BY TIM SABLIK

Connecting a Region Apart

The Appalachian Regional Commission, created in the 1960s, became a model for regional economic development programs

President John F. Kennedy meets with eight governors of Appalachian states on May 8, 1961.

IMAGE: JOHN F. KENNEDY PRESIDENTIAL LIBRARY AND MUSEUM

When President Lyndon B. Johnson declared "unconditional war on poverty" in his first state of the union speech on Jan. 8, 1964, he pledged to "launch a special effort in the chronically distressed areas of Appalachia." Over the previous decade, there had been growing recognition that Appalachia was "a region apart—geographically and statistically," as the President's Appalachian Regional Commission report released shortly after Johnson's address described it.

Automation and competition from cheaper oil and natural gas in the 1950s had led to widespread layoffs in central Appalachia, where coal mining was the biggest employer. Elsewhere in the region, declining manufacturing and consolidation in farming put pressure on small towns. While most of the country had emerged from the Great Depression and World War II into an era of growing prosperity, many living in the Appalachian region were being left behind. In 1960, per capita income in Appalachia was only about three-quarters of the national average, and the poverty rate was nearly 31 percent. Health outcomes and educational attainment were significantly worse than in the rest of the country, as well.

Johnson signed the Appalachian Regional Development Act in 1965, creating a new federal-state partnership — the Appalachian Regional Commission (ARC). The law directed the ARC to coordinate investments to improve conditions across a vast region stretching through 11 states, from Alabama in the south to Pennsylvania in the north (including all of the states in the Fifth District). Counties from New York and Mississippi were added later in 1967, expanding the ARC's footprint to 13 states.

In the nearly 60 years since the ARC began, it has spent $4.5 billion in the region and attracted more than $10 billion in matching funds for thousands of projects. Some of the gaps between the region and the rest of the nation that existed in 1965 have shrunk or disappeared, but others remain. While there is debate among economists about the effects that the ARC has had on the region, it has emerged as a model for federal-state partnership in regional economic development.

APPALACHIA AND THE 1960 ELECTION

While the ARC began life as part of Johnson's Great Society initiative, its roots stretch back to his predecessor, John F. Kennedy.

Kennedy entered the primary in West Virginia in 1960 to solidify his bid to become the Democratic nominee for president. He had just won the primary in Wisconsin, but his path to the nomination was far from certain. Most party leaders considered him too young and inexperienced, and the fact that he was Catholic was viewed as a serious liability among the predominantly Protestant voters in the South. West Virginia, which was heavily Protestant, would become an important test for whether Kennedy could win nationally.

When he arrived in West Virginia in April 1960, Kennedy was immediately confronted by the disparities between Appalachia and the rest of the country — a contrast that was clearly visible within the state itself. The capital, Charleston, had one of the highest average family incomes on the East Coast at the time. But about 20 miles away in communities along Kellys Creek, most of the miners had been out of work for nearly a decade. An article written for *The Nation* a year earlier painted a bleak picture: "Narrow, bumpy paved roads dissolve into muddy trails, connecting the Appalachian South's bleak hollows with the world beyond. Sprawled along Kelly's Creek Road [sic] in West Virginia are dilapidated shacks, rusting oil and gas wells, crumbling coal tipples."

While conditions in Appalachia had worsened in the 1950s, the region had started to diverge from the rest of the country as far back as the Civil War. In his book *The Appalachian Regional Commission: Twenty-Five Years of Government Policy*, Michael Bradshaw, former professor of geography and geology at the College of St. Mark and St. John, noted that poverty in central Appalachia was tied to extractive industries like coal mining and logging. After the Civil War, many residents sold property rights to out-of-state prospectors to survive, and those absentee landlords exploited those natural resources without reinvesting in local communities. Additionally, extractive industries tend to go through boom-and-bust cycles that may inhibit an area's long-term economic growth and development, an idea known as the "resource curse."

"The story of coal is one of peaks and valleys, but the trend line for employment is always down," says Guy Land, congressional liaison specialist at the ARC who joined the organization in 1994. "Even when there is a resurgence in the coal industry, employment numbers never match the previous peak."

As he campaigned throughout West Virginia in 1960, Kennedy witnessed the effects of this steady decline for himself. He followed coal miners underground and talked with people queuing at unemployment offices. As someone who had grown up in the lap of luxury, his travels throughout the Mountain State seem to have left a lasting impression on him. In one oft-cited anecdote, Kennedy returned to his Senate office for a vote during the campaign and remarked, "You can't imagine how those people live. I was better off in the war than they are in those coal mines. It's not right."

Theodore Sorensen, Kennedy's speechwriter, recalled in a 1964 interview that the campaign in West Virginia had stimulated Kennedy's interest in reforming and expanding federal anti-poverty programs. Congress had passed a bill to assist the region in the previous decade, but President Dwight D. Eisenhower vetoed it twice. After winning the West Virginia primary in a landslide, Kennedy went on to secure his party's nomination and ultimately the presidency. His first executive order was to expand the food distribution program for needy families, likely motivated by the memory of struggling families he met in West Virginia.

While Kennedy was still campaigning, states in the Appalachian region were banding together to tackle their common challenges. Governors from nine states (Alabama, Georgia, Kentucky, Maryland, North Carolina, Pennsylvania, Tennessee, Virginia, and West Virginia) formed the Council of Appalachian Governors in 1960 and met with candidate Kennedy to make the case for federal assistance.

Once Kennedy was in office, his administration's first effort, the Area Development Act of 1961, was not well-targeted; over a third of all counties in the country qualified for assistance, and the most distressed areas of Appalachia lacked the resources to compete effectively for grants. The region's governors proposed the creation of a President's Appalachian Regional Commission (PARC) to study the challenges of Appalachia and propose specific legislative solutions. Kennedy formed the PARC in April 1963 under the leadership of Franklin Roosevelt Jr., a son of the former president and a former congressman. (His campaigning in West Virginia had been instrumental in Kennedy's primary victory there — drawing upon West Virginians' affection for FDR.)

THE ARC'S EARLY YEARS

Kennedy's shocking assassination had taken place by the time the PARC released its findings in 1964, but its work was taken up by the Johnson administration. PARC identified several gaps in the Appalachian region in terms of income, employment, education, population, and infrastructure. It proposed public spending on both physical and human capital with a new independent agency to oversee and coordinate state and federal efforts. Although it would take another year, Congress and President Johnson created such an agency in 1965 with the Appalachian Regional Development Act.

The ARC was not the federal government's first attempt at creating a regional development agency. The Tennessee Valley Authority (TVA), created in 1933, was originally envisioned to oversee broad economic development initiatives across a region covering most of Tennessee and portions of Alabama, Mississippi, Kentucky, Georgia, North Carolina, and Virginia. The TVA took a top-down approach that didn't always consider the wishes of the communities it was trying to help. Its use of eminent domain to acquire land for dams and power stations failed "to establish sympathy and collaboration with states and local jurisdictions in the river basin," Bradshaw wrote in his book. Because of these missteps, the TVA's larger aspirations for regional development never really got off the ground, and it was ultimately limited to being an electric utility company.

The ARC was envisioned as a bottom-up collaboration where state and federal representatives would be equal partners and in which localities would have an active role. Its leadership would consist of a presidentially appointed federal co-chair and representatives from each state in the region (a role that today is filled by the state governors). No decision on funding could be made without agreement between the states and the federal

President Lyndon B. Johnson shakes hands during his tour of Appalachia in May 1964.

co-chair. Additionally, the ARC created local development districts — groups of counties within the ARC's territory with their own administrative staffs that could provide the knowledge and resources to help localities apply for economic development grants.

"The crafters of the ARC understood the importance of having a federal-state partnership that also had this local component," says Land. "There was a fear that without it, you would have distant policymakers, whether in the state capitols or in D.C., who were not as attuned as they should be to local needs."

This enabled the ARC to respond to local demands faster than other federal agencies. A few weeks into its life, it obtained funding from the Office of Economic Opportunity to help hospitals in Appalachia resolve a budget crisis that would have forced them to close their doors. And in 1967, when the Silver Bridge between Ohio and West Virginia collapsed, the ARC worked quickly to coordinate efforts between the two states, the Senate Public Works Committee, and the Army Corps of Engineers, allowing new construction to get started in weeks rather than years.

The bulk of the ARC's initial $1.1 billion budget was allocated toward building the Appalachian Development Highway System, a complement to the interstate highway system. So they could be built as cheaply as possible, the interstates largely bypassed the mountainous Appalachian terrain. (See "When Interstates Paved the Way," *Econ Focus*, Second/Third Quarter 2021.) Without a connection to the new highway system, lawmakers worried that the isolation and economic disparities of Appalachia would only worsen.

Congress was pleased enough with the ARC's early work that it reauthorized and expanded its responsibilities in the 1970s. But despite these early successes, the ARC ended the decade with its future shrouded in uncertainty. In 1979, the Government Accountability Office (GAO) released a report examining a proposal to expand the ARC model to other regions across the country. The GAO concluded that such a move "would be premature" until the ARC addressed problems with program planning and evaluation, fund allocation, and grant administration.

INVESTING IN PEOPLE AND PLACE

The impact of the ARC's infrastructure investments is more visible today than it was in the 1970s. Present-day ARC federal co-chair and West Virginia native Gayle Manchin remembers that when she attended West Virginia University in 1965, it could take her up to seven hours to drive from Morgantown to Beckley because of the poor road conditions. Today, that trip takes about three hours, depending on traffic.

"The highway system has been critical to the development that we have experienced in West Virginia over the years," she says. (Manchin's husband, Joe, is a former governor of the state and currently represents West Virginia in the Senate.)

In a 2019 article in the *Review of Economics and Statistics*, Taylor Jaworski of the University of Colorado Boulder and Carl Kitchens of Florida State University found that the gains from improved trade through the system benefited not just the region, but also the country as a whole. They estimated that in the absence of the new highways, total income in the United States would be $53.7 billion lower, with $22 billion of those losses occurring in Appalachian counties.

The ARC also helped improve access to running water and indoor plumbing throughout the region. In 1970, the share of Appalachian households that lacked access to plumbing facilities was about double the national average. The ARC funded hundreds of projects to expand sewage and wastewater treatment, and a 2017 article in the *Journal of Regional Science* by Daniel Grossman, Brad Humphreys, and Jane Ruseski of West Virginia University found that those projects were successful at improving households' access to running water. That result was not a given, as large-scale investments to expand water and sewer access can succumb to a "last mile" problem, failing to connect the infrastructure to individual homes.

But while some infrastructure disparities in Appalachia have improved, new ones have emerged. The COVID-19 pandemic revealed the importance of having reliable internet access to stay connected with employment and education opportunities, and the Appalachian region lags the nation in broadband subscriptions. The same mountainous terrain that inhibited the development of physical highways has proven a barrier to connecting the region to digital ones. (See "Closing the

IMAGE: LYNDON BAINES JOHNSON PRESIDENTIAL LIBRARY

Digital Divide," *Econ Focus*, Second/Third Quarter 2020.)

The ARC also continues to grapple with the boom-and-bust cycle of the coal industry. In the 1970s, coal enjoyed a brief resurgence thanks to rising energy prices, leading to improved employment opportunities in the region. A similar dynamic played out in the 2000s and early 2010s during the shale boom. The ARC has tried to help equip workers with the skills to take advantage of these booms when they happen while also supporting efforts to diversify the economy. It helped fund the Tri-State Energy and Advanced Manufacturing Consortium in 2017 to provide education and training to workers in the energy and manufacturing sectors. And since 2015, the ARC's POWER (Partnerships for Opportunity and Workforce and Economic Revitalization) Initiative has invested $316.6 million to fund training and education for workers in communities that have suffered job losses in the coal industry.

"When you talk about economic growth and development, it always comes back to education," says Manchin.

As infrastructure has improved in Appalachia, the ARC has shifted its focus to human capital — that is, education and training. In its latest strategic plan for 2022-2026, fostering local entrepreneurship and strengthening the region's workforce ecosystem are top priorities.

MEASURING SUCCESS

What impact has the ARC had on the region over its nearly six decades of work? It is difficult to disentangle from the many other changes that have happened to the region and the country during that time. Some critics argue that the ARC's funding has been too limited and spread too thin across its 423 counties to have much of an effect.

In a 2008 article in the *Brookings Papers on Economic Activity*, Edward Glaeser of Harvard University and Joshua Gottlieb of the University of Chicago compared ARC counties with similar counties in the same region but outside of the Commission's jurisdiction. They found that between 1970 and 1980, being part of the ARC's territory was associated with faster growth, but that effect disappears when looking over a longer time horizon through 2000.

"Current spending on the ARC is no more than the cost of a few large Manhattan buildings. Could such a program really have changed the course of a region considerably larger than California?" Gottlieb and Glaeser wrote.

Other researchers have identified more positive effects. In a 2015 ARC-sponsored study, economists from West Virginia University matched counties within the Commission's territory with similar counties outside of Appalachia that didn't receive funding. The authors estimated that between 1970 and 2012, counties that received ARC funding experienced an average 4.2 percent higher employment growth and 5.5 percent higher per capita income growth than counties outside of the ARC's coverage. Similarly, a 2012 study by James Ziliak of the University of Kentucky credited the ARC with reducing poverty by 7.6 percentage points relative to the rest of the United States and by 4 percentage points relative to border counties just outside the ARC's territory between 1960 and 2000.

Another telling sign of the ARC's influence is that despite the GAO's hesitancy in 1979, it in fact has become a model for other federal regional development programs. The Delta Regional Authority, created in 2000 to address economic distress in the Mississippi River Delta region, is governed by the same type of federal-state partnership as the ARC. Three additional regional commissions created by the 2008 farm bill were also modeled on the ARC.

"Over time, the fact that this model is a partnership between the states and the federal government rather than the Feds dictating policy to the states was something that resonated with Republicans," says Land. "And many of the economic development initiatives that the ARC has done have traditionally been attractive to Democrats."

Critics can argue that the fact that disparities still exist in Appalachia is a sign of failure for the ARC. On the other hand, it may simply reflect the fact that the challenges facing the region are ever-changing and lack easy solutions. One enduring lesson from the ARC's history that has been increasingly embraced by government and nonprofit economic development agencies alike is that tackling big regional challenges requires regional collaboration.

"If we work across county and state lines, thinking more about how we lift up the region as a whole, we will accomplish more than each state working individually," says Manchin. **EF**

READINGS

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