Making North Carolina Prosper

A Critique of Balanced Growth and Regional Planning

A N.C. Center for Public Policy Research Report

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A report by the North Carolina Center for Public Policy Research

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Preface

Research for this report was begun with the idea that it would be a study of Councils of Governments (COGs). The regional planning agencies had been subjected to a good bit of criticism and had experienced serious political difficulty since their creation in 1970. Early in the research came the discovery that the COGs had been created to map out the implementation of the state's development policy, which was being drafted as the COGs were set up. The COGs' most important products were to be state-directed regional development plans that were to have far-reaching consequences for the future environment and prosperity of North Carolina. But after creating the regions, the state had forgotten about the regional development plans, which have never been done. In this light, the problems of the COGs seemed firmly interwoven with broader problems of state development policy. What was happening with the COGs, then, was only a part of a more important story that needed to be written---an analysis of the history and the substance of North Carolina's development policy, the latest incarnation of which is the Balanced Growth Policy of Gov. James B. Hunt Jr. The need for such a study became particularly clear with the discovery that Governor Hunt, unlike his predecessors, had been successful in obtaining influence over federal funds large enough to make a major impact on the state's development.

When the current growth policy first emerged, during the administration of Gov. Robert W. Scott, many people found great appeal in its central idea of shifting growth away from the state's larger cities and towards rural regions of the state badly in need of economic development. The policy promised uncongested, livable cities and a more prosperous countryside dotted with industry. The concern about the policy---and there was a good deal of concern that the policy might waste public funds or harm the state's economy---was defused by the realization, among the critics, that the policy was ineffectual. The implementing plans were not written. The crucial state control over federal investments did not come about.

The Hunt Administration is resuscitating the policy. The regional development plans are not being written. But federal development funds are coming increasingly under state direction. The Governor's power is being increased. Now is the time to ask, "How is this new power to be used?"

In a previous report, *Which way now? Economic Development and Industrialization in North Carolina*, the North Carolina Center for Public Policy Research analyzed economic development in two rural regions of the state and drew some conclusions about factors---including state development policy---that were affecting economic progress there. *Making North Carolina Prosper* does not include the kind of empirical economic description that appears in the earlier report. But the two reports may be seen as something of a unit, each complementing the other. The earlier report dealt with the "inadequate" Balanced Growth Policy as only one of a number of factors influencing the rural regions' economic progress. The Center's aim is to complement that report with a full analysis of the policy. *Making North Carolina Prosper* describes the history of the policy and the ideas behind it, and gives these ideas the assessment and, in some cases, the opposition they deserve.

One thing both reports have in common is the concern over the lack of local citizen influence in public decisions that can affect the way local areas develop. Both reports call for the state to require, and to fund, multicounty planning efforts which this Center sees as absolutely necessary to make state development policy democratic and to make it work.

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Chapter I

The Smokestack and the Tobacco Patch: The Origins of Balanced Growth in North Carolina

The basic pattern of farming in all this Piedmont country is the family owned farm . . . . None of those medium-sized farms is more than twelve or fifteen miles away from a factory. That's pretty good. That's a balance between industry and agriculture.

George L. Mitchell
Former director of the
Southern Regional Council

What we really had was just an extension of the poverty of the plantation system shifted into an industrialized framework. A "family wage" in the new industrialized South meant that every member of the family who wanted to eat, even the women and children, had to work long and hard.

David Mathews
Southern Growth Policies Board

One of the most striking things about our state is its peculiar geographic dispersal of population and development. With its multitude of small towns and small cities and the smallest average farm size in the nation, North Carolina's geography contrasts sharply with the big farm/big city pattern found in other states.

There is another striking feature of the state's development. Despite favorable climate and terrain, a general abundance of water and other raw materials, and a strategic location among major national markets, North Carolina remains poor relative to other states. Its industrial wages are the lowest in the nation, at $4.58 per hour, compared with a national average of $6.33, according to U. S. Department of Labor figures for October 1978. In per capita income North Carolina ranks 41st among the states, according to May 1979 figures from the U. S. Department of Commerce. Even this position is held only because the state has a high percentage of second-income families. The fact that the state's labor force participation rate is among the highest in the country means that the average family here must have more members at work in order to make ends meet.

Larry Cohick, director for economic development in the state Department of Commerce, is among those who argue that North Carolinians are not as poor as these figures would indicate. He notes that low taxes help raise *disposable* incomes here towards national norms. The fact is, however, that these lower taxes mean that North

Carolinians are poor in public services. A notable example is a system of public schools whose per pupil expenditures are 44th in the country, according to the N. C. Association of Educators, and whose students consistently perform below national levels on standardized tests.

Low incomes and dispersed development: is there a relationship between the two? A body of expert opinion contends that there is. Yet the effort to preserve and to reinforce decentralized development through governmental action has become a political tradition carried on by successive governors. Governor James B. Hunt Jr.'s current Balanced Growth Policy is the latest and potentially the most powerful effort in this direction.

The history, as well as the geography, of North Carolina's economic development sheds some light on the origins and effects of what has come to be called balanced growth.

The processes of urbanization and industrialization have always been seen as closely linked. In North Carolina, however, while urbanization has been slower and less centralized than in other states, industrialization has been more rapid. North Carolina has the highest percentage of people working in factories of any state---14.2 percent in 1970, as compared with a national average of 3.8 percent. According to the measure used, North Carolina's rank as an industrial producer ranges from 10th to 8th, leading all Southern states but Texas, according to the state Department of Commerce.

The North Carolina Railroad

The historic center of the state's industrialization was the Piedmont. Industrialization began in earnest in 1852, the year the first tie was laid for the North Carolina Railroad. Built and owned by the state government,* the railroad opened the Piedmont to development. Narrowly approved in the Legislature over the bitter opposition of Eastern interests, the construction of the railroad signaled a major shift of economic power from the East, then dominated by plantation owners and ports tradesmen.** The path of the railroad, now paralleled by superhighways, describes the urban Piedmont Crescent. Where the railroad went, towns and cities grew. From its western terminus at Charlotte, the line extends to Salisbury, Greensboro, Burlington, Durham, Raleigh, and finally Goldsboro, the terminus of another state-owned railroad extending from the port of Morehead City. With the completion of the railroad, the long-isolated Piedmont was connected to the ports and cottonlands of the East. More importantly, the Piedmont itself was tied together and connected to the cities of the Deep South

* The North Carolina Railroad is currently leased until 1994 to the Southern Railway Co.

** The legislative battle and subsequent history of the railroad is recounted in a series of papers and newspaper accounts collected in the North Carolina Room of the Wilson Library at the University of North Carolina at Chapel Hill.

and to the great markets and manufacturing districts of the North. The portion of the railroad from Charlotte to Greensboro was called the "golden link" because it completed a system of rail lines extending from Boston to New Orleans. For the first time, Piedmont North Carolina was on the mainstream of commerce.

The Piedmont's possibilities as a commercial and manufacturing center stemmed from a number of factors besides the railroad, among them a strategic location and an abundance of river rapids that promised cheap water power. A 1936 publication of the N. C. Division of Commerce, *North Carolina: Today and Tomorrow*, speaks of the rising dominance of the Piedmont due to "a higher ratio of free white labor to ex-slaves in the early period; a greater degree of contact with Northern capital and technology; the declining importance of water transport because of improved north-south rail facilities; proximity to raw materials; central location as to market centers in the north, south and middle west." On the latter point the publication notes that "if a 500 mile circle is drawn with the heart of the Piedmont at its center, it includes well over half the population of the United States."

An Economy Destroyed

The industrialization and development of North Carolina cannot be described strictly in terms of the economic factors above. Equally important were social movements, politics and factional strife. The Civil War, the devastating post-war collapse of the cotton markets, and the plundering of the South that marked the so-called Reconstruction left scars on the state's economy that remain today. The great Southern historian C. Vann Woodward, in his classic *Origins of the New South*, describes the poverty, the break-up of farms and rise of the tenant system, the widespread malnutrition, and the westward migration of Southern refugees following the War. State governments, like their citizens, sold what they could. North Carolina's railroads were leased to Northern interests. Massive tracts of state forests were sold off and in 1876 federal woodlands in the South were opened wholesale to loggers. The result, according to Woodward, was "denuded forests, irreparable wastes . . . probably the most rapid and reckless destruction of forests known to history."

Around the end of Reconstruction, the South's desperate need for money began to propel a movement for industrial development. Woodward saw the industrialization movement as Northern exploitation of the defeated South. There is strong evidence, however, that much of the South's post-war surge in industry building was generated by home-grown initiative and capital. This is particularly true in the case of North Carolina.

The Cotton Mill Campaign

Two events of 1880 helped shape the state's economy, for good or ill, far into the future. One was the invention by a Virginia teenager named James Bonsack of a cigarette-making machine. The other was the beginning of a broad-based social and political movement to establish cotton mills in the South, a movement centered in Piedmont North Carolina and described by its principal historian as "a civic crusade inspired with a vision of social salvation."

According to Broadus Mitchell's 1921 classic *The Rise of the Cotton Mills in the South*, the movement called the Cotton Mill Campaign stemmed from Southerners' desperation and anger following the 1880 elections. Southerners had counted on the presidential victory of Democrat William S. Hancock, who was to make amends for Reconstruction and help restore the South to its former prosperity. President Garfield's Republican victory had a galvanizing effect. Two days after the election, the editorial page of the Raleigh *News and Observer* declared, "Out of our political defeat we must work a glorious material and industrial triumph." Politicians, other newspapers, even evangelists took up the cry, preaching Southern self-rejuvenation and economic liberation from the industrial North. The movement had a slogan: "Bring the mills to the cotton."

In small communities across the South, but most often in the Piedmont, town meetings were held, local leaders were chosen as promoters, and fund raising was begun. Mitchell claims that capital was raised from the poor and wealthy alike, with stock sold to investors who put up as little as fifty cents a week. Mitchell quotes a man who participated in the movement:

> A promoter had to have his home money first. He would get, say, $50,000; he would go to the machinery men and explain that he had so much subscribed, and would they sell him the equipment and how much would they take in stock. Commission and machinery firms would give him 40 to 50 percent of his total capital. If a man had no previous mill connections, his local subscriptions would be his sole backing.

"It is extremely significant," wrote geographer Alfred Stuart in the 1972 *Metrolina Atlas*, "that these mills were developed as conscious agents of community economic recovery. Their purpose was to create jobs rather than to satisfy the profit motives of a small entrepreneurial group."

It is doubtful that the rise of the cotton mills was as democratic a movement as suggested by Mitchell and Stuart. A review of other histories of the period indicates that during that time of severe deflation (an entire currency had been recently destroyed) very few Southerners would have been able to raise the 50 cents a week Mitchell says many invested. Woodward is skeptical about cotton mill democracy, and in an interview, Duke University historian Lawrence Goodwyn, author of a political and economic history of the post-Reconstruction period called *Democratic Promise*, said flatly, "There was nothing democratic about the textile industry." But even if the numbers of the cotton mill entrepreneurs were restricted to the privileged planters and merchants who could raise cash, it cannot be denied that hundreds of communities found men with the necessary capital. Most relevant to the current picture of the

North Carolina economy, it is certain that the Cotton Mill Campaign resulted in an industrial development pattern with four readily discernible features.

(1) The development was rapid. "Within a radius of one hundred miles around Charlotte, there are nearly 300 cotton mills," D. A. Thompkins wrote in his *History of Mecklenburg County*. The history was written in 1903, only 23 years after the start of the Cotton Mill Campaign.

(2) It was indigenous. There is "no evidence of any cotton mill established in North Carolina by Northern interests before 1895," according to the 1935 UNC master's thesis of Don Lacy titled *The Beginning of Industrialism in North Carolina*.

(3) It was concentrated in the Piedmont. "Most of the textile industry of the South developed in the Carolinas with the single largest concentration in the large Piedmont area of North Carolina," according to the *Metrolina Atlas*.

(4) Most important in understanding North Carolina's "balanced growth," it was decentralized. There was much less concentration in the industry here than in the British textile cities such as Lancaster and in the older American textile centers of the Northeast. Although early mill construction sometimes occurred in big Southern cities, according to Woodward, it occurred "more typically in isolated Piedmont towns." In 1930, S. H. Hobbs wrote in *North Carolina: Economic and Social*, a university textbook on the state, that "between Durham and Shelby . . . almost every little town in this area has one or more small cotton mills." Not only the textile towns, but the mills themselves were smaller here than elsewhere, according to Hobbs. The typical mill here averaged 10,000 spindles, whereas "in New England the spindleage is three to five times that number."

Jobs Where People Live

There are a number of possible reasons for the textile industry's tendency to spread itself out. The use of water power as a principal energy source for the early mills perhaps contributed to the spread of mills up rivers and tributaries. The rural labor surplus was probably a more important locational factor. The jobs, in the words of the current catch phrase, were brought where the people lived. The greatest impetus to this was the development of the mills as agents of community salvation, as every little community jumped on the Cotton Mill Campaign bandwagon. The communities that didn't have a nearby stretch of river rapids found no difficulty in building a steam engine to power the looms and spindles. A decent road or railroad spur to the main North-South rail line seemed the sole necessity for entering the industrial movement via textiles.

The nature of industrialization via the textile movement did much to thwart the potential for urbanization in North Carolina. The urban* proportion of the

*Although "urbanization" pertains to the development of cities, an "urban" community is technically any place with a population over 2,500, according to the U. S. Bureau of Census definition.

Southern population in 1890 was 16 percent. But according to Woodward, "North Carolina, one of the states most affected by the industrial movement, had 3.9 percent of its population classified as urban in 1890 . . . . By 1900 there was not a single city in North Carolina with a population of 25,000."

The decentralized development pattern extended far into the future. Fifty years after the initiation of the Cotton Mill Campaign, Hobbs wrote, "The large number of people living in the twilight zone [between urban and rural] is due to the fact that much of our industrial development is on the outskirts of incorporated places, a considerable part of it in unincorporated open country mill villages." And in 1972, Stuart wrote, "The tendency to build mills in most of the small towns and cities of the region made it possible for those towns to hold and increase their population. Metrolina [the greater Charlotte area] has experienced much less of the rural-urban population migration than most other developing regions in this country and others."

Tobacco and the Small Farm

Textiles aren't the only source of decentralized development in North Carolina. The other Tar Heel industrial giant, tobacco, has also contributed to the pattern. Although the manufacturing end of the tobacco business has been highly concentrated since before the turn of the century, other aspects of the tobacco industry have remained decentralized. Curing, warehousing and leaf marketing might be mentioned, but the most important decentralized unit in tobacco production is the farm itself. Long-time N. C. Secretary of Agriculture Jim Graham is fond of pointing to tobacco as the mainstay of the small family farm in North Carolina. This is more than a political homily. One important result of a leaf crop that brings farmers over a dollar a pound is that it has allowed the survival of North Carolina farms of a size that elsewhere has proved uneconomic. The high price allows tobacco to be profitably farmed even without the large-scale mechanized techniques necessary to make other crops pay. The way the high price is attained also has a bearing on why North Carolina farms have not been forced to consolidate to the degree seen in other states. Acreage and production restrictions, in addition to maintaining high prices, serve to keep tobacco production within the traditional growing areas, chiefly North Carolina. Tobacco allotments are parceled out to farmers by the U. S. Department of Agriculture generally on the basis of what allotment a given farmer held in the past. In 1974, during one of the periodic scares that Washington might ax the allotment system, Secretary Graham explained to a Raleigh *News and Observer* reporter that this would result in a disastrous shift of tobacco farming to the large acreage farms of the Georgia flatlands, where mechanized farming and a longer growing season provide potential competitive advantages over small Tar Heel farms.

Thus, while high prices allow small tobacco farms to survive, the allotment system guarantees that tobacco farming remains predominantly in North Carolina.

This goes part of the way towards explaining why North Carolina has the smallest average farm in the nation, 105 acres as compared with a national average of 387, according to the 1976 *North Carolina State Government Statistical Abstracts.*

Another aspect of the state's dispersed development is the relation between farm and mill. The small farms of North Carolina are the complement to the state's small towns, and the twin patterns of dispersed industry and decentralized agriculture are mutually sustaining. One third of all North Carolina farmers have an off-the-farm job and in a 12-county region surrounding Charlotte---an area where nearly every crossroads town boasts a factory or mill---the proportion of part-time farmers is 58 percent, according to the *Metrolina Atlas.* Farmers, farmers' wives and sometimes their sons and daughters add to the family income by working in the local mill. Family farms thus survive partly because outside income helps families get along on small farms and small farm incomes. The farms, in turn, help rural mills survive by helping maintain a sufficient supply of cheap rural labor. Because of their second incomes, members of farm families can better afford to work for the low wages the mills typically provide.

Much worse off are the majority of mill workers, the non-farmers for whom the mill is the sole source of family income. The subsistence wages of these workers, whose economic plight is exacerbated by inadequate health benefits and pensions, should be borne in mind during discussions of the virtues of North Carolina's small towns and decentralized development. It should be remembered that, with half of all North Carolina manufacturing jobs in textiles and apparel, the often romanticized small town in this state is often a mill town.

As instruments of economic liberation, the mills have not lived up to the hopes of the Cotton Mill Campaign. Groups as disparate as the Carolina Brown Lung Association and the J. P. Stevens Co. have helped in recent years to bring national attention to the labor conditions in the textile industry, conditions that include low wages and benefits, anti-union intimidation of workers, and a decades-long fight by management to avoid outlays to protect workers from the cotton dust exposure that causes brown lung or to compensate workers once they contract the disease.

An Apologia for Poor Wages

An apologia has been developed to justify the low wages and benefits paid to North Carolina workers. It is a song of several stanzas, but the main chorus is that cheap labor will help lure industrial growth that will bring prosperity in some future time. The apologia is an old one. Hobbs, in 1929, wrote a paragraph that 50 years later still has a familiar ring:

> Wages will rise, and should rise, and working hours and conditions will improve, but it remains a fact that cheap labor of the past and present has had much to do with our industrial growth.*

There is a classical economic view implicit in Hobbs' statement as well as in much of the hopeful rhetoric about North Carolina's bright Sunbelt fortunes. This is the idea that low wages will spur growth that will inexorably force higher wages and higher incomes. The idea's extension is that income levels of different regions will tend to converge towards equilibrium. Contrary to this view is the idea that there is a "cycle of poverty" that tends to stall the economic progress of poorer states, regions or groups of people. The cycle works like this: Low wages mean little money and little activity in the local economy; lack of economic opportunity reduces incentives for education and a small tax base reduces revenues available for schools; low educational levels and low skills in the local work force discourage the inmigration or local creation of high-wage industry, thus reinforcing low-wage patterns and continuing the vicious cycle. The cycle can continue even in the face of industrial growth. This view is detailed in various writings of Gunnar Myrdal, as well as in Pat Watters' 1966 book *The South and the Nation* and Joan Hoffman's 1975 book *Racial Discrimination and Economic Development*. The application of the idea to North Carolina's economic problems was set forth in studies done in the 1960s by the now-defunct North Carolina Fund.

While it is true that certain proposed means to break the cycle of poverty---encouragement of unions, for instance---have been beyond real governmental consideration, it cannot be said that the state historically ignored its citizens' lack of economic opportunity. Nearly every governor has had as a key part of his agenda some effort designed to increase long-term prosperity, whether it be through better schools, better roads, or tax breaks and other lures to new industry. This last item---industry hunting---has been a constant among recent administrations. In terms of their own indicators---new investment and new industrial jobs---the industrial promoters of North Carolina have been wildly successful. Governor after governor has sent out press releases boasting of the latest successes.

New South Boosterism

A number of voices have been raised over the years questioning the smokestack-hunting model of economic development. David Mathews, president of the University

*Hobbs went on to write of the distaste of North Carolina workers for unions and of the resultant spirit of "cooperation" between management and labor. But while completing his manuscript, he heard news of the bloody 1929 textile strikes in Gastonia. It was possible, he wrote, that he had overestimated the workers' satisfaction.

of Alabama and former secretary of the Department of Health, Education and Welfare, warned in an article published in the 1976 book *The Rising South*, published by the Southern Growth Policies Board:

> The original "New South" (1880-1930) also boasted of kicking regional habits, of planting industry at every crossroads, of being 'on the move'. . . . But somehow in that New South, we became so caught up in our own propaganda that we forgot to look at what we really had. And what we really had was just an extension of the poverty of the plantation system shifted into an industrialized framework.

The continuing wage gap has been the most embarrassing accompaniment to the successes of industrial growth. Also troubling is UNC economic planner Emil Malizia's finding that even within given types of industries, firms in North Carolina pay lower wages while making higher profits than firms elsewhere. There are other features of our economy besides the wage gap that indicate there is something amiss with our pattern of economic growth. North Carolina's employment in the services and trades sector is proportionately the lowest in the South, according to an article by economist William Miernyk published in the 1977 book of the Southern Growth Policies Board, *The Economics of Southern Growth*. The size of a state's service and trades sector is strongly associated statistically with its standard of living, according to Miernyk, as well as being seen in economic theory as an indicator of an advanced, diversified economy.

Regardless of these disconcerting facts, indiscriminate industrial boosterism became a tradition in North Carolina, a part of the basic political creed. One reason was that, whether or not due to public policy, industries *have* located here at impressive rates. Official policy, as well as rhetoric and ribbon cutting, has allowed politicians to take credit for this industrial growth.

Balanced Growth

Closely paralleling efforts of industrial boosterism has been the idea of promoting decentralized industrial locations and dispersed settlement patterns. Like the promotion of rapid industrialization, decentralization policy involved the encouragement of already strong historic trends dating to the 1880s. Though urbanization gradually became more concentrated in certain areas, particularly the Piedmont, industrialization of rural areas continued to be a strong trend, a trend assisted by the spread of state-financed highways and driven by industries' search for cheap rural labor. As new highways allowed post-World War II industrial growth to spread to the coastal plains and, more sluggishly, to the mountains, growth largely followed the mill town pattern earlier spawned in the Piedmont.

There are severe drawbacks to this sort of development, as discussed in Chapter V. But government officials began to speak of decentralized development as something to be encouraged as early as 40 years ago. The dispersed pattern of North Carolina development has been pictured as preventing the evils of the metropolis and resulting in picturesque and "balanced" growth across the countryside. The first official reference to this sort of balance was made in the 1938 publication of *North Carolina: The Balanced State*, by the state Division of Commerce. The decentralized growth that was the byproduct of the state's unhappy economic history had begun to be promoted as a great virtue. In the 1970s, the government would decide that the maintenance of this virtue is worth millions in public subsidies. As an end-in-itself, "balanced growth" would become almost as sacred as industrial growth and the two together would comprise the chief goals of state economic strategy.

Chapter II

Governor Hunt Seeks Balanced Growth, Fiscal Power

Three successive administrations have published economic development policies calling for actions to geographically disperse growth. The first two plans, of the 1968-72 administration of Governor Robert W. Scott and of the 1972-76 administration of Governor James E. Holshouser Jr., were never implemented. The failure of these plans to have their intended impact has prompted a good bit of complacency about such documents, a complacency that may be observed in the press's non-coverage of the current Balanced Growth Policy of Governor James B. Hunt Jr. Yet Edward Griffin, an official with the North Carolina League of Municipalities, calls Balanced Growth Policy "potentially one of the most important executive documents ever to come out of the Governor's office." The crucial difference is that this time the policy has money behind it. Those who discount the probable impact of this policy haven't contemplated the monies involved.

The Hunt Administration is seeking, so far successfully, to acquire influence and direction over vast amounts of federal dollars. These dollars represent new power for the Governor.

In late January 1978, Governor Hunt and Arnold Zogry, director of the Division of Policy Development, travelled to Washington to attend the White House Conference on Balanced Growth.* Statements presented by both Zogry and the Governor decried what the officials saw as the national tendency to focus on the unemployment problems of the big cities and to ignore the need to bring better jobs to people in underdeveloped rural areas. Zogry's statement, however, went further. The federal government, he said, should allow state governments to control the targeting of billions in federal development monies.

"The overwhelming bulk of funds today still flow in a more or less direct line from federal agencies to localities," Zogry complained. "None of the big dollar items from EPA, HUD, EDA or FmHA require tying into the perspective of State Government."

Zogry said that "without state government involvement, there is no way to tie together the different streams of money flowing from Washington and achieve a mutually supportive impact on community development."

* "Balanced growth" has been a federal catch phrase for some time, having connotations of fairness and even-handedness. It does not necessarily refer to decentralization or growth dispersal, according to Conference participant William Alonso. "No definition of what is meant by balanced growth is available, although it has been a stated national objective for some years," the Harvard economist said in a Conference paper.

Zogry asked for the development of an administrative structure that would "give states a full decision-making role over the use of community and economic development funds." He cited as a model the structure of regional bodies such as the Appalachian Regional Commission, in which "states not only decide what projects should be funded; more importantly, they participate in shaping the regulations which determine how money can be spent."

The state's proposed new fiscal powers would be directed towards small cities and rural areas, Zogry said. Big cities could go it alone. "States have an advocacy function to perform on behalf of small cities and rural areas. They do not have a direct line as do the big cities . . . . Small city and rural area needs . . . receive less than a fair share of program emphasis and project funds."

The state's role in targeting funds would apply mainly to "development funds for small cities and rural development," said Zogry. "Big cities could be handled as in the CETA approach, with a formula allocation pass through direct . . . to the cities."

On November 1, 1978, the wish of Zogry and the Governor came at least partly true. According to a state-federal agreement signed that day, half a billion dollars annually in Farmers Home Administration (FmHA) monies coming to North Carolina were to be targeted by a new committee. The committee would be created by the Governor and would help direct the $500 million in order to carry out the Governor's Balanced Growth Policy. In the words of the "Rural Development Cooperation Agreement Between the Farmers Home Administration, USDA, and the State of North Carolina":

> The Governor shall establish a rural development coordinating committee comprised of representatives of state and federal agencies and other representatives, as appropriate, for the purpose of working with FmHA and other federal agencies to achieve more effective coordination between state and federal rural development programs and strategies . . . . The committee will work to ensure that FmHA and other federal program funding decisions are consistent with the Balanced Growth Policy.

The political implications of the $500 million agreement are enormous. The agreement made clear that, in the future, when a town gets monies through FmHA, the town fathers will have the Governor and his committee to thank.

> The committee will determine which BGP [Balanced Growth Policy] growth centers and types of activities will receive assistance under this agreement. The committee will recommend to the NRCD Secretary specific activities in other rural areas of North Carolina . . . . FmHA will give the fullest consideration to the committee's recommendations and priorities in selecting projects for funding.

FmHA project funds include those for a variety of development efforts, including new water and sewer lines, industrial site improvements, other public facilities and services, as well as loans for rural housing developments.

The impending FmHA agreement was announced personally by President Carter in a September 22, 1978 speech in Asheville. He made clear that the FmHA monies were just a beginning and that the agreement would be expanded to cover $1.2 billion in federal funds going into North Carolina annually from three separate departments. Besides the FmHA monies from the Department of Agriculture, the President said the agreement would involve programs of the Department of Housing and Urban Development (HUD) and the Department of Labor (DOL).

Governor Hunt was understandably elated at the coup, calling it "a real breakthrough in our relationship with the federal government." And following the joint presentation by Carter and Hunt at the Asheville airport, a spokesman for the Governor said that even the $1.2 billion general agreement represented only "the first round in discussions with the White House and federal agencies." Administration officials, knowing that development follows sewer lines, have explicitly mentioned water and sewer monies from the Environmental Protection Agency (EPA); funds for utilities, factory building construction and other projects financed through the U. S. Commerce Department's Economic Development Agency (EDA); and rural transportation projects financed through the U. S. Department of Transportation.

The magnitude of the fiscal power Governor Hunt is seeking can be gauged by comparing the federal dollars covered in the Asheville agreement with the magnitude of the state budget. While the $1.2 billion is only part of the federal funds which the Administration seeks for Balanced Growth Policy, this is a healthy chunk of the total federal grant dollars coming to North Carolina. These totaled $7.8 billion in fiscal year 1977, according to a recent memo of the Division of Policy Development. "This direct support," the memo states, "was about twice the amount of the entire state budget for the same time period, $4 billion. In addition there were large amounts of indirect support in the forms of guaranteed loans and miscellaneous programs."

The relative importance of control over federal funds is all the more important to the Governor because he can now direct to one community or another only a fraction of the $4 billion state budget. For instance, little of the $1 billion spent on public schools is "targetable" because the Legislature has provided that it be apportioned according to formulae based primarily on student populations. On the other hand, the more targetable funds of the Governor's Department of Natural Resources and Community Development (NRCD) amount to less than $30 million from the state's General Fund.

It is significant that the Rural Development Committee will report to the Secretary of the Department of Natural Resources and Community Development. Thus the Secretary who controls less than $30 million from the state's general fund will, on behalf of the Governor, help target $500 million in federal monies from one agency alone.

The tremendous shift in fiscal influence and power that was signalled at the Asheville airport ceremonies was obviously important. It deserved the strong light of publicity and careful scrutiny by the press. Questions needed to be raised---about one level of government directing the spending of tax funds raised by another level of government, about the way these massive funds were to be spent, about what this Balanced Growth Policy was all about, about whom it would benefit, whom it would hurt, about its basic wisdom.

The press, however, apparently didn't understand what was going on. The Asheville ceremonies themselves were covered as just another ribbon-cutting attended by political bigwigs. What grabbed the front pages and made for editorial comment about the event was that, during the speechmaking, Republican Senator Jesse Helms took over the podium and upstaged the Democrats with a little campaign speech for his own reelection. The reporters saw a lead paragraph in this insignificant event and ran with it.

One reason the story behind the speeches was not better covered was that it was over a month later that the actual written agreement between the state and the FmHA was drawn up. Though it revealed the crucial political mechanics of the new "state-federal partnership," the press didn't pick up on it. Perhaps the story, by that time, seemed old and cold. Perhaps the vague, apple pie commentaries on "balanced growth" that were a staple of the Governor's speeches---including the one at Asheville---had convinced the press corps that the policy was no more than rhetoric. Perhaps Balanced Growth Policy was perceived as some technical notion of the planning bureaucracy. (To political reporters, stories about planners are about as sexy as features on retiring librarians.) In any case, with the exception of some critical editorial comments by the *Charlotte Observer*, the debate about Balanced Growth Policy has largely evaded the press. That debate, as shall be shown in coming pages, is deep and spirited. It concerns the distribution of political and economic power. It will determine the basic governmental strategy to bring greater prosperity to North Carolina.

Chapter III

Balanced Growth: A Policy to Disperse Development

An odd and discordant note was sounded deep in the pages of the 1972 *North Carolina Statewide Development Policy*. It came in one of the more technical sections written by consultants who had not shaped the main ideological thrust of the document. The document described its central goal as "population dispersal." This was to be brought about by channeling public investments to "the outer reaches of Appalachia and of the Coastal Plains . . . placing higher priority on developing these areas than the Piedmont Crescent." Yet on page 105, economic consultants from the Research Triangle Institute (RTI) wrote the following caveat:

> Forcing a more even distribution of employment and income among the regions means some loss in total personal income. Less developed regions cannot support the higher payment industries that the more developed regions can. Hence, new jobs in the less developed regions pay lower rates.

The single paragraph above is the beginning and the end of the 1972 policy document's discussion about the income effects of dispersal. The RTI consultants' caveat was buried by being separated from the general narrative on the policy's merits.

The caveat is entirely absent from the June 1978 document entitled *A Balanced Growth Policy for North Carolina: A Proposal for Public Discussion.* In most major respects, however, the 1978 document is virtually identical with the 1972 plan. The same man, Arnold Zogry, was the chief author of both. According to a variety of sources intimately involved with state development policy of the past three administrations, Balanced Growth Policy in its essential features is the philosophical product of this one man.

Origins of the Policy

When Zogry first drafted the strategy for dispersed urbanization of North Carolina, he was a private consultant. His firm, Arnold Zogry Associates, had a history of analytical work for multistate regional commissions, particularly the Appalachian Regional Commission. During the Scott Administration, Zogry, along with economists from RTI, developed the first Statewide Development Policy under contract to the Division of State Planning, Department of Administration. Another key figure in shaping the policy was Joseph W. Grimsley, the Governor's special assistant for development programs. Grimsley had previously worked with the Coastal Plains Regional Commission, and so shared a background similar in this respect to Zogry's.

Today Zogry heads the Division of Policy Development, the successor agency to the Office of State Planning. He reports to Grimsley, now head of the Department of Administration.

The key idea that Zogry was promoting in 1972---and is promoting more powerfully today---is that government should help in building up small towns and small cities in rural areas. This, he felt, would impede the too-rapid buildup of metropolitan areas while providing the urban services necessary for rural areas to support industrial growth.

The 1972 document traces the roots of this dispersed urbanization philosophy to North Carolina's experience with the federal Appalachian Regional Commission and the Coastal Plains Regional Commission.

"The national approach to allocation of investment dollars emphasized the largest cities in the target multi-state regions," Zogry wrote, adding that the national policy stemmed from the belief that the larger cities had a greater potential for economic growth.

North Carolina officials who helped determine the regional commissions' stance towards this state, however, sought a divergence from the national policy. According to the 1972 *Statewide Development Policy:*

> In North Carolina . . . there never was an attempt to confine investments to areas of greatest growth potential. . . . Instead the legislative mandate to emphasize areas of significant growth potential was taken quite literally.
>
> The North Carolina position was taken to achieve what was termed area-wide growth. This meant growth in a number of places throughout lagging areas---places which were closest to where people needed jobs if they were to remain in the region. This became the basis for all investment planning efforts.

A Perception of Imbalance

His own past work with the regional commissions naturally shaped Zogry's outlook on the state's development problems. The regional commissions were concerned with economically lagging multistate areas. When Zogry looked at the single state of North Carolina, he saw lagging areas and geographic imbalance. The metropolitan areas of the Piedmont were getting too much. Smaller communities in the lagging regions to either side were getting too little.

The Statewide Development Policy, he wrote, "is based upon recognition of the fact that many of the state's social and economic problems result from an imbalance between where people choose to live and where job opportunities and public services are located." As stated in the 1972 document:

> In the largest metropolitan areas of the state, the heavy concentration of jobs and public services continues to exceed the concentration of people, even though massive inequities among people in accessibility to jobs and services have persisted for decades. In the rural areas, jobs and public services never have been significantly concentrated to hold the line against heavy out migration.

The inequities brought about by a concentration of development in metropolitan Piedmont cities were thus causing migration of people who would otherwise *choose* to live somewhere else. This is the moral argument underlying the current slogan that Balanced Growth Policy will bring "jobs where people live." As the 1978 Balanced Growth Policy statement says, the people of the state "live in dispersed places and we want it to stay that way . . . . We want to choose where to live, not be forced to move away in search of a job or a higher paying job."

There was also an environmental concern evidenced in the policy. While lagging regions incurred the economic costs of stagnation or decline, more developed areas were facing environmental costs due to rapid growth. By helping to channel growth away from the cities, the policy would deal simultaneously with both problems---rural underdevelopment and urban crowding. Following a review of statistics on population of the Piedmont, Appalachian and Coastal Plains regions of the state, the 1972 document states:

> All three regions are expanding, but the Piedmont is expanding faster---crowding within its borders and into its biggest clusters a larger and larger share of the State's people and jobs, thus shaping the future settlement pattern of North Carolina.
>
> The concentration is even more remarkable because two large clusters, Winston-Salem and Raleigh, which are often considered a part of the Piedmont, are included in Appalachia and the Coastal Plains, respectively. So what is really happening is a massive concentration of people and jobs within an extended Piedmont Crescent.
>
> An alternative to the crowding of more people and jobs into the central area of North Carolina is the strengthening of urban clusters that lie toward either end of the State---away from the running together of the massive urban-metropolitan areas. This means encouraging growth in Appalachia and the Coastal Plains, but not just in the metropolitan fringes that adjoin the Piedmont. That would be counterproductive to population dispersal in North Carolina.

There are a number of inequities and imbalances in North Carolina's developmental pattern. If one were to think of inequities, the low wages of the state's manufacturing workers might come to mind, or the inequities among different races, sexes and classes of people. If one were to think of imbalance, the state's disproportionate share of textiles and other labor-intensive industries might come to mind, or perhaps our low proportion of trades and services jobs, or some other indicator that our state has a less diversified and balanced economy than that of other states.

The Statewide Development Policy's emphasis, however, was placed squarely upon geographic inequities and geographic imbalances. The document brought such concerns down to a scale much smaller than the multistate regions dealt with by the national commissions. Problems were pictured in terms of imbalance among the three regions within a single state and, beyond that, to imbalances among 17 multicounty planning regions in North Carolina. The economy, the document seemed to say, should deal evenhandedly with different *places*. Prosperity should be distributed fairly across the countryside. If natural economic forces do not bring this about, then government monies should be used to redirect growth in a more balanced pattern.

The extreme emphasis on place and geography can be seen in the 1972 document's delineation of what it called the "two basic development alternatives for the state."

> 1. *Concentrated Urbanization*---allowing the main thrust of present development to be maintained and accepting the continued heavy concentration of people, jobs, and services in the Piedmont and in the adjoining metropolitan areas of Appalachia and the Coastal Plains.
>
> 2. *Dispersed Urbanization*---building a strengthened economic and urban service base primarily in areas of Appalachia and the Coastal Plains that lie outside of the main concentration of activity in the State, and drawing new job opportunities into these areas to hold most of the people now living there.
>
> Simply put, the choice facing North Carolinians is either to accept continued buildup of the Piedmont Crescent or to counter-balance this through encouraging expansion of smaller communities away from the mainstream of development.

The policy was "based upon a clear-cut acceptance of the second alternative."

Metropolitan Funding Cutbacks

One major impact of the policy would be on the metropolitan areas. They would get less money.

> For urbanization to be successful in rural areas, the share of investment dollars allocated there has to increase. This means a relative decline in funding for metropolitan areas, but not necessarily an absolute decline.

There was little emphasis, in the document, on cities such as Winston-Salem, Greensboro, Raleigh and Charlotte. While the central goal of the policy is characterized as a "State commitment to develop rural North Carolina through the building of [smaller] urban centers," the 1972 document has this to say about the metropolitan areas:

> The role of the largest cities is not fully spelled out within this policy. What that role will be, as a part of Statewide Development Policy, will have to evolve from actual experience.

The rural urbanization was to be fueled largely with rerouted federal dollars. The current moves by the Hunt Administration to take control of federal development funds were mapped out in the 1972 document.

> The State must have some leverage, and this comes from control over the flow of public investment funds---both federal and state . . .
>
> In addition to the funds of the regional commissions, the plan should seek to guide spending of funds during the next fiscal year for the following agencies:

Agency	Program
Federal:	
EDA	All public facility projects
HUD	Water-sewer systems, new communities funding
FmHA	Water and sewer systems funding
EPA	Sewage and waste treatment facilities funding

State:	
Medical Care Commission	Health facilities construction
Dept. of Public Instruction	Vocational education facilities construction, library facilities construction
Dept. of Natural and Economic Resources	Airport facilities construction, sewage and waste treatment funding
Dept. of Human Resources	Water system funding

The funds would be channeled away from the Piedmont, into the Appalachian and Coastal Plains regions. The 1972 document states:

> Pursuing this policy means giving more city-building resources to the outer reaches of Appalachia and of the Coastal Plains than they have had in the past. It means placing a higher priority on developing these areas than the Piedmont Crescent . . . . The population of the Piedmont is much too heavily concentrated in large urban areas to be amenable to a policy seeking dispersed urbanization.

In the later version of the policy statement, the 1978 *Balanced Growth Policy: A Proposal for Public Discussion*, the explicit statements about Piedmont funding cutbacks have been deleted. The explanatory rhetoric has been markedly softened. The newer document is replete with more innocuous phrases such as:

> Small city growth is the key to rural development and healthy larger cities is [sic] the key to metropolitan development.

Whereas the 1972 policy statement says metropolitan areas will be treated to a relative decline in funding, the 1978 statement says the government should "pay equal attention to the health of our larger cities." And whereas the 1972 statement says the state government's relationship to the cities is not "spelled out," the 1978 statement finesses the lack of treatment of metropolitan issues by saying that because large cities "are few in number, the state role can be individualized."

Piedmont Fears

The softened rhetoric has not allayed the fear of some Piedmont leaders that the Balanced Growth Policy is biased against the Piedmont and metropolitan areas.

•In a recent interview, Dr. Jonathan Howes, Chapel Hill alderman, director of the Center for Urban and Regional Studies at the University of North Carolina at Chapel Hill and chairman of the Triangle J Council of Governments, characterized the policy as "for the Coastal Plains first, for the mountains, second, and for the Piedmont last." One motivation for the Triangle J COG's recent initiation of economic development planning, he added, was as a "defense" against the possible effects of the policy.

•Joe Hudson, chairman of the Charlotte-based Centralina Council of Governments, gave a July 13, 1978 speech to Governor Hunt and a meeting of the State Goals and Policy Council in which he pointed out that the urban growth of the Centralina region called for costly government services. He added, "We trust the State would not intend to cut us off from grants and technical assistance just when the problems become more complex."

•The 1978 draft *Overall Economic Development Program* document of the Piedmont Triad Council of Governments is most blunt. "State government is not Piedmont oriented in economic development," it states. The document asserts that the Piedmont has already suffered from the economic development policy's influence on industrial recruitment strategy "for the past nine years." The Piedmont, as a result of the policy, has lost "new out-of-state industry, often higher wage in nature. State economic planning emphasized the continued industrialization of the small rural towns, reinforcing pre-existing population dispersal and low wage patterns, and ensuring the survival of small tobacco farms. As it continues today, state economic policy may well do the same."

•Frank Gentry, economist and senior vice president of North Carolina National Bank, said in an interview that he feared the substance of the policy remained the same as in 1972. "I hope that's not the case," he said. Diverting resources to lagging and isolated areas is economically inefficient, he said, a form of "sweeping water uphill." The policy's evident concern for equity rather than efficiency involves "equity to geography, not equity to people."

The continuing concern of Gentry and other Piedmont critics is that, while the rhetoric of the policy has changed, the crucial mechanics of funds allocation remain the same. It is these mechanics that show the identical nature of the 1972 and 1978 policies.

The two key allocation devices are *regional balance targets* and *growth centers.*

Regional Balance and Funding

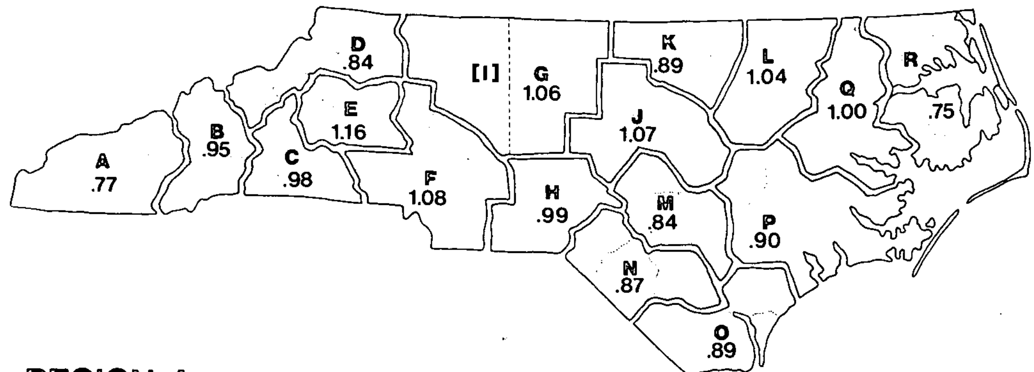
Funding levels for each of the state's 18 planning regions would be guided by its "regional balance ratio." Zogry calls this ratio a "needs index" because regions with low balance ratios are seen to have greater needs for state assistance in funding. The 1978 Balanced Growth Policy statement says that "a region would be in balance with a ratio of 1.0, meaning that its share of jobs is equal to its share of people in the state . . . . A ratio substantially less than 1.0 means that there is an insufficient number of jobs in the region to support its population on a continuing basis." Bringing development to the lagging regions---those with low balance ratios---is thus aimed at a "jobs-people balance."

As written in the 1978 document:

$$\text{Regional balance ratio} = \frac{\text{percent of total state jobs in region}}{\text{percent of total state working age population in region.}}$$

Thus a region will have a lower balance ratio, and a greater perceived need for development funds, if its proportion of the state's population is greater than the proportion of the state's jobs located in the region.

N.C. Planning Regions and "Their Regional Balance Ratios"*



REGION A Southwestern North Carolina Planning and Economic Development Commission
Cherokee, Graham, Swain, Clay, Macon, Jackson, Haywood.

B Land-of-Sky Regional Council
Madison, Buncombe, Henderson, Transylvania.

C Isothermal Planning and Economic Development Commission
McDowell, Rutherford, Polk, Cleveland.

D Blue Ridge and Mountain Scenic Planning and Development Commission
Yancey, Mitchell, Avery, Watauga, Ashe, Alleghany, Wilkes.

E Western Piedmont Council of Governments
Caldwell, Burke, Catawba, Alexander.

F Centralina Council of Governments
Gaston, Lincoln, Mecklenburg, Iredell, Rowan, Cabarrus, Stanly, Union.

G Piedmont Triad Council of Governments
Surry, Stokes, Rockingham, Caswell, Yadkin, Forsyth, Guilford, Alamance, Davie, Davidson, Randolph.
As of July 1, 1979: Region I-Forsyth, Davidson, Davie, Yadkin, Surry, Stokes. Region G-Guilford, Alamance, Rockingham, Randolph, Caswell.

H Pee Dee Council of Governments
Montgomery, Moore, Anson, Richmond.

J Triangle J Council of Governments
Orange, Durham, Chatham, Lee, Wake, Johnston.

K Kerr-Tar Regional Council of Governments
Person, Granville, Vance, Warren, Franklin.

L Region L Council of Governments
Northampton, Halifax, Nash, Edgecombe, Wilson.

M Region M Council of Governments
Harnett, Cumberland, Sampson.

N Lumber River Council of Governments
Hoke, Scotland, Robeson, Bladen.

O Cape Fear Council of Governments
Columbus, Brunswick, New Hanover, Pender.

P Neuse River Council of Governments
Duplin, Wayne, Greene, Lenoir, Jones, Onslow, Carteret, Craven, Pamlico.

Q Mid-East Economic Development Commission
Beaufort, Pitt, Martin, Bertie, Hertford.

R Albemarle Regional Planning and Development Commission
Gates, Chowan, Perquimans, Pasquotank, Camden, Currituck, Washington, Tyrrell, Dare, Hyde.

*Regional Balance Ratios cited are estimates for 1976 by the N. C. Department of Administration. (Source: A Balanced Growth Policy for North Carolina: A Proposal for Public Discussion, 1978).

Figure III-1.

The attempt to bring about "regional balance" of this sort would seek to accomplish two things. First, industries would be encouraged to locate in labor surplus areas of the state. The encouragement would take the form of industrial recruitment and infusions of public funds for such industry-supporting infrastructure as water and sewer lines. Secondly, population migration would be reduced. The balance ratios in lagging regions should be improved, according to the 1978 document, because low balance ratio indicates "a low level of economic opportunity in the region that likely would cause people to move elsewhere."

Figure III-1 indicates which regions of the state would be favored in funding by the regional balance concept, and which would be hurt.

As may be seen, the more central and more urbanized regions generally have high ratios, while the far western and far eastern regions, such as A and R, generally have low ratios. The regional balance ratio is thus an apt mechanism for sending disproportionate public investments to the "outer reaches of Appalachia and of the Coastal Plains."

The Growth Center

The other basic allocation concept, the *growth center*, might *in principle* counter the thrust of geographic dispersal of funds. Growth center strategies have been used by federal agencies in order to make sure that public investments are concentrated and sent to centralized areas with good prospects for economic growth. Delineating a particular geographic area---usually surrounding a town or city---as a growth center and then concentrating project funds within this center has several advantages. If investments are concentrated in a few central areas, rather than scattered hither and yon, the economic impact is thought to be greater. Also, the costs of providing government services in a central area are thought to be less. As applied to utility systems, the water and sewer plants in central areas tend to be bigger and can thus reap economies of scale. Also, many planners believe that developmental sprawl can be discouraged if utility distribution lines are kept within the bounds of a growth center. A related reason for concentrating investment in growth centers is to encourage the agglomeration of business in a central area, bringing about self-sustaining growth and diversification of the local economy. (The advantages of agglomeration are discussed in Chapter V.)

A number of experts, chief among them the University of Texas economist Niles Hansen, have criticized federal agencies for the politically expedient policy of choosing a great number of growth centers. This allows maximum freedom in dispensing public investments and reduces political opposition by residents outside growth centers. But critics argue that proliferation waters down the growth center concept.

In the 1972 document, the proposed growth centers were extremely proliferated. There were to be fully 205 growth centers scattered across the state, including substantially more than that many towns. Growth centers were to be "clusters" including areas as thinly settled as 200 people per square mile (3.2 acres per person or a family of 4 every 13 acres) and often including several towns. These clusters could be very small communities. One centered at Newland was listed as having a population of 524. The depopulated mountainous Region A, in the extreme western part of the state included "primary" growth centers of Waynesville-Canton, Franklin, Sylva, Murphy, Cullowhee, Andrews, Bryson City, and "secondary" growth centers of Robbinsville (population 777), Hayesville (population 428), and Cherokee (population unlisted). Only one of the primary growth centers had a population over 5,000.

The Hunt Administration will probably designate between 150 and 200 growth centers, Zogry said in an interview. While the Scott Administration designated growth centers on its own, the Hunt Administration has taken the more politic course of allowing local leaders to help with the designation process. On May 4, 1979, criteria for growth center designation were proposed by the Subcommittee of the Interim Balanced Growth Board, a joint board consisting of members of the Local Government Advocacy Council and the State Goals and Policies Board. The criteria are discussed in Appendix A. It is sufficient at this point to make only two observations pertinent to the impact the growth centers will have upon the dispersal of funds.

(1) The growth centers will not necessarily impede the shift of funds to lagging regions. Funds dispersal is assured by the regional balance targets and by the fact that growth centers will be numerous and well distributed among the regions.

(2) Smaller communities in more populous regions will apparently suffer in funding, in comparison with similar-size communities in less populous regions.

Small Communities Hurt in Metropolitan Regions

The rationale for discriminating among small communities according to their location is spelled out in the 1972 document. The document states that small communities near a major metropolitan area have a "distinct advantage" over those in rural areas because they are naturally more attractive to industry. Shifting funds would be a way to make up for this unequal advantage.

> The economic calculus involved in industrial location emphasizes the attractiveness of being near a large labor supply. This may mean that the flow of funds to smaller clusters adjacent to major metropolitan areas should be less than it would be to comparable size clusters in the rural areas. For it may take more of the same kind of public investment dollars to get the same number of jobs into rural areas than it would into fringes of the large urban-metropolitan areas.

The way communities will compete for growth center status favors communities in nonmetropolitan regions. The interim board proposed a hierarchy of six different categories of growth centers. A community's position in the hierarchy would be determined largely by its size. With the exception of the new category of *statewide growth* *centers*, added at the insistence of metropolitan leaders, the other five categories closely conform to growth center categories proposed by Zogry in 1972. A review of the proposed criteria shows that a community's competitive position would be enhanced if its size is large relative to other communities in the same region. Thus a community might be a "regional growth center" if it is the largest community in a thinly populated region, while a town the same size in a more populous region might be an "area growth center," a position lower on the hierarchy.

According to Administration officials, the higher categories of growth centers would be eligible for a broader range of public investments and services. Certain types of funds and projects would go to certain types of growth centers and not to others. The funding would be determined according to an "investment allocation matrix" which would distribute dollars according to two dimensions: the type of program and the type of growth center. The full funding implications of this allocation matrix cannot be stated because no proposed matrix has yet been publicized. The matrix was first proposed in 1972. Policy Development officials are currently working on a matrix to be used by the Hunt Administration.

In a brief interview during the May 4 meeting of the Interim Balanced Growth Board, Policy Development staffer Ed Regan said the Board had not yet discussed what types of funding would go to what types of growth centers. It is fair to say that the members of the Board have done things backwards. They have determined which towns will be eligible for which kind of growth center status before determining what each growth center status means. They have set eligibility criteria without knowing what the funding implications will be, even for the very towns the Board members are from. A more reasonable approach would have been to first define each growth center category in terms of its practical meaning: that is, in terms of the programs each kind of growth center would be eligible for. Then the Board could have had a spirited and meaningful debate over which types of towns would be eligible for which growth center status, knowing full well what each status means.

The Policy's Wisdom

Obvious questions of efficiency are raised by a policy that would send a disproportionate amount of funds for utilities and other growth-supporting infrastructure to naturally low-growth areas, a policy that would divert growth-supporting infrastructure from naturally high-growth areas. Is there any evidence that such a policy will help bring prosperity to the state? Is there any technical basis for supposing a policy for deliberately dispersing growth is viable?

In the 1972 document the question of viability was not raised as a question of whether such a policy would meet tests of economic efficiency or whether it would boost the overall income of the state's population. Aside from the RTI consultants' buried caveat, income effects were ignored. Instead the document considers whether maintaining a dispersed development pattern is possible at all. Even with infusions of state and federal money to rural regions, the statement says, the policy "cannot chart a bold new course if social and economic forces are pushing mainly in the opposite direction." There have to be favorable trends which the government can reinforce. One section of the document states, "The point of this chapter is to provide sufficient evidence that favorable trends exist, and that a policy of encouraging the urbanization of rural regions can work."

To demographers other than Zogry, trends seemed to be against dispersal. Population was concentrating in and around larger cities. The state's nine most populous counties had grown far faster than the more rural counties. Though they held only 36 percent of the state's 1970 population, these nine counties with over 100,000 population had experienced 67 percent of the state's population growth of the previous 20 years. By contrast the 66 counties with under 50,000 in total population accounted for only 3 percent of the 1950-1970 growth. In addition to the county figures, figures for small towns in rural areas also indicated slow growth or, in many cases, population loss. These findings, Zogry wrote, could "reinforce a belief that rural areas are not viable."

Zogry believed, however, that there was a type of growth in rural areas that the city and county figures did not show. This was the growth of population clusters extending beyond a town's city limits. Zogry defined these clusters as areas having over 200 people per square mile. The clusters often extended beyond town or city limits. Thus even if a town were not gaining population within its limits, it might be attracting people who live nearby. It might therefore be part of a larger cluster which was gaining population. Around the North Wilkesboro-Wilkesboro area, for instance, was "a clustering of 16,102 people centered upon a city of 3,357 people that actually lost population in the last decade." Zogry found that even in counties that were not gaining population, the population that such counties did have was concentrating in these clusters. It was in these intracounty population movements that Zogry found the trend favorable to a government growth strategy of dispersal.

The document makes clear that Zogry was excited about the finding and thought it held a tremendous amount of significance. To Zogry, the discovery meant that rural towns and small cities were viable vehicles for economic development. Many were growing, even if much of their growth was taking place outside their legal borders. As stated in the 1972 document:

> As difficult as it may be to believe, with all of the studies done in the past years, few persons have a solid grasp of where people in North Carolina are actually living, and what shifts are taking place. Now, perhaps for the first time, it is clear that most North Carolinians are moving closer together, in and around urban centers, and this has been taking place in both rural and urban regions. What is more, the trend may be accelerating.

Zogry believed that other demographers had missed the boat by not looking at subcounty figures which showed a strong movement "into townships with viable urban centers." He wrote:

> By not picking up on internal population movements in smaller counties it was quite easy to miss what was happening . . . . What is most significant is that the townships with clusters of over 5,500 have demonstrated beyond doubt that they not only can retain people but that they also can expand along with the rest of the state. Townships with clusters in the 5,500 range have expanded by nearly 20 percent during the two decades, and those with clusters between 1,500 and 5,500 have grown by almost 10 percent. This is the key piece of statistical evidence to support a policy of dispersed population centers.

Besides calling the finding the "key piece of statistical evidence," the 1972 document gives other indications that the clustering phenomenon in rural areas is the chief technical basis for support of the policy. After reviewing the population figures, Zogry states:

> The obvious conclusion is that urbanization of rural regions has been underway, on its own, apparently for a considerable time. Therefore, a State development policy in support of this trend would be on firm ground.

The 1978 policy statement says that the trend of "dispersed urbanization" has continued since the earlier findings were published. The new statement says that this is further evidence of the policy's wisdom. According to the 1978 document *A Balanced Growth Policy:*

> Our vision of the future is sound. That it can be achieved is borne out by recent population settlement patterns. Dispersed population centers have absorbed economic growth up to now.

Because it was set forth as the chief technical justification of the policy, Zogry's finding was forced to carry a very heavy weight, a weight far beyond what it can legitimately carry. The finding may be significant in pointing out to government officials that there is growth in rural areas of a sort that might not be picked up by county and city population figures. It may thus alert government to growth that demands public investments and services. This is a burden the finding can carry. But the policy statements go beyond that. They cite the finding not as an argument for making public investments according to current growth trends, but for spending disproportionate sums in rural areas in order to accelerate and lead growth. The urbanization of rural regions is not merely to be serviced and supported. It is to be subsidized at the expense of other regions in the state.

The rural clustering described by Zogry is not a new phenomenon. The urbanization of rural regions has been going on for a considerable time in North Carolina, at least since 1880. Zogry's analysis indicates that this long-recognized trend is still alive. But the crucial question remains. Should the government try to accelerate this trend, to accentuate North Carolina's pattern of dispersed development? One consideration is to what extent public funds will be wasted if hoped-for growth does not materialize. There is another consideration. Even if successful in altering growth trends, would the policy spur the type of development the state needs?

As laborers leave the farms to take jobs in large factories in rural regions, one would expect to see the kind of clustering identified by Zogry. But in the past this has meant low-wage jobs provided by the kinds of industries that seek out areas of surplus rural labor. What is not discussed in either the 1972 or the 1978 version of the policy document is that North Carolina's "rural urbanization" might represent a continued pattern of development inimical to human opportunity. This possibility is alluded to only in the RTI consultants' buried caveat.

Chapter IV

Critics and Supporters

An observer who attends meetings of the Interim Balanced Growth Policy Board gets the distinct impression of debate leading to preordained conclusions. The discussions (which are continuing as this report is being completed) are about important matters. To use the Balanced Growth jargon, the local leaders on the board are deciding criteria for "regional balance targets" and "growth center designation." In more basic terms, they are helping decide where hundreds of millions of dollars will be invested in the attempt to bring prosperity to the state. As fundamental as these matters are, the discussions remain within surprisingly narrow paths. Instead of critically examining the premises of Balanced Growth Policy, the board members focus on interpreting the 1978 Balanced Growth Policy statement. The discussions are fed by a steady diet of memoranda from Zogry's Division of Policy Development.

One member of the Interim Balanced Growth Policy Board was quite candid about the role he and his fellow board members were playing. The member was J. T. Knott, long-time Wake County Commissioner and president of the N. C. Association of County Commissioners.

"We're just window dressing," Knott said during a break in the board's deliberations. "This is Arnold Zogry's show."

Critics

Although their views are not reflected in meetings of the board, there are strong critics of the policy. The most vocal of these has been state Commissioner of Labor John Brooks. An elected official, hence not a member of Governor Hunt's appointed team, Brooks has attacked the policy in speeches and articles. The policy is seriously deficient, Brooks says, in that it does not include specific provisions that would alleviate the state's severe shortage of high-skilled workers. He also contends that the state needs a much greater commitment to economic study and growth planning. To inform industrial recruitment decisions, for instance, regional study needs to be done to determine which industries would best match the labor market, natural resources and existing economic structure in each part of the state. Because the policy statements are so vaguely written, Brooks says he cannot tell what sort of planning efforts would be done in implementing Balanced Growth Policy. But to the extent that the policy would target industrial recruitment and public investment according to the simple objective of dispersal, Brooks opposes such a plan. One reason, he said in an interview, is that isolated rural areas form "the least competitive labor markets." Big firms in small rural communities monopolize the labor market, pay low wages to essentially captive workers and, by dominating local development agencies, discourage the entry of high-wage industry.

Outside of government, there are a number of prominent critics of the policy in business and academia. Several of them were appointed to a "technical committee" which was supposed to help shape the policy. Among them were:

• Dr. Barry Moriarty. Director of the Industrial Development Institute, University of North Carolina at Chapel Hill, he is well known in academic circles as a critic of dispersed development strategy. A few months after Governor Hunt's inauguration, Moriarty received newspaper coverage for asserting that the state's focus on recruiting industries to small towns has reduced the state's income and encouraged the predominance of low-wage jobs.

• Dr. Jonathan Howes. Director of the Center for Urban and Regional Studies, Chapel Hill Alderman, chairman of the Triangle J Council of Governments, he maintained in an interview that, as written, Balanced Growth Policy discriminates against the Piedmont. "It's for the East, first, for the mountains, second, and for the Piedmont, last."

• Frank Gentry. Economist and senior vice president, North Carolina National Bank, he contends that a policy of dispersed public investments is economically inefficient, will waste large sums of public money and, if effective in shifting development out of the metropolitan regions, will hurt the state's economy. He said in an interview that if the Administration hadn't appointed him to the technical committee and shown other evidence he would be listened to, "I'd be shouting from the rooftops." He added that although Zogry and other officials *seemed* responsive, he could detect little substantive change in the policy since 1972.

By their own accounts, experts who tried to change the policy through "input" on the technical committee had little success. One who asked not to be identified because of ties with state government said, "I don't think anything we said made much of an impact on anything." As the feeling took hold that the technical committee was having little effect, membership reportedly dropped from over a dozen until "there were just two or three of us sitting around talking to one another." The committee then faded away completely.

If the technical committee had little policy effect, it perhaps had the political effect of forestalling "shouting from the rooftops." Nonetheless, some shouting over the policy has occurred. At a November meeting in Asheville of the N. C. League of Municipalities, Charlotte Mayor Kenneth Harris questioned Administration officials about the policy's seeming lack of emphasis on the state's larger cities. The crowd, dominated by officials of the state's numerous small towns, greeted him with boos as well as subsequent speeches on the theme of "Charlotte's had its share; let us have ours."

The Charlotte Insurgency

Harris said in an interview in February that he had begun meeting with a group of Charlotte-area leaders concerned about the policy. He insisted that the group was interested in defending the interests of the multicounty region surrounding Charlotte, not just the city itself. The aim, he said, was to "temper" the policy, not to oppose it. One member of the group, UNC-Charlotte geographer Dr. Alfred Stuart, called it an "action-oriented group to form a political strategy." The group includes another UNC-Charlotte geographer, Dr. James Clay; Jim Babb, vice president of Jefferson Standard Life Insurance Company; Jack Claiborne, associate editor of the *Charlotte Observer*; and Bill Lee, president of Duke Power Company.

The opening shot of the Charlotte insurgency was an unpublished but well-circulated critique of Balanced Growth Policy written in the fall of 1978 by Stuart and Clay. (The paper is described in Chapter V). The paper contended that the policy goal of "attracting more high-wage industry to the state is incompatible with the goal of placing it in rural areas." The paper was used as the basis of a *Charlotte Observer* editorial critical of the policy. Another *Charlotte Observer* editorial zeroed in on state industrial recruitment ads placed in national publications. The ads are a major concern of the Charlotte group, according to Harris and Stuart. In recruitment, said Stuart, "the image of a state is as important as the reality." A two-page spread in the Oct. 31, 1978 *Wall Street Journal*, paid for by the N. C. Department of Commerce, stresses the themes of "willing" surplus farm labor, state discouragement of unions, and little communities that welcome virtually any big firm because, "to put it plainly, they want the jobs."

The ad is reprinted on pages 40 and 41.

"The ad makes us look like a state full of hillbillies," said Stuart. "There's no mention of our universities, of our research establishments. The only mention of our larger cities is that our biggest one has so few households."

Government Responds with MADS

In contrast to the "input" of the technical committee, the more visible protests of the Charlotte group have won some response from government. The Department of Commerce was considering in March a new advertising campaign stressing North Carolina's cities, according to the department's director for economic development, Larry Cohick. Another possibility, he said, was downplaying "image" advertising altogether and making future ads more technical, providing information on specific "industrial location factors" such as the state's position relative to major markets, its labor force composition, and its major transportation routes. Perhaps more important, in direct response to the Charlotte protest, the Administration began in March a belated effort to write a metropolitan development strategy into Balanced Growth Policy. The interagency working group on the Metropolitan Area Development

Strategy (officially called "MADS") is headed by Cohick. The strategy has yet to be outlined, as this report goes to press.

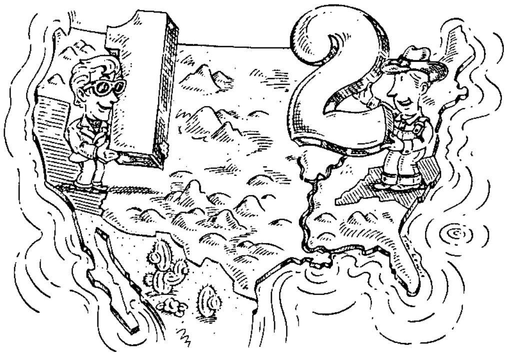
Popular Support

Despite their successes, the critics may well have an uphill political battle. Supporters of Balanced Growth Policy within the Administration are adamant that the theme of dispersal will remain the policy's major thrust. And though the policy has received little press coverage, and less popular understanding, there is no doubt that the general theme of dispersed development has broad appeal. *Greensboro Daily News* reporter Stan Swofford wrote soon after the policy statement appeared that Balanced Growth appeals to basic desires of the state's people, who "want their towns and cities to grow. But they also want to maintain and protect what they know is the most beautiful and easy-to-live-in natural setting in the country." It is not true---as the Administration convinced the Associated Press when the policy statement was released---that "The proposal called a Balanced Growth Policy for North Carolina was developed from responses to the 'North Carolina Tomorrow' survey answered by 100,000 state residents and from the results of 100 county conferences on growth." The policy was developed years before the survey. But the survey did, as the AP reported, show "substantial support for getting more jobs into small cities and rural areas instead of larger cities." That small town mayors and commissioners stand ready to defend the policy is shown by the heated response to the Charlotte mayor's critical questions at the Asheville conference. And a few of the critics of the policy support the theme of dispersal. Environmentalists, including Sierra Club national treasurer Danne Shaffer, have criticized the pro-growth stance of the policy and the lack of emphasis on growth management, but Shaffer's critique is essentially that growth could become *too concentrated*. Conversations with a number of North Carolina environmentalists with the Conservation Council revealed general support for Governor Hunt's idea of actively supporting decentralized development. Supporters include many metropolitan residents concerned about the consequences of growth of their cities. An editorial in the *Winston-Salem Journal* quoted with favor the statement of Commerce Secretary D. M. Faircloth that distribution of growth "is a way to prevent the urban sprawl that has attended rapid economic expansion elsewhere in the country. North Carolina's larger cities, which are attractive, prosperous and safe by national standards, remain manageable in size and in touch with their citizenry."

Supporters in Government

One of the main supporters of the policy, of course, is its chief author, Zogry. Zogry dismisses as "absurd" the contention that dispersal will harm the income of the state. Bringing more jobs to rural residents will increase the state's income by increasing

CALIFORNIA, HERE WE COME.



IN A BUSINESS WEEK SURVEY, EXECUTIVES CHOSE NORTH CAROLINA AS THE SECOND MOST LIKELY NEW PLANT SITE.

In 1849, they struck it rich in California.

But, up until then, the nation's top gold producer was North Carolina.

Today, we're enjoying our second gold rush.

Only this one's coming from the development of new industry.

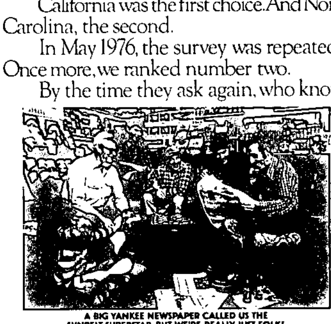
Wouldn't you know, it's put us right on the heels of our old competitor from the West, California.

In 1971, Business Week magazine asked executives to pick the state where they'd most likely build a new plant.

California was the first choice. And North Carolina, the second.

In May 1976, the survey was repeated. Once more, we ranked number two.

By the time they ask again, who knows.



A BIG YANKEE NEWSPAPER CALLED US THE SUNBELT SUPERSTAR. BUT WE'RE REALLY JUST FOLKS.

Things could change. In fact, they already are.

Our economic development gold rush will zoom past the $2 billion mark in 1978. A record high.

All this activity has even earned us a new nickname: Sunbelt Superstar.

But the big star everyone's after isn't very big at all. It's our small towns.

Communities where Main Street is four blocks long. Trees outnumber people. And the county fair is the big event.

Large companies like these quiet places. They're uncongested and liveable.

And these places like large companies. To put it plainly, they want the jobs.

It's a matter of bringing industry to the people. Instead of the other way around.

This movement in American business, enables both industry and state to maintain balanced growth.

Of course, small, pretty towns are easy to come by most anywhere.

But North Carolina could be called the small town state.

Because living within our un-urban state is the largest labor force in the Southeast.

And the eleventh largest population in the country, soon to overtake Massachusetts.

Courtesy of McKinney, Silver and Rockett and N.C. Department of Commerce

the number of people with paychecks, he said. He professed not to know whether the policy would cause funding shifts away from metropolitan areas. Reminded of the explicit call for such shifts in the 1972 policy statement, Zogry replied, "That was simply a different choice of words." Regional funding shifts are "not the issue," he said. "It's not a matter of sending more or less to metropolitan areas. The issue is how to concentrate dollars more effectively in nonmetropolitan areas."

The policy's call for concentrating investments in "growth centers" stands in refutation to those who say the policy is vague and short on planning, said one Policy Development official. The growth center concept is "something solid and important" that will help prevent sprawl, according to Billy Ray Hall, director for Balanced Growth Policy in the Division of Policy Development. Concentrating water and sewer investments within growth centers, for instance, will bring a halt to FmHA's past practice of funding countywide utility systems. "Spreading lines all over the countryside" has brought inefficient high cost service and---as development follows the utility lines---sprawled growth, Hall said.

Perhaps the most important supporter of the policy is in the White House. Because President Carter approves of Balanced Growth Policy, North Carolina will receive more federal dollars, according to Larry Gilson, associate assistant to the President. North Carolina is in a more competitive position than some other states, Gilson said in an interview, because Balanced Growth is seen as "a coordinated policy to achieve recognized national objectives." These include "more effectively targeting resources and leveraging federal resources to better achieve local objectives." Gilson said the President's declared "federal-state partnership" means that the targeting of federal funding "is to be principally determined within the states, whether the targeting is site specific or programmatic." As far as the federal government is concerned, said Gilson, the state can decide to concentrate federal investments "around a delta region or around Greensboro."

Zogry said the policy's good standing with federal agencies will help protect North Carolina against funding cutbacks as more funds are sent to troubled Northern cities. He called the formation of the policy "a preemptive action" in the Snowbelt-Sunbelt war.

Hunt Administration officials are understandably proud of the reception the policy has received in the White House. It is questionable, however, whether the federal approval reflects an understanding of the policy and a recognition of its merits, or merely reflects the well-publicized political alliance of Carter and Hunt.

Whether the policy is in the state's best interests must be judged by the public, press and government of North Carolina. Largely because of the ambiguity of the policy statements, in none of these three bodies is the policy generally understood. In public forums, the issues the policy raises have been neglected. This will be remedied as the policy is subjected to the keen edge of open political debate.

Chapter V

What's Agglomeration and What's So Good About It?

"Should We Bring People to Jobs or Jobs to People?" The title of a speech at the White House Conference on Balanced Growth, this question was posed by Governor Hunt as the central economic question facing the state. The Governor's Balanced Growth Policy answers the question by calling for "jobs where people live." As shown in Chapter III, this means placing public investments so as to attract jobs to rural areas, thus maintaining population dispersal.

How do these rural jobs compare to jobs people would find if they were to move into or near a city? The question is an old one in economics. We can tract it back at least to the 1929, *Theory of the Location of Industries*, by the German economist Alfred Weber..

Economists have long seen cities as the developed economies' great engines of wealth. Cities are centers of innovation, of entrepreneurial, artistic and intellectual ferment. They are also fertile ground for what economists call the "secondary" and "tertiary" sectors of the economy, the sectors which distinguish the developed economies from those which rely mainly upon the "primary" extractive industries of mining and agriculture.

It was the "secondary" sector, manufacturing, that Weber was most interested in as he tried to figure out what forces made different industries locate in different types of places. The three main factors he turned up were those of *transportation*, *labor*, and---most pertinent to cities---*agglomeration*. At the heart of his analysis was a very simple idea. Industries' costs determine their location. Industries which manufactured products with high transportation costs would be more influenced in their location by the transportation factor. A firm that produced high tonnages of product and had high shipment costs would locate on good rail lines, for instance, and as close as possible to their resources and markets. Similarly, labor-intensive industries---those whose costs are dominated by their payrolls---will be attracted to a location principally because of its surplus of workers willing to work for low wages. Cheap and abundant labor will be a chief attraction only to labor-intensive firms because, according to Weber, "only where high labor costs per ton of product exist can considerable labor economies per ton of product be effected."

The location of another type of industry depends principally upon "agglomeration" --- that is, the tendency to locate within large aggregations of services, industries and human skills. Such aggregations are found in cities. Industries strongly affected by the agglomeration factor tend to require sophisticated production processes to produce products worth far more than the raw resources that go into them.

"Upon what qualities of a particular industry does the amount of its agglomeration depend?" Weber asks. He answers, "Industries [which] show a high value added through manufacture . . . . Value added through manufacture is the object of all attempts to reduce cost through agglomeration."

Applied to the Hunt policy of attracting industry to rural areas of labor surplus, Weber's analysis would lead to a clear prediction: The firms willing to forego the benefits of agglomeration for the benefits of surplus rural labor would tend to be labor-intensive, low-value-added industries. Those locating in the cities, or close enough to obtain their benefits, would tend to be capital-intensive, high-value-added. The importance of this to Governor Hunt's question is that the phrase "capital-intensive, high-value-added" is, to economists, virtually synonymous with "high-wage." "Labor-intensive" is a virtual synonym for "low-wage."

Should the main goal of the state's development policy be to bring jobs to rural areas? That depends on what type of jobs we want.

Virtues of the City

Weber stood the test of time pretty well. David M. Smith, author of the 1971 book *Industrial Location* calls Weber's 1929 book "the beginning of industrial location theory" and commends the soundness of his ideas. Smith adds that Weber's theory of cost minimization was later supplemented by ideas which had to do with locating at a site in order to maximize revenues. Some authors wrote about firms locating close to their markets in order to promote increased sales. Others stressed the importance of cities as centers of information and innovation, where social and intellectual forces would help to improve revenues by improving the firm itself.

A 1968 article by Wilbur R. Thompson published in Perloff and Wingo's *Issues in Urban Economics* states, "The large urban area would seem to have a great advantage in the critical functions of invention, innovation, promotion, and rationalization of the new. The stabilization and even institutionalization of entrepreneurship may be the principal strength of the large urban area." According to Thompson's "filtering-down theory" of industrial location, industries are created and refined in the creative environment of the city and are then "spun off" to areas of lower labor costs once the industrial processes have become routine.

The advantages of locating in or near cities have been listed in a number of recent books on urban economics and industrial location, and most lists show advantages that both reduce costs and increase revenues for sophisticated industries. Niles Hansen, an economist of the University of Texas, writes in *The Challenge of Urban Growth*:

> Business agglomeration economies include access to specialized business services; sources of capital; labor market economies in the form of more varied skills, greater

> elasticity of labor supplies, superior training, and better organized worker-placement services; a larger stock of managerial and professional talent; good public services; cultural amenities; opportunities for specialization because of the large market; economies of information and communication, especially where face to face contact is involved; greater adaptability and flexibility in the use of fixed capital; and last, but probably not least, the presence of a variety of business entertainment facilities.

Hansen also speaks of "household economies" and "social economies" of agglomeration. The former refers to the economic and cultural rewards to individuals living in or near cities. The latter "refers to the functions performed by cities as centers of innovation and the role of cities in transmitting innovation through the urban hierarchy and to urban hinterlands."

Rural Weakness

An important way firms in rural areas differ from firms in metropolitan areas is in their relationship to the rest of the local economy. Deprived of the so-called "external economies" provided by physical proximity to a city, industries in rural areas build into themselves many of the services that, in a metropolitan area, would be bought from outside. One result, according to a number of studies, is that the rural firm is usually larger than its metropolitan counterpart. Another is that the rural firm buys less in the local community and sells less there as well. Its impact on the local economy is limited mainly to its payroll. And because its payroll per worker is lower, the local residents themselves have less to spend in the local economy.

In 1974 Congressional hearings on *Rural Industrialization: Prospects, Problems, Impacts and Methods*, the president of a prominent consulting firm that helps firms make location decisions outlined "Industry's Viewpoint of Rural Areas." Maurice Fulton, president of Fantus Company of Chicago said that firms that can best profit from rural locations have the following features:

1. Require fewer skills at outset;
2. Are willing to train a large part of their work force;
3. Are more oriented to the assembly of purchased parts than to the fabrication of those parts;
4. Are low profit margin industries, hence must keep out-of-pocket costs down;
5. Use mostly catalogue ordered or standard raw materials;
6. Are able to keep inventories on hand for production runs rather than relying upon hand to mouth purchasing;
7. Deliver to customers on the one or two main rail, truck, water or air routes that serve the town;
8. Have customers who don't normally visit the plant;
9. Don't have unusual utility requirements;
10. Don't find it necessary to have professionals such as engineers, physicists, and mathematicians attached closely to the manufacturing facilities.

The picture Fulton draws is of a firm that not only is low-skill, low-profit, and low-technology, but one which is largely isolated from the local economy.

By contrast, Melvin L. Greenhut, in the 1956 *Plant Location in Theory and Practice*, writes of the highly interactive nature of enterprises "agglomerated" in a central area:

> By agglomerating and localizing, firms specialize to a greater degree. Thus, certain operations and services that a plant in a less industrialized area would have to do for itself can now be farmed out economically.
>
> The interindustry advantage of agglomerating is pronounced. Thus industries may be linked by the use of each other's by-products, complementary use of labor, or a policy of hand-to-mouth purchasing of inventory, rather than inventory accumulations.

Cities thus enhance the specialization and division of labor that is at the heart of the efficiency of the modern industrial system. They enhance a goal that politicians often advance as a goal for the North Carolina economy---diversification.

Related to the idea that firms buy less in rural economies than they would elsewhere is the idea that the rural economy has a low "multiplier," which means roughly the number of times a given dollar is spent in a local economy before it is "exported" to buy products from outside. (The dollars are brought into the local economy through sales of products from the "economic base" constituted principally by the extractive and manufacturing industries which create products sold to outside markets.) The multiplier for a given community would obviously vary according to a number of factors, but urban orientation seems to be among the strong ones. Edgar Z. Palmer's study of 14 communities entitled *The Community Economic Base and Multiplier* shows that the multiplier for the largest, New York City, is two and a half times larger than that of the smallest community, Auburn, Washington, population 6,500.

Some of the correlation between community size and multiplier effect is artificial, relating merely to the range of vision of the economist. If he looks at a two-county area, the economist will generally come up with a bigger multiplier than if he looks at only one of the two counties. But a more significant part of the picture is that small isolated communities do not have a well developed "tertiary" economic sector---that is, the trades and services sector. Fulton's firm that buys standard materials and parts by catalogue and has little need for local professional services naturally creates little demand for such services. With their low wages, local residents cannot create a great demand for services either. Low demand means that this sector does not fully develop. The demand that does arise is served largely from outside markets. One implication is that a dollar brought in by the economic base industries of a metropolitan area will be more productive of further economic activity than will a dollar brought into a rural area.

Instability

Another weakness of rural development is that the low-wage industries that tend to locate there also tend, as Fulton points out, to be low-profit. This translates into instability. Business cycle changes that might be absorbed by other industries can force massive worker layoffs or plant shut-downs in low-profit, labor-intensive industries. The disproportionate impact of the 1974-75 recession on industries such as textiles is pointed out in a number of recent sources, including the Southern Growth Policies Board publication *The Economics of Southern Growth*. The problem of long-term stability may be even more severe. As shown by *Industrial Exodus*, published by the Conference on Alternative State and Local Public Policies, industries which seek out areas of labor surpluses may leave those same areas stranded when they move out for yet greener pastures. Joan Hoffman, in the 1975 book *Racial Discrimination and Economic Development*, states:

> Often the motivation for choosing a location in the South is to take advantage of lower wages. Thus there is the continuing danger that the plants will be relocated to even lower wage markets overseas.

Cheap labor competition from Taiwan, Korea and other developing countries is already keenly felt by low-wage industries of the South. Indications that the pressure is mounting include Vice Premier Deng's recent call for a 50 percent reduction on U. S. tariffs on imports including textiles, a July 1978 press conference by textile industry leaders calling for tighter curbs on competing imports, and a July 23, 1978 report in the Raleigh *News and Observer* that "recent U. S. Labor Department figures show that the state has lost 3,200 textile jobs since last year." It is abundantly clear that other nations have a great comparative advantage in cheap labor, and that U.S. industries based on cheap labor will be sorely pinched in years ahead.

Rural High-Wage Firms

There are exceptions to the tendency of rural areas to attract low-wage industry, and certainly there are quite a few high-wage industries in isolated sites. Weber emphasized the importance, to industries dominated by the transportation factor, of locating in places with good access to raw materials. This often means isolated areas away from any city. Another factor not appreciated by early economists is the current need for polluters to locate in areas where their pollution will be more tolerable. Some industries with great needs for raw materials or for environmental isolation pay high wages.

When a high-wage plant locates in a poor rural area, however, much of the economic benefit often goes to outsiders, according to Thomas Till's review of literature on "Southern Non-metropolitan Industrialization" published in the 1977 *Human Resource Dimensions of Rural Development*, edited by Ray Marshall.

> Given the unskilled, poorly-educated labor supply in most depressed areas, the jobs in a high-wage plant may go mainly to outsiders . . . . The corollary of this is that the low-wage, labor-intensive plant (often condemned for its low pay) has a much higher local employment multiplier, because its labor demand fits the skill characteristics of the local labor supply.

In 1957, 4,000 jobs were created by a new Kaiser Aluminum plant in rural West Virginia. Only 600 of them went to local people. "The rest went to more skilled outsiders," said Till, citing Irwin Gray's article "New Industry in a Rural Area" in the June 1969 *Monthly Labor Review*.

When the Jones-Laughlin Steel Corporation built a large plant in rural Putnam County, Illinois in the late 1960s, 1,000 jobs were created. But 82 percent of them went to people from outside the county, according to testimony by Dr. Gene F. Summers in the Congressional hearings on "Rural Industrialization." Summers added that the economic benefits that did accrue to local residents bypassed large groups altogether. The relative economic position of the "weak competitors" in the economy---women, older people, the poorly educated---was not improved.

There are very strong themes in the literature on industrial location that relate to the idea of Balanced Growth.

1. Industry that can be attracted to rural areas are likely to be low-wage.
2. The dollars they generate in the local economy will bring less economic activity and growth in the surrounding area than if they were located in metropolitan areas, particularly in the trades and services sector.
3. They are more likely to be marginal, unstable enterprises posing the threat of future layoffs and other dislocations.
4. The exceptional high-wage industries in rural areas will employ more outsiders than they would if they located in metropolitan areas, thus reducing their benefits to current residents.

City Size and Incomes

These conclusions would indicate that incomes in metropolitan areas would be larger than in small towns in rural areas. This is the case. Hansen writes in *The Challenge of Urban Growth*:

> There is considerable evidence that per capita income increases with city size, i.e. effective demand [purchasing power] present in the city grows at a faster rate than population.

Hansen says that Harvard economist William Alonso reports that "in every country for which he had data on local product per capita (or some index of it such as income or wages) it rose with urban size."

As with other countries, the relation is strongly seen in the U. S. In the 1971 *Papers of the Regional Science Association*, Alonso wrote in an article entitled "The Economics of Urban Size":

> Many studies over the years have established that in the United States, for data grouped by city size, there is a strong and steady rise in income.

Higher cost of living in metropolitan areas offsets the economic advantages to some degree. But Alonso states:

> The relation [between city size and residents' income] is only slightly diminished when metropolitan incomes are deflated by local cost of living.

As prosperity increases with city size, poverty decreases. Hansen writes in *The Challenge of Urban Growth*:

> In the popular imagination, big cities are associated with a high incidence of poverty, probably because the poor are concentrated there in large absolute numbers. In fact, though, the proportion of the population in poverty is two and a half times greater in nonmetropolitan than in metropolitan areas, and comparisons among cities show that the incidence of poverty declines sharply as city size decreases.

Dispersal and the Tar Heel Wage Gap

If the economists and geographers quoted above are correct in their assessment of the role of cities and "agglomeration" in developed economies, then certain predictions could be made about the economy of North Carolina. By technical measures such as "concentration ratios," according to Frank Gentry of NCNB, North Carolina has the most dispersed population of any state. It could therefore be predicted to have low wages, a lack of diversification, and a small services and trades sector---all of which are the case. It is notable that Mississippi, North Carolina's closest rival in population dispersal, is 49th in the wage ranking, while North Carolina is 50th among the states.

It isn't surprising, then, that dispersal has been cited in the technical literature that explains why North Carolina remains poor. To put it in context, *dispersal* is one of five major explanations generally debated, including:

- Mix of N. C. industry
- Lack of unionization
- Poor education
- Dispersal
- A history of segregation of a large black minority.

In 1977, Dr. Barry Moriarty, director of the Institute for Economic Development at UNC-Chapel Hill, published a study relating the undiversified predominantly low-wage structure of North Carolina industry to the state-supported location of industries in small towns and rural areas. The study was published in the spring, 1977 issue of *Popular Government*. Moriarty studied the state's addition of new manufacturing enterprises from 1969 through 1974. He found that "new industry in North Carolina was predominantly the same low-wage, low-value-added, labor-intensive type that dominated its manufacturing structure in the past."

Moriarty's analysis of North Carolina data showed that "capital-intensive plants were significantly attracted to cities with over 50,000 people and these same cities had fewer labor-intensive plants than smaller cities . . . . High-value plants tended to locate in cities with over 25,000 inhabitants and especially in the larger cities . . . . Plants that paid high wages also tended to locate in communities over 25,000 people . . . . In summary it is fairly conclusive that large communities, regardless of where they are, attracted a disproportionate share of the new plants that were high-wage, high-value-added, capital-intensive establishments."

Moriarty mentioned the studies, notably of Emil Malizia, professor at UNC's Department of City and Regional Planning, that show the relationship of trade unions and high wages. But he added that population dispersal and a lack of unionization are related.

> Another interesting point was the significant inverse relationship between the percentage of plants located in small communities and both the percentage of unionized workers and the percentage of capital-intensive plants. The analysis supports the argument that along with the state's traditional industry mix, it is the dominance of industry in smaller urban places and rural areas that is mainly responsible for the state's low manufacturing wage rate rather than the low level of unionization.

Moriarty attributed some of the state's tendency to industrialize in rural areas to deliberate state policy, particularly the "Governor's Award-Town Program" which encouraged small towns to install utility lines and make other investments to attract industry. (A similar program, the Governor's Community of Excellence Award program, has recently been initiated by Governor Hunt.) Though it's difficult to separate the effects of state programs to encourage rural industrialization from similar federal programs, Moriarty contends that the state program "has enjoyed some success." This success is indicated by "the growth of labor-intensive industry in small settlements, especially in labor surplus areas."

Moriarty strongly called for the establishment of complementary state programs to encourage economic growth in metropolitan areas.*

Balanced Growth Policy Attacked

A year and a half after Moriarty published his criticisms of the state industrial development policy, two geographers of UNC-Charlotte specifically challenged Governor Hunt's Balanced Growth Policy. Their analysis was similar to Moriarty's but with an important elaboration. They included analysis of the types of industries that locate in rural areas with quick and easy access to the larger cities.

Dr. Alfred Stuart and Dr. James Clay, in writing the unpublished but well circulated paper *Balanced Growth Policy for North Carolina: A Response*, were most concerned about the policy's *regional balance targets*. These targets could discourage funding and development not only of the larger cities, but of all the counties surrounding them in the more urban planning regions. This would pose a serious economic threat because, as they convincingly showed, most of the high-wage industry in so-called rural areas is in fact on the periphery of metropolitan areas.

*Governor Hunt's Metropolitan Area Development Strategy (MADS) will include a Cities of Excellence Award program similar to the award program for small towns.

N.C. Manufacturing Employment*

County Type	Change, 1970-1976						% in High Wage Industry 1976
	Low Wage Industries		High Wage Industries		All Industries		
	Total	%	Total	%	Total	%	
SMSA (19)	-24,590	-15.2%	28,210	18.7%	3,620	1.2%	56.7%
Adjacent to SMSA and on Interstate Highway (15)	-53	-0.1%	7,863	18.2%	7,810	5.7%	35.0%
All others (66)	25,143	13.1%	2,627	3.5%	27,770	10.4%	29.0%
Total	500	0.1%	38,700	14.4%	39,200	5.5%	40.6%

Low and high wage industries are defined as those two-digit Standard Industrial Classification (SIC) industries that in 1976 paid average wages below or above the North Carolina average for all industries, respectively. If computed on a national basis, the proportion of high wage industries would be lower.

*From the unpublished paper by Alfred W. Stuart and James W. Clay, "Balanced Growth Policy for North Carolina: A Response," 1978.

Figure V-1.

Because North Carolina's metropolitan areas are themselves rather dispersed, there are many small cities, towns and rural crossroads within a short distance of one of the state's larger cities. Fully 19 counties are within Standard Metropolitan Statistical Areas (SMSAs). Fifteen more counties are adjacent to a SMSA and on an interstate highway providing easy access.

The pattern Stuart and Clay showed was that of high-wage plants locating either within the metropolis or in a nearby location that offers a two-fold advantage---rural land costs, low taxes and more abundant labor, together with access to the skills of the metropolitan labor market and the services and amenities of the city.

Stuart and Clay used the information in Figure V-1 in stating that while SMSA and adjacent counties had a "loss of over 24,000 jobs in 'low-wage' industries, from 1970 through 1976, they gained "28,000 jobs in 'high-wage' industries." In the remaining counties, meanwhile, fully 90 percent of growth in manufacturing "was in industries that pay wages below the low state average."

The geographers added:

> The conclusion is clear: North Carolina's efforts to disperse industry throughout the state have been successful but they have also perpetuated the state's preponderance of low-wage, labor-intensive industries. This, in turn, has frustrated efforts to induce substantial increases in relative income levels.

Balanced Growth advocates sometimes cite anecdotal or statistical evidence of high-wage industrial growth in nonmetropolitan areas. The 1978 Balanced Growth

Policy statement, while it has little discussion on the point, does say that "Between 1970 and 1976, 54 percent of all higher wage manufacturing jobs added in the state went to the non-metropolitan areas." The geographers contend that this is based upon "a misleading rural-urban definition." They show the importance of cities to the "non-metropolitan" industries often cited as examples of balanced growth.

> An example of what can happen is provided by the experience of Data General Company. It located a research and development facility in the Research Triangle Park—the heart of the Raleigh-Durham-Chapel Hill area—and established a manufacturing plant for its minicomputers in Clayton, in "rural" Johnston County, on a site 20 miles from Raleigh and 33 miles from the Research Triangle. As Ben Dalton, Data General manager for North Carolina, noted, "The site is rural enough so it will attract a good labor force and close enough to Raleigh for the professionals." Johnston County is adjacent to the Raleigh SMSA and connected to it by Interstate 40, which in turn intersects with Interstate 95 farther south in Johnston County. This is a major example of how the urban clusters provide the primary locational impetus to industry which in turn finds a location that still taps some of the state's pool of rural labor.

To this, the geographers added the similar examples of the new Phillip Morris location in Cabarrus County, and the new plant of the Timken Company in Lincoln County. Both are in rural areas adjacent to Charlotte and have ready access via I-85.

The geographers fear that the policy's over-emphasis on dispersion translates into a shifting of funds and planning attention away from the multicounty regions surrounding the state's larger cities. They state that "in practice the high [regional balance] ratios are in the larger urban regions" and note that "a ratio of over 1.0 means that a region has more than its share of jobs." Their conclusion:

> The policy offers fairness by unequally distributing resources not in accordance with the potential for a return, but rather on the degree of economic stagnation of areas . . . . The state is in danger of spreading a small supply of fertilizer on its most barren ground, which will yield a poor crop for all.

In differentiating between urban fringe and truly rural development, Stuart and Clay presaged findings of this Center's 1979 report, *Which way now? Economic Development and Industrialization in North Carolina*. The report concluded that the urban, urban fringe and truly rural areas of the state would continue to develop differently, regardless of the intent of Balanced Growth Policy. Despite the rapid growth in employment and population revealed in the report's review of data on rural and urban fringe areas, the report called "unrealistic" the hope that rural development would result in many high-wage jobs.

The Governor Replies

The Governor's Office released a reply to the report stating that the Center had overlooked "very important growth trends in North Carolina." Balanced Growth Policy is working, the Governor said, and is bringing more and better jobs to rural areas.

Distribution of Manufacturing Jobs in State*

Region	1962	1976	% Increase	
Metro**	414,968	530,174	27.8%	(+ 115,206)
Non-Metro	113,040	205,804	82.1%	(+ 92,764)
High Wage Jobs				
Metro	87,829	143,009	62.8%	(+ 55,180)
Non-Metro	12,874	25,247	96.1%	(+ 12,373)
High and Medium Wage Jobs				
Metro	208,321	291,721	40.0%	(+ 83,400)
Non-Metro	56,377	91,263	61.9%	(34,886)

**Metro Regions are B, E, F, G, J, M, O

Conclusions: 1/3 of all new manufacturing jobs added were high and medium wage in non-metro.
1/2 of all new manufacturing jobs added were low wage in metro.

*From a May 16, 1979 packet of information sent to newspaper editors by the Governor in response to the Center's report, Which way now? Economic Development and Industrialization in N. C.

Figure V-2.

"We know that a high percentage of industry is locating in non-metropolitan areas and that many high-wage industries are finding homes in small cities and rural communities."

Figures released by the Governor's Office, however, show a dramatic wage gap between jobs created in state planning regions that contain an SMSA and those that do not. In the metropolitan regions, nearly one half of all new manufacturing jobs created between 1962 and 1976 were high-wage (55,180 out of 115,206). Only one quarter were low-wage, with the remainder being medium-wage, according to the Governor's data, reprinted as Figure V-2. In nonmetropolitan regions, on the other hand, only one eighth of the new manufacturing jobs were high-wage (12,373 out of 92,764) and fully two thirds were low-wage.

There is absolutely no indication in the 1978 statement, *A Balanced Growth Policy*, that experts have raised questions of economic inefficiency. But state officials are very aware of the body of economic criticism of dispersed development. In 1974, RTI researchers under contract to the state actually estimated the lost income North Carolina would suffer as a result of the official policy of dispersal. They came up with the modest, and admittedly inexact, annual loss by 1980 of $26 per capita, or approximately $150 million per year from the entire state due to loss of "agglomeration as employment is spread to lower wage regions."

The RTI report was to be the first phase of the economic development plan of the Holshouser Administration. The second phase was never completed.

An argument the RTI consultants made, however, is particularly relevant now. They contended that the dispersal policy involved a justifiable tradeoff: the benefits of decentralized growth would come at the cost of "some economic efficiency." Some economic loss is justifiable because many people prefer rural small town life and may be willing to forego some economic benefits in exchange for this lifestyle. Avoiding migration is "avoiding a social cost." Also, "community size by itself is not the sole explanation of economic development or of agglomeration benefits."

The RTI researchers believed, however, that North Carolinians should be aware of the economic implications of the choice of decentralized development. They reported the clear warning of economist Hansen, made at a conference in North Carolina. Dispersal has costs. An investment policy concentrated on metropolitan areas, he said, would most efficiently increase the state's income. After conducting an extensive review, RTI researchers concluded that the "literature generally supports Hansen's major thesis."

Hansen Turns the Policy on Its Head

Hansen has applied his thesis directly to North Carolina in his 1971 book, *Intermediate-Size Cities as Growth Centers: Applications for Kentucky, the Piedmont Crescent, the Ozarks and Texas*. He first dismisses "the notion of balanced growth" and gets down to proposing a "growth center strategy" which is in some ways exactly opposite to Balanced Growth Policy. The most fertile economic investments, Hansen argues, would be made in and around intermediate-sized cities. North Carolina is lucky, he says, in having a number of such cities to work with.

How big is the economically optimal-sized city? Hansen quotes a number of expert sources---including E.A.G. Robinson, Wilbur Thompson, Brian Berry and G.M. Neutze---and concludes that economists are generally "agreed that while small towns rarely make viable growth centers, the intermediate-size city often does have the necessary conditions . . . . The foregoing material indicates that encouraging (or at least not discouraging) migration from lagging areas may be coupled with a growth center policy based on external economies in cities in the 200,000 to 750,000 population range." He cautions, "These are rough indicators not magic numbers." The range "could be made more flexible . . . say, the 50,000 to one million range."

Hansen adds that once cities approach the upper end of this range, a government policy of discouraging inmigration may be wise.

"External diseconomies may make expansion of alternative locations desirable . . . after a city passes the 750,000 mark."

North Carolina, of course, has no cities approaching 750,000. What we do have are intermediate-sized cities at the lower end of Hansen's optimum size range, cities which with well-managed growth could help bring prosperity to the state. What makes the cities of North Carolina particularly interesting to Hansen is that many of them complement one another economically through interactions along the corridor of the Piedmont Crescent. Hansen quotes Thompson's 1965 *Preface to Urban Economics*:

> A number of small and medium size urban areas, connected by good highways and/or other transportation facilities may form a loose network of interrelated labor markets .... This federated local economy may achieve the minimum size necessary to activate the urban size ratchet effect ... preserving the *collective* existence of these smaller urban places .... Some evidence of this pattern can be seen in North Carolina ... where a research and development triangle is being created in the Chapel Hill-Durham-Raleigh triangle, fifteen to thirty miles on a side, and enclosing about a quarter of a million people.

Hansen adds, "The triangle of which Thompson writes is part of an even larger polynucleated urban region, the Piedmont Crescent, which includes, in North Carolina, five SMSAs and a number of small towns." The small towns, Hansen makes clear, are important to the region's economy, adding to its riches of labor skills, services and amenities. The towns include Burlington, Thomasville, Lexington, Salisbury, Gastonia and a small host of others.

The beauty of the Crescent, according to Hansen, is that the interaction of its cities provides some of the agglomeration benefits of larger cities, while avoiding the costs of a congested metropolis. He argues against government policies that would impede inmigration to Piedmont SMSAs or stint their economic growth.

> An efficient growth center strategy would put greater emphasis on relating problems in the lagging areas under discussion [Appalachia and the Coastal Plains] to job opportunities in the Piedmont Crescent .... The SMSAs of the Piedmont Crescent represent promising growth centers with relevance to the people of Appalachia and the Coastal Plains. Unfortunately, the potential opportunities offered by these cities are not being fully exploited because federal policy is focused on programs to promote growth in the lagging regions on either side.

Questions for Professor Hansen

Hansen's emphasis is naturally on the positive side of his proposed policy---aiding development in North Carolina's cities. But he leaves unanswered important questions about the negative effects. Is there no economic potential to be developed in rural towns not among Hansen's few growth centers? Is city size in itself a sufficient measure of economic potential? In making decisions on public investments, should we really discriminate among communities mainly according to their size and location?

Chapter VI

Leading Growth

The advantages of agglomeration are convincingly argued by the experts reviewed in the previous chapter. But agglomeration is not a sufficient excuse for turning Balanced Growth Policy on its head---sending *disproportionate* investments to the cities. This would have the effect of starving the rural areas of investments that bring jobs and services.

New industry---even low-wage industry---provides important benefits to rural residents. One of the most important, according to Till, is "enlarging the opportunities for part-time farming." Also, as this Center's 1979 publication, *Which way now? Economic Development and Industrialization in North Carolina*, points out, the labor-intensive plant that puts much unused labor into production can have a greater economic impact than would a more capital-intensive plant that employs fewer workers. Even the lowest-wage industries should not be actively discouraged by government so long as there are people who want the jobs they provide. North Carolina policy does not discourage low-wage industries from locating here. As Secretary of Commerce Faircloth has said in speeches and articles, the choice in remote areas of the state is often between low-wage jobs and no jobs at all.

The case for proportionate public investments in human services for rural regions is just as clear as the case for investments to support rural industry. Even prometropolitan Professor Hansen stresses the importance of human services for rural areas, particularly in education and training. Upgrading "human resources" through training can help attract more sophisticated industry as well as better preparing rural residents who wish to pursue opportunities in metropolitan areas.

Though the critics of Balanced Growth are on solid ground when they say dispersal policies are economically inefficient,* an opposite policy which arbitrarily favored cities over small towns would also be wasteful. It would ignore the potential of those small towns which can support high quality growth.

That relatively small towns can, in certain circumstances, provide a fertile base for economic development is demonstrated by a study by Abt Associates on *The Industrialization of Southern Rural Areas*. Abt researchers focused on two small

* An interesting contrast emerged in interviews with Zogry and his assistant, Billy Ray Hall, director of Balanced Growth Policy. Zogry dismissed as "absurd" the idea that Balanced Growth is economically inefficient. But when asked about statements in the policy documents of earlier Administrations that dispersal would come at the cost of some economic efficiency, Hall replied, "That's absolutely right. It's always been recognized as a tradeoff." Hall said the tradeoff is worth making both to help relieve growth pressures on the metropolitan environment and to help provide economic equity to rural residents.

towns---one over 50 miles from Memphis, the other a similar distance from Charlotte---that had had remarkably successful records of growth and development. Though acknowledging that wage levels generally decline as city size declines, the researchers found that "a small town (population 5,000-20,000) having certain characteristics may act as the employment center of a sizable labor market." Such a town could be a "prime mechanism for economic growth in some regions."

An example closer to home is Sanford, N.C. (population 16,000). Within Sanford's home county of Lee (population 34,000), fully 24 major new firms have located in the past nine years. The new industries have allowed Sanford to break out of what one chamber of commerce official called the traditional mold of "a textile and furniture town." Strategic public action and a core group of skilled craftsmen have been crucial to the emergence of a rapidly diversifying economy, according to Hal Siler, executive vice president of the Sanford Area Chamber of Commerce.

Skilled machinists, many of them trained by a major textile machinery firm, have made Sanford "one of three metal working centers in the state," according to Siler. When the textile machinery firm shut down several years ago, he said, other industries moved in to take advantage of this skilled labor. The skilled labor pool has grown with the growth of new industry, helping maintain the momentum of development.

Public action has played a considerable part in Sanford's diversification. A bond issue endorsed by local voters in a 1967 referendum financed new water and sewer plants so that growth could be supported. Other important programs were those of the local community college and of the chamber of commerce. The chamber has done extensive analysis of the local labor force, both in order to identify compatible industry and to evaluate the vocational programs of the community college, which Siler says have been instrumental in raising skills levels to match high-wage jobs. The chamber's industrial recruitment program has been finely focused and has sought specific types of industries, in one case seeking a firm because it would employ many women. Most interestingly---given the tendency for rural firms to be large and locally dominating---the chamber has deliberately sought small firms, so the local economy can diversify with a variety of occupations and opportunities.

Almost all the resulting crop of industries pay higher wages than the state average and include: Coty Cosmetics; Siemens-Allis (industrial equipment manufacture); Carter Sanford Corporation (carburetors); Eaton Corporation (auto parts); and Microfilming Corporation of America.

Zogry contends that Sanford is only one of many small towns that can make viable growth centers. Hansen's proposal that growth centers include only cities above 50,000 in population ignores the needs of people in smaller towns, Zogry said in an interview. Such a policy would harm the economy of the entire state. The policy of dispersal, on the other hand, would bolster the state's economy by bringing jobs where people need them most, he contended.

It should be noted that Hansen is alone among the major critics of dispersal in his call for disproportionate investments in North Carolina's larger cities. Like Zogry, Hansen would have the government attempt to influence broad population migration trends. Only the direction of the influence is different. At one point in his writings, Hansen even proposes that the government pay the moving expenses of people migrating from the rural areas.

Zogry and Hansen are on opposite extremes in their view of a fundamental issue: the proper stance of government toward broad geographic growth trends. There is a wide middle ground between these two extremes. It is held by those---including most of the critics of Balanced Growth Policy---who say the state should not attempt to shift growth from one part of the state to another at all. These critics include those who are advocates of state development planning, but who see the proper goals of planning as both more modest and more particular than the broad-brush schemes of Zogry and Hansen.

Zogry's predecessor under the Holshouser Administration, former director of the Office of State Planning Dr. Lynn Muchmore, is highly skeptical of any scheme to alter broad geographic growth trends. As state planner, Muchmore ignored Zogry's earlier work supporting dispersal and instead advocated more limited---and, he felt, more effective---means of managing growth on a fine scale. Having commissioned studies on the environmental and economic costs of unplanned sprawl, for instance, Muchmore backed statewide land use planning on the model of the Coastal Management Act. But he was opposed to the use of public investments to attempt to shift development from one part of the state to another. His main objection was that it wouldn't work. In an article in the Fall, 1974 *Planning for Progress*, Muchmore referred to Zogry's "ponderous" 1972 document and called "naive" the notion that a state can reverse rural to urban migration trends. Any policy aimed at having such effect is "not worth bothering with." He added that "the current spatial mode of production did not emerge without reason; it represents the accumulated effect of uncountable billions of private decisions in an economic system which, despite the presence of government, is oriented toward profitability and efficiency. The awesome weight of past development imparts an inertia to future growth which cannot easily be countered."

In a recent interview, Muchmore said he would hold to his view of the state's impotence in affecting broad growth patterns even if the state were to gain effective influence over massive federal investments in North Carolina. However, he did amend one idea put forth in the article. The article ends with Muchmore's rhetorical question, "Does it really matter whether we have an economic growth policy? . . . I am not certain it really matters at all." In the interview, Muchmore indicated that growth policy might matter if it were ever put into effect. The reason is that public funds could be wasted if they were targeted according to an ill-conceived growth policy.

Muchmore's view of the issue of public investment strategy is defined in an unpublished 1975 report from his office titled *Twelve Propositions on Growth*, which states:

> There is a reasonably clearcut distinction between an investment strategy designed to follow growth---that is, to accommodate such growth as may be expected to occur; and a strategy designed to lead growth---that is, to place public investment in locations where growth is not expected to occur in order to stimulate further investment. With some rare exceptions, the state should follow the former strategy.

The problem with mere prediction of growth, however, is that the investments based on such predictions themselves alter the course of growth. Highways and sewer lines often represent self-fulfilling prophesies of growth and it is a commonplace, in planning circles, that development follows utility and transportation corridors. Indeed utilities, industrial recruitment, job training---all such investments are made with the expectation that they will have an effect on the development of an area. It seems reasonable that those planning such investments should base their decisions on developmental goals, not just predictions.

The instances in which the state has the opportunity to lead development through public action may be less rare and more significant than supposed by Muchmore. On the basis of extrapolation of past population and development trends, the pine woods that became Research Triangle Park would not have been due for investments in public services any time in the foreseeable future. But in the late 1950s a few people saw there was a potential there not reflected in past trends. Land was bought, utilities developed, recruitment begun, and one of the nation's most successful economic development efforts got under way. In other historic instances, the development of North Carolina has been notably changed by the building of the North Carolina railroad, the state highway system, the universities, and the community college system. The state's development and growth management role has also been apparent in environmental matters. The state has helped to preserve forests, dunes, and special ecosystems. The state's duty to protect the state's land and other resources from unwise development is spelled out not only by statute but by Article XIV, Section 5 of the North Carolina Constitution.

Public action is in fact very important in the state's development, and coherent public policy to guide this action is necessary and appropriate. One may argue against the grand ideas of Zogry and Hansen without abandoning the idea of state development policy altogether. A policy which seeks to lead growth on a fine scale might be successful if the growth-leading investments were carefully planned following study of an area's potential for growth. The necessity of such planning may be shown by the example of utilities planning. If all other growth-inducing factors except necessary water and sewer lines are present in an area, an investment in utilities lines obviously can open up land to industrial and commercial development. But if excessive investments are made in an area whose economy is not otherwise ready for rapid growth, the result is excess capacity, empty utility lines. Since some of the excess capacity must be financed by a few local users (unless the utilities are totally subsidized), utility rates will be high. This, in itself, can discourage new development. Thus growth does not automatically follow infrastructure investments and may actually be discouraged by haphazard or excessive investments. The moral is that massive public investments should be made just as the giant corporation makes investments of multimillion dollar magnitude---following careful and sophisticated study.

Commissioner of Labor Brooks believes more strongly than Muchmore in state government's ability to affect the course of economic development. He argued, in an interview, that the best way to make public development decisions is for the state to mandate studies of the resources and economy of each area of the state. The idea is to develop goals for development that reflect the real economic potential of an area---as well as its past development trends. The studies would determine what sorts of industries to target for recruitment and what sorts of public investments are needed. Investments would be made not according to city size or the drive for "regional balance" but according to the potential for return on the investments in the form of economic and social benefits.

Brooks' idea is an old one, as shall be shown in the next chapter, but one the state has not been able to bring fully to life. Nonetheless, the heart of the idea is sound. Intelligent planning---not a sweeping and geographically biased policy to prejudge investment decisions---is the key to making North Carolina prosper.

Chapter VII

Regional Development Plans: An Idea Aborted

During the past two administrations, planning on a multicounty level was posed as the basic means to implement state development policy. This implementation, however, has never taken place. As described in Chapter IX, the proposed role of multicounty regional planning has been eviscerated in the Hunt Administration's policy. This is the most important change in state development policy since the policy's initiation by the Scott Administration, and the change comes at the very time when the state appears to be winning influence over federal funds to put the long-dormant policy into effect. It is important to look at the functions of the regions proposed in earlier state development policy, and to understand why the proposed role has not been realized.

Multicounty regional planning emerged first in the United States as a result of the pressures of metropolitan growth. Problems of urban sprawl, air and water pollution, and traffic congestion did not stop at city or county lines. Realizing this, officials from a number of metropolitan areas around the country in the 1950s and early 1960s formed voluntary associations of local governments. Though organizations such as the Metropolitan Washington Council of Governments (composed of county and municipal governments in Maryland, Virginia and the District of Columbia) originated as very informal forums for elected officials to discuss common problems, staffs were soon hired to do formal planning studies.

In rural areas regionalism got its start with the passage of federal legislation in the mid-1960s forming the Appalachian Regional Commission, the Coastal Plains Regional Commission, and the Economic Development Administration (EDA), each of which mandated planning in multicounty districts. Officials in these organizations saw the single county as too small for economic planning. Rural industrialization to relieve poverty was a goal of all three organizations. Regional studies were seen as necessary to plan for industrial growth because both the resources that attract an industry to a given rural location and the economic and environmental impacts of the industry once it arrives are spread out over a multicounty area. As economist Gene Summers testified in the 1974 Congressional hearings on rural development:

> The present EDA policy of requiring multicounty development planning is a wise and necessary one in view of the evidence that impacts of plant location are diffused over a large geographic area. While the impacts appear to affect the host county more noticeably in some respects, the overall impact is a dispersed one. Industrial development is a multi-county regional rather than a community phenomenon. Hence planning and programming efforts should be executed consistent with this reality.

There were good reasons for consolidating planning at the multicounty level, rather than going to a yet broader scale. Planning at the multicounty scale was thought to be manageable. And it was close enough to the community level to allow real community and citizen participation in the planning efforts. Each of the federal rural development agencies mandated provisions for citizen participation in the planning process. Ideally, community residents could help decide how and where they wanted their communities to grow. Economist H. S. Wadsworth noted, in the rural development hearings, that industries carefully screen communities before deciding where to locate, and added, "If this is a reasonable procedure for industry, should not communities also evaluate prospective industries as to whether the location of that industry in their community is in their own best interest?"

Federal Supports of Regionalism

In North Carolina, regional planning organizations were formed in the late 1960s in both metropolitan and rural regions. EDA and ARC districts were drawn in the East and in the mountains, and in the Piedmont Triad local officials began to meet in an informal organization that was the forerunner of an official council of governments. The incentives for the creation of these regional organizations were linked not only to EDA and ARC but to other federal programs including those of the Department of Housing and Urban Development and the Office of Management and Budget. A number of federal agencies in the late 1960s were encouraging or requiring local governments to participate in regional planning as a condition of receiving federal funds.

One of the most important federal supports of the COGs is the A-95 Review process, so-called because it was authorized by the 1969 *Circular A-95* of the Office of Management and Budget. The process involves a review of each major federally funded project by the "areawide" clearinghouse---a regional organization, usually a council of governments---as well as by the state clearinghouse. The state clearinghouse in North Carolina is the Department of Administration. Material describing the proposed project is circulated by the areawide clearinghouse to local governments and agencies whose interests might be affected. Meanwhile the state clearinghouse gets comments on the project from various state agencies. Formal comments by the clearinghouse and by other agencies reviewing the application are attached to the application itself as it is sent to Washington.

The importance of *Circular A-95* to the viability and function of the regional organizations is immense. To begin with, the circular played a key role in the creation of the regions. Part IV of the Circular encourages governors to develop statewide systems of planning districts. The suggestion was followed by Governor Scott in his executive order creating the regions. Secondly, the A-95 structure is important in providing a structure for intergovernmental cooperation, and in giving the regional staff a role of important influence. Through A-95, the regional staff, as well as the state Department of Administration, can recommend that a project application be rejected. Federal agencies do not have to abide by the clearinghouse recommendations, but the potential for the review to help or hurt the applicant's chances are nonetheless real.

Despite the key federal role, the expansion of regionalism in North Carolina was a product of North Carolina initiative as well as federal fiat. A group of scholars at the University of North Carolina developed the ideology of regionalism years before the federal agencies got into the act. Headed by Professor Howard Odum, the Regionalists were well known to post-War New South intellectuals for blaming Southern underdevelopment on Southern provincialism. They preached the need for social and economic study, and they saw planning at a translocal level as the basis for rational development decisions. Aside from its indigenous intellectual roots, regionalism was originally a crucial part of state development policy, not an adjunct imposed from outside the state. The birth of regionalism in North Carolina was coincident with the birth of Governor Scott's Statewide Development Policy and the two were closely related.

Governor Scott Creates the Regions

Governor Scott established the original 17 state planning regions by an executive order of May 7, 1970. A "lead regional organization" was designated by the Governor in each of the 17 regions. All but a few of these organizations were councils of governments (COGs), voluntary associations of municipal and county governments, with staffs responsible to boards of directors made up solely of local elected officials. The exceptions were planning commissions and economic development commissions which had some minority representation on their boards by non-elected citizens.

The principal mission of the regional organizations, Scott said, was "to plan for the coordinated growth and development of the state." Other announced purposes of the regions were "to enhance the supply of services available to the people in each region; to solve urgent problems of the regions; to streamline state government by providing one set of regions to be used for administrative and data collection purposes."

Regional boundaries are sometimes chosen because they encompass a single metropolitan area, a single labor market (often defined by commutation patterns or circulation of job advertisements) or a single natural area such as a river basin. North Carolina's regions were chosen according to a variety of criteria, including the three criteria above; the transportation time from the perimeters to central meeting places; the inclusion of at least 100,000 population and three counties; "psychological ties" among people in the region; and the presence of regional organizations created before Governor Scott's executive order. In other words, there was no common formula.

The lead regional organizations are structurally weak. They are composed of local governments which can renounce their membership at any time. They have no independent taxing power, no power of property condemnation, and no independent power to implement the plans they draw up. They are weak by design. According to written statements of the Scott Administration,* the regional organizations were designed so that they would not become a new level of government. Rather than subordinating local governments, regionalism was to be a vehicle to strengthen local governmental units in order to carry out the state development policy.

The structural weakness was to be countered by three factors which would supposedly make the regional organizations viable and important: the importance of regional planning in obtaining federal funds; voluntary local cooperation; and---most importantly---a strong state mandate.

If regional planning was going to work in North Carolina, it would require state leadership. Governor Scott spoke of a "state-regional partnership." The *Statewide Development Policy* said that "state government will have to undertake a series of obligations in relating to the region." State agencies were to use the regions for data collection and were directed to consult with the LROs in policy formation. They were to "delegate to the Lead Regional Organizations, or specialized regional planning bodies, those statewide and regional planning elements which require considerable local input of data and citizen participation." State agency field offices were to cover regions whose boundaries were contiguous with the boundaries of the 17 planning regions.**

The Regional Development Plans

More important than any other aspect of state leadership was the pledge that the state would bring strong guidance to the regional planning efforts. The state would help broaden sporadic local planning efforts and help unify the hodgepodge of federally financed efforts. The *Statewide Development Policy* promised that the state would provide the LROs technical assistance and policy guidance "not only to assist these organizations in their work efforts but also to assure that a consistent statewide approach is being adopted in the preparation of plans and programs for regional development."

The "consistent statewide approach" was to be brought about through the state's *requirement* that each LRO create a Regional Development Plan. The plan was to be comprehensive, and the state was to intercede with several federal agencies to persuade them to accept the Regional Development Plan in lieu of the more specialized plans called for by each federal agency's guidelines.

*Scott's executive order, a section of the 1971 *Handbook on Regionalism* authored by Joseph W. Grimsley, the Governor's special assistant for developmental programs, and the *Statewide Development Policy*.

**This has been done, with the exception of the regions used by the Department of Transportation. According to Pearson Stewart, assistant secretary of transportation and a former COG director, the role of the regional organizations in transportation planning has always been too small to justify changing the lines of the Department of Transportation regions.

The regional plans were to be extensions of the statewide development policy, the basic means of its implementation. As the policy statement said, "The regional plan becomes a more refined document than the *Statewide Development Policy* as well as being an operational statement for carrying out this policy."

As expressed in the proposal for the Regional Development Plans, the charge given the LROs to plan for the state's economic and environmental future was to be very strong and broad. A crucial element of the proposed plans rings with implications for growth management. LROs were to be responsible for planning the "determination of an urban settlement plan" for each of the regions. The LROs were responsible for "determination of the public facility needs of growth centers; establishing locational priorities for the allocation of public investment funds; identification of priority investment projects for the coming year." These three related responsibilities were potentially very heady and important. If these responsibilities were ever realized, the paper plans of the LROs would become very powerful documents. Controlling the location and timing of public investments in a deliberate effort to influence the future settlement pattern of a region---it was a planner's dream.

Once the federal agencies were convinced to go along with the state policy, the effort would become truly comprehensive. "The ultimate intent of the Statewide Development Policy and the Regional Development Plan is to cover the entire range of public investment projects that utilize state and federal funds," the policy document states.

During the last half of Governor Scott's term, the newly formed LROs organized to begin their grand role in state development policy. But only eight months after the original development policy was published, the Democrats lost the Governor's office to Republican James E. Holshouser Jr.

New Governor, New Plan

Holshouser authorized the inception of a new statewide development plan. It took two and a half years for the new policy document to emerge. In the meantime the idea of the regional development plans languished. The new administration was supportive of the regions and would, in fact, move to expand their role, but the turnover in administrations resulted in a vacuum in state policy. The vacuum was present at a time when the LROs were struggling to get on their feet. They wrote their plans for submission to federal agencies, built their A-95 review process, helped local governments pursue federal dollars, wrangled with political and administrative problems, and waited for Raleigh to give them their charge in state development policy.

In September 1974, the Holshouser Administration published its growth and development plan. Prepared by the Research Triangle Institute, the plan was called *Economic Development Strategy: Phase I.* Phase II was to come with the formation of "regional development strategies." These were similar to those proposed in the

Scott plan, but with a new emphasis on industrial recruitment. Each region would be analyzed to determine the specific types of industries that would best suit the region's economy and resources. As shall be explained shortly, these industrialization strategies were seen as a promising means to counter the negative income effects of growth dispersal.

With the new industry targeting element, the regional development strategies of the Holshouser Administration were to be even grander than those proposed by the Scott Administration. But again they met the same fate. The regional plans---Phase II of the development strategy---didn't get done. In fact, Phase II never got started.

"We never really got close to implementation," said former state planning chief Lynn Muchmore. "We never got far enough to where the regions played a major part in our discussions."

George Little, Secretary of Natural and Economic Resources during the final year of the Holshouser Administration, offered two reasons for the failure of the regional plans to get under way. First, internal dissension made the regional organizations weak vehicles for planning. "They were fighting with themselves, fighting with the local governments," he said. "The problem there was not state government. The problem was with the COGs." Secondly, he said, it was too late in the Administration's term of office to start the regional venture. "Phase II would have come in 1977 and 1978," which was after the Hunt Administration took office.

Controversy and Inertia

Muchmore, however, gives another reason, one which helps explain why the regional studies did not get under way immediately upon completion of Phase I. There was "a conflict in the advisory structure," Muchmore said in an interview. A chief cause of the conflict was Muchmore himself, who opposed major aspects of the state development strategy. Muchmore was opposed to the continuing policy of deliberately dispersing growth, a policy which he referred to as "inherited from the Scott Administration." He was also cool to what he saw as the overemphasis of RTI's Phase I study on targeting specific industries for recruitment.

While state planner, Muchmore commissioned studies, directed by Dr. Emil Malizia of the Department of City and Regional Planning at UNC-Chapel Hill, that concluded that North Carolina's mix of industry was only a small part of the reason for the state's wage gap. Low education and skills levels, low productivity per man hour, low capital investment per worker as compared to the same industries in other states, and the low level of unionization were all parts of the explanation for the wage gap, according to the studies. The researchers' most intense interest was in the unequal relation between management and labor in North Carolina, and the press gave page one coverage to Malizia's advocacy of a state posture more sympathetic to unions. The furor that resulted was a major embarrassment to the Administration and to Muchmore personally, who was attacked by pro-union forces for failing to publish the studies in a timely manner and attacked by the anti-union forces for commissioning the studies in the first place.

The studies generated little action on the part of the government. The pro-union recommendations were impossible to carry out in North Carolina's political climate and the unionism controversy generated so much noise that few people heard the points made by the researchers about subjects other than unions. Aside from being neutralized themselves, the studies helped to stall the RTI development effort. "The studies planted doubts about a strategy that dealt mainly with industrial mix," said Muchmore. "We had the Governor in a difficult position. He had advisors saying industrial mix is not the route to take. And on the other hand, he had RTI and NER saying 'here's a menu for industrial development.'" The result, he added, was that "nothing happened." The Governor "couldn't make up his mind, and people at the upper levels lost interest in the RTI report. It's unfortunate. They didn't follow up on our studies either."

The Birth of the Target Industry Program

One year after the RTI report came out, Loyd Little wrote in the *Carolina Financial Times* that the $80,000 study had stirred up all the excitement usually accorded "the discovery of a new fern." But despite disappointing reception by most of the Holshouser Administration, *Economic Development Strategy: Phase I* made a substantial policy impact, even without the follow-up of a Phase II. The impact was solely restricted to NER, the one department, according to reporter Little, that showed much positive interest in the report. The "target industry program" for industrial recruitment began with the RTI study. The RTI study, and its accompanying appendices, provided recruiters means of determining which specific industries would best improve the prosperity of the state, according to the industries' wage rates, creation of jobs, use of limited resources, and---as predicted by an input-output model of the state's economy---trade with existing North Carolina enterprises. Besides targeting specific industries, the plan was used to help target specific industrial sites. According to former NER Secretary James Harrington, a new brewery at Eden was the showpiece of the Holshouser Administration's target industry program. A high-wage firm, the brewing company was sold on the Eden site on the basis of NER information about the site's water resources.

The Hunt Administration has continued and expanded the target industry program called for in Phase I. The Administration already has its own list of Edens. Fears that a recent reorganization of NER would hurt the program have not been realized. The split of NER into the Department of Commerce and the Department of Natural Resources and Community Development formally separated recruiters from resource experts, but the two groups continue to work closely together, according to officials in both departments. The Governor himself has taken part in the target industry program by making well-publicized trips to woo preselected industries. The effort has been professionally staffed. The Commerce Department's new director of economic development, Larry Cohick, is a nationally respected industrial developer and former executive vice president of the American Industrial Development Council.

The progress of the state's economic development programs, however, might have been even more notable if Phase II had been put into effect. One important idea to be fulfilled by Phase II was that people of each region would be provided a means to understand their own resources and to formally decide what public action to take in conserving or developing them. Each region would plan how to build upon what it had. The RTI consultants believed that this sort of planning might allow development to be accelerated, particularly in the lagging rural regions that were the focus of the state policy of growth dispersal.

Planned Agglomeration: The Industrial Complex

One possibility to be explored by each of the regional studies was the potential for planned "industrial complexes." This proposal was extremely significant because it spoke to the central dilemma of the state growth policy---that its goal of growth dispersal ran counter to its other basic goal of increasing wages and income. As discussed in Chapter V, the RTI consultants were acutely aware of the benefits of agglomeration and of the costs of dispersal. When they used their computer models to predict state and regional income as growth was hypothetically dispersed to rural regions, the results were always disappointing. Statewide income suffered and though the lagging regions' economies improved, they remained in a lower stage of development. The industrial complexes were to be designed to provide agglomeration benefits even in regions without larger "self-sustaining growth centers." If deliberately planned agglomerations---industrial complexes---could accelerate the transition of the lagging regions to a higher stage of development, the negative income effects of dispersal could be partially overcome.

The researchers, directed by Dr. James Street, were sensitive to the possibility of such planned complexes because they themselves worked in one---Research Triangle Park. The development of an industrial complex involves a planning and promotion effort in which a number of related enterprises are induced to locate in proximity to one another. By developing resources used in common and by trading with one another, enterprises induce growth in the complex and elsewhere in the regional economy. An example given in the RTI report is a complex on the "petroleum refining theme." The idea was that if a petroleum refinery were to locate somewhere in North Carolina, the state would attempt to locate other petroleum-related industries around it. The refinery itself, the researchers showed, would use few local products or services. But as part of a complex, the refinery would be surrounded by six other industries linked to the refinery and to each other: industrial chemicals; agricultural chemicals; synthetic rubber; paints and allied products; asphalt products; and carbon and graphite products. Each of these industries would buy more local "inputs" such as labor, services, and products than would the refinery. The report contains a table showing the proportion of inputs bought locally by each of the industries of the proposed complex and states:

> The average of total local inputs of 72 percent is an indication that a high percentage of the income created by the complex will remain in the local area. It can be compared to the rather low total for the petroleum refining sector (45 percent). This table suggests that, without the total complex development, the refinery sector alone would add little more than the payroll of its employees.

Unmentioned in the RTI report is the fact that advance consideration of specific types of industrial promotion would give citizens a chance to voice opposition to specific industries. Citizens might well decide, for instance, that a complex of refineries, asphalt and chemical plants is precisely the type of development they don't want. The report does indicate, however, that citizens and officials would have a number of alternative complexes to choose from. Listed are 53 possible industrial complex themes, from the "soybean oil theme" to the "printing theme" to the "office machines theme."

Regional Planning Crucial

Regional study and planning is crucial to the industrial complex idea. A complex cannot be adequately planned, RTI economists Paul Mulligan and Phil McMullin said in interviews, without thorough study of a region's present economy and resources. Research Triangle Park, for instance, was designed to build upon the resources uniquely available in the Triangle area, including the intellectual resources represented by the three universities of UNC-Chapel Hill, N. C. State and Duke University. Understanding the area's resources and the constraints and opportunities they represent, deciding the type of development to stimulate, targeting land for development and for preservation, planning the promotion effort, planning transportation, utilities and other site improvements---a wide variety of study and planning efforts must be accomplished to make the industrial complex idea work.

By itself, the statewide development strategy was too broad. The regional strategies would bring it down to cases. The researchers wrote:

> Chapter 3 of this study has supported the conclusion that the regions of the state are in different stages of economic development and that strategies must be tailored to the specific opportunities and needs of each region. In regions where labor participation rates are low and manpower skills are limited, per capita personal income may still be improved through growth in the traditional low skilled manufacturing sectors. However, there may be opportunities for accelerating the transition to a higher stage of industrial development through industrial complex development. If such opportunities exist, they

should be proposed to or generated by the lead regional organizations or other representatives of the political units of the regions. The North Carolina economic development strategy provides a base from which to build consistent regional strategies.

It's impossible to say how valuable the regional development strategies would have been. No one knows because the strategies were never formed. Their creation was blocked by controversy, red tape and inertia.

Chapter VIII

Goals for Regional Development Planning

The idea of using the lead regional organizations to plan the implementation of state development policy has withered on the vine. Yet, because of federal initiatives, planning somewhat similar to that envisioned by the Scott and Holshouser Administrations has been done by the LROs. The federally funded plans are less ambitious and less unified than those earlier proposed by the state. But they have, at least, been done.

The N. C. Center for Public Policy Research has studied the development plans of five regions, with particular attention to the more comprehensive development plans such as the Areawide Action Plans sponsored by the Appalachian Regional Commission and the Overall Economic Development Programs sponsored by the U.S. Economic Development Agency. The Center analyzed these studies to see what has been done in regional development planning and to try to arrive at some general ideas to guide future development planning that may emerge at the local or regional level.

The Center conducted interviews at six regional agencies---in the urban Piedmont regions of F, G and J, the mountain regions of B and E and the Coastal Plains region P. Because Region J was just beginning to undertake a comprehensive development plan, however, the analyses were restricted to planning documents of the other five regions.

Because of its length, the Center's critique of the regional plans has been published separate from this report and is available from the Center.

There is a great deal of useful information in the COG plans examined by the Center, information that local and state policymakers would do well to study. There was little purely perfunctory planning---plans written to no purpose other than to meet grant requirements---though there were apparent examples of this. There were basic gaps in the plans, however. Certain flaws were shared by most of the plans and may be generalized here.

Fragmented Funds, Fragmented Plans

Comprehensiveness suffered, in part, because planners tended to ignore issues not dealt with by the federal agency funding the plan. Stimulating the birth and growth of small businesses, for instance, should be a crucial part of any economic development strategy. (According to a 1979 report by Robert Wise, staff director of the Council of State Planning Agencies, "The overwhelming majority of new jobs come from the birth of new firms and the expansion of relatively small independent corporations, *not* from branch plants, headquarters, or the relocation decisions of multiplant corporations.") Yet the economic development documents of the regions gave little recognition to the possibility of helping small entrepreneurs through the provision of information or the extension of credit. The Small Business Administration (SBA) offers programs in this area. But the SBA got no mention in reports funded by EDA.

Similarly, skills training programs and other manpower activities got little mention in the EDA-funded documents. If you want to read about manpower issues, you have to go to the regional studies funded by the U. S. Department of Labor, and these studies concentrate on the Labor Department's Comprehensive Employment and Training Act (CETA) program. Interviews with community college officials indicated that regional manpower plans play no central role in the design of vocational education curricula.

The unified planning which might have come about through state leadership is missing.

Another problem with a number of the documents is that, while the information presented was clearly based on a considerable research effort, the theoretical framework was unclear. The reader is not given enough idea of how the authors were thinking about the regional economy, and the goals of the plans are not sufficiently concrete so as to help inform and evaluate specific development decisions.

To evaluate the plans, this Center needed a theoretical framework including a list of objectives that should be included in all comprehensive economic development plans. Dr. Edward Bergman, a professor in the Department of City and Regional Planning at UNC-Chapel Hill and an expert on economic development issues, was enlisted as a consultant. Dr. Bergman helped the Center define the objectives and, using them, helped analyze the plans.

Seven Objectives

In devising an economic development strategy, one must specify precisely what type of economic structure is sought. To do so, one must first analyze the existing structure---both its potentials and limitations---in light of several objectives. These should, at minimum, include the following:

A. REDUCTION OF UNEMPLOYMENT. The rate of unemployment is not determined merely by the level of activity in a local economy. It also depends upon the participation rates of various components of the labor force---including those defined by age, sex or race---and the opportunities available to people who make up these labor force components. Some barriers to employment---lack of adequate day care facilities, for instance, or workplace discrimination---affect some components without similarly affecting others. In addition, the structure as well as the rate of unemployment can be affected by the types of opportunities offered. For example, part-time job opportunities often provide employment for some workers who would otherwise remain unemployed. Part-year work schedules can also reduce the unemployment due to other seasonal factors in the local economy (agriculture, tourism, etc.). In short, reduction of unemployment goes beyond merely increasing economic activity and includes questions of labor force composition and the structure of current employment.

B. GROWTH IN PER CAPITA INCOME. In addition to reducing unemployment, a further objective would be to increase total income available to the resident population. This generally implies higher average wages paid to workers, as well as a higher rate of employment. Per capita income is also affected by the age structure of the population, since children and old people do not usually hold full-time jobs. The age structure of the population may be affected by migration, which is, in turn, influenced by economic opportunity.

C. STABILITY OF INCOME AND EMPLOYMENT. Local economies which provide above average wages and below average unemployment rates may still be unstable over time. Instability creates risks that are costly and potentially avoidable.

One form of instability is seasonal. Activity in some industries may be determined by growing seasons, fashion trends, holiday sales, and tourist seasons. To counteract the seasonal unemployment which may result, an economic strategy might seek other seasonal industries or employments which complement the seasonal elements of the existing economy.

A second form of instability occurs when a local economy mirrors or exaggerates the national economy during a business cycle. A severe drag on the local economy occurs if its major industrial components either start down the business cycle earlier, go down further or recover later than the national economy. (Textiles, for instance, were much harder hit by the 1974-75 recession than other sectors of the economy.) While it is difficult to predict when or how severe a national downturn in the business cycle will be, one can predict the local consequences of a given business cycle and selectively choose to develop more stable industries to reduce the instability of the local economy.

A third form of instability occurs over the long term. Industries generally go through historic phases of growth, stability and decline. These changes can be anticipated and adaptive actions can be started well in advance of the economic crises such changes can bring upon local economies. A community whose economy is dominated by industries which are declining nationally may do well to ask itself what it lacks in skills or other resources necessary to attract high-growth industries that would promise lasting economic benefits. Some changes which drastically affect the long-term stability of an economy cannot be anticipated, the shutdown of military bases being one example. Planning for such contingencies is a part of a realistic economic development strategy.

D. TOTAL MULTIPLIER. Nearly all economic development planners are familiar with export multipliers. These relate income derived from "export" industries (those which sell their goods and services outside the local economy) to the local demand for goods and services. Export multiplier analysis has led to attempts to further develop industrial sectors which sell goods and services outside the local economy. The export multiplier is an important concept but it involves only a partial consideration of the total multiplier effect.

The total multiplier analysis focuses attention on capturing the maximum percentage of the value of local production and retaining it for development purposes. Local economic development planners should seek ways to maximize this percentage and expand the total multiplier effect. Since all wage earners generally reside within a local economy, there is little difficulty in retaining the value of production paid as wages. Accordingly, increasing labor's share of the value of production is one way of expanding the earnings component of the total multiplier. This component consists of cash wages plus deferred retirement payments, medical services or other forms of indirect compensation. Increasing labor's share might be done by increasing worker productivity or by increasing labor's bargaining power. The former generally implies skill training and the latter implies increasing employer competition for labor services through having more firms competing or higher-wage firms competing, allowing workers to collectively bargain, or attracting union firms.

Another component of the total multiplier consists of the distributed earnings paid to owners of capital. Since share ownership of corporations is widely dispersed, the economic development strategist may wish to favor local ownership of industries. This may mean an emphasis on small business and indigenous entrepreneurship, or even a consideration of community-based enterprises. By maximizing the percentage of distributed earnings paid to local residents, one also improves the process of capital accumulation in the local economy.

Finally, a direct goods and services multiplier results from local purchases of goods and services necessary for industrial production. These include materials as well as locally purchased business services. The goods and services multiplier is likely to be higher in local economies rich in smaller, single establishment firms and businesses. Franchise businesses or branch plants of vertically integrated firms* tend to buy more goods and services outside of the local economy through their own corporate networks. Local ownership of business and industry also enhances this aspect of the total multiplier.

*A vertically integrated firm controls several different production processes within the same industry. For instance, a vertically integrated oil firm would own its own oil wells, refineries, transport systems and filling stations. It would have little need to buy oil, refining capacity or other goods and services from firms other than its own subsidiaries.

E. INDUSTRIAL CLUSTERS. Establishing a functional group of industries in a local economy provides a strong base for attracting and holding together the core of a local economic structure. Empirical evidence demonstrates the existence of such clusters, which develop for a number of different reasons. Apart from historical accident, the most prevalent reason given for the geographic clustering of industries is the fact that firms which routinely buy or sell each other's products locate together to reduce costs of purchasing and transportation. Another cause of such clustering may be the local availability of a resource which is common to otherwise wholly different firms. Abundant sources of energy, steam, water, or other resources often draw together an enduring complex of industries and firms. Other factors may include the availability, at low cost, of private business services or public infrastructure. The former case may apply to ample warehousing, trucking, legal or other services. The latter may apply to improved harbors, terminals, sewerage and other public services.

As discussed in Chapter VII, industrial clusters or complexes may be highly productive in advancing a local economy. In considering a strategy to stimulate industrial complexes, economic development planners should analyze the existing economic structure to determine the presence of factors which could attract industrial clusters as well as the absence of key elements in this process. In at least some cases, the absent elements may be those, such as infrastructure and information, which may be provided through public action.

F. RATIONAL PATTERNS OF HOUSING, EMPLOYMENT CENTERS AND COMMUTATION. Rational use of land demands thoughtful analysis of patterns of work places and residences and efficiently routed commutation among them. Planning ahead for housing, transportation, industrial site development and other land uses can reduce costs due to unplanned sprawl, enhance overall environmental quality, and better organize development for other aspects of community life.

G. INCREASED REAL INCOMES OF RESIDENTS. In addition to increasing per capita income, economic development planners should seek ways to reduce the costs of necessary goods and services, thereby increasing real incomes. This objective is related to F. above because rational and compact development patterns can reduce travel requirements and reduce the cost of public services. Other policies might lower the costs of energy (e.g. public electric distribution systems, district heating systems), housing (non-exclusive zoning regulations, increasing availability of credit), and food (assisting farmers markets, renting publicly owned land for garden plots).

This Center's analysis of individual COG development plans is based upon the perception of whether---and how well---the plans dealt with these seven basic objectives: reduction of unemployment; growth in per capita income; stability; total multiplier; industrial clusters; rational geographic development patterns; and increasing real income through lowering costs.

The study that comes the closest to dealing comprehensively with our seven objectives is the draft *Overall Economic Development Program for Region G* written by Arcelia Wicker and Karen Hitchcock of Region G's Piedmont Triad Council of Governments. The sad irony is that this organization was torn in two shortly after the development plan was completed. Local governments in the western half of the region withdrew from the Triad council, and another lead regional organization has been designated for the new Region I. Technically sound planning is apparently not enough to ensure either viable plans or viable planning agencies. The fate of regionalism depends as much upon politics as upon planning. Politically, regionalism is in trouble.

Chapter IX

Regionalism in Limbo

When the Hunt Administration took office, one of the first orders of business was to begin work on the document that emerged as *A Balanced Growth Policy: A Proposal for Public Discussion.* Aside from its more vaguely worded objectives, the document was distinguished from those of previous administrations by its lack of discussion of how the policy was to be implemented and its particular lack of a defined role for the regional organizations.

The sum and substance of the lead regional organization (LRO) role according to the document is to play a "coordinating role" in establishing project priorities.

> In carrying out Balanced Growth Policy, multi-county organizations could play a significant coordinating role for local government. This involves consolidating proposed public investment projects into a regional capital improvements program and assisting in establishing priorities among these projects.

Since this statement was written, however, the state has softened the call for regional capital improvements programming. As far as the state is concerned, said Billy Ray Hall, local governments may use LROs or not use them as they see fit. Zogry said in another interview that regional capital improvements priorities will still have to be determined by the state, in order to determine the investments needed to reach the "regional balance targets." But he said that local governments will be encouraged, not required, to determine project priorities at a regional level, and that use of the LRO to help do this is strictly optional. Secretary of Administration Grimsley noted that the capital improvement programs were merely mentioned in a proposal that was "just for public discussion." Any such programs would be voluntary and "they certainly wouldn't be comprehensive."

All three Administration officials---Grimsley, Zogry and Hall---said that the LRO role had been deliberately and substantially diminished, as compared to the roles set forth in the policy statements of the Scott and Holshouser Administrations. All three said that local governments had requested the state pull back from regionalism.

Some local governments are "not content" with their LROs and don't want them acting as local governments' intermediary with the state, Zogry said. Not a big advocate of regionalism himself, Zogry added: "The reality of regionalism is that it tends to move decision-making further away from the people."

One symptom of the LROs' fall from favor is Hunt's creation of the Local Government Advocacy Council. The regional organizations, most of which are solely composed of local governments, were designed to represent local governments, particularly on state growth and development issues. But in meetings on Balanced Growth Policy, the newly formed Local Government Advocacy Council---not a council of LRO chairmen---acts as the voice of local governments. The new council is composed of appointees of the League of Municipalities and the N. C. Association of County Commissioners, plus members appointed by the Governor himself.

Local government opposition to the regional organizations was made known to administration officials during the gubernatorial campaign and during county hearings on the Balanced Growth Policy. The criticisms are various but have consistent themes. One is that LROs are irrelevant do-nothing papermills. Another is that they threaten local government autonomy. The two seemingly paradoxical criticisms---that the LRO is presently irrelevant yet potentially threatening---are often spoken in the same breath. The president of the N. C. Association of County Commissioners, J. T. Knott, said of his fellow Wake County Commissioners' apathy towards the Triangle J Council of Governments, "Bob Heater was the only one we could ever get to go to their meetings. Bob's the kind of guy who wants to go to everything." Yet Knott added that the LROs "are what's going to replace us." Regionalism, he feared, would lead to the dissolution of county government, as regional councils of governments become governments themselves.

More than a few isolated complaints contributed to the current state pullback. Both the Holshouser and Hunt Administrations have seen a full measure of controversy about the regions, including court action against the LROs. While a number of the regional organizations have enjoyed close relations with their member governments and are relatively free of the more debilitating sorts of conflict, several have been plagued with controversy.

Controversies in the Regions

The largest region in the state, Region G, formerly led by the Piedmont Triad Council of Governments, has split into two separate regions, with Winston-Salem the focal point of the western half and Greensboro the focal point of the eastern. Local officials who voted to pull out of the original COG have cited, in press accounts, a lack of communication with the COG staff and declared COG participation "doesn't make any difference." The apparent lack of adequate fence mending by executive director Lindsay Cox and his staff was exacerbated by the large size of the region (125 miles across at its widest stretch) and by a rivalry with another regional organization. Joe C. Matthews, director of the Northwest Economic Development Commission, which helps plan Appalachian Regional Commission investments for several counties northwest of Winston-Salem, has long urged local governments to pull out of the larger Piedmont Triad COG, according to the *Winston-Salem Journal.* Matthews said in an interview that he hoped to be appointed director of the COG for the new Region I. He was subsequently named to the post.

Despite sophisticated planning (the *Overall Economic Development Plan for Region G* is head and shoulders above others studied by this Center) the Piedmont Triad COG has had difficulty raising a quorum at meetings and difficulty in having its plans implemented by local governments. The *Winston-Salem Journal*, which in February 1979 published a series that is the most detailed account of COGs and their problems yet aired by the state's press, gave an example of paper planning by the Triad COG:

> Still on the drawing boards is . . . a large park near Kernersville that would keep Winston-Salem and Greensboro from growing together along Interstate 40. It was first proposed 10 years ago. But to date, not an acre of land has been bought or an option acquired. The council by itself has no taxing power to raise money or condemnation power to acquire the land.

If the Piedmont Triad Council has had difficulty affecting the affairs of its constituent governments, the complaint heard most often about the Region D Council of Governments, headquartered in the small mountain city of Boone, is that local governments haven't been able to control the COG. After the organization in 1977 secured a $1.2 million grant from the federal Economic Development Administration to build itself a new office building, local critics headed by the Rev. George Kloster accused the COG of going into the real estate business. Only part of the building was to be used by COG staff, the rest rented out. Local officials protested that the regional organization was lavishing federal funds on itself while its member governments did without needed projects. And Rev. Kloster, charging that COGs should not be allowed to own and profit from property bought with public funds, sued the COG and won a ruling that COGs cannot legally own property. At this writing the COG and its new director, Richard Fender, are trying to win unanimous member government approval to give the half-completed building and what is left of the federal grant back to EDA.

The Human Services Battle

Some of the problems of the regional organizations may be traced back to a move by Governor Holshouser to give the councils administrative control over human services such as family planning, nutrition programs for the poor, and programs for the elderly. Many of these programs were funded by the federal Office of Economic Opportunity (OEO) and administered by non-profit community action agencies which OEO helped to create. Holshouser's move was generally viewed as the state counterpart to President Nixon's concurrent effort to destroy the Democratically controlled OEO. Community action agencies sued the state and won the right to compete with the LROs for human services contracts when funding was passed through state agencies. The fight, however, was not restricted to the courtroom. Community action workers and their lawyers took their case to public forums, arguing that the regional councils were basically undemocratic. A "third tier of government," the COGs were divorced from the people in two ways, their critics said. They were a step removed from local government itself. And there were no nonelected representatives on their boards from the population to be served by the programs---including minority, poor and elderly citizens. A political science doctoral dissertation by UNC-Chapel Hill student Edward Humberger, strongly influenced by the arguments of the community action agencies, concluded that the COG structure insulated governmental action in human services from effective public accountability and control. Despite councils' attempts to satisfy federal requirements for client participation by setting up advisory committees without voting power, Humberger concluded that the COGs denied "opportunities for low income and minority groups to enter the decision-making arena."

COG staffers, for their part, defend their involvement in human services administration. The director of the Land-of-Sky Council of Governments in Asheville noted that regional service delivery sometimes allows the efficient use of programs which wouldn't be economic if administered on a strictly local level. His COG has not taken administrative duties for any program unless with the unanimous insistence of its member governments, he added. Other regional officials said that human service programs must be handled with extreme sensitivity. A public safety planner with the Charlotte-based Centralina Council of Governments said that the council policy was to help local governments to coordinate and set priorities for requests to funding agencies, but then to pass the grants through to projects administered by non-profit organizations or local governments. He added that the local official is a more legitimate *administrator* than the COG official "because he's easier for the local government to fire." The COG role is crucial to helping local governments plan rather than administer the programs, he said. The COG provides information on service needs, available funds, and how programs can be designed and assessed.

The human services battle did serious harm to the regional organizations' base of support, according to regional planners and state officials. "It just about tore our organization apart," said Beverly Paul, director of the Wilmington-based Cape Fear COG. The Governor's press secretary, Gary Pearce, when asked what complaints he had heard voiced against the regional organizations, said, "I think the main thing is the thought that they got away from their original mission, planning, and got into human services administration."

No Power Except Words

One problem facing all the LROs is that they have no formal power to implement plans. Their power must therefore be the power of knowledge and communication. Communication is crucial. The legwork that local governments have accused the Piedmont Triad COG of neglecting is essential to getting local participation in forging plans and in carrying them out.

Some COGs in North Carolina are particularly successful in communicating with local governments and in organizing governments to work with one another.

Several of the mountain and coastal plains COGs have particularly good reputations for local government cooperation, including those of Region B, Region E and Region P, all visited by staff of this Center. In the Hickory-based Western Piedmont Council of Governments (Region E), COG director Douglas Taylor meets monthly with all county commissioner chairmen and county managers and has separate monthly meetings with municipal officials. A Western Piedmont planner visits courthouses and government offices in the region almost daily in order to ask informally what problems officials have and how the COG staff can help. Review of the region's plans indicates that the planning process in Region E seems not to have been subordinated to grantsmanship. Fencework and grantsmanship instead give the Western Piedmont COG a political base so that regional planning and cooperative decision-making can be achieved.

A peculiar gap in the regional agencies' power of communication is their virtual invisibility to the public. The geographer Charles Hayes wrote in *The Dispersed City*, a 1976 book about the Piedmont Triad, that a survey revealed only one in ten of the region's citizens had ever heard of the Piedmont Triad COG and far fewer had much notion what it did. (This may have changed, given the COGs recent well-publicized troubles.) The *North Carolina Handbook on Regionalism*, published by the state in 1971, urged regional organizations to establish public relations committees as a first order of business and to actively inform the public of regional issues and LRO activities. Generally speaking, this advice has not been taken. Of the six COGs visited by Center staff, officials in only one, the Asheville-based Land-of-Sky COG (Region B), said that they regularly initiated contacts with news media.

The studies of an agency with no formal power can have no influence unless people know the agency exists. This obvious point seems to be lost on many regionalists in North Carolina. There are regional organizations outside the state, however, which are highly successful at increasing their influence through increasing their visibility. The Metropolitan Washington COG, which like its North Carolina counterparts has no formal implementation power, is nonetheless a powerful and heralded force in its region. The COG has helped bring restricted bus and carpool lanes on expressways around Washington, major routing changes in the construction plans of the Washington subway, and the introduction of public housing in exclusive suburbs. Officials find it hard to ignore regional issues in the Washington area. If an important regional issue is to be discussed at a meeting, the COG's public relations director invites the *Washington Post*. When studies are written, their results are publicized. The COG's chief housing planner said in an interview that subsidized public housing came to the exclusive Virginia and Maryland counties around Washington only after the residents began to understand that "their policemen and the people who taught their children couldn't afford to live in their community." COG staffers drove the message home in meetings not only with public officials but in talks with civic clubs and church groups.

The Invisible Advisor

Three ranking staffers of the Washington COG stressed in interviews that the COG's power is the power of information. If a COG is invisible, it has no influence.

This axiom may apply, in North Carolina, to the regional organizations' position in the eyes of state government. "They don't know we exist," Western Piedmont COG director Taylor said of state development officials. Its perceived nonexistence severely circumscribes the COG's potential. Taylor said, for instance, that his COG would leap at the chance to do the kind of development planning earlier proposed by the state. "They wouldn't have to pay us. We'd go out and get federal money to do it . . . . But there's no use in spending the effort without some assurance that the state would pay attention to what we come up with. Why bother if they're not going to listen to us?"

The state Commerce Department's director of economic development, Larry Cohick, acknowledged the problem. "I was frankly surprised when I came on board [Cohick took his post in January, 1979] that there was no formal mechanism for us to communicate with the regional organizations." But he added, "I don't know whose fault it is." The regional organizations must themselves be active in drawing the state's attention to their plans and studies, he said. For his part, Cohick said he had recently met with the executive directors of the LROs. He has arranged for future regular meetings and was working to build closer relations between the COGs and the Commerce Department, he said.

Cohick's efforts, like this Center's criticisms of the COGs, are belated. Momentum and opportunities have been lost. Unless bolstered by new state initiatives, regionalism is not likely to take center stage in the state's development policy.

Sharing the Blame

The political problems of the regional organizations are very visible---much more so than their studies and plans---and no one could expect the state government to ignore such problems. Neither should it be ignored that state government itself is largely responsible for the problems of regionalism in North Carolina. State government's express commitment to regionalism has never been realized and, with the Hunt Administration, the commitment itself is dissolving. As discussed in a previous chapter, the LROs were set up to do a job that was soon forgotton in Raleigh---the regional development plans that were to direct the implementation of the state development policy. This is not to say that all the manifold causes of LRO problems stem from Raleigh. Many are peculiar to local situations and local personalities as well as to individual regional organizations. But the state's neglect must be held partly responble for the feeling that the LROs are irrelevant papermills or, as one critic put it, "stooges of the federal government." The image of irrelevance discourages the participation of local governments and reduces the regional organizations' visibility to the public. Local government neglect, in turn, brings a lack of control and breeds suspicions---sometimes warranted---about what the regional organization is up to. Such suspicions were well fed by the human services battle. By loading LROs up with administrative duties previously held on other turf, the state set the stage for the battle that damaged regionalism and popularized the denunciation of the regional organizations as "a third tier of government, intent upon its own growth and accountable to no one."

The Local Government Advocacy Council recently denounced the "third tier" argument as a "myth." Given the charge of investigating the LROs as one of its first duties, the council came in with a November 1978 report urging the status quo. The council said the regional organizations were fine, in their proper position as servants of local governments. The state was urged not to weaken or destroy the COGs, but not to give them any general purpose funds and not to enlarge their influence in local or state affairs. As applied to state development policy, the council's implicit message is clear: the LROs should be left where they are, in a sort of state policy Limbo.

This raises certain questions: If regionalism has been spurned by Governor Hunt's policy, what is to replace it? If regional planning is out, what sort of planning will be done? How will the policy be implemented?

Chapter X

Policy and Non-policy

If Balanced Growth Policy were to live up to its purported role as a blueprint for orderly development of the state, it would have to measure up to the standards of what policy is supposed to be. According to Webster, policy is "a definite course or method of action . . . to guide and determine present and future decisions." To meet this definition, any policy would have to be explicit and not obscured by rhetoric. To "guide and determine" decisions affecting growth management, the Balanced Growth Policy would have to take stands on specific statewide development issues and call for grass roots planning to deal with local and regional issues. The policy would then express leadership by the Governor and would exact some political costs.

These are minimal standards, the very least the people of North Carolina should expect. Yet judged by these standards, Balanced Growth Policy is a failure. Beyond the discernible theme of dispersing funds in an attempt to disperse development to the lagging regions of the state, the policy statements issuing from the Department of Administration are chiefly composed of vague generalities. The motivation for making the policy indistinct is political---to avoid the opposition that would be aroused by solid stands on growth management issues. The effects on government are destructive. The vagueness of Balanced Growth Policy represents the frustration of more serious growth management efforts put forth within government. The vagueness---and the process that creates it---has caused a cynical attitude towards the policy within government agencies charged with carrying it out.

Examples of the policy statements' vagueness have been cited in previous chapters. The obscurantism is particularly obvious when the 1978 policy document published by the Hunt Administration is compared to the more explicit 1972 version. The comparison shows the deletion of explicit discussion of funding effects on metropolitan areas, the related lack of clarity in the discussion of regional balance ratios and their implications, and the deletion of any discussion of the policy's effects on the state's income and wage levels. The Center reviewed eight different drafts leading up to the document *A Balanced Growth Policy: A Proposal for Public Discussion*, beginning with a Balanced Growth document entitled *An Agenda for Discussion* which was the first and last draft to even mention the question of income and wage effects of dispersal. The documents show a consistent trend towards increasing obscurity.

One ranking Natural Resources and Community Development official privately lamented the policy's decline in substance. "This thing has been massaged into a marshmallow," the official said.

The massaging continues, at this writing. Any idea of substance that crops up in the policy making process is likely to be soon eliminated.

Balanced Growth Policy: Part II is supposed to be the real meat of the policy, the statement of "steps to implement Balanced Growth Policy." Let's take a look at what happened to the treatment of a crucial issue---land use planning---between the second draft of *Part II*, dated January 17, 1979, and a third draft, dated the following March 13.

The earlier draft stresses the importance of land use planning and says, "The relationship between land use planning and the Balanced Growth Policy is straightforward. Land use controls are basic tools for local governments to employ in implementing the statewide growth policy." It comes close to requiring land use planning. "All designated growth centers should be expected to develop a land use planning and control capability." Another related section on "Growth Management" has a number of specific suggestions on how the state can lead the planning efforts. Suggestions included:

• state encouragement of municipal utilities rate structures "that will inhibit leap frog development outside the urban clusters" by charging more for water and sewerage for outlying areas;

• "encouraging local governments . . . to prepare long range development plans for corridors along major highways;"

• "encouraging long term capital improvements programming by both city and county governments to produce phased development of the urban fringe."

The earlier draft's sections on land use and growth management were constructed largely from ideas forwarded by officials in the Department of Natural Resources and Community Development. When the Department of Administration's rewrite emerged, however, few of these ideas remained intact. The rewrite did say that the state "could" provide technical assistance in growth management "to growth centers which request it" and said the state "could . . . study the issue of growth management at the local level." Then the rewrite includes this section, quoted in full below, under the heading of "Land Use."

> As the State of North Carolina continues to develop, the need for land use planning is more evident. Thus, the relationship between Balanced Growth Policy and land use planning is significant. Land use planning is closely related to guiding urban growth, the provision of public services, energy conservation, protection of the environment and the preservation of agricultural and forest land.
>
> Land use planning is an important part of local growth management. An effective land use planning system carried out by local governments can help achieve an equitable balance between urban and agricultural uses while, at the same time, guiding future development in an orderly and efficient manner. Implementing development strategies for metropolitan corridors and small cities and rural areas will need land use planning by local government as a part of local growth management tools.

What does this mean? Land use planning is good.

This is not to say that there is absolutely no substance to the implementation drafts. Even though most of the recommendations are weakly worded and couched in "coulds" and "mights," some would be valuable if the state were to follow through on them. The March 13 draft says, for instance, that "the state could institute a study of potential agricultural processing plant locations" and that the state "could . . . develop guidelines for conservation and land management practices on farmland, forestry and natural areas." And some of the suggestions are worded strongly enough that one may disagree with them. Recommendation number 3 under the "Job Training and Vocational Education" section, for instance, indicates that high-skill training should be concentrated in the regions with high balance ratios. This seems unfair to residents in the more rural regions, which generally have low ratios. In any case, this Center's opinion of the latter implementation memorandum is that it contains some policy of substance---whether wise or unwise---and a great deal of fluff.

The March 13 implementation memorandum is reprinted as Appendix B.

Generality Defended

Hall, Balanced Growth Policy director in the Division of Policy Development, defends the generality of the Balanced Growth statements, including the implementation drafts.

"It is as general as it had to be in encompassing the myriad programs that make up the development effort," Hall said in an interview. He noted that "a strategy begins with general commitments" and said that seemingly facile apple pie positions endorsed by the policy documents are in fact the product of long and hard debate.

"You have to start off general," he said. "The commitment to the family farm in the *Proposal for Public Discussion* represents a great deal of debate. You'd be surprised. On the other side there were advocates of big corporate farming."

NRCD's Buried Urban Policy

Far from expressing leadership and coordination in the development of policy, Balanced Growth Policy documents don't reflect substantive policy developments already occurring within state agencies. Perhaps the worst case of good policy making efforts going to waste is the work that went into *An Urban Policy for North Carolina*, prepared by the Community Development Advisory Committee and the Community Development Council. The document is strongly written. It states that "fundamental policies and strategies for sound growth, development and redevelopment do not exist in most urban areas of North Carolina." It cites specific state and federal activities that encourage sprawl and strip development and harm the state's cities and towns.* Though the recommendations of *An Urban Policy for North Carolina* are watered

* The report cites, for example, the state's encouragement of industrial locations just outside the planning and taxation districts of municipalities.

down somewhat compared with earlier drafts,* there are fully 27 recommendations that would require legislation and many other substantive recommendations that would require administrative action.

Upwards of a hundred people had a hand in the urban policy's formation, including agency officials who critiqued the drafts, the urban experts from around the state who were on the Advisory Committee, and the laymen and professionals appointed by the Governor to the Council. Thousands of hours of work went into the creation of the policy statement, which was forwarded to the Governor and the Secretary of NRCD on October 31, 1978. Yet when urban issues were dealt with in Balanced Growth documents written months later, the documents showed little reflection of the ideas in *An Urban Policy for North Carolina.*

A government source, who declined to be identified, said that the urban policy statement "isn't seeing the light of day . . . . It's stuck over there in NRCD, and people are unhappy that nothing's happening with it."

The NRCD staff coordinator for the policy project, James Hinkley, of the Office of Community Development, was asked if the report were being buried. Hinkley said it had been sent to the Secretary, the Governor, the Balanced Growth officials in the Department of Administration, and the Interim Balanced Growth Board. Pressed about what administrative or legislative action had stemmed from the report (which was finished well before the biennial legislative session began) Hinkley replied, "The Administration, to my knowledge, hasn't done anything with it." Asked about the impact of the report on subsequent Balanced Growth Policy formation, Hinkley said, "There is no reflection, to my knowledge."

Labor Department and Community Colleges

Even when they have been repeatedly voiced in high-level interagency meetings on Balanced Growth Policy, issues evaporate before policy statements are written. In meetings of the Interagency Balanced Growth Board, Commissioner of Labor Brooks has repeatedly called for "weighted" funding in the community college system, in order to provide greater outlays for high-cost industrial crafts courses. He contends that the current "per pupil" outlays tend to "water down" the curricula with secretarial and other inexpensive courses, indirectly contributing to a severe shortage of highly-skilled industrial workers in North Carolina. No mention or allusion to this policy issue can be found in the Balanced Growth implementation documents mentioned above. Yet policy change is occurring on this issue. Following meetings with Commissioner Brooks and Secretary of Commerce Faircloth, community college officials went to the Legislature for a form of weighted funding for "skills centers"

*Deleted were recommendations for tax reforms designed to halt the flight of business from inner city taxes.

to teach crafts such as carpentry, mechanics and metalworking.

Hall said in an interview that he didn't know why Brooks' ideas on training didn't make it into the implementation memoranda.

"I would guess that the specific proposals may have caused problems," he said.

Community college officials have themselves been frustrated in trying to insert substantive ideas into Balanced Growth Policy. Several pages of recommendations were sent to the Division of Policy Development, which had requested the material for the implementation drafts. Said one community college official, "We'd work on it and send over our recommendations, and then I'd get back [the implementation drafts] and see things had been put in very general terms. They really didn't get down to specifics. I asked them [Policy Development officials] about it and they said, 'We have to make it general enough to suit everybody.' "

The Commerce Department

Among a number of ranking Commerce Department officials, there is an attitude of great skepticism concerning the Department of Administration and its documents on Balanced Growth. As one official said, "The attitude starts at the top." Secretary of Commerce D. M. Faircloth has made speeches and written articles in praise of Balanced Growth, and Department officials know the Secretary is sincere in wanting to further the Balanced Growth goal of preparing small communities for industrial development. But officials within the Department also know that the Secretary speaks of the policy statements and the policy meetings organized by the Department of Administration with a mixture of amusement, angry impatience and exasperation.

Faircloth's chief concern is to "do something that shows," said one of several knowledgeable sources who talked---on a not-for-attribution basis---about Faircloth's attitude. This highly ranked Commerce source said that Faircloth and others in Commerce see the Department of Administration officials leading the Balanced Growth effort as "dealing in abstractions."

The Center contacted the Secretary's office to ask for a response to the sources' statements, which were read to an aide of the Secretary. The Secretary did not respond.

The General Assembly and the Balanced Growth Bill

The General Assembly has given its blessings to the policy by enacting Senate Bill 536, "An Act to Establish the North Carolina Balanced Growth Policy." The bill, as introduced, is presented in Appendix C.

The Governor announced the introduction of the bill at a press conference, saying the state has "a real opportunity to make a major change in the federal system of government." Federal agencies, he said, are "letting some federal dollars flow through according to a state plan for balanced growth, but only if the state has one." Reporters at the press conference perused the bill and wondered aloud where the plan was. One reporter noted that the bill was filled with generalities and asked, "What's the point of putting them into law?" The brief Associated Press story about the announcement, buried on inside pages of papers across the state, quoted a single sentence of Hunt's long reply:* " 'I think we need to put these in law because they're not in law now,' Hunt said, adding that they would guide future administrations." The AP report said the act was composed of "general statements" and noted the "sharp questioning" at the news conference. A WUNC-TV commentator on the "General Assembly Today" program predicted the bill would not arouse much opposition "but it's not expected to do much either." Reporters' private comments revealed the attitude behind the short-shrift coverage. The chorus of laughter and eye-rolling that followed Hunt's presentation accompanied such comments as one reporter's, "This is the biggest bunch of nothing I've ever seen."

The bill was referred to the Senate Committee on the Economy. Senator Benjamin Schwartz, a Democrat from Wilmington, presided over the deliberations of the committee on April 3, 1979, announcing, "We are here to consider our first and last bill." This was greeted by laughter, since the Committee on the Economy is a forum for experts' speeches on current economic conditions and usually does not consider bills at all. At 4:04 p.m., Senator John Henley, a Democrat from Hope Mills and principal sponsor of the bill, began talking about the bill's provisions. He finished his explanation at 4:09. The five minutes also included the adoption of one minor amendment by the committee. Then there were a few questions,** usually mixed with praise for the bill, and, at 4:18, the committee voted unanimously to grant the bill a favorable report. The committee then adjourned.

Similarly inadequate deliberations were held on the House version of the bill. The bill shared an hour of the House State Government Committee's time with the committee's deliberations on the Sunset Commission's recommendations with respect to well diggers. Although there was general agreement on the bill's stated goals, House and Senate floor debate was somewhat confused, with several legislators saying they didn't understand the bill. They were assured by Senator Melvin Daniels Jr., of Elizabeth City, that "this bill came before the economy committee and we discussed it thoroughly." After amendments were added that reduced a number of the "shalls" in the bill to "mays" (legislators feared the bill, if worded too strongly, would be used to

* Hunt compared the bill to the Environmental Policy Act and contended that such legislation is important in expressing the government's lasting commitment to important, though general, goals.

** Questions:

Senator Edward Renfrow, of Smithfield---Will the Local Government Advocacy Council, as described in the bill, duplicate the Economic Development Board in the Department of Commerce? (Response by Senator Henley: No.)

Senator James Garrison, of Albemarle (a sponsor of the bill)---What is a growth area? (Senator Henley gave a rambling reply to the effect that growth areas could be designated for many reasons.)

Senator Schwartz---Have growth areas been designated? (Response by Billy Ray Hall, of Policy Development: No.)

compel appropriations at some later date) the bill overwhelmingly passed both House and Senate.

While many casual observers see the bill as innocuous, the Administration itself is likely to treat the bill as a *carte blanche* endorsement of actions which are in fact controversial. The bill authorizes the Governor, for instance, to "develop measures of progress toward achieving balanced growth," a reference to the regional balance targets. Not explicitly mentioned nor defined in the bill, the regional balance targets will hurt some areas of the state in funding matters and help others. It is doubtful that this was understood by legislators on the Committee on the Economy. One Republican Senator, however, William Redman Jr., of Statesville, told his colleagues on the floor that the bill would be used to give the Governor more power over money and programs. "It's a disguise," he said of the bill.

Land Use Planning Dies Without a Fight

Although it purportedly sets up a growth management plan for the entire state, the bill does not include provisions for statewide land use planning. Governor Hunt has supported such land use legislation in speeches. But a land use bill, the product of three years of work by the Land Policy Council, died in the 1977 legislative session without a fight by the Administration. Governor Hunt's press secretary, Gary Pearce, said in an interview, "That wasn't the time to push it." The Governor was then fighting efforts to repeal the Coastal Management Act, said Pearce, adding that agricultural interests headed by Secretary of Agriculture Jim Graham were then strongly opposing any statewide extension of land use planning. "It'll come up again this session," Pearce said. In fact, however, the 1979 session ended without seeing any Administration bill on land use planning. Agricultural interests were again blamed for forcing the Administration to drop the idea of land use legislation. The fact is that land use planning is not and has never been a priority of the Hunt Administration.

The Center's interest in the land use issue stems partly from the idea that the Administration cannot claim to have a statewide growth policy without mandating statewide planning efforts. Land use planning would be fundamental to any growth policy worth its salt. There are other types of planning and study that are also important---of the type and timing of needed public investments, of water management, of areas' economic structures and needs. Under earlier administrations' proposals, such planning would be done through the regional development strategies. As reported in previous chapters, regional planners and lead regional organizations have lost their mandate for developing these strategies. Yet the requirement for planning has not been shifted to local governments. Instead, local and regional planning have both become optional.

Public investment planning is strongly related to land use and other growth management issues. The basic idea behind Balanced Growth Policy, according to

Administration officials, is to lead growth by targeting public investments. But aside from the broad brush allocation mechanisms of regional balance targets and growth centers, how will these investments be planned?

Horse-trading as an Investment Strategy

The regional capital improvements programming was to be one major way to plan investments. As noted in Chapter VII, such efforts are now doubtful because Administration officials are reluctant to require them. Zogry, however, says that local governments will be *encouraged* to help develop a prioritized list of requested projects for their region. The state's endorsement of a package of federal- and state-funded projects for each region is seen as a key to attaining regional balance targets.

What studies, what planning would precede these wish lists for millions worth of public investment projects? In an interview, Zogry indicated that, as far as the state is concerned, studies and planning are at the option of local governments. The questioning progressed as follows:

> Q. If you don't have regional studies, what is to keep decisions from being made on regional project priorities solely by local officials sitting around a table negotiating---with project decisions made by horse-trading?
>
> A. That sounds like a damn good way to make them. That's the democratic process---local needs determination.
>
> Q. Then local officials would determine project needs however they wanted to---with regional studies, or county, or no studies at all? You wouldn't have much input?
>
> A. No, I wouldn't think so. The Board [Interim Balanced Growth Board] is looking into the issue of state involvement in local project needs determination. I think the answer will be minimal to none.

It's tempting at this point to say that the Administration merely wants to play Santa Claus, finding out what local governments want from the federal government, endorsing the requests, and then taking credit for whatever grants come through. But this would be to construe Balanced Growth Policy as more innocuous than it is.

The state will have influence over which projects are funded and which aren't.

According to Zogry, "Relating the priority of projects in Region A to those in Region B to those in Region E---the state will have a role there. That's where the needs index comes in, the regional balance targets."

Also, the Governor's committees, such as the Rural Development Committee set up to influence $500 million in annual FmHA funding, will draw up yet unspecified guidelines on allocations.

When asked about the power implications of such arrangements, Grimsley emphasized that "no federal agency has even discussed our approving specific projects." Asked if influence over specific projects is "down the road," Grimsley answered, "We hope so." In fact, the state already has influence over individual projects through the Department of Administration's A-95 review. Hall said that a significant part of

A-95 review will be whether or not a project is in conformity with Balanced Growth Policy.

The Point of Maximum Power

The nebulous nature of the policy, in this context, may be seen to be worse than innocuous. The danger here is that access to the federal pork barrel could be misused by this or subsequent administrations. Explicit plans and policies would be a check against this.

A disgruntled expert on state environmental planning put this concern most bluntly. "Lots of money and no planning---that's the point of maximum power. It allows them to do whatever they want."

The idea of federal dollars being given sound direction and coordination by a state development plan is, at bottom, a good idea, particularly in light of the uncoordinated nature of federally sponsored plans discussed in Chapter VIII. Such coordination and planning was apparently intended by President Carter when he announced that federal agencies would allow $1.2 billion to be guided by North Carolina's Balanced Growth Policy. This Center has no objections to federal dollars flowing through according to a state development plan, but as Governor Hunt himself says, "only if the state has one." As of now the Governor has no adequate state plan committed to paper and has set forth no requirement for adequate local or regional planning on a statewide basis.

Two Basic Problems: Balance and Baloney

The Center sees two basic problems with the Balanced Growth Policy. First, to the extent that the policy would allow officials to prejudge investment decisions prior to a planning process and to discriminate among communities according to their size and location, it is a bad policy. Second, beyond these features there is little growth policy *in* Balanced Growth Policy. The purpose of any policy is to provide a definite course of action as a guide for decisions. When statements labeled as policy are no longer definite and can no longer guide, they are no longer policy. The costs of accepting non-policy statements as policy are enormous. In state and local government offices, plans and programs are even now being justified in terms of the Balanced Growth Policy. The flood of paper will flow from Murphy and Manteo to Raleigh and Washington swelled by an increasing number of progress reports, analyses, flow charts, and endorsements, all designed to show that past or proposed actions were, or will be, in keeping with a nebulous policy under which virtually any politically expedient action can be approved. It is difficult to imagine a more wasteful use of time and paper.

Chapter XI

Interview with Governor Hunt

The following is a *verbatim* transcript of a June 26, 1979 interview with Gov. James B. Hunt Jr. on his Balanced Growth Policy for North Carolina. The questions and comments of the interviewer, Brad Stuart, are indicated in italics.

You've called for the federal government to allow federal funds to flow to localities according to a state development policy. Why should the state have influence over those funds?
It isn't just---as we envision it it's a state-local partnership having influence over it. That of course is what you all---not you, the people who wrote the article*---missed. You knew we were developing that kind of structure, but in the earlier thing that your group did, they apparently weren't aware of it. But state and local people together are aware of what the needs are, that they vary from area to area, and by the mere fact of being personally involved in doing it can get stronger cooperation and more efficient use of funds. Because they can tie them together with other resources. It isn't then just a matter of some federal money coming in and being stuck over somewhere. It's a matter of state funds being combined with federal funds being combined with local funds and perhaps private funds, that you can concentrate enough of them, for example, in growth centers particularly to have that---sometimes called critical mass but my people at Rock Ridge don't understand that term, so I won't use it, Brad,---to bring about change---to get growth under way, or to deal effectively with the environment or whatever it might be.

The guidance of these funds---aside from the localities, will that be solely by the executive branch? What role will the Legislature have?
Well the Legislature has passed a law, as you know, has passed the Balanced Growth Policy Act that establishes the Local Government Advocacy Council. And by executive action I am using the Local Government Advocacy Council and the Goals and Policy Board as an Interim Balanced Growth Board. You know from your covering, being involved in those meetings that they are developing criteria for growth centers and will ultimately recommend growth centers based on those criteria. They're also developing measures of regional adequacy in the public service areas and what have you. But the Legislature's responsibility is to legislate. Their responsibility is not to administer. And on the Advocacy Council as we've newly created it, there are two members of the Senate appointed by the president of the Senate, and two members of the House appointed by the Speaker. So the Legislature has given us a charge to develop Balanced

*The Governor is referring to the Center's report, *Which way now? Economic Development and Industrialization in North Carolina*, by Mercer Doty and Doris Mahaffey.

Growth and all the other things that are within that Act. They have provided that local government and state government shall be partners in it and that the Legislature itself shall have some members of it.

Given all this, is there a possibility that this new fiscal influence over federal funds could be misused, that it could be used as political reward? Is there a pork barrel that's being created in Raleigh?
No. There's much less of that now than before. Because heretofore the executive branch, without any voice of the Legislature or local government, was making decisions about where these funds go.

Meaning the executive branch of the state? Making decisions over federal grants money?
Sure. Well---

Through A-95?
No. Not---well, *certain* federal funds. Now you're assuming that the state is going to get authority to make decisions about a lot of federal funds. I hope they do, the state and local government together. I hope they do get that responsibility. But thus far the federal government has really, I'd say, only in the case of FHA [Farmers' Home Administration] are they giving the state increased voice.

But you've got a general agreement over a broader package of monies, don't you, of $1.2 billion that Carter announced?
Well now I don't remember the amounts in his announcement. You'd have to show me what you're talking about there. They're moving in this direction. But most of the things he's announced are special projects, things of that sort. I'm not aware that they've given us increased authority in any field except the Farmers' Home Administration. But let me make the point that I was getting into, though it wasn't perhaps on point, which is that what we are aiming at now, given Legislative directives about how they want the state to develop. We are now with this board being involved in making decisions in a logical fashion based on criteria spelled out---developed by state and local governments together and spelled out---with regard to the use of funds, whereas in the past---with regard to state funds---whereas in the past these funds were allocated without a framework, without a rationale for their use. See?

People in the Piedmont, particularly around the Charlotte area, have had fears about Balanced Growth, chiefly that Balanced Growth Policy could hurt metropolitan regions in funding. Given the concept of regional balance, the balance ratios and so forth, is this not true?
Absolutely not. The main purpose of the Act, and I quote from it, is to "encourage economic progress and job opportunities throughout the state and support growth trends which are favorable for maintaining a dispersed population." Now, we have the work that's being done now by the Interim Balanced Growth Board. Now as a matter of fact I think they have two committees---you didn't go to the last meeting but I think you went to all of the ones before---they have a committee on large cities that is being headed up by Larry Cohick. As a matter of fact you might just be interested in

this letter* which Bill Veeder sent to me on March the 28th, and he was just talking about a briefing that Larry Cohick had given them in Charlotte. This is the Charlotte Chamber of Commerce you're talking about, and he couldn't be any higher in his praise of what we're trying to do to deal with the concerns and the needs of the major urban areas of the state. So, that Board has two committees. One is working on the needs of large cities and the other one on the needs of small cities. Let's see, I think Walton Jones---I guess they call those "task forces"---the one that Cohick's heading up is considering ways of strengthening larger cities and contribute to the growth of the state through expansion of manufacturing activity, downtown revitalization and increased emphasis on the quality of life. Dr. Walton Jones, who's the deputy secretary of Natural Resources and Community Development, is heading the task force looking at small cities' and rural areas' needs. So we are giving equal attention to the needs of large cities. And smaller cities in rural areas can't exist with a good quality of life unless the large cities have the good airports, have the strong universities, have the outstanding cultural opportunities, have the big banks that are doing well, have the civic centers, and have the kind of vitality that they must have. You can't have, we aren't proposing a state of small cities. We are proposing that the kind of dispersed population pattern that we have, including some larger cities, be maintained and strengthened throughout.

One thing that struck me in doing the research on development policy, the 1972 policy in particular that Mr. Zogry worked on. The same general mechanisms were present---the idea of the growth center, the idea of regional balance and regional balance ratios and so forth. And that 1972 document stated very forthrightly that the concept of regional balance would mean a relative drop in funding for metropolitan areas. Is there anything that's taken place, I mean, why would it be true in 1972 and not be true today? Is there a change of circumstance or anything that would explain the difference?

Well, I don't know. You've said that it said that. I haven't seen that. It may say that. You have to understand when you're talking about funding, you have to understand that in some of the larger areas they generate more of their own funds. For example, if a large, if an IBM goes into Charlotte, you just think of all the tax revenues that are going to be generated by IBM going to Charlotte. Now that doesn't mean that the University at Charlotte isn't going to have greater needs. See? It may be---it depends on what you're looking at. Are you looking at overall contributions into an area? To the extent that we expand, proportionately now, our support of the University of North Carolina at Charlotte---it's the major growing university we have---we are providing for the needs of that growing community. To the extent that, you know, we commit and facilitate additional funds for that major airport there---you know you can't spread those out, that's where your big airport is---we're doing that for the Charlotte community, which in turn is going to serve it all. Now I don't know what the proportion, what's going to proportionately happen. You may have an increase

*Veeder, president of the Greater Charlotte Chamber of Commerce wrote of "one of the most impressive briefings we've encountered in a long time. Larry Cohick has convinced us that the State's economic development program is in very capable hands . . . . We feel the proposed Cities of Excellence program is a clear step towards addressing the major concerns of urban areas."

of certain funds in a given area and an increase in other kinds of funds in another kind of area. To give you a long-run example, Brad, and this isn't tied in directly with economic development but it is, again, in the long run. Where are most of the remedial funds going for young people who didn't pass the competency test? Well most of them are going into some of the more rural areas of the state, because that's where the need is. Now those people in time are going to go to urban areas. But I'm simply saying to you that you'll have different kinds of needs in different kinds of areas. And I do not concede that you are going to have relatively more funds going to certain areas, although there may be some of that. I'd simply say to you, in terms of the total funds and resources available to them from all sources---government at all levels and private---that metropolitan areas will have an increase, and I do not think that proportionately they will have any decrease, if you could somehow lump all that money together, see?

I see. You know that industries in rural areas generally pay lower wages than those in or immediately around cities---
No I certainly don't.

You don't know that that's true.
That's true I don't.

Well, this was cited in previous development policy documents and they stated that a policy of dispersal would tend to hold down average state wages.
Well, I've got the facts for you right here today. I knew you were going to ask that question. Go ahead and finish your question.

What I'm asking is why the Balanced Growth documents from your administration do not mention this fact.
Because it's wrong.

And the previous statements were wrong also?
Because the research is poor. And I want to give you some facts, and that's I guess one of the areas that has really irked me the most.* I'm going to give you an analysis of the past 15 years, that we have done, and I'll hand it to you if you'd like to have it.** Since 1962, for nonmetropolitan regions of our state,---now here we have a regional analysis---have had 82 percent increase in manufacturing jobs, while the

*The Governor is again referring to the Center's report, *Which way now?*, not previous administrations' development policy statements.

**The figures that the Governor is referring to are mentioned in Chapter V and reprinted as Appendix D. The figures show that the Governor's discussion is misleading. Of the 92,764 manufacturing jobs created in nonmetropolitan regions over the 15-year period, only 12,373 were high-wage, or one out of eight. In metropolitan regions, 55,180 of 115,206 were high-wage, or one out of two. While one out of four new jobs in metropolitan regions were low-wage, a substantial majority of new jobs in nonmetropolitan regions were low-wage (57,878 out of 92,764, or nearly two thirds). Talk about percentage increases obscures these facts. If there are only two high-wage jobs in a rural region and, over a 15-year period, only two more high-wage jobs are added, one may say that high-wage jobs have increased 100 percent. The Governor's citing the 96 percent increase neglects the fact that the great majority of new manufacturing jobs in nonmetropolitan regions were not high- nor even medium-wage jobs. They were low-wage jobs.

metropolitan regions have increased by 28 percent. Now that's overall jobs. Between '62 and '76, the nonmetropolitan regions have shown an increase of 96 percent of high-wage jobs, compared to a 63 percent increase for metropolitan regions. When you combine the increase in high- and medium-wage jobs, the nonmetropolitan regions increased 61 percent, while metropolitan regions increased 40 percent. In summary, one third of all the high- and medium-wage manufacturing jobs in this state were in nonmetropolitan regions. I'll just give you the '77-'78 figures, since I've been Governor. During that time new investment provided over 50,000 new jobs. Over 50 percent of them. Ah, let me go back---27,700 of those were either high- or medium-wage and over 50 percent of those high- or medium-wage jobs are in nonmetropolitan areas. And I'll give you some specifics. Miller Brewery in Eden. Let me tick some of them off for you. Miller Brewing Company in Eden, population 16,000; Timken Company, Lincolnton, population 5800; Campbell Soup Company, Maxton, population 2100; Dana Corporation, Morganton, population 15,000; Nova Biochemical, population 1500 in Franklinton; Data General Corporation in Clayton, population 4,000; Eaton Corporation in Kings Mountain, population 8800; Phillip Morris in Concord, population 18,700. It is often true that these will go out from an area. For example, we're seeing radiating out from the Research Triangle for 60 to 70 miles firms that have a research component there and a manufacturing component somewhere else around. But it is absolutely not true that these things have to go to a large city or an immediately adjacent area.

Governor Scott's and Governor Holshouser's development policies were to be implemented through regional development plans---Governor Holshouser called them regional development strategies---
Yes.

And these were to be done in every region of the state. They were never done. Now there is no executive mandate for that type of plans to implement your policy. And there's no Balanced Growth legislation for the type of statewide land use planning that you've spoken of in the past. Without such planning efforts, how are you going to implement a state development policy?
Well, let me take them---I think you made two points. One if you're not working with regions how can you do it? And, two, do you have to have land use legislation? Are those your two points?

Well, first of all we might start with why the regional development plans were raised and then dropped. You know they were proposed by the Scott document and by the 1974 Holshouser document.
Well, I think the truth is, we are---regions have a purpose for existence, but local governments have turned out to be the thing that really works best. They need to join together into regions and we put a high priority on regions, but we find that local governments, cities and counties, are really the most viable governments in our system. And certain of these of course will be, will qualify as growth centers of different kinds, as you know, as we go through this process. So you might say that rather than just putting an emphasis on regions, we're looking for regional balance now, we're saying that in order to attain certain goals within regions that we have found, and this is something we've learned, there's nothing wrong with it, it's just that over time---

and this thing has been evolving through the years; it started under, I guess, Governor Moore, and went on through Governor Scott and Governor Holshouser. One difference in our approach, Brad, is that ours has come directly from the people more, I would say, through the North Carolina Tomorrow Survey of over 100,000, and then the hearings we had throughout the state, which were not, you know, put on by regions or anybody else. But I think we've had a more direct people involvement in this development. But we have found over time---I was a part of the Goals and Policies Board when it was first appointed by Governor Scott---we have found that local governments are the viable units that can make change come about. They have the authority and so forth. Efforts to make regions into new counties and that kind of thing have failed miserably in the Legislature of this state. They did while I was Lieutenant Governor. I saw that happen in the General Assembly. Counties and cities have become stronger, and far more effective. I don't know how much you've noticed it, you wouldn't probably have been on the scene long enough to have seen it transpire very much, but believe me the counties of this state for example---I think cities have had the sort of resources and a lot of good personnel for some time---but counties have made amazing strides in recent years in developing both the capacity and the commitment to effective growth consistent with a good environment. Marvelous strides in the counties. So, we are depending, our growth efforts are relying on the cities and counties more than the regions. That is a change and it's an evolved change, I would say. Now did you want to ask something about that before I go on to land use?

Yeah, I wanted to just go on to land use with the comment that my understanding of your land use, what you wanted to see in the way of land use planning, was local land use planning statewide. So this doesn't seem to be in any conflict with any shift from regionalism to localism. And yet there was no legislation. There was no fight in the Legislature for land use planning. How can you have a statewide development policy without land use planning statewide?

Well you need to have land use planning without any question. And I think that Balanced Growth connotes that it's going to be balanced in terms of where it is, and balanced in terms of how it comes about, consistent with the environment. The very initial language of our bill, for example, Brad, as you know, says "support growth trends favorable to maintain dispersed population and to maintain a healthy and pleasant environment and preserve the natural resources of the state." That's a strong commitment. But I think there are a couple of things we can do as we look at this. We can continue work at the state level to use the various programs, federal and otherwise, that require, you know, land use planning to be done. And that means that they have to do certain kinds of things in order to qualify for funds. The other thing that we simply must do, and we intend to do this in the future, if we have the opportunity, is to get local governments to do more planning. We do not believe the state ought to plan the use of local land. I say that right off to you, very candidly to you. We don't know enough about how to do that. I think the state should require that local communities do it, and that in essence is what we have done with the Coastal Area Management Act, as you know, and I helped---I'll always remember the day that I presided over that debate in the state Senate as Lieutenant Governor, when they tried to amend that bill to death, and we've done an awful lot of things to protect that, that you may not be aware of.

Yes, I'm aware that you fought its repeal.
Just this past time, for example, it was scheduled to expire in 1981. I'm not sure you're aware of that---the Sunset Act---and we had that changed so that it would be put back to 1983.

You changed that in this past session?
Yes, in this past session. Which will give us more experience, with the state working with the local communities to get that job done. Now I think the thing for us to do now, and I'll just be frank with you, we tried our best to get a bill through this past time, but the opposition to it, particularly from the agricultural community, developed so strong that we did not think it could be successful.

Did you actually---you didn't---did you introduce a bill?
No we did not have a bill introduced.

And it was just because you knew it would not pass.
We developed a bill, and we involved an awful lot of agricultural people, especially soil conservation people, in it. And we developed a lot of support for it. But there was such strong opposition that it appeared it would not pass. Now what our plan is, at the same time,---now understand you have to understand a little bit the timing of all this, Brad---number one, most of the counties, and I guess all the cities where you're having substantial growth come about, are doing county land use plans on their own. All your metropolitan counties have them, as you know. Many of the smaller counties are beginning to do it. In my home county of Wilson, which I was afraid would be the last place in the world, they have extended it out around the city, and they're doing some spot zoning out around the county now. This is a move toward it, see? Our plan now would be to continue to work with the coastal counties that are under that Coastal Area Management Act, help them complete this process because it's a long, complicated process, as you know, you have to stay with it. And then learn from them. But in the future---the growth centers will be designated probably next spring or next summer, and then we'll be taking action based on those designations after that---the local land use plans must come, and must be a part of this in the future. That's an essential. We just haven't gotten that piece done yet.

*You know that our Center has proposed that county, counties do economic development studies with popular involvement and so forth. I'm not really clear on why you do not support that proposal.**
It's just that a county can't begin to have all the expertise available to it to help it recruit industry that the state has available to it.

What we proposed was a requirement that every county do multicounty development studies, in other words if they looked outside their own borders and decided what type of development they wanted to see happen, and we proposed particular things

*In a written response to *Which way now?* sent out to newspaper editors around the state, Governor Hunt said of the recommendation that a law be written to require counties to accomplish multicounty economic development research: "This action is not needed because all counties and cities are already members of regional planning organizations. All have just completed land use guides, and many are preparing detailed overall economic development plans. To require multicounty economic development planning by counties seems unwarranted in light of these efforts, but I will ask the Local Government Advocacy Council to consider this idea."

that should be taken account in those studies. And yet in the response to our report, it was clear that you didn't think that was necessary, that the state actually require that type of development planning by law.
Well, I think you---I don't recall exactly how you all proposed that it be done. Number one, I thought it was awfully fuzzy, frankly. We encourage that every county look at its own resources, and develop its own goals in terms of what development it would like to have. This, as I recall it, is where you all got off in this business of saying that the rural areas ought not to be very concerned about manufacturing activity, that that wasn't going to have a good long-run future, that they ought to be getting into non-manufacturing kinds of things. And totally ignored, apparently, the fact that we have to take what we can get. We look for the best we can find. But then we take what we can get. And that non-urban areas are likely to be the last place that nonmanufacturing activities are likely to go.

Services and trades and so forth---
Yes, unless they're tied in with something like a Research Triangle which is, you could hardly call a rural area. It's there because the universities are there. What you've just said to me about,---repeat to me what you said about looking at the counties around in terms of what they're doing.

Well, the counties would have had the responsibility for doing the planning. In other words, they're the legal entities, rather than any larger region---
And that we support.

Yes. But any such study of development would have to take into account something beyond an individual county, because an individual county is not a very good economic area. Its county lines do not represent true economic or development areas, as you implicitly recognize with growth centers and regional planning areas etcetera. So counties would have the responsibility to do development planning, but it was to be done taking into account a larger area than their own---
Well I have no objection to them taking into account any area they want to. But it seems to me that growth centers are natural things. They're like television markets. They're there, whether or not you like them. And, a county is not apt to know what the other county is doing, unless you've got some way of pulling all that together. And certainly we have some way of pulling that together, at the state level. We know what kinds of things are being done. We know what kinds of state decisions are being made through state monies. You have to have the whole thing out in front of you. The principle you state, one of making decisions in light of other things that are happening around you, is a valid principle. The only question is, at what level in government are you apt to have most of that information. And our position would be that, at the state level, you are close enough to it that you know what the resources are both privately and at the local level. More importantly you can control the state resources and, increasingly perhaps, affect the federal resources, see? So you have more things that you can affect. And planning is not simply saying what I'd like to have. Planning is, yes, setting goals and objectives, but being in a position to affect them and change them and direct them, see? No need to have the plan unless you can do something with it. And I would say this. We---to the extent a county looks around, that's fine. I have no objection to that. I just say it's of limited value. And I think the state, the state level is a more, shall we say, a more efficient, practical level at which to do economic planning. But I would encourage counties to talk together and that's---

for example with land use planning, Brad. You've just absolutely got to be working together and looking out around and seeing---I guess Davidson County is a perfect example of where you can't do land use planning unless, well you know Winston-Salem, Forsyth County plans it right up to the line. Then you get to Davidson County and all of a sudden it stops. And yet Davidson County is affected by what's happening in Winston. I wouldn't want to discourage a county from doing that. I just say that they are not going to be able to direct any resources with regard to it. And I think the state level is a more efficient place to do it.

What's happened to NRCD's Urban Policy for North Carolina*? I've read the policy statement but I don't find any reflection of it in legislative proposals of your administration, and really in any Balanced Growth documents that have been written subsequent to it. You're familiar with the document,* An Urban Policy for North Carolina?
Yes.

Has it been shelved?
No. It certainly has not been shelved. The whole move toward involving, establishing the task force on large cities is certainly aimed towards carrying that out, in part. I don't see why you think we haven't addressed that. Why would we have created that task force if we hadn't been concerned about the urban policy, *An Urban Policy?*

Well one thing was, I found this rather late in my research, found there 27 items that called for legislative and administrative action. And I went over there and I asked what legislation has been proposed. This thing was out in October. What legislation has been proposed that reflects this policy statement. They were really unable to tell me any. And I asked further, what---I had looked through the Balanced Growth documents myself and tried to find reflection. There had been a number of implementation documents that had come out since this statement. And I was really unable to see much reflection, so I asked them, you know, show me, where, how it's changed these subsequent statements. And---
Who did you ask on that?

I talked to the staff coordinator.
Have you talked with the people in Administration, who are working with the Balanced Growth Board? Have you talked with those people?

I have talked to Billy Ray, but whether I've talked to him about this specific---*
I'd encourage you to. Hear? Because I think you'd get a, I think they'd put that in context for you. I'd simply say that your primary growth centers, wherever those designations are that we're going to finally arrive at, the primary ones will be the large cities. And those things that we will focus on will be aimed at carrying out our urban

*Following the interview with the Governor, Billy Ray Hall, of the Department of Administration, was interviewed about *An Urban Policy for North Carolina.* He said that since the statement was completed in October, 1978, there has been little or no reflection of it, either in legislative proposals or in subsequently published Balanced Growth Policy documents. "Our response has been limited," he said. The urban policy statement "has not been officially adopted by any group." The Interim Balanced Growth Policy Board has "referred it to a committee." If the Board's committee specifically approves any of the statement's recommendations, then---and only then---would the recommendations appear in Balanced Growth Policy documents, according to Hall.

policy. Now I don't recall---I know we've got that document, and I know something about the general thrust of it. I can't tell you what these 27 items are. But nobody has ever suggested that we go for a piece of legislation to carry out our urban policy that we turned down. You know, it simply never came, if there was specific things we needed to put into it. If you want to get that and ask about specific ones, I'd be glad to respond to you. But I think the best thing for you to do is to take a copy of that and take it to Billy Ray, and say, "Now Billy Ray, where is it." You know, how is it being reflected? And of course those people over there ought to be able to answer you too. I don't say just talk to Billy Ray.

If I can sneak one more question in before I have to head out---
All right.

The Balanced Growth Policy documents have been criticized because they are somewhat vague. You've heard some of this in the questioning when the Balanced Growth Act came out. The documents that are emerging from the Department of Administration---are you satisfied with them, that they are specific enough to provide true guidance for the state's development? Are you satisfied with what's coming out---
Well I have not been staying completely on top of that, as you know. That's, I have great faith that the Local Government Advocacy Council and the Goals and Policies Board. And I saw all those documents, let's see, I guess about the middle of the spring, and at that time I was quite pleased. They aren't as specific as some people might like for them to be. But I think the basic goal of providing jobs and adequate public services where people live is very specific.

The dispersal policy is very specific?
That's right. It's very specific. I think the criteria for growth centers will be very specific, and we'll be able to designate those centers based on that criterion. Then, of course, we have to make decisions about what kinds of preferences for what kinds of resources are given to different types of growth centers. And that's gonna be, that's going to involve some judgment. But I would just say to you that, you know you're going to have to exercise some judgment in any of these things. There's absolutely no way that you, if you made it so very detailed that you had the answer to every single question coming along, it would simply fall apart because it wouldn't have the flexibility that you're going to have to have. What you have to do, in my opinion, is to make it, is to have the goals set out specifically, set, be able to determine what your growth centers are. And then, you've got to have a group of people involved in the decision making that are fair, that legitimately reflect local governments' concerns as well as state perspectives, and you have to put some confidence in those people. We have a government of laws and people.

Governor, I appreciate your help in allowing me this interview---
Well, it's my pleasure.

Chapter XII

Summary and Conclusions

Chapter I

North Carolina has a markedly dispersed population pattern, due in large part to the proliferation, since Reconstruction, of low-wage rural factories and milltowns, as well as to the maintenance of small farms supported by a price-supported cash crop---tobacco. Keeping a dispersed pattern of development has become a chief aim of state policy.

Chapter II

The Governor and other Administration officials have sought "a full decision-making role" over federal development funds going to North Carolina localities. President Carter has promised Governor Hunt influence over $1.2 billion. These federal dollars---to be targeted according to the Balanced Growth Policy---represent new power for the Governor. The press has not covered this story.

Chapter III

The aim of Balanced Growth Policy, as expressed in documents by its chief architect, Arnold Zogry, is to increase growth in lagging rural regions of the state and to slow growth in the metropolitan areas. The means to do this is by shifting federal investments to rural regions in order to encourage private development there. This means a relative decline in funding for metropolitan areas. The two basic mechanisms of funds allocation are the *regional balance targets*, which would shift funding towards the less developed planning regions of the state, and *growth centers*, some 150 to 200 areas of the state where investments are to be concentrated. The two funding mechanisms would work together to harm the funding prospects for smaller municipalities situated in the same planning regions as major Piedmont cities. Funding shifts would benefit towns and small cities in the generally more rural regions which, according to the *regional balance ratios*, have surplus labor. The funding mechanisms have remained essentially the same since the dispersal policy was first formulated during the Scott Administration. The rhetoric explaining the policy, however, has become increasingly obscure.

Chapter IV

Some critics of the policy have given unheeded "input" to the Administration instead of publicly opposing it. Lately, however, critics have become more vocal, and have won some response from the Administration. Critics have said the policy would waste public funds and would impede the growth of income in North Carolina by shifting growth away from the more prosperous metropolitan areas. Another criticism is that the policy is inadequate because it is vague in dealing with specific issues and because it contains no strong call for development planning. There is, however, substantial popular support for government attempts to disperse growth. Administration officials deny the policy will harm state income. A White House spokesman praises Balanced Growth Policy and says it will help the state gain federal dollars.

Chapter V

Cities are great engines of wealth. According to a body of expert opinion, a policy that shifts industrial growth from metropolitan to rural regions would also shift growth from high-wage sectors to low-wage sectors. State government documents, as well as private studies, predict the state policy of growth dispersal will harm incomes and work against the effort to decrease wage gap between workers in North Carolina and those in other states.

Chapter VI

Government should be very cautious in any attempts to lead growth, rather than follow it, with public investments. State government should attempt to lead growth only on a fine scale, following planning and study of particular projects, not through grand schemes to shift growth wholesale from one region to another. Public investments should be made not according to the drive for a pre-targeted "regional balance" but according to the potential for publicly beneficial return on the investments. Planning---not a geographically-biased policy to prejudge investment decisions---is the key to making North Carolina prosper.

Chapter VII

The state development policies of the Scott and Holshouser Administrations were to be implemented through regional planning. The state-proposed regional development plans were never initiated. They were sidetracked in the state bureaucracy, victims of intragovernmental controversy, red tape and inertia.

Chapter VIII

Because of federal initiatives, regional plans have been drawn up by the state's lead regional organizations. Though they contain valuable information, the plans are not unified and reflect the narrow interests of the several federal agencies that fund them.

The comprehensive planning earlier proposed---then forgotten---by the state is sorely missed. Comprehensive development planning should deal thoroughly with seven basic objectives: reduction of unemployment; growth in per capita income; economic stability; enhancing the total multiplier; the development of industrial clusters; a rational pattern of land use, including employment centers, housing areas and commutation among them; and increasing real income through lowering costs.

Chapter IX

The lead regional organizations are facing serious political problems, some stemming from local situations, others stemming from Raleigh. With the Hunt Administration, the state commitment to regionalism is dissolving. For the first time, a statewide growth policy has been drawn up without a central role for regional planning.

Chapter X

Balanced Growth Policy is vague and inadequate. It fails to define, much less resolve, specific state development issues, and fails to mandate planning efforts that would be at the heart of any sound growth management policy. The policy's verbiage represents the frustration of more serious growth policy efforts within government and has given rise to cynicism within government agencies charged with implementing the policy. The nebulous nature of the policy is hurtful, both because of the bureaucratic costs involved in the attempt to implement non-policy and because the transfer of fiscal power without the controlling influence of a sharply drawn policy and planning process raises the danger of pork barrel allocations controlled by the Governor and his aides.

This Center's assessment of Balanced Growth Policy boils down to two basic criticisms. To the extent that Balanced Growth Policy would allow officials to prejudge investment decisions prior to an adequate planning process and to discriminate among communities according to their size and location, it is a bad policy. To the extent that it is vague and indistinct, it is no policy at all.

Chapter XIII

Recommendations

The recommendations of this report are relevant to three topics: regional balance, state growth policy formation, and local and regional planning.

A. Regional Balance

1. The state should abandon the attempt to predetermine the geographic distribution of economic growth among the state's multicounty planning regions. This means not using the regional balance ratio as the fundamental indicator of a region's need for public investments.

2. Quantitative goals for increasing the number of jobs or otherwise altering the development pattern of an area are most properly set by local people following study of the area's economy, resources, and possible public actions for development. Goal setting---such as arriving at regional balance targets---should not precede such study and planning efforts.

Discussion: Positions stated in a January 1978 report prepared by the National Governors' Association for the White House Conference on Balanced Growth are particularly relevant to the above recommendations. *Growth and Balance: The State's Views* says that "there is . . . a fundamental difference between a decision-making framework in which locational impacts are considered along with other factors and a framework in which geographic balance is the dominant influence in policy and program choices. Geographic distribution of national growth should not be determined through a centralized policy process. Complete geographic balance as a federal goal probably could not be objectively constructed or effectively carried out." The report urges the federal government to concentrate on sustaining "overall economic health." It adds that "placing constraints on the mobility of labor and capital to achieve geographic balance should be avoided, and federal actions should not place some areas in a less competitive situation." This Center concludes that what is impractical for the federal government is also impractical for the state government. A wholesale attempt to allocate growth among the regions would waste public investments, make the state's economy less productive, or both.

B. On Growth Policy Formation

1. The Hunt Administration should take a formal and public stand on each of the recommendations of the policy statement, *An Urban Policy for North Carolina: A Recommendation to the Secretary of Natural Resources and Community Develop-*

ment, and should state what legislation in what form will be sought to fulfill the recommendations.

2. The recommendations of *A Housing Policy for North Carolina*, now in draft form and being completed by the N. C. Community Development Council, should also be publicly accepted or rejected within a reasonable time, perhaps 60 days, following its completion.

3. In the report *Which way now? Economic Development and Industrialization in North Carolina*, the N. C. Center for Public Policy Research recommends that public and private universities in North Carolina be asked, as part of their public service programs, to organize scholars to identify growth management problems and development opportunities in the state and to distribute the results of this research to all local governments and state agencies by July 1, 1980. To elaborate on that recommendation, the Center recommends that the president of the University of North Carolina be asked to appoint chairmen of a number of working groups on specific development policy problems, for example: water resource management, forest management (including government encouragement of better private woodlands management), land use planning, manpower development and training, industrial waste management, entrepreneurial development, industrial recruitment (including the question of how to prevent exclusionary actions by existing local industries), mass transportation, and other development issues to be determined by the Governor. Recommendations for executive and legislative actions should be distributed and publicized by July 1, 1980 and the Governor's Office or other appropriate executive agencies should take a formal and public stand on each of the recommendations within 90 days of their publication. The UNC president should be asked to name the chairmen of the working groups from experts outside government but otherwise representing a broad spectrum of the research community, including state and private universities and non-profit research organizations. The chairmen should appoint the members of the working groups and should serve as principal authors of the reports.

Discussion: The purpose of these recommendations is to tap the great knowledge and interest of North Carolina's well-developed research community in order to improve the development of the entire state. Researchers would perform a valuable service by systematically bringing forth specific proposals for policy and action. Publicly voting up or down on specific proposals would help the Administration define a meaningful and wise development policy and would open the policy formation process to more significant public debate.

C. Local and Regional Planning

In order to strengthen growth management and development planning in a manner that recognizes the differing patterns of development and resources in different areas of the state and helps express the wishes of local citizens, the state should:

1. Amend the General Statutes (Chapter 153A, Article 18) to *require* counties to accomplish multicounty economic development planning and to require the establishment of county planning boards that are representative of the general population in each county. The General Statutes should be further amended to specify that county economic development research must include a detailed analysis of the existing economic structure of the county and its surrounding regions, county objectives with respect to unemployment, per capita income, income and employment stability, multiplier effects, industrial mix, land use patterns, and measures to reduce the costs of essential goods and services. Amendments to the General Statutes should also require that county economic development plans specify in detail the economic structure the plan is designed to produce, and should allow counties to join together to meet the planning requirements through jointly done multicounty plans.

2. Appropriate $1 million for allocation to the counties to accomplish the research and planning addressed in the above recommendation. This appropriation should be distributed by a formula that provides more funds to counties with low average per capita income and less funds to counties with high average per capita income. Not less than five percent of each county's allocation should be used in presenting to the public the results of the research and planning.

3. Require approval of county economic development plans by citizen planning boards not later than July 1, 1981, as a prerequisite for local government participation in non-mandated state and federal economic development programs.

4. Direct state agencies to periodically provide each county, at no cost, specific information needed for county economic development planning, consistent with the state agencies' areas of responsibility.

Discussion: The four recommendations above are intended to stimulate study and planning at a grass roots level in order to improve the performance of public agencies in the development process. Multicounty planning would be encouraged, both because joint studies would be less expensive for the participants than would separate county studies, and because the obligations of the proposed statute cannot be fulfilled unless a county is studied in the context of a larger area. Lead regional organizations are logical organizations to lead multicounty planning efforts. However, the recommendations would provide for flexibility in local governments' use of the regional organizations or the regional boundary lines. The recommendations would also provide for state government leadership in assuring coordinated development planning at the local level---leadership which was proposed as early as the Scott Administration but is so far missing---and would result in a healthy diffusion of responsibility for development planning.

Appendices

Appendix A

Proposed Criteria To Be Used in Designating Communities as Growth Centers*

A. INTRODUCTION

North Carolina's Balanced Growth Policy encourages economic progress and job opportunities throughout the State, at the same time maintaining our dispersed population. The General Assembly has recognized the importance of reaching a higher standard of living throughout North Carolina by maintaining a balance of people, jobs, public services and the environment, supported by our growing network of small and large cities. These cities or urban clusters, are the network of small and large cities. These cities or urban clusters, are the economic and public service base for residents, as well as those living in the neighboring countryside. They are the foundation for future growth.

Not all urban clusters, however, desire to grow and not all have the capacity to serve more people or provide additional public services. The State does not have sufficient resources to assist every urban cluster in reaching its threshold of growth potential. Resources that support growth must be directed initially to supporting the expansion of those areas with the willingness to pursue orderly development, the potential to grow, and the capacity to accommodate additional growth.

GROWTH CENTER DEFINITION
Growth centers are those areas with the willingness to pursue orderly development, the potential to grow, and the capacity to accommodate additional growth.

GROWTH CENTER BOUNDARY
The boundary of a growth center is based upon the definition of an urban cluster. An urban cluster is defined as a core incorporated place, or places, that is an active municipality or an unincorporated area of at least 1,000 persons, and all adjacent census enumeration districts with a density of 200 or more persons per square mile. More than one municipality may be contained within a single urban cluster. The growth center boundary starts with an urban cluster and includes one or both of the following:

1. Areas outside but adjacent to the cluster that are currently serviced by public water and sewer systems.
2. Extraterritorial planning areas outside of the cluster.

This boundary definition allows municipal and county governments greater flexibility by allowing them to draw their preferred growth center boundaries. Since the State only provides population estimates for the urban cluster, municipal and county governments will be expected to develop estimates of the population in the expanded areas, using acceptable techniques. A growth center's boundary may be revised and resubmitted during the annual review of growth centers.

B. GROWTH CENTER CLASSIFICATION DEFINITIONS

PURPOSE
The growth center classification system identifies the extent to which an urban cluster provides jobs, goods and services to its economic area, or region. The growth center classification provides a statewide framework for guiding the allocation of public funds in support of growth within North Carolina.

*From memorandum of June 7, 1979 from the Interim Balanced Growth Board.

THE SIX CLASSES OF GROWTH CENTERS

1. *Statewide Center* - North Carolina's largest cities play a central role in the economic growth of the State, and together with their adjoining metropolitan areas, form a broad development corridor that has an enormous potential for growth. "Statewide centers" are recognized as a special classification because they play a significant role in the State's total development. A statewide center also would be a regional center. Each of these statewide centers is identified by its own unique characteristics, such as a major business and trade center; tourist center; governmental center; or cultural and entertainment center. A statewide center is defined as an urban cluster with more than three percent (3%) of the state's population or annual retail sales.

2. *Regional Center* - A regional center is the dominant urban cluster within a multi-county region. This is where the highest level of economic activity and job opportunities are found and where the broadest range of urban services and amenities are provided within the region. There may be more than one regional center within a multi-county region if there is no clearly dominant urban cluster. A regional center is defined as the dominant urban cluster, or clusters, in population size and retail sales generated, relative to its region.

3. *Area Center* - An area center is an urban cluster which provides jobs, goods, and services to a part of the region, usually greater than the county. Although less influential than a regional center in economic activity, it usually provides a significant number of job and trade opportunities for people living outside its immediate area. An area center is defined as an urban cluster having at least five percent (5%) of a region's population or retail sales or having at least twenty thousand (20,000) people or fifty million dollars ($50M) in retail sales annually.

4. *Community Employment Center* - A community employment center is an urban cluster which provides job opportunities and services to its immediate area (usually its surrounding county). The service base for these clusters varies depending upon their size and economic role within their region. A community employment center is defined as an urban cluster having at least five percent (5%) of a county's population or retail sales, or having at least twenty-five hundred (2,500) people or ten million dollars ($10M) in retail sales annually.

5. *Government Service Center* - The urban cluster which provides government services (usually the county seat) in a county that has no other eligible growth centers.

6. *Seasonal Center* - An urban cluster which is located in a tourist-oriented area and provides a significant number of job opportunities and public services during its prime tourist season(s). A seasonal center is an urban cluster located in a county with greater than 6% of its annual retail sales coming from travel expenditures, and with 50% or more of its commercial lodging being seasonal (not open year-round).

PUBLIC FUNDS ALLOCATED

Higher order growth centers are expected to have broader roles in their respective regions and should be eligible for a wider range of program support.

A consistent statewide approach to the provision of public services by different types of growth centers is important to assure the best use of funds. Certain levels of public services and related program funds (to be identified later by the Interim Balanced Growth Board) should therefore be limited to specific classes of growth centers.

POPULATION CENTERS

The concept of growth centers is based upon the recognition that not all communities will be able to provide a substantial level of employment opportunities and public services. However it is not the intent of Balanced Growth Policy to "write off" the future of those communities that are not growth centers.

Small, predominantly rural communities that are not eligible for growth center designation will be recognized as Population Centers. These Population Centers will be encouraged to provide for an orderly and managed extension of public service systems by promoting more compact development in their area and to improve their management capacity and service delivery.

A population center is an active municipality of 100 people or more. These communities *will not be designated growth centers*, but will be eligible for federal and state assistance under the guidelines for non-designated areas.

PROVISIONAL GROWTH CENTERS

Population centers that are on the threshold of qualifying for designation as a growth center will be designated as provisional centers. A provisional center is defined as:

> An urban cluster that is within 15% of a population size or annual retail sales of a Community Center, or has been designated as a Community of Excellence by the Department of Commerce, and are actively working toward meeting the minimum criteria for designation as a growth center.

These "provisional" growth centers will be given technical assistance from the State to develop their administrative, technical and financial skills to reach minimum designated levels. They will be reviewed for full classification each year.

Provisional centers still will participate in the programs for "non-designated" areas (maintenance of essential services, emergencies, special development opportunities, and projects of regional significance).

C. DESIGNATION CRITERIA

Areas applying for designation as a growth center must demonstrate a *willingness* to pursue orderly development, have the *potential* to grow and the *capacity* to support additional growth. In addition, each area has its own livability factor. Definitions for these criteria are:

> *Willingness*: A community should demonstrate a positive attitude toward growth. This willingness could be shown by the adoption of a resolution by the governing body to seek designation. A growth center should be willing to commit its administrative, technical and financial skills to promote the community for industrial plant location and other economic activities. This could be shown by the existence of an active economic development organization.
>
> *Potential*: A growth center should have the potential to expand its industrial or economic development base. Other factors which add to the growth potential of a community should include: transportation links necessary to transport goods and services; the availability of existing or easily-developed industrial sites; availability of a labor force; and the ability to issue industrial revenue bonds.
>
> *Capacity*: A growth center should have the capacity to support additional growth, both in terms of existing physical facilities such as water and sewer, government administration and the ability to expand tax revenues to meet service demands of growth.
>
> *Livability*: Each growth center will have desirable qualities that make it a safe, convenient and attractive place to live. These livability factors represent the unique attributes of each that add to its attractiveness as a location for new people and jobs.

Different types and levels of willingness, potential and capacity are necessary for the different classes of growth centers.

The following tables present the minimum levels of *willingness, potential, and service capabilities* necessary for designation as a growth center.

Designation Criteria	State-wide Center	Regional Center	Area Center	Community Employment Center	Govern-ment Service Center	Sea-sonal Center
I. *WILLINGNESS*						
. community attitude (resolution)	X	X	X	X	X	X
. economic development promotion organization	X	X	X	X		
II. *POTENTIAL*						
1. Transportation	Service level indicators for each class of growth center should be developed to serve as future guidelines to work with the Department of Transportation in recognizing and achieving appropriate linkages between growth centers.					
. adopted thoroughfare plan	X	X	X1			
2. Education						
. technical/vocational (job training programs designed to provide a labor force appropriately trained for jobs in new industry.)	X	X	X2			
3. Economic Development (base)						
. significant employer (s)	X	X				
. well-established commercial area	X	X	X	X		
. financial institutions	X	X	X	X		
. available industrial sites or industrial buildings	X	X	X	X		
. willingness (resolution) to issue industrial revenue bonds	X	X	X	X		
. ability to expand water and sewer capacity	X	X	X	X		
. energy	All growth centers should prepare a description of what energy source (s) are available, or what future energy source may be available to their area.					

NOTE: "X" indicates the growth center class for which the criteria is necessary.
(1) - In centers over 10,000 population
(2) - Access to technical programs/training from other area schools

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Designation Criteria	State-wide Center	Regional Center	Area Center	Community Employment Center	Govern-ment Service Center	Sea-sonal Center
III. *CAPACITY*						
1. safe and adequate supply of drinking water	X	X	X	X	X	X
2. adequate wastewater treatment	X	X	X	X	X	X
3. *Chief Administrative Officer* a full-time individual who is the chief administrator.	X	X	X			
A full- or part-time individual who is delegated powers to exercise administrative duties.				X	X	X
4. Financial (see attachment)	Growth centers should be in sound financial condition to expand revenues and have capacity for growth.					
. bonding capacity						
. ability to expand tax revenues						

IV. *LIVABILITY*

1. Emergency . police . fire . rescue 2. Medical . hospital 3. Recreational facilities 4. Library 5. Educational opportunities . schools 6. Cultural facilities and activities 7. Housing 8. Public transportation 9. Other	Items that indicate unique qualities favorable for an improved quality of life and which add to the growth potential of a community.

NOTE: "X" indicates the growth center for which the criteria is necessary.

FINANCIAL CAPACITY

The ability to expand revenues and the capacity to borrow money to support growth can be determined with the help of the Local Government Commission and the Department of Revenue.

North Carolina is unique among the fifty states in that all local government bonds must be approved by a state agency. The state agency that has authority over local government bonds is the Local Government Commission. All bonds are advertised and sold by the Commission.

The Local Government Commission could review the applications for growth center designation and advise the Interim Balanced Growth Board as to financial capacity of areas requesting growth center designation.

The Balanced Growth Committee asked the staff to investigate how financial capabilities can take into account those areas that have provided their own necessary services and facilities without receiving substantial state or federal assistance.

One suggestion would be to develop measures with the Local Government Commission to relate bonding limits to existing service capability. This technique would avoid penalizing those areas which may be near their bonding limit, but have provided necessary, or additional, services and facilities.

The staff is working with the Local Government Commission to design an approach to access the financial capacity of growth centers.

Appendix B

Implementation Plan for Balanced Growth Policy

Arnold Zogry
Assistant Secretary for Policy and Management
Division of Policy Development

March 13, 1979

TO: Interagency Balanced Growth Committee
FROM: Arnold Zogry
RE: Implementation Plan for Balanced Growth Policy

I. INTRODUCTION

The themes, a statewide development policy and growth management, have been discussed in North Carolina at least since the administration of Governor Robert Scott. Governor Hunt has made Balanced Growth Policy one of the primary themes of his administration, reactivating the Board on State Goals and Policy to investigate and report to him on growth problems facing North Carolina.

After extensive public surveys and meetings held in each of the state's 100 counties, the Board on State Goals and Policy issued a report entitled "A Balanced Growth Policy for North Carolina-A Proposal for Public Discussion." Since the report was issued in June 1978, the Board has been investigating methods which can be used to implement the policy as the single state development strategy for North Carolina. The Governor established an Interim Balanced Growth Board, composed of the State Goals and Policy Board and the Local Government Advocacy Council. This Board was given the responsibility of reviewing an implementation strategy for Balanced Growth Policy, and recommending its acceptance to the Governor. A Balanced Growth Policy Act will be introduced into the General Assembly which will formalize the policy into state law.

This document presents suggested steps that could be taken by the Governor to implement Balanced Growth Policy. These suggested steps outline ways in which selected state and federal assistance programs can be adapted to support Balanced Growth Policy and identify emerging issues that will affect implementation of the policy. Specifically, these programs will be linked with the implementation of the two central concepts of Balanced Growth Policy: Growth Centers, and Regional Balance.

A. GROWTH CENTERS

Through a partnership of state and local governments, a certain number of North Carolina's communities will be designated as growth centers. These will be communities which have both the desire to grow and the potential to support additional growth. Five classes of growth centers, based on the job and service role which each plays within a region, are proposed.

In the past, development funds managed by state and federal agencies have often been used to develop services based solely on degree of need. This method of allocating funds often did not examine the potential of an area to effectively build upon these new resources and draw in new industries or provide additional services. The needs oriented policy tended to disperse aid so that sustained growth was not possible. What is needed is a way to sufficiently concentrate funds so that sustained growth does take place.

It is proposed that growth centers be assigned priority in obtaining certain types of development funds which can be used to promote growth. One of the responsibilities of the Interim Balanced

Growth Board will be to recommend just which assistance programs are most important to balanced growth, and how growth centers can be given priority for these limited amounts of funds. Sections II and III will examine this issue more completely, and give some suggestions for programs to be included.

B. REGIONAL BALANCE

The concept of regional balance is very important to the primary goal of Balanced Growth Policy: "To reach a higher standard of living throughout North Carolina by maintaining a balance of people, jobs, public services and the environment, supported by the growing network of small and large cities in the state."

Regional balance means having sufficient jobs and public services for people in each of the multi-county regions of the state, it means meeting needs on an area-wide basis. That will be the measure of success for Balanced Growth Policy. Regional balance does not mean that each region should have exactly the same number of jobs, or provide all of the same services that another region does. The key word is balance---for the people living in that region, are the jobs and services meeting their needs?

Only one measure of regional balance, an employment measure, has been developed. If these recommendations are accepted, state agencies providing services at the local levels will be asked to develop evaluative measures for their services. These measures should be developed in concert with local government because of their role in delivering services, especially the human services.

C. THE ROLE OF HUMAN SERVICES PROGRAM IN BALANCED GROWTH

In the past year, an attempt has been made to identify all federal or state programs which impact on growth in North Carolina. The impact of a new highway, airport or sewage plant on the growth potential of a community is easy to see - the effect of adding a kindergarten or a new senior citizen center is not. Yet, we know that a good school system is often a selling point in industrial development.

The issue of support services for Balanced Growth needs further refinement in terms of growth centers and regional balance. How can the two concepts be supported by state agencies in terms of site selections or program development?

This document deals only with those programs that have significant impact on physical development and can be linked with the development of growth centers. As the Interim Board begins to work on the details of the Regional Balance concept, state agencies might be asked to define service needs related to other programs on a regional basis.

II. STATE FUNDED OR STATE ADMINISTERED PROGRAMS SIGNIFICANT TO BALANCED GROWTH

All of the following programs have been included in this section because of their potential relationship to the implementation of Balanced Growth Policy. They are significant to the development of growth centers and to the concept of regional balance. Most of the programs are concerned with direct, physical development. All are administered by state agencies and so, if recommended by the Interim Balanced Growth Board, and adopted as official policy by the Governor, could be directly targeted to designated growth centers.

The June 1978 Balanced Growth Policy Document introduced nine policy areas for discussion. This proposed Implementation Plan concentrates on six of the policy areas. Each policy area is followed by a listing of the state administered programs which can be used in the implementation of Balanced Growth, and a brief description of the types of activities supported by those programs. Suggestions as to how these programs can be used to support Balanced Growth are also given.

A. INDUSTRIAL AND BUSINESS DEVELOPMENT PROGRAMS

Communities of Excellence
Appalachian Regional Commission Enterprise Development (29 counties)
Basic Industrial Building Program
Cities of Excellence Programs
Coastal Plains Regional Commission Industrial Development (44 counties)

The goal of these programs is to encourage new industries to locate in the State of North Carolina or existing industries to expand. Assistance is provided in finding communities which have the appropriate physical requirements, or to create the needed service - i.e. an access road, or water lines. The state wishes to encourage diversified job growth in different areas of the state so that sufficient job opportunities can be made available within reasonable commuting distance of most of the state's population.

To promote industrial and business development in a manner consistent with the goals of the Balanced Growth Policy, the state should:

1) Give priority to designated growth centers for new industrial development opportunities.
2) Give special attention to regions with inadequate numbers of jobs for the existing residents.
3) Place high priority on attracting high wage industries to promote diversification of employment opportunities in regions dominated by low wage jobs.
4) Promote the further development of agri-business.

B. JOB TRAINING AND VOCATIONAL EDUCATION

Comprehensive Employment and Training
Work Incentives Program
Apprenticeship Training
New Industry Training
Adult Basic Education
Occupational Education
Vocational Rehabilitation

As North Carolina grows and develops a more diversified industrial base, job training becomes more important. It will not be feasible for all job training to be done by the employer - the state could play a more active role. A broad continuum of employment related training is needed, from grade school occupational information, through high school and community college-jobs skill training, to college level education. The state should also assist people making mid-life career changes due to technical developments or the introduction of a new employer into a community.

To insure a constant pool of employment-ready people in all regions of North Carolina, the state could:

1) Give priority to job training projects in designated growth centers.
2) Develop a mechanism to coordinate the provision of job training with the Industrialization efforts of the Department of Commerce.
3) Make the types of job training consistent with the regional job balance targets. For example, in areas with more than an adequate number of jobs for the available labor force, training should be primarily geared to upgrading workers in high wage industries, which would then open entry-level jobs for the disadvantaged and underemployed.

C. STATE-LOCAL PARTNERSHIP

Local Planning and Management Assistance
Local Government Commission Programs
Intergovernmental Personnel Act
HUD '701' Comprehensive Planning Asst.
Federal Aid for Highways, Metropolitan Planning
Appalachian Regional Commission Areawide Action Plans

The success of the Balanced Growth Policy depends, in part, on local governments interest in it, and their ability to function within this new partnership. Additional emphasis is needed on planning, managing and serving growing areas.

The state has a continuing responsibility to strengthen local governments to prepare for growth, especially since the industrial location program is a state provided service. There already are several state technical assistance programs for local governments. To aid in the development of communities ready and willing to be designated as growth centers, the state could:

1) Give priority for technical assistance to growth centers which request it. Special attention could be given to the smaller growth centers with limited professional staff.
2) Provide start-up assistance for circuit-rider managers to serve groups of small communities which currently do not have professional staff.
3) Study the issue of growth management at the local level.
4) Assist the Lead Regional Organizations and their member governments to prepare a regional capital improvement plan which includes highway planning.

D. PRESERVING ENVIRONMENTAL QUALITY - (LAND, WATER, AND AIR)

Land Resources Program
Coastal Area Management (CAMA - 20 counties)
Clean Water Bonds
Environmental Protection Agency 301 Program for River Basin Studies
Coastal Plains Regional Commission Supplemental
Solid Waste and Vector Control
Appalachian Regional Commission (Solid Waste - 29 counties)
Environmental Protection Agency 201 Program
Appalachian Regional Commission Supplemental Grants

While North Carolina needs industrial development in order to provide jobs for all its citizens, the environmental quality must be preserved. The state and local governments should work together to insure the coordination of their activities and the best possible uses of funds designed to protect the environment. To prepare for balanced economic growth, while protecting the environment, the state could:

1) Establish priority systems for Coastal Area Management Program, Sedimentation Control Program, Flood Insurance, and Land Resources Information System programs which could give special attention to the needs of designated growth centers.
2) Prepare an assessment of all local solid waste systems and hazardous waste management programs serving designated growth centers, and provide assistance to systems with the most serious deficiencies. Appalachian Regional Commission funding should be limited to start-up, one time capital expenditures.
3) Assign priority to growth centers which have presently inadequate systems for funding of local water or sewage treatment systems, and comprehensive water resource management training.
4) Coordinate the sanitarian training program with counties having serious water supply, land fill, or wastewater disposal problems which affect growth.
5) Direct its primary efforts in air pollution control to assisting industries in areas of high pollution to reduce their emissions, to permit the continued expansion of the job base. The next target in air quality should be prevention in order to reduce the need for remediation.

E. PROMOTION OF AGRICULTURE, FORESTRY AND THE SEAFOOD INDUSTRY

Food Industries Development
Agricultural Services & Development
Consumer Protection
Education and Research
Forest Resources
Marine Fisheries
Environmental Protection Agency 208

Despite the continuing trends towards industrialization, farming and forestry continue to play an important role in the state's economy. The North Carolina Department of Agriculture has indicated that the value of agricultural production has increased, while at the same time, employment in agri-business related industry has also expanded. The state has also begun to develop its seafood operation which was primarily composed of small family groups into a major industry which may need continued state assistance.

To support the people of North Carolina who wish to continue their employment in agriculture, seafood or forestry under Balanced Growth Policy, the state could:

1) Institute a study of potential agricultural processing plant locations which reflects the diversification of the state's agriculture sector. (Department of Agriculture and Commerce)
2) Continue to expand the promotion of North Carolina agricultural products in both the national and international markets.
3) Evaluate the progress of the Wanchese Harbor Seafood Industrial Park, and if appropriate, aid other communities in developing similar projects.
4) Identify those areas adjacent to growth centers which can sustain agriculturally related business as well as agricultural production. To the extent feasible economically, the Department of Agriculture should support agricultural related diversification with technical services such as the Market and Research Stations.
5) Develop guidelines for giving priority to designated growth centers for the Urban Forestry and Small Forest subprograms.
6) Develop guidelines for conservation and land management practices on farmland, forestry and natural areas.

F. TRANSPORTATION

Highway Planning and Development
Airport Planning
Public Transportation
Rural Transportation

The transportation system has been, and will continue to be a major determinant of the states development patterns and as such, is of prime importance to Balanced Growth Policy. The state has an existing system of highways which must be used because there will be very little money available for the construction of new roads. The focus of transportation in the future will not be in creating new interstate highways, but in maintaining and improving existing highways, and in improving public transit.

Within that constraint, the state can still support balanced growth in transportation systems by:

1) Identifying transportation capital improvements at the local level which will support designated growth centers.
2) Giving priority in the Transportation Improvement Program to public airport development or upgrading in presently underserved or overextended growth centers.
3) Stressing the improvement of freight rail service to growth centers which can accommodate rail dependent industries.
4) Giving priority for Public Transportation grants and Public Transportation Technical Assistance to rural areas where there are high levels of commutation into growth centers.

III. FEDERAL AGENCIES AND THE BALANCED GROWTH PARTNERSHIP

A. INTRODUCTION

The previous section described state administered federal development funds. There are many other federal development funds which are awarded directly to local governments or private institutions or business, without any participation by state officials (and, in some cases, local government). Those funds, and efforts being made to influence the federal decision making, are described below.

B. BALANCED GROWTH PARTNERSHIP

The Balanced Growth Policy has been described as a partnership between state and local officials to determine the direction of future growth in North Carolina. In the Fall of 1978, another dimension was added to that agreement. President Carter announced the formation of a Balanced Growth Partnership between the State of North Carolina and the White House. This undertaking, the first of its kind, is designed to improve the delivery of federally funded services to help implement Balanced Growth Policy. The partnership has as its objective improving how current resources are being expended not necessarily the attraction of more funds into the state. Some of the projects currently being discussed are: rural primary health care, rural transportation, and job training assistance for inmates.

On November 1, 1978, a Memorandum of Agreement, with great significance for Balanced Growth Policy, was signed by the State of North Carolina and the Farmers Home Administration (FmHA). One feature of that Memorandum was the establishment of a Rural Development Coordinating Committee, composed of federal, state and local representatives. This Committee will work to develop greater consistency between the funding decisions of Farmers Home Administration and Balanced Growth Policy.

The state will request assistance from the White House to expedite the establishment of similar memoranda with other federal agencies which fund local development projects. The most important agencies are: Environmental Protection Agency, Department of Housing and Urban Development, Department of Transportation, Economic Development Administration and Small Business Administration.

Common elements of these Memoranda of Agreement will include:

1) The acceptance of Balanced Growth Policy as the framework for setting priorities on the use of federal development funds.
2) The expansion of the state and local government role in selecting projects and programs to be funded under Balanced Growth Partnership.
3) Participation in the formulation of new policy initiatives and program regulations.

C. FEDERAL DEVELOPMENT PROGRAMS AND MEMORANDA OF UNDERSTANDING

Examples of federal development programs which are not now a part of the Balanced Growth Partnership are presented below. Recommendations for future departmental Memoranda of Understanding are also presented.

1. Department of Housing and Urban Development -
   Community Development Block Grants
   Urban Development Action Grant (UDAG)
   Section 8 Housing

Community Development funds are divided into two separate shares of money: Entitlement and Small Cities. The Entitlement Funds are based on a complex formula of poverty, population, housing needs, etc., and are awarded to cities who participated in previous urban projects. All other local governments are eligible for the Small Cities Program which is competitive in nature.

The UDAG program provides assistance to cities suffering from slow rates of growth or social and economic decline. The competition for these grants is national; there is no state set-aside.

The Section 8 Housing Program is designed to create affordable rental housing for senior citizens and low income residents. The state's portion of the funds is divided by income eligible, inadequately housed renters in each county to determine a county allocation.

The Housing and Urban Development Memorandum of Agreement could include:

1) Recognition by Housing and Urban Development of designated growth centers in the allocation of Small Cities funds.
2) Use of Balanced Growth Policy to assure compact growth in the approval of Section 8 housing sites.

3) Agreement by the state to give designated growth centers priority in receiving technical assistance.

2. The Economic Development Administration -
   Public Works and Development Facilities
   Business Development Assistance
   Emergency Public Works
   Public Works Impact Projects (PWIP)
   Special Adjustment Assistance

All of these programs are designed to help a community prepare for industrialization by giving them the necessary resources to provide needed services - i.e. water and sewer, access roads and airports.

The Economic Development Administration Memorandum of Agreement could include the following provisions:

1) A targeting of Public Works Impact Projects (PWIP) grants to growth centers in those regions of the state suffering from underemployment, and where the number of low income families exceeds the state average.
2) A plan for state participation in the awards process for any future allocation of Emergency Public Works Grants.
3) Consistency with both regional balance priorities and regional capital improvements plans in future grant awards.

3. The Environmental Protection Agency -
   Section 201 Wastewater Treatment Plant Construction
   Air Pollution Control Grants
   Solid Waste Management Grants
   River Basin Planning

All of these programs are important both to growth and the protection of environmental quality and should be included in the Balanced Growth Partnership. The state already is involved to some extent in the administration of these programs, but because of their importance to balanced growth, a memorandum of agreement could provide greater consistency with state policy.

That memorandum could include:

1) Giving priority for construction grants to growth centers which currently have inadequate or overloaded treatment plants.
2) Provision for state and local participation in the allocation of excess capacity among treatment plant projects within the same region.
3) Targeting future river basin studies to areas with rapidly increasing demand for water, and problems with inter-basin transfer.
4) A waiver permitting the state to earmark limited amounts of 201 funds for the construction of sewage collector lines.
5) Give priority for assistance in solid waste and hazardous materials handling to those growth areas having the greatest number of industries producing hazardous waste.
6) Plans to develop a consolidated environmental management planning process.

4. Small Business Administration (SBA) -
   Small Business Loans

The Small Business Loan Program is designed to assist people wishing to establish or expand a small business, and who are unable to secure credit through usual channels. The program has not been extensively used in North Carolina, but may become more important as the state moves to implement Balanced Growth Policy. A memorandum of agreement which emphasizes the states involvement with the program could help to increase use of the Small Business Administration.

The memorandum could include:

1) An agreement for the state to disseminate information on the Small Business Administration

loan programs.

2) Assistance by the state in packaging multiple loans to assist downtown merchants and businessmen in designated growth centers.
3) Plans for a state administered publicity campaign aimed at regions with low participation in the program.

5. Department of Transportation (DOT) -
Airport Development
Urban Mass Transit Administration

Most of the DOT programs are jointly administered by the federal and state transportation agencies, and are explained in Section II above. Two exceptions are mentioned here. Federal development funds for airports are awarded directly to local airports, and the state Department of Transportation has reported a split in priority setting by the state and federal agencies. The federal DOT prefers to allocate airport funds to the larger metropolitan centers, while the state would prefer granting funds to the areas of greatest need. Because of the effect of airport development on industrial location and general accessability, it is important that Balanced Growth Policy priorities are introduced into the decision making.

Urban Mass Transit funds are currently given to the eleven largest metropolitan centers, with a twelfth share coming to the state. The state may need to coordinate these funds with the rural transportation program to assure people access to growth centers.

Items which might be included in the memorandum of agreement include:

1) Plans for the closer coordination of state airport planning, and federal airport development funding.
2) A statement of support for improved coordination of transportation services at the local level.

IV. OTHER ITEMS FOR DISCUSSION

Since the initial policy document was introduced for discussion in June 1978, several topics of importance to Balanced Growth have surfaced, and need to be investigated by the Interim Balanced Growth Board.

A description of these issues follows:

A. ENERGY

The availability of energy in a dependable supply and at reasonable costs is one of the most significant factors influencing development patterns. Without our past supply of cheap gasoline, it is unlikely that the suburban sprawl, with its very limited public transportation systems, would have emerged as the predominant life style in the United States.

The steadily increasing cost of energy will probably enhance the revival of our small cities, with people moving closer to job and service sites. Balanced Growth Policy should address the issue of a statewide energy policy, because of energy's impact on economic development. Growth in certain portions of the state may be curtailed due to shortages, and high costs of natural gas and electrical power.

B. THE HUMAN SERVICE SYSTEM

The equitable provision of services among counties and regions is one of the basic tenets of Balanced Growth Policy. The sytem of social services, health, mental health, day-care, and educational services and their impact on Balanced Growth Policy has not been fully investigated. Some programs are federally mandated, others are state or locally initiated: the funding and management are equally complicated. But, all impact on the kind of life-style North Carolina communities provide for residents and our commitment towards a higher standard of living. For those reasons, the relationship beteen the Human Services System and Balanced Growth Policy needs further exploration.

C. EMPLOYMENT ISSUES

North Carolina ranks 50th among the states in average manufacturing wages. Unemployment is not a major problem in a developing economic area, but underemployment may be. There is no standard definition for underemployment, but it can be viewed as synonomous with low wages, low education levels and low work skills. At the same time, high wage industries locating in the state continue to bring in many people from the outside to fill job vacancies.

As the state continues to attract high wage industry, seeking to provide better paying jobs for North Carolinians, we must have a pool of trained people able to perform in new and more sophisticated roles. We need to emphasize worker upgrading as a basic theme for dealing with underemployment.

D. WATER RESOURCES

The availability of clean water is, like energy, another factor that will influence future development patterns in North Carolina. Other states have already had to restrict the building of homes and industries because of a lack of water.

The main issue surfacing in North Carolina over the use of water is that of inter-basin transfer, or the diversion of water from its natural river basin to another region which needs water. Common law states that no one upstream can cause the flow of water to be significantly diverted from the downstream user of that water. However, the issue of inter-basin transfer has not been formulated in law, or settled in the court systems. We need to examine its relationship to Balanced Growth Policy.

E. LAND USE

As the State of North Carolina continues to develop, the need for land use planning is more evident. Thus, the relationship between Balanced Growth Policy, and land use planning is significant. Land use planning is closely related to guiding urban growth, the provision of public services, energy conservation, protection of the environment and the preservation of agricultural and forest land.

Land use planning is an important part of local growth management. An effective land use planning system carried out by local governments can help achieve an equitable balance between urban and agricultural uses while, at the same time, guiding future development in an orderly and efficient manner. Implementing development strategies for metropolitan corridors and small cities and rural areas will need land use planning by local government as a part of local growth management tools.

Appendix C

The Balanced Growth Bill*

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH THE NORTH CAROLINA BALANCED GROWTH POLICY

The General Assembly of North Carolina enacts:

Section 1. Title. This Article shall be known as the North Carolina Balanced Growth Policy Act.

Sec. 2. Purposes. The purposes of this act are to declare as a policy that the State of North Carolina shall encourage economic progress and job opportunities throughout the State; support growth trends which are favorable to maintain a dispersed population, to maintain a healthy and pleasant environment and to preserve the natural resources of the State.

Sec. 3. Declaration of State Balanced Growth Policy. The General Assembly of North Carolina recognizes the importance of reaching a higher standard of living throughout North Carolina by maintaining a balance of people, jobs, public services and the environment, supported by the growing network of small and large cities in the State. The General Assembly of North Carolina, in order to assure that opportunities for a higher standard of living are available all across the State, declares that it shall be the policy of the State to bring more and better jobs to where people live; to provide adequate public services equitably for all of the State's people at an efficient cost; and to maintain the State's natural environmental heritage while accommodating urban and agricultural growth.

Sec. 4. Cooperation of agencies. The General Assembly authorizes and directs that, to the fullest extent possible, all State agencies shall review their existing policies, procedures and regulations to bring them into conformity with the provisions of this Balanced Growth Policy.

Sec. 5. Achieving Balanced Growth. It shall be the policy of the State of North Carolina to support the expansion of the State and to designate growth areas or centers with the potential, capacity and desire for growth. The Governor, with the advice of county and municipal government officials and citizens, is charged with designating growth areas or centers, which shall include at least one center in each North Carolina county. Designation of growth areas or centers shall be reviewed annually. These designations shall be used for the purpose of establishing priority consideration for State and federal assistance for growth.

Progress toward achieving balanced growth shall be measured by the strengthening of economic activity and the adequacy of public services within each of the State's multi-county regions. The Governor, with the advice of county and municipal government officials and citizens, shall develop measures of progress toward achieving balanced growth.

Sec. 6. Citizen participation. The Governor shall establish a process of citizen participation that assures the expression of needs and aspirations of North Carolina's citizens in regard to the purposes of this act.

Sec. 7. Policy areas. The following program area guidelines shall become the policy for the State of North Carolina:

(1) to encourage diversified job growth in different areas of the State, with particular attention to those groups which have suffered from high rates of unemployment or underemployment, so that sufficient work opportunities at high wage levels can exist where people live;

*House Bill 874 (as introduced).

(2) to develop transportation systems that link growth areas or centers together with appropriate levels of service;

(3) to provide full support for the expansion of family-owned and operated units in agriculture, forestry and the seafood industry as the basis for increasing productive capacity;

(4) to develop and use the State's natural resources wisely in support of Balanced Growth Policy while fulfilling the State's constitutional obligation to protect and preserve its natural heritage;

(5) to assure that a full range of human development services shall be available and accessible to persons in all areas of the State;

(6) to support the continued expansion of early childhood, elementary, secondary and higher education opportunities so that they are improving in both quality and availability;

(7) to provide excellent technical training for North Carolina workers that prepares them to acquire and hold high-skill jobs and that encourages industries which employ high-skill workers to locate in the State;

(8) to support the availability of cultural opportunities to people where they live;

(9) to support the expansion of local government capacity for managing growth consistent with this Balanced Growth Policy; and

(10) to encourage conservation of existing energy resources and provide for the development of an adequate and reliable energy supply, while protecting the environment.

Sec. 8. Implementation of a State-local partnership. The Governor, with the advice of the State Goals and Policy Board, shall establish a statewide policy-setting process for Balanced Growth, in partnership with local government, that brings about full participation of both the State and local government for jointly agreed upon strategies and objectives.

Sec. 9. There is established in the office of the Governor, the North Carolina Office of Local Government Advocacy. The Local Government Advocacy Council, created by Executive Order Number 22, is hereby transferred to the Office of Local Government Advocacy. The Council shall consist of 15 persons and shall be composed as follows: six members representing county government, five of whom are the members of the Executive Committee of the North Carolina Association of County Commissioners and one who is the Executive Director of the Association; six members representing municipal government, five of whom are the members of the Executive Committee of the North Carolina League of Municipalities and one who is the Executive Director of the League; and three at-large members appointed by the Governor. The Association of County Commissioners and the League of Municipalities representatives shall serve terms on the Council consistent with their terms as Executive Committee members. The at-large members shall serve at the pleasure of the Governor for a period of two years. The Chairman and Vice-Chairman shall be the President of the Association of County Commissioners and the President of the League of Municipalities respectively, with the office rotating between the League and Association annually.

The Council shall meet at least once each quarter and may hold special meetings at any time at the call of the Chairman or the Governor.

Membership. The Local Government Advocacy Council shall not be considered a public office and, to that end membership may be held in addition to the number of offices authorized by G.S. 128-1.1.

The general duties and responsibilities of the Council are:

(1) to advocate on behalf of local government and to advise the Governor and his Cabinet on the development and implementation of policies and programs which directly affect local government;

(2) to function as liaison for State and local relations and communications;

(3) to identify problem areas and recommend policies with respect to State, regional and local relations; and

(4) to review, monitor and evaluate current and proposed State program policies, practices,

procedures, guidelines and regulations with respect to their effect on local government.

The Office of Local Government Advocacy shall be staffed by persons knowledgeable of local government who shall seek to carry out the directives of the Local Government Advocacy Council by:

(1) advocating the policies of the Council with various State departments;

(2) serving as a communications liaison between the Local Government Advocacy Council and the various State departments; and

(3) functioning as an ombudsman for the resolution of local government problems.

It shall be the responsibility of each respective Cabinet department head to: (1) insure that departmental employees make every effort to cooperate with and provide support to the Local Government Advocacy Council in keeping with the intent of this act; and (2) advise the Local Government Advocacy Council of their proposed policies and plans for review in terms of their effect on local government.

Sec. 10. No appropriations are required. This program and the provisions of this act shall be implemented to the extent appropriations are provided by the General Assembly, but nothing herein contained shall be construed to obligate the General Assembly to appropriate additional funds.

Sec. 11. Severability. If any provision of this act or the application thereof is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision of application and to this end the provisions of this act are declared to be severable.

Sec. 12. This act is effective upon ratification.

Appendix D

Distribution of Manufacturing Jobs in State*

Region	1962	1976	% Increase	
Metro**	414,968	530,174	27.8%	(+ 115,206)
Non-Metro	113,040	205,804	82.1%	(+ 92,764)
High Wage Jobs				
Metro	87,829	143,009	62.8%	(+ 55,180)
Non-Metro	12,874	25,247	96.1%	(+ 12,373)
High and Medium Wage Jobs				
Metro	208,321	291,721	40.0%	(+ 83,400)
Non-Metro	56,377	91,263	61.9%	(+ 34,886)
Distribution of Manufacturing Jobs in State				
Metro	78.8%	72.0%		
Non-Metro	21.2%	28.0%		

**Metro Regions are B, E, F, G, J, M, O

*From a June 22,1979 memorandum to the Governor by the Division of Policy Development entitled "Background for Brad Stewart Interview on Balanced Growth Policy."

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The purpose of the North Carolina Center for Public Policy Research is to help make North Carolina's state government more efficient, more effective and more accountable to the citizens it serves.

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