AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

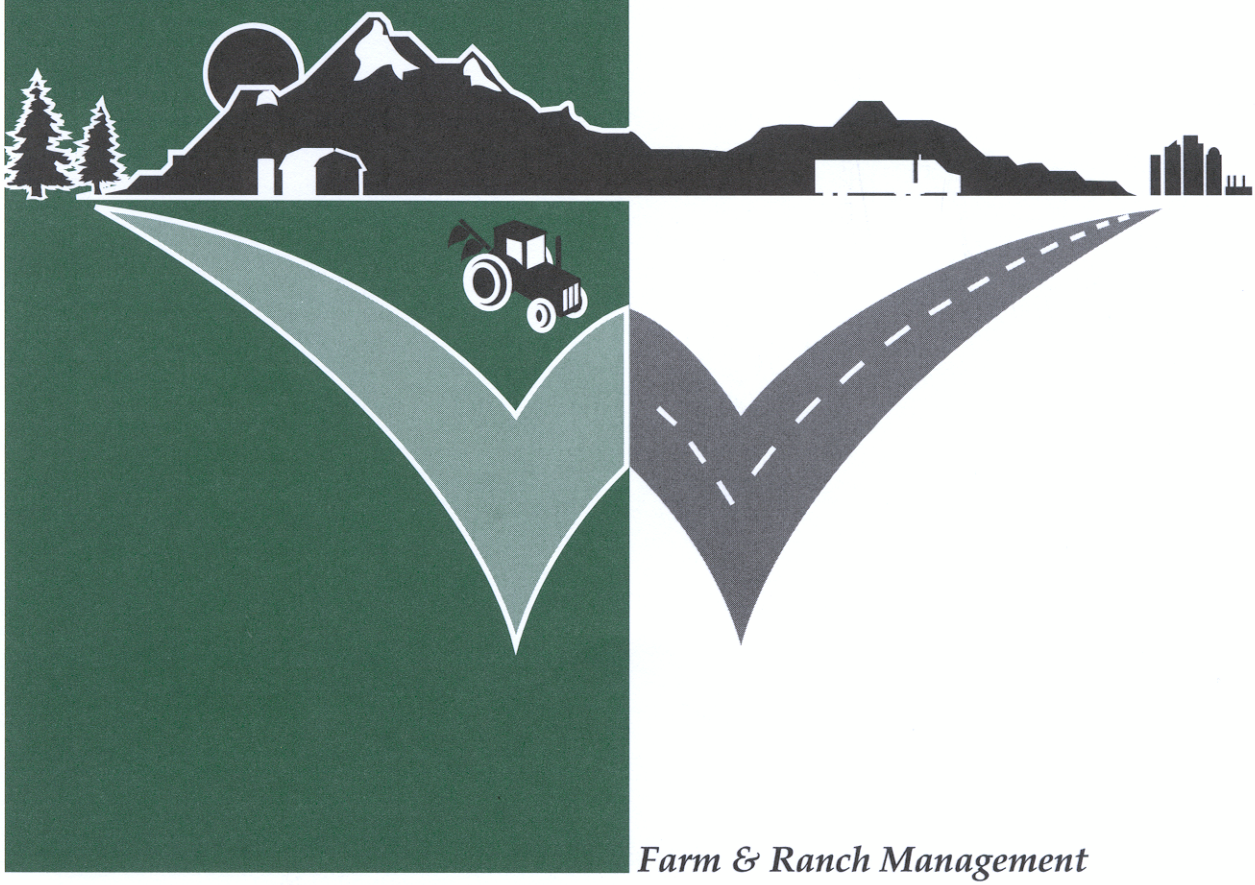
AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Spring 2003: Volume 2, Number 1

Western Economics Forum

A Journal of the Western Agricultural Economics Association



Farm & Ranch Management

Marketing & Agribusiness

Natural Resources & the Environment

Policy & Institutions

Regional & Community Development

NEWS AND VIEWS FROM THE WESTERN RURAL DEVELOPMENT CENTER

Steven E. Daniels, Ph.D.
Director, Western Rural Development Center
sdaniels@ext.usu.edu

I am pleased to have this opportunity to make additional connections with the region's economists and provide information about the growth and progress at the Western Rural Development Center (WRDC) since I became Director. As the title implies, my comments are divided into two distinct sections. The first section consists of an overview of WRDC programs, and provides some information on my background and ways that you might link your work with ours. The second section focuses on two specific research issues: some thoughts about the "Whitelaw/Power" hypothesis and applying a game theory/experimental orientation to public lands policy and environmental regulation.

The Western Rural Development Center

Some WEF readers may know more about the history of the WRDC than I do, since the WRDC has a long tradition of partnering with the region's agricultural economists. But by the same token, as I travel around the region I find that knowledge of the Center's mission, structure, and programming varies considerably.

The WRDC is one of four Regional Rural Development Centers (RRDCs) that date back to the Rural Development Act of 1972. The other three Centers are hosted by state universities in Iowa (www.ncrcrd.iastate.edu), Mississippi (www.srdc.msstate.edu), and Pennsylvania (www.cas.nercrd.psu.edu). Each Center works on behalf of the Extension and Agriculture Experiment Station directors in its region. The western region covers 11 contiguous states (roughly everything west of the Dakotas, Nebraska, Kansas, and Texas), Alaska, Hawaii, and the land grant institutions in the Pacific Islands. As per federal regulations, each Center is governed by a board of directors, comprised of Extension and AES directors, faculty, and non-university partners.

The WRDC was at Oregon State University from its formation in 1974 until 1999. When Russ Youmans, the long time director, announced his retirement plans, the region's experiment station and extension directors used that as an opportunity to consider relocating the Center. A competitive bidding process was organized, and almost half of the states in the region wrote proposals. The Utah State University proposal was selected, and the WRDC began operation in Logan in the latter half of 1999.

The WRDC has a Steering Committee that is roughly comprised of 1/3 administrators, 1/3 faculty, and 1/3 non-university partners. A major purpose of the Steering Committee is to determine the strategic priorities of the Center, and there are currently two: 1) civic capacity in the rural West and 2) natural resource management.

Personal introduction

It is not in my nature to do a lot of self-disclosure; I am by nature a moderately private person. I tend to assume that other people are probably not interested in the details of my background and that self-disclosure readily becomes self-indulgent. But my role as the director of the WRDC is a much more public position than the typical research or extension specialist position, and therefore I think it is useful for WEF readers to have a sense of my orientation on the world. My academic training consists of an undergraduate degree in economics, a Master's in forestry, and a Ph.D. in economics. Aside from my graduate school years in North Carolina, I have lived in the West my entire life. It is a bit odd to frame it this way, but I have lived in Alaska (a summer), Idaho (twice), Montana (twice), Oregon, Washington (twice), and Utah (three times). The biggest single portion of my professional career was at Oregon State University, where for almost 12 years I was on the faculty in forest economics and policy (with emphasis on the latter because of departmental staffing needs at the time). My orientation is much more a natural resources perspective than an agricultural one.

WRDC communication vehicles

Since 1999, the Center has implemented several new strategies to promote regional communication around rural development issues. Our goals have been to 1) spread the word about western opportunities and activities of interest, and 2) encourage a two-way conversation that allows us to learn about pressing issues and respond appropriately.

Our most visible communication tools are the *Circuit Rider*, a full-color quarterly newsletter published electronically; *Items and Opportunities*, a monthly e-newsletter with a distribution of more than 500 western county extension agents, Extension and AES directors, and others; and the WRDC website (http://extension.usu.edu/wrdc), which features a searchable Expert Roster. As director, I get a fair number of inquiries from people trying to connect with others in particular areas of specialty, and I typically turn to the Expert Roster. I encourage you to visit the WRDC website to see what is available, and perhaps join the Expert Roster. If you do not already receive our publications and would like to be added to the distribution list, please contact the WRDC at wrdc@ext.usu.edu.

Ways to partner with the WRDC

I am not hesitant to say that the huge sweep of acres and issues in the west greatly exceeds the WRDC's resources. The Center's base funding from CSREES is only about $350,000, even less than the current USDA estimate of the $500,000 needed to fund the operations of a single "bench" scientist for a year. So the WRDC cannot be seen as a deep pocket for funding large projects. But what we can do is 1) fund the efforts of proposal writing teams, 2) offer funds to add components to research projects that make the effort more regionally applicable and hopefully more attractive to funders, 3) provide editorial, publication, and distribution support to re-interpret research findings for more popular audiences, 4) partial funding for thematic conferences, particularly when the goal is to link research results and analytical methods to rural decision makers and 5) support the participation of scholars from 1994 land grant schools (Native American serving) in projects and meetings. This list does not bound the ways in which we might work together; rather it illustrates the kinds of roles the WRDC has productively played in the past. And while our default set of partners is the land grant schools, I do not feel at all constrained to limit the Center's partnerships to them.

Research Issues

Let me acknowledge that I am certainly not up-to-speed on the full sweep of economic research that has been underway in region for the past several years. So it may very well be that the research topics discussed below have already been examined, either in part or in whole. If that is the case, please grant me a measure of goodwill. Rather than discount me as a poorly-read dilettante, kindly drop me a note with a citation, reprint, or working paper.

Now that I have the caveat out of the way, allow me to discuss two issues that I have continue to ponder. The first of these relates to a hypothesis about the role of primary industry in economic future of the west, and the second relates to the use of economic theory to re-align the incentives imbedded in natural resource policies. It is interesting for me to acknowledge that neither of these flow directly out of the maximization/efficiency/equilibration-at-the-margin paradigm that was the cornerstone of my academic training. A comment in a meeting several years ago stopped me in my tracks: "efficiency has no constituency." Natural resources, economic structure, and the rural west are interwoven issues that are hugely political, and politics is often a dance among competing constituents. The implicit presumption of my Ph.D. training was that the body politic would find efficiency to be as compelling a criterion as do economists. The first 20 years of my career has not shown that to be the case. I suspect that if we surveyed both the region's perennial combatants and the public at large, we would find that economic efficiency lies very far down their list of factors that should drive policy processes.

The Whitelaw/Powers hypothesis

I am invoking the term "Whitelaw/Power hypothesis" to refer to an intellectual argument that primary industry has little or no place in the economy of the New West. In fact, the contention is that

such industries may impede economic prosperity when they detract from the amenity values of the West, which are seen to be the true basis of our comparative advantage. I recognize that there are other people who have written about these issues, but because of personal connections, I most often associate them with Ed Whitelaw and Tom Power. Ed is a long-time faculty member at the University of Oregon and a principal in a consulting firm. When I was on the faculty at Oregon State University during the spotted owl controversy, Ed's "second paycheck" metaphor received considerable attention. The image he was evoking was that in-migrants get a quality of life/amenity second paycheck when they move to Oregon, so employers can pay them lower actual wages. The implication was that protecting the attributes that generated the second paycheck was central to protecting Oregon's competitiveness. Tom has been on the faculty at the University of Montana since I met him in the late 1970s and has written books in recent years contending that primary/extractive industries created a "failed economy." The third to the last sentence of his 1996 book, *Lost Landscapes and Failed Economies*, is a concise summary:

> In many cases, if we opt for extractive industries to keep the local economy afloat, we will be sacrificing what is scarce and unique for what is common and cheap.

I think this hypothesis warrants concerted scholarly examination. I confess that I am deeply conflicted by this line of thinking; I freely admit that I choose to live in the Rocky Mountain region because of the amenity values but I simultaneously recognize that I could not live here without the ability to make a satisfactory income. As I think about the Whitelaw/Power hypothesis, I have a gnawing feeling that there are one or more intellectual fallacies at play.

In recalling the philosophy of science lectures I have variously enjoyed and/or endured, the notions of Galtung's fallacy of the wrong level and Robinson's ecological fallacy come to mind. Both of these argue against making cross-level inferences in social science. They make me hesitant to conclude that because personal income rose 8.5% per year in Dubois, Wyoming, after the lumber mill closed, in aggregate we would be better off mills if the were gone (an example used in *Lost Landscapes)*. This analogy is easily extended to agriculture. Each level of a vertical production process depends on the existence of the other levels. If we choose to eliminate the levels of production we dislike, even for very legitimate reasons, it seems we have an intellectual burden to examine systemic implications of that choice. Moreover, in those situations where a particular industry provides only a modest number of direct jobs, is it insignificant or somehow politically expendable?

Perhaps the data were carefully selected to substantiate a belief rather than test an idea through falsification. Perhaps I am being too much a purist in terms of scientific method. Perhaps what is true for Dubois, Driggs, and Bigfork is less true for Jordan, Gillette, and Pahrump. I have too many "perhaps-es" floating around to be convinced, not the least of which is that perhaps this hypothesis is correct.

A reviewer of this article thoughtfully raised two points that bear repeating, and will confess to have not having solved them yet, although I think the reviewer is onto something. First, there may be a variant of the classic "diamond and water" paradox in play here. Arguably environmental quality is essential to life, and amenities are essential to quality of life. But just as with water, the marginal value may be paradoxically low. Secondly, a fruitful way to disentangle this issue may be to apply the concepts of natural, built, and human capital, and the linkages among them. Natural and human capital are perhaps the most fundamental sources of economic activity and growth, and the creation of other forms of wealth is predicated on our ability to steward them.

I also want to acknowledge that I do not believe that academic adherents to the Whitelaw/Power hypothesis are necessarily prone to overstating their case. But by the same token, I have seen these ideas thrown into public debates around a number of natural resource policy issues. In these settings rhetorical exaggeration is par for the course. I have seen the Whitelaw/Power hypothesis—and other academic images such as Bill Freudenberg's "addictive economies"—used to argue that the West would be better off if we were "rid of the lot of them," with the "them" variously being ranchers, irrigators, commercial fishermen, woods workers, etc. That is when I realize that the ideas we generate as

academic economists have very real impacts on very real lives. We therefore have the obligation to critically examine those ideas that begin to resonate in the policy arena.

By the same token, I think we have a collective responsibility to think carefully about the larger implications of our research efforts. There is a tendency, both as authors and reviewers, to compartmentalize our thinking and divorce ourselves from the ways in which our research might be interpreted or used by others. I think we do so a substantial peril. Some of the risk is to others, some is to the profession, but some is to us as individual researchers. One of my favorite political scientists refers to scientific findings as cannonballs being shot across the political battlefield. All sides are looking around for any cannonballs that they think can overcome the defenses of their opponents, and really cares little what happens to the cannonballs when they hit. The only catch is that the researcher is chained forever to the cannonball and goes flying across as well, destined to smash into the other groups' intellectual buttresses. In the political sphere, research findings are a means to an end, and are as expendable as any other instrumental input. Every time I forget this fundamental truth (invariably because I am flattered that someone is interested in my work) I have come to regret it eventually.

Applying the game theory/experimental orientation to public lands policy and environmental regulation

Over the past decade I have become a fan of game theoretic/experimental economic research. Admittedly, my support has been passive because my time has been allocated to other areas. Nevertheless, I think that this research orientation offers some intriguing avenues for developing ways to both critically examine and potentially reformulate the incentive structures created by a myriad of public lands/environmental regulations. The Western Economic Forum readership knows better than I the arguments about the various incentives created by water policies, the 1862 Hardrock Mining Act, the Endangered Species, and others. I firmly believe that we can use game theoretic approaches to create innovative institutional frameworks that address perverse incentive issues, and apply experimental economics to provide a measure of empirical evidence as to their likely efficacy. The case of marketable discharge permits comes to mind as a perfect example of policy innovation that aligned incentives for individual firms with a socially defined goal. Even though it initially struck many as odd, my arms-length knowledge is that it proven itself to be both effective and accepted. My point is not so much that we need to get the prices right in a Coasian sense, but that we need to untangle the rules/incentives/behavior Gordian knot in a Nash/Vernon Smith sense.

I spent much of the summer of 1992 at the Center for the Advanced Study in the Behavioral Sciences at Stanford, working with both experimental psychologists and economists on negotiation and conflict theory. On my way home from that session, I met with the then-Deputy Regional Forester for the USDA-Forest Service in California. I tried to explain how the appeals procedure used by the agency functioned as a form of conventional arbitration, which had been proven to generate more positional behavior and extreme initial offers than approaches such as final offer arbitration. I argued, unsuccessfully, that the Forest Service needed to experiment with alternative appeals procedures with incentive structures less likely to promote extreme rhetoric. But that employee is now the Chief of the Forest Service, who complains bitterly about policy gridlock. Perhaps it is time to revisit these issues with him. Perhaps some of you who are more articulate and persuasive might join the WRDC in such a project.

In summary, whether your interests are in game theoretic approaches to natural resource policy, the Whitelaw/Power hypothesis, or an entirely different arena, I hope you regard the Western Rural Development Center as a source of information, a possible outlet for your policy-relevant research, and a potential partner on projects. I have spent my initial energies as the Center's director building bridges to other disciplines (rural sociology more than economics) and other university colleagues (extension more than research). I hope the region's economists continue to regard the WRDC as a constructive part of the land grant system. Feel free to contact me at sdaniels@ext.usu.edu.