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THE RATIONALE FOR MINNESOTA REGIONALIZATION

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I have traveled almost 5,000 miles across the Midwest and back over the last six weeks. The purpose of the travel was both vacation with my family and attendance at a Natural Resource Development Institute.

The trip accomplished another result, however. It served--by way of observation of the countryside from Minneapolis through Sioux Falls, Mitchell, Chamberlain, Rapid City, Belle Fourche, Sheridan, and Cody to the Pacific--and back through Spokane, Glacier, Glasgow, and northern North Dakota--to reinforce some of my biases and to confirm some of my judgments.

I would like to begin by referring to, and reinforcing, some comments made in another recent report I have prepared.

There is today, as all of us know, a crisis on the campus. There is too, a crisis in the cities. And there is a constant crisis in Vietnam and in much of the rest of our uneasy world. By and large, these are the crises upon which we concentrate our attentions, our actions, and our anxieties.

There is another crisis however. It is one which does not receive the national attention of the three I have mentioned. It is one with which, I suspect, each of you is intimately familiar, vaguely uneasy, and--perhaps--which you at least subconsciously reject. It is the crisis of the countryside--and particularly--the Midwestern countryside.

For Minnesota and the Dakotas it is a crisis characterized by the demise of some small communities and the terminal illness of others; by rising per capita taxes coupled with inadequate public services; by unemployment and underemployment; by an aging population structure further distorted by an unending flight to major metropolitan areas of the young, the able, and the mobile. Those remaining are increasingly the aged, the untrained, and the immobile. This is the "crisis of the countryside" and this is the subject about which these remarks will be either directly or indirectly addressed.

Since I address you under the label of "an economist" perhaps it would be well to begin with some definitions. Basically there are two kinds of economists:

- a. The theoretical economist; and
- b. the applied economist.

(The latter may not know precisely "why" he is right but he usually is capable of recommending policy which has practical and positive results.)

Also, we will be talking about "Regional Science." In my context "Regional Science" is an interdisciplinary science--comprised of elements of economics, political science, sociology, technology, and ethics--circumscribed by the constraints of the ecological system of the region under concern. (More about this complex of disciplines and sciences later).

Our discussion will take us into the arena of public policy--that is, the area of state, federal, and local government policies and programs--that is frequently referred to as "Welfare Economics". By "Welfare Economics" I will mean the formulation and implementation of aggregate social policies, through economic means, of actions which are aimed at raising the general welfare of the citizenry by accomplishing such objectives such as reducing the rate of growth of taxes, raising the general income level of "low income" groups, and providing general public services. I will not be referring to welfare in the other sense of such things as unemployment insurance, aid to dependent children, etc.

Now, the world of the theoretical welfare economist (regional or otherwise) is a nether-nether land of transformation functions, utility curves, Pareto Optima Opitmorum, bliss points, and "general impossibility theorems".

The world of the applied welfare economist is no less complex--but it is somewhat more straightforward. In essence he says "I accept the

theories of the welfare (theoretical economist) but I recognize their general inapplicability to the real world. But, rather than abandon the field because of its deficiencies, I choose to use theory as a guide to policy judgments which I can demonstrate will lead in the direction of an increase in general welfare even though these policies cannot be proven to provide the optimum level of welfare."

In short, as bankers do in weighting a loan application, the practicing welfare economist examines the objectives of the proposed policy (loan) in terms of current welfare status (assets), economic system capabilities (client character and reputation), plus a subjective judgment of policy (loan) risk and uncertainty. A decision is then made (or recommended) in terms of the probable potential import of alternative actions--or levels of action.

I would like to first spend a few minutes developing a basic premise and then move into a discussion of a practical example and some implications applicable to the Upper-Midwest in general.

To do this let's refer to a couple of diagrams--and some elementary equations.

Figure 1

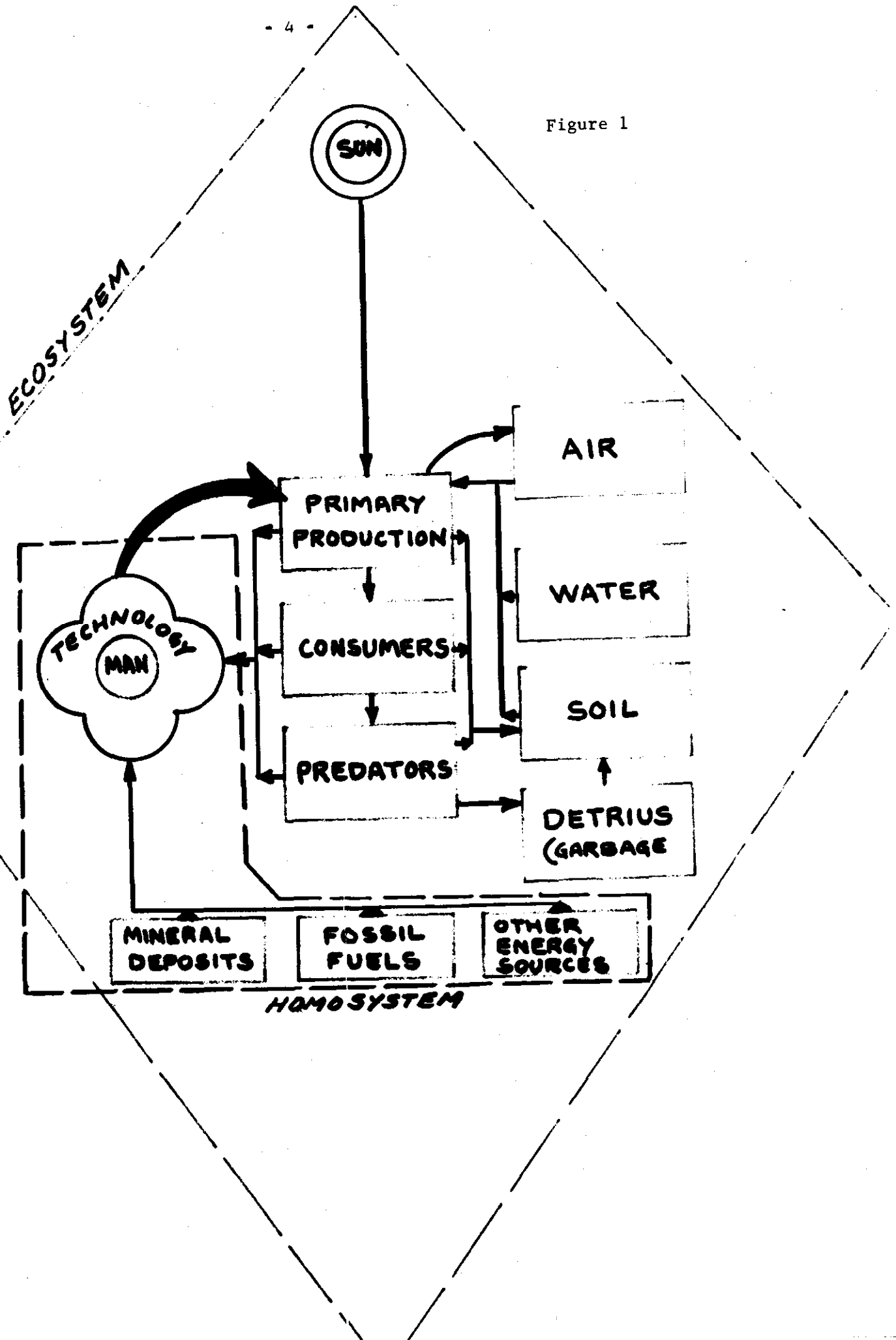
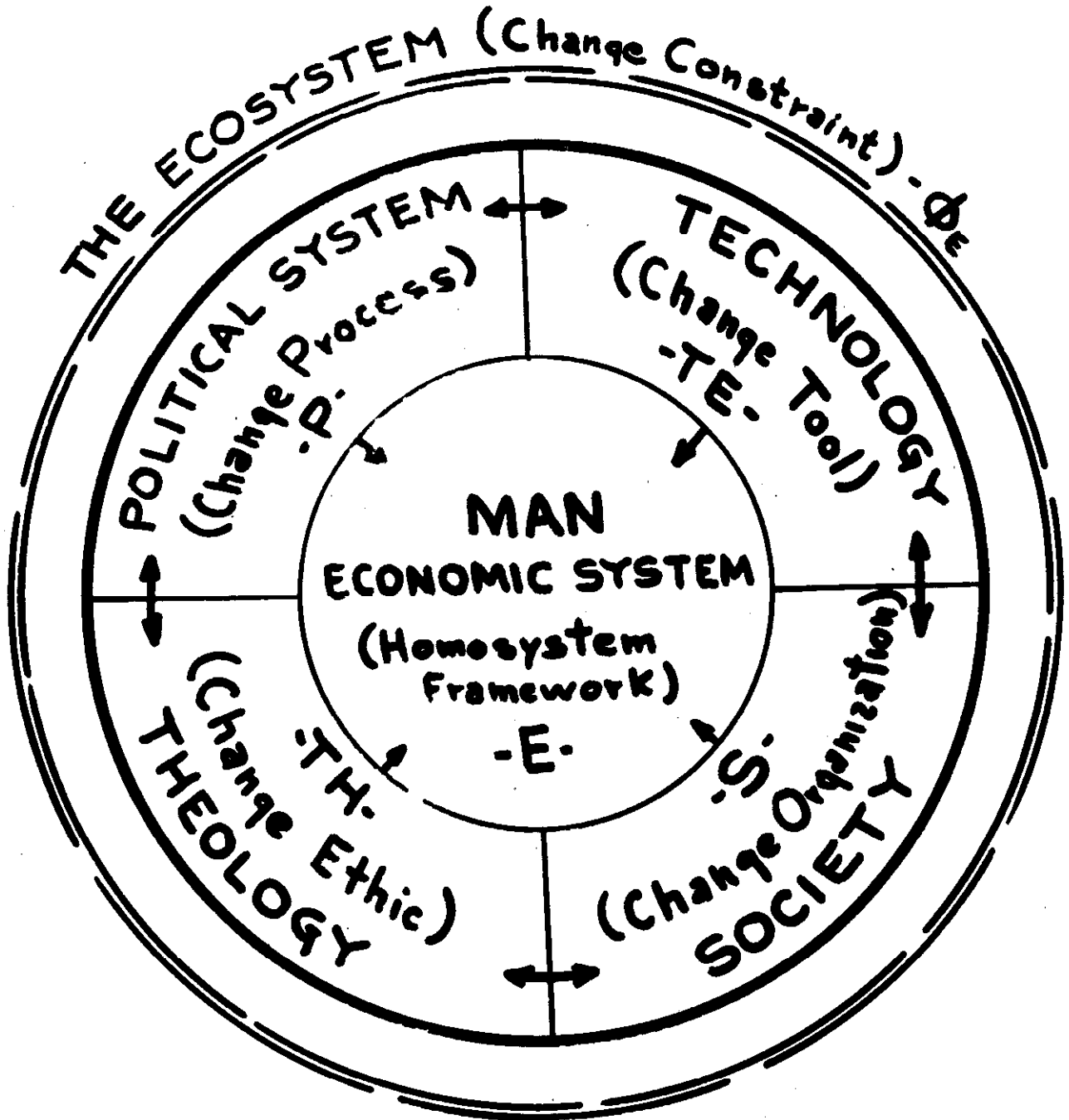


Figure 2



Assumption: Welfare (total) at time t is equal to the total output of the economic system (ΣE as measured in value terms (\$)) subject to the current state of the political process $[P_t]$, societal organization $[S_t]$, technological level $[TE_t]$, and theological ethic $[TH_t]$.

An overriding constraint of the ecosystem's ability to absorb the imposed energy changes $[\Delta E]$ is operative but may be subject to a time lag. That is, it is possible to exceed the constraint in the short run, however such excesses may result in irreversibility in the ecosystem if technological change cannot provide a sufficient adjustment gain.

Assumption: Total global human welfare (subject to some cyclical (a-periodic) variations) has shown a historical rising trend.

Assumption: Changes in E, P, S, TE , or TH can be made in a direction which will increase W in period $t+n$ without necessarily causing offsetting changes which will reduce total W .

Assumption: TH (the change ethic) has shown a historical trend towards equalitarianism. i.e., changes in TE show a positive trend in terms of $> \bar{W}$.

Assumption: TE (the change tool) has shown an exponential trend in terms of ecological management of the environment but has also exhibited a tendency towards selective applications threatening the potential rupture of critical zones.

Assumption: S (Societal organization) has shown a historical positive trend in terms of $> \bar{W}$.

Assumption: The political system (P) has shown a historical positive trend in terms of $> \bar{W}$ and in the distribution of W_1 (individual distribution).

Assumption: Changes in the economic system (E) have trended (through legal and market actions) towards pure competition; thus moving towards the Pareto optimum conditions of $p = MC$, $MRS_x = MRS_y = MRT_i = MRT_j$.

- Conclusion:
1. Global welfare (\bar{W}_G) at time t_i is always a maximum in terms of TE_i , S_i , TH_i , and P_i subject to the condition that $\emptyset E_i$ has not been irreversibly violated.
 2. $\bar{W}_G(t+n)$ will increase overtime (t) because the trend of TH, S, P, and E have each shown historical trends towards $\vec{W}(t)$. Policy should be directed towards control of \vec{TE} such that irreversible changes in $\emptyset E$ are not incurred.

Supplementary Deductions:

1. The global homo-system is an inter-related mix of economic, political, social, theological (ethical) systems each with imperfect knowledge of the total technological store and each affected by both overall ecosystem constraints and partial (regional) ecosystem constraints. The net effect is the creation of a mix of homo-subsystems each with ecosystem constraints \emptyset_E and \emptyset_{ei} and with (at any point in time (ti)) given change ethics TH_{Ri}^{ti} ; change tools TE_{Ri}^{ti} ; societal organization S_{Ri}^{ti} ; change processes P_{Ri}^{ti} ; and economic system E_{Ri}^{ti} .

Total regional welfare \bar{W}_{Ri}^{ti} is therefore a function of these constraints and variables plus the potential effects on \bar{W}_{Ri}^{ti} of the TH, TE, S, P, and E variables of other regions which are related to R_i ($R_j^i \dots n$).

2. In general, the integration of small regions (in an area sense) should have a positive effect on $\sum \bar{W}_{Ri} + R_j \dots R_n$ since the total values of TH, TE, S, P and E will each be increased. In other words:

$$\sum \bar{W}_{Ri} + R_j \dots + R_n > \bar{W}_{Ri} + \bar{W}_{Rj} \dots , + \dots \bar{W}_{Rn}$$

This deduction is subject to the constraint that the summation occurs over a time framework which permits full knowledge of the TH, TE, S, P, and E of each R_i to be made available within each of the other regions, $R_j \dots R_n$.

Given, then, that we can logically deduce our ability to improve regional welfare we need to look again into economic theory for the means of accomplishment.

The answer comes from a simple premise--economies of scale.

Just as two banks can make a larger single loan together than either could do alone, so too can two or more local units of government--or two or more federal or state agencies--accomplish more in concert than could either alone.

Social, political--and technological--change have made this possible. Let us structure the discussion in a logical fashion by going back in time.

In the 1920's (and earlier) employment and trade patterns were significantly different than they are today (Figure 3). Two observations are in order. First, employment outside of the few major metropolitan areas

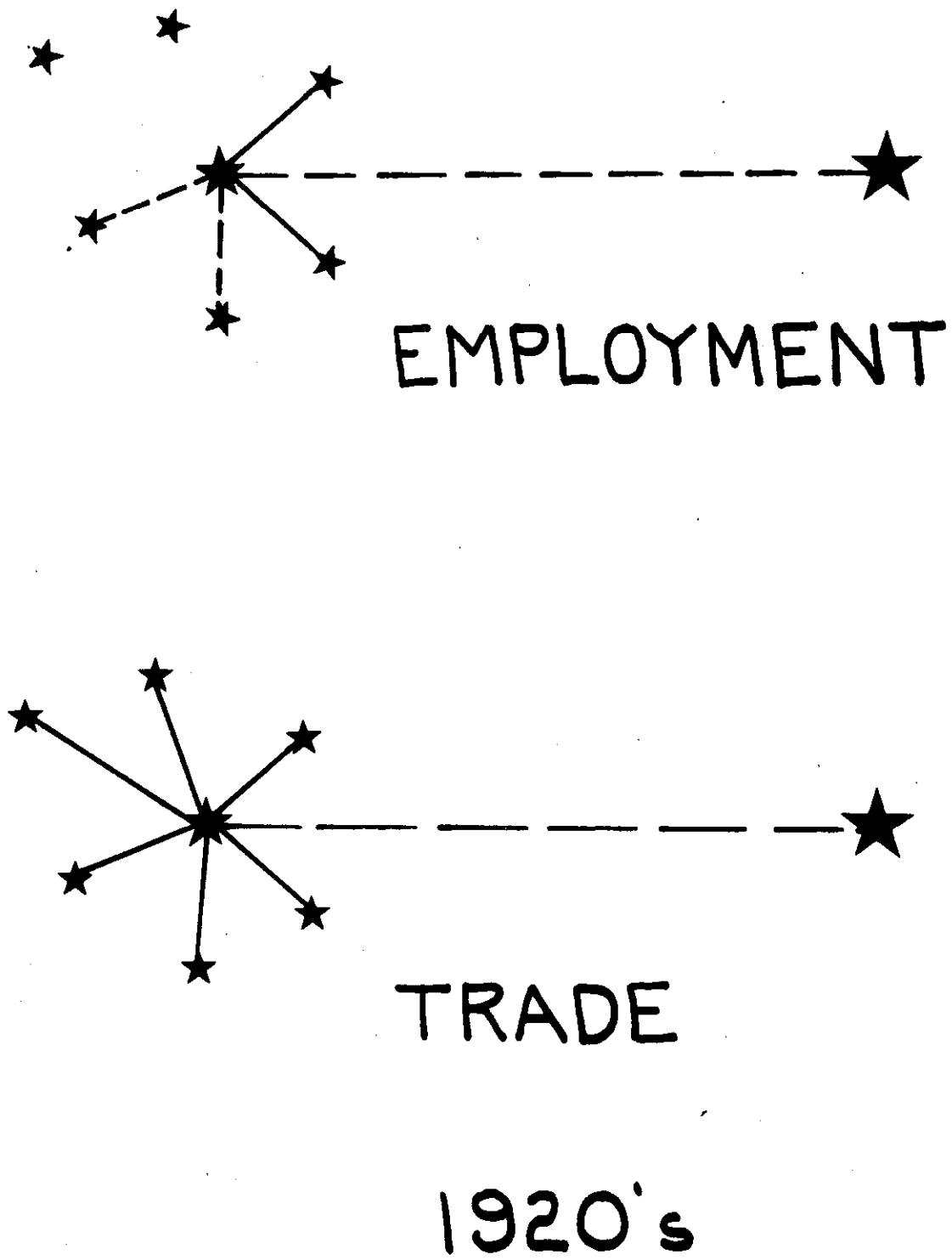


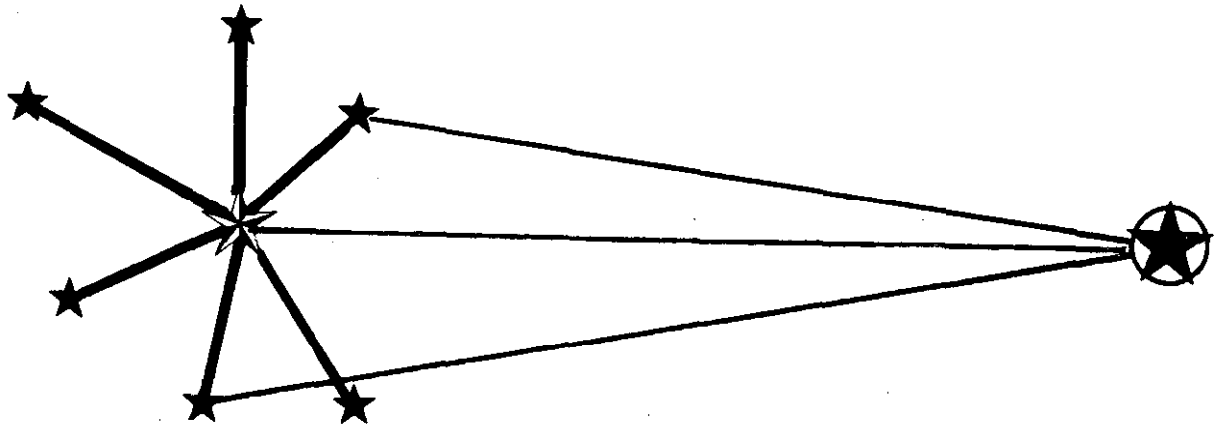
Figure 3

tended to be concentrated at the place of residence of the individual or, at least, immediately adjacent to it. Most of that employment in the rural areas of the Midwest was farming activity. There was a small amount of travel involved in terms of commuting to small town business and industrial employment locations but, generally speaking, transportation technology had not yet advanced to a point where extensive commuting was either physically or economically feasible.

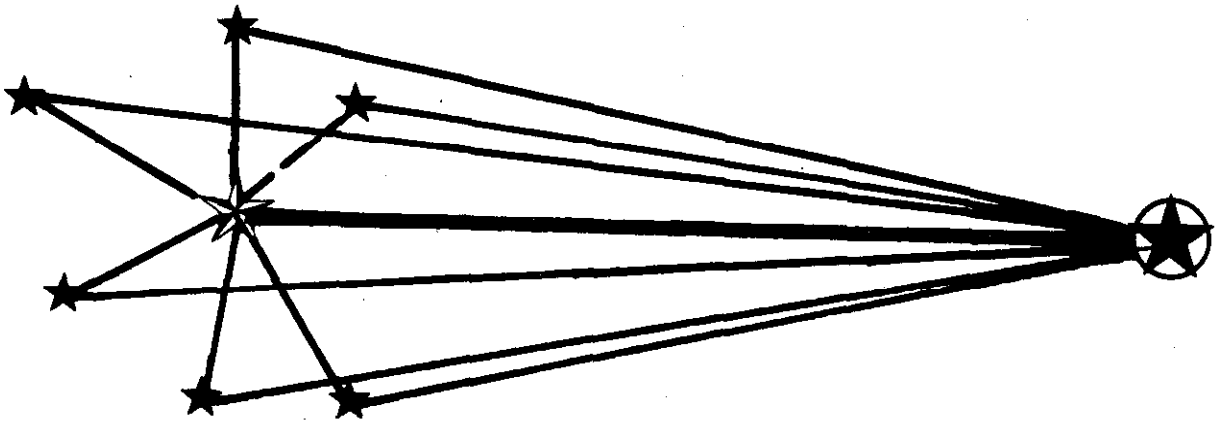
In a similar manner consumer and, to a large extent commercial retail trade, was focussed at small rural trade centers which specialized in non-farm consumer goods and agricultural equipment sales. Trade between the small "hamlet" or county seat locations and larger regional centers was neither extensive nor frequent.

Moving on in time, by the 1960's changes in this pattern had become quite pronounced (Figure 4). Employment patterns have developed in the less densely populated portions of Minnesota and other states that show an increasing trend towards residence in one location and employment at another. It takes the form of both travel from outlying areas to a more urban-oriented industrial center and movement from the residential area of this industrial center out to farm-related employment locations. In addition, there is an increasing amount of employment travel from both of these types of locations to regional centers. In many cases these regional centers are the same municipalities which are seen on the 1920's diagram but they have experienced substantial growth in the intervening period.

Trade patterns also have been altered. There is an increasing focus of both consumer and commercial trade towards major trade centers. Most often, these major trade centers are also major centers of business,



EMPLOYMENT



TRADE

1960's

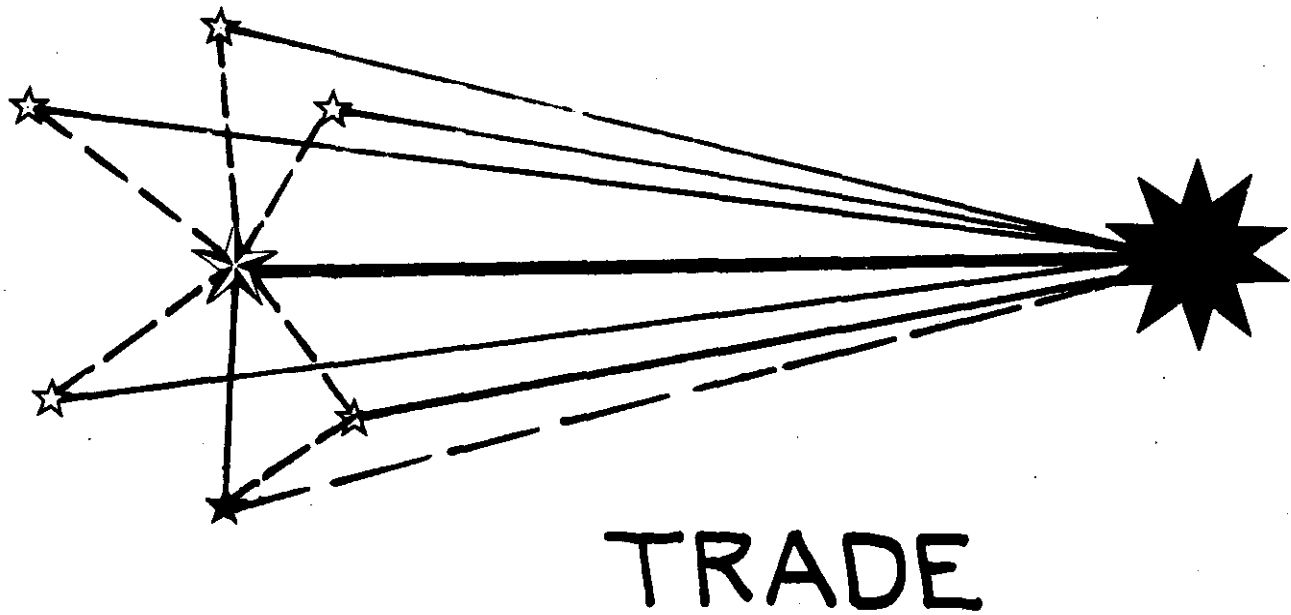
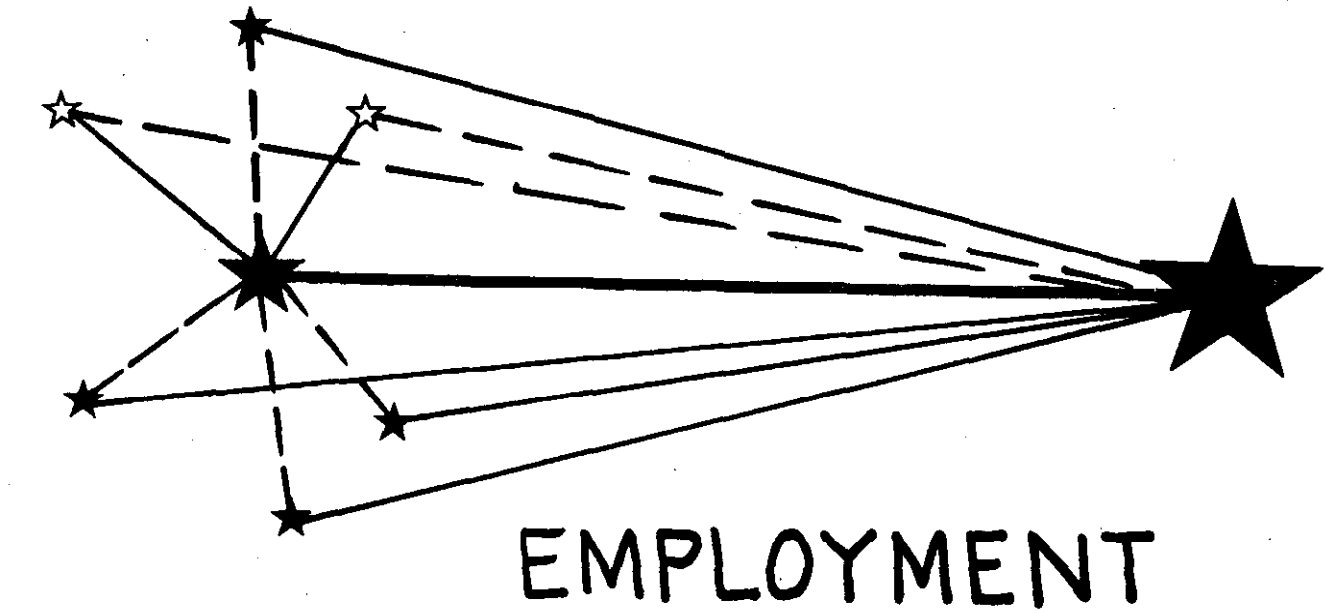
Figure 4

commerce, or industry. The sub-centers are still a focus of trade activity but they may not have experienced significant growth because of this shift towards the regional center.

In terms of estimating the "average" distance between centers with any degree of precision, the evidence suggests that the maximum practical distance, given the technology of present day automotive vehicles, is about 50-60 miles. Perhaps measured more appropriately we might indicate that maximum to be approximately 60 minutes.

It is relevant, indeed it is important, to note here that foreseeable breakthroughs in private transportation do not anticipate the expansion or enlargement of this distance to any significant degree. In other words, these regional "systems" appear to be constrained in terms of spatial size, by this limitation of accessibility technology.

If we now attempt to look ahead into the future we see some additional implications (Figure 5). Employment and trade patterns are undergoing some additional changes. Employment is becoming even more focussed at regional centers and sub-centers with the increasing highway network capability making it practical for an ever larger number of individuals to commute from their place of residence to their place of employment. In trade, the pattern of the 60's has not altered quite as much with the exception of the fact that the retail and commercial trade center has probably grown in terms of breadth of goods and services offered to the extent that trade at the smaller sub-centers and the outlying areas is limited largely to what can be termed as "convenience trade" and, perhaps, to certain types of specialized trade.



1980's

Figure 5

If we look at these developments in terms of a regional "system" then we can make some judgments about the likely impact of these developments on a variety of activities (Figure 6). Regional centers have become a focus of employment and trade activities and have begun to generate residential suburbs. The Centers provide a focus for employment and trade for outlying sub-centers, growth points, and areas of residence. It probably will not be unusual to see suburban, and we are using suburban in this context as indicating a place of residence which has some living quality features which make it attractive to individuals, come into being about some of these out-state (or rural) regional sub-centers.

In point of fact, it is not difficult to visualize these regional systems as being analogous to the metropolitan regional system which in fact exists today in the seven-county, Twin Cities, metropolitan area. Within this metropolitan area there is the Minneapolis-St. Paul central business district complex which serves as a regional center of employment and trade and we have a set of regional sub-centers which serve these same purposes but at a lesser scale. The Southdale Shopping, Medical, Business, and Light Industry Center is probably the most fully developed of these sub-centers and it is, generally speaking, surrounded by areas of residential excellence. Similar regional sub-centers are in varying stages of growth throughout the seven-county area.

Analogous urban-suburban development on an extensive rather than intensive basis is a logical and potentially obtainable goal for other Midwestern regional systems.

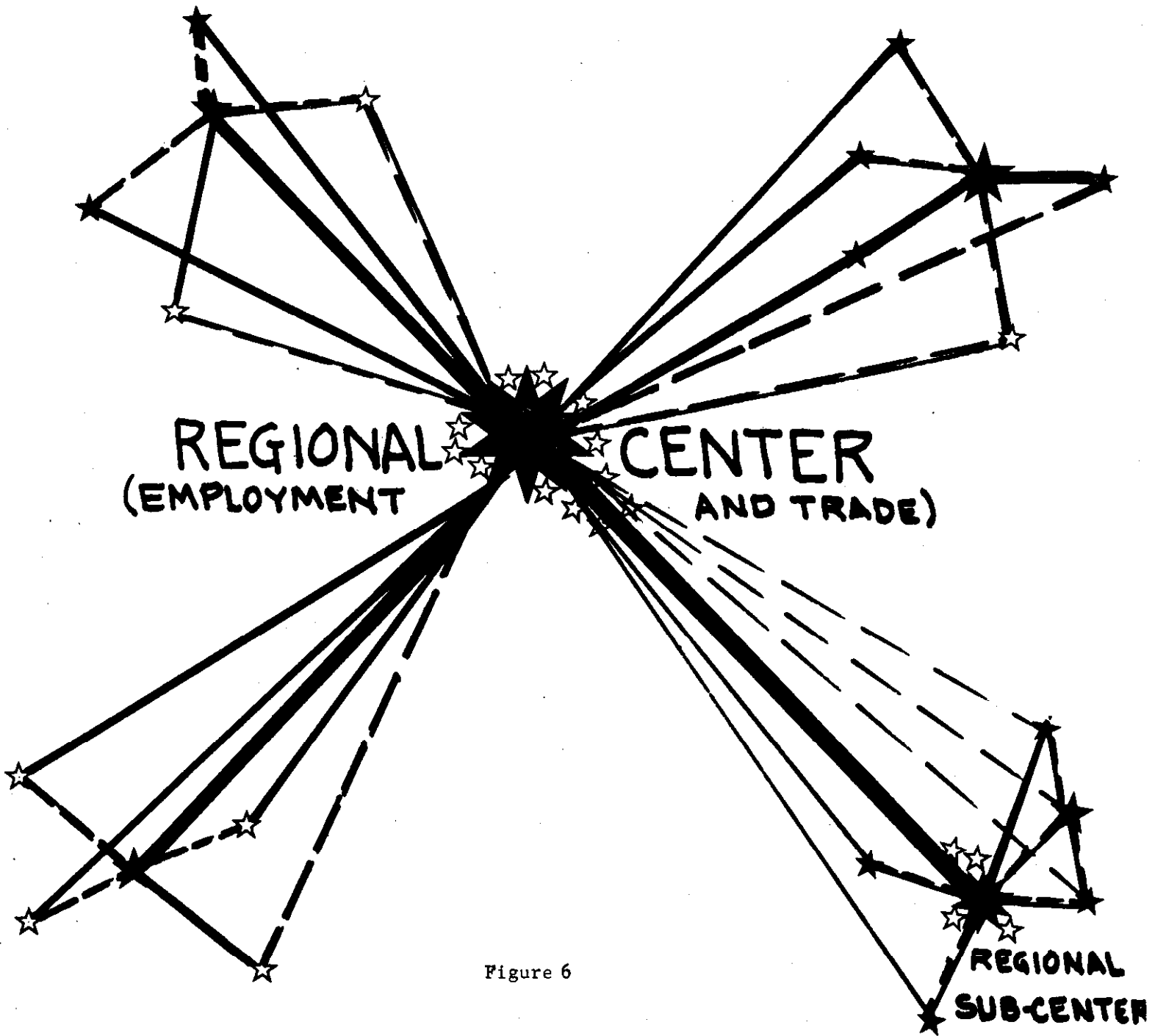


Figure 6

1980-2000

The Consequences of Rational Regionalization

A conscious development and implementation of national, state, and local government programs of coordination and cooperation is needed. Further, the decentralization of state government services in a focussed manner (that is, at carefully identified and selected regional centers, sub-centers and growth points coupled with an imaginative program of local government coordination and cooperation--again in a focussed sense, but in this case in a centralizing sense)-provides a framework within which economic development and social and individual welfare goals have their best chance of success.

It should be noted that such a set of systems is not a division of the state into independent, isolated, uniquely defined and designated spatial areas. They are inter-connected in a variety of ways. Regional boundaries thus become guidelines rather than fences and they enhance the prospects of success for a program of focussed decentralization of state services--or the focussed centralization, of local government services. Further, they also serve as rational vehicles for private investment decisions whether these are individual or business firm decisions. They provide a structure for federal programs, both direct grants and aids to identified regional systems and indirect, block grant, aids through appropriate state government departments and agencies.

They also provide a potential framework for local intergovernmental cooperation through the use of existing statutes such as the Joint Powers Act and the Regional Planning Act. Development Systems Regional Councils of Government and Planning Commissions are possible. Such cooperative actions would do much to provide the means of maintaining adequate levels of public

services throughout the less densely populated areas of the state without necessarily continually raising the per capita costs of such services.

Regional cultural and recreational opportunities also could be enhanced. So too would the potentials for meeting the increasing problems of rural health care, welfare services, and law enforcement be enhanced. Each of these implications is treated in more detail in the concluding section of this chapter.

This concluding discussion is cast in four parts;

1. Potential for policy planning,
2. Potential for program implementation,
3. Potential for agency administration, and
4. Potential for governmental reorganization.

None of these areas of focus and discussion is independent of each of the other areas. State policy planning obviously must take into account the impact of alternative policies upon the implementation of public service programs, upon the administration of state agencies, and upon the organization of local, as well as state, government. Similarly obvious interconnections could be stated for each of the areas identified. The purpose of this section of the report is not to delimit potential in each area but rather to describe some of the salient potential advantages of the adoption of sets of Regional Development Systems in the states of the Midwest.

1. Policy Planning

The purpose of policy planning is to identify and establish general--and, generally, long-run--goals and objectives for state and local government which are consistent both with national goals and objectives and with the goals and objectives of the individual citizen of the state. National economic, social, and political

goals are, of necessity, very general in nature and policies to be adopted that will lead to the achievement of these goals must, of necessity, be amended and modified according to the needs of each state. For example, it seems entirely possible that policies designed to achieve national educational standards might be amended to set local goals which would be above a stated national goal.

By the same token, economic, social, and political potentials vary rather widely in the Midwest with its diverse patterns of economic activity, demographic characteristics, and multiple forms of both state and local government responsibility. The use of a set of Regional Development Systems, each of which is relatively homogeneous and each of which has identifiable problems, needs, and assets offers a potential for the analysis and identification of the impact of alternative policies on each respective region.

The use of such a set of systems make potentially possible the actual testing of selected policies within predetermined systems on both a controlled basis and on a comparison basis. For example, alternative forms of local government cooperation might be attempted within different "Systems," tested and evaluated in terms of both economic and social--as well as political--efficiency and effectiveness, and the best elements of these alternatives then combined into overall state policy. Appointed Metropolitan Councils, Regional Planning Departments, elected Regional Councils of Government, and other forms of cooperative and voluntary local government modernization might be tested in the light of harsh political reality as well as in the sometimes dim glow of political theory.

So too, could the conceptual policies of decentralization of State government services be tested within such a framework. Economic development policies could be tailored to meet the identified needs--and resources--of individual regional systems. The impact and the effects of alternative tax policies on industrial location incentives might also be subject to more precise analysis through the explicit adoption of these systems. Short-run inequities might result but inequities exist now (witness the continuing discussion of "fiscal disparities" in the Metropolitan areas) and the careful use of these systems as devices for finding means to reduce existing inequities, it is argued, holds more potential for their solution than does the existing structure of state-wide policies.

If, as indeed it appears inevitable, there are to be both national and state policies and programs designed to alter the existing rural-urban balance then such a set of identified systems will provide a framework for cooperative federal-state-local government activities which are intended to effect such change (however one defines either rural-urban balance or the desired change!).

2. Program Implementation

In a like manner, adoption of a state-wide set of Regional Development Systems promises considerable potential for increased efficiencies in state-federal, state, and state-local program implementations. Of singular potential importance is the possibility of inter-agency and inter-governmental coordination of crime prevention, criminal apprehension, criminal detention, and

corrections programs. As an example there is the possibility of central regional radio dispatching stations which link together, on a 24-hour basis, all of the law enforcement agencies of state and local government within a regional system (and between systems) and which ignores county or other political boundaries as readily as does the fleeing criminal. Such a system need do no violence to the presently strongly entrenched proclivities towards local autonomy.

Other state and local public service obligations which are, by their very nature, appropriately interrelated also stand to gain in terms of the services of both state and local governments commonly serve either the same clientele, clientele from the same family groupings, or clientele from related racial, ethnic, or economic groups. The focussed decentralization of these public services would not only make the services accessible at a common point, or points, within the system but, perhaps potentially more important, would make both inter-and intra-agency coordination feasible at what could appear to be substantial economies in public costs.

Similarly, inter-state, state, and state-county highway programs could, potentially, be integrated and implemented in a coordinated fashion and in consonance with state policies related to industrial, agricultural, and recreational development. The mere articulation of such a set of policies and programs would enhance the chances of private investment decisions being made more rationally (probability of economic success is used here as synonymous with rational).

By the same token, there are presently a large number of Federal programs which involve grants to the states for specific development of public service activities. Despite Circular A-80 these programs still leave much to be desired in terms of inter-program coordination. The Upper Great Lakes Regional Development Commission programs, the Economic Development Administration programs, Resource Conservation and Development District programs, Technical Action Panel programs, Community Action Panel programs, Soil Conservation Service programs, Comprehensive Area Manpower Planning System programs, and a (nearly) endless list of other federal programs are in various stages of action in the various states. No two of them are coincident in their geographic areas of concern, and there is little or no evidence that there has been any concerted effort to coordinate their like concerns or to avoid or eliminate unwarranted duplication of effort. The adoption of a set of common, yet somewhat flexible, geographic guidelines together with an aggressively administered policy of program coordination should do much to insure that the private citizen is obtaining the maximum benefit of the public dollars expended on his behalf.

3. Agency Administration

It appears self-evident that some reasonable degree of consistency in divisional and sectional geographic responsibility within the major state departments and agencies would be helpful in policy determination, in program implementation, and in agency administration.

It has been suggested by the Minnesota Office of the Department of Administration that the concept of providing governmental services in regional centers and/or sub-centers could result in economies of

operation (for example, purchasing). In addition, it is argued that the application of such a set of systems could also result in a much more favorable administrative/management framework for the senior officials of these organizations. With or without the re-organization of the Executive Department of state governments increased administrative ease and flexibility is potentially available through such a measure. Such a judgment is supported by the State Agency Evaluations which indicate support not only for the concept of a common set of regions but more particularly for their use in administrative purposes.

4. Governmental Reorganization

Reorganization as used in this section does not imply either the abolishment of existing forms of government or the specific alteration of the present form of organization of the Executive Branch of State government.

The discussion, therefore, is cast in the context of the potential for the reorganization of the current activities of existing forms of local general government in order to adopt and utilize the advantages which are offered through a regional development systems form of approach towards meeting current, pressing, public needs. It appears that existing laws permit multi-jurisdictional joint actions. It also is clear that counties are being called upon to perform public services (and are performing such services) that are traditionally of municipal character even though there is some legal question of their authority to provide such services.

This discussion assumes that such services are legal, or will be made legal during sessions of the State Legislature.

Potentially, then, counties, municipalities, townships, and special districts may join together to perform, as a multi-unit organization, what they are entitled to perform independently. Although detailed research and analysis is needed in order to establish the actual magnitude of potential economies it seems clear that significant economies of scale in terms of public monies spending could be realized. Certainly, in terms of the total pool of leadership assets available in some of the less densely populated areas of the state a genuine and concerted focus on common problems and needs of regional concern augurs well for finding common solutions.

It is therefore argued that, combined with federal grant support for such actions (which exists and is growing), multi-jurisdictional development planning and program implementation has the potential for at least assisting in providing throughout the Midwest the quality of life standards for which the area as a whole is so well recognized.