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Maintaining the Cutting Edge

Proceedings of the American Agricultural Economics
Association Extension Workshop

July 31, 1987 - August 1, 1987

East Lansing, Michigan

Editors: Cara L. Mitchell
Kim B. Anderson

Produced at Oklahoma State University

Additional funding provided by Agriculture-Agribusiness Program,
Oklahoma Cooperative Extension Service,

ALTERNATIVE STRATEGIES FOR EXPANDED RURAL ECONOMIC DEVELOPMENT*

Glen Pulver & Ron Shaffer**

The purpose of this paper is to describe the response of the Department of Agricultural Economics, The University of Wisconsin-Madison and Extension, to the need for expanded rural economic development. The Department's effort is aimed directly at generating more useful rural economic development knowledge and providing educational assistance to policymakers at all political levels. The paper outlines the fundamental concepts underlying the research and extension activities of the community economics program. It describes the importance of the research-extension linkage, how resources to support the program were assembled, the general focus of the program and the Community Economic Analysis effort in some detail.

Nonfarm rural economic development is a topic of increasing importance throughout America. Larger numbers of farm families are more dependent on nonfarm income than farm income. Today, well over 50% of the personal income of farm families comes from off farm earnings. The current rural crisis characterized by losses of farms and rural jobs has heightened the need for alternative sources of income [Economic Research Service, 1987; Joint Economic Committee, 1986]. Community leaders, government agencies, University research and extension workers and others are seeking ways to improve jobs and income across rural America.

The Program Foundation

The program grew out of an observed need for more rational planning and action in local and state economic development. In an effort to generate more jobs in rural areas, state and local leaders often concentrate their effort in attempts at attracting manufacturing plants from other states in the face of declining opportunity. Public investments in open land, water systems and streets result in large acreages of empty industrial parks. Often fruitless organizational attempts such as technical action panels, rural area development committees, regional development efforts, overall economic development plans, etc. frequently lead to intense frustration and few new jobs. There is little recognition in policy development of major shifts in

* Prepared for Extension Workshop, American Agricultural Economics Association, East Lansing, Michigan, August 1, 1987.

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economic structure. Ignored is the fact that most new jobs are generated by the service-producing sector. Social security, dividends, interest and rent are increasingly important as personal income sources but are rarely included in local development strategies. A wide spectrum of regional economic analysis tools are available but seldom used by rural policy leaders. Consequently, a conscious effort is being made by the UW Agricultural Economics faculty to identify the appropriate theory base (economics, regional economics, community development, public finance), to assemble the applicable community economic analysis tools and to build a closely linked research and extension program of direct policy relevance.

The major mechanism linking the community economics research and extension program at the University of Wisconsin has been joint appointments. The Department of Agricultural Economics faculty involved in the community economics program for the most part have joint extension - research appointments. This legitimizes involvement in either of the activities. Although the faculty most directly involved hold appointments primarily in Extension, they have been encouraged to conduct a relatively major applied research program. Extension administrators recognize the need for accumulating applied research to support the Extension program. Strong ties have been built with research faculty in business, urban and regional planning, and rural sociology. For the most part, these faculty had no extension appointments but were sufficiently interested in applied research to find some common interests. These linkages took time to establish and require maintenance.

The Research Program

Both formal and informal research programs were initiated. Some of the informal aspects of the research program consisted of doing a lot of reading in the professional journals. It is important not to limit reading to just agricultural economics journals. Regional science journals, geography journals, business journals and magazines, and the newsletters for such professional organizations as the Council for Urban Economic Development, American Economic Development Council and the Corporation for Enterprise Development ought to be included. It is important to stay current in these other professional journals simply because local economic development is such a minor component of the agricultural economics literature that one will find himself severely limited by that literature base. An important component of the informal research effort is staff papers, papers at meetings and phone calls from others interested in community economic issues.

The formal graduate research program might be divided into two parts. The first responds to questions that arise in current extension programs. The second component responds to emerging issues perceived as important to longer term rural community economic development policy. The extension part of the research program is relatively applied, and generally conducted by masters students. It focuses on the generation of numbers and analysis of specific questions. Some examples are the impact of shopping centers on downtowns; the development of computer

assisted software to aid in the community economic analysis; and the compilation and structuring of data to support the extension program. It is worth noting that the major focus of the extension program is less on technology (numbers) transfer and more on strategies and policy education.

In the area of emerging issues, much of the research focuses on such things as the importance of nonmanufacturing activities; the functioning of rural capital markets; the targeting of economic development efforts for particular types of worker groups; and the analysis of the job generation efforts.

A wide range of funding sources has been used to support the research program. Title V of the 1972 Rural Development Act funds were very helpful in initiating relatively short term, very specifically focused efforts. Hatch dollars have been used to support the long-term more basic type of research. The UW Graduate School helped fund part of the research program. In several cases, funding from the North Central Regional Center for Rural Development was used in order to reach out and involve the research skills and talents of colleagues in other states. This mechanism supported the development of the Community Economic Analysis Software system and the handbook and some of the work on shopping center impacts. Outside agencies have also supported some of the work. The Economic Research Service of the United States Department of Agriculture supported much of the rural capital markets work. Likewise, the Upper Great Lakes Regional Commission supported the new small business financing research. And finally utility companies are helping fund the analysis of the sources of job generation.

The research program is very applied in its orientation, but geared to developing insights for policies and strategies and anticipation of emerging questions in rural areas. The research program supports the extension effort, and the extension effort generates part of the research agenda.

The Extension Program

The current Extension program reflects three major decisions made in the mid-1970s. The first decision was to improve the understanding of the county Extension faculty in community economics theory, tools and policies. It is important to remember that although Wisconsin has more county level community development agents than other states, most of those people were initially trained in planning and natural resource areas. Economic development was of little interest and even subject to a substantial amount of skepticism. Agents actively engaged in economic development activities for the most part limited their efforts to industrial attraction. In the mid-70s, agent training programs were started, including the explaining of different types of community economic analysis tools, interpretation of the results from those tools, and how they could be used. This training was repeated several times because of changing extension faculty, interests and understanding of the tools.

The second major decision was to engage in educational programs on community economic development that had a policy focus rather than a technical transfer focus. Help was not provided to communities in planning local industrial parks or organizing tax incremental financing districts. The educational target was to help people know what some of their local policy choices might be and which had the highest probability of achieving their desired goals.

The third decision, and probably the one that has done more to create a reputation for the program than anything else, is to use Community Economic Analysis as an identifiable focus for both Extension agents and administrators. Over time, agents have developed a clear understanding of the program approach and content, and the program has gained visibility with others in the state. This visibility is such that people (in Extension, on campus, in other agencies, and outside Wisconsin) recognize the label "Wisconsin Community Economic Analysis program." This doesn't mean the program is better than any other, but it has an identity. Another aspect of having an identifiable label is that it made it relatively easier for Extension administrators to grasp what the program was and what it was attempting to do. It represents an organized effort, rather than a morpheous collection of activities. It generated something that permitted them to respond to external requests about what UW-Extension was doing relative to economic development issues.

The Community Economic Analysis program evolved over a period of time. In the early 1970s, a series of single topic workshops were presented. In the mid-70s, a comprehensive program was started focusing on the county level. The most gracious evaluations labeled it something less than successful. The participants liked it, but little economic development occurred. While politically important in Wisconsin, counties are not very active in economic development. The county level program brought together several people from different communities, but when they returned to their home communities, where the action really is, they did not have a critical mass to implement the effort. Now the program is limited to the community level. Thus there is a critical mass of people going through the program possessing some commonality of concerns, and therefore able to respond in a coherent fashion.

Rural Economic Development Alternatives

Community Economic Analysis is the examination of a community's economic structure and the nature of its response to internal and external stimuli. It is concerned with labor and other factors of production as well as the various business sectors in the community. It is also concerned with the impact of forces external to the community. These forces could be farm commodity prices, location of an interstate highway, the general aging of the population, etc.

One of the critical aspects of community economic analysis is organizing and synthesizing the theoretical foundations for the types of activities and policies suggested. Figure 1 summarizes those theories. First, it is important to remember that the values of the community filter the choices perceived as available and desirable to the community, and the judgements the community makes about the outcome of various policy suggestions. Demand and supply forces are both important to keep in mind. It only takes a brief review of the various suggestions that people offer as solutions to local economic development problems to recognize the strong tendency of most policies to emphasize either demand or supply -- seldom both of them simultaneously. No doubt there are situations where one or the other is the constraining force in the community's economic development. It is important, however, that regardless of which is perceived as the constraining force, both receive consideration in the thinking of community residents [Shaffer, 1988].

The demand aspect of community economic development activity really emphasizes what people want. What are the new markets? What are the growing markets? What are the market niches? What new products might be needed? What types of new uses can be generated for old products? What are the new emerging lifestyles? This approach tends not to consider how those markets are supplied. Policy efforts take the form of such activities as export base expansion, characterized by manufacturing attraction, or main street revitalization and work with main street merchants.

The supply dimension of the theory emphasizes expanded local production capacity. What is the capital base of the community? What type of labor does the community have? How is the community adopting technologies? Policies include such activities as bringing in additional funds to support local business development; public infrastructure investment; labor training; examining the vocational program at the school; management education programs; and technology adoption.

The development and modification of institutions also plays an important role in economic development policy. Institutions include two dimensions. The first is how decisions are made and the second is the nature of the rules of the economic game. How decisions are made reflects what the community is doing to distinguish between economic development symptoms and problems and then actually implementing the necessary solutions. The acceptable rules are such things as minimum wages, use of industrial revenue bonds to finance development and local land use ordinances.

Appropriate local economic development policy involves a combination of demand, supply, and institutional strategies unique to the values, needs and resources of each community. Knowledge of the full range of strategies available and the likely consequences of their application in a particular setting is critical in local decision making. UW Agricultural Economists view their research and extension roles as increasing the level of public knowledge of the consequences of

a wide range of community economic development alternatives under varying internal and external conditions.

Five general community economic development options, with specific action strategies for each, have been identified [Pulver, 1986]. The five options are: 1) improve the efficiency of existing firms; 2) improve ability to capture dollars; 3) attract new basic employers; 4) encourage business formation; and 5) increase aids received from broader governments. All encompass some aspects of demand, supply, and institutionally oriented policy. All offer some prospect for increased employment, income and long run economic viability.

As firms become more efficient, they become more competitive in regional, state, national and international markets. The greater their efficiency, the more net income they return to the community. Improved farm and agri-business efficiency is obviously important to rural America. Expanding firms have been the largest source of employment growth in most states [Armington and Odle, 1982].

In every community farmers, the self-employed, workers, retirees and businesses of all types control a substantial amount of funds with which purchases will be made. Every dollar spent in a community adds to its employment and income. Dollars spent locally by non-local people is as valuable as those generated by the exports of goods.

Bringing basic employers to a community will add employment and income directly. Through the multiplier effect, it may also add other jobs and income. New branch plants, offices and other facilities have been major job generators in rural areas [Miller, 1985].

There is a continuing need for new businesses to meet changing demands resulting from population growth or evolving goods and services. A new business can mean new income and employment as well as expanded trade with local businesses. A number of recent studies have placed great emphasis on the importance of the births of new firms, especially small ones, in the creation of new jobs [Birch, 1979; Schweke and Friedman, 1983].

A community may strive to get back some of the dollars taxed away by broader governmental units. Not only are state and national governments major employers, but they also return funds to local governments through grants and aids. Social security, medicare and medicaid payments are of growing importance in rural areas [Pulver and Rogers, 1986; Summers and Hirschl, 1985].

More research is needed on the consequences of known development strategies under unique internal and external conditions. For example, what kinds of strategies offer positive prospects of attracting service-producing firms to remote rural areas? There is also need for analysis of creative new strategies aimed at particularly difficult rural development problems. For example, what kinds of institutions might serve the start-up capital needs of unfamiliar business types in rural areas.

The Wisconsin Economic Analysis Program

Perhaps the most critical restraint of economic development in rural areas is community leaders lack of: 1) knowledge of the potential alternative community economic development strategies which are most apt to produce positive results under their specific conditions; 2) knowledge of internal and external resources which could be applied to local economic needs and problems and 3) time to gather necessary information, prepare critical documents, and see that necessary actions occur. Urban communities have tax bases which are large enough to provide for the employment of sizeable economic development staffs who can perform these functions. Rural areas must depend on volunteers, part-time elected officials and a few public employees, most of whom have full-time obligations to other tasks.

The primary objective of the Wisconsin Community Economic Analysis Program is to help local leaders develop a plan of action aimed at creating jobs and income which is unique to their community. The county extension agent organizes an informal group of 15-20 leaders from one community representing local government, the Chamber of Commerce, industrial developers, bankers, business people, and other concerned citizens.

University specialists and county extension agents then meet with the group in four sessions covering a total of 8 to 10 hours. Session 1 is a review of recent international, national, state and local economic trends and the implications for the local community. Session 2 includes a detailed analysis of the local trade area, present trade activity, the local employment base, prospective sources of income and employment growth and development options. Session 3 is a self-evaluation of current community economic development activities [Pulver, et al., 1980]. The participants develop a specific comprehensive community economic development plan in Session 4. The plan includes what needs to be done and who should do it.

The county extension agent then provides the group a written report of their conclusions with supportive data. The agent commits to intensive follow-up with the community leaders. The agent's role is to act as a catalyst by helping gather critical information of use in the newly formed action plan, facilitating meetings of the group, other community members and external agencies and organizations, and providing other educational programs focused on specific problems. Extension agent follow-up is a key to the success of the program. Absent this resource, critical catalyst with the necessary time and commitment would have to be sought elsewhere in the community. An important aspect of the program is the development of local leadership with the knowledge, time and commitment to sustained community economic vitality.

To date 65 Wisconsin communities have taken advantage of the Community Economic Analysis program. Formal evaluations have shown high participant acceptance of the educational approach. Community leaders are acting on their plans and positive employment and income changes are occurring. Demand for the program by other Wisconsin communities

remains greater than the UW response capability. County extension agents will undoubtedly have to carry a larger share of the future burden.

Summary

Interest in the Wisconsin Community Economic Development program is a reflection of the growing concern for alternative strategies for rural economic development throughout the United States. If the people who currently live in rural America are to have incomes comparable to their urban neighbors, farm incomes must improve, new nonfarm jobs and income must be found and some must be helped in the transition from old to new employment in rural areas and others to urban opportunities.

The economic development policy options open to rural community leaders are varied and complex. The "best" set of policies and strategies for one rural community are apt to be greatly different than those for another because of variations in values, resources, and needs. Rural leaders need to know and understand the likely consequences of a large number of potential actions aimed at economic development.

The Community Economic Development research and extension program of University of Wisconsin Agricultural Economists is aimed at expanding public knowledge of the consequences of community economic development alternatives under varying internal and external economic conditions. Extension and research efforts are closely linked, research adding to extension program content, and extension providing focus for research. Emphasis is given to building a sound theoretical and empirical base for both the research and extension efforts. Accurate and up-to-date economic development information must be available if rural areas are to have a healthy economic future.

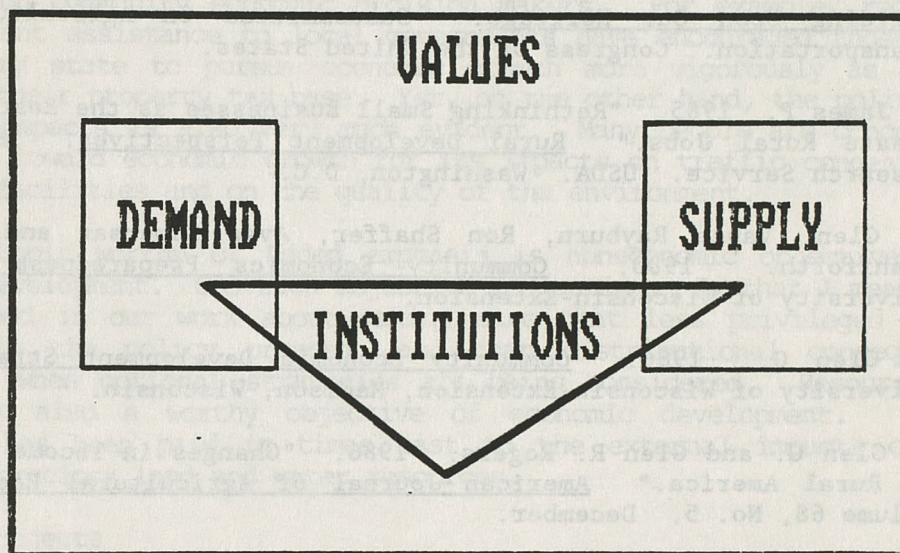


FIGURE 1 THE CRITICAL VARIABLES IN COMMUNITY ECONOMIC DEVELOPMENT POLICY

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ALTERNATIVE STRATEGIES FOR EXPANDED RURAL ECONOMIC DEVELOPMENT: DISCUSSION

Philip Favero

Shaffer and Pulver provide a useful summary statement of current ideas and practices in community economics. They offer insights about their previous work on the importance of structural changes as such changes impact community economies and about the menu of community economic strategies; both efforts have contributed greatly to our knowledge of those subjects.

Two topics seem worthy of greater emphasis. The first involves political pressures on community economic decision makers. For example, reductions in Federal grant assistance to local governments have encouraged those jurisdictions in my state to pursue economic growth more vigorously as a means of enhancing their property tax base. Yet, on the other hand, the political issue of growth impacts is also very much evident. Many people are concerned about or hostile toward economic growth for its impacts on traffic congestion, other community facilities and on the quality of the environment.

A second topic worthy of added emphasis is noneconomic objectives of rural economic development. One such objective is justice. By that I mean we should be concerned in our work about making sure that less privileged people get involved in the policy process, and that distributional consequences get considered when optional strategies are being considered. Resource sustainability is also a worthy objective of economic development. Too little attention has been paid in times past to the external impacts of economic growth on precious land and water resources.

Frontier Subjects

As we look ahead to future work in community economic development, there are several subjects which build on the work of Shaffer, Pulver and others and are frontier subjects for research and Extension Service efforts. They include:

1. More accurate diagnostic methods for community economic problems.
2. More sophisticated insights about community economic policy options and their consequences.
3. Better understanding of the influence of national and state policies on community economies.
4. Greater insights into distributional and equity dimensions of community economic decisions.
5. Stronger linkages between the theory and practice of natural resource/environmental economics and community economic development.

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The Liberating Factor

How can we, as Extension Economists build on good work and expand on the frontier subjects? The factor which is key to our progress is, I believe, augmenting and aggregating our resources. We need, in essence, more specialists specializing more.

Several recent studies, when considered in combination, undergird the argument that we need more specialists specializing more. In 1982 Morse, Youmans, Mallet and Favero wrote a paper for a National CRD Program Leaders Workshop titled CRD Economic Development Programs In The '80s (Morse, et al.) In that paper we argue, with some empirical evidence, that there is a large number of speciality areas in community economics and relatively few people to specialize in them. Honadle in 1985 documented the large number of speciality areas in state Extension programs concerning community economics (Honadle). Although Beth currently expresses, by verbal communication, her sense that the number of Extension people conducting those programs had increased slightly, the number is still small when compared to other programs in the Extension Services.

Goode has presented two papers which support the argument that we are too fragmented in our community economics work (Goode 1985 and 1986). In those papers Goode, a researcher with an interest in extension, indicates that because of academic reward systems, research in community economics has tended to become increasingly theoretical and divorced for practical purposes from problem solving. Finally, Weber argued in 1985 that institutional lag i.e. resistance exists in Land Grant Universities and USDA to the idea that more resources are needed in community economics, even if the goal of these institutions is simply to enhance agricultural profitability (Weber).

Suggested Actions

What steps can we take to build the resource base for doing community economic development in the face of resistance? The following actions should be helpful:

1. Documenting, demonstrating and making known the fact that community economic extension efforts benefit both traditional and new Extension Service clients. Such efforts are, therefore, worthy of support by Extension Service administrators, even in the context of severe budget constraints.
2. Unselfishly support high quality work being done by our colleagues in community economics. We all benefit when our colleagues excel. Support could be in the form of words of encouragement and due praise to the colleagues, their administrators, granting foundations and so forth. By colleagues who are doing high quality work I mean:
 - leading state institutions in community economics such as Wisconsin, Oklahoma State, Iowa State, Ohio State and others;
 - the Extension Service National Program Leader for Economic Development;

- those involved in outstanding multistate projects such as the Western Regional Center's "Coping With Growth" effort a few years ago and the "Small Town Strategy" effort more recently;
- deserving colleagues, both researchers and Extension Specialists who work on practical problems in community economics.

Creative Efforts

We can also use some creative efforts to better utilize existing resources in community economics by establishing links and increasing thereby the scale of projects and programs. These are some examples of such efforts:

1. Regional Rural Development Projects which link Extension Service and research people. An example of this kind of effort is the creation of a data base for local economic development planning in the northeast states. The project, with funding by the Northeast Regional Center, is currently being implemented by a combined research/extension team from Delaware, Maryland, Massachusetts, Pennsylvania and Rhode Island.
2. Multidisciplinary Teams. A good example from the natural resources area is the University of Maryland Water Team which involves researchers and Extension Specialists from Agronomy, Ag Engineering, Agricultural Economics, Community Resource Development and other departments. Team members share the goal of providing educational opportunities and information about water issues.
3. Institutionalized Programs. By that term is meant Extension Service programs which have been well documented, explained and publicized for other states to use. An example is Ohio State's Retention and Expansion Program.
4. Videotapes and Electronic Conferences. A recent example is the May, 1987 National Audio Conference On Community Economics.
5. Sharing information across state lines. An example is the USDA Bulletin Board For Economic Development.

CONCLUSION

We have made good progress in recent years in providing high quality community economic development extension programs. There are, of course, frontier areas of knowledge that demand more work. But the most limiting factor to better serving our clients is, in my opinion, one of resource limitation. If you agree, how can we augment our resources and better utilize the resources we now have to achieve greater economies of size?

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