THE PROBLEM OF DEPRESSED AREAS IN THE UNITED STATES**

I. GENERAL


Long concludes that high employment under rapid growth and stable prices would best be enhanced not by increasing the aggregate demand for labor through spending, but rather by improving the quality and availability of the prosperity unemployed in order to qualify them for jobs that can be provided in prosperity without inflation. He suggests various ways of bringing about this improvement.

Lubin analyzes the contents of the report on *Chronic Labor Surplus Areas* and stresses the need for federal help to depressed areas in view of the fact that local programs have not worked out very well. Financing should be by the federal government, or at least guaranteed by it.


Recommends initiation of intelligent, long-range plans by local business to aid depressed areas. The author also recommends regional action, such as industrial parks, as partial solutions for the problem. Long-run local action should include skill training for the unemployed, out-migration, native enterprise, and responsible unionism. The article reviews efforts taken by federal, state, and local governments to aid depressed areas.


Examines the vetoed Douglas Bill and major provisions of rival meas-

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*Compiled by Louis Simpson, Assistant in Research.

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ures. Also reviews criteria of eligibility for aid and the extent of present federal assistance. The major part of the article gives excerpts from the majority and minority reports of the Senate Committee on Banking and Currency which reported favorably on the Douglas Bill.


There has been a tremendous expansion in private and public efforts to stimulate and guide the course of economic growth at the local, state, and regional levels. This pamphlet discusses each of the types of private and public organizations that has engaged in area development programs. The railroads, among private organizations, have been especially active. The major objective of these efforts has been industrial development, with assistance for old industry a secondary goal. The largest part of the expenditures has been for promotional activities. The author recommends that more money be spent on research and planning to develop a foundation for promotion. A problem is that government boundaries and power do not coincide with the metropolitan economic boundaries within whose framework problems must be solved.


Summarizes data on persistent unemployment and shows that: (1) long-term unemployment has accounted for between 20 and 30 percent of total unemployment since 1955; (2) unemployment rates among non-white and younger workers are disproportionately high; (3) blue collar unemployment rates have been high in recent years; and (4) unemployment is concentrated in certain areas. The author also points out that withdrawal from the labor force after a period of fruitless job-searching leads to understatement of true unemployment.


This pamphlet stresses that chronic unemployment is a national problem. It states that the federal government should assume responsibility along with state and local redevelopment bodies for planned and coordinated programs to eliminate unemployment. Migration and relief are not solutions according to the report. Government can aid through
technical assistance, financing, tax exemptions, and by encouraging new business. The report looks at activities of local and state bodies in aiding depressed areas as well as proposed federal action.


Statements and additional data submitted for the record on community facilities, area redevelopment, and small-business financial bills. Includes a rather lengthy study on depressed areas by Solomon Barkin of the Textile Workers.


Statements and additional data presented by representatives of government, industry, unions, and universities in connection with hearings on H.R. 3505, a bill to establish an effective program to alleviate conditions of substantial and persistent unemployment and underemployment in certain economically depressed areas and H.R. 4278, a bill to assist areas to develop and maintain stable and diversified economies by a program of financial and technical assistance.


Part 1 contains provisions and a section-by-section analysis of major bills to aid economically depressed areas. It also contains letters and statements submitted to the subcommittee. Part 2 includes hearings conducted in Detroit, Michigan, and in several West Virginia cities, together with statements and exhibits relating to these areas.


The significant findings of this study include: (1) unemployment in chronically depressed areas accounted for at least one-fifth of total unemployment in the full employment period of 1956-1957; (2) the rate of long-term unemployment in these areas was much higher than that in other areas; (3) unemployment was concentrated to a greater extent among adult men, especially heads of families; (4) a larger
proportion of blue-collar workers than other groups was unemployed; (5) unemployment spread from dominant industries to other components of the economy; (6) labor force participation rates were much lower for young men under 25 and higher for women in depressed areas than in areas with moderate unemployment.


In this final report of the Special Committee, the majority recommends that immediate federal action be taken to aid distressed areas. The minority also stresses the need for aid, but disagrees as to the method to be used and the amount to be given. The report also discusses unemployment problems of special groups such as the young, the old, women, racial minorities, and migratory and handicapped workers.


Presents background data, comparative statistics, and summary of labor market facts regarding economic and manpower resources for 174 of the nation's more important metropolitan areas. Comprehensive information on major sources of employment, skills of workforce, extent of unemployment, and long-term labor market trends.


The Bureau of Employment Security classified 46 major labor areas and 143 smaller centers as areas of substantial labor surplus in July, 1959. These areas fared worse than the nation generally during the 1958 recession and have not improved as much as the rest of the country. This report analyzes some of the major areas and their outlook. It also discusses variations in recession impact by major industrial activity (i.e. automobile, steel, etc.). A variety of factors has caused the phenomenon of depressed areas. Among these would be the shutdown of obsolete or economically unprofitable plants, the transfer of important local industries to other areas, changes in consumer demand, changes in production technology or in competitive market position of certain products, and depletion or exhaustion of natural resources.


Discusses three types of community organization to promote employ-
ment: (1) employment promotion committee (promotional non-financial type of organization); (2) employment development corporation (corporation which finances industry); (3) special purpose committee (limited purpose organization to deal with a temporary situation). Discussion covers how these organizations may be started, how organizational structures may be arranged, how they operate, and what they can be expected to do.

2. Case Studies and Foreign Experience


This report describes the extent and duration of unemployment, factors contributing to it, and its impact upon the state as a whole. Characteristics, industrial development activities, and community facilities in five of the areas of long-continued unemployment are discussed and evaluated. The report concludes with a series of recommendations with respect to easing the problem of chronic unemployment.


The author contrasts the United States full employment policy which attempts to maximize demand for labor with Great Britain’s which attempts to minimize unemployment. The British experience has demonstrated that the United States should take more effective steps to solve the problem of chronic unemployment. United States policy leaves it up to the labor market to see that unemployed workers are directed to job openings. British policy includes measures to direct new enterprises to areas of high employment and direct government participation in the long-term economic development of these areas. The article points out that it is undesirable in Great Britain for unemployment to rise above a one or two per cent level.


Discussion of the problem of depressed areas in New England due to the decline in textile employment. The author contrasts successful and unsuccessful local efforts to aid these areas. He argues that a federal program would definitely benefit the region.


Points out that Michigan has always been a "feast-or-famine" state due to the very heavy concentration of durable goods manufacturing. Three factors seem to be responsible for the decline in employment since 1953. These are: (1) shifts in the nature of defense procurement, (2) decentralization of the automobile industry, and (3) efficiency-increasing "capital investments." Taylor does not blame the decline on Michigan's political climate or tax structure. He suggests several possible solutions: (1) exploring how firms could get more defense contracts, (2) securing branch plants of manufacturers who are expanding, and (3) retraining the unemployed and inducing some people to move elsewhere.


Statements, charts, tables, and additional data presented to the committee. Sessions were held in local labor surplus areas in Minnesota (Duluth and Hibbing); Wisconsin (Superior); Kentucky (Harlan and Pikeville); Louisiana (New Orleans and Baton Rouge); Indiana (Evansville, Terre Haute, Indianapolis, and Laporte); Wyoming (Rock Springs); Oregon (Portland); and New York (Schenectady) as well as in the better known chronic surplus areas.


Fernstrom shows how the anthracite coal region of Hazleton has met the problem of unemployment without federal assistance. Although still a chronic area, the local CAN DO program has revitalized the area by bringing in 3,000 new and potential jobs in recent years.

Miernyk states that the United States can benefit from foreign experiences in dealing with structural unemployment. The primary approach in Great Britain has been to bring jobs to workers. Government has tried to restrain the growth of industry in congested areas by denying industrial development certificates to firms which the Board of Trade believes could operate equally well in older industrial areas with labor surpluses. In the European Coal and Steel Community some countries have had surpluses while others have had shortages. A program of organized migration of workers across national boundaries as well as within some countries has developed. Sweden has increased occupa-
tional mobility through a well-developed system of vocational retraining to speed the shift of workers from declining to expanding industries.


Experiences of the Kaiser Aluminum and Chemical Corporation in establishing a plant in Jackson County, West Virginia, a depressed rural area in a state with a number of chronic labor surplus areas. States that an understanding of mobility patterns in depressed rural areas is an essential step toward alleviation of their depressed condition. The company was generally able to meet its prescribed set of standards for age, education, and physical fitness, but had to accept applicants who lived considerable distances from the plant. Employees demonstrated a marked willingness to move across industry and occupational lines. The number and qualifications of unaccepted applicants were sufficient to promise successful expansion of future employment without greatly lowering the quality of the work force. Most of the labor supply came from persons voluntarily leaving previous jobs. There was a larger proportion of unemployed among unaccepted applicants than among those hired.


Analyzes the results of a shutdown of the Pressed Steel Car Company in Mt. Vernon, Illinois in 1954, a community which was already experiencing a labor surplus. The report shows that most of the unemployed workers were over 45 years old and had a low educational level. Hometown attachment seemed to be strong enough to keep many workers in the community even though they knew they could obtain jobs at higher skill levels and earnings elsewhere. Local redevelopment efforts had not as yet been very successful in creating new jobs.


In all of the countries discussed aid to labor surplus areas is closely tied to general economic planning. Persuasion, in the form of publicity and financial incentives to bring in new industries, is the most widely used method of aid. Relief is also attempted in some countries (e.g., Sweden) through financial assistance to unemployed workers who wish to change their locality. This latter method has been restricted in the other countries, however, by opposition from local authorities.
and businesses as well as by worker opposition and reluctance of the
government to depopulate areas. Some countries have attempted to
solve the problem by legislation while others assist such areas through
centralized systems that have developed without special legislation.


Three separate papers dealing with unemployment problems caused
by shift away from the use of coal as a fuel and technological changes
in coal mining. Kaufman stresses that a high level of economic activity
will not generate sufficient demand to absorb displaced workers. Indus
trial development plus training and retraining programs are needed.
Pryor states that new job openings are in the professional, technical,
clerical, and skilled areas and cannot be filled by people with superfi
cial, short-term training. Fernbach recommends that the state take
measures to improve schools and thus improve the level of skills.

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