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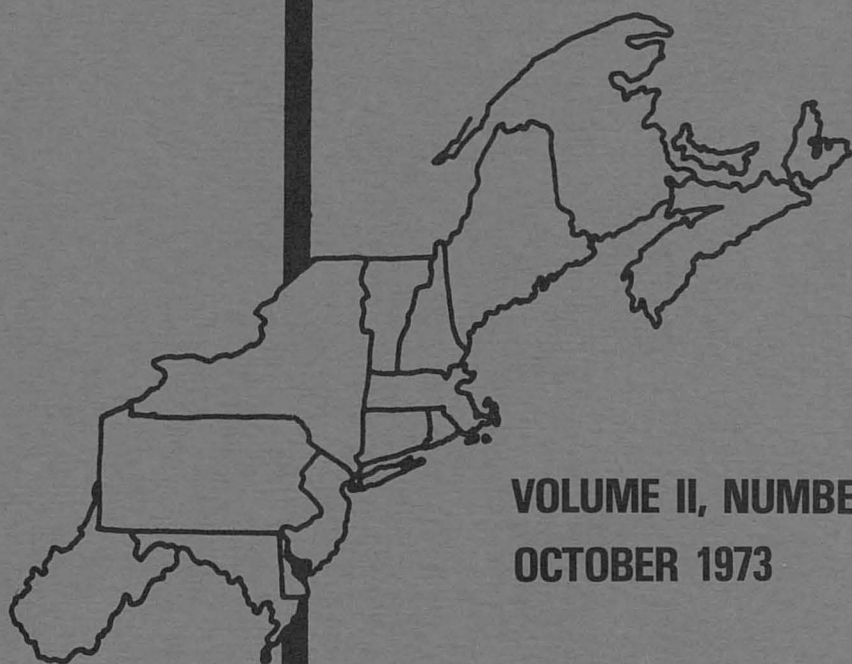
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ON POLICY AND PLANS FOR RURAL ECONOMIC DEVELOPMENT<sup>1/</sup>

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"As a rule, people feel acute concern about the future, beyond the horizon of the present, only when times are out of joint and when the prospect looks menacing. In our generation we are living in one of these times of unusually intense stress and anxiety" Arthur J. Toynebee, Change and Habit. Oxford University Press, 1966.

When I committed myself to prepare this paper, a major objective was to force a learning experience upon myself. I have become amazed at the large volume of verbiage and the somewhat sketchy amount of concrete data. I concluded that this paradoxical situation probably stems from a difficulty in establishing precise dimensions to the facets usually associated with the term rural development. As will be pointed out further in this paper inserting the work "economic" simplifies somewhat the dimension problem but leaves many fuzzy edges, which represents the challenge to we agricultural economists.

This paper, therefore, elaborates the need for clarification, cleaner boundaries, and more specialized efforts by agricultural economists to output more useable data for the end-users and practitioners. Thus the concern with smaller aggregations of people, institutions, or enterprises is dominant here. It will be argued that the focus needs to be sharpened, and the effort expanded in the real world activities of policy formulation and development plans for economic action as these activities bear upon rural economic development. I do not intend to infer that the input is not already significant, but to point out that some very important voids do exist in the spread of things if our goal is a balanced approach to economic development in rural areas.

In the literature of economic development, agreement seems to prevail that economic growth, which as a dynamic process is measured by an

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increase in GNP, usually in a positive relation to population increase. Thus, it measures upward progress. Economic development doesn't enjoy the same unanimity of definition. For most it occurs through continually changing the mix of the factors considered to be basic for attaining certain predetermined goals. It provides an accommodation for the non-economic factors as objectives to acquire at some cost. The whole matter can be simplified, especially insofar as applicable to this paper, if growth is viewed as evidence, and development as the optimum mix of factors combined with well designed and carried out strategies. The strategies consist of the re-allocation of the surplus, or latent resources in rural areas with the objective of increased productivity.

Rural in the Census, and in the Rural Development Act of 1972<sup>2/</sup> is defined in terms of density of population<sup>3/</sup>. Urban, the opposite of rural, is characterized by a more dense population, with city-like characteristics. By this logic, the ultimate of urbanization would be city-regions or city-states. Thus, we can see that much grey territory exists between the two definitions. Certainly the most desired state of affairs is not a dense population for every square mile of territory in the United States. On the other hand, we generally desire the city-like services for the less densely populated areas. Considering the great changes that have taken place in the countryside, residence there but employment in the more densely populated areas has been thought of as a major goal. Another goal is availability of the city-like services and employment in the less densely populated areas.

Rural Development has been a national concern since 1956. In 1960 the name Rural Areas Development was adopted. Now again the national terminology is Rural Development. Even though it is said to be a national concern, the larger society has been concerned more with the social, economic, and political problems of the expanding urban rather than with the declining rural areas. The population shift and continued expansion in urban areas has obscured the problems left behind in the rural towns and countryside. These problems, generally characterized as poverty, lack of amenities and services, scarcity of jobs, inadequate cultural and educational opportunities, and lack of hope in ameliorating them present a tough challenge, which cannot be set aside. So far neither the market place nor governmental action has done much to correct them. The community of agricultural economists is concerned with the problem as more than 125 projects are listed with the Current Research Information System (CRIS)<sup>4/</sup>. We may conclude that the existence of problems in the larger context is known, but as I shall attempt to show, some of the principal undeveloped areas of need provide the framework for much fruitful research.

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<sup>2/</sup> Public Law 92-419, U.S. Congress

<sup>3/</sup> President Nixon has suggested that an area is rural when the population density is less than 100 persons per square mile.

<sup>4/</sup> Maintained by the Cooperative State Research Service, USDA.

Traditionally, the extension and agency workers have been concerned with individual business firms and the manner in which they made decisions. These same agencies are criticized now for failure to accommodate the collective economic and social needs of rural areas. The Extension Service, for example, appears to be shifting more of its emphasis to the social side of the rural society, in contrast to earlier times when it was primarily concerned with the economic side but at the same time, including certain phases of social action. In the first instance Extension was concerned with advising members of the individual family unit. Now it is attempting to be concerned with advising the community, but mostly as a social instead of an economic unit. One reason may be that we have not provided useable information for the extension worker to use in his advisory role to community leaders. In relative terms, those who view the supporting services as essential believe the problems in rural areas have worsened rather than improved over the past two decades. Three alternate solutions are espoused: (1) greater public support for the establishment and improvement of community services; (2) the creation of employment opportunities at many growth points so that most people will live within driving distance of work; and (3) the movement of families closer to growth centers. Most studies deal with one or a variation of these aspects. The over-riding assumption is that the community services are essential to economic growth. The assumptions further postulate that if one or two of the three solutions can be realized the desired economic growth will follow. The logic favorable to accepting the assumptions as fact is very convincing, yet it seems appropriate that the validity be tested further. In the meantime, extension and agency workers, as well as local rural leaders, for program-making purposes will continue to assume that one, or a combination of the three is the proper solution.

## II

Rural development as a separate area of study is without either conceptual or real world boundaries<sup>5/</sup>. Community services, in the usual meaning of rural development, are considered as outputs. In other words, a school, a water system, or an improved road becomes a goal. Therefore, all such outputs on a horizontal scale become equally important to attain. The analyst is then left without a means to compare their relative values

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<sup>5/</sup> As an example note the definition found in the Rural Development Act of 1972. "'Rural development' means the planning, financing, and development of facilities and services in rural areas that contribute to making these areas desirable places in which to live and make private and business investments; the planning, development, and expansion of business and industry in rural areas to provide increased employment and income; the planning, development, conservation, and use of land, water, and other natural resources of rural areas to maintain or enhance the quality of the environment for people and business in rural areas; and processes and procedures that have said objectives as their major purposes."



to the development process, unless he uses the cost of attaining each output at variable qualitative levels, e.g., the best, next best, average, etc. When done the costs become inputs to the development process and value of the output is left to judgment, although I believe that the value of the outputs at different qualitative levels does not need to be always a judgment factor<sup>6/</sup>. By this logic, the value of the services, in the absence of acceptable quantitative values, may be the costs of variable qualitative levels which then become inputs. Thus we have the basis for economic analysis. By using the costs of obtaining the services as value does not eliminate judgment in decision making, but it does provide an improved basis for choice.

Within the concept of rural economic development, the complex mixture of decision makers may be classified into categories, and if needed the categories can be fitted together to form a system. Instead of categories, but not synonymously, we may use sectors. Thus, in analysis we will be concerned with collective decision-making by economic oriented units rather than with individual units. In an economic development structure the decisions of individuals are collectively made as a unit or tacitly as individuals with common interests. For purposes of this paper the categories, or sectors, represent some level of aggregation, which we may call a LOA. To sort out and classify the LOAs, to recognize them as the policy formulators and planners, and to suggest economic actions for them is a fruitful field to be plowed and cultivated.

Since we will be concerned with inputs and outputs, macro from the standpoint of the balanced system for economic growth, and micro from the standpoint of the LOAs within a system; and since inputs and outputs are the primary concerns of decision making units, the work of agricultural economics in rural economic development, therefore, must be decision oriented. The macro approach assumes the area chosen as a LOA can be handled by input-output analysis. The micro approach assumes that the total cost of the various services at variable qualitative levels will be an optimum combination of inputs to a desired total value product for the LOA.

If we are successful in providing such analyses, then the local decision makers will have a basis, even though it is far from precise and perfect, for more intelligent decisions. Parenthetically, those who view the adequacy of the services to a LOA as essential are frequently influenced more by the physical features than the qualitative aspects. Education for example, tends to be viewed from the standpoint of physical facilities in contrast to the quality of product produced. Such measures are easier to

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<sup>6/</sup> With the advent of further studies a market value for a service can be determined with a workable degree of accuracy. For example, how much a community will pay for running water would be a market value. The problem arises in determining value when the community has no experience to ascertain it. If it cannot afford what it would pay, then this is a separate problem.

handle. Also one notes in the cost and returns balance sheet for rural areas that no values are assigned to benefits such as less crime, lower pollution, lower taxes, and other intangible assets. In spite of the inherent difficulties of analysis, efforts are fully justifiable to develop data and suggest types of economic actions to replace the "either-or" concepts, and at the same time provide some basis for choice among alternatives.

Input-output analysis for a community LOA is perhaps the first step to be taken in carrying out an economic analysis. It will reflect direction and relative values for the various components of the system. The accounts developed in establishing an input-output table will force consideration of the interdependent features of the economic system.

One might raise the question as to whether rural economic development is a system, the answer to which seems necessary as a prerequisite to analysis. To be complete, the total economic system (national or international) should be included instead of only a segment. But this is hardly possible for most of us. However, we may handle a segment of the total rural economy, as a region, or a community, or a project, or a plan. As indicated earlier, these are called levels of aggregation (LOA).

Within any of these LOAs the basis exists for aggregating inputs necessary to accomplish the task of finding the steps to economic development. Thus, rural economic development may be considered as a system within which some combination of economic activities is set in motion according to predetermined strategies for the purpose of increasing income and improving its distribution. To do so requires action on the front lines of policy, plans, and programs. Policy which establishes direction and provides guidance to present and future decisions, would be concerned with capital, finance, taxes, production incentives, regulations, market-support, and other similar broad-based, umbrella-type needs. A plan is a course of action laid out in advance; it includes the design, arrangement, priorities, and inter-relationships between the economic actions aimed at increasing productivity and income. A program is a schedule of planned actions to attain a desired goal; it assigns roles and responsibilities to individuals, groups and organizations.

As generally recognized by university leaders, research and teaching must become more adaptable to the real world situation. Many of our scholarly colleagues degrade the applied and practical research. Yet it was the need for applied research and its adaptation to practical situations that resulted in the establishment of the Land Grant College. Furthermore, its success has motivated nations all over the world to establish similar institutions. In establishing the Land Grant College the client for the product, without question was the farmer, and his relationships to the market for this product. As agricultural economists continue to expand their research in rural economic development, one might ask "who is to be the client?"

The answer seems easy enough - the user of the results or the decision makers. In more specific terms, the clients are the decision-making bodies



with and without legal authority, the LOAs. They may also be the individuals in the LOA with a common purpose. In between the researcher and the end-user are the practitioners. These are the hired hands, so to speak. They interpret, advise, and motivate action by the decision makers. While the practitioners may be the principal users they are not the end-users. We have much work to do to put our findings into shape for interpretation by the practitioners.

Much good work has been done on economic development in rural areas of developing countries. Most of the work centers on agricultural development, but the factors affecting its success have great similarity to the factors for success, or the lack of it, in rural areas of the United States. From these studies we have much to learn for application to the rural oriented economies of the United States<sup>7/</sup>.

### III

#### Formulating Policy

The legal vestments, the span of control, and the nature of the response determines the relative importance of policies. Among our colleagues in agricultural economics too few actively point their research, or participate directly in policy formulation for rural areas.

If we conclude that more definitive work in policy formulation is not in the framework of agricultural economics then we are at the same time, (1) agreeing that the influential groups (power centers) that carry out research, will do so to maximize their position, or (2) policies will be made in ignorance or based upon opinion, or according to the dominant voice, or upon limited observations.

A clear-cut policy for rural economic development does not come through in the Rural Development Act of 1972. In the Agricultural Act of 1970, stated in motherhood and flag terms, rural areas are recognized as

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7/ Earl M. Kulp. Rural Development Planning: Systems Analysis and Working Method. Praeger Publishers, 664 pp. 1970: H. Southworth and B. Johnston. Agricultural Development and Economic Growth. Cornell University Press, 1967: J. P. Gittinger. The Literature of Agricultural Planning. National Planning Association, 1966: T. Shultz. Transforming Traditional Agriculture. Yale University Press, 1964: A. Mosher. Getting Agriculture Moving. Praeger Publishers, 1966: J. P. Gittinger. Planning for Agriculture Development: The Iranian Experience. National Planning Association, 1965: J. Mellor. The Economics of Agriculture Development. Cornell University Press, 1966, and a significant number of country studies reported in book form.



needing revitalization and development<sup>8/</sup>. The fact that rural development is a national concern is freely espoused. A set of clear cut policies is needed if an integrated program of economic action is to be mounted in rural areas. In addressing the Senate to explain the various sections of the Act, Senator Talmadge states the purpose<sup>9/</sup>, which is to encourage and speed up economic growth, provide jobs and income, improve the quality of rural life, and to do so on a self earned and self sustaining basis. If worded in policy-style language, incorporated in the Act and with proper support it could be national policy. The various sections of the Act are presumed to support such a purpose.

Different persons in influential positions have made suggestions for a national rural economic development policy. For example, a president<sup>10/</sup> of a Land Grant College would greatly expand the research technology, and advisory services, as applied to agriculture production. A governor of a rural State<sup>11/</sup>, and one from a large rural-urban State<sup>12/</sup>, would have a population distribution policy through apportionment of job opportunities to rural areas in order to bring about a rural-urban balance. A National Advisory Commission<sup>13/</sup> would develop new towns and communities. A governor of a southern State<sup>14/</sup> would establish a national policy for resource use and development which would promote a balance of economic opportunity between urban and rural areas.

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8/ "The Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prosperity, and welfare of our citizens that the highest priority must be given to the revitalization and development of rural areas." Taken from the Agricultural Act of 1970. Table IX - Rural Development.

9/ The Rural Development Act of 1972. Analysis and Explanation, Public Law 920119 passed the Senate on August 17, 1972. U.S. Government Printing Office, p. 44.

10/ D. B. Varner, President, University of Nebraska, in Committee on Agriculture and Forestry. Committee Print, Rural Development, May 31, 1972, p. 403.

11/ William L. Guy, Governor, North Dakota, Ibid., p. 409.

12/ Richard B. Ogilvie, Governor, Illinois, Ibid., p. 413.

13/ Advisory Commission on Intergovernmental Relations. Urban and Rural America: Policies for Future Growth. April, 1968.

14/ George C. Wallace, Governor, Alabama, in Committee on Agriculture and Forestry, op. cit., p. 418.

A discouraging omission in the Act is its failure to address itself to the development of a viable economic core for rural areas. It does fortify the existing institutional structure with funds and new authorities. Its objective of providing funds for expansion of community services obviously stems from the general assumption that urban amenities need to be extended to the countryside. Once done, the Act assumes the right pieces will fall in place, and rural development will occur.

It would be unfair to say that what the Act intended to provide is not good, except there is no provision to determine the economic value of the proposed expenditures for a particular LOA. The Act would have been significantly strengthened if: (a) The development phenomenon, by which there is a logical sequence of events, would have been recognized as the way development occurs. The requirement that a development plan be developed should have required integrated actions, evaluations, and a timing sequence (Sec. III). Also valuable would be a required economic analysis with development events scheduled for short, intermediate, and long run realization, and recognition that success is most assured if the development plan is based upon emerging trends. (b) Missing is recognition of a need for developing new, or using the existing local rural structures (institutions) with authority to act. These may already exist in the regional councils, county and city commissioners, agency representatives, and committees. The Act does stress coordination between agencies and organizations (Sec. 603), which while difficult is most clearly needed to reduce, and perhaps eliminate, the institutional conflicts.

Criticizing the Rural Development Act of 1972 may be the same as recognizing the federal government as the most potent force affecting rural affairs. Probably this is true. To the extent that it is true, emphasizes the need for greater strength in policy making at the state, local, and regional levels.

In contrast to the rural leadership, urban-oriented leaders have been effective in institution building and policy-making activities. They have been able to develop and, for the most part, sell the urban package. Their success is due in part to the legitimacy of the substance in their efforts, e.g., specifics as to what should be contained in policies and plans. National organizations like the Advisory Commission for Intergovernmental Relations, or the National Service to Regional Councils, and the Urban Institute have hammered out policies which they espouse and which assume that the final objective in rural-urban relations is urbanization. There is much evidence to support the objective, which we may assume means to bring the urban services and arrangements to all residents, or the residents to the services<sup>15/</sup>.

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<sup>15/</sup> For examples of recommended policies see: Advisory Commission for Intergovernmental Relations. Urban and Rural America: Policies for Future Growth. Washington, D.C. April, 1968. See Chapter VI, pp. 123-172.



In this sense rural is an outmoded term which it may be in time.

A review of research completed and in progress by agricultural economists illustrates only minimal efforts to: (a) attack the policy questions, or (b) to interpret their research results in terms of alternative policies, or (c) to recognize that there is a policy making audience which would utilize the findings.

The policy-making process needs more feedback about the structure of rural problems, more elaboration of goals, more search for alternatives, more development of rational components of policy, more systematic evaluation and more suggestions for redesigning policies and more longrange thinking.

#### Rural Economic Development Plans

An economic development plan may be visualized as a document which describes an organized network of economic actions, geared to established policies, to be implemented in some sequence in future time. As a general rule it specifies roles, priorities, and responsibilities. A plan includes in one document many dimensions for the purpose of interrelating them at some level of aggregation (LOA). Of particular significance to the development plan for the LOA are: the dimensions of the various needed supporting services with costs and expected returns, e.g., roads, schools, hospitals, water systems, etc.; the organizational heirarchy, e.g., public and private; and the time sequence for actions. The preferred plan is one set up in tabular form because the documentation will force concreteness and quantification. Thus, a minimum of narrative text will be required. Done in this manner the development plan may be easily evaluated and revised.

A development plan for either economic or social purposes prepared by some combination, singly or together, of federal, state, or local agencies responsible for action programs in the same LOA probably will be doomed before it is developed for the obvious reason that such a plan will maximize the use of the resources of the agencies. There is no intention here to be harsh, but to recognize that every agency and organization functions within a given charter. It acts to fulfill its designated purpose. Conceptually, an agency, an organization, or a combination could possess the proper set of credentials in order to elaborate a best development plan. Experience so far has not produced it. If the plan is prepared, with advisory assistance from experts, by those whose interests lie in earning a living within the chosen LOA, the main features of the plan will then establish protection and development of the vested interests. If the plan is prepared by a consulting firm, most likely it will be expressed in land surface layouts and arrangements to provide physical facilities and by planners with training to arrange urban areas. As can be observed, to identify the ideal group for the act of development planning is difficult, and almost impossible for the economic development of rural areas.

A development plan for a LOA could be skipped if the correct and enabling policies were in force. Were this situation true those units affected would react and adjust, thus eliminating a continuing adjustment in the development plan to keep pace with the changes made by the decision makers. One is left with the conclusion that concentration by agricultural economists on policy-formulation is more productive. The argument make sense that a complex of "good" policies with supporting goals is the preferred method for stimulating rural economic development.

Nevertheless, one must agree that elaborating the plan is a useful exercise, as it forces consideration of the alternatives and the operative forces. As such it provides feedback to those responsible for policy decisions, and provides a basis for program and project development. Also, it is an informational source and an educational tool for the decision makers.

The act of planning must begin with a set of assumptions supported by established goals. The assumptions may be either established policies, or policies established by the control group within the LOA. This logic leads to the conclusion that without acceptable policies the act of planning has limited value. This is not new information, but it is often overlooked.

Therefore, once understanding its place and value, we may proceed to discuss the needed materials from agricultural economists for a LOA development plan. With policies as the framework, and the affected decision makers as the actors, an advisor becomes essential to the LOA as a resource for providing or obtaining information. The advisor and the planning group should have coefficients, cost and return data, feasibility studies, understanding of systems and sub-systems, the nature of interdependency within and between LOAs, comparative studies and perhaps other specialized information. They will also need models which do not need to be mathematical, to serve as guides. The models may be management types which would follow the CPM (Critical Path Method) or the PERT (Program Evaluation and Review Technique) or the LOB (Line of Balance)<sup>16/</sup>. Also they may be tabular which is a preferred method or graphic. Within these the mission can be defined, the heirarchy of objectives identified, and costs and effectiveness determined, and if necessary a process developed similar to the PPBS (Planning-Programming-Budgeting System) as followed by the federal government in analyzing federal projects.

Up to this point, the discussion of policy and plans has avoided discussion of the control dimensions. Obviously if the policies are to be implemented some means of enforcement must be present. The fear of enforcement has caused the high record of failure in adoption of city and county plans. Probably the record of failure will continue for an undetermined period in the future. There are many reasons for the

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<sup>16/</sup> Kulp, op. cit.



failure, which hardly need repeating here. Nevertheless, the failures, and more particularly, some of the reasons, provide ample evidence for more active concern for planning data beamed to economic development in rural areas.

IV

In conclusion, this paper, in addition to being of considerable value to me is intended to stress three points. In event they have been missed they are: 1) the term "economic" provides what agricultural economists need to deal analytically with the problems of development in rural areas; 2) more research activity in the applied and the practical is needed by the LOAs for policy, plans, and programs; and 3) the tools of economics seem to be adequate at this state of knowledge about economic development.

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