Ten Commandments for Agricultural Economics (and Perhaps Other) Administrators

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There is some justification for the impression that agricultural economics has entered an era of relatively greater budget stress than that of the recent past. However, optimal strategies for sustaining or enhancing departmental productivity in research, teaching and extension are invariant to the budget level. These "strategies" are discussed in the form of "ten commandments" to department heads.

Periods of budget stress in our universities accentuate the notion that something must be done to relieve the pressure lest our universities be forced to reduce the quantity and/or quality of their output. Faculty members get restless; university administrators get nervous. In short, everyone in and around the university, understandably and perhaps appropriately, gets uptight. Professional association presidents may even organize sessions at their association annual meeting to discuss the issue, which was the occasion that prompted the thoughts giving rise to this paper.

Certainly it is generally perceived that these are times of greater than usual budget stress for agricultural economics and for university and research/educational institutions generally. Stanton and Farrell, at the 1981 annual meeting of AAEA, provided empirical evidence suggesting that the perception is well founded. Taking this perception as given, it seems appropriate to consider how department heads (chairs) might lower the level of tension and foster continued departmental productivity in the face of budget stress.

Specifically, the paper begins by proposing that whatever our view of the degree of budget stress and its rate and direction of change, the optimal decision rules—strategies or management principles if you prefer—for sustaining/enhancing/maximizing departmental productivity in agricultural economics research, teaching/advising, and extension are the same irrespective of the budget level. Since some people believe that department heads to some degree can influence, at least in the short run, the degree of budget stress and its consequences, the "management principles" are presumptuously of-

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fered in the form of ten commandments for guiding department head behavior in response to budget stress and competition. Perhaps some of the commandments may even be relevant for Deans, Directors, Academic Vice Presidents, and, perish the thought, faculty.

I. A Proposition

As intimated by Stanton and Farrell, for us economists, dealing with budget stress is hardly a challenge—after all, it is our business to ". . . teach students [both on and off campus] about economic decision rules for allocating scarce resources among competing ends. The political environment requires that we take our classroom lessons seriously and put them into practice in our own operations" (p. 796). Although this author is probably less optimistic than Stanton and Farrell about how useful that which we teach is in providing insight and direction to academic departments in pursuit of excellence in teaching, research, and service, the challenge seems apropos. Toward that end, the following proposition is offered as a point of departure.

PROPOSITION: The management strategy and philosophy for successful university agricultural economics departments is the same whether budgets are stressed only slightly or severely.

To motivate the proposition, an analogy from the theory of the firm is perhaps useful. A university department, like a multiproduct firm, must choose an output combination subject to a set of constraints. For the revenue maximizing firm,[1] the solution to this problem is an output-expansion-path. If the constraint or constraints are tightened, the optimization rule does not change although the optimal solution does. That is, the rule or strategy in either case is to operate on the output-expansion-path.

The analogy is admittedly weak because there is little, other than perhaps a fundamental belief in self-interest and optimization, that is transferable from the theory of the firm to the theory of bureaucratic behavior. Nevertheless, the point is simply that we do not necessarily look for a new decision rule or strategy given relatively greater budget stress. Rather, budget stress more likely merely heightens the need to know what we are about and to diligently pursue a strategy.

Accordingly, the following ten commandments are offered to agricultural economics department heads faced with budget and other stresses. Because the fundamental truth of the above proposition is open to question, the commandments, or strategies, deal more with administrative philosophy than with specific procedures for optimization under budget stress. Those seeking the latter will be disappointed.

II. Ten Commandments for Department Heads

● *COMMANDMENT 1:* Remember to distinguish between inputs and outputs. The only socially beneficial products of a university are teaching/advising, research, and outreach/extension.[2] We must remember to reward and otherwise encourage only those faculty activities that are socially beneficial, i.e., to reward output, not input.

[1] Revenue, rather than profit, maximization was chosen because it is closer to being a reasonable objective for a university department than is profit maximization, although neither is appropriate.

[2] The terms, teaching/advising, research and outreach/extension, are used here in the context of output rather than process. Presume for convenience that there are valid measures of output associated with each of these three principal areas of faculty activity.

A few examples should help clarify what is meant here and why it is important. Perhaps the best example is so-called university service (i.e., on-campus committee work). University service is a transactions cost, not a socially beneficial output. Of course, it goes without saying that transactions costs are to be minimized, not rewarded, if our objective is to maximize the net social value of our activity.

A second example of a non-output is professional development. Professional development is an investment in faculty human capital. While it is no doubt desirable to maintain or increase one's capital stock, this too must be kept in perspective—it is a means to an end, not an end in itself. Grantsmanship also falls into this category.

Finally, how many faculty evaluation forms that you have seen ask for information concerning "creative" teaching or extension methods used by the professor? Remember, a method or procedure is *not* an *output*! If the creative method works, then we should expect an improvement in the performance measures used to evaluate teaching or extension output.

● *COMMANDMENT 2:* Always remember that *everything* relevant and beneficial (productive) in the university, i.e., in teaching, research, and outreach, occurs at the most micro level because of the imagination, creativity, drive/desire, and intellectual horsepower of the individual faculty member. Thus, the successful administrator will put the needs and desires of the faculty first, for only they can make you look good. Lack of attention to these needs and details can turn an otherwise supportive faculty member into a "genuine pain in the posterior."

Remember that administration produces nothing in and of itself—it is *not* a socially beneficial output. Accordingly, the role of the administrator must be principally as a facilitator. Among other things, administrators must (a) fight against the institutionalization of perverse incentives, (b) filter out the noise in the information/signaling process, and (c) minimize transactions costs—not only those imposed by upper-level administration, but those that the faculty may wish to impose on themselves or, more likely, on "other" faculty members.

Faculty time is the scarcest of all scarce resources over which a department head can exert some influence. Therefore, eliminate all standing departmental committees except for the Graduate Admissions and Assistantship Committee and the Promotion, Tenure and Merit Evaluation Committee. All other departmental committees should be ad hoc and used sparingly. Talk hard to your Dean and Station and Extension Directors, encouraging similar action. For example, does anyone know of anything with a B/C ratio greater than unity that came out of a College of Agriculture Internship Review Committee or Teaching Improvement Committee, an Agricultural Experiment Station Project Review Committee, or an Extension Service Program Planning and Review Committee?

Resort to faculty meetings only when all possible other avenues of communication and decision making have been exhausted. Finally, divert at least two-thirds of the material directed to the faculty through you into that large round receptacle at the edge of your desk—no matter the source or how important they claim it to be.

● *COMMANDMENT 3:* Strive always to hire the best human talent possible, for it is that which is scarce. Never settle for less than the best possible talent you can attract, even if it means running the risk of losing a position. In other words, be patient in filling positions if the best talent is not immediately available. Nothing is less relevant than a mediocre effort by mediocre minds addressing so-called relevant social problems.

Accordingly, resist the temptation to slot-hire. The greater the "stress" the more important it is to hire quality people. Quality is always more important than "covering bases" and will get you in much less trouble in the long run.

Hire at the associate or full professor rank every time you can lever the higher administration into such an authorization. Significant and valuable additional information is available at modest additional cost (wage) by hiring individuals with 3 to 5 or 6 years of post-Ph.D. experience. A few years of track record is about the only effective way to assess those most important intangibles, viz., desire to achieve and genuine interest in economics and the profession.

● *COMMANDMENT 4:* Do not service short-term transitional teaching and extension demand by increasing the workload of continuing faculty. In Commandment 3, it was argued that we should never settle for less than the best in hiring new faculty (subject to wage constraints) and that patience should prevail. If this strategy is followed, there will be considerable pressure to meet interim teaching and extension demands; this is true also of short-term vacancies resulting from sabbatical and other leaves.

Cover such interim teaching and extension demands with temporary (non-tenure stream) people, using salary savings. If the Dean, Director, and/or Vice President will not allow the use of salary savings for this purpose, tell him or her that the department will cancel the course, and then have the will to make it stick. Again, do *not* service short-run transitional demand by increasing the workload of faculty on hand. There will always be short-term transitional "crises." A series of short-term problems can, and likely will, add up to a long-term serious problem and permanent understaffing if increasing faculty workloads is followed as a "short-term" strategy.

Related to the method of servicing transitional teaching demand is the Stanton-Farrell hypothesis that research, more specifically experiment station, FTE has been diverted ("borrowed"—to use their term) to service teaching demands. In the case of agricultural economics at Montana State, it seems clear that the Stanton-Farrell hypothesis is true, although we are working hard to halt if not reverse the "borrowing" phenomenon. In pursuit of this reversal, we never use the terms "instructional or teaching dollars and FTE" and "research dollars and FTE." Instead, we opt for the adjectives "college" and "station"; and we insist that it is as appropriate to use college dollars and FTE for research in agriculture as it is in those departments outside the College of Agriculture. Rumor has it that many if not all of the top academic departments at MSU outside of agriculture use college (instructional, if you insist) dollars and FTE in support of creative activity that is not directly related to classroom instruction. Yet in agriculture that would be considered the ultimate sin. This unidirectional sense of morality in our Colleges of Agriculture has always been a puzzlement to me.

● *COMMANDMENT 5:* Make the difficult negative decision on granting of tenure. This decision may be even more important than who you hire—certainly it is more painful. Do not opt for a strategy of passing along a difficult case in the hope that a "positive" departmental recommendation will be reversed at higher levels. That is at best risky and certainly a neglect of duty. In periods of severe budget stress nationally, the pool of available talent of good quality should tend to grow, at least in the short run, making a questionable tenure decision look all the more questionable. To make difficult tenure decisions is one of the reasons that department heads are so well paid.

● *COMMANDMENT 6:* Remember that incentives matter—in universities as well as in the "real world." Never forget that the marketplace for agricultural economists (especially good ones) is national in scope. One must be prepared to reward those attributes that are in greatest demand in that market. (More on this under Commandment 7.)

Be alert to every opportunity to hustle additional (more than "the department's fair share") salary money for the faculty from the Dean and/or Academic Vice President. Always hire new people at the highest possible salary (within reason) rather than the lowest amount that will "catch" the candidate. This will save you headaches later, when you have to try to make equity, promotion, and merit salary adjustments out of a fixed pool of salary-increment money—a thorny problem.

Use caution in trying to motivate marginal or submarginal tenured faculty to look for alternative employment. Often, the result of such efforts is to create a major problem, with significant negative externalities, out of what was merely an annoyance. It is often better to try to make "the best out of a bad situation" by encouraging marginal improvement than to run the high risk of turning a weak faculty member permanently sour. Frequently, marginal producers earn in excess not only of their MVP in their present position (your problem), but also of their opportunity wage. In such cases attempts to encourage resignation by negative incentives is almost certain to fail. Remember that reducing net social cost is every bit as valuable as increasing net social benefit.

Finally, do not underestimate the power of both public and private praise and appreciation—especially when monetary rewards are unavailable or meager. Be alert to every opportunity to call to the attention of all appropriate audiences the quality performance of your faculty.

● *COMMANDMENT 7:* Do not apologize to the Dean for faculty members who work on "esoteric" things and who write mainly, if not exclusively, for their peers. These are the faculty that are working at the frontiers of our profession. After all, there are three clients for our teaching—resident students, off-campus clientele, *and* on-and-off-campus peers. Such faculty are the lifeblood of our profession. Thus, they are also the lifeblood of our teaching, applied research, and outreach mission—certainly in the long term if not the short term. It is for good reason that such individuals are generally at the upper end of the salary schedule and in the greatest demand by competing institutions. A good department head must never tire of (in fact, should look forward to) defending the salary of such individuals, even to the most "applied-oriented" of Deans and Directors.

● *COMMANDMENT 8:* Remember that no one—most of all an administrator—has a monopoly on the most interesting and important teaching, research and extension methods, topics, and agenda. Some of us may have reservations about the efficiency of perfect competition and market solutions vis-à-vis social welfare generally. However, no one should doubt the efficacy of freedom, competition, and producer sovereignty in the area of science, scholarship, and communication or education. The process must remain as decentralized, unregulated, unsupervised, and *uncoordinated* as possible.[3] Surely, laissez-faire is the superior operational model in the sphere of teaching, research, and scholarship, as with most endeavors that rely importantly on individual creativity.

● *COMMANDMENT 9:* Thou shalt not

[3] Coordination is truly a dangerous concept, especially in its operational form, as all freshman assistant professors soon learn. No telling how many resources have been wasted and creativity destroyed by efforts to "coordinate" teaching, research and/or extension activity in order to "avoid duplication" and to "ensure that all bases are covered" (comprehensiveness). While on this diversion, the concept of comprehensiveness or breadth is also an unfavorite of the author. A generally forgotten phenomenon among university types is that given a fixed flow of resources, increased breadth is inextricably tied to increased shallowness!

covet, let alone touch, thy faculty members' grant monies, including indirect cost recovery. And do not take the initiative to reduce the hard-money support for successful grantsmen. Rather, be prepared to be a grateful beneficiary of that which the principal investigator sees fit to direct toward general departmental needs and/or specific peers.

Many an otherwise successful department head has violated this commandment, much to his later detriment if not chagrin. It is a definite and universal NO-NO—severe budget stress notwithstanding!

● *COMMANDMENT 10:* Thou shalt not ever believe you are indispensable. There is always at least one replacement waiting in the wings that can surely perform the role of department head better than "yours truly."

III. A Parting Thought

Despite severe resource constraints and institutional rigidities in many of our western land grant universities, there is reason to be optimistic about the future. The quality of the people in our profession—their analytical ability, their desire to succeed, and their commitment to teaching, research, and extension—seems not to have diminished but rather to have improved (at least on the average). We have only to realize that we do not have to be big to be good; that, if push comes to shove and we have the will, we can control (limit) the demand for our services in order to maintain or increase the quality of that which we do; and that, in the final analysis, a fundamental component, if not *the* driving force, of everything of social interest, is economics or at least is amenable to economic analysis or interpretation.

Times for economists are not all that bad. Furthermore, it seems plausible that our opportunity set and support will improve if we are unwavering and uncompromising in our pursuit of quality in agricultural economics teaching, research, and extension.

References

Stanton, D. F. and K. R. Farrell. "Funding for Agricultural Economics: Needs and Strategies for the 1980's." *American Journal of Agricultural Economics*, 63(December 1981): 796–807.