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CONCEPTUAL UNDERPINNINGS OF POLICY ANALYSIS FOR RURAL DEVELOPMENT: DISCUSSION

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Deaton and Nelson present a coherent argument for developing a "general theory" of rural development that can serve as a guide for development activities at the local, state, and federal level. By definition, general theories seek a unified theoretical structure that incorporates all possible circumstances. Implicit in the desire to develop this type of model is a belief that good research will lead to good policy and good practice.

Personally, I am not sure this is the most fruitful approach, although it does have considerable academic appeal. What happens if: (1) a general theory does not in fact exist, or (2) it takes us considerable time to develop this theory? In either case, rural people and policy makers are left to their own devices while we search for the ideal tool. It is not clear that a theory of rural development is necessary before we undertake significant actions. There are many things in rural areas that can and should be done, and waiting for a theory to emerge can provide an excuse for not doing them.

Finally, the link between research and policy is a tenuous one. One can have good theories and bad policy, and vice versa. In principle, the Reagan era dictum that programs primarily benefitting local areas should be paid for by local areas has considerable theoretical appeal, but in practice it was not particularly good policy for many rural areas.

Deaton and Nelson raise the challenge of determining why there is no apparent link between rural development theory and rural development policy. The authors argue that if policy is to flow from research, then policy makers must be part of the research design. In principle I believe this is the correct approach, but I doubt if we will convince policy makers. The question that we need to focus upon is how to get policy makers interested in research. Surely it will not be by presenting them with a final product and suggesting that all they have to do is follow the blueprints. On a positive note, the three suggestions made in the section of the paper on suggested approaches identify a beginning point for this process, and emphasize that the burden is upon academicians, not politicians.

In practice, the best way to attract the interest of politicians is not by developing a theory, but by being involved with his or her constituents, in providing them with something they like. If we can be involved now with actual programs that address issues that clearly need addressing, irrespective of the state of our theories, then we may buy the credibility to have people adopt our theories as they become available.

I argue for a concurrent engineering approach, where the people who design the product work with the people who will manufacture it and those who will sell it, right from the start. Not only does this speed the development process, but it reduces the likelihood of designing something that can neither be built nor sold. The direct involvement of rural practice and rural policy should increase the likelihood of developing a theory that links to policy.

Parts of the paper I strongly endorse. Their emphasis on capital is long over due. Development, by its nature, entails the adoption of "round-about means of production," so the presence of an adequate capital stock is central to the development process. If we think about the declining number of farm dependent counties, one explanation is that specialization of farmers results in the purchase of most of the input and processing material and services from off the farm. The volume of agricultural output has increased, but the economic base of the county has diversified, creating the appearance of a declining agriculture.

The tax argument raised is particularly compelling. It suggests that the last decade of tax policy has been misguided. If, as the analysis shows, the incidence of local taxes falls upon local fixed factors, then the appropriate tax policy from a developmental perspective is one that collects revenue at a national level and transfers it using block grants.

For the most part, the concern over the workings of local capital markets is also appropriate. Higher risk of loss in rural areas does inhibit investment and access to borrowed funds, but the big question is to what extent intervention is necessary. The authors' comment that one can at times purchase capital goods in rural areas for less than their replacement

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cost comes close to equating value with sunk cost, rather than opportunity cost.

The authors' desire to build a comprehensive theory is tempered by their emphasis on case studies as a means for developing an understanding of the nature of rural areas. While a theory can be built inductively by observing different situations, the problem in rural areas is their too great diversity. Developing the commonalities necessary to define a theory of rural development becomes a major problem. In particular, it becomes relatively easy to find a counter-example to any particular argument that one cares to make. Under these circumstances a rigorous theoretical structure will be slow to develop.

There are two fundamental problems facing any economic development theory. The first is that markets don't work as well as we like to think. This is particularly true of labor markets. People do not relocate and retrain with the speed and facility economists expect. The second is the problem of markets not producing socially desirable outcomes. The market may determine that unskilled workers do not deserve an income adequate to support their family, because the value of their contribution to

GDP is so small. However, society may choose to ensure that people do not become destitute. Neither of these problems will be resolved by purely economic means, although a better understanding of the underlying economics may be able to contribute to the solution.

Do we need a new rural development paradigm? Deaton and Nelson argue that we do, and that the rise of globalization has made the old economic development model obsolete. While I would agree that our old model does not work well, my belief is that it failed well before globalization became an issue, and that the problems of rural development require far more than an integrated way of examining them. However, I do not believe that Deaton and Nelson are suggesting that the development of a new paradigm is a pre-condition for useful rural development policies. Their position is that a well-developed theory can assist policy development and implementation. The analogy to concurrent engineering certainly suggests that it is possible to develop theory and policy simultaneously, and that this is the best way to build the link between research and policy that the authors seek.