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THE FEDERAL ROLE IN SMALL AREA PLANNING

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INTRODUCTION

Water resource planning is accomplished at several levels—individual projects and small watersheds, sub-basins, regional framework plans, and finally, national planning at the Water Resource Council and congressional committee levels, in ascending geographic scope. All planning efforts are in some measure guided by the statement in Senate Document 97 that, "All viewpoints (national, regional, state and local) shall be fully considered and taken into account in planning resource use and development" [1]. However, the consideration of various viewpoints does not necessarily make them compatible. A plan once formulated favors a particular point of view over others. The local point of view generally carries more weight than the national point of view because: (1) more projects can be justified on the basis of their net value to local interests rather than the public at large, and (2) the local economic effects of a project are more readily identifiable and more easily analyzed than are the net national effects.

Although the local viewpoint is the one most often emphasized, projects are nearly always justified on the basis of national benefits regardless of the mix of local and national benefits. Normally, costs and negative effects outside the immediate area have not been subtracted. Local and national benefits are intermixed in such a way that they cannot be readily separated. Part of the problem is that economic analysis has not progressed to the point that true national benefits of specific projects can be estimated with the resources available for planning. However, a general concept prevails that what is good for the local area is good for the nation. This is true only when local development takes place in an area in which the marginal efficiency of resource develop-

ment is greatest, or if the national interest is defined as development of local areas at the expense of a reduction in total national income. National efficiency, no matter how defined, is not served by maximizing local benefits in all areas.

It is even doubtful if local benefits are always maximized under present planning methods. In the water resources field, the word "comprehensive" has often been used to mean that all aspects of the local situation were being considered. One connotation of the word is that all agencies (federal, state, and local) are involved in the planning effort. This often means that all agencies having an interest in water resource development are involved, which does not necessarily imply that all those interested in local economic developments are represented. Water resource development within the local area may be given far greater emphasis than its probable contribution to overall economic welfare warrants.

The special task force report to the Water Resources Council recognized the distinction between local and national benefits and suggested a classification of the benefits into four accounts—two of which are the national income account and the regional account [3]. However, mere recognition of this distinction will not eliminate the controversy. The Bureau of the Budget and congressional committees will, in time, assume a particular posture toward the criteria for project feasibility. Once this posture is recognized by those seeking federal funding of projects, they will adjust their accounting procedures to conform to this posture.

It is in the self interest of the construction agencies, the state agencies, and the U. S. Congressman representing a particular district to estimate benefits

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in any manner necessary to get projects approved. The question arises as to whether the evaluation of a project from a national viewpoint might be better placed in the hands of an agency answering only to the Bureau of the Budget.

It is understandable that construction agencies, Congress as a body politic, and individual legislators might be reluctant to surrender this decision-making capability (power) to the Executive Branch (the Bureau of the Budget). However, this power could be counterbalanced if a countervailing change were made. The change in planning procedure outlined below would be desirable from the standpoint that the self-interest of local areas could be fully utilized.

NEEDED CHANGES IN EMPHASIS

It is proposed that local units of government, probably at the state level, be given more flexibility to comprehensively plan for the economic growth of their regions. "Comprehensively", in this context, means the consideration in a *technical modeling sense* of all means available, presently and in the future, to maximize longrun economic growth and development of the area. Flexibility would require the provision of federal grants-in-aid to develop plans for future state and federal projects of all kinds—not water resource projects alone. These plans would take into account the present status of the resources of the state, the educational level of the state's residents in relation to the rest of the nation, the state's comparative advantages in commerce, and its peculiar complexities, best identified on the local level. The state planners would appraise the state's competitive position with the rest of the country and the world. These plans would be sophisticated enough that (1) various alternatives could be analyzed, (2) parameters could be updated and refined, and (3) the sensitivity of critical variables could be tested.

Water resource projects would be only one of many means to promote economic development that would be investigated. The state model would be sufficiently detailed that many alternative projects within a given geographic area could be analyzed. Project costs from the state viewpoint should be considered, explicitly, in analyzing the alternatives. Federal costs would be tallied separately from state costs.

The primary disadvantage of formulating plans on the basis of state boundaries is that entities such as hydrologic basins, pockets of poverty, functional economic areas, and geographic areas might be severed. On the other hand, the reversion to almost arbitrarily defined state boundaries could be advantageous. Each state would be able to formulate its own objectives and set goals for the general welfare of its residents,

rather than for special interest groups represented by other delineated areas. In water resources, for instance, a governor's representative could bargain with other states' representatives on such matters as the allocation of water or the construction of drainage channels, etc. with the express objective of maximizing welfare of the state he was representing.

Many states do not have the expertise to make comprehensive economic development plans, but they could be helped with federal grants. Ideally, an adequately funded economic planning group within a state should be responsible to the office of the governor to reduce unwarranted pressure from special interest groups. The opportunities for comprehensive planning among states should be more or less equalized through federal assistance.

Some states are too large and/or too complex to develop one grandiose comprehensive state economic plan. In that case, the state would have to develop a planning system in which groups of people with common interest, as well as the capacity for implementing their plans, would be given primary responsibility for developing their own economic plans. This is, in effect, the concept envisioned for states in their relationship to the Federal Government.

THE FEDERAL ROLE

It has already been suggested that an independent agency, responsible only to the Bureau of the Budget, should be designated to analyze the compatibility of state plans with national plans, and that federal grants-in-aid for state planning would be essential. However, the kinds of analyses that could best be performed by the Federal Government need more elaboration.

It is felt that a comprehensive plan for economic development at the national level is not feasible. Nevertheless, under the proposed plan the Bureau of the Budget would be responsible for appraising the feasibility, from a national viewpoint, of projects proposed by individual states for federal funding. The Bureau of the Budget would have to have, at the least, a national posture on federal budget allocations. The planning, programming, and budgeting approach is a general method of defining broad budget allocations in a national framework, but additional planning would doubtless be needed.

One suggestion is that each executive agency, except the Bureau of the Budget, would develop framework plans from the national viewpoint for the programs under its jurisdiction. The framework plans would indicate the best distribution of physical features and/or budget allocations for the particular function with which the agency was charged.

Examples are the interstate and federal highway systems, educational funds, health, and water development. The framework plans, as conceived, are not far removed from reality. Many already exist. A framework plan for efficient production of national food and fiber needs is being developed and will have major implications with respect to the need for water resource development projects from a national viewpoint.

The analytical arm of the Bureau of the Budget would serve as the link between the national framework plans and the comprehensive state economic development plans. They would review and appraise the compatibility of state requests for federal funding of particular projects with the overall national interest by relating the individual features to the national framework plans.

The national framework plans and the state comprehensive plans would both be partial analyses, but in different senses. The national framework plans would be partial in that they would look at one function at a time on a countrywide basis. The comprehensive state plans would only look at one geographic area within the country. In comprehensive state planning, demand and supply functions, as viewed by the state, would be used. In framework plans, national needs for the particular product or service and all alternative sources of supply would be considered.

The federal role could be extended, under existing legislation, beyond that envisioned above. Title III of the Intergovernmental Cooperation Act of 1968 [2] permits federal agencies with special competence to provide services to state and local governments on request. Under the Act, the Bureau of the Budget or other executive agencies could assist in the development of state comprehensive plans. This assistance would be especially appropriate if the analytical framework of the state plan was similar to that which the Bureau of the Budget would use in judging the compatibility of the completed state plan with the national frameworks. By changing demand and supply parameters, a properly constructed model could be used in the analysis of several viewpoints.

Shifts in planning responsibility in the direction suggested would be consistent with implementation of the planning, programming, and budgeting systems started several years ago in agencies of the Executive Branch. Yet, it would also be consistent with the clamor for greater rights by states to plan their own destinies.

State plans might not be consistent with federal plans. In most cases, it would be an indication of irrationality if they were. The difference between the national and local viewpoints would be brought into

focus by the analytical arm of the Bureau of the Budget. Issues would be more openly exposed than they now are. The information needed to make policy decisions involving economics would be more clearly defined, thus improving the efficiency of planning.

Objectives and values, both locally and nationally, could be more easily identified if viewpoints were not mixed. State, as well as national planners, face the problem that a distribution of plan features based on efficiency often differs from a distribution based on equalitarianism. On the state level, however, the problem should be scaled down to a more manageable size. From both a technical sense and a political sense, planning the allocation of resources should be much easier on a statewide rather than a nationwide basis.

The President and Congress should be able to exercise better control over government spending if planning on the local level were taken out of the hands of those whose self-interests are best served by justifying expenditures. They would have the planning, programming, and budgeting system to assist them in making complex decisions on the allocation of federal funds among functions and the framework plans to assist them in making decisions on the allocation of funds among large geographic areas.

If state requests for federal funding of a specific feature were incompatible with the national framework, the state would still have the option of financing or promoting it through private interests. Once the feature was implemented, it would have to be considered in national framework planning. Conversely, the national framework would have features incompatible with state plans. Again, if the feature in the national plan was established or implemented, it would have to be considered in future state planning.

Although a comprehensive national economic development plan at the present time is too complex and dynamic to be quantified in an analytical model, continual Congressional review of national goals and objectives is vital in the planning approach envisioned here. Emerging and changing national goals must be enunciated and legislation formulated before the administering federal agencies can begin developing and/or incorporating their delegated missions into national framework plans.

Immediate adoption of all features of this proposal, presented herein, is neither possible nor feasible, but a gradual shifting in this direction is conceivable. A first step is recognition by both state and federal interest of the effect that diverse self-interests have on establishing operational planning goals. Present planning efforts could begin by making two different plans—one based on the state's or region's interest, the

other based on national efficiency in the broadest sense. A second step would be a gradual strengthening of the analytical capability of the Bureau of the Budget. A third, and perhaps more drastic, step would be an increased emphasis on grants to states for comprehensive state economic development plans, rather than for special purposes such as state water plans.

SUMMARY

The role of the Federal Government in overall

small area planning is examined in the light of experience gained in the planning of water resource development in small areas. The main hypothesis is that federal construction agencies currently justify water resource development projects on the basis of local rather than national benefits. It is proposed that national interests would be better served if an independent agency, responsive to the U. S. Bureau of the Budget, appraised the compatibility of comprehensive local economic development plans with national framework plans.

REFERENCES

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