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DISCUSSION: WATER RESOURCES MANAGEMENT: POLICY ECONOMICS FOR AN ERA OF TRANSITIONS

Robert N. Shulstad

Dr. Shabman has chosen to pass on the opportunity to identify the critical policy issues to be confronted in the 1980's and instead chose to address the art of policy analysis and the strategy for political acceptance. He has done an excellent job of providing a historical overview of water resource policy and points to exciting times ahead for those economists who are effective in designing water policy research and in offering policy advice.

Shabman begins by questioning the validity of applying the rational-analytical decision model to government action. In the rational decision model, economists are looked to for analytical expertise and provision of information as to the impacts of alternative actions. In providing these services economists have developed methods for valuing non-market goods, developed new approaches for marginal cost pricing, and attempted to create markets or quasi markets to increase the efficiency of government actions. However, Shabman argues that the result of this type of activity has been to provide policy advice which has fallen on deaf ears.

To correct our approach, Shabman offers an alternative mode of operation. He calls on policy economists to adopt a new approach to defining policy research problems and to become more attuned to the need for political strategy in offering policy advice. He discards the traditional rational decision model, states that objectivity in policy research and advising is impossible and provides what he terms "the institutional model of the policy process" for us to accept and adapt our contributions to this process.

Public choice is based upon the process of incremental politics rather than the rational decision model. Choices are made within a very narrowly defined set of institutional constraints which will probably be changing over time. Shabman seems to accept and proclaim Wildavsky's and Lindbloom's definition of choice making as seeking incremental movement away from problems, rather than striving to achieve some prespecified goal, i.e. that decisions aren't made, they just happen.

Based on this concept of incremental choice, the role of the economist in policy analysis is to: (1) expand the range of choices to be considered as deviations from the existing situation and (2) provide advice to decisionmakers as to how the concepts of opportunity cost, marginalism, and incentives may be applied to the current situation.

I have no problem with these roles; however, in my mind they are equally applicable to either the rational decision approach or the incremental approach--only the range of alternatives considered would differentiate the two.

Shabman goes on to address the importance of what he terms the "ideological overtones" of the application of these concepts and he seems to argue that if policy economists are to be effective, they must not only recognize the ideological perspective of the decisionmakers they are dealing with, but they must also recognize their own ideological bias and somehow reconcile the two.

Shabman provides a history of water policy from the days of Theodore Roosevelt and his resource conservation philosophy through the New Deal agencies of Franklin Roosevelt and the environmental movement of the 1960's and 1970's. The changes in ideologies which have occurred over time and the impact which these ideologies have had on the effectiveness and the discretionary power of government agencies are emphasized.

In today's world Shabman argues, and I agree, that there are no ideologically neutral policy prescriptions. Economists, if they are to be effective, must recognize the ideology implicit in their science. Expert advice from economists or other specialists is not accepted without questions (I'm not sure that it ever was—even

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Robert N. Shulstad is Professor and Head, Department of Agricultural Economics and Rural Sociology, University of Arkansas.

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in the New Deal agencies). There is a recognition that advice is not value neutral. Shabman goes on to argue that to the extent that the implicit value judgment of the economist is inconsistent with the ideology of the decisionmaking group, the economist will not be effective. While the economist's effectiveness may be somewhat slowed by a conflict of values, I do not believe it will be stopped.

Shabman recognizes two roles for the economist to play in today's policy analysis. First, to isolate the aspects of the policy which can be addressed by the analytic tools of economics, and second, to develop a political strategy for policy advising with the goal of redefining policy problems to make them amenable to the perspectives and analytical tools of the economist.

In order to isolate the economic issues of a policy problem, Shabman argues that we must be aware of the multiple dimensions of the problem, its institutional setting and its history. He argues that the acceptable policy alternative will be that one, or one of that set, that is consistent with the ideology of the day.

Thus, Shabman is arguing that to be effective you must either possess the ideology of the decisionmaking group or convert them to accepting the ideology implicit in your economic policy prescriptions. If these are the only alternatives, it will be truly unfortunate. For I suspect that too many economists wishing to be influential may accept the first alternative—to appear to possess the "in vogue" ideology rather than go through the trouble of converting the decisionmaker.

Dr. Glenn Johnson, in both his 1971 Fellows address to the AAEA and his 1976 address to the International Conference of Agricultural Economists, discussed the contribution which economists can make to agricultural policy. He emphasized that great philosophic flexibility is required of economists participating in problem-solving exercises. In this regard, I believe he was speaking of the need for economists to be open to receiving both positive and normative information, not that we must embrace the ideology behind the normative information.

We must be sensitive to the information obtainable from direct interaction with decisionmakers, executors of decision, and people affected by the decisions. The economist then analyzes this and other information through the economic logic process and provides policy prescriptions.

I agree with Shabman that a common ideology may contribute to a smoother exchange of information with decisionmaking groups. However, I do not agree that commonality of ideology is essential to effective policy research.

Shabman calls for broadening the curricula and training of students to include history, political science, and other disciplines so that later, as policy analysts, they will recognize the ideological surroundings of the problems of water development. Once the ideology is recognized, consistency with that ideology will be required for effective policy research.

My greatest difficulty with this paper is that it appears to beg the question of professional credibility though I recognize that this is not the intent of Dr. Shabman. The easiest route to consistency in ideologies would be for the individual researcher to adjust to the decisionmaking group rather than try to convert the decisionmaking group to the implicit ideology of alternative economic solutions. However, as Abner Womack noted in his invited paper to these meetings, it is our job, as scientists, to teach what we know—not what the client will favor. We cannot selectively provide just information in order to receive acceptance by special interest groups or politicians.

The basic economic issue will not be affected by the ideology of the day. The efficiency and equity arguments will be the same. The long-run credibility of the discipline should not be endangered in order to achieve short-term acceptance and temporary influence.

While economic concepts have been slow to find acceptance in policy formation, they are beginning to appear in court decisions and congressional statements. As a profession, we must recognize the value judgments implicit in our argument. We must recognize their consistency or inconsistency with alternative political groups. But, we must guard against the temptation to sugarcoat our medicine in order to gain temporary acceptance by the decisionmaker.

I was looking for Dr. Shabman to provide a directory of the emerging water issues of the 80's; however, he chose not to do this. I would like to mention just one issue which I feel will be a major opportunity for agricultural economists.

Water law and the economic allocation of water within most of our southern district has been restricted because of the lack of definable and enforceable property rights. The location and quantity of ground water was not discernable, thus allocation of rights was not practical. Technological advances in computer modeling are rapidly providing a means of defining the location and quantity of ground water deposits, the impacts of alternative withdrawal rates on those waters and the potential impacts on other water users across both space and time. To the extent that policymakers believe in the accuracy of this technology, there will emerge the potential for enforceable property rights and, with that, the potential for markets. The agricultural

economist concerned with water allocation will be called upon to evaluate alternative allocation procedures. We will return to our area of established expertise and I anticipate an increased demand for our services.

Alternative laws, permitting systems and pumping strategies will be introduced and evaluated. The traditional role of the resource economist will again be required. While we must be aware of our inherent ideology, we will be fully occupied applying the basic tools of our trade; the time is rapidly arriving when our economic analysis, our craft, will be well received.

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