works Program,* September, 1962.
[40] U.S. Congress, *Report, Area Redevelopment Act Amendments of 1963,* 88th Congress, 1st session, H.R. 4996 May 6 and S. 1163 June 13, 1963.
[41] U.S. Congress, House, *Report, Area Redevelopment Act Amendments of 1963,* 88th Congress, 1st session, 1963, view of Florence Dwyer, p. 42.
[42] Summary of criticisms taken from Martin, Curtis H. and Robert A. Leone, *Local Economic Development* Lexington Books, Lexington, MA, 1977, pp. 37-39. Detailed accounts of the views of the ARA are available throughout U.S. Congress, House and Senate, *Hearings on S. 1648, Public Works and Economic Development Act of 1965,* 89th Congress, 1st session, 1965.

- Similarities to prior administration of depressed area legislation left it open for comparison to earlier program failures and individual conceptual shortcomings.

- Upon review in 1963 it was argued that ARA policy was an inefficient means of allocating resources because it interfered with natural market adjustment mechanisms.

- Later, under pressure for government reform, both Republicans and Democrats accused ARA and similar programs of centralizing government functions and power in a handful of bureaucrats, illustrating a rising concern for cooperative federalism.[43]

Other more specific or related arguments against or for improvement of ARA included the following:

- Opposition existed against certain non-industrial types of business development, which ARA supported, such as convention centers and tourist facilities.

- ARA's single county designation criteria qualified as many as one-third of all counties in the nation as redevelopment areas and failed to recognize interrelationships between and among parts of counties.

- ARA duplicated other federal programs, such as those under the Small Business Administration and the Department of Agriculture, and therefore was unwarranted.

- ARA was criticized for its inept project selection, highly dependent on viability assessments of locally designed Overall Economic Development Plans (OEDPs), which led to support of projects that inevitably failed to produce jobs, repay loans, and resulted in excess capacity in certain industries.

- ARA's complex administrative network was open to internal conflict, was confusing, and created delay.

- Democrats were accused of abusing ARA projects by using them as political capital in elections.

- ARA was confronted with accusations of inflating employment statistics in order to gain support for its programs.

Criticism of and debate about ARA and earlier depressed area legislation efforts demonstrated a persistent pattern of political and theoretical struggle. A deep

[43] U.S. Congress, House, Committee on Public Works, *Public Works and Economic Development Act of 1965*: *Report to Accompany S. 1648.*, 89th Congress, 1st session, 1965, H. Report 276, p. 57.

understanding of the arguments can best be obtained by reading congressional hearings proceedings from 1955–1965.[44] However, the basic issues can be summarized as follows: prosperity of place or prosperity of the people (geographic balance of support); conflicting federal and state jurisdiction/authority; equity and efficiency; and federal economic planning vs. the free market. All of these contributed to the replacement of the ARA with the Economic Development Administration (EDA), the re-evaluation of area development policy that surfaced in the debate, and the passing of the Public Works and Economic Development Act of 1965 (PWEDA).

Another antecedent of the EDA is the Appalachian Regional Commission (ARC), which is also linked to the ARA. In 1960 the Conference of Appalachian Governors sparked national interest in Appalachia's regional development. Since a primary task of the ARA was to develop depressed areas, it became a natural overseer of the necessary planning. The ARA undertook a preliminary review of the situation in 1962. In 1963 ARA negotiated a joint federal-state commission to develop a comprehensive study that became formally known as the President's Appalachian Regional Commission. The Commission was composed of representatives of the Appalachian states and representatives of federal agencies concerned with the region. Chaired by Franklin D. Roosevelt, Jr, the Commission identified four problem areas in the region: [45]

- Lack of access to and within the region.
- Technological inability to fully utilize the region's natural resources.
- Lack of facilities to control and exploit the abundance of rainfall to the area.
- Inadequate resources to train and retrain the workforce.

The Commission's final report included recommendations for a coordinated federal, state, and local initiative to solve the region's problems. This report became the basis for President Johnson's message to Congress and the Appalachian Redevelopment Act, submitted on April 29, 1964 (H.R. 11946).[46] The purpose of the bill, as stated, was "to provide public works, and economic development programs, and the planning and coordination needed to assist in the development of the Appalachian region."[47] Opposition to the bill was outlined under the following twelve main points presented in the House version of the Appalachian Regional Development Act of 1964.[48]

- It would provide preferential treatment to one region of the U.S., thereby discriminating against other areas with equal or greater economic problems.

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[44] Ideological differences can also be found throughout *In the Fullness of Time: The Memoirs of Paul H. Douglas,* Harcourt Brace Jovanovich, Inc, New York, 1971.

[45] *Appalachia, A Report By the President's Appalachian Regional Commission 1964,* U.S. Government Printing Office, Washington DC, 1964.

[46] U.S. Congress, House, *Appalachian Regional Development Act of 1964,* 88th Congress, 2nd session.

[47] *Ibid.*

[48] *Ibid,* pp. 25-26. Additional minority views are available in the Senate Report, No. 1383, which accompanies the Senate version of the bill, S. 2782.

- It would provide aid to all the counties of Appalachia, many of which are deemed prosperous under the criteria of the ARA.

- The proposal is largely based on the poverty measure, which is questionable.

- The statistics used in the analysis and used to show conditions of economic deprivation are outdated (1960 numbers were used).

- Several of the programs are under the jurisdiction of other committees of the House, yet their advice and recommendations were not sought in the drafting of the bill.

- Existing State and local agencies which normally administer Federal-aid programs will by bypassed due to the creation of the Appalachian Regional Commission.

- The Commission will be controlled by a Federal representative, who will thereby dominate the program, putting State and local officials in a subservient position.

- The highway bill contained within the proposal is particularly discriminatory against other portions of the country.

- The highway program is vague, poorly conceived, and would be inconsistent with the Federal-aid highway program.

- 80 percent of the grants will be made for the development of pasturelands in Appalachia to increase beef production at a time when there is an overproduction of beef in the country.

- Direction to the Secretary of the Army to prepare a comprehensive plan for the development and utilization of water resources would overlap that of the Tennessee Valley Authority, whose area is half in Appalachia.

- The discredited and ineffective Public Works Acceleration Act would in effect be reenacted for Appalachia.

The initial measure for Appalachia failed to pass, but it was amended and resubmitted to the Senate in January and the House in February 1965.[49] Although the views of the opposition remained the same, the bill, authorizing $1.1 billion in aid to the 12-state region, was passed in March 1965 (PL. 89-4).[50] Thus came to be the Appalachian

[49] U.S. Congress, House and Senate Reports to accompany S. 3, *Appalachian Regional Development Act of 1965,* 89th Congress, 1st session.

[50] For a summary of the debate and amendments to the Appalachian Regional Development Act of 1965 see the *Congressional Quarterly Weekly Reports* (CQ Inc., Washington DC) No. 7, week ending Feb 12, 1965, pp. 243-244 and No. 10, week ending March 5, 1965, pp. 327-328.

Regional Commission, a national development program that stressed the regional approach to economic development with infrastructure construction as its basis for economic growth.[51]

CREATION OF EDA

Debate about the ARC revealed the need for similar types of programs in other regions of the country. Further, the Area Redevelopment Administration was set to expire in a few months. In response, President Johnson planned to group together distressed counties and communities in economically viable development districts, focusing planning and assistance on the area as a whole as well as on individual counties and towns.[52] The details of the proposal were laid out in the Public Works and Economic Development Act of 1965 (PWEDA).[53] The PWEDA would be a permanent program to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically depressed areas and regions. The bill contained provisions for:[54]

- $510 million annual spending after a few years (the 1965 budget was estimated at $40 million and the 1966 at $400 million, as measured in real dollars).
- The majority of funding for grants for construction of public works projects to attract industry.
- Loans mainly for construction of industrial plants.
- The guarantee of working capital loans by the government and help paying interest on certain loans for private firms.
- Special assistance to encourage planning and work at the area and regional levels.
- Administration by an Economic Development Administration (EDA), created in the Department of Commerce, which would take over the functions of the Area Redevelopment Administration.

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[51] For an empirical assessment of the ARC planning approach see Isserman, Andrew and Terance Rephann, *The Economic Effects of the Appalachian Regional Commission: An Empirical Assessment of 26 Years of Regional Development Planning* (Journal of the American Planning Association, Vo. 61, No. 3, Summer 1995, pp. 345-364).
[52] U.S. Congress, House, *Area Redevelopment Act, Message from the President of the United States*, 89th Congress, 1st session, p. 4. Additional details of the plan found in this document as well.
[53] U.S. Congress, House, *Providing Grants to Alleviate Conditions in Economically Distressed Areas, Communication from the President of the United States,* 89th Congress, 1st session. S. Douglas introduced the bill referred to as the "Public Works and Economic Development Act of 1965" (S. 1648) in the Senate on April 1, 1965 following its introduction to the House on the 31st by Congressman Fallon (H.R. 6991)..
[54] Congressional Quarterly Weekly Report, CQ Inc, Washington DC, 1965, Report No. 14, week ending April 2, 1965, p. 582.

The EDA mandate was similar to that of the ARA: it was to be housed in the Department of Commerce, conceived as a depressed area agency with a rural focus, have a supply-side orientation, contain minor countercyclical provisions, and increase the government's role in supplying infrastructure to lagging areas.[55]

The primary and secondary objectives of the EDA were as follows:[56]

- ♦ Primary Objectives

    - Self-sustained economic development- EDA was to provide stimulus to self-sustained growth rather than effecting long-term income transfers to the unemployed. This followed the concept of the agency that it could correct the negative effects of market forces and that place prosperity was a desirable political and economic goal.

    - Increased planning capacity- the EDA's goal was to promote sound, long-range economic planning at all levels of government necessary to aid in infrastructure development; according to the act this required the creation of regional commissions, development districts, a national advisory board, planning grants, and technical assistance, as well as community designed overall economic development plans.

    - Rural focus of aid- although not explicitly stated, the political perspective of urban ills presented in the act was that they were largely a spin-off of the deterioration of rural life and the resulting rural to urban migration.[57] Therefore, a major objective of the EDA was to curtail rural emigration.

- ♦ Secondary Objectives

    - Maximization of national economic efficiency.

    - The achievement of equity as compared to other regions through economic growth.

    - Relief of effects of cyclical economic distress.

    - Geographic dispersion of assistance limited to 15% of EDA expenditures per state.

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[55] Martin, Curtis H. and Robert A. Leone, *Local Economic Development* Lexington Books, Lexington, MA, 1977, p. 45.
[56] *Ibid,* pp. 45-55. The primary and secondary objectives are listed here in greater detail.
[57] In his *Remarks at the Signing of the Public Works and Economic Development Act* (Public Papers of the President, Lyndon B. Johnson, 1965, Book II, U.S. Government Printing Office, 1966, Washington DC, p. 931), President Johnson stated that if we ignore people in distressed rural areas: "We make certain that thousands upon thousands of families will be compelled to move away and go into the great cities. And when they get there, they are going to be concentrated in slums, they are going to live on the edge of poverty, …"

- The prevention of economic decline.

- To define and utilize a wide range of economic development tools through public works, business loans, technical assistance, and job training.

- The development of institutional tools for regional planning.

EVOLUTION OF EDA POLICY MANDATE

President Johnson's commitment to depressed area policy continued following the EDA's establishment. In 1966 he pledged continued support of the EDA. In January 1967 he recommended extending the Appalachian Regional Development Act of 1965.[58] At the same time he stated his intention to merge the Departments of Commerce and Labor so that federal activities in regional economic development and depressed areas could be coordinated through the new department.

In 1968, the Model Cities program came into being, with funding of $1 billion for FY1969. The following year, 1969, the Council of Economic Advisors outlined the differences between ghetto [urban] and rural poverty, and developed strategies for reducing each type.[59] Title IV of the Economic Development Act was amended to permit designation of Office of Economic Opportunity (OEO) Special Impact Areas as EDA redevelopment areas, making made them eligible for business loan assistance.[60] Despite the considerable attention to rural areas, the revised definition of OEO areas permitted EDA to assist communities or neighborhoods that the secretary determined:

- Had a large concentration of low-income persons.

- Were rural areas with substantial emigration, substantial unemployment, or an actual or threatened abrupt rise in unemployment due to the closing or curtailment of a major source of employment.

This amendment permitted EDA to enter core city areas, and marked its permission to enter central city areas with aid other than technical assistance.

Issues debated in 1970 included the following:

[58] U.S. Congress, House, *Appalachian Regional Development Act, 1965, Communication from the President of the United States,* 90th Congress, 1st session.
[59] *The Economic Report of the President, with Annual Report of the Council of Economic Advisors,* U.S. Government Printing Office, Washington DC, 1969, pp. 172-179.
[60] Discussion of this change is found in U.S. Department of Commerce, Economic Development Administration, *The EDA Experience in the Evolution of Policy: A Brief History, September 1965-June 1973,* (U.S. Government Printing Office, Washington DC, 1974), p. 51.

- The extent of funding for business loans and costs of liquidation, planning, technical assistance, and research and management consultation projects.[61]

- Amending the PWEDA so that the EDA would provide staff support, technical advice and financial assistance to those communities affected by major disasters.[62]

- Extension of the role of EDA in urban and distressed areas, as well as problems with administering EDA loans.

The Nixon administration's recommendation was to extend the programs one year, pending submission to Congress later in the year of proposals regarding the EDA's future. [63] The 1970 amendments were passed in the House on June 8th and in the Senate June 29th. In 1971 the EDA Extension Act granted additional authority to the EDA through the Public Works Impact Program (PWIP), created to help short-term countercyclical employment.

In 1971 S. 2317 was passed—the bill extended the EDA for two years and the ARC for four years. The 1971 EDA extension act also stipulated that "designation of an area [should not] be terminated prior to the expiration of the third year after such area was so designated."[64] This language was added to allow communities to undertake planning efforts without fear of suddenly losing their funding. Eligibility was extended to those areas where per–capita employment had declined significantly during the preceding ten-year period for which statistics were available. In addition, the 1971 amendments permitted designation of areas whose median family income is 50 percent of the national average. This was expected to absorb areas that formerly qualified on the basis of significant population loss.

Extensions and revisions to PWEDA proposed in 1972 covered extension, funding, natural and economic disaster and emergency assistance, and extended political subdivision coverage.[65]

On August 7th, 1972 PWEDA amendments extended it through FY1974 and provided authorizations through 1973 for existing and additional programs related to:[66]

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[61] U.S. Congress, *Department of State, Justice, and Commerce, The Judiciary, and Related Agencies Appropriations for 1971*, H18116, pp. 56-301.
[62] Public Papers of the President (U.S. Government Printing Office, Washington DC, 1971), Richard Nixon, 1970, *Special Message to the Congress on Federal Disaster Assistance,* April 27, 1970, p. 381.
[63] Congressional Quarterly Weekly Report, CQ Inc., Washington DC, Vol. 28, No 21, week ending May 27, 1970, p. 1338, and No. 24, week ending June 12, 1970, p. 1523.
[64] U.S. Congress, House, *Public Works and Appalachian Regional Development Program Extension,* PL. 92-65, August 5, 1971.
[65] U.S. Congress, House, Committee on Public Works and Transportation, *Hearings, Extensions and Revisions to the Public Works and Economic Development Act of 1965, As Amended,* 92nd Congress, 2nd session, H64121.
[66] U.S. Congress, House, Committee on Public Works and Transportation, House Report 92-1311, 92nd Congress, 2nd session, August 7, 1972. Additional, supplemental, and dissenting views can be found on pp. 51-56.

- Establishment of a Public Works Impact Program to provide immediate useful work to the unemployed and underemployed in areas of high unemployment.

- Financial assistance for business development within redevelopment areas.

- Unemployment compensation and other assistance to individuals who suffer employment loss because of federal actions to improve the environment.

In October 1972 the following amendments to PWEDA were recommended (H.R. 16071 and S. 3381):[67]

- Extend PWEDA programs to FY1974.

- Authorize additional funds for Regional Commissions for implementation of development plans.

- Separate short-term emergency assistance and funding from long-term development programs.

- Continue moratorium on designation of economic development districts.

- Create a new Indian Development Commission to plan and coordinate Federal programs.

The President vetoed both the August and October proposals. Had 1972 EDA amendments been enacted, federal responsibility would have been broadened to include the cost to depressed areas of compliance with federal environmental problems.

The 1973 EDA Extension Act demonstrated increased congressional concern for anticipating future defense-related economic dislocations. Together with the 1972 proposals, the 1973 Act acknowledged the cost to depressed areas of being in compliance with federal environmental orders and the impacts of defense, thus focusing on correcting or ameliorating the negative consequence of policy in other areas.

President Nixon passed H.R. 2246, reluctantly. In fact, his intention had been to phase out EDA by June 30th, 1973, and then shift it from the federal to state government. However, he was "willing to continue a limited amount of Federal funding of their projects during the one-year of transition."[68]

The 1974 Extension Act made public works and loan assistance available to parts of an economic development district outside the redevelopment area, when such assistance would be of substantial benefit to the redevelopment area within the district. This growth

[67] U.S. Congress, Senate, Committee on Public Works, Senate Report 92-1277, 92nd Congress, 2nd session, October 6, 1972. Supplemental vies given on pp. 9-14.
[68] *Ibid*, p. 601.

center concept made it easy to rationalize assistance to cities whose income or employment statistics did not qualify it as a redevelopment area. Also, the Act retained the PWIP program. Amendments to EDA stressed its need to provide assistance and increased funding to communities with both long- and short-term unemployment.[69] In addition, EDA was to provide working-capital loans to businesses that had or were likely to experience temporary but severe problems involving actual or potential job loss.[70]

For several years the EDA acted on behalf of communities that had suffered distress due to natural disaster. It did not have explicit authority to do so, but provided short-term jobs and expanded public works projects in disaster areas that coincided with EDA–designated areas. In 1974 the Disaster Relief Act amendments proposed creation of a new Title VIII of the PWEDA that would vest authority in the President to delegate disaster relief authority to either the Secretary of Labor or the Secretary of Commerce.[71] In addition, a second amendment proposed in 1974 increased EDA's relief role to include certain types of inclement weather in resort areas, such as a shortage of snowfall in winter recreation areas. Working capital loans would be made available to such places that suffered business losses.[72] According to the arguments for these reforms, areas already distressed prior to disaster would be least likely to be able to incur the costs of rebuilding, would be underinsured, and would lack local financial assistance sources—in other words, the impacts of disaster would be similar to those of long-term economic forces.

EDA's countercyclical activities were once again increased by the Special Emergency Jobs and Unemployment Assistance Act of 1974, which was designed to create public service jobs as an antirecessionary measure. Title X, the Job Opportunities program, set up a fund to be administered by the EDA in order to "provide emergency financial assistance to stimulate, maintain, or expand job creating activities in areas, both urban and rural, which are suffering form unusually high levels of unemployment."[73] (An extension of the Act was vetoed by President Ford on June 4, 1975.)

Additional amendments passed by Congress and signed by the President on October 12th, broadened EDA programs in a manner that favored urban areas. The minimum population requirement for designation as a redevelopment area changed from 250,000 to 25,000. This new provision allowed communities with this population range to become eligible for EDA aid for the first time, provided they met other statistical requirements. Other amendments proposed in 1976 included H.R. 9398, which was presented to amend the PWEDA and extend it for a three-year period. Authorizations of the bill included:[74]

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[69] U.S. Congress, House, Committee on Public Works, *Report*, H.Rpt. 93-1094, June 7, 1974, p.3.
[70] *Ibid*, p. 4.
[71] U.S. Congress, House, Committee on Public Works and Transportation, *Economic Development Programs Under Jurisdiction of the Committee on Public Works*, Committee Serial No. 93-50, December 1974, pp. 17-80.
[72] U.S. Congress, House Report 93-1094, 93rd Congress, p. 5.
[73] *United States Code*, 1970 ed., Supplement IV, Vol. 3, Title 42 (U.S. Government Printing Office, Washington DC, 1975), chapter 38, p. 3209.
[74] U.S. Congress, House, *Public Works and Economic Development Act Amendments of 1976*, 94th Congress, 2nd session.

- Extension through FY1979 for public facility grants and loans, and technical assistance research and planning, including grants to states, Indian tribes, and urban development projects.

- Extension of funding for Regional Action Planning Commission Programs.

- Authorization of the President to convene a White House Conference on Balanced National Growth and Economic Development.

In 1978 the Labor Intensive Public Works Act was proposed. This Act promoted the hiring of the long-term unemployed on public works facilities improvement projects.[75] Discussion focused on provisions to target aid to states, local, and Indian communities having high unemployment rates; the 10% matching of federal funds by localities receiving payments; project grants set–aside for minority business contractors and Indian communities; and the dictation of prevailing wage rates payment to project laborers.

In 1979 legislative activity was highlighted by efforts to pass the National Public Works and Economic Development Act (NPWEDA) and the Regional Development Act. The NPWEDA was proposed by President Carter to repeal PWEDA 1965 and establish a new and expanded economic development financing program.[76] The bill expanded and simplified criteria for designating distressed areas and authorized grants for the design, construction, and rehabilitation of public facilities for direct and guaranteed loans and interest subsidies to firms seeking to expand or locate in economically distressed areas. Discussion included overview and comparison with PWEDA, description of the Expanded EDA Business Development Finance program, and summary of key research findings important in the design of NPWEDA.[77] Passage of the Act extended EDA programs through FY1983 and authorized:

- Use of public works grants to mitigate long-term economic deterioration and modification of public works impact programs to provide jobs for the unemployed and underemployed in labor-intensive construction or renovation projects.

- Increase in federal share of direct adjustment assistance grants to states.

- Grants to eligible applicants for industrial and commercial purposes providing jobs.

- Grants to public bodies to assist private firms seeking to remain, expand, or locate in economically distressed areas.

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[75] U.S. Congress, Senate, *Labor Intensive Public Works Act of 1978,* Hearings June 15, July 12-13, 1978, S 32146, 95th Congress, 2nd session.

[76] Public Papers of the President, Jimmy Carter, 1979 Book I (U.S. Government Printing Office, Washington DC, 1980), *Public Works and Economic Development: Message to the Congress Transmitting Proposed Legislation,* April 4, 1979. U.S. Congress, Senate, Committee on Banking, Housing, and Urban Affairs, *National Public Works and Economic Development Act of 1979,* 96th Congress, session 1, S. 914, Hearings April 10, 23, 30, May 1, 1979.

[77] *Ibid,* pp. 101-109, 110-116, 118-128.

Recommendation for the passage of the Regional Development Act of 1979 was heard in mid-May 1979.[78] Passage meant:

- Revision and extension of the Appalachian Regional Development Act through FY1983.

- Amendment of PWEDA Title V for revisions and extension through FY1983 and the establishment of additional commissions, particularly one in Alaska.

- To establish a federal inter-agency committee to coordinate federal support of the regional commissions.

In an attempt to revive the program, a final act of the Carter administration was the December 1980 legislation passed to extend PWEDA 1965 through FY1982.[79] This was the last reauthorization of the PWEDA prior to 1998.

The Reagan administration proposed to terminate EDA at the end of 1982. The rationale of this decision, as presented in *Major Themes and Additional Budget Details, Fiscal Year 1983*, was that:[80]

- Economic expansion and job creation would be stimulated through the President's overall economic recovery program, which included general tax, spending, and regulatory reduction measures.

- The original purpose of the EDA was to provide special financial assistance to those few economically distressed areas of the country that were by-passed by general prosperity. The program had evolved to the point where over 80 percent of the nation qualified as a distressed area. In fact, even when an area had experienced economic recovery, it still continued to be eligible for EDA funds by law.

- There was little evidence that the expenditures from these programs had induced development in distressed areas that would not have occurred either there or elsewhere without this investment.

- There was no evidence that the programs being terminated had created new jobs nation-wide. Rather, such programs appeared primarily to encourage potential growth in some areas at the expense of other areas. Similarly, the government did

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[78] U.S. Congress, Senate, Committee on the Environment and Public Works, *Regional Development Act of 1979*, S.Rpt. 96-171, S.835.
[79] U.S. Congress, House and Senate, *Hearings, Public Works and Economic Development Act of 1965, Amendment, Appalachian Regional Development Act of 1965,Amendment,* H.Rpt 643-4 and S.Rpt. 323-10, PL. 96-506.
[80] *Major Themes and Additional Budget Details: Fiscal Year 1983,* U.S. Government Printing Office, Washington DC, 1982, pp. 95-96.

not create new jobs in the economy by moving productive resources from the private to the public sector.

- The programs being terminated tended to lock people and resources into firms and areas that had lost their economic viability. The nation paid for this subsidization of inefficiency through direct budgetary costs and hidden costs of decreased productivity and economic growth. The economic system generated prosperity and high living standards through continual economic change.
- Trade adjustment assistance to firms had a high default rate since most firms assisted were close to bankruptcy.

Despite executive opposition, in 1982 another extension of PWEDA was taken up by Congress. H.R. 6100 was designed to extend and revise local and regional economic development and public works programs in the following ways:

- Title I- the National Development Investment Act to authorize 1983-1985 appropriations and revise eligibility and planning criteria for Commerce Department grants and loans to States, localities, and Tribal governments for economic development investment in distressed communities. This includes provisions for public facilities construction and improvement, small business retention, and job creation projects.

- Title II- the Appalachian Regional Development Act amendments of 1982, to extend and revise ARC programs.

In 1998, H.R. 4275, A Bill to Reauthorize and Make Reforms to Programs Authorized by PWEDA 1965 and the Appalachian Development Act of 1965, amended the PWEDA of 1965 and authorized 1999-2003 fiscal year appropriations for and revision of EDA programs. In addition:

- It authorizes Department of Commerce grants to eligible recipients for public works and economic development; assistance to communities affected by closure or realignment of DOD and DOE installations; economic development planning, training, research, and technical assistance to alleviate conditions of severe unemployment or underemployment; and economic adjustment assistance.

- It establishes eligibility requirements for EDA assistance to target such assistance to communities facing serious economic distress, and authorizes the Department of Commerce to designate economic development districts.

- It directs the Department of Commerce to serve as a clearinghouse for information on economic development and adjustment, disaster relief, defense adjustment, and trade adjustment assistance programs of Federal, State, and local governments.

- It amends the Appalachian Regional Development Act of 1965 to authorize fiscal year 1999-2001 appropriations for and revision of ARC programs.

- It repeals authority for numerous programs and restricts Federal funding for certain ARC programs.

The Clinton administration continued to target the EDA as a funding source for regions hurt by defense spending cutbacks, military base closings, and natural disasters.[81]

CONCLUSIONS

Several conclusions may be reached as a result of this examination of the EDA's evolution over its lifespan.

- The original goals of the EDA remain, but have in many ways been redefined or altered, and even jeopardized through contradictory objectives.

- Its mandate has been vastly broadened to encompass national rather than regional concerns—much like its predecessors. Its focus in 1965 was predominantly on rural concerns, but has evolved to both rural and urban problems.

- In the beginning EDA was almost exclusively a remedial agency designed to combat the ills of long-term economic forces. It then moved to prevent distress, and has ultimately been engulfed by countercyclical policy measures.

- It has gained increased responsibility for areas that are questionably in distress and has initiated and extended its original limited welfare objectives by increasing ameliorative programs.

- Make-up and funding for EDA programs has been greatly impacted by ideological differences among political parties and their constituents. Disagreement pertaining to EDA policy in both the legislative and executive branches has all but crippled EDA's ability to meet its objectives.

[81] *Congressional Quarterly Weekly Report*, CQ Inc., Washington DC, V. 52, No. 19, May 14, 1994, p. 1210.