8722

IG CHALLENGES FOR EXTENSION IN THE 1990s*

G. Edward Schuh**

1990

Twenty minutes doesn't give one much time to discuss the emerging challenges for extension, so let me not spend much time developing an elaborate introduction. To emphasize the importance of what is to follow, let me note the following: (1) the world of the next decade, and the problems it poses, will be very different from that of the last decade; (2) that different world will require that extension specialists have quite different skills than those which have served them so well in the past; and (3) it will also require that they develop new constituencies if they want to remain effective agents for change in society and attract the resources they need for their programs.

Agricultural Extension - 24

I want to discuss six issues with you: (1) the consequences of the increased openness of our economy; (2) a world of segmented economic and political integration; (3) the changing nature of international competition; (4) environmental and sustainability issues; (5) broadening our reach; and (6) the growing importance of public affairs.

---

* Presented at AAEA Extension Conference, "Challenges for Extension Economists in the 1990s", The University of British Columbia, Vancouver, August 4, 1990.

** Dean, Humphrey Institute of Public Affairs, University of Minnesota, Minneapolis.

Consequences of an Increasingly Open Economy

Global international trade has grown at a faster rate than global GNP in every year except for five since the end of World War II. The popular way to refer to that disparity in growth rates is to say that national economies of the world have become increasingly dependent on trade. A more useful way to think about it, however, is to say that our economies have become more open - more open to economic forces from the international economy.

This increased openness due to the growth in international trade has been augmented by the emergence of a huge, well-integrated international capital market. The financial flows in this market now swamp international trade flows by a factor of about twenty, and connect national economies in ways that are every bit as important as international trade. Moreover, they link national economic policies together in ways they have not been linked since the days of the gold standard.

An important feature of increasingly open economies is that they are increasingly beyond the reach of national economic policies as we have known them in the past. This lack of effectiveness of national economic policies is a growing source of frustration with, and burgeoning budget costs for, policies and programs such as our commodity programs.

Two things occur with policy making and implementation when economies become more open. First, some part of policy making and implementation shifts upward to the international level and becomes embedded in international arrangements such as the Canada - United States Free Trade Agreement, and in the codes, rules and disciplines of international institutions such as the General Agreement on Tariffs and Trade. Second, another part of it shifts downward to the state and local level. This is what I refer to as the bifurcation of economic policy.

Both of these processes have proceeded quite rapidly both here and abroad. Both processes also pose major challenges to extension and what we do in our educational programs. We now need to acquire and diffuse much more knowledge on international institutions and their impact on the U.S. economy. Equally, if not more important, we need to do a great deal more at the state and local levels of government. This latter point illustrates, and emphasizes, the extent to which developments in the international economy have program implications at the local level.

The nature of policy also changes when it shifts in these two directions. That part which shifts upward to the international level tends to be imbedded in rules and codes which take away a lot of the discretion of policy makers. The part that shifts down to the state and local level shifts in emphasis

from product markets to focus more directly on factor markets, resource endowments and resource problems, and income problems. In either case, our extension agenda needs to change dramatically if we are to respond effectively to these changes in nature of economic policy, to the changes in where the policy is made, and to changes in where it is implemented.

A World of Segmented Economic and Political Integration

These shifts in where economic policy is made and implemented are reflected in important developments in the international economy that seem to be poorly understood by policy makers and lay people alike. One important example is the Canada-United States Free Trade Agreement, which is the consequence of economic policy-making and implementation shifting up to the international level and becoming imbedded in rules and codes for international behavior. Another is the upcoming EC-92, in which all barriers to trade and resource mobility among member states of the European Community will be eliminated by the year 1992. Still another is the apparent breakdown of the Soviet empire, which is a case of national policy and implementation shifting downward to the "state" and local level. Thus a duality emerges on the international scene that is a combination of new initiatives for economic integration, on the one hand, and economic disintegration on the other.

I expect these processes to proceed at a rapid rate in the next decade. Mexico will probably join the United States and Canada in a North American Common Market. The Soviet Union will probably continue to disintegrate, with perhaps many of the emerging nation states eventually joining the EC, thus creating an enormous economic and political entity. The implications of this for the United States and its economic interest groups will be quite great. Japan will probably create its own set of economically integrated countries in Asia. And who knows what will happen in the rest of the world.

These developments create an enormously different international economic and political world than we have known in the past. The implications for extension programs dealing with international trade issues will be enormous. For example, the world is already rapidly shifting away from a dollar standard to three currency blocs based on the German Deutschmark, the Japanese yen, and the U.S. dollar. The challenge of keeping up with developments such as these and with what they mean will be great. The relative economic position of the United States in the international economy has already changed dramatically as its share of global GNP has declined from 50 percent in the immediate post World War II era to about 26 percent now. Its relative economic position can be expected to continue to change in the future.

The Changing Nature of International Competition

The changes discussed above already imply that the nature of international competition will change significantly in the future. We will face economic and political blocs with significantly enhanced power, at the same time that important parts of policy making and implementation decentralize and shift downward. This will be a far more complex international economy to deal with than we have had in the past. How to educate and inform our various constituencies on these issues will be a major challenge.

But there are still other important changes emerging on the international scene. For example, the international debt problem is forcing the developing countries to reduce or eliminate the discrimination against their agriculture by means of overvalued currencies, explicit export taxes, and embargoes and other limitations on exports. These countries can be expected to become more competitive in international markets and to pose major challenges to our domestic producers. Moreover, the monetary and fiscal policies of those countries will be as important in determining how competitive they are as their direct trade policies.

In addition, as the developing countries reform their agricultural and other economic policies, they can be expected to

experience significant economic recovery. Few people seem to recognize the extent to which these countries have experienced economic stagnation and decline during the 1980s. That is one reason why the markets for our exports have been so weak. Few also seem to recognize the potential these countries have for strong and rapid economic recovery. My own judgement is that we will witness a period of economic growth in these countries comparable in the decade ahead to what they experienced in the 1980s. That growth may be unprecedented in historical terms. For the first time in history the billions of people in the developed countries may be empowered with economic growth like that already experienced in the industrialized West. The implications for the United States and other developed countries will be great. Among other things, our markets in those countries may expand rapidly.

Developments in the centrally planned countries will also be significant. In this case I expect what will happen in the Soviet Union and Eastern Europe will be quite different from what happens in China. The Soviet Union and some of the Eastern European countries were once a bread basket for the world, with significant net exports of food and agricultural commodities. Socialist policies destroyed the agriculture of these countries. However, decentralization and reform of food and agricultural policies can shift these countries from being the net importers they have become these past twenty years to once again becoming

net exporters. If China, on the other hand, should continue and extend its economic reforms, it could become a major importer of food and agricultural products because, barring a miracle of some kind, it will be almost impossible for Chinese agriculture to respond to the rising demand for food major reforms will bring about.

In summary, we are likely to see significant growth in agricultural trade in the decade ahead, increased specialization in production on the international scene, and enormous shifts in trade patterns. At the same time that U.S. producers are experiencing increased competition from some quarters, they will also benefit from growing opportunities from others.

Environmental and Sustainability Issues

In the past there has been a tendency for environmental issues to cycle on and off the agenda of the body politic. That cycling is not likely to be a feature of the future, however, even though other issues may claim high priority for some periods of time. Many of the environmental issues now on our agenda are generically different from those of the past. Global warming and clorofluoro-carbons are international issues. We may eventually see agreement on international codes and disciplines national governments will have to adhere to as a means of dealing with these problems.

But the continued rapid growth of the world's population is also forcing environmental and sustainability issues onto our agenda. Pollution of underground water supplies, and of our lakes, streams, and rivers will become increasingly important issues. In the developing countries, soil erosion will become increasingly important, and also an international issue. Contrary to the popular view, I do not believe the world food problem is solved. To the contrary, we seem to be slumbering complacently through the build-up to a serious world food problem. The emergence of this problem in the next decade will move issues of sustainability and preservation of our environment much higher on our agenda.

Broadening our Reach

If extension specialists continue to limit themselves to the production side of agriculture, with some modest attention to rural development, their future place in the world will be significantly more modest than it has been in the past. The future demand for extension programs for production agriculture can be expected to decline. Giving more attention to problems of rural development is not likely to make up for that reduction in demand, even if rural constituencies manage to muster the political clout to obtain expanded rural development programs.

There is a potential growth in demand for extension services in the decade ahead, however. For example, the demand for extension and technology transfer services from the nonfarm sectors of the economy is likely to grow as we move into a more competitive global economy that affects an ever larger share of our economy. Large firms in the nonfarm sector seem to be adopting new technology at a rapid rate and need no special public programs. However, small nonfarm firms do significantly less well in adopting new technology. A strong case can be made for public extension programs that reach such constituencies. In addition, citizens generally need more educational programs beyond formal schooling to help them keep up with their dramatically changing world.

Extension services face two serious problems in reallocating their resources to these emerging markets. The first is the lack of skills among current extension staff to respond to these needs. The second is the difficulties traditional extension and faculty face in generating a response from the expertise on the nonagricultural side of our public universities. Land Grant universities, for example, have lost much of their sense of mission and faculty no longer feel they have a responsibility to engage in outreach programs. Thus tapping into the capability of these faculties is not an easy task, nor is this attitude likely to change in the near future unless we see major reforms in our Land Grant universities.

Public Affairs

Our citizens face an ever larger number of conundrums in their daily life. For example, they are bombarded almost daily with media stories about animal rights and witness frequent demonstrations on behalf of the animals. They are exposed to confusing and contradictory stories about the lack of safety of their food supplies and about what food they should and should not eat. They read about "definitive" but contradictory perspectives on the global warming issue. They hear self-righteous stories about what the Brazilians are doing to them as they deforest the Amazon, yet ignore the fact that this country with its automobiles and industrialization is a major contributor to the supplies of carbon dioxide in the atmosphere. The potential for education programs on these important public affairs programs is obviously quite great.

More generally, the economic literacy of our citizenry is woefully inadequate. They know very little about the international institutions that will play an increasingly important role in their lives in the future. Their state of knowledge about trade and exchange rate issues is about zero. Neither they nor policy makers seem to realize that with a flexible exchange rate system domestic problems can no longer be dumped abroad. Protectionist measures only induce realignments in the relative values of national currencies, thus spreading the

problem around the economy but not shifting it abroad. Nor does our private sector seem to realize that voluntary export agreements such as this nation negotiated with the Japanese automobile makers only assures that those companies will reap even larger profits and domestic consumers will be made worse off.

The potential demand for extension programs and materials which address these important issues of public affairs is quite great. However, extension services will have to organize themselves differently if they expect to respond to this potential demand in a sensible and effective way.

Concluding Comments

As these brief comments suggest, the world of the next decade will be significantly different than that of the past. The need to reorganize themselves and to develop new programs that respond to the needs of our citizenry are some of the challenges the extension services of the future face.

Another set of issues may have an important bearing on this problem, moreover, those who respond to these obvious new challenges by saying there is no demand for programs in these areas are abdicating their leadership responsibilities and cheating both themselves and their public. Obviously, new constituencies and audiences need to be identified and developed.

But since when did extension specialists shirk from that responsibility? The skills needed if effective extension programs along the above lines are to be developed will be quite different than those now possessed by the bulk of our extension specialists. A massive retraining program and restaffing is needed if extension services are to address the agenda of the future in an effective way. The budget costs of such renovation will be great, as will be the stress on our systems. But surely we are up to these challenges, and surely we will reach the end of the 1990s with more effective programs and a more positive mien about our future.