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Planning and Professional Economics Assistance

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Economics Newsletter

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PLANNING AND PROFESSIONAL ECONOMICS ASSISTANCE

INTRODUCTION

Economics Newsletters are devoted to topics covering several social and economic problems which affect South Dakotans. The last newsletter, for instance, mentioned the present shortage of energy and other basic raw materials required by agriculture. Earlier editions referred to transportation and health-care problems.

Solutions to problems such as these require planning by individuals and groups within both private and public sectors. The success of much of this planning often depends on the application of economic theory and knowledge as well as professional contributions from other disciplines. This newsletter attempts to explain how the professional competence of an economist can be used to assist in the process of planning.

PURPOSES

Two main purposes can be served by this look at some roles of economists in planning. The general public can learn about the various functions that economists can be called upon to fulfill and young people deciding upon careers can better evaluate what they might do as economists involved in public planning. In addition, the ideas expressed in this newsletter might be useful to those persons interested in curricula which train young people desiring a career in the public planning process.

SCOPE

While economists participate in planning conducted within both the private and public sectors, this newsletter identifies and briefly reviews some roles of economists in only the public planning process. Not all economists agree upon the precise nature of activities in which they should participate in the the planning process. Yet, there is general agreement that an underlying function of this discipline is to apply economic concepts and expertise to help solve community and regional problems. Economists can often make valuable recommendations about how scarce resources can be allocated to achieve desired goals of society. The main purpose of applying economic concepts within the private sector is profit maximization or minimization of loss. Within the public sector, however, a wider range of purposes guides the economist. Several of these purposes are identified in this newsletter.

IDENTIFICATION OF FIVE SPECIFIC ROLES

The last *Economics Newsletter* classified nine basic types of public planning carried out within South Dakota and other states. The author suggests that these nine classifications can be grouped under three of the basic roles of economists in public planning.

1. Planning of Single-Purpose Facilities and Services

- a. the provision of single-purpose facilities and services.
- b. the coordination of single - purpose facilities and services.

2. *Planning Related to Natural Resources*

- a. The multiple - purpose development of public land and water resources.
- b. the conservation of natural resources.
- c. the restoration of environmental quality.
- d. the acquisition or protection of lands most suited for public purposes, such as recreational sites.

3. *Planning Designed to Affect the Distribution of Income and Economic Activity Among Groups and Regions*

- a. the provision of assistance for low-income groups.
- b. the stimulation of regional economic activity.
- c. the support of rural development.

In addition to the above three roles that economists perform in public planning, two others should be mentioned.

4. *Planning Within the Budgetary Process, and*

5. *Planning to Help Distinguish Public Goods From Private Goods.*

BRIEF DISCUSSION OF EACH ROLE

1. *Planning of Single-Purpose Facilities and Services.* In planning single-purpose facilities and services the technical aspects of the facility or service being provided needs to be understood. Knowledge is required about the demand for the facility or service. A major purpose of this planning is to evaluate demands and meet them at the lowest possible cost. These least-cost

solutions can often be achieved through coordination of the new facility with other existing or other planned facilities. Such coordination is an important aspect of community planning.

2. Planning Related to Natural Resources. Generally speaking, planning related to natural resources includes the evaluation and conduct of: (1) non-project programs, and (2) programs which include the construction of projects. Examples of non-project programs include land-use zoning and the establishment of water quality standards. Planning of programs and projects often follows governmental guidelines for the evaluation of benefits and cost. Economists are called upon to estimate the magnitude of various benefits and costs and describe their impact or incidence among affected groups and regions. Planning programs which influence resource use require knowledge of private property rights, water rights, and the ability of government to influence resource use. This ability of government is vested in its police taxation, spending, ownership, and eminent-domain powers.

3. Planning Designed to Affect the Distribution of Income and Economic Activity Among Groups and Regions. Through the political process society often decides to try to change or redistribute income and economic activity among groups and regions. Economists contribute in this political process by describing, among other things, the existing distribution of income and economic activity and the impact that a change will have on the present situation. Once the political process results in a decision, economists can help a community in formulating specific goals, identifying alternative means of attaining goals, choosing between alternatives, and implementing final choices. This calls for knowledge about community and regional development and the manner by which public and private entities make location decisions.

4. Planning Within the Budgetary Process. A long-standing role of economists in public planning is to strive toward efficiency in the expenditure of public funds. In recent years, the federal government and some states have made significant changes in their budgeting systems. Whereas conventional governmental budgeting processes identifies and analyzes expenditures on an agency-by-agency basis, new budgeting processes attempt to evaluate expenditures according to the various purposes served by funded programs. These new budgetary processes are somewhat similar to procedures commonly used to evaluate the benefits and costs of multiple-purpose land and water developments.

5. Planning to Help Distinguish Public Goods From Private Goods. In the United States some goods and services, such as automobiles and automobile insurance, are provided exclusively by private firms and sold within private markets. Others, such as national defense and flood control, are only provided by government. And still, others, including electric power, education, and health insurance, are provided by both private and public sectors. With respect to goods and services within this latter group, there is no commonly agreed upon distinction about the extent to which they should be privately or publicly provided. Yet, information is useful which identifies the relative costs and benefits of alternative private or public provisions of similar goods or services.

An important contribution of economists in the planning process, then, is to provide information that can assist citizens understand the nature and dimensions of community and regional problems and thereby help find solutions to those problems. This would include the relative merits of providing certain goods and services by the private sector or public sector.

Robert L. Vertrees, Assistant Professor

Agri-Business Day, Tuesday, April 2

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