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REGIONAL POLICY IN THE UNITED STATES
AND IN THE UNITED KINGDOM:
COMPARATIVE STUDY

by

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CHAPTER I

INTRODUCTION

PROBLEMS

During the late 1960s and early 1970s, growth pole theories were widely accepted by both regional planners and governments and also by both industrialized and developing countries.

Regional planning doctrine in the 1950s and 1960s revolved essentially around the idea of growth centers. It was, basically, an entrancing notion that had gained plausibility from its common-sense appeal. Wasn't economic growth a result of industrialization? And weren't industries found concentrated in locations that favored further accumulation? And wasn't it true that these burgeoning centers of progress helped to spread jobs and income over wider and wider areas, until the entire national space was integrated into a single market area? (Friedmann and Weaver, 1979, p. 172).

The essence of this idea was that regional disparities could be reduced and regional development could be accelerated at once through concentrating investment at growth poles or centers which had a potential for economic growth. But, according to Higgins (1982), "[b]y the ends of 1970s the same planners who had so eagerly seized upon the concept some years earlier had almost totally and unanimously rejected it" (p. 3).

New streams of development doctrine evolved and new paradigms in regional planning began to replace old ones. According to Friedmann and Weaver (1979), territorial regional planning offers a better alternative to the task of promoting regional development. "Territorial development simply refers to the use of an area's resources by its residents to meet

their own needs. The main definitives of these needs are regional culture, political power, and economic resources" (Weaver, 1981, p. 93).

Another alternative paradigm was introduced by Stohr and Taylor (1981). They have tried to suggest an alternative approach to reduce regional inequalities in developing countries and have identified two basic approaches: development from above; development from below. According to Gore (1984), "[t]hey [territorial development and development from below] arise from the perceived failure of the strategy of accelerated industrialization" (p. 161). And both two approaches attempt:

to reverse the 'urban bias' in current planning practice, to promote greater equality and the satisfaction of the 'basic needs' of the majority of the population, to re-establish local and regional communities, and to avoid the centralization of economic and political decision-making (Gore, 1984, p. 161).

In this evolution of regional development doctrines, one of the overriding issues was whether those development doctrines which were modeled after the development process of the U.S. and Western Europe would (could) be applied well to the developing or underdeveloped countries (Gore, 1984, pp. 169-71, 249-51; Friedmann and Weaver, 1979, p. 143, 172; Penouil, 1981, pp. 3-17; Hilhorst, 1981, pp. 139-69).

One possible explanation about this issue is that there is no general theory which will enable us to deal with all cases and all objectives. "The theory of polarization has been established by referring to the model observable in Western Europe." Thus, "the idea of reconstituting in developing countries is certainly tempting, but this is to assume a control over the factors which shaped that polarization. But this condition is rarely fulfilled in developing countries" (Penouil, 1981, p. 8). On the other hand, one may want to suspend judgment on this issue

until there is more evidence of applicability to the conditions of developing countries. Rather, no one could readily discard Hilhorst's strictures on modes of operation which bear more resemblance to improvisation than to planning (Hilhorst, 1971).

Although it may be possible to generalize several countries' experiences into very broad terms, a more important attempt would be to understand particular institutional forms and values of individual countries, which were produced in response to their specific cultural and environmental inheritance. Their weakness and strength in terms of applicability in different soils (countries) will be more explicitly revealed by way of comparing different conditions. This argument provides room for comparative study on regional policy in developed countries.

Under the general premises which were discussed so far, this paper will compare regional policies in the United States and in the United Kingdom in order to suggest an answer to the conventional question in regional policy: How differences in the structure of countries, in the country size and in the specific phase of national development could produce different types of regional policies in different times.

This is an attempt to find indigenous policies in each country. And their weakness and strength will also be analyzed by way of identifying similarities and differences in regional policies between two countries.

Scope of Study

There can be several ways in which specific policies are analyzed. The first one may be to follow the political process of policy formulation. This way usually posits several phases in policy development: perception/definition of problem, measurement of problem,

organization/representation/agenda setting of problem, formulation, implementation, and evaluation of policies (Charles Jones, 1984, p. 29). Another mode of analysis intends to identify policy's goals and objectives, its formal mechanic and its strategies, tools and instruments.

This paper will adopt both two ways in its analysis of regional policy in the United States and in the United Kingdom. The main subjects of comparison will be goals, objectives, strategies, tools, and measures of regional policies in both countries. But description of policy will follow those several phases in policy development.

The first chapter will review regional development theories with emphasis on identifying causes of regional problems. The second one turns to regional problems and problem regions in both countries. Main focus will be put on evolution and scope of regional problems, trends and characteristics.

In the third chapter, this paper will discuss about how each government has perceived regional problems. Regional problems may convey different meanings to each government. Thus, this chapter will focus on values and institutions which have shaped regional policies in each country. This will lead to compare the goals and objectives of policies.

The main topics of the fourth chapter will be: policy measures for regional development, comparative merits of different policies, and overall effects on spatial structure.

Each chapter will have its own comparison of the two countries. And in the final chapter they will be summarized.

The focusing statement of this study will be based on examining past experiences of regional policies in the United States and in the United

Kingdom. This study will follow a descriptive process by deferring to the historical-analytical literatures in the field of regional policy.

Definitions

Regional Policy

Any policy has its own goals (objectives), strategies and policy tools or instruments. In order to identify these three components, this paper will first examine several definitions of regional policy, which are taken from the literature. A regional policy:

1. deals with the locational aspects, the where of economic development. It reflects the need to deal with regional problems at the national level (Friedmann, 1966, pp. 5-8).
2. is concerned with the existence and amelioration of regional disparities in economic prosperity and growth, notably, between the relatively prosperous South East and the economically lagging peripheral regions of Wales, Northern England and Scotland (Keeble, 1976, p. 206).
3. can be defined as those that are geographically limited in their scope and that are explicitly designed to spur the economic growth of certain regions (or limit the growth of other regions) in order to reduce interregional disparities in employment opportunities and income levels and thus to stem interregional migration (Sundquist and Mields, 1979, p. 305).
4. includes all public intervention intended to ameliorate the geographical distribution of economic activities; in reality regional policy tries to correct certain spatial consequences of the free market economy in order to achieve two interrelated objectives: economic growth and improved social distribution (Vanhove and Klassen, 1980, p.43).

The above examples lead to the following conclusion: goals of policies are concerned with economic growth and social redistribution (equity and efficiency). Policy measures may comprise all public interventions, of which impacts are geographically limited in their scope. In other words, regional policy measures are discriminatory among regions. Strategies will vary according to the attached importance on equity or efficiency.

Thus this paper will discuss those policies which have several characteristics discussed above. But there are still more things to be clarified. In order to put a more clear focus on this paper, three different types of regional policies will be explained.

a. Physical policy / Economic policy

Different types of regional policy can be distinguished on the basis of the nature and scope of the policy activity: physical policy or land use policy; economic policy. This study will mainly deal with regional economic policies in both countries.

b. Interregional policy / Intra-regional policy

The term, regional policy, can be used to refer to planning the use of resources and development of activities within a region (intra-regional policy) and to planning the distribution of resources and activities between regions (interregional policy). In this study, focus will be laid on the interregional policy in both countries.

c. Implicit policy / Explicit policy

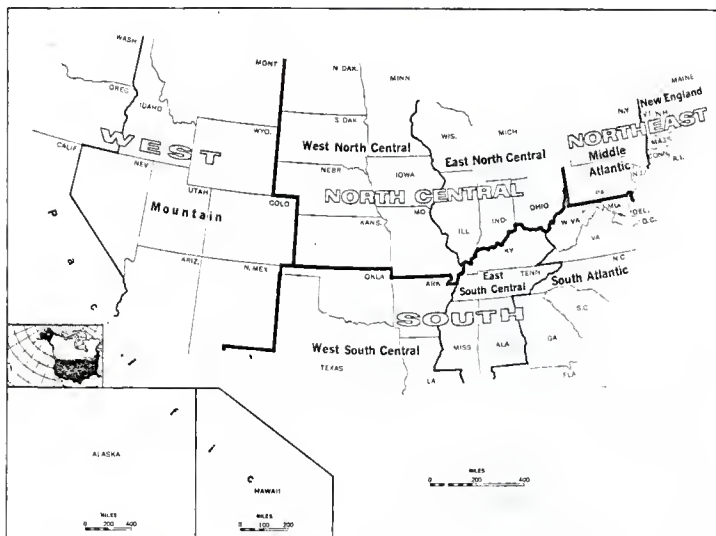
Regional policy is defined very broadly as an activity by public agencies which affects regional development. It includes explicit policies expressed in legislative plans as well as the unstated, implicit and often unintended ones. Almost by definition most countries have an implicit policy. The actions of government influence patterns of regional development. In this study, focus will be put on the explicit policy in both countries, but implicit policy will also be discussed.

Regions

There can be several definitions of regions which have been the subject of regional analysis. As far as this paper is concerned with case

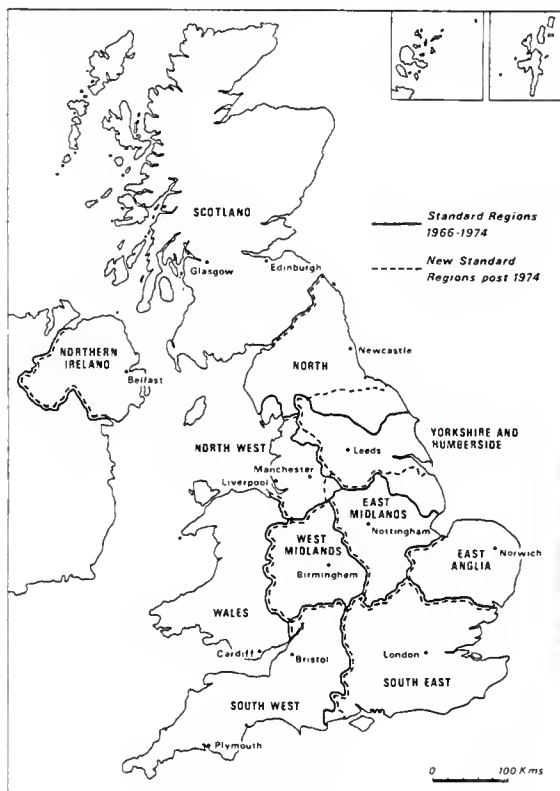
studies of government policies which have been actually implemented, this paper will analyze those regions which have been employed in policy formulation. Usually, the U.S. literatures analyze regions according to the classification of Census Divisions and Regions (Figure 1.1). The U.K. has several experiences of rescheduling their boundaries of regions. But regional boundaries which were set according to the reorganization of local government in 1974 will be used in this study (Figure 1.2).

Figure 1.1: Census Regions and Divisions of the United States



Source: U.S. Bureau of Census

Figure 1.2: Standard and New Standard Regions of the United Kingdom



Source: Law, C. 1980, British Regional Development since World War I, (London: Methuen), p. 29, Figure 5.

CHAPTER II

REGIONAL PROBLEMS AND PROBLEM REGIONS

A policy process usually begins with perception and definition of public problems. This stage will be followed by measurement and interpretation of problems before formulating policies. (Charles Jones, 1984, pp. 29-39).

The very essence of a region is its interdependence with others. "Regions are not self-contained nor independent of one another" (Hoover, 1975, p. 275). An assessment of regional problems must contain a theoretical review of the process of how regions grow and stagnate and how regions interact with each other. This will help us identify the reasons why problems evolve and why market forces may not solve them. This chapter will review several regional development theories which might be relevant to long-term interregional development trends in the United States and in the United Kingdom. Main focus will be put on their policy implications. And then this paper will discuss regional problems and problem regions with emphasis on the causes of regional problem.

REGIONAL DEVELOPMENT THEORIES

Neoclassical Models

1

Under certain conditions neoclassical models demonstrate that factor flows from low-to-high return regions until factor returns are equalized in each region. High wages are associated with low returns to capital and high returns to capital are obtained in low wage regions. Labor will flow from low to high wage regions and capital will flow in the opposite direction.

This model reveals a convergence in regional per capita incomes.

Borts and Stein (1964) explained the process of income convergence in the United States by using this model. They correlated returns to the machinery sector in the states of New England and with the rest of the United States. From the results of their analysis, they concluded that:

the relative rate of growth was positively and significantly correlated with the realised rate of return. Sectors which had the highest profitabilities for expansion did, in fact, expand most rapidly. The 'invisible hand' led the regional firms in the direction of competitive equilibrium. The result is the more remarkable inasmuch as it occurred in the machinery industry, where atomistic competition is not universal. (Borts and Stein, 1964, p. 145).

Cumulative Causation Models

While neoclassical models emphasize regional income convergence, this model predicts regional income divergence. Myrdal (1957) was one of the first to suggest this point of view:

That there is a tendency inherent in the freeplay of market forces to create regional inequalities, and that this tendency becomes more dominant the poorer a country is, are two of the most important laws of economic development and underdevelopment under laissez-faire. (Myrdal, 1957, p. 34).

According to these theories, market forces tend to concentrate in certain locations with increasing return to scale. Once this pattern of agglomeration starts in a particular center, then that region develops its own momentum of growth through the process of cumulative causation. There can be "spread" and "backwash" effects of the economy between lagging and growing regions. But, according to Myrdal, continuous growth of growing regions will occur at the expense of lagging regions due to dominance of backwash effects over spread ones (p. 27).

Neoclassical models imply that the competitive forces of the market create an optimal spatial allocation of resources. But cumulative causation models posit that intervention measures are necessary to ensure regional equality. These two models imply a quite different range and scale of government intervention in the process of interregional development. Harry Richardson (1984) explained this:

The neoclassical models suggest the need to eliminate barriers to the mobility of both labor and capital and the use of taxes and subsidies to change the relative prices of inputs among regions, especially in the presence of externalities. The cumulative causation theories are consistent with strategies to promote agglomeration economies in lagging regions (e.g., growth center policies), measures to reduce efficiency wages (e.g., wage subsidies to labor in backward regions), and capital incentives to boost productivity growth. (Richardson, 1984, p. 23).

Trickling Down and Polarization Effects

Albert Hirschman (1958) examined the process "how growth could be communicated from one region to another" (1975, p. 139). His work on the interregional transmission of economic growth reveals that there is a relationship between regional inequality and the process of national development. (pp. 139-151).

The growth of growing regions (the North) will have direct economic repercussions on lagging regions (the South) in terms of "trickling down" and "polarization effects". Favorable trickling down effect of the North occurs through rising demand for the products of the South and increasing investment in the South. Polarization effects arise because Southern economic activities become depressed as a result of Northern competition and because "the North denudes the South of its key technicians and managers as well as of the more enterprising young men" (p. 144). In the

first stage of national development the polarization effects will dominate over the trickling down effects, causing increased regional disparities. But, "increasing congestion" (agglomeration diseconomies) of the North and "deliberate economic policy" will come into play to correct this situation in the latter stage of development, thereby decreasing regional disparities. (p. 146).

Jeffrey Williamson (1965) analyzed the relationship between regional inequalities and the process of national development. He used international data on regional income disparities in twenty-four countries in the 1950s in order to test the hypothesis: "the early stage of national development generates increasingly large North-South income differentials; somewhere during the course of development, some or all of the disequilibrating tendencies diminish, causing a reversal in the pattern of inter-regional inequality" (p. 164). His findings support the pattern of income divergence and convergence as follows:

This concludes our investigation into the nature of regional dualism. What we have done thus far is to simply describe the nature of the so-called "North-South problem," giving particular attention to the relationship between regional dualism and national economic development. There is a consistent relationship between the two: rising regional income disparities and increasing North-South dualism is typical of early development stage while regional convergence and a disappearance of severe North-South problems is typical of the more mature stages of national growth and development. (Williamson, 1965, p. 199).

Export Base and Sector Models

The idea of "export-base" was first used by city planners (Andrews, 1953, pp. 161-67). They distinguish between the export and service component of employment within a region in order to predict the local population growth. Employment in the export and service sectors is recursively related to population growth within the region. Thus, the primary source of regional growth depends on export demand.

Douglass North (1955) applied this idea to understand long-term regional economic changes. He proposed that regional economic growth takes place in response to exogenous demand for products. A given increase in demand for exports resulted in multiplier effects, inducing increased investment not only in the export industry, but in the other economic activities as well.

"Sector theory views regional economic growth as an internal evolution of specialization and division of labor." (Emerson and Lamphear, 1975, p. 132). Thus economic growth depends on how resources are shifted out of agriculture into manufacturing and service activities. Differential rates of productivity growth in those sectors resulted in shifts of labor and capital.

"Like export base model, sectoral stage of regional development model has also numerous deficiencies as a satisfactory theory of regional growth²." But earlier debate on those two models between Charles Tiebout and North shows that these two models complement each other in explaining regional growth.

Growth Pole Theory

This theory cannot be explained in a few phrases. This comes from semantic confusions which resulted from arbitrary adoption or application of Perroux's aspatial ideas into spatial context. In Perroux's vocabulary, 'growth pole' originally referred to leading industries (propulsive industries) that were highly interconnected with other sectors of the economy. But when it was applied to geographical space, a growth pole became "a set of expanding industries located in an urban area and inducing further development of economic activity throughout its zone of influence" (Boudeville, 1966, p. 11). Later, the growth pole concept was more generalized to mean several diversities: "It refers sometimes to larger development regions that include centers and sometimes to specific industry complexes, activities, or even single large installations that play a strategic role in sparking new development" (Hoover, 1975, p. 276). Gore (1984) explained this point:

Once growth pole is defined in purely spatial terms, it is possible to bring any body of theory, whether neo-classical, Schumpeterian, dualist, dependista, sociological or political, to bear on the understanding of the spatial relationships between growing centers and their linked hinterlands. And thus 'growth pole theory' has become an electric synthesis of ideas which relate to the behavior of different types of 'growth pole' but which have no necessary coherence in terms of their underlying assumptions about how growth or development occurs (Charles Gore, 1984, p. 92).

Richardson (1984, p. 19) also expressed similar views that "the growth pole theory is not very helpful to explanations of interregional trends in regional development". He also expressed two reasons for his views:

There are two problems. First, the growth pole is almost invariably conceived as an intraregional phenome-

non functioning in the context of its hinterland. Second, the growth pole or growth center is a link between theory and regional policy much more than an obvious component of regional development theory. (Richardson, 1984, p. 20).

Meso-Economic Power in Regional Development

There can be little doubt that corporate organization may interfere with the way of resource allocation between regions. Their decisions, behavior and responses to government policies have increasingly provided institutional settings in which regions grow or stagnate. Considering these observations, Gunter Krumme finds that "regional development theory as formulated over the past two decades has been highly abstract and aggregate in nature, largely ignoring institutional and organizational constraints, idiosyncracies, and impulses" (1981, p. 164).

Stuart Holland (1976) is one of those who have written about the effects that large-scale enterprise has upon regional development (Firn, 1975; Westaway, 1974; Massey, 1979). He defines giant companies as "meso-economic firms that are multi-product, multi-company and multi-national enterprises, whose size and spread span the gap between micro and macro-economics" (1976, p. 29). His analysis about the behavior of the meso-economic firms, and its impact on regional development goes as follows:

This domination of particular markets by meso-economic companies has major regional implications which have been ignored by the exponents of regional self-balance theory. The historical location of such leading firms in national markets has tended to be in the more developed regions and areas. This is not simply an inconvenient coincidence. These regions and areas have become more developed because of the expansion of output and demand by such firms, and the income and employment in ancillary services and distribution developed by them. Many less-developed regions, by the same token, have remained less developed through their lower share of such leading companies. (Holland. 1976, p. 29).

To offset the regional inequality, Holland suggested the need to "harness the meso-economic firms in the interest of problem regions" (p. 121). Policy measures range from direct control on location decision to state participation in production in growth industries. According to John Friedmann and Clyde Weaver (1979), "with this proposal, he [Holland] stated what is likely to become the major theme in regional development during the coming decades" (p. 174).

REGIONAL PROBLEMS

Regions in Economic Distress

The process of industrialization has favored concentration of population and economic activities in urban areas. Economic development in urban areas has increased national wealth and created greater employment opportunities. At the same time, rapid increase in agricultural productivity reduced the necessary employment in rural areas. There was a push and pull of population between urban and rural areas³. This situation was reflected in out-migration or high level of unemployment in rural areas. Rural regions began to be classified as underdeveloped or backward regions.

It was not only the rural areas that pushed outmigrants. Technological development in the manufacturing sector has made some of older industries obsolete. According to Everett Lee, "a characteristic of modern economies is the quick exploitation of newly developed resources or knowledge, a process that requires the abandonment of old enterprises along with the development of the new". (quoted from Peter Morrison, 1975, p. 221). This process of modernization has produced a new type of problem region, those whose economies are heavily based on declining

industries which are beginning to shed their population. They appeared to have failed to make an adjustment to changing economic situations.

Thus regions in economic distress were those "whose primary industries had failed to keep pace, whose economy was technologically backward," (Friedman and Weaver, 1979, p. 143), and those whose access to major markets were interrupted by physical remoteness. These regions had several common characteristics which were unfavorable to economic growth: the highly selective migration movement denudes those regions of most skilled workers; local markets are too small to gain internal economies of scale; public facilities are too old to be utilized for growth.

Pressured Regions

Economic growth and urbanization have also produced another type of problem regions: pressured regions or over-developed regions. Urban places have more advantages than rural areas in regard to quality and quantity of public services that contribute to savings in production cost. This advantage stems largely from the relative cheaper cost per person for providing services. These are one type of agglomeration economies, which means "the cost savings to a firm accruing because of the scale of industry in a particular conurbation or region, and the resultant ability of the firms to share some of its external expenses with others". (David Keeble, 1976, p. 59).

Although geographical concentration of activities in one place⁴ produce several types of agglomeration economies, the relationships between these economies and the scale of concentration (city size) is not known (Jarvin Emerson and Charles Lamphear, 1975, p. 107). Controversies over minimum and maximum city size revealed this fact. But most approach-

hes to ideal city size have stressed the presumed diseconomies of urban scale: external diseconomies (such as added cost of public services, congestion and environmental pollution) make cities uneconomical as places to produce or to live. These have been the justifiable reasons for containing of urban growth. More examples for external diseconomies are as follows:

Inflationary pressures within the growing metropolitan areas as the demands of the growing metropolitan populations press upon scarce local resources, these inflationary pressures being ultimately transmitted throughout the whole system by nationally organized trade unions, regardless of local differences in productivity and in costs-of-living (Cameron, 1979, p. 376).

Measurement of Problems

Regional policy is concerned with the existence and amelioration of regional disparities or inequalities. And these are normally measured by the rate of unemployment, income per head and outmigration. Most literatures on regional policy regard high unemployment and low income as major problem indices in identifying problem regions. Leo Klassen (1965, p. 30) has classified four types of regions according to income level and the rate of change of income (Table 2.1).

According to John Glasson (1978) "the advantage of the Klassen approach is its emphasis on dynamic characteristics of regional problems, identifying not only the prosperous regions and the 'hard core' problem regions, but also regions that are developing out of problem situations and others that are facing potential declines" (p. 171). Several other literatures suggested diversified or dynamic criteria in identifying problem regions (Hunt Commission, 1969; Kraft et al., 1971). But, as far as there are no a priori standards for the ideal type of spatial develop-

Table 2.1: Klassen Typology of Problem Areas

Rate of increase in income compared to the national rate of increase	Income level compared to the national level	
	High (>1)	Low (<1)
High (>1)	I Prosperity area	II Distressed area in process of develop- ment
Low (<1)	III Declining Pros- perity area (potential dis- tress)	IV Distressed area

Source: Klassen, L., (1965) Area Social and Economic Development., OECD.

ment, distressed areas are usually defined and identified in comparison with other regions or with the country as a whole. Reliance on comparison has caused more controversy on the regional problem itself. The next section will discuss those controversies.

Geographical Division of Problem Regions

There are several techniques that have been used in the measurement of regional income inequality: the relative mean deviation; the standard deviation; the Lorenz and Gini curves; and measures of entropy. These statistics are all calculated by way of comparison with the national mean. But, according to William Alonso (1971, p. 45), "a fine-grained regionalization will result in higher measures of inequality than one that is coarse-grained. The same index of inequality for the United States computed by state will be lower than if computed by county because much of the intercounty variation is averaged out when the larger unit is used". The degree of regional inequality can be variable according to the geographical division of regions. As Gore (1984, p. 53) notes, "problem inevitably arises because there are no standard spatial units which may be defined as the right regions for measuring the differences which indicate inequity. This means that whether or not greater 'interregional equity' is being attained in a country depends on the regional boundaries which are selected." He went further by arguing that "this points to the most fundamental weakness in the view that regional economic disparities should be reduced for the sake of equity, and that greater interregional equity is a desirable goal" (p. 53).

Several compromising suggestions were made in relation to this measurement problem. According to Alonso (1971, p. 43), "a meaningful

measure should be based on divisions of the territory that reflect the spatial structure of the socio-economic system." And Henry Zimon (1979) suggested that "measurement of regional inequality should not neglect those phenomena related to inequality patterns and processes which are not necessarily spatial in nature," (p. 9). This suggestion was based on the findings that "many of the causes, consequences, and manifestations of inequality are dominantly structural rather than spatial in nature." (Coates et al., 1977, p. 5 quoted from Zimon, p. 9). Recent literature on the regional problem began to employ new types of indices in the measurement of regional inequality. They are: geographical dispersion of R & D function; the entrepreneurship of new firm formation; the degree and type of external control or ownership of manufacturing (Firn, 1975; Westaway, 1974; Massey, 1976).

Summary and Conclusions

Problems in depressed regions differ from those in underdeveloped regions. High rates of unemployment are the typical problem in depressed regions. But economic distress in underdeveloped regions can be more easily identified by their lower level of income. The problem in the depressed region is one of "redevelopment and conversion" while the problem in the underdeveloped region is industrialization and urbanization (Smith, 1981, p. 388).

In terms of causes of regional problems, each theory emphasizes one or two factors by deemphasizing or ignoring other factors. In sum, they are:

1. low mobility of production factors such as labor and capital
2. geographical factors such as natural resources endowment and physical remoteness from markets
3. economic structures such as sectoral composition of the economy.

These cannot be all factors which are responsible for regional problems. As Vanhove and Klassen (1980) have put it, institutional, political, and sometimes psychological factors also can be causes of regional problems (pp. 6-7).

CHAPTER TWO BACKNOTES

1. Those conditions (assumptions) are: "full employment, perfect competition, one homogeneous commodity, zero transport costs, regionally identical production functions exhibiting constant returns to scale, a fixed supply of labour and no technical progress." (Richardson, 1979, p. 137).
2. The problems of this theory are that "its high level of aggregation and its assumed correspondence between the income-elasticity-of-demand sectors and the high-productivity-growth sectors" (Emerson and Lamphear, 1975, p. 133).
3. There can be a controversy over the degree of 'push' for outmigration. According to Lansing and Mueller (1967), there is no obvious relationship between the economic distress and the outmigration. But "a highly significant relation between outmigration rates and local labor market conditions, as characterized by 'prospective unemployment' --- [that is] the level of unemployment which would have accumulated by the end of the period had no outmigration taken place" (Olvey, 1970, p. 107, quoted from Morrison, 1975, pp. 231-2).
4. Agglomeration economies can be classified into four types: "transfer economies, scale economies, economies of labor specialization, and economies of professional interaction" (Emerson and Lamphear, 1975, p. 107).

CHAPTER III

REGIONAL PROBLEMS IN THE U.K. AND IN THE U.S.

Regional problems may vary from time to time and from place to place. Chapter II shows that there can be several causes of regional problems. Each country's process of development (industrialization and urbanization) may have produced those causes, which may have also influenced them.

This chapter will discuss the process of regional development in each country. As main purposes are concerned with identifying problem regions, this paper will investigate only several variables: population (migration), unemployment, and income trend. If these factors cannot fully explain the problems, other factors such as employment will supplement them. The main focus will be put on the evolution and scope of regional problems, trends and characteristics.

PART I

REGIONAL PROBLEMS IN THE UNITED KINGDOM

Regional Development Before 1970

Urbanization

Between 1801 and 1901 the population of England and Wales increased nearly 24 million from 8.9 to 32.5 million. It was with the 1851 census that more than 50% of the population began to be classified as urban. In 1901, "there were eight cities whose population exceeded 250,000 in England and Wales. Four cities in Scotland had more than 150,000 population".¹ (Cherry, 1974, pp. 8-9).

During the nineteenth century, the availability of raw materials had been the major factor in location of manufacturing firms. The coal fields and the ports attracted manufacturing industries. "As a consequence urban concentrations emerged in Central Scotland, South Wales, South Lancashire, the East and West Midlands, West Yorkshire and on the North East coast." (Manners et al., 1972, p. 2). Thus, "Clydeside [Glasgow] meant ships and heavy engineering, the North East meant export, coal, iron and steel, ships and heavy engineering, Lancashire meant cotton and some engineering: the West Riding meant coal and woollens; South Wales meant export coal and iron and steel" (Peter Hall, 1974, p. 84). This led to a situation in which "several of the major industrial regions had based their prosperity on a very limited economic base" (Hall, 1974, p. 83).

This kind of regional specialization in production has been brought about by the international division of labor in the early nineteenth century. At the outset of the nineteenth century, the United

Kingdom had established international monopolies in a narrow range of basic industries. The normal industrial town of Britain represented an aggregation of early capitalist industries in one sector of production.

Thus, according to Rosemary Mellor (1983), the British pattern of urbanization showed several peculiarities. And this fact provided useful implications in identifying problem regions of Great Britain:

British urbanization was dispersed; that is with the exception of the Scottish high lands, there was no extensive underdeveloped tract equivalent to the Italian South, France outside the Paris region and the north, the American deep south. Development was peripheral -- provincial ports and merchant townships were thrust into centers of specialized industrial activity. The peripheral nature of development can be attributed to the location of the coalfields, but the reliance on overseas suppliers and markets is more convincing explanation for the growth of cities such as Dundee or Belfast. (Mellor, 1983, p. 387).

A characteristic feature of the 19th century Britain was the high degree of local and regional specialization in a few manufacturing sectors (Rawstone, 1964, Mellor, 1978). But, British economic growth since 1945 had exhibited different locational pattern from that of the nineteenth century. The attraction of coal-fields (raw materials) for the location of manufacturing industries steadily weakened. Other factors have become more important in the location of economic activity. According to Manners et al., (1972, chapter 1), southern England provided "an easy access to market" and "external economies" for the newly developing industries. As a consequence, "[i]n the inter-war period regional differences were most marked with the South East attracting large numbers, the two midland regions, the South West and East Anglia just about holding their own, whilst the northern and western regions lost heavily." (Christopher Law, 1980, p. 60).

Population

Between 1951 to 1971, the U.K. population had increased by about 10 percent, or some 5 million. Of this increase, 4.3 million were to be found in the three regions in the south and two Midlands of England. (Manners et al., 1972) (Table 3.1). The other six regions in the north and west did not come up with the growth rate of national population, "seeing their share of the British population fall from 44.5 percent to 42.3 percent between 1951 and 1969." (Champion, 1983, p. 189). The most striking features are the accelerating decline of Scotland in relative terms, and the very fast growth of East Anglia.

During the 1960s, a little different aspect in population trends can be found in the South East and West Midlands. They have both experienced net outmigration. (Law, 1980, p. 61). Despite the continuing southward shift, British conurbations began to lose their population. Out of seven conurbations in the U.K, five declined in their population size in the 1960s. ² Greater London's population began to fall in the 1950s (2.5 percent) and showed massive decline in the 1960s (6.8 percent) (Champion, 1983, p. 191; Douglas McCallum, 1980, Chapter 2). Thus, across the whole country the dominant southward migration shift has been weakened in the 1960s. This was largely due to the decentralization of residential activities within metropolitan areas (Champion, 1983, p. 190).

Employment

A. Hoare (1983, chapter 4) has calculated the Gini coefficient in order to understand changing distribution of manufacturing jobs both among regions and counties. His analysis shows (Table 3.2) that "the shifts are

Table 3.1: U.K. Population by Region, 1951-1981

Regions	Population (thousand)				Growth (%)		
	1951	1961	1971	1981	51-61	61-71	71-81
South East	15,216	16,071	16,994	17,027	7.5	5.8	0.19
East Anglia	1,388	1,489	1,683	1,895	5.9	13.5	12.60
South West	3,247	3,712	4,088	4,362	5.8	10.6	6.70
West Midlands	4,426	4,762	5,122	5,181	7.6	7.4	1.15
East Midlands	2,913	3,330	3,635	3,840	6.8	9.5	5.64
Yorkshire and Humberside	4,488	4,667	4,869	4,907	2.2	2.9	0.78
North West	6,417	6,407	6,603	6,460	1.9	2.6	-2.17
North	3,130	3,113	3,138	3,114	3.6	1.4	-0.76
Wales	2,588	2,635	2,724	2,807	1.7	3.3	3.05
Scotland	5,103	5,184	5,217	5,150	1.6	1.0	-1.28
N. Ireland	1,371	1,427	1,538	1,482	3.9	7.8	-3.60
U.K.	50,219	52,807	55,610	56,225	4.9	5.3	1.10

Source: column 1, Manners et al., (1972) Regional Development in Britain, (London: John Wiley and Sons).

columns 2,3,5,6, Law (1980) British Regional Development since World War I, (London: Methuen), p. 58, Table 4.5.

column 4,7, RSA (1983), Report of an Inquiry into Regional Problems in the United Kingdom, (Norwich: Geo Books) pp. 61-92.

very slight, both between adjacent years and over the entire half century." The distribution of manufacturing jobs between regions showed a stability over several decades (p. 71).

The five southern regions provided more jobs than before the war, containing 56% of all employment in 1951 compared with 51% in 1921. Since then the share in employment increased to 59.2% in 1971. The six northern and western regions declined in their actual size of employment during two decades (Law, 1980, pp. 66-68). In the case of manufacturing jobs, "a prewar concentration of leading manufacturing growth counties in the immediate vicinity of London became increasingly diffused post-war throughout southern England" (Hoare, 1983, p. 73). The pattern of regional employment changes is "very similar to that for population" (Law, 1980, p. 66).

Unemployment

In the U.K., the identification of areas of economic distress was largely based on the rate of unemployment. Other variables such as migration or personal incomes were not considered to be important in defining regional problems. The great increase in unemployment was felt most severely in the depressed areas of central Scotland, West Cumberland, North-East England, South Wales, Lancashire and some similar coal field areas during the years of the Depression. "In May 1928 unemployment rates were between 2 and 5 percent in London and the Home Counties, but in South Wales and North East England the rates were 20 to 25 percent" (McCallum, 1979, p. 3).

In 1951, "Scotland and Wales still had twice the national per-

Table 3.2: Manufacturing Employment Changes:
The Gini Coefficients

	Regional	County
1921-31	5.6	2.9
1931-51	5.4	2.4
1951-61	2.9	2.1
1961-71	3.1	3.6
1921-71	13.4	4.7

Source: Hoare, A. (1983) The Location of Industry in Britain, (Cambridge: Cambridge University Press), p. 71 Table 4.1.

tage of jobless, and the Midlands less than half" (Table 3.3). Since then, regional disparities in unemployment have been tending to become much less marked" (Eversely, 1971, p. 225). Thus, the rankings of the regions has remained remarkably similar over the period (Law, 1978, p. 76). Several other studies also found that differences in unemployment rates between the south and the north have been narrowed from the mid 1960s to the mid 1970s (Chisholm, 1979; Manners, 1976, quoted from M. Frost and N. Spencer, 1983, p. 239). According to Eversely (1971, p. 226), "emigration is still the time honored remedy" to regional disparities in unemployment. "If Humberside and North East Lancashire do not have higher unemployment rates, then this is due to the fact that school leavers and young unskilled workers leave before they have to register as needing work" (Eversely, 1971, p. 226).

Income Inequality

Regional disparities are normally measured and expressed in terms of income differences among regions. In the United Kingdom, however, "less importance has been attached to these figures as an index of regional inequality" (Law, 1980, pp. 80-1). Rather than income variance, unemployment rate has been considered to be more important.

According to Williamson (1965), regional inequality measures for the U.K. was very stable from 1939 to 1960. The weighted inequality index, V_w , ranges from 0.071 in 1960 to 0.116 in 1937. Compared with other countries such as the U.S, Canada, France and Italy, the U.K has relatively low income inequality during that period. (pp. 170-81).

Since 1950s, there has been very limited convergence in the income

Table 3.3: Unemployment Percentage as a Ratio of National
Average (G.B. = 100)

Area	1951	1956	1961	1966	1970
Northern	182	131	165	173	185
Yorkshire and Humberside	73	63	66	80	112
North West	99	114	109	100	104
West Midlands	34	91	93	87	89
East Anglia					
South East	76	72	67	80	85
South West	98	106	93	120	112
Wales	225	173	170	193	150
Scotland	208	204	210	193	166
Great Britain	100	100	100	100	100

Source: Eversely, D. (1971) "Population Changes and Regional Policies since the War" Regional Studies 5(4) p. 226. Table 14.

Table 3.4: United Kingdom: Relative Income by Regions

Year	1949-50	1954-5	1959-60	1964-5	1970-71	1976-7
UK Mean	400	546	732	1004	1545	3477
UK Index	100	100	100	100	100	100
South East	107.5	107.5	108.1	108.1	107.7	106.5
East Anglia	93.2	90.8	91.4	94.8	96.4	101.3
South West	93.5	94.4	94.3	96.5	96.9	95.1
West Midlands	98.8	104.1	102.9	102.2	99.8	100.0
E (North) Midlands	(97.8)	(99.9)	(98.2)	(97.6)	96.1	101.2
Yorkshire E & W	98.3	98.4	97.3	95.8		
Yorkshire and Humberside				95.8	96.4	97.8
North West	94.8	97.6	97.0	95.6	95.2	96.4
North	92.2	95.6	93.8	92.4	94.1	95.7
Wales	88.8	91.8	92.6	92.9	92.4	92.8
Scotland	95.0	94.6	92.1	93.1	95.8	93.2
N. Ireland	83.6	85.4	82.0	81.9	86.0	87.1

Source: Law, C. (1980). British Regional Development Since World War I. (London: Methuen) p. 80, Table 16.

trends. (Table 3.4). The South East and the West Midland had higher than average national income, while Northern Ireland had an income far below the average income. "All other regions have average incomes between 0 and 10 percent below the U.K. mean" (Law, 1980, p. 81).

Regional Problems Before 1970

The peripheral areas of the United Kingdom -- Scotland, the Northern part of England and the Wales -- experienced exceptionally high levels of unemployment in the Depression years. Thus, among the three broad categories of problem regions, the UK provided some of the "best" and "the most widespread" examples of depressed industrial regions in Europe. This had been regarded as the predominant type of problem regions in Britain (McCrone, 1969, p. 15; Glasson, 1978, p. 169).

Historical, economic and social forces were at work to produce these regions of depression: it was associated with the UK's peculiar urban development and with a general lack of adjustment to the changing economic situations. According to Dunford et al., (1981), British "capitals remained small in size and resorted to protected market and cartel arrangement rather than rationalization and the development of standardized production" (p. 380). These structural weaknesses were more aggravated by such external factors as "the over-valuation of the pound in the 1920s," and "competition from lower wage countries" (McCrone, 1969, p. 16).

The acute nature of regional problems were masked by war-time production and post war booms. Modern industries which were located in the South lost no time in gaining strength from post war booms, while traditional industries declined more due to growing competition. Dunford

et al., (1981) explained this fact:

The industries that were largely located in the southeast and midlands but that had grown slowly in the 1930s due to the depressed state of demand came to play a leading role in the phase of growth lasting from 1945 to the mid 1960s. The gap widened between the increasingly congested metropolitan centers with a high proportion of modern growth industries and the declining industrial areas lacking a diversified industrial structure. (Dunford et al., 1981, p. 80).

Examination of a limited number of indicators in this sections shows that regional disparities in the level of income, unemployment rate and employment have been reduced. Several factors played a role together in this process: interregional migration, decentralization trends, and the effects of regional policy. But, according to Townroe:

The regional problem has not ceased in the U.K. in the sense that the assisted areas - Scotland, Northern Ireland, Wales, Northern and Northwestern England and parts of the South West and the Yorkshire and Humberside regions - continue to exhibit above average unemployment rates, lower incomes, and high relative scores on indices of economic and social deprivation (Townroe, 1978, p. 13).

Regional Development in the 1970s

UNCTAD published a "Trade and Development Report" in 1982, which shows that the average growth rate in GDP for developed countries declined from 5.2 percent per annum in the period 1963-1973 to 2.6 percent in 1973-80. Since 1973, most developed countries have experienced slow growth, high inflation and rising unemployment. Among these industrialized countries, the UK showed a much slower rate of economic growth³. There have been an increasing consensus that the context for regional problems in the 1970s was different in many ways from that of two decades which preceded them, both for Britain and for many other countries.

Recent researchers began to discuss the impact of slow growth on regional problem (W. Miernyk, 1982; H. Richardson, 1984; B. Moore and J. Rhodes, 1982; M. Chisholm, 1985; J. Goddard, 1983; A. Champion, 1983). Their discussions centered on the issue of whether slow growth has resulted in the development of new types of regional problems and new regional inequalities. British regional problems in the 1970s will be discussed in this context.

Population

During the 1970s, the East Anglia gained more people than any other region. It was followed by South West and East Midland. Their gain in population was the result of loss in other regions. While no region actually declined in population size during the 1950s and 1960s, four out of eleven regions in the north and west lost population in the 1970s (Table 3.1). With a declining birth rate throughout the nation, the most important factor in population trends has become interregional

migration. Even in the south, the South East and the West Midlands showed "a downward shift of around 7 percent points in their population growth rates" in the 1970s (Champion, 1983, p. 197).

Traditional British population movement was southward from the north. In the 1960s, the major change in this movement has been explained as the spread of the South East population to surrounding areas, which means the weakened (narrowed) north-south shift. But, in the 1970s, there has been a turnaround in this trend. As Champion (1983, p. 199) has pointed out, "it appears that the major changes in this direction [spill-over of South East population] had been completed by the early 1970s and that subsequently there has been some move back to the previous patterns [the North-South shift]" A. Ogilvy (1982) came to the same conclusion in his analysis of population trends from 1971 to 1978:

There can be little doubt that population migration within Great Britain during the 1970s was affected by the change in economic circumstances which began at the end of 1973 -- the onset of economic recession marked not only a general reduction in population mobility but also a fundamental change in the pattern of population movements between the various regions of Britain. Population dispersal from South East England to all other parts of Britain -- was checked and then began to decline. --- The change brought about an increasing north-south shift of population." (Ogilvy, 1982, p. 72).

Employment

Another distinctive feature in recent economic change is the massive decline in the number of manufacturing employment. Between 1966 and 1982, manufacturing sector lost 2.75 million jobs in the UK (Regional Studies Association, 1983, p. 7). This secular pattern was labelled as "deindustrialization"⁴. British regional problems originated from rising unemployment in manufacturing sector. Thus, the effect of deindustriali-

zation on the British regional development came to be another issue to be examined. To begin with, Goddard (1983) explained this point:

just as the Industrial Revolution was associated with fundamental changes in the location of economic activity at both the urban and regional scales, in particular rural decline and the growth of the northern coalfield conurbations, so the process of deindustrialization has come to be associated with large city decline and rural revival, with growth and prosperity shifting further towards the southern part of the country. (Goddard, 1983, p. 1).

"Large city decline" was not a problem of late years. Greater London began to lose population in 1950s. Seven conurbation cities in the UK declined in their population from 4.7 million in 1951 to 4 million in 1971 (Cameron, 1980, p. 19). This stage of decentralization has been reinforced by the process of deindustrialization: "[m]etropolitan economies have been increasingly tertiarized," (Dunford et al., 1981. p. 382). According to the report to Regional Studies Association (1983, p. 4), "there has been a massive shift in the location of manufacturing in the UK from conurbations and cities to small towns and rural areas." (Table 3.5). Thus, in the 1970s, a new type of spatial problem, the inner city problem, emerged.

Unemployment

Depressed regions have a tendency of over-reaction to the impact of economic cycle. When the national economy is in decline, unemployment rates of depressed regions tends to increase rapidly. Moore and Rhodes (1981, p. 326) confirmed this fact in the late 1970s: "[t]here was no sharp deterioration in the unemployment difference until 1975 with the possible exception of the North West. But after 1975 a combination of

Table 3.5: Manufacturing Employment by Type of Area 1960-1978.

	Employment (thousands)		% change 1960-78
	1960	1978	
London	1338	769	-42.5
Conurbations	2282	1677	-26.5
Free standing cities	1331	1148	-13.8
Large towns	921	901	- 2.2
Small towns	1631	1887	+15.7
Rural areas	527	728	+38.0
G.B.	8031	7110	-11.5

Source: Regional Studies Association, (1983) Report of an inquiry into Regional Problems in the United Kingdom, 1983, (Norwich: Geo Books) p. 41. Table 3.1.

deepening national recession and a weaker regional policy led to a persistent and consistent widening of the unemployment differential in the problem regions between 1975 and 1980" (Table 3.6). Regional percentage point deviation from UK unemployment rate shows a divergency. (M. Frost and N. Spence, 1983, p. 248). These findings led to the conclusion that "the current economic crisis has seen the appearance in the U.K. of regional problems reminiscent in some ways of those that characterized the 1930s" (Dunford et al., 1981, p. 377).

Peter Elias (1981) has analyzed unemployment rate in a different way (Table 3.7). Rather than "percentage point deviation" from national mean, he used "the proportional growth in unemployment" in his analysis. His findings reveal that "registered unemployment has grown rapidly than at the national level in the South East, the West Midlands and the East Midlands. ... Late in 1980 the West midlands and North West regions experienced a dramatic increase in registered unemployment." (p. 338). The West Midlands which has been one of the prospering regions in the UK, showed a dramatic decline in the 1970s. As Frost and Spence (1983) have pointed out, "the last and deepest recession phase has brought renewed convergence." (p. 248). There was no great difference in unemployment change under the national recession. According to Gillespie and Owen (1981), "the most recent recession has done more for the equalization of employment rates across regions than three decades of regional policy." (quoted from Frost and Spence, 1983, p. 258).

Table 3.6: Regional Differences in Registered Unemployment Rates
in the U.K., 1950-80

	percentage point deviation from UK rate							
	1950	1965	1970	1975	1977	1979	1980	1981
Scotland	+1.5	+1.4	+1.6	+1.0	+1.8	+2.0	+2.3	+2.2
North	+1.2	+1.0	+2.0	+1.6	+1.9	+2.5	+2.9	+3.0
North West	0	+0.1	+0.1	+1.1	+1.2	+1.3	+1.7	+2.0
Wales	+1.1	+1.0	+1.2	+1.4	+1.5	+2.1	+2.6	+3.0
Northern Ireland	--	+4.5	+4.1	+3.4	+4.3	+4.9	+5.7	+6.5
Yorkshire and Humberside	-0.8	-0.4	+0.3	-0.1	-0.4	0	+0.2	+1.5
South West	-0.2	+0.1	+0.3	+0.6	+0.7	0	-0.5	-0.2
East Midlands	-0.8	-0.6	-0.3	-0.5	+1.0	-1.0	-0.8	-0.9
West Midlands	-1.1	-0.8	-0.6	0	-0.4	-0.3	+0.3	+1.7
East Anglia	-0.3	-0.2	-0.4	-0.5	-0.7	-0.2	-1.5	-1.1
South East	-0.6	-0.6	-0.9	-1.2	-1.4	-1.8	-2.4	-3.1

Source: Moore and Rhodes (1981) "A Second Great Depression in the UK Regions: Can Anything Be Done?" Regional Studies, 16(5), p. 326, Table 2.

Table 3.7: Changes in Unemployment by Region, 1970-81

		% change between periods indicated						
Registered unemployed	June 1970 level	1970 -- 1975	1975 -- 1980	1980		1981		June 1981 level
	000s (%)			Jun	Sep	Dec	Mar	
				— Sep	— Dec	— Mar	— Jun	
South East	114(1.5)	60	77	31	11	14	9	584(7.8)
East Anglia	12(1.9)	83	74	24	15	15	4	64(9.0)
South West	32(2.2)	101	57	22	16	9	3	160(9.6)
West Midlands	40(1.7)	105	92	38	11	14	10	306(13.4)
East Midlands	30(2.0)	65	104	22	11	12	12	168(10.4)
Yorks and Humb.	53(2.6)	35	114	25	10	10	9	251(12.1)
North West	72(2.6)	89	85	19	7	9	10	386(13.7)
North	56(4.3)	28	98	13	9	7	9	203(15.2)
Wales	33(3.3)	54	95	28	9	6	3	150(14.1)
Scotland	82(3.8)	24	120	8	9	10	7	306(13.7)
Northern Ireland	32(6.3)	22	90	22	5	7	4	104(17.9)
UK	555(2.4)	57	91	23	10	11	8	2681(11.2)

Source: Elias (1981), "The Regional Impact of National Economic Policies: a Multi-Regional Simulation Approach for the U.K., Regional Studies, 16(5), p. 339, Table 3.

Income Equality

According to the Report of Regional Studies Association (1983) only one region (the South East) out of eleven in the UK has greater than average Gross Domestic Product per head since 1976 (pp. 61-97) (Table 3.8). The West Midlands had greater than average income during the 1960s. As one of major industrial areas, this region encompasses the industrial conurbation of Birmingham and Coventry. This region "has moved within the last decade from a position of relative prosperity into one of deep decline" (RSA, 1983, p. 80). This GDP statistics also shows that the North West is in the same position with West Midlands.

Another analysis about regional GDP as a share of UK's by Elias (1981, p. 336) shows no great fluctuation in their rankings during the 1970s. The South East, the North West and the West Midland lost their shares, while the problem regions (Northern Ireland, Scotland, Wales and the North) held their former positions. (p. 336).

Table 3.8: Regional GDP in the 1970s.

Region	GDP per head		GDP share of UK GDP	
	1976	1981	1971(Ranking)	1979(Ranking)
South East	112.6	114.5	35.4 (1)	34.2 (1)
East Anglia	93.7	97.3	2.9 (10)	3.1 (10)
South West	90.8	95.8	6.4 (6)	7.1 (6)
West Midlands	98.1	90.6	9.5 (3)	8.9 (3)
East Midlands	96.5	99.9	5.8 (7)	6.6 (7)
Yorkshire and Humberside	94.6	92.9	8.0 (5)	8.3 (5)
North West	96.4	94.3	11.7 (2)	11.1 (2)
North	96.2	94.2	5.2 (8)	5.1 (8)
Wales	89.8	86.8	4.3 (9)	4.4 (9)
Scotland	97.8	98.7	8.8 (4)	8.9 (3)
N.Ireland	74.9	72.1	2.1 (11)	2.1 (11)
U.K.	100	100	100	100

Source: 1. Regional Studies Association (1983) Report of an Inquiry into Regional Problems in the United Kingdom (Norwich: Geo Books) pp. 61-97.

2. Peter Elias (1981) "The Regional Impact of National Economic Policies: a Multi-Regional Simulation Approach for the UK" Regional Studies 16(5) pp. 335-343.

*. The Ranking was given by the Author.

Regional Problems in the 1970s

As explained in the introduction, this section has attempted to investigate spatial impact of slow growth. Some statistics like population movement and unemployment show uneven geographical impact of national decline. The traditional north-south population movement reappeared. In the late 1970s, the changing rate of unemployment reveals regional convergence, but it largely stems from "decreases in national manufacturing employment and increases in national unemployment, and their concentration in the formerly prosperous areas such as the SouthEast and West Midlands, and particularly in their inner city areas" (Hudson, 1978, quoted from Dunford et al., 1981, p. 380).

The West Midlands, decline was noticeable because this region has moved from "one of the prosperous regions" to "one of the problem regions." This was largely due to the decreasing manufacturing employment. A new spatial inequality emerged during the 1970s.

PART II

REGIONAL PROBLEMS IN THE UNITED STATES

Urbanization and Rural Depopulation

A historical overview of changing spatial structure of American cities shows that the period from 1870 to 1920 can be called the age of the "industrial city" in the United States. (John Ottensman, 1975, p. 13). During this period, "continuing industrialization and economic growth set the context within which industrial cities would develop: the large and mechanized factory emerged as the dominant unit of economic organization" (pp. 13-4).

It was also during this period that half of the population was classified as urban. In 1920, New York City's population climbed to almost six million, Chicago grew from three hundred thousand people in 1870 to nearly three million by 1920. Other cities shared this growth as well. "As far back as 1870, the regions which are most highly urbanized today -- New England, Middle Atlantic, Pacific -- already had less than one third of their employment in agriculture." (Benjamin Chinitz and Richard Dusansky, 1973, p. 158).

During the Depression years, "some urbanites returned to their farm origins and reduced employment opportunities in the city also led to greater retention of potential farm out-migrants. As a result net farm migration was approximately zero between 1930 and 1935."⁵ (Nan Johnson and J. Beegle, 1982, p. 61).

According to Chinitz and Dusansky (1973, p. 158), "the period 1940-60 was one of further sharp reductions in agriculture [employment]."

Rural population declined from 57.5 million in 1940 to 54 million in 1960 and stabilized at that level for the next decade. But, the percentage of rural population has declined steadily from 43.5 percent in 1940 to 26.5 percent in 1970. (Table 3.9).

Historically, declining rural population has been primarily due to rural-to-urban migration, which was associated with the technological development of agriculture: mechanization in production, improvement in seeds and use of fertilizers and pesticides. Dale Hathaway (1960) suggests that "between 1920 and 1960, 25 million persons moved from the farm into urban and nonfarm rural areas, approximately 18 million of them after 1940." (quoted from Crane, 1975, p. 31). This fact has led to the conclusion that "there has been a major off-farm movement, running at about one million persons per year and that this movement has substantially reduced the number of persons living on farms in the United States." (Crane, 1975, pp. 31-2).

Another stream of rural to urban migration was the interregional migration of rural southern blacks to the North. According to Johnson and Beegle (1982), "northern manufacturing firms sent representatives to recruit black workers from the South. Between 1916 and 1918, over one million black people left rural areas in the South to settle in the industrial centers of [North]." (p. 62). Thus, "starting with the decade 1910-1920, the south has never failed to run a net migration deficit of less than 1 million. This deficit reached a high of two and quarter million for the decade 1940-1950. These migration have become increasingly Negro as new opportunities in the rural and urban South have gone primarily to whites." (John Kain and Joseph Perky, 1971, pp. 249-50).

Table 3.9: Rural Population in the United States, 1920-80.

	Rural Population in Million	% of U.S. Population
Previous Urban Definition		
1920	51.8	48.8
1930	54.0	43.9
1940	57.5	43.5
Current Urban Definition		
1950	54.5	40.4
1960	54.1	30.1
1970	53.9	26.5
1980	59.5	26.3

Source:

- 1920-1960: U.S.D.A. (1966) Rural People in the American Economy (Washington, D.C.: Government Printing Office) p. 103. Table 14.
- 1960-1980: U.S. Department of Commerce, Bureau of Census (1984) Statistical Abstract of the United States 1984, (Washington, D.C., Government Printing Office), p. xvii.

The pattern of urbanization varied from one region to another. The New England and Middle Atlantic regions achieved their 1960 levels of urbanization before 1920s. At that time, three southern regions were below than 30 percent in their level of urbanization. But there has been "a marked convergence. In 1900, the range was 14.9-68.6 for per cent urban --- By 1960, these ranges had been narrowed to 43.5-75.1." (Chinitz and Dunsansky, 1973, p. 158). There have been regional differences in the process of rural depopulation. Crane has explained this:

The rural South, because of its high birth rate, tended to grow despite outmigration, while the counties of the Central regions and the Great Plains experienced both outmigration and a declining birth rate. Many of the counties of the northern Great Plains witnessed almost continuous population decline after 1940, while another area of absolute population decline was the western and southern fringe of the corn belt: eastern Kansas, northern Missouri, western Iowa and eastern Nebraska. During the sixties this zone of declining population also extended into the counties of western Minnesota. (Crane, 1975, p. 26).

American cities could not be contained in their physical boundaries. When the migration flow of rural blacks to the Northeastern cities dried up, "migration takes place between metropolitan areas on an interregional scale and intraregionally through an accelerating dispersion of people and jobs outward into the expanding metropolitan periphery," (Brian Berry, 1973, p. 36). "The concentrative migration process resulting from industrial urbanization had ended" (p. 30). And Berry has emphasized "the social rather than economic dynamics" (p. 36).

Regional Development in the 1970s

Population

The secular pattern of population movement among regions has been westward: the West has been the fastest growing region; the South has been the second fastest, while both the North Central and Northeast regions have grown at rates below the national average.

But, in the 1970s, the South has grown more than the West: while the West's growth has slowed, the South's has accelerated markedly. George Sternlieb and James Hughes (1977) have identified "three major phenomena in population movement: the accelerating regional shift, the emerging metropolitan-nonmetropolitan dynamic, expanding intrametropolitan differentials." (p. 227). They have concluded that:

A very powerful momentum has built up over the past fifteen years, sweeping employment and population growth away from the older metropolitan centers of the Northeast and North Central states to the newer growth poles of the South and West. --- Unnoticed was the fact that the industrial belt from Boston to St. Louis, which Wilbur Thompson calls the "American Ruhr," was beginning a long-term downward slide. (Sternlieb and Hughes, 1977, p. 228).

Bernard Weinstein and Robert Firestone (1978) also explained the rise of the South and the decline of the North using Friedmann's taxonomy
6
of five regions:

Upward transitional areas --- are areas of rapid economic development receiving large inflows of people and capital from both the core regions and rural areas. Typically they are less concentrated and urbanized than core regions. The problems facing upward transitional areas are those generally encountered by fast growing regions: urbanization, industrialization, and transportation. --- The Sunbelt is obviously the dominant upward transitional area in the United States today.

Downward transitional areas are old, established regions characterized by declining economies and an out-migration

Table 3.10: U.S. Population by Region, 1950-80

	Population (thousand)				Population Growth (%)		
	1950	1960	1970	1980	1950-60	1960-70	1970-80
US	151,375	179,322	203,296	226,502	18.5	13.4	11.4
North East	39,478	44,678	49,061	49,135	13.2	9.8	0.2
North Central	44,462	51,169	56,589	58,866	16.1	9.6	4.0
South	47,244	54,973	62,812	75,372	16.4	14.3	20.0
West	20,191	28,053	34,838	43,172	38.9	24.2	23.9

Source: Gregory Jackson et al., (1981) Regional Diversity: Growth in the United States, 1960-1980. (Boston: Joint Center for Urban Studies of MIT and Harvard University) p. 28.

of people and industry. An aging and obsolete industrial plant is often coupled with high rates of unemployment and few possibilities for new development. These areas are adjusting to a lower and less intensive level of economic activity in an effort to redefine their relationship to the national economic system.

A number of urban centers in the manufacturing belt would appear to be downward transitional areas at this time. For example, in recent years the New York, Newark, Buffalo, Providence, Cleveland, and Detroit metropolitan areas have experienced a serious erosion of economic activity along with high unemployment rates and an out-migration of people and industry. (Weinstein and Firestone, 1978, p. 61).

Popular and scholarly concern with regional issues has been focused on the subject of "Frostbelt and Sunbelt" in the late 1970s. Various hypotheses for the rise of Sunbelt has been explained and tested. Among them, four reasons stand out: "defense spending (especially that generated by World War II), other federal outlays, a favorable business climate [including a lower rate of unionization], and an attractive quality of life." (Bradley Rice and Richard Bernard, 1984, pp. 1-30).

However, there exists intra-regional heterogeneity: three New England states grew faster than the U.S. average in the 1970s. According to Jackson et al., (1981), "in terms of population growth, New England also has a fast-growing subregion analogous to the sectional 'sunbelt.' This subregion comprises Maine, New Hampshire and Vermont, where the emigration characteristic of the early decades of this century has slowed and become immigration in the last two decades." (p. 47). And as Richardson (1984) has pointed it out, these three states "may have been the beneficiaries of the shifts in locational preferences favoring life in non-metropolitan areas." (p. 28) Regional population shift in the U.S., should be explained more in terms of non-metropolitan turnaround.

Nonmetropolitan / Metropolitan

Regional population shifts in the U.S. has been accompanied by another remarkable change: the reversal of nonmetropolitan population loss. During the 1960s, metropolitan population grew by 17 percent and non-metropolitan grew by 4.4 percent. But, during the 1970s, nonmetropolitan (15.4 percent) grew more than the metropolitan (9.1 percent) (Jackson et al., 1981, p. 65).

A number of studies have documented the origins and magnitudes of nonmetropolitan growth. Calvin Beale (1973) analyzed county population for 1970-73 and suggested several reasons for non-metropolitan growth: decentralization in manufacturing; the growth of the recreational and retirement activities. R. Briggs and J. Rees (1982) have analyzed economic trends in nonmetropolitan areas in the 1970s. Their findings reveal that "the manufacturing sector, long regarded as the most propulsive industry in the growth process, shows one of the smallest relative increase over the 1970-1976." (p. 1646). The movement of manufacturing sector to nonmetropolitan areas was recognized long before. During the 1960s, manufacturing employment increased by twenty-two percent in non-metropolitan areas (Rodeney Erickson, 1976, P. 35). And researchers find that this industrial dispersion challenges the critical role of agglomeration economies in regional development. Seyler (1979) has summarized these findings:

Researchers are asking what has changed the calculus that had for decades favored the agglomeration of manufacturing. Attention has been directed to the interplay of the "filtering-down process"; changing forms of industrial organization; redefinition of the nature of agglomeration economies; the effects of areal and regional wage differentials; the effects of varying strengths of

unionization; improvements in the transportation system and incidence of footloose industries; the growing sophistication of community development bodies; and firms' responses to perceived attractions of nonmetropolitan areas as contrasted with disutilities of larger metropolitan areas. (Seyler, 1979, p. 48)

As Briggs and Rees (1982) have pointed it out, it appears that most of the "decentralization of manufacturing to nonmetropolitan areas had occurred before 1970." (p. 1648). And other than economic factors began to play a role in the transformation of nonmetropolitan. Even the remote areas are being attracted by migrants. Considering this fact, Jackson et al., concluded:

This has led many analysts to conclude that, whatever the espoused reasons for moving, factors other than employment opportunities such as leisure or retirement lifestyles, are important for the new migration patterns, -- still others [non-metropolitan counties] are attractive simply because of their remoteness: many people frustrated with urban life will endure significant economic, cultural and social deprivations for short periods in order to get away. (Jackson et al., 1981, p. 66-7).

Income Trends

Recent data about personal income trends in the U.S. shows long-term convergence (Table 3.11). Among 9 census regions, 4 regions (New England, Middle Atlantic, East North Central, Pacific) have always been above the national mean, while the other 5 regions have been below up to now. Thus, convergence in income trends is the combined result of relative decline of the North (including Pacific) and the steady increase in the South (including Mountain).

As population statistics shows intraregional diversity within regions, there can be diversities in the patterns of income trends within

them. Henry Zimon (1979) has analyzed the relationship of regional development to overall national development and the interrelationship of changing patterns of regional inequalities at various geographic scales. Using personal income data he examined the patterns of "the Williamson-modified coefficient of variation" (population-weighted level of inequality) for the years from 1950 to 1978. As expected, "the inequality trend for the total U.S. has been --- one of relatively steady, mild convergence (decreasing inequality) with some indication of minor cyclical fluctuations." (p. 142) (Figure 3.1) But his study reveals the different patterns of inequality between the North and the South:

[A]s overall development promotes convergence of development levels (reduced inequality) throughout the total United States, the already reasonably developed North retains the excepted stable patterns of low inequality. Only minor fluctuations and even some continued convergence is noted. On the other hand, the South which traditionally has been the lesser-developed of the United States macro-regions, is characterized by initial divergence (increasing inequality) up to 1965. Long-run convergence in the South does not begin until around 1965. (Zimon, 1979, p. 143).

According to Zimon (1979), the initial stage of convergence during the 1950s in the South is attributable to "new regional development during the postwar period." Thus, early stage of development has produced divergence within the South. "Later, as overall development of the South continued, regional growth spread from the initial points of concentration and inequalities decreased -- convergence began." (p. 143) But the North showed a slow convergence trend during the period.

Detailed study about personal income trends by Jackson et al., (1981) shows that "the regional variation in per-capita income is much greater than the variation in earnings per worker in 1960. --- Regional

Table 3.11: Personal Income Per Capita by U.S. Census
Regions as a Percent of the U.S. Average.

	1930	1970	1980
U.S	100	100	100
New England	129.2	109.2	106.1
Middle Atlantic	147.6	113.1	106.4
East North Central	108.1	103.5	102.7
West North Central	85.0	94.7	98.1
South Atlantic	64	91.4	92.0
East South Central	43.2	74.8	78.1
West South Central	58	84.7	95.4
Mountain	83.7	91.6	94.5
Pacific	124.4	111.4	112.6
Lowest / Highest Ratio	0.393	0.661	0.694

Source: Richardson, H. (1984) "Approaches to Regional Development Theory in Western-Market Economies" in Regional Development: Problems and Policies in Eastern and Western Europe, G. Demko ed., (New York: ST. Martin's Press) p. 8, Table 1.1.

differences in per-capita income diminished much more than did differences in earnings per worker during the 1960s and the 1970s" (p. 118). From these findings, they concluded that among several factors, "regional changes in the labor-force participation rate account for most of these differences" (p. 119). Labor force participation rate is largely dependent on the level of employment and the population. Thus, in order to find the problem region, employment will be analyzed.

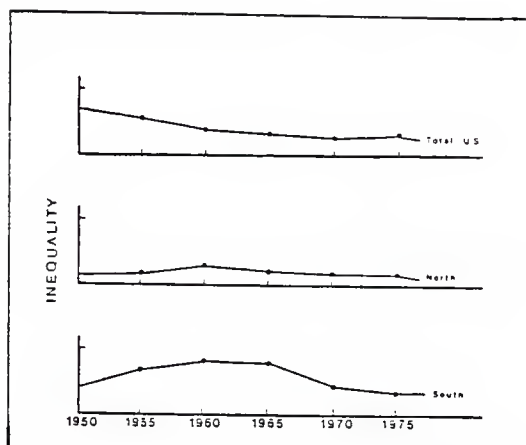
Manufacturing Employment/Unemployment

Historically, the manufacturing belt in the Northeast has been the core region of the United States. During the 1950s, four of the six New England states, two of Middle Atlantic (New York, Pennsylvania) and the state of Michigan had lower than zero growth rate of manufacturing employment. From 1970 to 1975, "all of the 17 states [in the North] —except Wisconsin — have experienced substantial decreases in their manufacturing employment." (Janet Pack, 1978, p. 12). While in the South, all states except Georgia and West Virginia, had gains in manufacturing employment.

But, it is very difficult to draw similar conclusion from unemployment rates. (Table 3-12). Sometimes, both slow and rapidly growing regions have above average unemployment. Even in the same regions, there have been too much diversity to draw conclusion. But, "by 1975, four of the five [East North Central] states' unemployment rates were well above average, the [Pacific] states were also above average but below the rates of either the [New England] or the [Middle Atlantic] states" (Pack, 1978, p. 13). Thus, Pack came to the following conclusion:

It appears that the assertion that "unemployment (in the Northeast) has become fixed at a higher rate than the

FIGURE 3.1. U.S. Regional Inequality Trends for the U.S.,
the South and North.



Source: Zimon (1979) "U.S. Regional Inequalities: 1950-1978" (Ph.D. Diss., The Ohio State Univ.) p. 144, Figure 8.

national average," is not entirely unfounded. It is far from proven, however, since unemployment figures prior to 1970 were not consistently higher than the national average and higher than average unemployment rates have also characterized most of the Southeastern and Far Western states since 1970. (Pack, 1978, p. 14).

Richard Rosen (1980) has examined the spatial impact of economic recession during the 1974-75. He classified 51 states into two groups: high unemployment prone states, low unemployment prone states. His findings reveal that 17 states are highly unemployment-prone: 6 of them belongs to Northeast, 3 of them belongs to East North Central, and 7 states are in the South. Thus, "states where unemployment rose most sharply were concentrated in Northeastern and North Central industrial areas and in the South" (p. 22) The common characteristics among these states is that "fifteen of the 17 states --- had an above-average proportion of jobs in manufacturing ." (p. 22)

This broad explanation of regional unemployment can not do justice to the real problems of the U.S. The United States is actually composed of many distinct economic regions with their own industrial concentrations (Rosen, 1984, p. 38). Even each census region comprises several heterogeneous states of which many are not evenly homogeneous in their socio-economic characteristics. Rosen (1984) explained this diversity:

During 1979, the national average unemployment rate was 5.8 percent, but county unemployment rates ranged from a high of 40 percent in Menominee County, Wisconsin to less 1 percent in Sioux County, Nebraska. Even during a period of relatively low unemployment, 89 counties had rates of 12 percent or more, and 107 had rates between 10 and 11.9 percent. (Rosen, 1984, p. 37).

But, as Rosen (1984) has put it, there are certain clusters of counties, which "are apt to have certain structural problems retarding economic progress" (p. 39-40). And they are:

The industrial Great Lakes States, and counties along the Appalachian mountains generally had above average unemployment, as did the Northwestern Pacific areas and parts of the Southwest. There is also a line of high unemployment in the Texas counties which border Mexico. (Rosen, 1984, p. 40).

Table 3-12. Comparison of Employment Growth with Unemployment Rates, 1950-1975.

Regions	Growth of MFTG. Employment			Unemployment Rates			
	1950-60	1960-70	1970-75	1950	1960	1970	1975
United States	0.88	1.43	-0.99	4.80	5.50	4.90	8.50
New England	-0.06	0.01	-2.10	6.60	5.70	4.90	9.20
Mid West	0.01	0.02	-3.05	4.70	5.50	4.10	9.00
Great Lakes	0.01	1.08	-1.59	4.00	5.10	5.00	9.30
Plains	1.33	2.01	0.25	2.80	3.80	3.90	5.60
South East	1.99	3.35	0.40	4.00	6.40	4.90	8.90
South West	3.28	4.33	1.64	5.20	5.10	4.80	7.60
Rocky Mountain	3.40	2.39	2.68	4.90	5.00	5.30	6.60
Far West	4.65	1.58	0.41	7.90	5.70	7.50	8.80

Source: Pack, J. (1978), "Frostbelt and Sunbelt: Convergence Over Time." Inter Governmental Perspective, (Washington, D.C.: Advisory Commission on Intergovernmental Relations) (4), pp. 12-13. Table 3,4.

Regional Problems in the United States

"The U.S. has been the object of a persistent and extensive research effort in nearly all fields of socio-economic development." (Zimon, 1979, p. 62). Especially in the field of regional planning or regional science, the U.S. itself has been the ideal model for many regional development theories. (Williamson, 1965; North, 1955; Harvey Perloff et al., 1960; Berry, 1971). The problem was whether the U.S. experience could be applied as a model for other developing or developed countries. In this section, U.S. regional problems will be discussed in terms of regional income equality. But, when income analyses can not do justice to real problems of U.S. regions, employment or unemployment analysis will complement them.

As it has been explained in the second chapter, Williamson (1965) has analyzed the long-term relationship between regional inequality and national development. In addition to the international cross-section analysis of 24 countries, he also examined historical patterns of income inequality in the U.S. The results are:

The inequality index --- exhibits a definite secular pattern over the whole development spectrum; during the early stages of growth, 1840-80, regional inequality increased or regional divergence was the rule; from 1880 to 1920, the degree of inequality stabilized and even revealed a significant decline; the 1920-60 experience has been varied, to be sure, but generally the evidence suggests a secular decline in the North-South problem, the rate of which has accelerated from the mid-1930's to the present.

It should be noted first that the tendency towards regional divergence, prevalent in our early and mid-19th century history, cannot be explained entirely by the Civil War and the bitter period of reconstruction which followed. Regional divergence was the case prior to the Civil War: the tendency towards increasing North-South dualism is evident, although not striking, between 1840

and 1860. The sharpest increase in regional inequality does occur, however, between 1860 and 1880, a period covering both Civil War and Reconstruction. (Williamson, 1965, p. 179).

There appears no doubt that U.S. regional inequalities have diminished over a long time. And the initial "tendency towards increasing North-South dualism" reveals the fact that the South has been problem region in the U.S.

Richard Easterlin (1960) has analyzed patterns of personal income in the U.S. during the years from 1840 to 1950. His analysis also reveals "the narrowing of per capita income differences between 1880 and 1950, though not necessarily continuous or to an equal extent" (p. 96). The declining "coefficient of variation" verified this fact (Table 3-13). But, the southern three regions' income level has ranged from half to three thirds of the national mean. Another data (Table 3-14) for the 1960 reveals the pervasive poverty of the South:

In 1960, 46 percent of all U.S. poor families and 32 percent of all poor unrelated individuals lived in the South. By comparison, the South contained only 30 percent of all families and 27 percent of all unrelated individuals. Similarly, though only 12 percent of all U.S. families lived in the rural sections of the South, 26 percent of all poor families lived there. (Kain and Persky, 1971, p. 244).

Using Esterlin's data, Richardson (1979) explained the problems of the South:

Ups and downs [of regional incomes] can be summed up -- as interregional income convergence; the coefficient of variation became progressively smaller over the 1880-1950 period. Thus, the growth and maturing of the American economy was associated with spatial dispersion of economic opportunities, which resulted in a dramatic narrowing of interregional per capita income differentials. (Richardson, 1979, p. 263).

In his conclusion, Richardson stressed that the most important explanation of convergence was the spatial dispersion of economic opportunities. This implies the urbanization. According to Richardson, "the historically low incomes of the South could be at least partly explained in terms of the South's retarded urbanization." (p. 269). In other words, the South's problems were rural in character. Without further analysis, it appears that all types of rural problems could be found in the South: massive outmigration, high level of poverty, low level of education (Kain and Persky, 1971, pp. 243-275).

Economic growth in the United States has largely centered on metropolitan areas. "The development pattern of non-metropolitan America is more strongly characterized by poverty and economic distress than that of the metropolitan areas" (Lowdon Wingo, 1973, p. 11). The problem regions of the United States in the 1950s and 1960s have been termed as the 'intermetropolitan periphery' (Friedmann and Miller, 1965). Thus, regions which once supported large agricultural populations have been in decline due to massive outmigration. The coal-mining areas which once supplied major energy sources for economic growth in the U.S. have dwindled due to decreased demand for coals. Some of the Northeast industrial areas began to deteriorate due to massive migration of industries to the South. These problem areas contained approximately "one-fifth of the American population" (Friedmann and Miller, 1965, p. 313).

Regional problems vary from time to time. Especially, in the U.S., the geographical size of the nation tends to evade certain rules (standards) which are set by researchers and make it difficult to classify. As

Table 3-13. Relative Personal Income Per Capita, 1880-1949/51

	1880	1900	1919/21	1949/51
United States	100	100	100	100
New England	129	120	111	98
Mid-Atlantic	129	125	123	119
South Atlantic	45	47	61	70
East South Central	50	48	52	58
West South Central	60	58	68	72
East North Central	99	101	104	111
West North Central	92	98	84	94
Mountain	191	142	105	99
Pacific	164	149	126	113
Coefficient of variation	57.9	42.5	30.4	23.4

* Regional = unweighted average of constituent states.

Source: Richardson, H., (1979) Regional Economics (Urbana: University of Illinois Press) p. 265.

Table 3.14. Families with Incomes below \$3,000 and Unrelated Individuals with Incomes below \$1,500 as a Percentage of All Poor Families and Unrelated Individuals by Race and Residence, 1960.

	South		Rest of U.S.		Entire U.S.		Total
	White	Nonwhite (%)	White	Nonwhite (%)	White	Nonwhite (%)	
Families							
Urban	12.7	7.9	28.2	5.3	40.9	13.2	54.1
Rural farm	6.3	2.3	7.6	0.1	13.8	2.4	16.2
Rural nonfarm	12.2	4.9	11.9	0.5	24.1	5.4	29.5
Total	31.2	15.1	47.7	6.0	78.9	21	100
Unrelated individuals	23.0	8.8	61.5	6.6	84.6	15.4	100.0

Source: Kain and Persky, (1971) "The North's stake in Southern Rural Poverty" in Essays in Regional Economics eds., Kain, J. and J. Meyer (Cambridge: Harvard University Press) p. 275, Table 15.

it has been explained, Weinstein and Firestone (1978) classify the Sunbelt as "upward transitional areas" and some of northern manufacturing belt as "downward transitional areas" according to the taxonomy of Friedmann (p. 61). And "several decades ago, the Tennessee Valley, the Ozarks and the Appalachian regions were considered special problem areas. --- But these are now appear to be in an upward transitional phase as a result of their growing integration into the national economy." (pp. 60-1).

The Regional Outlook Report of the Joint Center for Urban Studies (of MIT and Harvard) classifies nine census regions into four groups: "the fast growth East South Central, West South Central, and Mountain regions; the no-growth Mid-Atlantic and East North Central regions; the decelerating Pacific and South Atlantic regions; and the resurgent New England and West North Central regions." (Jackson et al., 1981, pp. 41-6). Traditional classification of problem regions may put Mid-Atlantic and East North Central regions into the "depressed regions," because their unemployment rates are higher than average and their population is growing below than the national growth rate. But these regions resist such classification: they still hold higher than average national income. The aggregate statistics cannot be applied. The U.S. problem regions were not identified in this way.

In the 1960s when the U.S. had an explicit regional policy, Chinitz (1968) identified 7 types of distressed areas. There were around 900 eligible areas at that time (An area was defined as a county, a labor market, or a municipality with a population in excess of 250,000) (p. 56). This variety of distressed areas comprised all types of problem regions: transitional large-scale unemployment areas in California, the Pittsburg-

type old industrial areas, the poor distressed rural areas, the remote mountain rural and mining areas, the large city ghetto, and the Indian reservation. (pp. 53-61).

A recent report of the Advisory Commission on Intergovernmental Relations (1985) identified contemporary distressed areas. This Commission used five specific measures to gauge economic distress: population growth decline and composition, income and poverty, employment and unemployment, public physical infrastructure, and the private sector economic activity. (pp. 3-9). This Commission's findings reveal the very characteristics of the U.S. problem regions:

All five indicators display distress in many of the nation's communities that is both cyclical and structural in nature. Distress can arise anywhere - in central cities, older suburbs and rural towns. Every region of the country experience some degree of distress, and poor minority persons are affected more severely than others. (ACIR 1985, p. 9).

The U.S. problem regions encompass all types of regional problems. The national or sub-national aggregate statistics cannot represent the realities of problem regions. More sophisticated standards have been employed at the local level in the U.S.

COMPARISON OF REGIONAL PROBLEMS IN THE U.S. AND IN THE U.K.

Population Movement

The urbanization in Britain was dispersed around the country. Major industrial regions had specialized in a few production processes. Since the Depression, the secular pattern of population movement has been southward. But, in the 1960s, this dominant trend has been weakened largely due to the decentralization of residential activities within metropolitan areas. Thus, "across the whole country the dominant North-South migration streams of the 1950s and 1960s were replaced by more complex interactions, with greater emphasis on local and intra-regional migration flows than on inter-regional flows" (Townroe, 1979, p. 13). In the 1970s, this movement toward peripheral areas has been slowed. There has been some move back to the previous patterns. While no region actually declined in population size during the 1950s and 1960s, four out of eleven regions in the north and west lost their population in the 1970s. The South is still growing at the expense of others.

In the U.S., economic growth has largely centered on metropolitan areas in the Northeast. This concentration of economic growth was accompanied by massive rural outmigration from the South. As this migration flow began to dry up, migration took place far into the metropolitan periphery. This has resulted in a turnaround in population movement between metropolitan and non-metropolitan areas. As Morrison (1977) has pointed out, there has been three stage of movement in this process. The first one was the spillover of metropolitan economic activity towards surrounding areas. The second one was the massive filtering down of

industry into non-metropolitan areas. The third one was the population movement in pursuit of quality of life or amenity. In terms of inter-regional shift, the secular pattern has been westward. But, in the course of nonmetropolitan turnaround, the South began to grow more rapidly in the 1970s.

As there has been a turnaround in population movement between the metropolitan areas and non-metropolitan areas in the U.S., "some of the non-metropolitan areas changed their migration balance from loss to gain" in the 1960s in the U.K. (Champion, 1983, p. 190). And "the 1981 census recorded that only in the remoter rural areas had the rate of population growth been higher in the 1970s than in the 1960s" (Britain, 1986, p. 21). There exists a similarity in this trend between the U.K. and the U.S. While in the U.S., the South, which was once a problem region began to grow more rapidly, the north in the U.K. is still a problem region.

Interregional Disparities

Overall interregional disparities in the U.S. have been greater than those in the UK. Williamson's (1965) international cross-section analysis shows that V^w (the weighted coefficient of variation) in the UK ranged from 0.064 in 1954 to 0.116 in 1937, while that of U.S. ranged from 0.169 in 1961 to 0.338 in 1930. As one of the reasons for this, Williamson (1965) explained that "geographic size may ... influence the degree of regional inequality: given the level of national development, the larger the geographic size of the national unit, the greater will be the degree of regional inequality" (p. 170). While the lowest/highest ratio of regional income in the U.S. was 0.393 in 1930 and increased to 0.694 in 1980, that of U.K. was 0.778 in 1950 and increased to 0.819 in 1977 (Table

3.4, 3.11). This fact can attest to that assumption. Compared with other Western countries, the UK has relatively little regional disparity. Among four countries (West Germany, United Kingdom, Italy and France), the UK had the smallest coefficient of variation (Table 3.15). Thus, regional inequality in terms of income disparity was not so great in the UK. Cameron (1974) explained this point:

In sum, the differences in welfare across the British regions are small; rural depopulation has already occurred to a very great extent; the domination of the primate city has declined at least if measured in terms of population and despite inter-regional migration processes which constantly shape the balance of population in favor of the South East, East Anglia and the West and East Midlands; and the overall regional changes in population distribution, both 'historically and forecast, are on a modest scale.

In the U.S., there existed a great interregional disparity among regions. Personal income per capita in the East South Central region was lower than one third of that in the Middle Atlantic in 1930. But this disparity has been decreased considerably for the five decades. That region still has a lower income than 80 percent of the U.S. average in 1980.

Regional disparity in terms of unemployment rate in the U.K. has been decreased due to several factors. Interregional migration worked for convergence in disparity. Regional policy may also have reduced this disparity. And overall decentralization trend has been one of those factors. Recent recession in the U.K. has worked against this trend. Absolute comparison of unemployment rates among regions attests to this fact. But the proportional growth in unemployment shows no marked difference among regions.

Table 3.15: Regional Inequality in Four Countries

Country	Coefficient of Variation		
	1950	1960	1970
West Germany	28.5	22.5	17.6
United Kingdom	18.2	13.9	11.4
Italy	35.6	35.6	26.0
France	22.6	19.8	19.0

Source: Vanhove and Klassen (1980), Regional Policy: A European Approach (Montclair, N.J.: Allanheld, Osmem & Publishers) p. 85.

In explaining the causes of regional convergence in the U.K., regional policy has received credit for its effect on convergence. But this cannot be the case with the U.S. Regional disparity in terms of income inequality decreased markedly in the U.S. Convergence in income trends has been the combined results of relative decline of the North (including Pacific) and the steady increase in the South (including Mountain). Several factors also played in this trend as they did in the U.K. "Migration into the fast-growing, prosperous regions had a significant dampening force on per capita income growth" (Richardson, 1979, p. 267). But regional changes in the labor-force participation rate account for most of these changes (Jackson et al., 1981). As an example for this, "all of 17 states [in the North] -- except Wisconsin -- have experienced substantial decrease in their manufacturing employment" (Pack, 1978, p. 12). This convergence was not considered to be the result of any government policy (Weinstein and Firestone, 1978). Migration of people and job has resulted in overall efficiency of resources allocations. But implicit regional policy has been criticized in that it favored one region at the expense of other regions.

A high level of unemployment has been the major index in identifying regional disparities in the UK. And regions which had a high level of unemployment rate were also low income regions in the U.K. (Although it may be relatively smaller than the U.S). But this cannot be the case with the U.S. High income regions did not always have smaller than average level of unemployment rate.

Regional Problems

British prosperity was built on exports of textiles, iron and steel, ships and coal. It is to the collapse of these industries that the regional problem owed its origin. Thus, the U.K. provided the best example of depressed industrial regions in the developed countries. This has been regarded as the predominant type of problem region in Britain. This was largely due to its peculiarity in urban development. Scotland, Northern Ireland, Wales, Northern and North Western England had revealed structural weakness in their sectoral composition of their economies. This was the main cause of regional problem. In the 1970s, the West Midland also began to decline.

The South (South Atlantic, East South Central and West South Central) has been problem regions in the U.S. Literatures observed that there existed the pervasive poverty in the South. This fact comes from its retarded urbanization. The South's problem was its rural nature. The number of outmigrants tells the story: "the South has never failed to run a net migration deficit of less than 1 million. This deficit reached a high of 2 and quarter million for the decade of 1940-1950" (Kain and Persky, 1971, pp. 249-50). But the South became a "upward transitional area", while the North became a "downward transitional area." Another type of problem regions showed up. Some of the Northeast industrial areas began to undergo large scale migration of their main industries. All these problem regions were termed as "intermetropolitan periphery." And these areas contained approximately one-fifth of the American population (Friedmann and Mieler, 1965). But the geographical size of each region resist broad-banding of its problems. There are certain

clusters of counties which are apt to have certain structural problems in the industrial Great Lake States, in the Appalachian mountains, in the Northwestern Pacific areas, and in the parts of Sothwest.

Declining central cities have been one of the spatial problems in both countries. "Fifteen of the twenty one central cities with a population exceeding one-half million in 1960 lost population in the decade" (Berry, 1973, p. 36). Large cities in the U.K. showed similiar decline: London lost 6.8 percent of its population in the 1960s, Liverpool 18.2 percent, Manchester 17.9 percent, Newcastle Upon Tyne 17.6 percent, and Birmingham 8.6 percent (Champion, 1983, p. 189).

CHAPTER THREE BACKNOTES

1. Those eight cities were: "Liverpool, Manchester, Birmingham, Leeds, Sheffield, Bristol, Bradford and West Ham." Four cities were: Glasgow (761,000), Edinburgh, Dundee and Aberdeen, (Cherry, 1974, pp. 8-9).
2. There are seven conurbations: Central Clydeside, Greater London, Merseyside, South-East Lancashire, Tyneside, West Midlands and West Yorkshire. Except West Midlands and West Yorkshire, the other five conurbations lost population in 1960s. (Cameron, 1980, p. 15).
3. "For example the growth rate in GNP per employed worker slumped between the periods 1963-73 and 1973-79 from 1.9 percent per annum to 0.1 percent in the United States, 3.0 percent to 0.3 percent in the United Kingdom and from 8.7 percent to 3.4 percent in Japan" (Richardson, 1984, p. 259).
4. "Cairncross [1981] identifies five notions [of deindustrialization] to be considered:"
 - 1a. Absolute decline in manufacturing employment.
 - 1b. Absolute decline in manufacturing employment on account of a shift to capital-intensive production through investment.
 2. Decline in the share of total employment taken by manufacturing industry.
 3. 'A progressive failure to achieve a sufficient surplus of exports over imports of manufactures to keep the economy in external balance.'
 4. 'A contraction of industrial employment is a matter for concern if it jeopardises our eventual power to pay for the imports we need.' (quoted from, Chisholm, 1985, p. 304).
5. Studies on this phenomena shows that "most urban to rural migrants during this period chose rural non farm destinations" (Johnson and Beegle, 1982, p. 81).
6. Friedmann classified regions according to "the basis of common prospects and problems of development." And they are: core region, upward-transitional area, resource frontier region, downward - transitional area, and special problem area. (Friedmann, 1965, pp. 41-4).
7. The Williamson - modified coefficient of variation "measures the dispersion of the regional income per capita levels relative to the

national average which each regional deviation is weighted by its share in the national population" (Williamson, 1965, p. 11).

The formula is:

$$V_w = \frac{\sqrt{\sum_i (y_i - \bar{y})^2 \frac{f_i}{n}}}{\bar{y}}$$

Where f_i = population of the i th region,

n = national population,

y_i = "income per capita" of the i th region,

\bar{y} = national income per capita.

CHAPTER IV

INTERPRETATION OF REGIONAL PROBLEMS

"An [a public] issue originates with the idea in someone's mind that some real-world situation is unsatisfactory. But the vast majority of such ideas fail to become recognized as issues" (William Solesbury, 1976, p. 13). All public problems have not been the subject of public policy. When a public problem has been identified the next question is whether to take any action at all. And this action usually has been legitimized on economic, social or political grounds.

Although the steady deterioration of industrial areas or the deepening poverty of rural areas was perceived, the problems did not convey similar meanings to all. Some may consider the distress to be nothing extraordinary; others regard the problems as something that may undermine capitalism itself. A third groups see that problems exist, but they do not consider it to be 'spatial' problems. These controversies over regional development are related to regional development theories. Part of these controversies have been explained in the second chapter. This chapter will explore several different meanings which each government has assigned to its regional problems. Emphasis will be placed upon how the problems were perceived in each country.

PART I The United States

1

Anti-Regionalism in the 1950s

As has been explained in chapter III, problem regions which contained one-fifth of American population were found in the "inter-metropolitan periphery." But, "post-war U.S. Administrations and political parties showed no interest in spatial intervention until the 'sixties and even then many would currently agree with Samuelson (1969) that such efforts can only result in a sentimental distortion of the national production function" (Cameron and Wingo, 1973, p. xiv).

There can be several reasons why the United States had no interest in formulating regional policies for depressed regions until 1960s. According to Friedmann and Weaver (1979), "corporate capital was disinclined to exploit their [backward areas] potential. They were typed as low-productivity regions that failed to return the profits on investment which were possible elsewhere" (p. 143). Economists also argued that investment in those areas would result in waste of national resources. Friedmann and Weaver (1979) explained this:

economic backwardness came to be seen as a characteristic inherent in certain areas, a consequence of 'natural' conditions that were ill-suited to nurture modern economic growth. It was essentially this interpretation which led regional planners, such as William Alonso and Koichi Mera, to argue that any deviations in the pattern of economic location from the dominant polarization pattern to one of greater emphasis on regions of distress would mean significant losses for the efficiency of the economic system as a whole. (Friedmann and Weaver, 1979, p. 143).

In other words, advocacy of efficiency in the economic system was associated with deep-rooted anti-interventionism (planning) in the "busi-

ness civilization of America" (Walter Goldstein, 1978, p. 2). Entrepreneurial freedom has been the folklore in the history of the U.S. Andrew Hacker (1978) traced the origin of "business society":

As it happens, we have become rather diffident about these origins. Hence the stress on the purely political side of our beginnings, as expressed in the Declaration of Independence, the Constitution, and the Bill of Rights. Yet that period produced another, less heralded, manifesto setting forth assumptions on which this nation was founded. Its author was Alexander Hamilton, our original Secretary of the Treasury. His "Report on the Subject of Manufactures," submitted toward the end of 1791, declared independence for productive property, sketched out an economic constitution, and affirmed the basic rights of entrepreneurship. (Hacker, 1978, p. 11).

Goldsmith and Jacobs (1982) have explained the reasons why the federal government has no ability to formulate a national urban policy (or growth policy) (pp. 58-9). According to their argument, "a successful policy requires the belief that advanced industrial societies require intervention and management by public sector" (p. 59). But, as intervention and management are "a centralizing, centralist concept," "national urban policy challenges something basic to the American psyche and political tradition — a pluralism of programs, institutions, and levels of initiation, all of which reinforce the notion of an 'invisible hand' influencing the market, as opposed to a coordinated policy" (p. 59).

As it has been explained, the geographical size of the nation tends to evade certain rules which are set by researchers. Spatial development patterns are too diversified to be classified. This assertion can also be applied to the implementation of policies. Newman (1980) explained this:

general rules and regulations, designed for "average" situations, are inappropriate for communities and areas that diverge markedly from the average. And in a country as large and diverse as ours, with as many

programs as we now have, general rules for average situations will lead to multitudes of examples to fill the scrap books of collectors of public administrative horror tales. (Newman, 1980, p. 14).

These reasons cannot tell the full story of anti-regionalism before the 1960s in the U.S. Before the 1960s, some literatures, reports and official bulletins began to publicize the need to help distressed areas in terms of regional policy. But their suggestions did not receive encouragement. In order to clarify the reasons for anti-regionalism, the next section will discuss two reports which advocated regional development in the 1950s.

Human Resources Report

In his study, "Rural Depopulation and the Political Process of Federal Rural Development, 1950-1972," Crane (1975) suggested that "Human Resources Report, published by the USDA in 1955, served as the foundation for rural development activities and programs of aid to distressed areas." (p. 96). This report analyzed the rural poverty county-by-county and identified major poverty areas: "rural South, running from eastern Texas and Oklahoma through the Deep South and the Appalachian region into the fringes of several border states." (p. 97). And this report recommended several programs for rural (regional) development.

But these findings raise another question: why had not the USDA much interest in rural development before 1955. According to Crane (pp. 71-88), the USDA was more concerned about farm commodity programs rather than rural development policies. And "the agricultural leaders in Congress were not prepared to accept either national leadership in rural planning or the use of USDA as an instrument for implementing a general

rural policy" (p. 94). "The major interest group supporters of USDA were the general farm and commodity organizations" and they tended to be concerned that "too much rural development would undermine the agricultural focus of the Department" (p. 74). The USDA was not involved in active rural development planning because its objectives were more oriented toward people rather than places. Rather than generalized interests of the rural population, the USDA had to serve farm people.

Policy Statement on Depressed Areas

Another report which has supported federal intervention in depressed areas in the 1950s was the "Policy Statement" by the National Planning Association (NPA) in 1957. As Miernyk (1982) has pointed it out, the persistent unemployment problems in old industrial areas were considered to be the responsibility of local government. But "the first public organization to take the position that depressed industrial areas constituted a national problem -- and thus required national action -- was the NPA" (Miernyk, 1982, p. 43).

The NPA identified thirty-six labor market areas "in which unemployment accounted for at least seven percent of the local force in March 1955 ... Collectively these areas accounted for 10 percent of the nation's civilian labor force. They contained over 600,000 unemployed workers, or more than 19 percent of the idle workers in the nation" (Miernyk, 1957, p. 9). This report also examined a number of reasons for chronic economic depression: the rapid dieselization in transportation, the migration of textile industry from New England to the South, the declining consumption in coal, rising imports of textile products, and the depletion of high-grade and easily accessible seams of coal (Miernyk, 1957, pp. 5-8).

Considering persistent unemployment and its impact on overall economic growth, the NPA expressed its views as a "Policy Statement on Depressed Areas" (NPA, 1957, pp. v-xi). Since it is recognized as the first to advocate federal intervention in depressed areas, those policy statement will be summarized as follows:

1. Chronic local unemployment is a national problem.
2. The Federal government should assume the responsibility for a vigorous program to remove chronic local unemployment, in collaboration with local and private programs directed toward the same end.
3. A positive federal program for ending chronic local unemployment should undertake new and expanded activities providing for technical assistance, certain kinds of financing, and specific types of tax exemptions which would stimulate the expansion of business enterprises, or encourage new business, suitable for the respective areas.
4. Migration and relief may often be necessary palliatives to chronic local unemployment, but cannot be accepted as solutions to the problem.
5. Areas of chronic unemployment are more than a challenge to charity or to expediency. They offer exceptional opportunities for economic and administrative progress in our society (NPA, 1957, pp. v-ix).

As one of the reasons for federal intervention, the NPA suggested the "equality of opportunity as a social goal" (p. v). "If opportunity is severely limited in many communities through no fault of the communities themselves," the NPA argued, "it will threaten internal development." In regard to this statement, "conservative business organization, such as the U.S. Chamber of Commerce, ... insisted that local problems were a matter for local political jurisdiction to handle" (Miernyk, 1982, p. 43). The NPA statement also reveals several dissenting opinions for federal inter-

vention. One of them considered federal intervention to be ineffective. Another suggest that the statement placed too much weight on federal responsibility and initiative:

In dealing with problem, however, emphasis needs to be kept on the primary responsibility of those closest to the scene of action, and those most personally and intimately concerned with the welfare of the area. There is a role for the Federal government to play, but it is one of encouraging, strengthening, and counseling local efforts, rather than one which will supplant or undermine local responsibility. To my mind, the statement as written inclines much more to the latter direction than to the former.- James C. Worthy (NPA, 1957, p. xi).

Regional Problems in Government

In the 1960s, there was a growing interest in these distressed areas which had more unemployed workers and pockets of poverty than at the national level. The public realization of these problems may have been an evolutionary process. And, at least, this realization evolved into public consensus that regional problems were worthy of national concern. The question which was disputed was whether the federal government ought to take measures in favor of those areas. But one of the turning point in this process has been the urban riots of 1965-1968. From this point, rural problems began to be discussed in relation to their impacts on metropolitan problems. According to Hansen (1981), "it was even argued that it was in the self-interest of the North's larger cities to improve conditions in the rural South because 'the migration streams originating in the rural South form the crucial link in a system of poverty' and that 'the magnitude of both Negro and white migration is a measure of the self-interest northern cities have in the rural South' (Kain and Persky, 1973, p. 24)" (p. 44).

Several reports such as "The People Left Behind" (U.S., President, National Advisory Commission on Rural Poverty, 1967), "Urban and Rural America: Policies for Future Growth" (U.S., President, Advisory Commission on International Relations, 1968), and "Communities of Tomorrow" (USDA, 1967) are representatives of the rural (regional) development advocates in the 1960s. These reports all advocated rural (regional) development or urban-rural balance as a way of solving urban problems. But the first one was recognized as "the most authoritative and most publicized study," which advocated rural development (Hansen, 1970, p. 227). This report will be examined more thoroughly.

The People Left Behind

The Commission was organized with 3 responsibilities: to make a comprehensive study and appraisal of the current economic situations in American rural life; to evaluate the means by which existing programs and policies for rural development may be coordinated; to develop recommendations for action by local, State or Federal government (NACRP, 1967, p. vi). The report identified 14 million rural poor persons, who could be found everywhere in the U.S.:

Poor people live everywhere, including cities, but some areas and regions have such heavy concentrations of rural poverty that they stand out. Much of the South ... has a heavy concentration of rural poverty. Outside of the South, Indian reservations, noticeably in the South West and the upper Great Plains, contain direct concentrations of the rural poor, also with New England and the upper Great Lakes (NACRP, 1967, p. 3).

The Commission also stressed a number of reasons why rural poverty should be eliminated. The first one was to secure 'justice' in the share of social and economic progress:

Every citizen of the United States must have equal access to opportunities for economic and social advancement without discrimination because of race, religion, national origin, or place of residence (p. xiii).

The next causes for rural development was expressed in terms of interrelationship between the rural and the urban:

Because rural Americans have been denied a fair share of America's opportunities and benefits they have migrated by the millions to the cities in search of jobs and places to live ... It is therefore impossible to obliterate urban poverty without removing its rural causes. Accordingly, both reason and justice compel the allotment of a more equitable share of our national resources to improving the conditions of rural life (p. xiii).

Finally, the Commission recommends that the federal government should take more vigorous action in order to attain self-sustaining growth in rural areas by way of: universal minimum wage, man power program, and area (regional) development.

One thing which is noticeable is that the Commission stressed the fair share of the rural in the prosperity of America economy. The justification for rural development was that all people should have an equal share in the benefits of economic development regardless of where they live. Equity or social justice had been the main rationale for helping the rural poor and for enhanced regional development.

Three Schools of Thought on Federal Intervention

Several reasons for anti-regionalism in the U.S. have been explained in the foregoing section. This section will discuss the opposition's theories which advocated federal adoption of regional development policies for lagging regions. Even the neoclassical theories do not preclude the possibility of government intervention in a market economy. Thus, these

theories will also be included in the discussion.

During the 1960s, the notion that the federal government could (should) take measures for lagging regions had been the subject of considerable controversy. To this question, there have been three schools of thought: "the non-interventionist, the adaptors, and the radical transformers" (Cameron, 1977, p. 375). Cameron distinguished three groups according to the degree and type of federal intervention in lagging areas, which were suggested by each school. Crane (1975) also suggested that "there were three major solutions to [rural to urban] migration problems offered by the scholars which was also considered by the politicians" (Crane, 1975, pp. 47-70). His suggested three types of solutions were classified according to the degree of control on urban to rural migration. And they are; "naturalists, modifiers, and developers" (Crane, 1975, p. 47). Although there may be a little difference in their approaches, those two taxonomies show similarity in that they focused on the suggested role of migration in the market economy.

The Noninterventionist/The Naturalists

Proponents of non-intervention assert that migration movement from lagging to growing regions act as an effective mechanism in the labor market disequilibrium. Labor surplus in lagging regions will be reduced by outmigration. Their theories assume that over the long-term, the competitive forces of the market create an optimal spatial distribution of economic activities. Thus, the historical trend from rural to urban cannot be reversed. If the government interferes with free factor movement, it will induce sufficient loss of efficiency in the overall economy. As it has been explained, this school of thought has been the major

opponents of federal intervention in lagging areas.

The Interventionist (Adaptors/Modifiers and Radical Transformers/Developers)

These two streams of interventionists share the common grounds in favor of federal intervention. They assume that the free market does not guarantee optimal spatial distribution of activities. Several reasons for market failure can be suggested.

1. "The crux of the problem is that most people are reluctant to move, even in the face of prolonged and severe unemployment hardship." (Morrison, 1975, p. 227). The outmigration is not sufficiently elastic to the decline in employment opportunities (Lansing and Muller, 1969, quoted from Cameron, 1979, p. 379).
2. Since outmigration is highly selective, "the labor force left behind tends to be overaged, undereducated and underskilled" (Morrison, 1975, p. 233).
3. Agglomeration diseconomies in growing regions tend to expand far beyond the extent which is optimal in resource allocation. The immigration do not consider the social cost that they incur to communities. The divergence between the private and social cost results in distortion of resource allocation.
4. Factor price (costs) are usually higher in growing regions than in lagging regions. If these high costs are transmitted to lagging regions, it will induce further inflation in overall economy (Cameron, 1979, p. 376).
5. Social and economic overhead capitals are underutilized in lagging regions. If these usable resources are developed, it will move the

economy closer to the full employment.

All the above reasons for federal intervention indicate cases in which market forces do not work. But the major difference between the developers (the radical transformers) and the adaptors (the modifiers) lies in their different views on rural-to-urban migration. While the developers argue that outmigration from rural areas should be checked and reversed, "the modifiers see it foolhardy to take radical migration control" (Cameron, 1979, p. 384). "They recognize the historical depth and power of migration into urban areas" (Crane, 1975, p. 50). They assume that the economic, sociological and psychological power of population movement cannot be reversed. Thus, the modifiers see it the best way to redirect population movement into other than lagging areas. Those can be growth centers or intermediate size cities.

The Modifiers/The Adaptors

Various ranges of development strategies have been advocated by these groups. Two great streams can be identified. The first one emphasizes human resource development in lagging regions. Their targets in development are not the places but the people in there. Hoover (1975) explained the cases in which this strategy can work:

There is a poor matching between the kinds of labor that are in demand and those that are available, and there is insufficient mobility and interchangeability within the labor force. This makes it inevitable that we run into shortages, rising costs, and consequently inflation while millions of the less employable are still out of work. Obviously, any policies that will reduce these wide disparities and make manpower more mobile and interchangeable will have the good effect of shifting the inflationary brink closer to the ideal of full employment (Hoover, 1975, p. 273).

The next one advocates the growth center strategy. If the outmigration from lagging regions are induced to those areas which have growth potential, this will enhance overall efficiency in the economy. According to Hansen (1970), this strategy has some advantages:

it is also necessary to consider the argument that outmigration from lagging regions includes the adverse effects and social costs of increased congestion and unemployment in industrial-urban areas. However, the assumption that the social costs of bringing industry to poorer regions would be less than the social costs involved in the migration of workers and the increase in congestion and unemployment in industrial areas might well be reasonable if there were only two basic types of region, lagging and congested. However, migration may be directed toward intermediate regions where growth is rapid but where congestion poses no immediate threat (Hansen, 1970, pp. 237-8).

The Developers/The Radical Transformers

As has been discussed, this group assumes that metropolitan areas are no longer efficient places for production and living. In order to check the population movement to metropolitan areas, they want to "bring the jobs to" lagging areas (Crane, 1975, p. 58). With regard to rural development, they propose rural industrialization. Thus, government intervention in the process of development covers a wide range of activities. Especially, "this group values a balanced spatial development in which every part of urban hierarchy grows at approximately the same rate so that 'excessive' growth in major metropolitan areas is avoided and lagging areas is revived" (Cameron, 1977, p. 378). President Nixon's State of the Union Message proclaimed the need to reverse the rural to urban population movement.

A New Regional Problem:

In the 1960s, especially under the Johnson Administration, federal domestic programs had grown from 45 to over 400 (Wingo, 1973, p. 8); and the federal urban outlay had grown from 3 billion dollars in 1967 to 13 billion dollars in 1970² (Goldsmith and Jacobs, 1982, p. 56). President Nixon's State of the Union Message (1970) urged that "we must create a new rural environment which will not only stem the migration to urban centers, but reverse it." This fact led to the conclusion that "[b]y 1970 a true national political consensus had formed that something had to be done to stop rural-urban migration" (Sundquist and Mields, 1979, p. 309). But these interests in population distribution and settlement pattern policies were short-lived (Wingo, 1973, p. 11; Sundquist and Mields, 1979, p. 313). Biennial national urban growth report which was prepared in 1972, 1974, and 1976 according to the 1970 Housing and Community Development Act "did little to formulate policy, instead reporting on the deterioration of American cities" (Goldsmith and Jacobs, 1982, p. 55). And, "the problem of rural-to-urban migration that had been of such urgent concern was apparently spontaneously correcting itself" (Sundquist and Mields, 1979, p. 314). The later part of 1970s saw the advent of new types of regional problems.

Zero-Sum Game?

National concern with regional issues turned away from the so-called 'balanced growth' (national urban) policy to the Sunbelt-Frostbelt issue in the last years of the 1970s. Growth has not been uniform throughout the country in the United States. The ups and downs of regional economy have been considered to be the normal phenomena of economic progress. But

the recent rise of the Sunbelt appears to be more than the traditional problems of economic development. Philip Rones (1980) had explained this:

Interregional migration has been one of the dominant forces associated with economic progress in the United States. At the heart of the great interregional migrations in this country has always been the search for economic advantage ... the most recent major population shift also has had the search for financial reward as its principal catalyst and sustainer. But the causes and repercussions of the movement towards the sun -- from the "industrial heartland" of the North to the South and West -- go beyond economics. Many have moved for reasons that traditional human capital theory does not explain: for "quality of life" reasons. And the growth and development of the sunbelt States have both created and been nurtured by a shift in regional political power. The net result of these factors -- economic, sociological, and political -- has been a population and employment boom in the South and West, largely at the expense of the North Central and Northeast regions (Rones, 1982, p. 12).

The core issue of the Sunbelt idea is whether the South is growing at the expense of the North. And this issue led to the controversy over federal policies and programs: "The Second War Between the States", (Businessweek, May 17, 1976), "The Pork-barrell War Between the States" (U.S. News and World Report, December 5, 1977). According to House and Steger (1982), "this battle over regional policies of the federal government has been referred to as the new sectionalism, differentiating the new battle from regionalism, the more time-honored and less narrowly parochial of the various forms of federalism" (p. 11).

Rising energy costs and the decline (slow growth) of the American economy in the later 1970s have fueled this debate and have produced a new regional problem: "zero-sum game" in the regional development. Miernyk (1982) has explained this:

During the 1970s -- largely as a result of the rapid, and geographically uneven, rise in energy prices --

there was a fundamental change in what is loosely called the "regional problem" in this country. The problem is no longer one of "disadvantaged" regions, such as Appalachia, which failed to share in the nation's earlier robust economic growth. It has become, quite simply, a zero-sum problem of how the product of a nearly stationary state is distributed among regions (Miernyk, 1982, p. 69).

But the zero-sum situation in regional development was not a matter of concern of late years. In the 1960s, when regional policies were first introduced in the U.S., the Area Redevelopment Act anticipated the advent of this kind of problem. This act specifically precluded zero-sum problem by saying that "under the provisions of this Act, new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than merely transferring jobs from one area of the United States to another." Thus, the Sunbelt issue has made the competition between regions more acute. And this was further aggravated by economic decline.

However, regional policy measures in one region do not always result in a loss in other regions. According to Richardson (1973), 'the generative growth' doctrine solves the zero-sum problem. And this doctrine has been one of the obvious reasons for advocating regional policies. Richardson (1973) explained this:

The growth performance of an individual region can be raised and may have an impact on the national growth rate without necessarily adversely affecting the growth rate of its neighbors. Growth through new technical innovation is a case in point. Agglomeration economies and the spatial proximity of activities in certain cities or regions may induce a rate of innovation above what it might have been in the absence of agglomeration. Similarly, changes in the intra-regional spatial distribution of factors of production facilitated, say, by an efficient intra-regional transport system may also increase productive efficiency and the regional

growth rate. The importance of these spatial impacts on regional growth will be overlooked in the competitive spaceless models. This phenomenon, where the intra-regional spatial efficiency of a region may have a feed-back on the aggregate growth rate, may be called generative growth (Richardson, 1973, p. 87).

Hoover (1975) has also explained several cases in which regional rivalry in the process of development can contribute to the national welfare without resulting in 'zero-sum game':

Regional rivalry, like other forms of competitive promotion and warfare, can be in large part self-defeating, or "zero-sum game" ... [H]owever, some significant net benefits can accrue from regional rivalry. Enlightened efforts to enhance a region's growth potential can take the form of upgrading the region's human and natural resources and public services, protecting and improving amenities, stimulating entrepreneurship and innovation, fostering cooperation among various business, social, and political elements, and discovering the true comparative advantages of the region for further development. All these effects favor better utilization of resources and are clearly in both the national and the regional interest (Hoover, 1975, p. 260).

It appears that controversies over federal programs and policies have been concerned more about the implicit regional policies rather than explicit ones. Explicit regional policies are discriminatory in themselves. But analysis of federal programs in terms of their spatial impacts raises multitudes of questions, especially in federal countries. House and Steger have expressed some of those problems:

it does, appropriately, raise the issue of national goals and national welfare. And it raises another question: Does federal policy and programming that impacts at the subnational level invariably imply national betterment? Does it also include betterment, for regions most affected, for the regional or for the national good? (House and Steger, 1982, p.12).

Summary and Conclusion

Pluralism and anti-interventionism in the American psyche and political tradition, the diversity in spatial development (the huge geographical size), the emphasis on people-oriented policy in the early administration (at least in the USDA), and localism all have combined to deter the United States from formulating regional policies.

But, in the 1960s, several regional policies were introduced, adopted and implemented in the U.S. It may have resulted from the public realization of regional problems. Several analysts suggested various reasons for the adoption of regional policies in the U.S. According to Richardson (1979), it "reflected not only the president's commitment, but also the culmination of a slow build-up of support for regional development policies, the currently high nationwide unemployment, and the general post-World War II trend in favor of redistributive programs" (p. 269). Besides these trends, Hoover (1975) has attributed it to the effects of increased mobility in the U.S. society. Increased mobility resulted in the "dilution of provincialism," and "this more varied exposure is conducive to more objective feelings about programs" (Hoover, 1975, p. 253). According to Miernyk (1982), American government could implement its regional policy because the U.S. was in good economic conditions in the 1960s (p. 72). His conclusions stem from the fact that competition between regions was not so great as to repress the demand of planning for depressed areas. Thus, "the representatives of wealthier regions either supported redevelopment efforts or at least did not oppose them" (p. 106).

Since 1970, the situation has changed much. The rise of the Sunbelt and the slow growth of American economy have made each region compete for

more share of the national wealth and federal dollars. As Miernyk (1982) has put it, [as also suggested by House and Steger (1982)], "this situation ... could lead to a virulent form of sectionalism which is the antithesis of a regionalist approach to national -- indeed global -- problems" (p. 106).

PART II THE UNITED KINGDOM

The Barlow Report (1940)

The United Kingdom is considered to be the first country which adopted regional policy for depressed regions. British regional policy dates back to the 1920s. "The earliest official recognition of regional economic backwardness is found in Britain in the 'Report of the Royal Commission on the Distribution of the Industrial Population (1940)', better known as the Barlow Report" (Friedmann and Weaver, 1979, p. 144). The importance of the Report cannot be overemphasized.

The Commission's main responsibility was "to inquire into the causes which have influenced the present distribution of industrial population -- to consider what social, economic or strategical disadvantages arise from the concentration of industries -- and to report what remedial measures, if any, should be taken in the national interest" (Great Britain, 1940, p. 1, quoted from McCrone, 1969, p. 102). The Commission's report reveals that "the disadvantages in many, if not most, of the great industrial concentrations, alike on the strategical, the social and the economic side, do constitute serious handicaps and even in some respects dangers to the nation's life and development, and we are of opinion that definite action should be taken by the Government towards remedying them" (quoted from Cullingworth, 1985, p. 9).

According to Friedmann and Weaver (1979), "the main recommendation of

the Commission was to create a central planning agency" (p. 154). Cullingworth had emphasized its effect on planning policy:

The Barlow Report is of significance not merely because it is an important historical landmark, but also because, for a period of at least a quarter of century, some of its major recommendations were accepted as a basis for planning policy (Cullingworth, 1985, p. 8).

Manners et al., (1972) stressed that:

it [the Barlow Report] therefore endorsed the objectives of the earlier 1934 special Areas legislation, and accelerated the creation of a Ministry of Town and Country Planning in 1943 which was charged with securing consistency and continuity in the framing and the execution of a national policy with respect to the use and development of land" (Manners et al., 1972, pp. 6-7).

According to McCrone (1969), the Barlow Report laid the basis for "the development of thought on the regional problem" in that "in several respects it was ahead of its time and many of the innovations which have been introduced into British regional policy in the 1960s were given clear expression in this report some twenty years earlier" (p. 104).

While there can be minor differences in their interpretation of the Report, most analysts came to the similar conclusion that the Report laid down the directions of postwar policy. Considering the strategic, social and economic disadvantages of the congestion in London, the Commission recommended two basic lines of policy: the containment of London and the dispersal of industry to depressed areas.

With regard to regional policy, the Report can be a land mark in that:

1. The Commission unanimously agreed that the problems were national in character and required a central authority to deal with them (Cullingworth, 1985, p. 10).

2. [T]he report laid emphasis on the economic case for regional development. It regarded the congestion problems of some cities and the unemployment of the depressed areas as different aspects of the same problem (McCrone, 1969, p. 104).

As it has been explained, the continued population movement to the South East began to be perceived as a problem since 1920s. "About half of all new factories opened in the period 1934-8 in England chose to locate in the still expanding London region" (Hall, 1976, p. 17). The County of London Plan in 1943 reports "four major defects of the London County Council in the 1940s are: traffic congestion, depressed housing, inadequate and maldistributed open spaces, and the inchoate intermingling of houses and industries" (Hall, 1976, p. 17). The population share of South East to the UK ranges from 27.5 percent in 1901 to 30.3 percent in 1951. Thus further increase in population in congested areas could result in social, economic and strategic problems in the UK. But, the economic rationale for the government intervention in population distribution was not given much importance by the UK government until 1960s; "Yet in the 1950s the Board of Trade regarded their regional development activities mainly as a social service for the peripheral areas" (McCrone, 1969, p. 104).

National Planning and Regional Policy

"The history of British economic policy over the past decade or so may be regarded primarily as a series of attempts by successive governments to move from a 'mixed' to a 'managed' economy" (Trevor Smith, 1975, p. 52). The Labour government which took office from 1945 to 1951 extended many war time measures and nationalized railways, coals, gas, electricity and steels. Industry was subject to strict government controls. At that time, it was acknowledged "that planning must serve a number of broad policy objectives, including stable prices, full employment, increasing welfare and living standards, not to mention a strong balance of payments to bolster the pound" (Ralph Harris, 1976, p. 42).

But the Conservative government elected in 1951 abolished rationing and controls on industry. The steel industry was denationalized in 1953. This government which identified planning with controls and restrictions, was generally opposed to it. As a result, "The conservative government policy toward industry was generally low-keyed," (Smith, 1975, p. 111) by relying on laissez-faire economic policy. It was largely the result of improved economic conditions in the 1950s. This policy orientation was also reflected in regional policy. The 1950s is considered to be the age of 'lull' in the history of regional policy.

"The British entered the 1960s in a mood of bewilderment and apprehension" (Michael Shanks, 1977, p. 17). During the 1950s, "annual gross domestic product rose by 7.4% in West Germany, 5.9% in Italy, 4.5% in France, 3.4% in Sweden and 2.4% in the U.K. Of seventeen European Countries, only Ireland had a lower growing rate than Britain" (Shanks, 1977, p. 29). This fact forced successive governments in the 1960s to adopt the

stimulation of economic growth as the main objectives of policy. (Smith, 1975, p. 53).

Thus confronted with the evident failure of laissez-faire policy, the British government began to adopt the indicative plan of France, where a sophisticated form of economic plan had been developed in totally different form of the control-type plan of postwar Britain (Shanks, 1977, pp. 18-19). France's sophisticated system of economic plan showed national growth targets and objectives, which helped allocate resources in an optional way. Private and public investment plan were steered into the right opportunities. "And it was all apparently done by logic and persuasion without controls or directives" (Shanks, 1977, p. 19).

In 1961, in an effort to adopt the indicative plan, the Conservative government established National Economic Development Council (NEDC) and its office (NEDO) (Smith, 1975, p. 111). It was designed to plan for the economic growth in the national level. In two years in office, the NEDC published two types of national economic plan: Growth of the United Kingdom Economy to 1966, Conditions Favorable to Faster Growth. In the later plan, "the NEDC did try to spell out the measures that would have to be taken to turn the UK from a stagnant to a growth economy" (Shanks, 1977, p. 29). As one of the these measures, 'the necessity to an active regional policy' was adopted in that plan. The reason for an active regional policy stems from this finding that "drawing into employment the unemployed and the economically inactive in the disadvantaged regions could contribute helpfully to growth" (Shanks, 1977, p. 112). Thus, the NEDC was convinced that "fuller utilization of labor in the problem regions

could make an important contribution to national growth" (McCrone, 1969, p. 224).

According to McCallum (1979), "[i]t constituted an explicit argument that regional policy could serve both national economic growth and regional redistribution objectives" (p. 16). Cullingworth (1985) also stressed the importance of this argument:

This argument, it should be noted, was put forward not by physical planners but by economists. It differed markedly from the traditional type of economic argument; and it rejected the idea that the long-term solution to regional economic decline lay in migration to the prosperous areas. Apart from the social cost of large-scale migration that this would involve, there were two other significant objections. First it would add to the problems of congestion in the South-East and the Midlands -- problems which were already straining to the utmost the British machinery of town and country planning. Secondly, it was thought to be quite impracticable for these prosperous areas to absorb the required number of migrants. Furthermore, if the less prosperous regions were allowed to run down, their future problems could become even more difficult to solve. (The opposite argument was seldom heard.) It followed that the objective should be the formulation of a regional development policy which aimed at achieving self-sustaining regional growth (Cullingworth, 1985, p. 302).

It seems clear that reducing regional disparities was one of the main policy objectives of British industrial policy in the 1960s. Smith (1975) insinuates this fact by comparing British industrial policy with that of France:

Thus British industrial policy revealed many similarities with that of France, with one significant difference: if the aims were often identical, the time periods in which they operated were very different. In France, promoting economic growth, exports and regional balance were the main considerations behind the Second, Third and Fourth Plans which covered the years from 1950 to 1965. The Fifth and Sixth Plans were concerned more with effecting changes in the structure of industry and with warding-off foreign competition

and ownership. British policy, on the other hand, endeavoured to encompass all these aims, more or less simultaneously, within the confines of a single decade (Smith, 1975, p. 113).

The Hunt Report (1969)

Since the Barlow Report, regional policy was pursued within the context of the Distribution of Industry Act which was enacted in 1945 and revised in 1950 and in 1958. In 1960, the British government replaced it with the Local Employment Act of 1960. According to Manners et al., (1972), these programs "were more a response to the geographical consequences of the country's industrial and urban history than it was farsighted regional land use and environmental priorities and goals" (p. 425). The identification of problem regions had been based on the level of employment. It would be an important indicator of economic distress, but it could not encompass all the problems of depressed regions. And the division of Britain into only two types of regions -- the prosperous and the depressed regions -- was too over-simplified to encompass all the diversified geography of economic life. During the 1960s, regional policy was vigorously implemented by the government with a massive increase in financial aid to depressed areas. This led the 'gray areas' --- "a number of regions which did not qualify as Development Areas but which nonetheless could not be considered prosperous---to agitate for some considerations of their own problems" (McCallum, 1973, p. 278). As a result, "by the nineteen-sixties the rationale and precepts of this post-war phase of regional planning had become increasingly inappropriate to the problems of the day" (Manners et al., 1972, p. 424).

Considering these problems, the government set up the Hunt Committee whose responsibility was "to examine in relation to the economic welfare of the country as a whole and the needs of the development areas, the situation in other areas where the rate of economic growth gives cause (or may give cause) for concern, and to suggest whether revised policies to influence economic growth in such areas are desirable and if so, what measures should be adopted" (Cullingworth, 1985, p. 305).

The Committee suggested several criteria for choosing depressed areas. Main 'cause for concern' was the slow economic growth in the locality. But the committee stressed that "it [slow growth] is associated with unused or under-used labor resources, low earnings, a concentration of industries with a declining labor force, poor communications and a run-down physical environment making areas unattractive for new economic growth, and net out migration" (Cullingworth, 1985, p. 305). Thus "in evaluating the nature of the problem and the possibilities of solution, the Committee emphasized the 'Total Environment' as a factor" (McCallum, 1973, p. 280). The total environment means "the social, educational, cultural, industrial, and commercial facilities as well as the physical infrastructure of buildings, roads, docks, and the like which houses and sustains them" (quoted from McCallum, 1973, p. 280). Considering these factors in designating depressed areas, the Committee recommended several criteria for identifying them: sluggish employment; slow growth in personal incomes; slow rate of addition to industrial and commercial facilities; significant unemployment; low or declining proportions of women at work, low earnings; heavy reliance on declining industry; poor communications; decayed or inadequate environment; and serious net

outward migration.

The Committee also recommended specific policy measures which included designation of intermediate areas. The government response to their recommendation was revealed in the Local Employment Act 1970. But this act did not fully adopt their recommendation. The designated intermediate areas did not incorporate all the areas which were suggested by the Committee. Delineation of development areas was not based on multiple criteria. "The reaction of the government of the day was that assistance should be concentrated in more narrowly defined localities within the regions concerned. The selection of these intermediate areas was to be governed strictly by 'criteria of need'" (Cullingworth, 1985, p. 309). But the act incorporated some of their recommendations: industrial estate factories, training assistance and a grant for derelict land clearance (McCallum, 1973, p. 281). Thus, according to McCallum, "the Hunt Committee's emphasis on environment improvement, at least, thereby received a reasonably full endorsement" (p. 281).

Although the Committee's recommendations were not fully adopted by the government, the Report could be "a crucial benchmark in the history of British regional planning" (Manners et al., 1972, p. 425). Manners et al., explained this point:

It was after all, the outcome of the first major governmental enquiry into the location of economic activity and employment since Barlow. The report mirrors many of the advances that have been made in the understanding of both the symptoms and the causes of spatial variations in the patterns of socio-economic change. It naturally reflects something of the considerable experience gained by the British government in regard to public intervention in the processes of regional development. In addition, the Committee both clarified and reformulated a number of important issues in the field of spatial policy-making and thereby

advanced our understanding of them (Manners et al., 1972, pp. 425-6).

Conflicts Between Sector Plan and Regional Policy

The Conservative government which took office in 1970 announced a change in industrial policy (Smith, 1975, p. 123; Shanks, 1977, pp. 63-4). According to Smith (1975), "[i]f the Labor government had developed technocratic style of administration, its successor [the Conservative] appeared to prefer legalism and laissez-faire" (p. 124). At that time, the Conservative government was "deeply antipathetic to any form of planning or interventionist policies" and "pledged to a policy of disengagement from industry in every way possible" (Shanks, 1977, p. 59). Thus, "[t]he new government hoped to increase the competitiveness of the economy by pursuing a more vigorous anti-monopolies policy, and 'above all' by refusing to 'subsidize incompetence' with government grants" (Smith, 1977, p. 123).

But the bankruptcies of Rolls-Royce and Upper Clyde shipbuilders in 1971 brought about a complete change in British industrial policy (Shanks, 1977, p. 64). The 1972 Industry Act reinforced former intervention measures by "providing special assistance to particular sectors or enterprises in regions of high unemployment, and aid for accelerated investment projects" (Shanks, 1977, p. 64). Thus "[t]his capitulation, coupled with continuing massive unemployment and a low rate of economic growth, led to a return to a policy of selective government intervention in industry" (Smith, 1977, p. 124). These findings imply that regional policy measures were implemented as one of important tools for industrial policy. As the government tended to put more emphasis on efficiency in

industrial policy, regional policy also employed more selective measures. The 1972 Industry Act adopted selective financial aid to depressed areas.

As expenditures on regional aid increased, its effectiveness began to be scrutinized by the government itself. The Trade and Industry sub-committee of the House of Commons Expenditure Committee published a report on regional policy. As McCallum (1979) has put it, "[i]ts conclusions were largely critical:" (p. 24).

'Much has been spent and much may well have been wasted. Regional policy has been empiricism run mad, a game of hit-and-miss, played with more enthusiasm than success' ... The Report added: 'Everything in this inquiry pointed to the need for Government to create a more rational and systematic basis for the formulation and execution of regional policy' (quoted from McCallum, 1979, p. 24).

These problems were not only confined to regional policy. During the 1970s, the British government has vigorously exerted itself to employ more effective use of the instruments of industrial policy. A white paper on An Approach to Industrial Strategy (1975) "set out a new pattern of economic planning to be carried out" (Shanks, 1977, p. 78). The following "Elements of an Industrial Strategy" represents government's new stance on regional policy:

The government will have to continue maintaining a balance between economic and social objectives which often have conflicting implications. Nevertheless, the government intends to give greater weight, and more consistently than hitherto, to the need for increasing the national rate of growth through regenerating our industrial structure and improving efficiency. For the immediate future this will mean giving priority to industrial development over consumption or even our social objectives. There is no other way of developing the industrial base on which the government's whole program of economic and social reform depends. The government will have to ensure the proper coordination of macro-economic and micro-economic policies since

success will depend on a complex variety of factors needing support at national, industry and firm level. We recognize the need to maintain an adequate level of demand and employment if both sides of industry are to possess the confidence required to carry the necessary changes through (quoted from Shanks, 1977, p. 131).

The new "Industrial Strategy" revealed somewhat different orientation toward industrial policy. As Shanks (1977) has put it, "[o]ne of the most important elements in this new-style planning would be the identification of the key sectors for future national growth" (p. 80). The government intended to adopt "sector plans or strategies related to national medium-term growth assumptions provided by government" (p. 80). At that time thirty-nine key sectors were selected, which were considered to have competitiveness at home and abroad. There would be a planning agreement between each sector and the government. Thus "planning agreements were seen as mechanisms for linking government financial aid to major companies in the private sector within a clear program of investment, product development, finance and marketing" (Cameron, 1979, p. 298). According to McCallum (1979), this new strategy posited conflicts with regional policy:

The Government has been promoting a new industrial strategy that is based on nation-wide intervention in (and assistance to) industry on Labor Party ideology and on an assessment of what is required to revitalize the obviously ailing British economy, has very important implications for regional policy. The most obvious of these is the fact that extremely large amount of money are being channelled into industry in the 'prosperous' regions. The West Midlands is being assisted enormously by the aid to British Leyland---aid that dwarfs that previously given to shipbuilders in the 'less prosperous' regions. Equally, the huge sums spent on subsidizing a British civilian aerospace industry are largely devoted to the prosperous regions of the South (McCallum, 1979, p. 71).

This new approach to industrial policy resulted in "a spreading of subsidies over a much larger areas of the nation," (Cameron, 1979, p. 319) thereby weakening the effects of regional policy. Cameron (1979) evaluated those approaches and concluded that:

Whilst there is a social justification for such a practice, it only makes economic sense if the level of assisted-area productivity is already relatively high. Subsidies in sectoral schemes should be used to make relatively strong companies commercially stronger and not to help weak companies nearer to the margin of competitiveness. Finally, assisted-area development will have to be based increasingly upon the development of new sectors of activity rather than 'stealing' growth from regions that have pioneered their development (Cameron, 1979, p. 320).

The Fall of Regional Policy

In 1979, the Conservative government announced major changes in regional policy. The major changes included the descheduling of assisted areas in order to cut the proportion of the employed population of Great Britain covered by the assisted areas from over 40 percent to around 25 percent.³ And the government planned to reduce regional selective assistance from 609 million in 1979 to 233 million in three years. The government proposed to continue with a strong but more selective regional investment policy. Thus, selective regional assistance will be concentrated on those parts of the country with the most intractable problems of unemployment. The government further stressed that assistance will only be given for projects that would not go ahead as proposed without it and would be negotiated as the minimum necessary to achieve this.

Further involvement in regional policy can not be expected from this announcement. The British government continued to pursue regional policy not because it had confidence in regional policy but rather because it

wanted to avoid abrupt changes in the framework of regional investment incentives.⁴ McCallum (1979) observed that "regional policy continue to be subordinated to various national industrial and inner-city policies" (pp. 37-8). The 1983 White paper 'Regional Industrial Development' illustrates government new stance on regional policy:

Although an economic case for regional industrial policy may still be made, it is not self-evident. The Government believe that the case for continuing the policy is now principally a social one with the aim of reducing, on a stable long term basis, regional imbalances in employment opportunities ... The argument that regional industrial policy produces a net national economic benefit is open to debate ... The Government believe that regional industrial incentives still have an important role to play in influencing the location of new economic development ... but the incentives must be made much more cost-effective than at present, with greater emphasis on job creation and selectivity, and less discrimination against service industries. They also need to focus on encouraging new and indigenous development in the Assisted Areas, rather than simply transferring jobs from one part of the country to another. The Government welcome views on these aspects of regional industrial incentives (quoted from Cullingworth, 1985, pp. 423-4).

Summary and Conclusion .

In the UK, regional policy was vigorously implemented as one of the main tools of industrial policy. The quest for regional balance has been one of the main goals of national economic policy. Several economic planning documents such as 'Conditions Favorable to Faster Growth' (1963), 'National Plan' (1965), and the 'Task Ahead: Economic Assessment to 1972 (1969)' all incorporated 'regional balance' as one of the nation's economic objectives (McCallum, 1979, pp. 15-9; Cullingworth, 1985, p. 305; Shanks, 1977, pp. 27-40). These objectives have been legitimized by the following arguments on economic rationale.

The Scotland, Wales and the Northern regions had always more than average unemployment rate. The government believed that if these unemployed labor forces were drawn to employment, then this would make a substantial contribution to national output and also to regional prosperity. According to Keeble (1976), "equalization of unemployment rates in ... Britain's five assisted regions at the national full employment level would add 120,000 workers to Britain's employed work force" (p. 210).

The next economic rationale for regional policy evolved from the Barlow Report. As this Report has revealed, congestion problems in London provided economic disadvantages in national resource allocation. Keeble (1976) explained this point by comparing different land costs between congested regions and depressed regions:

In 1973, average rents per square meter per annum for new industrial units advertised by Richard Ellis Ltd ... ranged from over £ 10.80 (1.00 per sq.ft per annum) in Greater London and over £ 7.50 (70p) throughout the rest of the South East, to less than 6.50 (60p) in the South West, Wales and the North, and less than £ 5.40 (50p) in Scotland, Cumberland and South West Wales. (Wray, Markham and Watts 1974, p. 162) (quoted from Keeble, 1976, p. 75).

The third argument is also concerned with economic considerations in regional policy. Factor costs are usually higher in congested regions than in depressed regions. Thus, if these higher factor costs are transmitted "by national trade unions' pressure to the rest of the country" (Cameron, 1979, p. 396), then it would increase national inflation rate. There can be a counter argument to this position. But this imbalance in economic conditions can be a problem for the government. Shanks (1979) explained this point:

In south-eastern England and the midlands the normal economic problem was overemployment, congestion and inflation. In northern England, Scotland, Wales and Northern Ireland the typical situation was one of the decaying industrial structure, underemployment and emigration. This fundamental imbalance -- the other regions falling somewhere in between these two extremes -- rendered the overall management of demand very difficult. A policy designed to reduce inflation in London and Birmingham was liable to produce a slump in Glasgow and Newcastle. What was needed, therefore was some form of regionally differentiated economic policies, stronger than the measures which had been operated for a long time by the Board of Trade, to steer new investment away from the boom areas toward the depressed regions (Shanks, 1977, p. 40).

But it appears that from the mid 1970s, the strength and scope of regional policy was gradually reduced in the UK. As McCallum pointed it out, "in the mid-1970s, [a] well-established 'consensus' view on regional policy began to be shaken" (p. 36). He attributed this fact to "the apparent convergence of unemployment discrepancies between 1974 and 1976, combined with rapid rises in the absolute rate in formerly more prosperous regions" (p. 36). And he also stressed that "most damaging for the traditional view of regional policy has been the shift of national concern towards a non-spatial industrial policy based on individual firms and sectors" (p. 37). Cullingworth (1985) also suggested the changed context for regional policy:

This initial unequivocal commitment to regional policy was dramatically affected towards the end of the 1970s by such factors as the severe recession, by the national 'industrial strategy' which involved support for industry outside the 'assisted areas,' by the dramatic rise of unemployment in the South and West, and the rise of the 'inner city problem' (Cullingworth, 1985, p. 308).

Now, several major policy tools such as Office Development Permit (ODP) and Regional Employment Premium (REP) were abolished. Industrial Development Certificate was suspended. The government continued to give financial assistance only in those cases that can be considered to be profitable or economic. The 1984 White Paper reveals that "the argument that regional industrial policy produce a net national economic benefit is open to debate." And it was also stressed that regional policy should not result in "transferring one job from one part of the country to another." As Cullingworth (1985) and McCallum (1979) have put it,⁵ there can be several reasons for the 'fall' of regional policy. Besides those reasons that they have suggested, the most important cause may be that British planning system has operated "to weaken competition" (Harris, 1976, p. 56). The next chapter will discuss this problem.

COMPARISON BETWEEN TWO COUNTRIES

Comparison of Two Report: 'The Barlow Report' vs 'The People Left Behind'

In the U.K., the Barlow Report has been considered to have laid the ground work for the development of regional policy. Most literature on regional policy in the U.S., acknowledges the importance of the report, 'The People Left Behind,' in that it advocated regional development. Comparison of these two reports will shed some light on the question of how each country has perceived and interpreted regional problems.

There was a two decade time lag between the production of each report. But the two reports revealed similarity in their approaches to regional problem. Both the reports regarded the congestion problems and unemployment problems (rural poverty in the U.S.) in problem regions as interrelated ones. But the Barlow Report stressed that this interrelationship constituted the economic rationale for regional policy. The Commission's report in the U.S. suggested that every citizen should have equal access to opportunities for economic and social well-being without discrimination because of place of residence. Thus the Commission stressed the fair share of the rural in the prosperity of American economy. The justification for rural development rested with equity or social justice criteria.

Economic rationale has been the main motive for regional policy in the U.K. And it was confirmed by the successive national economic plans in the 1960s. The NEDC specified several measures that would have to be taken to turn the U.K. from a stagnant to a growth economy. These measures included the necessity to adopt an active regional policy. The

underlying causes of regional policy was that fuller utilization of labor in the problem regions could make contribution to national growth.

As has been explained, several factors played against the adoption of regional policy in the U.S. In the 1950s, the main issue was whether the federal government should take steps in favor of problem regions. Economic backwardness was seen as a natural condition in the overall process of economic development. Any investment in low productive areas would mean a significant loss for the efficiency of the economic system as a whole. The geographical size or the diversity in spatial development has been a great impediment to federal intervention. The early administration in the USDA emphasized people oriented policy. Above all, cultural and philosophical constraints on government intervention have been the main factors which reinforced those trends. Thus the advocates for regional development had to rely on social issues for government intervention.

Federal System and Regional Policy

In the 1960s, controversies over federal intervention in lagging areas in the U.S. turned on the following question: degree and type of government intervention in market forces or the degree of control on urban to rural migration. The Modifiers (The Adaptors) saw it foolhardy to take radical steps on migration control. As an alternative, they suggested human resources development or inducement of migration to intermediate-size cities. The Radical Transformers (The Developers) proposed that government should bring jobs to lagging areas in order to check the population movement to metropolitan areas. But this strategy was short-lived due to the turnaround in population movement in the 1970s.

The first regional policy in the U.S. had to function within certain limitations: regional policy measures should not result in transferring of jobs from one place to another. This issue developed into controversy over the Zero-Sum situation in regional development in the 1970s. The core issue about 'The Second War between the States' was whether the South was growing at the expense of the North. But it appears that it was not the explicit policy but the implicit policy which has been the subject of these controversies. These situations represent the institutional settings to which regional policy may have to adapt. In a different way, Krumme (1981) explained this point:

there may be -- ceteris paribus -- less need for an explicit and visible "regional policy" in federal systems than in centralized countries simply because the federal government system may have prevented the type of polarization which gives rise to interregional inequalities or because the constitutional or political mandate for regional policies may simply not be powerful enough (Krumme, 1981, p. 160).

Moreover, actual political process -- the so-called, incrementalism -- may be another constraint on regional policy:

Indeed, it [Congress] has tended to discourage planning in some regional programs. The apparent motivation is not so much an ideology favoring the market workings of a "free enterprise" economy as fear that planning of any kind would decrease the opportunities for resource allocation by congressional ad hoc approaches (Hansen, 1981, p. 63).

Sectoral Policy and Regional Policy

As a highly centralized country, Britain did not have such institutional problems as the U.S. had in formulating and implementing policies. The problem was how to enhance the overall efficiency in attaining goals which were set by the government.

Promoting economic growth, exports and regional balance have been the main objectives of British industrial policy. As a way of attaining regional balance, regional policy took part in the implementation of industrial policy. It was assumed that fuller utilization of idle resources in lagging areas, making demand for labor uniform over the whole of U.K. and so preventing the creation of excess demand in the South, would result in overall economic growth.

But the British government began to doubt the overall impacts of regional policy. It was not only confined to regional policy. The British planning system has received criticisms in that it has operated to weaken competition. During the 1970s, the British government has vigorously exerted itself to employ more efficient policy tools. As a result, a new industrial strategy suggested that the government intended to give greater weight to the need for increasing the national rate of growth through regenerating industrial structure and improving efficiency. This new strategy which put more emphasis on sectoral policy posited conflicts with regional policy. The scope and strength of regional policy was gradually reduced.⁶ And "regional policy may well not be revitalized, but instead may continue to be subordinated to various national industrial and inner-city policies" (McCallum, 1979). The government stressed the need to focus on encouraging new and indigenous development in the Assisted Areas, rather than simply transferring jobs from one part of the country to another. There occurred a great turnaround in the government's belief in regional policy.

CHAPTER FOUR BACKNOTES

1. The concept of regionalism can be explained in several ways: political, cultural, geographic and administrative regionalism. But this paper focused on administrative or planning concept.
2. Urban outlay as a percentage of total federal outlay was 2.1 in 1967 and 6.7 in 1970. It increased to 11 percent in 1976. (Goldsmith and Jacobs, 1982, p. 56).
3. Department of Industry, "Government announces more selective regional policy" Trade and Industry, 20 July 1979, pp. 99-102.
4. The Secretary of State for Industry, Sir Keith Joseph, has expressed that "Our objective is to maintain reasonable stability in the framework of regional investment incentives and to avoid abrupt changes" Trade and Industry, 20 July 1979, p. 99.
5. Cullingworth, 1985, p. 308; McCallum, 1979, pp. 36-7.
6. Expenditures for regional policy comprised 1.3 percent of total public expenditure in 1976-79. It was 0.7 percent in 1980-81. (Dunford, et al., 1981, p. 403).

CHAPTER V

EXPERIENCE IN REGIONAL POLICY

Strategies in Regional Policy

This chapter will discuss strategies and tools (instruments) of regional policy in the U.S. and in the U.K. With regards to strategies, Hoover (1975) has explained that there can be four basic issues: "place prosperity versus people prosperity, distress versus development potential, concentration versus diffusion, and the choice of means of assistance" (p. 271).

The first issue centers around the question of whether government assistance should be vested in depressed areas or on unemployed workers in those areas. The "place prosperity" approach has been criticized in that government assistance can not be selective with this approach. Those who benefit most from government aid are "generally property owners and the operators of established locally oriented businesses, such as utilities, banks, and commercial and consumer firms" (Hoover, 1975, p. 260). Even the newly located plants do not tend to employ the locally unemployed because they do not possess the requisite skills. Thus there can be certain weaknesses in this approach. The alternative approach used to advocate human resources development strategy in depressed areas. "Assistance logically takes the form of improving the employability and mobility of people affected, facilitating their relocation" (Hoover, 1975, p. 273).

Another question which is highly interrelated with the first issue is that whether people should move to jobs or jobs move to people. The

first school which is in favor of bringing people to jobs says that "businessmen usually select very carefully the optimum location for their plant and if influenced by government policy (or mere pressure) to move, would be forced into a situation of lower profitability of their firm, which would decrease economic growth" (Vanhove and Klassen, 1980, p. 373). But the other school assumes that many industries are footloose and that people are reluctant to move on social and cultural reasons. This school advocates dispersion of industry from congested regions to depressed ones. Increasing congestion, high marginal cost of public infrastructure and inflationary pressure from additional migration in overdeveloped regions are suggested as reasons for dispersion of industry. In short, this school argues that "intervention in private location decisions of firms does not necessarily reduce national economic growth" (Vanhove and Klassen, 1980, p. 374).

The second issue (distress versus development potential) and the third one (concentration versus diffusion) are also interrelated problems in designing regional policy. Any public expenditure of government should be oriented towards a goal of national economic growth. Consistent with this view (efficiency) is an emphasis on development potential as the criterion for allocation of assistance to regions. If assistance is concentrated in a few regions, it will be more economic. But regional policy has been justified on equity grounds, which call for more public expenditure to regions in economic distress. This view implies diffused assistance to all problem regions. According to Smith (1981), this kind of policy can be politically attractive but has serious drawbacks:

In a depressed region it tends to perpetuate the existing form of the space economy, which may be far from optimal with respect to the stated planning goals and may indeed be a serious source of inefficiency. As in an underdeveloped region it ignores such obvious conditions as the uneven distribution of resources and the economic advantages to be gained from initiating industrialization in some places rather than in others (Smith, 1981, p. 393).

Policy Measures and Tools

The fourth issue deals with specific policy measures or tools in regional policy. All public interventions which aim at reducing inter-regional disparity can be regarded as regional policy if they "are geographically limited in their scope and are explicitly designed to spur the economic growth of certain regions (or limit the growth of other regions)" (Sundquist and Mielsds, 1979, p. 305). Thus, regional policy measures "are characterized by the fact that they can, and normally do, discriminate different types of regions. The direction of the discrimination depends on the policy targets and the situations in the regions" (Siebert, 1969, p. 193).

Siebert (1969, ch. 9) classified various policy measures "according to three different criteria: (1) the determinants of regional growth which they influence, (2) the size of the area which they are basically supposed to affect, and (3) the intensity of interference with the market economy" (p. 193). By the first criterion, there can be six types of regional policy measures: "labor-supply measures, capital-supply measures, technical progress instruments, demand-influencing instruments, location policy and mobility policy" (pp. 193-4). The second criterion divides them into two categories: "regional instruments and national instruments" (pp. 194-5). "The third criterion for the classification of

policy variables is to rank them according to their interference with private activity." Accordingly, there are five types of policy measures: "direct controls, indirect controls, moral suasion, information policy and activities undertaken by the government" (pp. 196-200). This classification supplies a wide variety of policy measures for policy makers.

According to Vanhove and Klassen (1980), "national instruments [for regional policy] can be categorized as follows: infrastructure aids, financial incentives, disincentives, decentralization of government offices, regional allocation of public investment and public orders and finally, regional development agencies" (p. 304). But Sundquist and Miels (1979) specified four types of programs which have been used in the European countries and in Canada as follows:

1. Extra expenditure for public "infrastructure" necessary to encourage private investment in lagging areas
2. Subsidies and loans for private investment or employment in those areas
3. Direction of investment by publicly owned or controlled enterprises to or location of central governmental activities in those areas
4. Disincentives to private investment in congested areas. (Sundquist and Miels, 1979, p. 305).

Financial Incentives

As Allen et al., (1979) have explained it, "there are a large number of regional incentives in Europe. These include: loans on favorable conditions; grants on capital; employment premia; social security concessions; tax and investment allowance concessions; factory rent concessions; training aids; contributions toward share capital; subsidies on public utility charges; operating and settling-in subsidies" (p. 3). Thus "an incentive is given to compensate a region for what it lacks in econo-

mic attraction, because it has no, or not enough, skilled labor or social amenities, or fails in external economies, owing to high communication costs, absence of an industrial tradition, low productivity" (Vanhove and Klassen, 1980, p. 308). But these incentives "have mainly been used to influence the location decisions of private activities" (Siebert, 1969, p. 198). Among several private activities, "the location of manufacturing activity has been viewed as the most important single variable controlling the country's economic and population geography" (Keeble, 1976, p. 201). Townroe (1979) explained reasons for this fact:

The majority of industrial policy all over the world has focused on manufacturing as the most spatially footloose sector of industry and as the sector most susceptible to the influence of policies (Townroe, 1979, p. xii).

This argument led to a examining of the degree of footlooseness of the manufacturing sector. As Smith (1981) has explained it, "[t]here is a large-measure of agreement on the fact that industry in general is becoming more mobile or 'foot-loose'" (p. 394). The reasons for this argument are also suggested as follows:

As smaller proportion of industrial activity remains concerned with the processing of bulky materials, as improvements in transportation reduce the cost of overcoming distance, and as certain external economies of agglomeration become more geographically mobile, it is argued that very many firms can locate almost anywhere they please within fairly broad spatial limits (margins). For example Luttrell (1962) estimated that something like two-thirds of British manufacturing industry can operate successfully in any of the main regions of the country, providing it is skillfully managed (Smith, 1981, p. 394).

Public Infrastructure

Most problem regions are in need of basic infrastructure. Since direct intervention in market forces tends to cause another problem, public infrastructures have become more important instruments for regional development. According to Siebert (1969), "social-overhead outlays cause both an income effect and a capacity effect" (p. 198). As additional income tends to leak out of the region, the capacity effect is considered to be more important. This effect "causes external economies which in turn will induce private activity" (Siebert, 1969, p. 198). Also this will enhance "local promotion, image-building, and other dissemination of information that might induce manufacturers to see a region in a more favorable light" (Smith, 1981, p. 391).

The above examinations of two types of policy measures show that all policy measures have certain specific functions. Few of them can be versatile in their functions. Certain advantages and disadvantages of each specific tool can be identified (Allen, et al., 1979, pp. 7-11). Considering policy targets and the situations in the regions and comparing advantages and disadvantages of each tool, policy makers may have to choose more effective ones. "Depending on the planning goals, and on the way the economic system functions, some instruments will be more effective than others" (Smith, 1981, p. 392).

Considering these points, this chapter will, first, examine strategies and tools in both countries. And then, those measures will be evaluated in terms of their effect on interregional disparity. This will be followed by comparison of policies between two countries.

PART I. BRITISH EXPERIENCE IN REGIONAL POLICY

As Keeble (1976) has put it, the history of British regional policy "is a major topic in its own right" (p. 220). The analysis of policy is more difficult because "policy development has not really been a continuous process, but subject to rapid fluctuations in intensity of controls, scale of financial inducements, extents of areas affected, and range of policy instrument, consequent primarily on changes in national and regional economic fortunes and in government administrations" (Keeble, 1976, p. 220).

In the first section, this paper will discuss the major changes in policy measures. And then, the next section will deal with the evaluation of each measure. In the last section overall evaluation of British regional policy will be discussed with emphasis on its impact on regional development.

Regional Policy Before 1970

Special Areas (1934-39)

The earliest response to regional problems was a migration policy which encouraged labor migration out of problem regions. The Industrial Transference Board which was set up in 1928 "aided the moves of an average 28,000 workers a year and lasted until 1938" (Yuill, 1979, p. 38). McCrone (1969) stressed that "this was more of a labor policy than a regional policy" (p. 92). Strictly speaking, mobility policy, migration policy and regional (industrialization) policy cannot be identical (Van-hove and Klassen, 1980, pp. 371-3). In so far as regional policy is

concerned about all the factor movements (capital, labor) between regions, these differences cannot constitute real problems.

The 1934 Special Areas (Development and Improvement) Act was the first policy measure that affect the distribution of industries. This act provided an alternative approach to regional problems: work-to-workers policies. Four areas with high levels of unemployment were designated as Special Areas. In order to attract industries to Special Areas, British government began to provide loans and subsidies for those areas.

Development Areas (1945-60)

The Special Areas became Development Areas under the Distribution of Industry Act of 1945. This act set the foundation of British regional policy from 1945 to 1960 (McCrone, 1969, p. 107). The designation of these areas was again determined by their unemployment rate. This act empowered the Board of Trade to make grants or loans to specific manufacturing firms in Development Areas, if the firms had no alternative source of finance and had good prospects of success (McCrone, 1969, p. 110). The British government introduced Industrial Development Certificate (IDC) system in 1948. This was established by the 1947 Town and Country Planning Act, which made it compulsory for any industrial building project of more than 1,000 sq. ft., (465 sq. meters) to get IDC issued by the Board of Trade. By granting or refusing IDC, the Board could channel development to problem areas.

Development Districts (1960-1966)

Since 1960, "a much steeper economic decline in the peripheral region's industries ... has resulted in a massive intensification of

regional policy, particularly after 1963" (Keeble, 1976, p. 226). Under the Local Employment Act of 1960, Development Districts were designated in any area where "high rates of unemployment existed or ... were likely to exist" (McCrone, 1969, p. 122). The criterion for delineation was the possession of unemployment rate greater than 4.5%. This led to frequent and continuous re-scheduling of assisted areas: "holding 12.5 percent of the national insured population in 1961, they declined to 7.2 percent in 1962 and reached a maximum coverage of 16.8 percent in 1966 (Yuill, 1979, p. 36).

Incentive packages included a grant of 10 percent of plant and machinery costs and free depreciation for tax purpose, by which "industries were able to reduce their tax liability to zero until they have recovered the full cost of the new equipment" (Keeble, 1976, p. 226).

The Special Development and Development Areas (1966-1971)

"Beginning in late 1964, then, an ideologically committed Labour government began to introduce the series of innovations which ushered in a 'new era' in British regional policy" (McCallum, 1973, p. 271). Those new innovations are summarized as follows.

1. Regional Structure

Before 1964, Board of Trade (BoT) had the responsibility of regional development. Upon creating a Department of Economic Affairs (DEA), the Labour government formed Regional Economic Planning Councils (REPCs) in each region in 1965. "Their principal function [was] to assist in the formulation of regional plans and to advise on their implementation" (McCrone, 1969, p. 23).

2. Assisted Areas

The Labour government replaced the Development Districts with the new Development Areas under the 1966 Industrial Development Act. And in response to acute unemployment problems in certain coal-mining areas, the government designated Special Development Areas with the intention of giving them special priority in incentives. A new method was introduced in designating assisted areas: "the new Development Areas were to be selected according to a number of criteria, including unemployment, population change, migration, and even 'the objectives of regional policy'" (McCallum, 1973, p. 274).

3. Office Development Permit

The Control of Office and Industrial Development Act of 1965 provided a new control system on service sector. Under this act, Office Development Permit (ODP) was required for office development of more than 3000 sq. ft. in Greater London and 10,000 sq. ft. in the rest of the South East and in the urban areas of East and West Midlands.

4. Regional Employment Premium

This new incentive system was "a per capita labor subsidy payable to manufacturing employers in the development areas" (Allen, et al., 1979, p. 6). This was a response to the criticisms that the investment grant system was likely to encourage an overconcentration of capital-intensive industry which provided relatively few jobs (Keeble, 1976, p. 229). According to McCrone (1969), "this [REP] is estimated at approximately 7.5 percent of the wage bill" (p. 201). "REP was a distant departure from past policy in that it

was the first large-scale subsidy to operating cost" (McCallum, 1973, p. 277).

5. Automatic Grants on Investment

Highly sophisticated incentive system was replaced by new automatic grant on investment. Investment grants were nationally available, but they had a regional differential: 40% for development areas, 20% for all manufacturing industry (Yuill, 1979, p. 40). This automatic grant system, combined with REP, resulted in a massive increase in regional assistance (Table 5.1). According to Keeble (1976), "[i]n 1970-71, special regional assistance was costing the Exchequer no less than 270 million a year, representing a fivefold increase in simple monetary terms since 1960-61" (p. 230).

Table 5.1: Regional Policy Funds by Major Headings, 1962-63 to 1977-78.
(Millions of pounds at constant 1970-71 prices)

	Local Employ- ment Acts	REP and SET	1966 Industry Act invest- ment grants	1972 Industry Act		All funds	Net tax items	Grand Total net funds
				Regio- nal Devel- opment grants	Sect- ion 7 Aid			
1962-63	22.5	0	0	0	0	22.5	-0.3	22.2
1963-64	41.5	0	0	0	0	41.5	-0.1	40.5
1964-65	53.6	0	0	0	0	53.6	-0.1	53.4
1965-66	53.2	0	0	0	0	53.2	+63.9	117.1
1966-67	67.2	0	0	0	0	67.2	+40.6	107.8
1967-68	55.4	42.3	88.3	0	0	186.0	-13.5	172.5
1968-69	61.9	145.5	100.4	0	0	307.8	-19.5	288.3
1969-70	89.9	147.8	107.2	0	0	344.9	-20.7	324.2
1970-71	70.2	118.7	123.5	0	0	312.4	-21.5	290.9
1971-72	59.3	101.0	82.5	0	0	242.8	+2.9	245.7
1972-73	58.8	86.6	56.8	6.8	2.9	211.9	+20.4	232.3
1973-74	29.3	82.6	22.9	83.1	14.1	232.0	-5.4	226.6
1974-75	29.1	101.9	10.2	140.7	48.4	330.3	-3.3	327.0
1975-76	10.3	111.9	2.9	170.1	39.6	334.8	-3.1	331.7
1976-77	8.5	72.2	2.2	186.8	41.3	311.0	N.A	311.0
1977-78*	6.0	0	1.0	200.0	40.0	247.0	N.A	247.0

N.A - Data not available.

* - Estimated.

Note: All figures have been rounded to nearest 100,000. These data also include funds which have a large recoverable element (such as loans and factory building) and so do not represent true ultimate net cost.

Source: McCallum (1979), "The development of Regional Policy" in Regional Policy: Past Experience and New Directions, eds., D. MacLennan and J. Parr (1979) (Oxford: Martin Robertson) p. 32, Table 1.5.

Regional Policy in the 1970s

The Conservative Government (1970-1973)

It was the economic recession which made the government give up its former reliance on disengagement from regional policy. The 1972 Industry Act contained a new type of financial incentive system: regional development grant. It "is available on new plant, machinery, buildings and works in the special development and development areas at rate of 22 per cent and 20 percent, respectively. In the intermediate areas only buildings and works are eligible, the rate of subsidy being, as in the development areas, 20 percent" (Yuill, 1979, p. 44).

This act also introduced a selective incentive system. Loans and interest relief grants were available for certain projects which has profitability or viability. "Selectivity and discretion entered into the British regional incentive system" (Yuill, 1979, p. 4). And these are considered to be the second most important source of aid.

These incentives were channeled through the newly established Industrial Development Executive (IDE). IDE had its own regional offices in the depressed areas. And its work was "assisted by an Industrial Development Advisory Board." This board "was to advise on the best means of stimulating industrial development and to supervise the allocation of government grants" (Smith, 1975, p. 124).

The conservative government extended Intermediate Areas to the entire area of the North West, Yorkshire and Humberside, and Wales. "This extension ... meant that almost half of the nation's population lived in assisted areas" (McCallum, 1979, p. 23).

The Labour Government (1974-1979)

The strengthening of regional policy by the successive Labour governments has always been associated with good results of the Labour party in elections in the assisted areas (Keeble, 1976, p. 212). "True to its political roots as well as to its own past policy, the Labour government announced its firm commitment to regional development activism" (McCallum, 1979, p. 24). Without revising the 1972 Industry Act, the government doubled the value of REP and extended the assisted areas. The results of these approaches was that:

By 1976, the assisted areas thus contained no less than 43 percent of all Britain's employed population and covered a wider area than ever before. Moreover, an actual 1973-74 regional policy cost of over £ 310 million was expected, on official government estimates, to rise to no less than £ 575 million by 1976-77 and to 603 million by 1979-80. These very large totals primarily reflected massive regional development grant (243 million, 1976-77) and Regional Employment Premium (213 million, 1976-77) payments (Keeble, 1976, pp. 232-3).

But, after the oil crisis in 1973, "Britain's inflation rate doubled during the year, and moved ahead of all other major industrial countries except for Italy and Japan (the two countries hardest hit by the oil price rise)" (Shanks, 1977, p. 24). The government began to adopt a new industrial strategy, "which would rely on greatly increased public intervention with prime aims of stimulating investment and promoting competitive efficiency" (McCallum, 1979, p. 27). It appears that the government wanted to meet the crisis "by maintaining a socialist siege economy" (Shanks, 1977, p. 75).

The new industrial strategy stemmed from a 'White Paper on an Approach to Industrial Strategy,' which was published in 1975. As it had

been explained in Chapter IV, this new strategy presaged the fall (devolution) of regional policy. Cameron (1979) explained this new strategy:

This strategy, which covers the whole of the United Kingdom, has four component parts: planning agreements between the government and major companies; financial aid to achieve industrial change in the private sector; state intervention into and involvement with private economic activity through special state agencies; and diagnostic exercises and cooperative planning covering roughly forty key manufacturing sectors. Ostensibly, each one of these components has been selected so as to improve productivity growth over the medium-to-long run. Institutionally, they are to be the building blocks of a new and flexible relationship between government, the trade unions and private industrial enterprise, based on the recognition of the interdependence of decision making in a mixed economy (Cameron, 1979, p. 279).

Most regional assistances to industry programs were available outside the assisted areas. But economic recession has also forced the government to cut public expenditures. Regional policy has finally become a victim of this general squeeze, and the drop in regional funds from 1975-76 to 1977-78 will probably turn out to be around 25 percent in real terms" (McCallum, 1979, p. 31). Some of assisted areas downgraded for the first time in the history of British regional policy. ODP systems began to lose its former powers: "[i]t was announced that ODP would be greatly relaxed, with higher limits (30,000 sq. ft., - the highest yet) and with outright exemption for small employment (200-300 workers)" (McCallum, 1979, p. 30). Under the name of 'efficiency', the strength of the British regional policy began to deteriorate.

The Conservative Government (1979-)

As soon as the Conservatives took power in May, 1979, the government announced major changes in regional policy. The most prominent change was the reduction in the financial and geographical scales of regional aid to industry in two stages, in August 1980 and August 1982. RDG was payable at the rate of 22 percent in the Special Development Areas and 20 percent in the Development Areas on capital expenditure for new plant and machinery, buildings and works, and at the rate of 20 percent in the Intermediate Areas on new buildings and works. There was no big change in the state of Special Development Areas. But the rate of grant payable in the Development Areas was to be reduced to 15 percent and grants for Intermediate Areas were planned to cease to be paid.

The government abolished the Regional Economic Planning Council and Office Development Permit System. At that time, the government did not see it necessary to abolish the IDC. The IDC procedure was still useful in identifying large projects which were potentially mobile. "As the economy worsened it became increasingly clear that industrial development certificates were of little of relevance. Between 1975 and 1981 only 28 out of 7000 applications for IDCs were refused." In 1981 the government announced the suspension of IDC controls until further notice (Cullinworth, 1985, p. 379).

Announcing the details of changes in regional policy, the Secretary of State for Industry (1979) expressed that:

Although expenditure on regional incentives will continue to be substantial, I must emphasize that regional differences will not be reduced simply by redistributing money from taxpayers: there needs also to be local enterprise and plenty of co-operation in making

businesses competitive and profitable. Nothing will do more for the prosperity of a region than a reputation for effective work, high productivity and co-operation between workforce and management. (Keith Joseph, 1979).

Evaluation of Policy Measures

Designation of Assisted Areas

Upon taking office, every new government has changed geographical boundaries of assisted areas. This frequent change in spatial coverage received severe criticisms in that it "created an atmosphere of uncertainty for businessmen and public planners alike and thus led to an obvious dilution of the impact of regional policy measures on investment and location decisions" (Yuill, 1979, p. 37).

But the main criticisms of assisted areas pointed toward the criteria by which they were created. Unemployment has been the major criterion in selection of assisted areas. This fact also led to frequent changes in boundaries. This tended to aid those areas which had the least potential and were least attractive to industrialists. Cullingworth (1985) summarized these criticisms:

... The 'selection' of development districts was made, however, on the basis of unemployment rates. Yet unemployment in itself is neither an adequate measure of the regional problem nor an indicator of what needs to be done. It is inadequate as a regional indicator because of the large numbers of potential workers who would figure among the employed if jobs were available. It is also inadequate in that it obviously cannot take account of those workers who have already migrated from the region to areas where jobs are available. Indeed, it is a measure of only one aspect of a regional economy, and ignores a whole range of other factors such as incomes, demand, locational attributes, and so forth (Cullingworth, 1985, p. 303).

The degree of geographical coverage has also been the targets of criticisms. Sometimes, it covered half of the U.K. population. In 1979, the government revealed that 40 percent of the employed population was covered by the assisted areas. It cannot be a discriminatory measure,

which ignores the very essence of regional policy.

The other criticism concerned with the locational disadvantages of assisted areas. "Specific criticisms of peripheral regions as relatively uneconomic locations for manufacturing industry center on the transport cost and labor quality and relations arguments" (Keeble, 1976, p. 213). But "it is argued that very many firms can locate almost anywhere they please within fairly broad spatial limits" (Smith, 1981, p. 394). Thus, there can be a controversy over whether locational disadvantages resulted in overall inefficiency in manufacturing industry. It appears that "too much attention had been given to problems of regional industrial structure and not enough to regional locational disadvantages" (Smith, 1981, p. 427). And one thing which cannot be disputable is that "peripheral areas are characterized by more militant union attitudes and a greater frequency of strikes" (Keeble, 1976, p. 215). This controversy over inefficiency will be discussed more in the next section.

Financial Subsidies

The British government invented a wide range of financial incentives and implemented them to encourage regional development. There have been some clear trends in this evolution and use of incentives:

1. "The scale and scope of the incentives was greatly increased in the 1960s" (McCrone, 1969, p. 191).
2. Compared with the discretionary or selective assistance, greater emphasis was put on automatic grants. Regional Development Grant (RDG) and Regional Employment Premium are of this type.
3. "There was an increased use of grants in relation to expenditure on

loans and factory building on industrial estates. The non-returnable element in the assistance given has therefore increased" (McCrone, 1969, p. 191).

Among several types of incentives, the "Regional Employment Premium" is worthy of special comment. When it was first introduced, it was expected to have several strong points:

- (a) it implies no discrimination against existing firms;
- (b) it gives special encouragement to labor intensive types of industries;
- (c) it cuts regional production costs and so has the positive effects of a regional devaluation without the negative ones (no higher import prices);
- (d) it minimizes the spreading of effects to other regions;
- (e) it incorporates an income transfer from rich to poor regions. (Vanhove and Klassen, 1980, p. 328)

But criticisms of REP centered on the huge amount of public expenditure for this package. It amounted about one third of the total expenditure on regional policy (Wilson, 1979, p. 97). The second criticism concerns its effectiveness on productivity. According to Vanhove and Klassen (1980), "[i]n 1975, it represented 5.0 percent of the earnings of the male workers and 4.4 percent of those of female workers, which is not more than about 3.5 percent in terms of value added" (p. 329). And the REP was "particularly weak because its payment was totally unconditional" (Wilson, 1979, p. 97).

Thus, "capital grants are superior to REP in that changes in a region's industrial capital have to be made before grants are paid." (Wilson, 1979, p. 98). But most criticisms on incentives focused on the system of automatic granting. This has led to the conclusion that "policy

had not been sufficiently selective from an industrial point of view. All industries were treated in much the same way, even though some are more suitable for the problem regions than others" (Smith, 1981, p. 427). The assistance system did not consider the specific characteristics of problem regions. Thus, it is quite reasonable to assume that this system might have produced inefficient and non-competitive firms in the assisted areas. Firth and MacLennan (1979) explained this point:

there is the knowledge that many of the regional industries, especially in the critical export-oriented manufacturing sectors, remain heavily subsidized and non-competitive due to such factors as weaknesses related to the age and vintage of their capital stock, the low productivity of much of their workforces, the absence of modern effective management, and a reliance on externally generated technology (Firth and MacLennan, 1979, p. 292).

Keeble has also sided with this point:

there do seem to be indications that certain peripheral areas, notably the more distant ones of Scotland and Northern Ireland, do not afford all sectors of modern manufacturing industry with as efficient an operating environment as the central regions of the South East and Midlands. Achievement of regional policy's prime goal, 'a better economic balance between the different parts of the country ... for the social and wider economic reasons ... may well therefore involve a certain loss of national manufacturing output through less efficient production, and may hence require some long-term operating subsidies' (Keeble, 1976, p. 220).

Restrictive Policy Measures

Locational policy measures for industrial dispersion was reinforced by different type of measures: Industrial Development Certificate (IDC). And the Office Development Permit (ODP) was implemented with regards to the fact that "office development ... [was] more unevenly distributed in comparison to manufacturing employment with London having a very high concentration of office employment in both qualitative and

quantitative terms" (Nicol and Wettman, 1979, p. 165).

During the periods when they were implemented there had been wide range of fluctuations in their degree of control. When the governments wanted to implement a strong regional policy, they usually tightened exemption limits and extended geographical coverage (Table 5.2, 5.3).

The two control systems were considered to be cheap to operate, and they provided the attractiveness of the assisted areas (Nicol and Wettman, 1979, p. 165). But the ODP System lost its attractiveness because of the inner cities' deterioration. It also increased the rent value, which resulted in the rise of production cost. Moreover, the distance of movement was not so great as to solve the congestion problem of the Southeast.

There can be controversies over the effectiveness of the IDC system. According to Keeble (1976), "[d]uring the 1960s, the figure [the rate of refusal of industrial development certificate] was usually between 20 and 30 percent, but in any case it fell substantially after 1968. Moreover, most refused schemes apparently nonetheless go ahead, to some degree at least, in non-IDC controlled existing central region premises" (p. 213). Thus he saw it reasonable to conclude that "the loss of growth caused by IDC controls is not large" (Cameron, 1974, p. 29).

But opponents of this system stress the relative poor status of the South East in comparison with other regions in EEC countries. They cannot find the reasons for controlling the development of the South East. As Manners et al., (1980) has put it:

Whereas the South East of England ... for long has stood as the wealthiest region in Britain, set in an EEC context it ranked only seventeenth in income per head in 1970, with a Gross Domestic product only 40 percent of the richest EEC region (Hamburg). Such comparison raise all manner of questions about the validity of exchange rate conversions, about the role

Table 5.2: ODP Controls: Changes from 1964 to 1979.

Year	Area covered	Exemption limit (square feet)	Comments
1964			"Brown ban" on office development in the metropolitan region.
1965 (Aug)	London Metropolitan Region West Midland Conurbation	3000	Control applied retrospectively to LMR from Nov. 1964.
1966 (Jul)	Southeast West Midlands		
	East Midlands East Anglia	3000	
1967 (Jul)	London Metropolitan Region Other controlled areas	3000 10000	
1969 (Feb)	Greater London Other controlled areas	3000 10000	Control removed from East Anglia and rural parts of East and West Midlands. ODPs no longer required for developments within the curtilage of an industrial building for which an IDC was issued.
(Apr)			
1970 (Dec)	Southeast	10000	Control removed from rest of East and West Midlands.
1976 (Apr)	Southeast	15000	
1977 (Apr)	Southeast	30000	"Inner areas" became second priority after assisted areas.
1979	Abolished		

Source: 1964-1979: Nicol and Wettman (1979) "Background Notes to Restrictive Regional Policy Measures in the European Community" in Balanced National Growth, ed., K. Allen, (Lexington: Lexington Books), p. 177, Table 6.2.

1979: Cullingworth (1985) Town and Country Planning in Britain, (London: George Allen & Unwin), p. 379.

Table 5.3: IDC Controls: Changes from 1948 to 1981

Year	Area Covered	Exemption limit	
1948(Jul)	Great Britain	5,000	
1965(Aug)	Southeast, East Anglia, and Midlands	1,000	
	Others	5,000	
1966(Aug)	Southeast, East Anglia, and Midlands	3,000	
	Others	5,000	
1970(Dec)	Southeast, East Anglia, and Midlands	5,000	
	Others	10,000	
1972(Jul)	Southeast	10,000	Control removed from development and special areas.
	Others	15,000	
1974(Sep)	Southeast	5,000	
	Nonassisted areas	10,000	
1976(May)	Southeast	12,500	
	Others	15,000	
1977(Jun)			Inner areas of London and Birmingham gain second pri- ority after AAs as recipi- ents of mobile projects.
1979(May)	Nonassisted areas	50,000	
	Others	---	
1981	Suspended		

Source: 1948-1979, Nicol and Wettman (1979) "Background Notes to Restrictive Regional Policy Measures in the European Community", in Balanced National Growth, ed., K. Allen, (Lexington: Lexington Books), p. 168, Table 6.1.

1979, Trade and Industry, July 20, 1979, p. 99.

1981, Cullingworth (1985), Town and Country Planning in Britain, (London: George Allen and Unwin), p. 379.

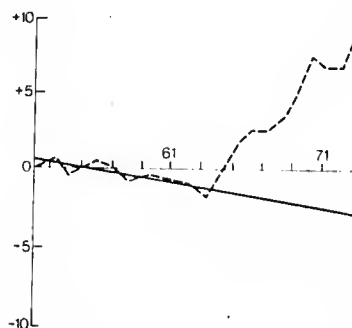
of different regions in the various national economies of Western Europe, and about the implications to be drawn for inter-regional policies. Nevertheless, the low rankings of all the British regions, and the relatively poor status of its most successful, at the very least challenges traditional notions about the ways to restrain development in southern England - and raise some doubts about the wisdom of restraint at all (Manners, et al., 1980, p. 57).

Overall Evaluation of British Regional Policy

Several quantitative analyses on British Regional Policy reveal the impact of policy on manufacturing movement. Moore and Rhode (1976) reported that regional policy had induced 128 manufacturing movements to the Development Areas annually during the 1960s.² The total jobs created by movement was 171,000. McKay (1979) also showed similar results. Using shift-share technics, he compared regional with national performance industry by industry and summed the results: "[t]he comparison of actual and 'expected' employment provides an estimate of the performance of a region relative to the nation" (McKay, 1979, p. 288). Figure (5.1) shows "the results of a differential shift calculation for the 4 Development Areas," (p. 288). This figure clearly reveals the impact of the strong regional policy on regional employment. McKay has explained this finding:

There is a clear and obvious break in trend ... A trend line fitted over 1952-63 shows that in each year the regional performance fell about 0.1% below the national and, as can be seen from fig. [5.1], there is surprisingly little deviation from this trend. From 1963 there is a marked change. Performance in the regions now becomes consistently better than we might expect using national performance as a standard of comparison, and by 1973 employment is 10% above "expected". If we allow for continuation of the steady downward drift that occurred 1952-63, the improvement post 1963 is even more marked; by 1973 actual employment was over 12% (approximately 190,000) above the earlier trend (McKay, 1979, p. 288).

Figure 5.1: Differential Shift: Development Area Regions (1952-73) and Fitted Time Trend (1952-63).



Source: McKay (1979), "The Death of Regional Policy -- Or Resurrection Squared ?" Regional Studies, 3(3), p. 288, Figure 4.

According to Ashcroft and Taylor (1979), "over 50 percent of the movement of industry into Development Areas of Great Britain during the 1961-71 was the direct result of regional policy" (p. 60). In terms of additional jobs created by these movements, they suggested around 100,000 during the 1960s. Among several measures, they found that "both location controls and capital subsidies had substantial effects on the movement of industry to the DAs. A major difference between these two policy instruments, however, is that location controls appear to have affected both the generation and the distribution of industrial movement ..., whereas capital subsidies had only a distribution effect" (pp. 60-1). As they have put it, their estimates of the effect of regional policy on the movement of industry are lower than those of Moore and Rhodes (1976).

These findings all support the fact that "government regional policy is now a major influence upon manufacturing location trends in Britain, whether measured by employment or floorspace" (Keeble, 1976, p. 114). And, regional policy has contributed to the convergence in regional inequality. But, as Smith (1981) has put it, "during the 1970s, the critique of British industrial location policy shifted from design and implementation to an examination of the nature of the development that has actually taken place" (p. 428). The British literatures on regional policy began to examine the structural problems of the problem areas. One of those problems was the "branch-plant economies" of the assisted areas (Hoare, 1983, p. 91). Thus, "attention has focused on the predominance of the movement of branch plant to the peripheral areas, with the associated increase in external control" (Smith, 1981, p. 428). Hoare (1983) showed this predominance of branch plants in the movements (Table 5.4).

Main criticisms on 'branch-plant economies' have been focused on the fact that branch plants are not conducive to the economic growth of the depressed areas. Branch plants do not generate great multiplier effect on the local economy. And branch plants tend to foster unionization and are vulnerable to higher rates of strikes due to their lack of management function (Wray, 1983, p. 467). Firms (1975) went further by arguing that the separate management function (external control) brings about:

a changing balance between innovative, entrepreneurial-type decision making and routine management-type supervision. When major decisions, such as on investment, sales, or purchasing are made elsewhere, the plant managers in the regional subsidiaries or branch plants are reduced to what Baumol calls "competent calculating machines". Thus much of the drive, enthusiasm and invention that lies at the heart of economic growth is removed, reduced, or at best, suppressed (Firm, 1975, p. 410).

According to Stohr and Todtling (1973), "regional policy instruments (especially investment incentives) tend to support the establishment of branch plants and subsidiaries with foreign ownership in peripheral areas" (p. 95). Of considerable importance in these findings is that this dichotomy in firm organization has produced new type of regional problems. The Regional Studies Association of the UK suggested that "a basic regional dualism in economic development was identified in the UK. This differentiated between a 'Greater South East' zone of comparative economic buoyancy and the less prosperous regions on the north and west" (1983, p. 58). This Association regarded 'Greater South East' as the core and the less prosperous regions as the periphery. The core regions have the following characteristics:

Nonetheless, as a description of key spatial variations in the extent of relative specialization in different

Table 5.4: Branches and Transfers: Contributions to Employment in Movement of Destinations in Assisted Areas.

	1945-65 ¹			1966-75 ²	
	Movement to Peripheral Areas			Movement to Assisted Areas	
	1945-51	1952-59	1960-65	1966-71	1972-75
Transfers(%)	19.2	9.6	7.2	33.4	40.8
Branches(%)	80.7	90.3	92.8	66.6	59.2

Note: 1. Northern Ireland, Scotland, Wales, North Merseyside, Devon and Cornwall.

2. Northern Ireland, Special Development Areas, Development Areas and Intermediate Areas.

Source: Hoare (1983), The Location of Industry in Britain (Cambridge: Cambridge University Press), p. 91, Table 4.4.

economic functions, the core-periphery distinction is useful. One of the most important aspects of this distinction is its association with geographical differences in the capacity for indigenous economic development. The structural characteristics of the core region appear to provide an economic environment which is much more conducive to self-reliant growth than that of the periphery. This may be illustrated by a consideration of spatial variations in indigenous potential with regard to two key sources of growth - technological innovation and new enterprise formation (RSA, 1983, p. 58).

These findings led to the conclusion that while regional policies have been partly successful in their quantitative aspects, there still remain problems in their qualitative and structural aspects (Stohr and Todtling, 1978, p. 109). Wray (1983) emphasized that "regional policy has not merely been a weak palliative but also had adverse 'side effects'" (p. 467).

According to Goddard (1981), "regional policy in Britain is at a cross roads" (p. 319). Several analysts also began to suggest the alternative for future policy (Chisholm, 1985; Moore and Rhodes, 1982; Elias, 1982; Wray, 1983). The basic assumptions for future policy seem to rest with the argument that "a successful national economic strategy is the main requirements for a solution to the economic problems of all regions" (Moore and Rhodes, 1982, p. 329).

As the national economy began to decline, "the special needs of the less prosperous areas would have to give way to the more general needs of the economy as a whole" (Wilson, 1979, p. 81). Thus, "the package of policy introduced in the postwar period of economic growth are clearly no longer appropriate in the present period of structural change" (Goddard, 1982, p. 320). And, "the primary emphasis of regional policy should now

be to facilitate economic growth, not to redistribute the existing stock of employment opportunities" (Chisholm, 1985, p. 312).

PART II. AMERICAN EXPERIENCE IN REGIONAL POLICY

Tennessee Valley Authority

In the United States, "little concern for depressed areas was evident until 1960," (Friedmann and Weaver, 1979, p. 144). But there can be controversy over this statement. This problem requires the understanding of the work of the Regional Planning Association of America (RPAA) and the Tennessee Valley Authority (TVA). Friedmann and Weaver (1979) explained this point:

To what extent there was a 'lag' depends partly on how one interprets the evidence. The TVA, of course, was the best-known instance of regional planning and also the first. It had been the federal government's answer to endemic poverty in the South. But that was before a clear concept of 'depressed area' had been formed (Friedmann and Weaver, 1979, p. 155).

And, behind the TVA (New Deal), there was RPAA's idea on regional planning (Friedmann and Weaver, 1979, pp. 30-41). Mumford (1931, 1976) suggested the difference between the regional planning and metropolitan planning as follows:

- [1] [Metropolitan planning] would be city planning on a large scale and not regional development ... The first different factor in regional planning is that it includes cities, villages and permanent rural areas, considered as part of the regional complex (1976, p. 209).
- [2] The second important factor in regional planning is its respect of balanced environment and a settled mode of life ... Regional planning is concerned with provisions for the settlement of the country; and this settlement in turn implies a balanced use of resources and a balanced social life (1976, pp. 209-10).

"[F]or the RPAA, regional planning was a method which could be used to contain metropolitan growth and re-establish what they called a regional balance". The region was the base for the improvement of human life. But "the prevalent concepts of [the RPAA] did not start with the goal of economic growth" (Friedmann and Weaver, 1979, p. 32). The Advisory Commission on Inter-governmental Relations (ACIR) report on Multi-State Regionalism (1972) reveals that "intellectual interest" on the analysis of "regional economic problems" can be found after the war⁴ (p. 7).

The TVA can be "the first regional development program in the United States" (Miernyk, 1982, p. 41). But it was "designed initially to exploit the potential of hydroelectric power" (Miernyk, 1982, p. 41). "The area covered by the TVA was designated to achieve specific goals such as improvement of navigability, provision for reforestation and proper use of marginal lands, and provision for the national defense" (Lim, 1983, p. 8). Its primary objective was not concerned with the amelioration of regional disparities in economic prosperity. Its area was not designated according to the differentiation of the developed and depressed regions of the country. According to Sundquist and Mields (1979), "the Tennessee Valley Authority happened to be located in what had been an underdeveloped region" (p. 306).

Area Redevelopment Administration

During the 1950s, the Senate began to investigate the causes of high-levels of localized unemployment (Miernyk, 1982, p. 44). Among several types of problem regions, it was the depressed industrial areas that got the support of the government (the Senate) for the first time. This fact tells part of the characteristics of American politics. This

fact may also be associated with the reasons why regional development programs did not belong to the Department of Agriculture. Later, the Senate also authorized the study of low-income families. And, "in order to capture rural votes, depressed areas were defined to include rural areas," in the bills which were introduced to aid depressed regions (Richardson, 1979, p. 273).

The Area Redevelopment Act of 1961 empowered the Area Redevelopment Administration to "help local public authorities to build or improve public service facilities ... by grants or loans, to provide part of the financing for construction of private commercial or industrial facilities and to aid areas in development analysis and planning through technical assistance in kind or through grants to support such work" (Hoover, 1975, p. 285). But it appears that the federal system did not permit this agency to induce mobile industries from other regions to redevelopment areas. According to Miernyk (1982), "the objective of this agency was to create new jobs." The basic approach to regional development was to "develop and expand new and existing facilities and resources without reducing employment elsewhere" (p. 45).

Redevelopment area was designated according to the unemployment rate: (a) 50 percent above the national average for three of four preceding years, (b) 75 percent above the national average for two of the three preceding years, or (c) twice the national average for one of the two preceding years. For a rural area to be eligible, it had to have "one of the highest incidence of low income families and sustained unemployment" (Crane, 1975, p. 115).

From 1961 to 1965, the Area Redevelopment Act "financed \$323 million in a variety of projects" (Sundquist and Miels, 1979, p. 318). 54 percent of the expenditure was allocated for industrial and commercial loans and 32 percent were spent for public facilities grants and loans. As Miernyk (1982) has put it, "the ARA was involved in a program of directly productive investment (DPI)" (p. 45).

Compared with USDA's rural development programs, the ARA's projects were very modest. During the early years of 1960s, USDA implemented several rural development programs under the Office of Rural Areas Development. But most of these programs were decentralized, with emphasis on state and county activities. These programs were: The Cooperative Extension Service, Farmers Home Administration and the Rural Electrification Administration. From 1961 to 1965, federal payment to states' Extension Service amounted \$ 320 million. Total appropriation for Rural Electrification Administration was \$ 54 million but this agency's authorized loan limit amounted to \$ 2027.5 million (Crane, 1975, pp. 283, 285).

According to Crane (1975), among 900 counties which were designated as Redevelopment Areas, "some 300 counties were qualified as low income or low farm areas," 230 rural development program counties were designated "as a sop to USDA" and "another 300 counties were designated as depressed small urban areas" (p. 117). As the ARA was willing to "place projects in counties already in the USDA's RDP (Rural Development Program)" and as most metropolitan places were unable to qualify for assistance, "the ARA was highly oriented toward helping sparsely settled areas" (pp. 117-8). These findings lead to doubt the economic viability of ARA's projects. Sundquist and Miels (1979) explained this point:

Because ARA was limited to areas of persistent and substantial unemployment identified on a county-by-county basis, the natural growth centers of depressed regions were often excluded, and the available funds had to be concentrated in smaller places that frequently had little capacity or potential for substantial growth. The county unit of government turned out to be inadequate in terms of both planning and execution of the program's objectives. Economic planning by county committees did not produce long-range viable blue-prints for alleviating the economic problems of the depressed communities (Sundquist and Miels, 1979, p. 318).

But Miernyk (1982) does not see the demise of the ARA as the result of limited success. He seems to put more emphasis on the political settings to which federal programs may have to subject:

While scholars criticized the ARA for its limited successes, representatives of businesses in areas where ARA supported establishments were operating successfully were complaining bitterly to their congressmen about the "unfair competition" of government-subsidized establishments. Indeed, it is at least possible, if not probable, that the major cause of the ARA's demise was that it worked too well rather than too poorly (Miernyk, 1982, p. 46).

It takes much time and money to bring less-urbanized communities to the minimum development thresholds. "Development thresholds are not insurmountable but they can be overcome by incurring additional (often very high) investment costs, known as threshold costs" (Vanhove and Klasen, 1980, pp. 203-4). Considering these arguments, Hoover (1975) recommended that "measures applied to less-urbanized and poorer areas may be confined largely to human resources development and income supplements for people who, because of age or disability, can not be expected to solve their problem by migrating" (p. 284). Thus, this kind of people-oriented activities can be found in ARA's projects. ARA spent \$ 26.6 million in training courses for workers. And "ARA did claim considerable success for

its job-training program, which placed 70 percent of the 45,000 individuals trained" (Sundquist and Miels, 1979, p. 318). Considering that the ARA was the first federal program for depressed areas and that "it had no domestic precedent to draw on" (Miernyk, 1982, p. 45), ARA's experience in human resources development is worthy of its claim of success and should have been emulated by successive federal programs.

It appears that the major problem lay in its activities in industrial and commercial loans. "Such business groups as the Chamber of Commerce insisted from the first that the program constituted unfair government intervention into private business decisions. Labor unions protested that business was being encouraged to move into areas where unions were unorganized or very weak" (Crane, 1975, p. 118).

Economic Development Administration

Reorganization of government agency usually gets its rationale from the criticized deficiencies of the former agency. If there were any necessity to change, this should occur in strategies (ways) or standard operating procedures (means). EDA will be discussed in this perspective.

The Public Works and Economic Development Act (PWEDA) of 1965 states that its primary goal is to "help areas and regions of substantial and persistent unemployment and underemployment ... [with] planning and financing their public works and economic development." Thus the Economic Development Administration's (EDA) responsibility is "to generate jobs, help protect existing jobs in economically distressed areas, and promote the capacity of States and localities to plan and conduct economic development programs" (EDA, 1983, p.1).

The EDA has worked with communities in economically lagging areas and "its assistance had been limited to areas of substantial or persistent unemployment, low family income, or sudden rise in unemployment" (EDA, 1975, p.1). The Public Works and Economic Development Act Amendments of 1974 contained three more Titles than the former one. EDA extended its aid for private enterprises and included such programs as Special Economic Development and Adjustment Assistance Program and Job Opportunities Program. This program was included as "an antirecessionary measure to help create jobs in areas of high unemployment" (EDA, 1975, p. 1). This kind of change may obscure the initial objectives of the EDA⁵. Thus EDA will be discussed in two parts: before and after the amendment to PWEDA.

Before Amendment

The PWEDA of 1965 identifies three different geographic areas that may be eligible for EDA's assistance: redevelopment areas, development districts and economic development region. Redevelopment areas can be a county, a labor area, an Indian reservation, or a municipality. Except Indian reservations, these areas should have a population of at least 1500 and not more than 250,00. Development districts must contain at least two redevelopment areas and either a redevelopment center or an economic development center. This center must be an area or city of sufficient size and potential to foster economic growth. The economic development region can be a multi-state one.

The PWEDA of 1965 provided three basic tools for EDA to implement its objectives. They are: grants and loans for needed public works and development facilities, industrial and commercial loans, and planning, and research assistance. Like the ARA, EDA has certain limitations in its

program. The first one is the restriction on relocation of industry. "All assistance under the Act must be denied if it would assist job relocation" (EDA, 1968, p. 20). EDA explained this restriction as follows:

Job relocation and plant piracy hold particular dangers in disadvantaged areas where an employer may find it economical to avoid collective bargaining obligations or to escape from a "high wage" to a "low wage" labor market area. Such relocation does not create new jobs, but merely effects the transfer of the problems of unemployment from one area to another (EDA, 1978, p. 20).

EDA does not "provide funds for facilities designed to serve primarily or essentially firms engaged in the apparel or garment trade within the textile industry" (EDA, 1968, p. 23). This restriction comes from the recommendation of the Senate and the House. The Senate Committee Report states:

The Public Works and Economic Development Act of 1965 is not intended to authorize the use of Federal funds for grants, loans, guarantees, subsidies, purchases of indebtedness, or assistance of any kind for programs, projects, facilities, or purchases to be used by or for highly mobile, intensely competitive industries, such as the apparel or garment trades within the textile industry, in which substantial unemployment and abnormal unused plant capacity exists, and in which labor turnover is high and the prior possession of a specific skill or training is not typically a prerequisite for obtaining employment. (Senate Committee Report No. 193, 89th Cong., 1st sess., page 14.) (quoted from EDA, 1968, p. 25).

There are specific eligibility criteria for assistance: substantial and persistent unemployment, population loss and low median family income. In practice these criteria can be divided into eight as noted in Table(5.5). EDA had a 'worst - first' strategy in the designation of assisted areas. This rule was not adopted according to the law nor to theories. From the

Table 5.5: Determination of Eligibility for EDA Assistance

Criterion	Number of Areas		
	1973	1979	1983
Total	1818	2585	2653
Substantial Unemployment	385	1566	1616
Persistent Unemployment	497	230	233
Median Family Income	448	86	85
Indian Reservations	142	176	187
Sudden rise in Unemployment	139	47	47
Special Impact Areas	14	365	367
Per Capita Employment	181	114	117
One Redevelopment Area Per State	14	1	1

Source: U.S. Department of Commerce, EDA, Annual Report 1973, 1979, 1983.

first two years' of experience, EDA learned that unemployment rates were too flexible to be standards. "In its first ten months of operations, EDA had approved 650 separate projects, and 324 eligible areas received one or more projects. However, nearly a third of these were terminated at the end of the first annual review because their unemployment rates had fallen below the 6 percent required for participation" (Hansen, 1977, p. 411). This fact had made EDA develop a 'worst - first' strategy (Hansen, 1977, p. 412; Richardson, 1979, p. 280; Miernyk, 1977, p. 395). Randolph Martin (1979) tested the relationship between unemployment rates and per capita income levels of counties, and the level of assistance from ARA and EDA. His analysis showed that EDA was truthful to its principles:

per capita income and unemployment rates are statistically significant factors in the selection of areas for assistance and in the disbursement of funds among the selected areas. In particular, it was observed that these factors are most efficient in predicting whether a particular county has received any assistance under the regional development programs (Martin, 1979, p. 49).

According to Richardson (1979) "this [worst-first strategy] provided a focus, but at the expense of efficiency. Also, adoption of this criterion was incompatible with the growth center strategy by making sure that development districts should have a sufficient size and potential for growth. Adoption of growth center strategy was considered to be the principal innovation from the early ARA experience.

After 1968 "there had been some change in policy toward supporting the growth centers" (Richardson, 1979, p. 280). It was also largely the result of EDA's experience in worst-first strategy. "With limited funds and a large number of designated eligible areas, it was impossible for EDA

to make the kinds of massive investment that would have been required to turn around some of the seriously depressed areas chosen for assistance" (Miernyk, 1977, p. 395). EDA's involvement in growth center strategy was made possible by the process of Overall Economic Development Program (OEDP). EDA requires that every assisted area formulate an OEDP, "which must be approved by EDA before the area can be officially designated" (EDA, 1968, p. 13). OEDP activity in a district was normally carried out by a district organization. Thus through the OEDP process, a growth center could identify its goals, objectives and resources, provide a detailed program for development and was eligible for assistance. But, according to Richardson (1979), "growth centers were typically too small to generate many spillovers in their hinterlands: out of 171 development centers designated by April 1970 only 13 were larger than 100,000 population, and only 30 larger than 50,000" (p. 280). These findings led to the conclusion that EDA's assistance has been widely dispersed to small communities. Miernyk (1977) explained this:

To be successful a growth center strategy would require a fairly high degree of selectivity. BUT selectivity has little appeal to members of Congress, each of whom is looking for benefits that will accrue to his or her district. The required degree of selectivity would no doubt be unacceptable to a majority of congressmen. Partly because of the political difficulties or pursuing an economically viable growth center strategy, EDA has been forced to spread its funds for investment in public works widely (Miernyk, 1977, p. 395).

Before 1973, EDA's main programs have been focused on public works. 75.6 percent of EDA's expenditure have been spent on public facilities: industrial site, general development, recreation, educational, port, airport, and health facilities. But only 17.2 percent of expenditure went for business development loans and working capital guarantees. Although

Table 5.6: EDA - Obligated Projects by Program

Program	Amounts in million dollars* (%)		
	1973	1979	1983
Public Works	1,440 (75.6)	2,641 (54.7)	3,357 (54.5)
Business. develop. loans	327 (17.2)	655 (13.6)	792 (12.9)
- Guarantees	(66) (3.5)	738 (15.3)	874 (14.2)
Technical Assistance	94 (4.9)	215 (4.5)	284 (4.6)
Planning Grants	44 (2.3)	178 (3.7)	282 (4.6)
Economic Adjustment	--	397 (8.2)	569 (9.2)
Total	1,905 (100)	4,824 (100)	6,158 (100)

Source: U.S. Department of Commerce, EDA, Annual Report, 1973, 1979, 1983.

Note: * Cumulative amount to each fiscal year.

the assistance was widely dispersed, the Appalachian states were the first beneficiary of this program.

EDA's staff report (1970) on evaluation of 125 public works programs shows that "the EDA public works program has been, in general, successful in terms of process, job, structural and service impacts" (p. 1). With regards to job impacts, "sixty-one percent of the projects evaluated had some direct job impact. A total of 9,994 direct jobs were saved or created as a result of the EDA projects, and another 3,708 local indirect jobs were generated by the additional spending in the community. This meant that an average of 80 direct jobs and 30 indirect jobs have thus far resulted from each project" (p. 3). According to Miernyk (1980), "the rank correlation between EDA expenditures and changes in [state] per capita income was only 0.31, and that between expenditures and changes in the unemployment rate was only 0.17" (quoted from 1982, p. 47). Thus it is very difficult to draw conclusion from these findings. But the following observations suggest that EDA did not have enough power and money. According to Townroe:

Expectations of the EDA have not really been matched by its funds or its power. Relative to the expenditures on area development by the governments of most European countries (as a percentage of GNP), the budget of the EDA is small and is vastly overshadowed by the expenditures of other federal programs. And the American political process '...encourages diffusion and discourages focus' --- so that the effectiveness of the EDA programs has been weakened by an inability to use strong tools selectively. (Townroe, 1979, p. 9).

As Jerrett and Barocci (1979) have put it, "the goal of EDA is long-run results and the demands put on the agency are short run" (p. 32). And considering the fact that "for capital investments on industrial and commercial projects the EDA's share was less than 5 percent" (p. 28), they

observed that "this small portion may not have been the determining factor in inducing private business to invest in projects, but rather, were simply a windfall" (p. 28). They concluded that:

The economic - development efforts of the agencies [ARA and EDA] have mixed results. On a positive note, some of the special-area efforts have halted or at slowed economic decline. Thousands of jobs have been created and many still-utilized facilities have been built. At a very minimum, economic development plans have brought together previously unconnected interest groups within communities to discuss their goals and priorities. At a maximum, the plans will aid in furthering smooth and coordinated economic change in the future (Jerrett and Barocci, 1979, pp. 32-3).

After Amendment

In 1972, the EDA assumed Public Works Impact Program (PWIP) "to implement a countercyclical employment program along with the regular economic development, public-works projects" (Jerrett and Barocci, 1979, p. 28). The main objective of this program was to create immediate jobs in areas of high unemployment. Thus, accordingly to Sundquist and Miels (1979), "the program, while geographically restricted to areas of heavy unemployment, was deliberately severed from any economic development and hence more properly be considered as a relief program than as a regional development program" (p. 325).

From 1975 to 1976, the EDA implemented the Title X Job Opportunities Program. EDA has provided almost \$ 500 million for 2255 projects. Among these projects, 31.4 percent were rehabilitation and repair works for existing structures or facilities. According to Jerrett and Barocci (1979), "over two-thirds of Title X projects are in non metropolitan areas" (p. 49). And "Title X was funded primarily to provide a short-term countercyclical stimulus to local economies. Long-term impacts were not

intended to be the focus of the program" (p. 208). These findings led to the conclusion:

While similarly restricted to distressed areas, it emphasized employment rather than infrastructure development, and consequently a requirement was inserted that half the funds be reserved for projects with nonlabor costs of not more than 25 percent. Thus repair, maintenance, landscaping, and beautification projects were given precedence over heavy construction projects (Sundquist and Mields, 1979, p. 325).

The EDA put more emphasis on urban and short-term programs than on rural and long-term ones. As Richardson (1979) has put it, "with more emphasis on unemployment problems in central cities than on interregional redistribution, the EDA regional development programs withered away in the early 1970s" (p. 280).

Appalachian Regional Commission

The President's Appalachian Regional Commission (PARC) devoted one year's study to the region's problems. Its report (1964) described six major problems of the region: "low income, high unemployment, lack of urbanization, deficits in education, deficits in standards of living and changing population" (quoted from Newman, 1972, pp. 29-30). It also recommended 'four priority goals' for regional development:

- a. Providing access both to and within the region.
- b. Utilizing the region's natural resource of coal, timber, and tillable land.
- c. Utilizing the region's rainfall and water resources.
- d. Improving the education and the health of the people.
(Newman, 1972, p. 53).

Appalachian Regional Commission (ARC) which was established by the Appalachian Regional Development Act was the first federal-state joint

agency. It was composed of a federal co-chairman and 13 participating governors. Its responsibility was planning and implementing of programs through its member states and their local development districts.

From 1965 to 1976, ARC was authorized to spend about \$ 2791 million. And 61% of these funds went to highway development. But ARC's activity was very diversified. Besides highway construction, it encompasses health program, vocational education, mining area restoration, and others. "By February 1979, 73 percent of the projected 2384 miles of development highways had been completed or were under construction, and 86 percent of the planned access roads had been finished or were being built" (Miernyk, 1982, p. 51).

"Conditions in Appalachia have improved dramatically since the commission was established" (Sundquist and Miels, 1979, p. 322). But "no serious analyst could support the conclusion that this is solely the result of ARC's activities" (Newman, 1980, p. 15). According to Miernyk (1982):

the Appalachian region benefited from exogenous forces -- the rapid rise of energy prices during the 1970s -- which resulted in the revival of some of the more severely depressed parts of the region. While there is no doubt that the development highways, and the various forms of investment in human capital, have contributed to the revival of Appalachia, the gains in this region would have been much smaller in the absence of the "energy crisis" (Miernyk, 1982, p. 51).

Newman (1980) observed that "one obviously favorable effect has been the creation of considerably altered regional infrastructure, a substantial portion of which produces what would generally be designated as merit goods" (p. 15). And one thing which he stressed is that "favorable comment has been made about ARC's blending of local, state, and national

perspectives in policy and program decisions" (p. 1). He explained this point:

A major claim for the regional approach is the ability of the commission format to adapt national programs to regional needs while retaining a sense of national priorities. Those who find merit in ARC performance place considerable emphasis on this attribute. They see in the ARC model a better way to conduct and administer the public's business, a way well beyond the confines of conventionally defined economic development although such development is an important part of the range of possible activities (Newman, 1980, p. 15).

Regional Planning Commission

Title V of the Public Works and Economic Development Act of 1965 made it possible for several states to organize a planning commission. Under the guidance of the Secretary of Commerce, planning commissions were organized by the following criteria:

1. High unemployment.
2. Low income.
3. Low levels of "housing, health and educational facilities."
4. Dominance of the regional economy by "only one or two industries, which are in a state of long-term decline."
5. Substantial out-migration of labor, capital, or both.
6. Low growth rate of aggregate output.
7. Adverse effects from changing industrial technology or changes in national defense facilities or production. (quoted from Hoover, 1975, p. 287).

Like the ARC, these commissions were composed of a federal co-chairman and governors of the participating states. There were eight planning commissions before abolished. "Together with ARC, they cover 70 percent of the nation's land area ... but less than half of its population" (Sundquist and Mields, 1979, p. 322).

These commissions' main functions were to coordinate interstate cooperation and to assist local economic development planning. Thus they had no project funds nor any administrative jurisdiction. Usually, they prepared multi-year development plan for their regions. And their funds from federal government have been negligible. "Congress in 1975 provided ARC \$ 299 million, while limiting the Title V commissions as a group to only \$ 41 million in assistance funds ... on this scale, there is no evidence to suggest any significant economic impact stemming from these commissions' activities" (Sundquist and Mields, 1979, p. 324).

However, according to Newman (1977), these commissions provided new aspects in federal systems:

The opportunity for the governors to meet, discuss regional conditions, and utilize modest funds and Federal support to lesson adverse conditions, has been an attraction that helps explain, in part, the spread and persistence of Title V commissions. They have apparently responded to a perceived need for a recognition of regional commonality within the Federal system (Newman, 1977, p. 5).

Implicit Policies

As there are no strong explicit regional policies, may analysts have focused their analyses on implicit policies. In fact, many federal activities have spatial impacts and territorial consequences. Budget allocation itself has spatial meanings. Especially, much attention has been focused on federal defense spending in terms of its spatial impact. And the debate over the regional distribution of federal spending has been intensified along with the Sunbelt issue. One good example for this case was that "the North eastern states, with 45 percent of America's people, get only 28 percent of the national defense spending while the states of

the Sunbelt with 38 percent of population get almost half of the national defense budget" (Morris, 1980, p. 148).

In their analysis of the Sunbelt cities, Rice and Bernard (1983), observed that "some federal spending programs have proved especially helpful to the South and South West" (p. 15). They enumerated those federal programs: interstate highway, which made Atlanta, Dallas, and Phoenix grow; urban redevelopment programs, which rebuilt Atlanta, Tampa, New Orleans and Oklahoma City (pp. 14-15). There are more federal programs which made the Sunbelt cities grow:

Other federal programs stand out as important stimulants in particular examples. Without federal assistance, for example, Atlanta could not have built its impressive rapid rail transit system. The establishment of the Johnson Space Flight Center south of Houston and the location of the Federal Aviation Administration's training center in Oklahoma City illustrates how federal spending can boost local economies and images. Federal regional offices are especially important to Atlanta and Albuquerque. Without Social Security and other government retirement programs, the booms in Miami, Tampa-St. Petersburg, and Phoenix would probably been smaller. In short, through a combination of deliberate redistributive policy, political clout, and plain happenstance, the Sunbelt owes much of its rise to money from Washington (Rice and Bernard, 1983, p. 15).

But, according to Browning (1981), "the impact of federal outlays varies because a dollar spent on one kind of program is not the same in its local or regional impact as a dollar spent on another kind of program. In the terminology of the economic base, the multiplier effect differs for different kinds of programs" (p. 142). He stressed the difficulty in measuring the spatial impact of different program.

In his analysis of defense spending, Rees (1981) also observed a similar problem that "the spatial pattern of prime defense contractors

differs considerably from that of subcontractors. All three companies [in the Dallas-Fort Worth area] are dependent in their procurement of materials produced in the traditional manufacturing belt, the 'American Ruhr' of the Northeast and Midwest" (p. 211). His final conclusions are:

All examination of the pattern outlined in this essay should also confirm the notion that the federal government through its procurement policies, is a forum for planned adjustment in the U.S. regional system in a de facto if not de jure sense. However, this still leaves unanswered the complex question whether such federal policies, either by design or by accident, played an important role than national demand or technological change in the major changes that have taken place in the U.S. space economy in the 1960s and 1970s (Rees, 1981, p. 219).

Labovitz (1978) compared the federal expenditure with revenues in regions and states. His findings show that "the leading region in contributions to federal revenues in 1974-1976 -- the Midwest, at 21.9% -- was marginally below its 22.2% share of expenditures. The Great Lakes had the next highest regional percentage of revenues, 20.2%, but was fourth in expenditures, at 15.1%. The Far West provided 13.7% of total revenues and drew 15.5% of total expenditures" (p. 22) (Table 5.7).

Considering diverse factors involved in these findings, he concluded that:

Excepting in an egalitarian society, uniformity in the ratios and index numbers is not to be expected. Indeed, such uniformity might run counter to the dominant values of our federal system of government, which allows and adjusts for regional and individual differences in economic status, consumption levels, resource availability, demand for governmental services and activities, and other characteristics. Interstate uniformity in the ratios of federal expenditures to revenues, if it appeared, might attest to some frustration of national interests and standards (Labovitz, 1978, p. 23).

There can be more arguments and counter arguments over this issue. But with regards to policy formulation this issue provides some requirement for planners or policy-makers. Gober (1981) explained this point:

Although prospects for a comprehensive national migration policy are dim, it is increasingly necessary to understand the geographic impacts of government policy. Seemingly unrelated activities may have far-reaching and sometimes unwanted consequences in terms of population distribution and migration. Recognition of the geographic qualities of government activity is a prerequisite to the efficient planning and manipulation of future population growth and its spatial distribution (Gober, 1981, p. 320).

Table 5.7: Percentage of Federal Government Revenues by Region of Origin
and Expenditure by Residence of Recipient of Location of Activity:

Fiscal Years 1974-76.

Region	Expenditure(%)	Revenues(%)
New England	6.2	6.1
MidWest	22.2	21.9
Great Lakes	15.1	20.2
Plains	7.1	7.4
South East	21.7	19.5
South West	8.4	8.1
Rocky Mountain	2.7	2.5
Far West	15.5	13.9
Alaska, Hawaii	1.1	0.7
Total	100	100

Source: Labovitz (1978) "Federal Expenditures and Revenues in Regions and States." Intergovernmental Perspective. Advisory Commissions on Intergovernmental Relations, 4(4), pp. 21-2. Table 9, 10.

Overall Evaluation of American Regional Policy.

In 1969, when EDA was working for depressed regions, Chinitz (1969) recommended that:

One of the principal tasks for the federal agency charged with promoting regional development, the Economic Development Agency, is to determine an appropriate policy to each of these types of distressed area problem. This task will demand not only considerable technical sophistication in delineating the correct policy weapons but a political strategy which is strong enough to prevent federal funds from being allocated to areas which have no potential for economic development (Chinitz, 1969, p. 61).

This recommendation reveals the very characteristics of regional policy in the U.S. Regional agencies (EDA, ARC, ARA) all have worked within certain built-in requirements: restriction on job relocation and plant piracy; political port-barrel. The first restriction forced regional agencies to focus on public works. The second situation has made their activities dispersed. Thus, it is quite reasonable to conclude that:

official policies and public statements have generally soft-pedaled migration as an instrument of regional policy, have paid a great deal of deference to the Place Prosperity strategy and the criterion of need, and have favored spreading assistance among an increasingly large number of claimant areas rather than concentrating it (Hoover, 1975, p. 274).

With regards to measures, "regional programs in the United States have been limited almost entirely to [expenditures for public infrastructure]" (Sundquist and Nields, 1979, p. 305).

This does not mean that regional policies have no effect on spatial development. Although natural process of population movement (turn around of non metropolitan) has helped them much, it is significant that:

The turnaround regions lie wholly or mostly within the areas covered by the regional commissions created in 1965 by the Public Works and Economic Development Act and the Appalachian Regional Development Act; and they have profited in varying degree from the activities of the Economic Development Administration and from planning efforts carried out within the context of state-designated multi-county planning units (Hansen, 1977, p. 414).

But Hansen (1977) emphasized that "few would claim that these federal and state initiatives have been responsible for the growth of the relevant regions, [considering] they have had too little money, too little time, and have lacked a consistent development strategy" (p. 414).

Since EDA began to be involved in non-spatial programs, the U.S. regional policy withered away. Under the Carter administration, national concerns about spatial problem focused on urban problems. In 1977, the Urban Development Action Grants (UDAG) was created to help distressed areas. According to Wilmoth (1984), "the UDAG program provided grants to private development projects that would otherwise not be feasible in cities with high unemployment rates and other indicators of distress" (p. 238). He argued that this program represented "the shift [from] the emphasis of regional policy onto business development policy with a nod toward small business." He explained this point:

Certain private development projects (characteristically hotels, convention centers, and shopping centers) in targeted cities were awarded direct federal grants in order to "leverage" additional private investment. UDAGs fitted the political requirements of the time: leveraging appeared to make scarce federal dollars go a long way; targeting on areas "in distress" appeared to focus them effectively; and offering grants ultimately to corporations rather than to local governments appeared to ensure that jobs so created were private, and hence permanent, by contrast with jobs created within, or fully by, the state (Wilmoth, 1984, p. 238).

Under the Carter administration, according to Wilmoth (1984), "industrial policy eclipsed regional policy, and an earlier 'jobs-to-people' emphasis turned to a 'people-to-jobs' strategy" (p. 236). His argument comes from the report "A National Agenda for the Eighties" (1980). On industrial policy, this report reads:

The aim of government policies should be to facilitate the access of all industries to adequate capital, ideas, and labor, rather than to direct resources toward some sectors or industries and away from others. Not only are effects by government to designate "winners" and "losers" likely to be fraught with difficulty ... but the very imagery is that of divisiveness and politicization rather than consensus and cohesion. Instead, the emphasis should be on maintaining diversified industrial strength, competitiveness, and technological dynamism, with policies that encourage resources to flow to their most productive uses. At the same time, it is essential to provide temporary assistance to workers and communities hurt by the transitions resulting from technological progress and changing patterns of international trade. (quoted from Wilmoth, 1984, p. 249).

Wilmoth (1984) observed that "[t]he new coorporatists wanted the 'divisiveness and polarization' of redistributive regional policy replaced by a 'consensus and cohesion' over reindustrialization policy focused on production" (p. 249). He finally put that "[N]o U.S. government document has ever argued so strongly for the neglect of declining regions" (p. 248).

In 1981, President Reagan proposed a new budget document: America's New Beginning: A Program for Economic Recovery. For economic recovery, he proposed to eliminate most of federal support for regional policy (planning). This package included the phasing out of federal support for EDA, ARC and the Title V commissions. The FY 1981 EDA program budget was reduced by 30 percent (EDA, 1982, p. 1). EDA expressed its new commitment

to economic development as follows:

The decade of the eighties requires a new and bold approach for economic prosperity. President Reagan and Secretary Baldrige are providing the Nation the benefit of courageous leadership. We are committed to economic development within the context of the new federalism initiative and the President's Economic Recovery Program.

Accordingly, we are placing the emphasis on job creation where it belongs - with American business (EDA, 1981, p. 1).

COMPARISON OF EXPERIENCE

Among three categories of strategy, the UK has put more emphasis on place prosperity rather than people prosperity, has selected assisted areas according to the criterion of need (distress) rather than development potential, and has dispersed aids around the country. With regards to policy measures, Britain has relied on location control on manufacturing industry. Manufacturing industries were considered to be more foot-loose than any other type of industry.

The U.S. has pursued a similar strategy. "[O]fficial policies and public statements have ... paid a great deal of deference of the place prosperity strategy and the criterion of need, and have favored spreading assistance among an increasingly large number of claimant areas rather than concentrating it" (Hoover, 1975, p. 274). But the U.S. has largely focused on public works among several policy measures.

Britain has employed a wide range of financial incentives in order to induce firms to lagging areas. In addition to capital subsidies, financial subsidies included aids on operating cost (REP). These measures were reinforced by direct controls (IDC, ODP) on the location of firms and service sector. Compared with Britain, the U.S. has avoided direct measures to induce firms to lagging areas. But this does not mean that the U.S. provided no financial incentives to mobile industries. "The influx of industrial investment into particular individual communities in the United States has been strongly influenced by local programs to promote industrial growth, depending largely on local initiative and funding" (Townroe, 1979, pp. 9-10). Most common instruments of industrial aid are financial subsidies such as industrial revenue bonds, property tax exem-

ption, loan guarantees or interest subsidies, and corporate income tax incentives. Thus, financial incentives similar to those of Britain were also available for mobile industries in the U.S. And these states' programs are actually incurring cost to federal government. Harrison and Kanter (1978) explained this point:

recent figures calculated by the U.S. Office of Management and Budget for FY 1976 show that foregone federal revenues amounted to nearly \$ 4.8 billion that year, with three-fourths of that accruing to corporations and only one-quarter to private individuals (Harrison and Kanter, 1978, p. 431).

British regional policy has been criticized in that it has weakened competitiveness of private firms: financial incentives produced inefficient and non-competitive firms in the distressed areas. Direct control on development in the South East has put this region in relatively poor status in comparison with other regions in Western Europe. "Regional policy has not merely been a weak palliative but also had adverse side effects" (Wray, 1983, p. 467). Regional policy has fostered branch plants which were not conducive to the economic growth of the depressed areas. One of the most serious consequences of this biased forms of economic development has been its effect on industrial relations: the high rate of unionization in depressed areas.

But the policy has worked. (Moore and Rhode, 1976; McKay, 1979; Aschcroft and Taylor, 1979). Several studies report that the policy was directly responsible for the diversion of around 200,000 jobs to the assisted areas. It appears that the problem did not lie in goals or objectives of policy but in tools and measures. The problem seems to have come from the process of policy implementation.

The British government stressed the economic rationale for regional policy. But, with regards to tools or measures, Britain did not remain truthful to its economic rationale. The assisted areas were not designated according to their development potential. The financial aid was not concentrated on a few areas. The assistance system did not take into account of the specific locational conditions of each region. Broadbanding and blanket approach have been the main weakness in Britain regional policy.

Regional policy in the U.S. received similar criticisms in that the worst-first strategy provided a focus at the expense of efficiency and that EDA has been forced to spread its fund for investment in public works widely. Considering the fact that regional agencies in the U.S. have worked mainly for widely dispersed underdeveloped (rural) areas and that they had to function within certain limitations such as restraints on plant piracy and political pork-barrel, it appears that those agencies have been truthful to economic conditions. Public expenditures has been used to eliminate barriers to the mobility of both labor and capital. But one thing which is noticeable is that main focus has been put on those barriers to the mobility of capital rather than to the mobility of labor. If those agencies had put more emphasis on human resources development, they would have left nothing to be desired. In the U.S., implicit policy has got more public concern than explicit one.

British regional policy began to wither away from the mid-1970s. The government lost its confidence in economic rationale of regional policy. Regional policy began to be replaced by sectoral policy. Main reason for this was that government intended to facilitate economic growth

through regenerating industrial structure and improving efficiency. With regards to this new emphasis on sectoral policy, the U.S. and the U.K. showed similarity in their approach to industrial policy. Under the Carter administration, "industrial policy eclipsed regional policy" (Wilmoth, 1984, p. 230). For example, 'A National Agenda for the Eighties (1981)' wanted the 'divisiveness and polarization' of redistributive regional policy replaced by a 'consensus and cohesion' over reindustrialization policy focused on production (Wilmoth, 1984, p. 249). As the U.K. has reduced expenditure on regional policy in order to regenerate industrial structure, President Reagan proposed to eliminate most of federal support for regional policy on behalf of economic recovery.

CHAPTER FIVE BACKNOTES

1. The Secretary of State for Industry, Sir Keith Joseph. "Government announces more selective regional policy," Trade and Industry, 20 July 1979, p. 99.
2. Normal movement without policy was expected 10-15 per annum. quoted from Hoare (1983). The Location of Industry in Britain (Cambridge: Cambridge University Press) p. 91.
3. Most literatures on British regional policy classify the period, 1964-1970, as that of strong regional policy. McCallum (1979) classified the history of British regional policy as follows:
 1. Foundations: from the Great Depression to 1947;
 2. Consolidation and Gradual change: 1947 to 1964;
 3. The Boom in Regional Policy: 1964-1970;
 4. The Unsuccessful Counter - Revolution: 1970-1974;
 5. An Age of Uncertainty: the Rise and Fall of Regional Policy, 1974-1978. (McCallum, 1979, pp. 3-39).
4. "Books such as Bogue's Structure of the Metropolitan Community, Duncan and Scott's Metropolis and Region, and Perloff's Regions, Resources and Economic Growth, among others, highlighted the regional character of economic growth, particularly with regard to the differentiation of the developed and depressed portions of the country." (ACIR, 1972, p. 7).
5. "The Trade Act of 1974 authorizes EDA to provide adjustment assistance to communities or certified eligible firms that have been adversely affected by foreign imports" (EDA, 1982, p. 8).
6. "Nearly one half of the EDDs [Economic Development Districts] are found in the Southeastern States, an area which until recent years could indeed be classified as a 'problem area'" And "this region had by far the largest percentage of its counties contained in designated and operating EDDs (58%)" (Martin, 1978, p. 2).

CHAPTER VI

CONCLUSION

This thesis is an analysis and evaluation of regional policy in the United States and in the United Kingdom. The main objective of this thesis was to suggest an answer to the question: how differences in the structure of the country, in the country size and in the specific phase of national development could (would) produce different types of regional policies in different times.

Regional policies in both countries were described according to the specific phases in policy formulation process. Regional disparities, problems and problem regions were compared. This thesis has also identified policy goals, strategies and tools and compared them between two countries.

Broad comparison of population movement between two countries shows that there was not a big difference in their population movement. Decentralization of metropolitan economic activity can be found in each country. The remote rural areas became more attractive places for living. But the degree of movement towards those areas were greater in the U.S. than in the U.K. Recent recession in the U.K. has weakened this movement, thereby strengthening traditional north-south shift. During the course of turnaround in population movement between non-metropolitan and metropolitan, the South in the U.S. began to grow more rapidly.

Overall interregional disparities in the U.S. has been greater than those in the UK. Regional disparity in terms of unemployment rate in the UK has been decreased. Interregional migration, regional policy and decentralization process worked for this convergence. Convergence in income trends in the U.S. has been the combined results of relative decline in the North and the steady increase in the South. Several factors, except regional policy, also played for this trend as they did in the UK. But the impact of implicit policy on the rise of the South has been the subject of controversy.

The UK provided the best example of depressed industrial regions. Problem regions in the UK showed structural weakness. The South in the U.S. has been problem region. The problem was associated with retarded urbanization. Some of the Northeast industrial areas began to undergo large scale of migration of industries. But geographical size of each region resists broad - banding of its problems. There have been certain clusters of counties which are apt to have structural problems.

There was a striking difference in the perception and interpretation of regional problems between the two countries. This difference may have come largely from the differences in government system and geographical size. The U.K. which did not have marked regional disparities could easily adopt regional policies using existing government structures and employing centralized power. Economic rationale has been the main motives for regional policy in the UK. And it was confirmed by successive national economic plans. Regional policy was implemented in relation to industrial policy. It was assumed that fuller utilization of labor in the problem regions could make contribution to national growth. Rather than

relying on government control, the U.S. believed that regional problems could be solved by market forces. And several factors have played against the adoption of regional policy in the U.S. They are: cultural and philosophical constraints on federal intervention, diversity in spatial development and localism. The early administration in the USDA emphasized people - oriented policy.

The U.K. employed direct control on location decisions of private sector. Financial subsidies have been one of the important tools in industrial policy, which was highly interrelated with regional policy. The U.S. avoided using controls and relied on public works in order to eliminate barriers to the mobility of both labor and capital. However, subsidies which are similar to those in Britain are also available for mobile industries in the U.S. And they are under the control of states and local municipalities. Those subsidies are actually incurring cost to the federal government.

British regional policy has been criticized in that it has weakened competitiveness of private firms: financial incentives produced inefficient and non-competitive firms in the assisted areas. Direct control on development in the South East has put this region in relatively poor status in comparison with other regions in Western Europe. British government stressed the economic rationale of regional policy. But, with regards to tools or measures, Britain did not remain truthful to its economic rationale. The assistance system did not take into account of the specific locational conditions of each region.

Regional policy in the U.S. received similar criticisms in that the 'worst first' strategy provided a focus at the expense of efficiency and

that EDA has dispersed its funds for public works. But regional agencies in the U.S. had to function within certain limitations such as restraints on plant piracy and political pork-barrel. Thus both countries used blanket approach in solving regional problems. In the U.K., securing efficiency has been a major problem in implementing those measures. In the U.S., problems did not lie in explicit policy but in implicit policy. Recognition of geographic impact of government policies may be a prerequisite to the efficient planning in any country.

In both countries, regional policy began to wither away. The main causes of this trend are similar in both countries. The two countries wanted to put more emphasis on national economic growth rather than redistributive regional policy. It appears that effective regional policy is dependent upon thriving national economy. (MacLennan and Parr, 1979, p. 2; Miernyk, 1982, ch. 5).

In selecting several case studies for 'industrial development planning,' Smith (1981) expressed that "Britain illustrates an experience typical of that of the advanced capitalist world, but with its own distinctive features" (p. 423). Unemployment problems in old industrial regions can be more easily identified in advanced capitalist countries. From the beginning of the policy, British literatures stressed the need to link equity with efficiency. Confronted with such criticisms that policies had weakened competitiveness, regional policies became more selective. And regional policies came to be in conflict with sectoral policies. In addition to these conflicts, British experience in regional policy shows more conflicts among several strategies: place prosperity versus people prosperity, distress versus development potential, and con-

centration versus diffusion. These findings may represent the typical problems in any advanced capitalist country which has regional problems. In other words, these findings lead to the conclusion that problems in the field of regional policy in advanced capitalist countries may be those of British regional policy. Fifty years of experience in regional policy may testify to this fact.

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REGIONAL POLICY IN THE UNITED STATES
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COMPARATIVE STUDY

by

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Abstract

REGIONAL POLICY IN THE UNITED STATES AND IN THE UNITED KINGDOM: COMPARATIVE STUDY

This thesis is an analysis and evaluation of regional policy in the United States and in the United Kingdom. The main objective of this thesis was to suggest an answer to the question: how differences in the structure of country, in the country size and in the specific phase of national development could (would) produce different types of regional policies in different times.

Regional policies in both countries were described according to the specific phases in policy formulation process. Regional disparities, problems and problem regions were compared. This thesis has also identified policy goals, strategies and tools and compared them between two countries.

Overall interregional disparities in the U.S has been greater than those in the UK. Regional disparity in terms of unemployment rate in the UK has been decreased. Interregional migration, regional policy and decentralization process worked for this convergence. Recent recession in the UK has worked against this trend. The South is still growing at the expense of others.

Convergence in income trends in the U.S. has been the combined results of relative decline in the North and the steady increase in the South. Several factors except regional policy also played for this trend as they did in the UK.

The UK provided the best example of depressed industrial regions. Problem regions in the UK showed structural weakness. The South in the

U.S. has been problem region. The problem was associated with retarded urbanization. Some of the North East industrial areas began to undergo large scale of migration of industries. But geographical size of each region resists broad - banding of its problems. There have been certain clusters of counties which are apt to have structural problems.

There existed a marked difference in the perception and interpretation of regional problems between two countries. Comparison of the Barlow Report with the report, 'The People Left Behind' verified this fact. Economic rationale has been the main motives for regional policy in the UK. And it was confirmed by successive national economic plans in the UK. Regional policy was implemented in relation to industrial policy. It was assumed that fuller utilization of labor in the problem regions could make contribution to national growth. But several factors have played against the adoption of regional policy in the U.S. They are: cultural and philosophical constraints on intervention, diversity in spatial development, and localism. The early administration in the USDA emphasized people - oriented policy.

British regional policy has been criticized in that it has weakened competitiveness of private firms: financial incentives produced inefficient and non-competitive firms in the distressed areas. Direct control on development in the South East has put this region in relatively poor status in comparison with other regions in Western Europe.

Regional policy in the U.S. received similar criticisms in that 'worst first' strategy provided a focus at the expense of efficiency and that EDA has been forced to spread its fund for public works. But regional agencies in the U.S. had to function within certain limitations such as

restraints on plant piracy and political pork-barrel.

British government stressed the economic rationale of regional policy. But, with regards to tools or measures, Britain did not remain truthful to its economic rationale. The assistance system did not take into account of the specific locational conditions of each region. Regional agencies in the U.S. have worked for widely dispersed under-developed areas. Public expenditures have been used to eliminate barriers to the mobility of both labor and capital. But main focus has been put on those barriers to the mobility of capital rather than to the mobility of labor.

In Britain, the main problem was how to implement policies without a loss in efficiency. In the U.S. the problem did not come from explicit policy but from implicit policy.

In both countries, regional policy began to wither away. Similar reasons for this shift have been suggested: both two countries wanted to facilitate national economic growth rather than to redistribute it. It appears that effective regional policy is dependent upon thriving national economy.

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