

The Redlining of Rural Americans

by Richard J. Margolis

RURAL-BASED congressmen are distressed that President Carter's \$4 billion public works plan—the centerpiece of his post-rural economic package—will in no way benefit their constituencies. More or less by fiat, the Administration has redlined all towns with populations below 50,000 (in other words, 28 per cent of the total country). The legislators are not amused. "If I'd known that small communities were going to be excluded in the stampede to get this money out," Representative Charles Rose, a North Carolina Democrat, "I never would have supported the program."

The purpose of the measure was to create several million temporary construction jobs by pumping money into communities prepared to build roads, schools, hospitals, parks, and other public facilities. The Department of Commerce handles the money and keeps an eye on the projects; it was instructed by Congress to parcel out funds to communities in amounts proportionate to their needs—the higher the unemployment, the greater the allocation. To do this, Commerce has relied on computer-taped data supplied by the Bureau of Labor Statistics (BLS). Well, there's the rub. The BLS does not collect unemployment statistics for towns with fewer than 100 people. Ergo: nothing in, nothing out. To Administration officials, the decision to deprive more than one-fourth the country of public works benefits seems a reasonable solution to a

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Nevertheless, by early March Commerce was already interpreting the legislation in ways that suited its own needs. Karras, for instance, conceded to members of the House Public Works Oversight Subcommittee that the law does appear to compel inclusion of small communities in the national program, but insisted it contains "a qualifier" that says, to use his language: "When this causes a severe handicap or impediment to the administration of the program, you do not have to do it." It was, Karras seemed to be saying, an open-and-shut case: "We made the judgment that, indeed, going below 50,000 (in population) would interfere with the administration of the program ... so we really invoked the qualifier which I believe is in the Conference Committee report."

No such qualifier happens to exist, yet Karras succeeded in muddying the waters and confusing the subcommittee. Representative David Bonior (D.-Mich.), declaring he was still "puzzled," said: "I would like to come back to this later." He never did bring the matter up again, though. Neither did anyone else, and Karras' hokey interpretation of the law was allowed to slip by unchallenged.

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person for its Economic Development Administration—the agency that manages Carter's program—to explain why towns with fewer than 50,000 residents were not receiving public works funds. "But they are," she answered. "You don't have your facts right." She explained that a portion of the \$4 billion dollars was being sent directly to state and county governments, which in turn could allocate to towns not included in the BLS tabulations.

I tried to follow this hopeful trail, but it soon grew cold. For while 8 per cent of the total funds had, in fact, been earmarked for the states, no one could say exactly whether any of that money would ultimately go to rural areas. As for allocations to counties, Commerce had no figures—and probably no plans.

THE SECOND defense—the Administration's contention that the small communities need less help than do the cities—is as spurious as the first, albeit tougher to analyze. For openers, BLS statistics peg rural unemployment at around 5 per cent, a full two percentage points below the overall national rate. "The cities are much worse off than the smaller towns," I was told by BLS economist Richard Rosen. "It wouldn't make sense to channel funds into areas where the need is relatively slight."

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To Administration officials, the decision to deprive more than one-fourth the country of public works benefits seems a reasonable solution to a difficult technical problem. "This alternative was adopted as being the most fair, considering the time constraints on the program," wrote Robert T. Hall, assistant secretary for economic development, in a letter to Congress. (All projects were supposed to be under way by September 30.) Similarly, Deputy Assistant Secretary George T. Karras has contended that any consideration of small towns would play havoc with Commerce's efforts.

In approving the public works bill last winter, the members of a joint Senate-House Conference Committee showed they were aware that BLS unemployment figures did not tell the whole story. Their report stipulated that wherever the Bureau's numbers betrayed gaps, Commerce should fill them in with statistics provided by the individual states or towns. The language was both clear and unequivocal; in the opinion of most congressmen, it was also binding.

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The subcommittee attached so little importance to these proceedings that it did not take the trouble to have them printed up. The fact that Karras' interesting testimony remains unpublished has not, however, discouraged the Deputy and others from citing it, along with the subcommittee's failure to object, as proof that Congress has given a green light to rural redlining.

All this strikes at least some liberals on the Hill as remarkably familiar: Once more we are witness to an executive branch that revises laws and rewrites regulations whenever the Congressional versions are not to its taste. "It's the Imperial Presidency all over again," said one Democratic congressman. "Sometimes I wonder if we really won the election."

The same legislator is quick to point out that Karras is not even a Carter appointee, but "a Nixon-Ford holdover." In truth, he is an Eisenhower-Kennedy-Johnson-Nixon-Ford holdover. At 51, Karras has devoted most of his adult life to government service, with a few years off in the '50s when he worked for an upholsterers' union in Philadelphia. His biases, one guesses, come less from partisan politics than from an allegiance to tidy bookkeeping. Certainly he has nothing personal against those Americans unfortunate enough to be both jobless and rural. It is simply that the BLS computer finds them and their assorted miseries a nuisance to record. Twice cursed, they have not once been counted.

Officials at Commerce, to be sure, seem a little embarrassed by the flak they have attracted. In defending themselves, they have abandoned the usual technological excuses and have come up with two new ones: first, that really, nothing has happened; second, that things aren't as bad as they seem, because rural communities do not generally suffer from widespread unemployment.

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The trouble with this line of reasoning is its failure to take into account the BLS' primitive methodology. The agency relies for most of its data on urban-based state employment offices, places often beyond the reach of rural poor people, and sometimes beyond their ken. In addition, the BLS conveniently overlooks several categories of rural workers who in a more rational world would be routinely punched into the computer tape. These include: discouraged workers who have long ago given up looking for jobs, "involuntary part-time workers" who would prefer full-time employment but can't find any, and full-time workers whose incomes fall below the poverty line.

Recently, a consortium of economists looked at unemployment in four rural Southern counties and reported their findings in a (still unpublished) study to the U.S. Department of Labor. Official jobless figures in the counties hovered around 5.5 per cent. But when the economists included in their calculations the three factors named above—thereby creating a new measurement they called a "Sub-Employment Index"—the totals exceeded 40 per cent. Professor Louis Smith of the University of Mississippi, who helped conduct the study, also compiled a Sub-Employment Index for all of rural Mississippi. The figure he arrived at was 42 per cent.

I do not mean to suggest that the urban plight is any less severe than the rural one. I am simply saying that the Carter Administration has badly underestimated the extent of rural unemployment, and in the process has casually broken its promise of economic aid to millions of small-town residents. If the redlining of rural America is hardly a new phenomenon, it is doubly sad to see such an old, tawdry device so readily adopted by a President who bills himself as a country boy, and whose own home county—full of shacks and poor people—is itself a model candidate for public works.

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