Rural Development, Privatization and Public Choice: Substance Depends upon Process

James Hite*

Abstract

Whether or not privatization facilitates rural development depends upon what rural development means. In practice, rural development often is the result of a struggle between rent defenders and rent seekers. A positivist concept of rural development is proposed, and the institutions of public choice are examined to determine how they might influence privatization decisions. The conclusion is that whether or not privatization improves efficiency of adjustment in rural economies depends upon the specifics of political deals required to achieve a particular act of privatization.

Key words: privatization, rural development, public choice, rent-seeking

Introduction

Privatization is a term applied to a political process whereby local and even state governments across the United States spin off certain services to private sector operatives. This term is also applied to the process by which the Thatcher government in the United Kingdom devolved to private investors certain industries previously nationalized by Labor governments, and it is the popular term applied to the process of transforming Russia and its former satellite nations into market economies (Vickers and Yarrow 1988; 1991). Ostensibly this paper is about privatization and rural development. But what privatization implies with regard to rural development depends in large part upon what we understand rural development to mean, and rural development means different things to different people. There is no way to evaluate the implications of privatization for rural development without first coming to terms with the meaning of rural development itself. In attempting to do so, privatization, which is a topic worthy of considerable discussion on its own, receives somewhat secondary treatment.

Summarized briefly, the argument advanced in this paper is as follows: rural development can be thought of positivistically, as well as normatively. Positivistically, rural development is an observable, potentially predictable process of adjustment on the part of rural economies to Schumpeterian change in a market system. It is in the material interest of society that this process of adjustment be efficient, lest the society as a whole be poorer than it need be. Whether privatization is or is not conducive to efficient adjustments in rural economies depends upon the political deals that must be cut to achieve specific acts of privatization. Hence, if rural development is understood by economists in terms of improvements in general economic efficiency, there is no clear, unambiguous

*James Hite is alumni professor of agricultural and applied economics, Clemson University, Clemson, South Carolina.
Appreciation is expressed to David Barkley, Brady Deaton, George McDowell, David Mulkey, Allan Schmid, Ron Shaffer, Eldon Smith, Holley Ulbrich, and Bruce Weber for comments on an earlier draft of the paper, but the author assumes the usual responsibility for remaining errors of omission or commission.

J. Agr. and Applied Econ. 25 (July, 1993): 89-98

basis for favoring privatization as a general prescription for rural communities. Each case of privatization must be examined within the political context in which it arises; and as the subtitle of the paper asserts, substance depends upon process.

In making this argument, it is necessary to weave together several ideas, each of which is sufficiently complicated and subtle to merit a paper on its own. Of necessity, many points are insufficiently developed. There are three major sections: (1) formulation of some definitions, focusing mainly upon developing a conceptual understanding of privatization and a positive, generic theory of rural development as a market-driven process of adjustment to Schumpeterian change; (2) an examination of institutions, particularly political institutions, as factors in rural development wherein public choice theory is used to analyze the conditions under which privatization is likely to occur; and (3) a reconciliation of some of the apparent and obvious conflicts in the preceding analysis and an attempt at a general assessment of what can be said, *a priori*, about the relationship between privatization and rural development.

Basic Definitions and Concepts

What is Privatization?

While privatization is often seen in the economics literature as a broad process of reducing the role of government in the day-to-day operations of an economic system (Broadman and Vining; Lipon and Sachs; Sappington and Stiglitz; Shaprio and Willig; World Bank; Vickers and Yarrow 1988 and 1991), the privatization with which we are concerned here is much more mundane. In the United States, privatization is primarily something that takes place at the local or state level. It is associated in the popular mind with contracting with private firms for the delivery of certain services previously delivered by government employees, especially services such as garbage collection and disposal, ambulance services, or even operation of prisons (Fisk, Kiesling, and Muller).

Yet contracting is only one of many ways that governments can arrange for services to be delivered to citizens by private operatives. Vouchers to parents for use in paying for the education of their children is no less a way than contracts to devolve responsibility for delivery of services to private enterprises. Indeed, upon examination, it becomes clear that operational privatization can occur also as a result of the assignments of franchises, sale of assets, deregulation, volunteerism, private donations, or service shedding (State Reorganization Commission:3-4). All of these are instruments for accomplishing what is, in a positivist sense, the same thing: the transfer of operational responsibility for certain social functions from the public to the private sector.

The adjective *operational*, as used in the last sentence of the previous paragraph, is of sufficient importance that it requires particular attention. What is at question in privatization issues is not whether a good or service will be supplied but whether the good or service is provided by government employees, a nonprofit organization, or a profit-seeking firm and whether the good or service is paid from revenues collected by government or by fees, charges, or contributions collected by a nongovernmental entity. Privatization is not about how public policy is made but how public policy is carried out.

Can privatization, so understood, be used effectively as a development strategy for rural communities? That depends upon what rural residents understand development to mean and what they expect rural development to do for them. Considered from the perspective of economics, it also depends upon whether economists understand rural development as a normative or positive concept. The answer to the question need not be the same if rural development is understood normatively, in terms of a set of goals of rural residents, or if it is understood positively, as a process of adjustment to market forces that improves upon global efficiency.

Let me explore the second, more complex understanding first, i.e., the understanding of rural development as a phenomenon of positive economics. That requires that I first sketch out a positivist theory of a rural economy.

Rural Development and Rural Economies

The adjective *rural* has no meaning apart from the adjective *urban.* It is a geographic term referring to all those places that are not, by some measure, urban. Conversely, urban refers to all those places that are not rural. To know what one term means, I must first define the other.

There was a time, not much more than a generation ago, when quibbling over what was rural or urban was of little practical usefulness. Urban places were cities or towns and their built-up environs. Boundaries, even if not so distinct as to be self-evident on the ground, were easily locatable, plus or minus a few miles. Beyond those boundaries, everything else was rural.

But the automobile and interstate highways changed all that. New forms of polycentric cities have come into being that enclose within them significant cells of relatively open country. Residential subdivisions and suburban shopping centers are intermixed with agricultural activities in some parts of the country. What has emerged is the galactic city, a spatially dispersed structure of urban masses held together by a type of mutual socioeconomic gravitation and within which there may be considerably more open space that built-up area (Lewis; Garreau).

What is rural, therefore, is no longer very clear, and this lack of a paradigm of rurality is a major problem hampering our understanding of rural development from a positivist perspective.

Kenneth Deavers has offered a useful starting place for redefining rural. Deavers defines it in terms of observed characteristics of undeniably rural places: they are places with (1) specialized economies, (2) low-density human settlements, and (3) remoteness from large urban centers. But of these characteristics, remoteness is the only one that has a geographic (i.e., a spatial) parameter, and the very concept of rural is one of geography.

Hence, being rural is being (in some sense) remote. Upon closer examination, it will become evident that remote places, by their very nature, are apt to have specialized economies and low-density human settlements. But I will pass over that examination here except to suggest that if one conceives of rural as being, in some degree, remote on a Thunen plain and analyzes the logical consequences thereof, the ordering of what is cause and what is effect in the characteristics observed by Deaver will become rather clear (Hite and Ward).

Being remote is an economic disadvantage. Some rural, albeit remote, places are able to offset this disadvantage because of local resource endowments. But if rural economies are understood generically as remote economies, they suffer under the disadvantage of having to overcome distance both to move products to market and to move purchased inputs and consumer goods into the local economy. The costs of overcoming distance are perhaps less today than once was the case, but they are still greater than zero; and so long as they remain positive, the disadvantages will persist.

Remoteness and Rural Development

Remoteness is not a simple concept. In a developed society, there is no single city, as in the abstract world of Thunen. Rather there is a hierarchical system of cities along the lines described by Christaller, and that system is distorted by features of the physical terrain, local resource endowments, human history, and human politics. Recent work by Krugman (Krugman; Fujita and Krugman) shows that there are many possible urban hierarchies, each corresponding to one of many possible spatial equilibria. Although any of these equilibria can accommodate some jockeying for market advantage by economic actors without giving way, Krugman's work suggests that these equilibria are apt to be quite unstable. Exogenous shocks resulting from new Schumpeterian innovations can dislodge the spatial structure—significantly and dramatically in the early stages of a big new developmental economic wave—transforming urban hierarchies. And each transformation changes the degree of remoteness of a particular rural place.

The result is that the economic spatial environment wherein rural places exist in a capitalist system is in a constant state of flux, necessitating continual adjustments. Yet adjustments to obtain the efficiencies offered by an existing equilibrium is not economic development, at least not economic development of the Schumpeterian theory. Rural development, to the extent it has any positive economic dimension, might be defined as a process of adjustment occasioned by the destruction of an old equilibrium and the need to search for a new equilibrium, a process driven by utility-maximizing individuals, operating or controlling resources within a more or less remote economic environment.

In general terms, economists understand quite well the nature of some of these adjustments. At the firm level, enterprise and input mixes are adjusted in accordance with the principles of marginal analysis. Households respond in accordance with the same principles to adjust consumption and participation in labor markets. These household adjustments may, in fact, involve decisions to relocate to other places, to migrate.

Less well understood are the adjustment processes involving community institutions, including (but not limited to) governments. Yet it is an undeniable fact that institutions adapt to their environments, even if slowly, and that such adaption is as essential to realizing the potentials for material wealth as the adjustments made by firms and households. All the adjustments tend to change the environment for other firms, households, and institutions; and so there are repeated iterations of adjustments, gradually moving toward the new equilibrium that will, itself, be overturned by some future Schumpeterian innovation.

On the basis of what has been described to this point, it is an open question whether the adjustments of firms and households occur most smoothly and expeditiously if government plays a minimal role in the development process. But there are factors inherent in all economies that inhibit adjustments—limited knowledge and bounded rationality, such as described by Simon, and asset fixities such as are well known to production economists (Johnson, Johnson and Quince).

There are reasons to believe that some of these inhibiting factors, especially asset fixity problems, are not independent of location and that they become increasingly bothersome as one moves from less remote to more remote locations (Hite and Ward). Economic actors in remote locations caught in asset fixity traps have incentives to resist changes that reduce the value of their assets and thus to seek to frustrate the development understood in Schumpeterian terms. If they have influence and can use government to serve their ends and thwart development, it is predictable that they will do so. While in principle, government can facilitate development, in practice it is just as apt (and perhaps more so) to frustrate it.

Governments, Public Choice and Privatization

Public Choice Theory Reviewed

Since governments are important institutions, and institutional adjustments (or at least flexibility) are no less essential in response to changing markets than the adjustments of firms and households, it is simply not possible to consider rural development without considering the role of government. Fortunately, the work of Buchanan and the public choice theorists gives us some tools for examining how this set of very important institutions can be expected to respond to adjustment imperatives.

Buchanan dates his *Damascus Road* enlightenment regarding the economic nature of public choice to the discovery of a work by Wicksell chiding economists who in their policy advice assume that governments are benevolent despots (Buchanan 1992:6). Public choice theory rests on the same fundamental assumptions about human behavior as the neoclassical theory of price and the firm: individuals are guided by their self-interest, rationally weighing the benefits and costs at the margin of various courses of action. If the policies and programs of government serve the public interest (however that may be defined), it is not so much because that was the intent of the various actors making choices, but rather a consequence of the rules that constrain choices (Buchanan, 1986).

Because participation in the political arena is not costless, participation is limited to those who expect that the benefits (whether in the form of prestige, self-esteem, material wealth, or any other variable entering individual utility functions) to be derived from participation are greater than the costs of participation. This benefit-cost ratio being different for different persons in different circumstances, some elements of a society, even in a broadly based popular democracy, will have greater incentives to participate and to seek to influence political outcomes than others. The relatively high cost of organizing to influence political outcomes (particularly when the numbers of beneficiaries are large and the benefits diffused) will result in a disproportionate influence on political outcomes being exerted by special interests (Olson).

Among the special interests with sufficient means and incentives to organize to influence political outcomes are asset holders who wish to protect their rents by defending the status quo. Let me call these special interests the *rent-defenders* (Amacher and Ulbrich:849; Wenders).

Opposing them are the *rent-seekers*, special interests that have speculated in a new generation of assets and seek change of the particular sort that favors profitable use of these new assets (Note: there are those who object to the term *rent-seekers*—see Samuels and Mercuro in Collander, 55-70—and different authors have assigned specific definitions to the term that are narrower than the way it is used here). The use of the term here is consistent with the definition offered by Amacher and Ulbrich, i.e., rent-seeking is "the commitment of scarce resources to capture returns created artificially" (Amacher and Ulbrich:G-12).

Those who are rent-defenders in some cases may be rent-seekers in others, and the distinction between the two should not be over emphasized here. Still, political struggles often are the result of the conflicting objectives of these two types of special interests, one favoring maintenance of the status quo, the other seeking change.

In any conflict, the defense has certain, although not decisive advantages, and so it is that rent-defenders have a built-in advantage. There are many aspects of a status quo, not all of equal importance to particular rent-defenders. But the fact that the different aspects of the status quo coexist means that they are not incompatible with one another. There is only one status quo. Hence the rent-defenders are united in defending what exists, a very definite thing. Rent-seekers do not all desire the same future. There are many possible assessments of the future upon which speculation can occur, and not all possible futures are compatible with one another. Hence the specific changes that rent-seekers desire vary across a wide range and sometimes are in conflict with one another.

Maintaining unity within a broad coalition of rent-seekers is not impossible, but it is more difficult than within a coalition of rent-defenders. And in a democratic system, unity matters. Hence, there is an inherent bias within democratic political institutions favoring those interest groups standing on the defensive.

On any specific issue, either the rent-defenders or the rent-seekers may support policies and programs that have the effect of fostering rural development adjustments. But if rural economic development is understood as being different from economic growth, as those two terms are differentiated by Schumpeter and Flammang—if economic development is a process of creative destruction—it requires more than marginal adjustments by government. It requires that government policies reach for a future, not attempt to preserve a past. So, in the main and with exceptions acknowledged, the prospects for rural development ride on the success of rent-seekers.

The presence in the political arena of an influential coalition of rent-seekers is a necessary condition for economic development generally and for rural development understood in positivist terms. Indeed, the politics of rural development are almost solely the politics of rent-defending and rent-seeking. Yet the existence of an influential coalition of rent-seekers is not a sufficient condition for rural development, at least not sufficient if rural development connotes any gain in global efficiency. Rent-seeking can be a zero or even a negative sum game. Hence, while concluding that rent-seeking is a driving force in the development process, one cannot say that rural development depends upon rent-seekers prevailing in every circumstance. To understand why, we must consider rural development from a rent-seeking perspective.

Rural Development as Rent-Seeking Behavior

An alternative way of thinking about rural development is to view it as rent-seeking behavior. That is, holders of rural assets seek to maximize the value of rents arising both from market demand and government policies. They are indifferent to the source of the rents, whether the market or public policies; only the net magnitude of the rents matters. They will follow whatever course of action, either as market or political actors, that they perceive offers the greatest net rents.

So conceived, rural development policy objectives are determined by the expected impact of various political outcomes on the rents accruing to holders of rural assets. The asset holders themselves need not have a rural residence, nor need their asset holdings be exclusively rural. Corporate organizations that include certain rural-situated assets within the totality of what can be large, diversified portfolios might be expected to have sufficient interest in rural development policy to become politically active. So, too, might environmental groups, most of whose members are not rural residents.

Resident asset holders in rural places—farmers, local business and professional persons, local public officials and public employees—cannot assume that the political outcomes that maximize the rents of nonresident asset holders will also maximize their rents. Hence, the rural development policy objectives of asset holders who are also residents of rural places and citizens of rural communities may not be mutually compatible with those of others who also fly the rural development banner in the public choice arena. Indeed, in some cases, the policy objectives of various types of rural residents may not be mutually compatible either. And rent-defenders with fixed or highly specialized assets who are hostile to development understood in Schumpeterian terms may also fly the rural development banner as part of their defensive tactics.

Some of the large private sector corporate entities may possess sufficient motivation and means to achieve desired political outcomes without forming alliances with other partners. Yet even these powerful corporations can gain political leverage by entering coalitions with other rent-seekers who have mutually compatible policy objectives. The rural resident asset holders acting separately are relatively powerless in affecting political outcomes, particularly now that most of the nation's electorate is urban or suburban. Hence, the shape of rural development policy—indeed, the operational political meaning of rural development—is dictated by opportunities to form coalitions of rent-seekers.

It is very hard to argue that such an understanding of rural development is incompatible with rural development politics, as observed. But it is an understanding wherein rural development has no fixed meaning. If rural development has no fixed meaning, privatization may or may not be an effective part of a rural development strategy. Everything depends upon the opportunities for political coalitions of those who seek rents from rural assets.

Coalition Possibilities for Privatization

We need not leave the matter there, however. We can ask what the necessary conditions for coalitions between those who seek rents from rural assets and those who seek rents by privatization are.

It is important to understand that privatization in most U.S. communities represents an experiment with change. Ideologically "conservative" economists may endorse privatization because it harnesses the power of the profit motive in free enterprise. But to holders of fixed or specialized assets in places where it has no tradition, privatization is not a conservative option. Rather it is a radical way to deliver public goods and, as such, disrupts the status quo. Anything that disrupts the status quo is a potential threat to rent-defenders.

It does not necessarily follow that rent-protectors will oppose any efforts at privatization. One can imagine a number of situations wherein some of the special interests that hold the upper hand in political circles might see ways to redeploy existing assets profitably by contracting with government or be moved to (more subtly) use their political influence to funnel contracts toward favored clients. What matters is not whether they can, in fact, use privatization to achieve their rent-defending objectives, but whether some bloc of usual defenders of the status quo believe they can. If so, the champions of privatization could be those who, strategically, defend the status quo but for tactical reasons favor privatization.

Not denying that possibility, I nevertheless discount it heavily. If the defenders of the status quo are shrewd and Machiavellian enough to see possibilities of using privatization as a tactical ploy, they are also likely to be shrewd enough to understand such a ploy carries significant risks. Given experience in successfully using the traditional forms of government, the somewhat unknown risks of experimenting with privatization are sufficient to give pause to rent-defenders who are not in the grips of hubris or desperation. That rent-defenders might possibly favor privatization cannot be ruled out, *a priori*, but it is not an option that clear-eyed rent-defenders are likely to embrace unless driven to do so as a last-ditch tactic.

The energy to achieve privatization is much more likely to be supplied by interest groups that seek policies that will create new rent-yielding arrangements. They include hard-headed business people who have spotted an opportunity but are hampered in realizing its potential by existing government policies. They also include romantic dreamers who have dreamed of a future where they are rich or famous or both and who are willing to experiment with new possibilities that might make those dreams come true. Dreaming alone, of course, is not sufficient, but the dreamers who wake with a fire in their bellies and seek rationally to realize the dream will, in accordance with Buchanan's theory of clubs (Buchanan 1965; Mueller:129-34), eventually become part of a coalition of interest groups, allying themselves with the frustrated business people. If the coalition is adroit in the way it attacks the status quo, it will in time whittle away at the resistances to adjustment.

Under what conditions would one expect to find within the coalition of rent-seeking interest groups a particular interest group desirous of privatization? Recalling again that political participation is not costless, interest groups attempting to influence policy so as to favor privatization will be active only if the existing way that government delivers public goods is so inefficient that some private entrepreneurs see substantial and enticing rents from contracting with government for their delivery. That is, only if there are big savings to be realized from a private sector regime for delivering public goods, will anyone get interested in political outcomes that facilitate privatization.

However, situations wherein such big savings might be possible are not hard to imagine. Technological developments are likely to prove a rich lode of ideas for innovations that increase productivity in the delivery of public goods, and traditional bureaucracies beyond the discipline of the market will have little incentive to change and strong incentives not to. If the institutional structure of the society is particularly rigid after years of accretion (to use one of Olson's terms), government operations are likely to be dreadfully inefficient and the potential savings to the taxpayers from privatization so large as to compel some change or reform, of which privatization is an option that can win approval.

The current popularity of privatization as an abstraction is a sign that the conditions required for privatization interests to ally with other rent-seekers operating under the banner of rural development are emerging in the United States. Dog-eared copies of David Osborne's and Ted Gaebler's book, Reinventing Government are all over the place. Perhaps it is no accident that an admirer of Osborne (the admiration apparently is requited) was elected president of the United States in 1992. It is also no accident that the little magazine *Governing* has achieved a remarkable circulation among the same sort of trendy public administrators and politicians. The ideas, including privatization, examined in these publications are not exactly topics of the nightly television news, but the problems they seek to address are regularly topics on that nightly news. Taxpayer resistance is forcing governments to experiment, even if the experiences are viewed askance by the old guard defending existing rents; and some of these experiments show that under the right conditions privatization can lead to greater efficiency.

Reconciliation and Assessment

Two Understandings, One Reality

I have laid out two very different understandings of what rural development, understood in positivist terms, might mean—the first one rooted in Schumpeterian development theory and neoclassical theory of asset fixity and the second in the new public choice theory of rent-seeking behavior.

Different as they are, however, the two understandings of one reality are reconcilable. With the constitutional order that exists in the United States, rent-seeking behavior is not fundamentally inconsistent with neoclassical theory of adjustment nor with Schumpeter's concept of economic development. Indeed, if the profit motive is what drives Schumpeterian innovation in business and industry, the rent-seeking behavior can be understood as the dynamic that brings about institutional adjustments to Schumpeterian change.

Privatization is one set of possibilities for adjustments in governmental institutions. For political reasons, it is unlikely to be exercised until there are rather large and certain efficiencies to be gained from doing so. The appropriable gains to private economic actors from privatization will have to be sufficiently large to attract the eye of rent-seekers and to cause them to become politically active. Achieving privatization requires a willingness to bear significant transactions costs on the part of the rent-seekers because there are strong incentives for rent-defenders to protect the status quo. Those rent-defenders can summons all the inherent strengths that are conferred upon those who occupy defensive positions and are not apt to be dislodged except by determined, persistent effort.

That means privatization will occur later than might be optimal if the overall objective is to maximize the economic well-being of society, particularly rural society. But if governmental operations are antiquated by increased capabilities of the private sector, there is an internal dynamic within democratic polities leading to their transferal to the private sector. Privatization might not—probably will not—occur as soon as might be desirable or even to the extent that might be desirable if everything fell in place precisely in the manner and time of those economic models where transactions costs are assumed away. But rent-seeking behavior assures that if there are big efficiency payoffs from privatization, it will eventually occur. Institutions operating under a constitutional order such as the United States are likely to evolve (should I say stumble?) in the direction of what is required to maximize (what economists understand as) efficiency.

Assessment

We cannot say, however, that privatization is always consistent with rural development regardless of how rural development might be defined. The two concepts examined here are reconcilable, but that does not mean they are the same. If rural development as rent-seeking behavior is simply one of the processes of rural development seen as adjustment in the face of asset fixity, it is also a cycle sensitive process. Those who might at some date see privatization as a way of augmenting rents will not be much interested in it at other dates when the gains from privatization are less evident.

Privatization, abstractly construed, is always consistent with rural development conceived as an adjustment process toward improvements in efficiency. If privatization occurs, it is an indication (some exceptions noted, as per rent-defenders using privatization as a tactical ploy) that the old ways of delivering services by governments were grossly inefficient and some change was merited on efficiency grounds.

Yet a specific act of privatization may or may not be consistent with a gain in efficiency. Any specific observed act of privatization (and only specific acts have any positivist meaning) connotes only that some rent-seekers (who need not be rural residents) believe they can profit by a more efficient arrangement for delivery of certain services and are able to prevail in the political arena. And since prevailing in the political arena usually requires swapping votes within a coalition, there is a possibility that the efficiency gains from privatization will be swamped by the inefficiencies introduced by the policies which are a necessary, concomitant part of the political bargain. To repeat: substance depends upon process.

All this may seem rather abstract. But for agricultural economists working in rural development research or extension, it has two practical, clinical implications: (1) it is not possible to make any definitive statement about the efficiency implications of any specific privatization without knowing all the costs, including those implicit in the political trades by which it came about, and (2) while considered generically, privatization has allure to economists, there is no clear, unambiguous basis for favoring privatization as a way of achieving rural development if rural development is understood in terms of improvements of general economic efficiency.

This second point has further important implications for research and extension programs in rural development. Because doing so would require departure from the subject of this paper, I will resist the temptation to explore those implications here in any depth. Suffice it to say that users of research and extension programs will probably have little pocketbook motivation to undertake adjustments within the firm or household to achieve greater economic efficiency until they explore the possibilities of using political institutions to defend existing or seek potential rents. If we are consistent in our assumptions about human motivation, we must assume that these users are not as interested in whether privatization is good for their community or their society (two abstractions) as they are in what is good for them. The users of our research and extension products are rent-defenders or rent-seekers, and unless rural development programs in land-grant universities satisfy their needs on rent-defending or rent-seeking terms, there may not be much political support for rural development programs at budget time in the legislative arenas.

References

Amacher, R. C., and H. H. Ulbrich. *Principles of Economics*. 5th ed. Cincinnati, South-Western, 1992.

Boardman, A., and A. Vining. "Ownership and Performance in Competitive Environments: A Comparison of the Performance of Private, Mixed, and State-Owned Enterprises." *J. Law and Econ.* 32(April 1989), 1-33.

Buchanan, J. M. *Better than Plowing and Other Personal Essays*. Chicago, Univ. of Chicago Press, 1992.

Buchanan, J. M. "The Constitution of Economic Policy." *Amer. Econ. Rev.* 77(June 1987), 243-250.

Buchanan, J. M. "An Economic Theory of Clubs." *Economica*. 32(February 1965), 1-14.

Collander, D. C., ed. *Neoclassical Political Economy*. Cambridge, Ballinger, 1984.

Deavers, K. "What is Rural?" *Policy Studies J.* 20(1992), 184-189.

Fisk, D., H. K. Kiesling, and T. Muller. *Private Provision of Public Services: An Overview*. Washington, Urban Institute, 1978.

Flammang, R. A. "Economic Development and Cultural Change: Counterparts or Competitors." *Econ. Growth and Cultural Change* (October 1979), 47-62.

Fujita, M., and P. Krugman. "A Monopolistic Competition Model of Urban Systems and Trade." Unpublished memo, Department of Economics, MIT, Cambridge, July 1992.

Garreau, J. *Edge City: Life on the New Frontier*. New York, Doubleday, 1991.

Hite, J. C., and W. A. Ward. "Asset Fixity and Rural Development: Some Hypotheses and Their Implications." Working paper, Dept. of Agricultural and Applied Economics, Clemson Univ., 1992.

Johnson, G. L. "Supply Function - Some Facts and Notions," in E. O. Heady, H. G. Diesslin, H. R. Jensen, and G. L. Johnson , eds., *Agricultural Adjustment Problems in a Growing Economy.* Ames, Iowa State Univ. Press, 1958.

Johnson, G. L., and C. L. Quance, eds. *The Overproduction Trap in U. S. Agriculture.* Baltimore, Johns Hopkins Univ. Press, 1972.

Krugman, P. *Geography and Trade.* Cambridge, MIT Press, 1991.

Lewis, P. "The Urban Invasion of the Rural Northeast" in *Proceedings of the National Rural Studies Committee*, 1991. Corvallis, Ore., Western Rural Development Center, 1991.

Lipton, D., and J. Sachs. "Creating a Market Economy in Eastern Europe: The Case of Poland." *Brookings Papers on Econ. Activity* 1(1990a), 75-147.

Mueller, D. C. *Public Choice.* Cambridge, Cambridge Univ. Press, 1979.

Olson, M. *The Logic of Collective Action.* Cambridge, Harvard Univ. Press, 1965.

Osborne, D., and T. Gaebler. *Reinventing Government.* Reading, Mass., Addison-Wesley, 1992.

Sappington, D., and J. Stiglitz. "Privatization, Information, and Incentives." *J. of Policy Analysis and Mgt* 6(1987), 567-82.

Schumpeter, J. A. *The Theory of Economic Development.* Trans. by R. Opie. Cambridge, Harvard Univ. Press, 1934.

Shapiro, C., and R. Willig. "Economic Rationales for the Scope of Privatization." Olin Discussion Paper 41, Woodrow Wilson School, Princeton Univ., 1990.

Simon, H. A. *Administrative Behavior.* 2nd. ed. New York, Macmillan, 1961.

State Reorganization Commission. *Privatization: An Alternative Approach to Public Policy Implementation.* Columbia, S.C., South Carolina State Reorganization Commission, 1991.

Vickers, J., and G. Yarrow. *Privatization: An Economic Analysis.* Cambridge, MIT Press, 1988.

Vickers, J., and G. Yarrow. "Economic Perspectives on Privatization." *Economic Persp.* 5-2(Spring 1991), 111-139.

Wenders, J. T. "On Perfect Rent Dissipation." *Amer. Econ. Rev.* (June 1987), 456-459.

World Bank. *Techniques of Privatization of State-Owned Enterprises.* (3 vs.) Technical Papers 88,89,and 90, The Bank, Washington, D.C., 1988.