COMMUNITY AND RURAL DEVELOPMENT -- IMPLICATIONS FOR ECONOMIC EXTENSION PROGRAMS

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Few topics in recent years have captured the attention of agricultural economists more than community and rural development. But seldom has the extension of economics been the principal concern. As I worked on this paper with that concern in mind, the topic took on the appearance of an iceberg. Beneath the surface I have encountered many new challenges to economics and the economist, and some that are not so new.

The challenges seem to fall into three categories: (1) Applying economics as a decision-making tool when the decision makers are relatively small groups of people rather than individuals; (2) applying economics more effectively in efforts to enhance the total well-being of people; and (3) agreeing on the role of the economist in the group decision-making setting of rural communities.

In this paper I want to consider each of these issues in turn, examining the nature of the challenge and identifying some alternative responses or strategies.

Before beginning, however, I need to share with you the distinction I choose to make between "community" and "rural." Rural in this paper means nonmetropolitan. It includes those areas with relatively low population densities. Chicago and Richmond are obviously excluded. A rural area may consist of several counties or an entire region like Appalachia.

The rural area is made up of more than one "community." A community may also be viewed as a piece of geography. The people living on it relate to each other economically or socially more than they relate to people living on neighboring pieces of geography. The community may be a very small town and the surrounding open country. It may be an entire county or a group of counties.

Thus, the distinction between community and rural, as I see it, is simply one of the level of aggregation. Rural is larger than community. Seen in this light, the difference between community development and rural development should be obvious. Community development is the development of parts of a rural area. However, rural development is not just the summation of the development of communities within the rural area. We can also talk about efforts to further the development of the rural area as a whole.

In our discussions about economics extension, we normally talk about communities, using terms like "rural community development," "community resource development," or "human and community resource development." Yet, there are also extension programs directed at higher levels of aggregation--like state-wide improvement of rural health care. Although I will be talking mainly about community development in this paper, we should not overlook the importance of relationships between community development extension and rural development extension.

THE APPLICATION OF ECONOMICS TO GROUP DECISION MAKING

The first challenge stated at the outset is that of applying economics, as a decision-making tool, where the decisions are made by relatively small groups of people rather than individuals. To understand this challenge, it helps to get an overall view, as if from the outside, and then to take a look from the inside.

Looking in From the Outside

Paul Barkley of Washington State [1] describes as a major problem the relative inability of economic theory to explain the behavior of decision-making units larger than the firm or household and smaller than large regions or the nation. The problem is suggested in Figure 1, which compares agricultural development with community and rural development in terms of micro-macro continuum.

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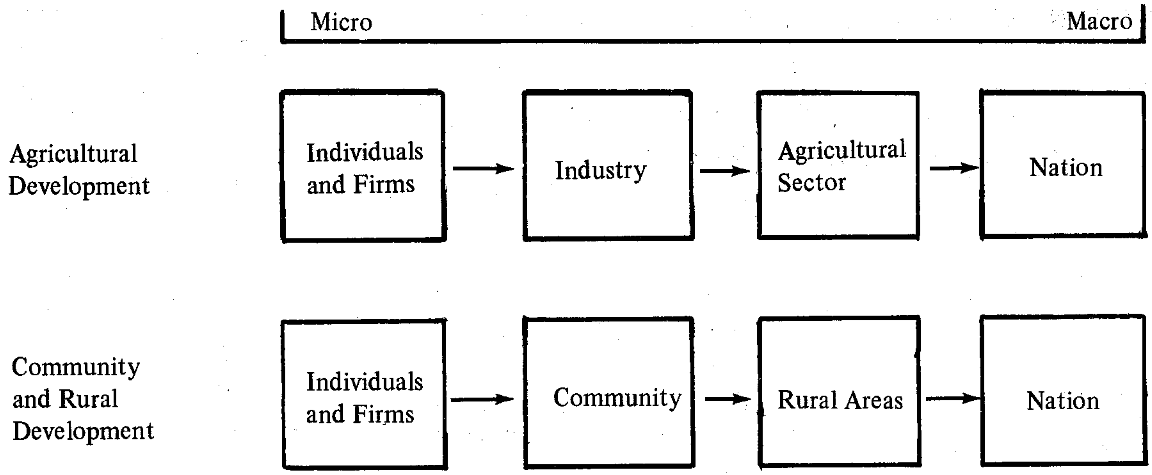

FIGURE 1

Consider agricultural development first. At the micro end, research and extension are based largely on the theory of firm behavior. At the macro end of the continuum, the approach has been to treat the aggregate (economy or society) as a single decision-making unit. This approach (though not too satisfying intellectually) has not deterred us from working at relatively high levels of aggregation, where the economic relationships are typically more stable and the data more reliable than at the industry or sector level.

The significance of this problem for community and rural development should be obvious. To understand the economic behavior of communities and rural areas means working in the boxes between the extreme micro and the extreme macro. Yet in these boxes one finds a multiplicity of objectives and decision makers. A history of dealing mainly with single objective functions and individual decision makers leaves the economist ill-prepared for this challenge.

In discussing these gaps in our theory and experience it is easy to think of them as problems of research. However, the lack of a satisfying economic approach to deal with group or community decision making may in fact present a more immediate problem for extension. In a sense, the economist in community development extension has nowhere else to go. He has to stay with the community. The researcher can concentrate on problems at higher, or lower, levels of aggregation for which he has more appropriate tools–at least until he has a better theoretical base for research at the in-between level.

Looking Out From the Inside

Working at the group or community level, the economist is in a new ball game. Though concerned directly with community, he must look to the micro level of individuals and firms that make up the community as well as to the more macro policy level. The relationships between the community and the individuals who make up the community can be illustrated in Figure 2. Let us assume that development involves an improvement in the economic and/or noneconomic well-being of people. Economic well-being, on the horizontal axis, may be per capita income or employment. On the vertical axis is a measure or index of noneconomic well-being–quality of life or cultural and spiritual well-being.

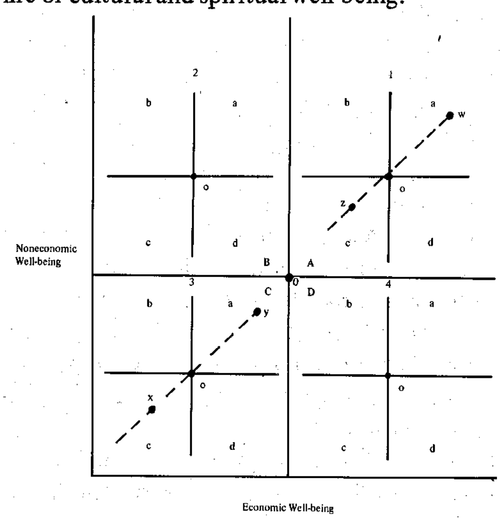

FIGURE 2

Suppose that a particular community is now at point 0. If we view the community as a single decision-making unit, we are interested mainly in the direction and magnitude of movement from point 0. A movement into quadrant A would appear to be the most desirable (more on that later).

Remember, though, that the community's well-being (point 0) is really the average well-being of the people living there. Suppose the community consists of four people numbered one through four in Figure 2. If community development means moving into quadrant A, then individual development involves moving into the smaller quadrants a. But here we see that there are a great many possible movements of individuals leading to a single change in community well-being. Movement into quadrant A with one person made better off and no other person made worse off would be recognized by the economist as a Pareto optimum solution. In real life, few such situations are found.

Suppose the community takes an action which moved Individual 1 to point w and Individual 3 to point x. The net result would be a movement into quadrant A for the community, which according to our tentative definition would be called development.

Now suppose the community takes an action which moved Individual 3 to point y and Individual 1 to point z. Again such an action would be called development. The question then arises, are both actions equally preferred? A person whose value system is oriented toward a more equal distribution of well-being would argue that the second action would be preferred. A person who is not concerned about distribution of well-being would give equal weight to either action by the community.

Can economic theory help us any? Perhaps a bit. There is the concept of Pareto better; where if one person is made better off and another person is made worse off, and the person who benefits can compensate the second person for his loss, then the community well-being has been improved. Such a provision might be made in the two examples given. However, in real life it is much easier to compensate for changes in economic well-being than it is for changes in noneconomic well-being. But we have few mechanisms in our society to achieve even economic compensation.

The implication of this trade-off problem is nevertheless clear: In pointing out the consequences of alternative courses of action to the community, the distributional aspects of the actions need to be considered as well as the direction and magnitude of the effects of the action on the community as a whole.

In view of this problem, should economics extension limit itself to individuals and firms in rural communities? I think not. Despite the limitations of economic theory for dealing with the "in-between" units, there is much that can be done by extension. It is not always inappropriate to view the organization, the community, or the rural area as one decision-making unit. It is just inadvisable to stop there.

Silas Weeks of New Hampshire [11] has listed a number of economic problems at this level as well as the kinds of tools available to deal with them. These include budgeting and programming, feasibility and impact studies, and benefit-cost analysis to help community leaders allocate limited resources among community services, evaluate the performance of services, and determine the economic effect of recreational, housing, or highway development on the community. The core of an educational program might well be to teach the problem-solving approach - a way of thinking. The complexity of community affairs has perhaps obscured the point that many basic principles of firm management and decision making are applicable to the group, provided that we recognize the additional dimensions of group decision making.

A community also needs base information before it can effectively utilize problem-solving tools. This information is likely to include not only an economic description of the community but also information pertaining to neighboring communities or the region. Helping the community compile and put this information to work is clearly an important objective of extension.

Charles Schultze, writing in the *Saturday Review*, offers an additional thought that may apply to communities as well as to larger aggregates: "Much of economics deals with the problem of how a decentralized decision-making system can be made to provide proper incentives so that individual decision-makers, apparently pursuing their own ends, nevertheless tend to act in a way consistent with the public good–the 'invisible hand' of Adam Smith. Since time immemorial it has been too often assumed that the apparatus of analysis which dealt with this problem applied only to the private market and that the public sector of the economy must operate by a completely different set of rules." [9, pp. 50-51]. His point is that economist have curiously shied away from the notion of a market, and the question of the use of incentives in the public sector.

To say that the economist can do much to assist the decision making of groups does not mean that he should ignore individuals and firms in rural communities. I fail to see this as an either-or question.

The needs of individuals for economics education are familiar to most economists in extension work. Indeed, there may be little difference between the needs of people in rural towns and those of farmers or others who are the traditional extension clientele. Providing educational service for these people should be similar to farm management extension, much of our marketing extension, and home economics extension. The difference is that in community development the economist would work with people and firms regardless of their occupation or kind of business.

The firm operator, whatever his business, has resource allocation problems. He must decide what to produce, how to produce it, how much to produce, and how to market it. He too needs to learn how to approach these decisions, how to keep records, budget, compute his income tax, compile and integrate technical and legal information, and determine the feasibility of changes in his operation. In short, any firm operator may benefit from management education of the kind traditionally provided mainly for farmers.

ECONOMICS AND THE TOTAL WELL-BEING OF PEOPLE

The second challenge I want to consider is that of applying economics so that it contributes more effectively to the well-being of people. I assume that the well-being of people is the ultimate concern or purpose that explains our being here to talk about community and rural development. Perhaps this sounds like saying we are here to do good, not evil. However, it is far too easy to overlook the meaning of well-being as we turn our attention to more specific intermediate goals, the means to well-being.

I think "development" is one means, or set of means, to well-being. Rural development can be thought of as the means to the well-being of rural people. Rural community development is a means to the well-being of people in rural communities. Is development a means to more than one kind of well-being? The answer, of course, depends on your definition of development. Current definitions range from the more specialized notion of economic development–jobs and income–to total development of people, resources, and institutions, including the process by which it all comes about.

Most agricultural economists now seem to agree that community and rural development mean much more than economic development. This agreement puts economics and the economist in a new and uneasy position. Economists are used to working on problems that allow for a more clear-cut isolation of the economic sub-problem–farm management, marketing, price and income policies, and the allocation of natural resources. This is not to say that the big problems have always been solved. Quite the contrary. What I am saying is that it is somehow more difficult to disentangle the economics of community development at the outset, and this leaves the economist less certain where his subject matter boundaries lie.

The dilemma is perhaps just one reflection of a more pervasive questioning of the adequacy or relevance of economics in general. The questioning comes from economists and noneconomists alike. The *Saturday Review* recently carried a series of papers [7] under the title, *"Does Economics Ignore* You?" The authors depict economics as an antiseptic science, too interested in efficiency, over-simplified, out of touch with reality, too mathematical, oblivious of the dreams and desires of people that defy measurement, unwilling to look beyond traditional "givens" like rationality and constant perferences, too timid about pointing out goal inconsistencies, and claiming to be value-free while clothing itself in intuitive judgment.

Much of the questioning of the relevance of economics boils down to the complaint that economists fail to look beyond economic well-being. This can be illustrated in Figure 2. Recall that this figure identifies two purposes of development–economic well-being and noneconomic well-being. Even though the economist may define development as more than economic development, it has been said that in practice he sees development as occurring when the community moves into either quadrants A or D–an increase in economic well-being. The economist, in turn, may feel that the noneconomist really sees development as occurring when the community moves into quadrants A or B, where noneconomic well-being is improved.

There is no disagreement about movement into quadrant A. That clearly represents an improvement in total well-being. The economist and the noneconomist would also agree that movement into quadrant C is NOT development, as it would mean a reduction of both economic and noneconomic well-being. An exception would be when the development path into quadrant A carries the community temporarily into quadrant C.

The difficulty centers on the interpretation of movement into quadrants B and D. Movement into B would increase noneconomic well-being but lower economic well-being–for example, accepting a lower per capita income in return for an improved quality of life. A movement into D would reduce noneconomic well-being but increase economic well-being. Of course, either of these movements could be temporary detours en route to quadrant A.

One implication of this dilemma is that neither the economist nor the noneconomist is in a position to resolve the question of whether quadrant B or D is the appropriate community target. That is the community's decision. But, this does not mean that the economist and the noneconomist should promptly forget about the trade-off question. On the contrary, if economics extension is to provide useful decision-making assistance to the community, the economist must not only understand the alternatives but also help the community make the choice.

The economist must first appreciate that there is a difference between quadrants A and D, even though movement into either one means an improvement in economic well-being. Beyond that, the challenge is to understand the relationships between economic well-being and noneconomic well-being. This means two things–understanding the effects of an increase in economic well-being on noneconomic well-being (complementary, supplementary, or competitive?), and understanding the effects of an increase in noneconomic well-being on economic well-being.

Often, the economist's ability to develop and use this kind of understanding is hampered not by limitations of economic theory but by the way in which he practices economics. When dealing with a problem, the economist puts "information" about the problem into two categories. One is information of direct concern to him–the relationships to be explained or predicted, and variables to be manipulated. The other category includes the assumptions or the "givens." The latter range from assumptions about values and attitudes to the institutional setting or the mechanism through which economic relationships are carried out.

We need first to examine more carefully what goes into each category and then to consider alternative "givens" as well as the effects of development on the "givens." Charles Schultze, talking about the traditional assumption of constant preferences, notes that the economist has little to say about the "...problem of the way in which basic preferences themselves respond to economic development, except to note that 'yes, this does indeed happen, and the sociologists better get to work' " [9, p. 57].

There is a difference between questioning "givens," like the institutional structure or values and attitudes, and trying to explain them. Yet, there is evidence that the economist may see both the questioning and explaining as violations of objectivity. The irony is that the economist's pursuit of objectivity may explain much of the criticism that economics lacks relevance.

Many economists are concerned about these problems and are suggesting new ways to think about them. Robert Heilbroner offers this thought: "If economics is to become more relevant, economists must direct their energies into areas of the social order that they have heretofore overlooked, particularly areas in which political or sociological elements are intimately intertwined with strictly economic ones...I will only add that 'institutional' economics would seem preeminently qualified to lead the expedition into this dangerous no-man's land" [5]. Luther Tweeten [10] is attempting to give welfare economics greater realism. Eber Eldridge [3] attempts to bring economic and noneconomic variables together in a conceptual "equation" to describe quality of life. Finally, we are hearing more about a new approach or school called "grants economics," which Martin Pfaff describes as "...concerned with equity and other goals as integral parts of economic inquiry" [6, p. 55]. These and other ideas all seem to suggest that the relevance of economics and the way it is practiced can be improved. The economist, whether in community development research or extension, has the opportunity to participate in these efforts.

THE ECONOMIST'S ROLE IN COMMUNITY DEVELOPMENT EXTENSION

The third challenge I mentioned at the beginning is that of conducting economics education in the group decision-making setting of a rural community.

To address this issue, we need to go back to the definition of development. Earlier I noted that most economists see development as more than economic development. They also tend to agree that it has two dimensions. One is the purpose or *outcome*–higher incomes, more jobs, and a better quality of living for people. The other dimension is the *process* through which decisions are made, actions are taken, and the community well-being is improved.

A task force of the Extension Committee on Organization and Policy has defined community resource development as "...a process whereby the people who comprise the community arrive at group decisions and actions to bring about changes which will enhance the economic and social well-being of their community." On the role of extension, the task force said, "The main goal of cooperative extension in community resource development is to increase group effectiveness in making and implementing decisions concerning improvements in the quality and level of living of people" [4, pp. 1-2]. I take this to mean that extension must offer the community both process and subject-matter assistance. The question then is what role should the economist play? Some undoubtedly feel that he ought to provide only content or subject matter assistance. Others have taken the opposite position that the economist not only can but must provide process assistance.

Those who feel that the economist should concentrate on economics education point out that process assistance requires abilities in which the economist has no unique competency. They may argue that training in sociology and social psychology, not economics, is necessary to equip the process man with the necessary skills. If so, it may follow that the psychologist or the sociologist ought to provide the process assistance.

Extension economists are not totally unfamiliar with process. But while there is certainly a process involved in decision-making by individuals, it is less complicated and formidable. In farm management extension, for example, the process is the learning, weighing, and decision-making by one person, and his decisions directly affect only himself and his family. The process in community development involves different people and organizations. The learning and weighing by individuals is still important, but these steps are only a part of the larger process of arriving at a group decision. Once made, the group decision is likely to affect many people–possibly everyone in the community–and not necessarily in the same way.

Finally, there may be the feeling among some observers that the economist's involvement in process assistance has resulted in his neglecting the extension of economics, the field in which his competency is strongest and certainly needed.

Those who take the position that the economist should provide process assistance generally agree that both process and subject matter are important. It is not a question of one or the other, but rather the appropriate mix. They say that something has to happen before a community will want to and will effectively use the subject matter input of economics. That something is process. Moreover, the process does not end when the decision-making stage is reached. In fact, it is the continual setting for whatever the community thinks and does. Therefore, it is not useful to talk about a division of extension labor with one person providing process assistance and another subject matter assistance.

The implications, as I see them, are twofold. First, while one can visualize process assistance without subject matter assistance, logic and observation of the experiences of extension tell me that it is impossible to render subject matter assistance without process assistance. In other words, economics extension in community development involves more than traditional extension work with individuals.

Perhaps we should look at process assistance as consisting of two kinds: (1) That which the economist--perhaps with minimum additional training–is quite capable of handling; and (2) that which requires the skills of a professional "process consultant." This term is taken from a provocative book by Edgar H. Schein of M.I.T. Schein defines process consultation as "...a set of activities on the part of the consultant which help the client to perceive, understand, and act upon process events which occur in the client's environment" [8, p. 9]. Although this book deals with the role of a process consultant in an industrial organization, many of the ideas in it seem applicable to community development extension.

Under what conditions would a process consultant be needed? Two criteria come to mind. One is the nature of the community decision-making environment--its stability, complexity, and intensity. Another is the nature of the decision problem--whether it is fairly innocuous or likely to stimulate turmoil and conflict. These two criteria would have to be considered in relation to each other. For example, a relatively critical or far-reaching community issue might not require a process consultant if the decision-making environment is not especially sensitive or unstable. How and when to apply these criteria are not easy questions.

The second implication of the process-subject matter issue is that people need to know who is performing what role. The economist needs to know which role he is performing. On this point, Schein says that the process consultant "...should be very careful not to confuse being an expert on how to help an organization to learn with being an expert on the actual management problems which the organization is trying to solve" [8, p. 120]. Other extension workers and administrators in the university, and people outside the university who provide assistance to the community, also need to know what role the extension economist is performing. While it can be difficult to distinguish between process and subject matter assistance, a misunderstanding among participants is likely to occur if no attempt is made. It is perhaps even more important that the community understands the role of the economist.

CLOSING REMARKS

I have chosen to deal with the implications of community and rural development for economics extension in terms of three broad challenges–applying economics to group decision-making; improving the effectiveness of economics education as an input to the total well-being of rural people; and dealing effectively with the role of the economist in community development extension.

You may feel that my first two challenges might just as well have been included in the previous paper on implications for research. I agree. Many of the problems discussed in this paper do not fall neatly into cells marked "research" and "extension." Whatever an economist's major assignment, he clearly has something in common with other economists. Indeed, if the first two challenges are to be met with success, it will be because research and extension economists realize this and pursue their common interests.[1]

Finally, while the challenges posed here may seem new or unique to community and rural development, in my judgment the interest in development has also brought to the surface some familiar, but still unsolved, issues–such as the economics of decision units between the firm and large aggregates, and the relationships between economic well-being and total well-being. It follows that the way in which economists respond to the challenges of community and rural development could also affect our ability to deal with other problems and might well influence the future of agricultural economics.

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[1] Various universities are attempting to integrate research and extension in their rural development programs. Austin E. Bennett describes the experience in Maine in [2].