



U.S. Congressman  
**Nick Rahall**  
*WORKING FOR WEST VIRGINIANS*

FOR IMMEDIATE RELEASE

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**RAHALL BUILDING CONGRESSIONAL ECONOMIC  
DEVELOPMENT COALITION**

WASHINGTON, D.C.-- In testimony given today before the House Banking, Finance, And Urban Affairs Subcommittee on Economic Stabilization, Congressman Nick J. Rahall, II (D-WV) called on Congress to support him in establishing a Congressional economic development coalition that will work to protect those programs that are instrumental in the creation of new economic opportunities in rural and economically distressed areas. Chairwoman Mary Rose Oaker (D-OH) responded by pledging her committee's support to join forces with Rahall in finding solutions to this difficult problem.

"I intend to use, to the fullest extent, my position as ranking majority member, on the Public Works subcommittees on Surface Transportation and Economic Development, to create broad bipartisan support that will work to fully fund programs that serve rural and economically distressed areas," said Rahall.

In particular, Rahall noted two UDAG projects in his district as prime examples of the frustrating circumstances that these programs face. "In Huntington, the prospects were good, and the city was ready, for a UDAG to help fund a twenty-story River Center Office Tower, which would have served as the cornerstone of its redevelopment efforts. Unfortunately, the Administration saw fit to cut UDAG funds and the project is still on the back burner."

Rahall also noted that, "In Bluefield, a similar incident occurred. The UDAG program provided \$478,800 for the construction of a new building, which was to house the Bluefield Distributing Company. This funding created approximately 200 jobs in Bluefield and provided an important revenue source for the city. Had the UDAG program remained funded, Phase II of the project would have financed the renovation of an adjacent facility to provide those workers and their families with a variety of food shops and retail stores."

Rahall expressed his concern over the recent elimination of UDAGs and the attempt to eliminate the EDA; moreover, he sees this "gradual decrease of funding support as a short-sighted economic policy on part of the Administration. It is precisely through the establishment and support of such programs that the United States can reduce the trade deficit, enhance our competitiveness, and ultimately improve the standard of living for all Americans. It is not as if the UDAG program is a burden either, reports show that the private sector dollars to the UDAG dollars was 6 to 1," said Rahall.

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TESTIMONY OF

Congressman Nick J. Rahall

TO THE

House Banking, Finance and Urban Affairs  
Subcommittee on Economic Stabilization

In Support of Economic Development Programs

October 18, 1989

Madame Chairman. Thank you very much for giving me the opportunity to testify before your Subcommittee regarding various economic development programs. As you are aware, I am a Member of the Public Works and Transportation Committee and sit on the Subcommittee on Surface *Ranking Member* Transportation and the Subcommittee on Economic Development, which shares jurisdiction with your Subcommittee over the Economic Development Administration. I think these assignments reflect my strong support for a substantial federal role in economic development, and I am here today to urge your support for federal programs which provide assistance to support state and local economic development strategies.

Since 1983, the United States has registered one record-breaking trade deficit after another. Between 1980 and 1988 the U.S. merchandise trade deficit rose from \$19.3 billion to \$118.5 billion. Between 1973 and 1986, real earnings declined 17 percent. Were it not for the large increase in the number of families with two wage earners, the U.S. standard of living would have declined substantially. These disturbing trends have caused great concern that the United States is unable to effectively compete with the nationally coordinated efforts of its major competitors, primarily Japan and West Germany.

These trends have generated the belief among many, that in order for the United States to meet the well coordinated efforts of its competitors, the federal government should work closely with state and local governments, as well as the private sector, to promote new commercial products. It has fostered the belief that such activity, which has traditionally been considered the role of the private sector, is the appropriate role of government, in order to ensure the well-being of its populace. "Competitiveness" continues to be the "buzz word" in Washington.

There has been concern, however, that the federal government has not dedicated sufficient financial and human resources to support fledgling businesses, the research and development of new commercial products, and the construction and maintenance of our infrastructure. There is also concern that unlike our competitors, the federal government is not providing coordination of such efforts with state governments and private industry.

I believe that the recent elimination of Urban Development Action Grants (UDAGs) and the attempt to eliminate the Economic Development Administration (EDA) through the same gradual decrease of funding support, not only indicates that these concerns are valid, but constitutes short-sighted economic policy. It is precisely through the establishment and support of such programs that the United States can reduce the trade deficit, enhance our competitiveness, and ultimately improve the standard of living for all Americans.

As you know, Urban Development Action Grants provided federal funding for certain local economic development activities only if a minimum investment of \$2.5 in private money was secured for every dollar of UDAG funds. In my district, the UDAG program provided \$478,800 for the construction of a new building, which was leased by the city of Bluefield to house the Bluefield Distributing Company. This action kept approximately 200 jobs in Bluefield and maintained an important revenue source for the city. Had the UDAG program remained funded, Phase II of the project would have financed the renovation of an adjacent facility to provide those workers and their families with a variety of food shops and retail stores.

In Huntington, prospects were good for a UDAG to help fund a 20 story River Center Office Tower which would have provided approximately 150,000 square feet of office space and attracted new businesses to the area. Regrettably, the project came to fruition last year when UDAG funds were cut and the project was never funded.



The UDAG program was successful. While the minimum investment ratio requirement of private sector dollars to UDAG dollars was 2.5 to 1, on average the ratio was 6 to 1. In the 1984 Biennial Report on Urban Policy, the Administration hailed the program as a good example of public/private partnerships in economic development. Yet the same Administration oversaw the slow withdrawal of financial support for the program. This is tragically ironic.

As you know, the Economic Development Administration targets economically distressed areas for assistance. EDA grants finance roads, waste water treatment, business incubators, industrial parks, vocational schools and other projects important to the creation of new jobs and long-term development. The EDA also provides small businesses with the necessary start-up funding essential to begin operation.

While it is difficult to successfully measure the direct effectiveness of EDA due to its mission, various econometric analyses have supported the notion that EDA has had a positive effect on employment. I know that in West Virginia, EDA has been instrumental in assisting in a variety of important projects.

Regrettably, EDA's budget has declined in real terms since the early 1980's. Both the Reagan and Bush Administrations have failed to request funding for EDA, and consequently, the program has not been authorized since 1982. I fear unless those of us, who believe that economic development is a proper role for the federal government, vigorously work to reorder our nation's priorities, that EDA will suffer the same fate as UDAGs.

The Reagan Administration, the Bush Administration, and some of us in Congress, falsely believe that cutting relatively small programs, which do not have large constituencies, is the way to balance the budget. I think it is clear that with a budget deficit of \$129.5 billion the elimination of programs like EDA, funded at \$206 million last year, will not balance the budget. In fact, such policies will have the opposite effect. At a time when we should be promoting economic growth to increase our tax base, increase employment, increase our share of the world market, and ultimately working to decrease the dual deficits, we are cutting the very programs which we have created for these purposes.

I believe we should revitalize UDAGs, EDA and other such economic development programs. I would like the Economic Stabilization Subcommittee and the Economic Development Subcommittee to work together, to build a coalition of support for a reordering of priorities, and for a significant federal role in economic development. I stand ready to assist you in any way.