

Community Economic Analysis: A How To Manual

Ronald J. Hustedde, Ron Shaffer, Glen Pulver. Iowa: North Central Regional Center for Rural Development (Iowa University), 1993. 65 pages. ISBN 0-936913-06-1 (paper) \$5.00. To order, call 515-294-8321.

Every now and then you come across a book that strikes you as being very aptly named. *Community Economic Analysis: A How To Manual* is one such volume. At 65 pages, nearly half of which are devoted to an appendix of examples, this is indeed a “manual” rather than a book. Nor does it stray very far from its stated topic of “analysis.” Theoretical and normative issues are only touched on as necessary, when they relate to the “how” or the “why” of a particular method of analyzing data. This book is designed for noneconomists who are interested in doing a relatively inexpensive, but serious, study of their local economy.

The authors begin by talking about what factors are unique to a small, local economy, focusing on its linkages to the larger economies around it. They then identify what they believe are relevant questions to ask about a local economy, what analytic statistics will help to answer them, where to find the data necessary to construct these statistics, and, finally, how to interpret the resulting values. The major topics they cover are: identifying export-oriented versus locally oriented industries via location quotients, constructing and using income and employment multipliers, estimating the size of a local trade area, evaluating the percentage of potential trade an area captured, and identifying the sources of local economic growth or decline by the use of shift-share analysis.

The bulk of the manual is written in an unusual question-and-answer format, which works remarkably well. Questions are used to motivate the use of various analytics (“How can a community tell if it is losing trade dollars?”), or to guide the reader in the interpretation of results (“How do we use this information?”). This format makes the logical flow of these analyses very clear to a first-time user. On the other hand, a seasoned analyst looking for a quick reference book would likely find the format to be something of a hindrance, since the question headings are often only meaningful in the context of what preceded them (for example, “Why is this so important?”). The main text of the manual is followed by an appendix of examples, which is almost as long as the text itself. Again, I liked that the authors not only discuss the analysis of raw economic information, but are also quite specific about where to find it.

Community Economic Analysis stands out in terms of clarity and readability, particularly among documents designed for

noneconomists. The authors’ discussion of shift-share analysis, while brief, is among the best I have seen. The only thing I found lacking with this book, taking into consideration its intended audience and scope, is that it does not contain enough discussion of policy options. That is, while it provides an excellent crash course in regional economic analysis, its discussion of what to do with the results is limited.

Reviewed by Michael Wells, a regional economist at the Bureau of Economic Analysis. [Views expressed are the author’s, and do not necessarily reflect those of the Bureau of Economic Analysis or the U.S. Department of Commerce.]

Research Methodology in Applied Economics: Organizing, Planning, and Conducting Economic Research

Don Ethridge. Ames, IA: Iowa State University Press, 1995. 271 pages. ISBN 0-8138-2514-8. (cloth) \$42.95. To order, call 1-800-862-6657.

Suppose you are asked to teach a class to paint. Would you hand your students boxes of paints and brushes, lead them through a museum, pointing out the masterpieces by Rembrandt, Picasso, and Matisse, then put them in a room and tell them to start painting? Probably not. Yet, this is how economists train new economists. New students are handed a box of tools in their core courses (supply and demand curves, elasticities, a few Lagrangian multipliers, etc.), and led through a gallery of masterpieces in their field courses (Friedman, Samuelson, Lucas, Solow, etc.). Then they are told to produce a masterpiece of similar quality to make it through the program.

Students and newly minted economists who are struggling to learn the tricks of the trade will be happy to find that Don Ethridge has produced a book that contains many of the practical things that nobody taught them in graduate school. *Research Methodology in Applied Economics* is designed to teach students who “know” economics to “do” economics by teaching them how to define a research problem, review literature, define and test hypotheses, and use data and analytical techniques. Many of the above topics are covered in research methodology, philosophy, and statistics courses. Ethridge puts them all together in one volume and adds more practical topics that are often learned informally by trial and error, such as how to write a research proposal, how to apply for funding, and how to write reports of your research.

The first section of the book is devoted to weighty and abstract topics in the philosophy of science, including the definition of knowledge, logic, and prediction, and to approaches to scientific inquiry, such as positivism and normativism and deductive versus inductive reasoning. These chapters will be a good reference for students needing to learn how to use techniques and tools to address well-defined research problems. The second section of the book focuses on the nuts-and-bolts of designing a research project. Chapters in this section cover the writing of a research proposal, searching and reviewing literature, developing a conceptual framework and testing hypotheses, and choosing the research method. This material is quite practical, touching on subjects like how to choose keywords, how to cite different types of literature, how to choose an empirical method, and the all-important how to get research funding.

Writing is a well-known weakness of economists. Graduate programs rarely teach this fundamental skill, yet effective writing is crucial to success in the economics profession. It's probably appropriate, therefore, that the final chapter is devoted to writing research reports. One of the strengths of this book is the inclusion of five appendices that present the reader with examples of three different kinds of research proposals, guidelines for critiquing papers, and some comments on seeking research funding. The three proposals help the reader to get beyond abstract principles to see how someone else has actually done it. The material on seeking funding expands on the cursory treatment of this topic given in the text.

The sections on research methodology and conceptual framework, by nature, tend to be abstract. Ethridge occasionally adds examples to make the abstract more concrete, such as where the symbiotic relationship between economic and research methodology is illustrated by hedonic price analysis. Ethridge also uses the example of an editorial column from *Newsweek* to illustrate how a faulty conceptual framework can lead one astray in analyzing economic problems. More examples like these that illustrate erroneous or good research methodology would make the book even more effective in teaching economists to "do" economics. Instructors who use this book for research methodology courses would do well to bring in their own examples to illustrate the principles Ethridge discusses. Another contribution of this book is that it assembles references to scattered articles and books in which authors like Hamermesh, Ladd, and McCloskey share insights concerning the more informal aspects of being an economist. Readers may gain more practical insights by checking out some of these references.

The reader probably won't be equipped to start sending grant proposals to the National Science Foundation immediately after reading this book, but it goes a long way toward filling some of the cracks in graduate economics education. It will no doubt become a standard text for courses in research methodology and is a must-read for all students training to become applied economists. Newly employed economists and researchers from other social science disciplines will also find helpful hints here.

Reviewed by Fred Gale, an economist with ERS-RED.

Themes in Rural History of the Western World

Richard Herr, editor. Ames, Iowa: Iowa State University Press, 1993, 277 pages. ISBN 0-8138-1492 (cloth) \$42.95. To order, call 1-800-862-6657.

For those who find insight and pleasure in learning about the origins of current agricultural practices, land tenure patterns, and rural communities, *Themes in Rural History of the Western World* will offer unusual delights. Based on research pursued during a summer seminar for college teachers sponsored by the National Endowment for the Humanities, the work provides snapshots of agriculture and rural life in times and places not often joined in a single source. The authors of this edited collection, representing the disciplines of anthropology, archeology, geography, history, classical studies, and linguistics, present eight independent essays, each focused on a particular period and place or problem in rural or agricultural history in western civilization. The reader travels through Rome, southern Italy, Germany, South America, Mexico, and the United States, touching down at points in time from A.D. 50 to 1992.

In a strong introductory chapter, editor Richard Herr, professor of history emeritus at University of California, Berkeley, outlines the themes and "protagonists" of western rural history that unify this group of articles. He identifies the commercialization of agriculture and the evolution of rural society, particularly as they relate to the transition to capitalism, as the two primary themes that have drawn historians and other scholars to the study of rural history. Over time, the focus on those two themes has changed with trends in the techniques and expectations of historical research, moving from narrative syntheses based on traditional documentary sources to statistical examinations of economic and demographic change in agricultural production and life in the countryside. Intertwined among these themes are the seven protagonists, or factors—land, labor, the state, the market, demographic forces, customs or culture, and the environment—the interactions of which, Herr contends, determine the course of agricultural and rural change.

The eight essays reflect differing combinations of these themes and factors set in the specifics of a particular time and place. More than half concentrate primarily on land tenure and the structure of farms and estates: Dennis Kehoe examines landowner-tenant relations in ancient Rome; Anthony Galt concentrates on the development of perpetual leases in a region of southern Italy during the 18th and 19th centuries; Thomas Fox focuses on the distinction between legal definitions of different forms of land tenure and the social/economic realities of such tenures in 18th century Hesse-Kassel; Ronald Janke describes the clash between indigenous North American tribal land holding and the European idea of individual property; and John Frederick Schwaller explores the distribution of land and agricultural production in the hinterlands of colonial Mexico City.

Two other articles focus on environmental factors in the development of agricultural systems. D. K. Abbass estimates the likely livestock population in the 16th century Spanish colonies

based on cargo lists and estimated breeding capacity in the New World, and Robert Claxton reconstructs the record of drought in the Spanish colonies and considers its effects on agricultural production. The remaining article, by John Resch, connects demographic, economic, social, and political data on a frontier community of colonial New England to trace its evolution from strictly religious, kinship-based, subsistence farming origins into a more pluralistic, secular, market-oriented community.

These articles will appeal to different readers according to their special interests in rural and agricultural history. Several articles are so well-presented that they should appeal beyond their most likely audience, including the articles by Anthony Galt, John Frederick Schwaller, and John Resch. Perhaps the most valuable piece for North American readers will be Janke's piece on Indian land tenure. Janke chronicles the phases of U.S. policy on Indian lands, from the earliest system of land cession by formal treaties, through the establishment of reservations in the 1850's, the breaking up of reservations into individual plots of land under General Allotment Act of 1887, and the reestablishment of tribal land ownership under the Indian Reorganization Act of 1934. Using the Lac du Flambeau Chippewa reservation in Wisconsin as a case study, Janke documents the effects of these policies on the continued fragmentation of Indian allotment and reservation lands. Janke concludes with a brief discussion of the current complications of land management for tribal leaders and of the problems created by disjuncture between the tribe's cultural and political traditions and their imposed system of land tenure.

As with most edited collections, some contributions are stronger than others, but unlike many collections in which the connections among articles are not readily apparent, the editor's introduction creates a remarkably coherent whole. For most readers, though, this group of articles will seem far removed from immediate concerns. Some readers will undoubtedly find individual articles fascinating, and those with a strong general interest in rural history may find many of the articles absorbing. The combination of esoteric subjects and academic style, however, will make this book of interest primarily to specialists in rural history.

Reviewed by Anne B. W. Effland, a social science analyst in RED/ERS.

Teaching American Indian Students

John Reyhner, editor. Norman, OK: University of Oklahoma Press, 1994, 328 pages. ISBN 0-8061-2674-4 (paper) \$14.95. To order, call 1-800-627-7377.

This work consists of a series of short practical and theoretical essays. Some are historical in their reviews of previously unsuccessful efforts to teach American Indian students. The authors seem to feel that, for the largely White culture and its educators, the greatest stumbling blocks to teaching American Indian students are a lack of self-understanding and a lack of sensitivity to and appreciation of another culture. The recognition of quality within ourselves seems to be a necessary prerequisite for recognizing the same quality in others.

The authors take the reader through "manifest destiny," our "Christian Mission," and convenient stereotypes from the noble

savage, to the defeated savage, to the bestial brute savage that have been used to ignore what American Indian culture really is. Once educators get past those misperceptions and develop an understanding of the differing, but equally valuable, White and American Indian cultures, it becomes possible for them to take a hard look at teaching materials and methods—are standard textbooks appropriate? is bilingual instruction needed? how should the values of Indian children help shape instruction? and are traditional methods of reaching students applicable in American Indian classrooms?

Textbooks present a challenge in that the old middle class "Dick and Jane" idealizations of children are simply out of place. The editor includes a list of fictional and nonfictional works in appendices B and C to guide the teacher to more appropriate books for American Indian students. Also, a suggestion is made to use many and varied materials and approaches in reaching Indian youth. While there may be no consensus view on bilingual instruction, there appears a general agreement among the writers that bilingualism is valuable because it has been shown that a greater understanding and appreciation of one's own language leads to a greater understanding and appreciation of English.

The cultural reality that many Indian children do not value recitation in front of their peers because they find it embarrassing should be taken into account by the classroom teacher. Ultimately, there is no generic American Indian, and the education process has to take individual differences into account to be successful. The complex and challenging teaching environment makes it imperative for the teacher to be innovative. The authors believe that the teacher must move into an advocacy role, involve parents and elders, and inspire students to become truly effective.

First the fears of teachers and children must be addressed. The essayists offer a number of suggestions summarized frequently as conclusions at the end of each essay but frequently stated more directly in the body. They also stress involving traditional Indian culture in the classroom experience and devote pages to appropriate means of teaching American Indian literature, social studies, science, and physical education.

The one omission I found unfortunate was the lack of a discussion of agriculture. American Indians showed the colonists how to cultivate and eat fruits and vegetables that were new to them, teaching them survival skills. Learning of this positive role in American history could help American Indian children more highly value their place in the broader society.

Aside from the omission of agriculture, this work is useful to anyone who is willing to take a hard look at cultural misperceptions and the other issues that relate to the education and development of American Indian students. It can only serve the expansion of knowledge, wisdom, and opportunity for all Americans.

Reviewed by Joel A. Schor who died of a heart attack on 3/31/96 while playing softball. He had been a historian and social science analyst with ERS for more than 23 years. His friends and colleagues miss his sense of humor, generous spirit, and commitment to social justice.

Anatomy of an American Agricultural Credit Crisis: Farm Debt in the 1980s

Kenneth L. Peoples, David Freshwater, Gregory D. Hanson, Paul T. Prentice, and Eric P. Thor, with an Introduction by Emanuel Melichar. Lanham, MD: Rowman and Littlefield Publishers, Inc., 1992. 151 pages. ISBN 0-8476-7849-0 (cloth) \$55.00. ISBN 0-8476-7850-4 (paper) \$22.95. To order, call 1-800-462-6420.

While the U.S. economy was experiencing a period of economic growth in the early to mid-1980's, the U.S. farm community was experiencing quite the opposite. During the 1980's, farmers, based on the highly prosperous 1970's and on expectations of further prosperity, borrowed heavily in order to increase their productive capacity. Instead of increasing prosperity, however, land values (upon which much of farm debt had been based) declined by 60 percent. Interest rates reached record highs. Farm foreclosures approached levels not seen since the Great Depression. This book describes the causes and effects of this financial shock and the response of farmers, lenders, and agricultural policymakers.

The book consists of three chapters and ends with a case study. Chapter 1 deals with how debt-avoiding U.S. farmers were gradually enticed into debt financing. Factors contributing to this change in farmers' attitude toward debt were: USDA price and income supports, advances in production technology, rising land and other farm asset values, upward trending farm commodity prices, low interest rates, surging export demand, increased specialization and reliance on purchased inputs, increased reliance on capital, increased farm size, and a general optimism among the U.S. farm community. Farm debt, which had been increasing by \$3 billion annually in the 1960's, was increasing by \$20 billion annually by 1979. Agricultural economists had recognized that, by the end of the 1970's, farmers were susceptible to drops in cash flows. They concluded, however, that such setbacks would be temporary and that farm asset values would remain strong, allowing farmers to respond by using income to service debt rather than to accumulate assets.

Chapter 2 describes the causes and effects of the crisis. The authors blame the rapid increase in real interest rates as the primary culprit of the crisis. These higher rates attacked the agricultural sector on three fronts: increasing farm interest expenses, deflating the price of farms' assets, and increasing the price of U.S. agricultural exports.

The misforecast of interest rate trends had devastating consequences. By the mid-1980's, one in five commercial farmers (those with annual sales of at least \$40,000) failed. By 1984, one of every six farmers were deemed "financially stressed," averaging a 90-percent ratio of debt to assets. Real net cash income on U.S. farms fell 29 percent from 1979 to 1984. Real farmland price per acre fell 42 percent from 1981 to 1986.

No scapegoats or prophets are named in this account of the crisis. The authors believe that although some mistakes were made (particularly within the Farm Credit System (FCS)), both farmers and lenders acted rationally given their experience in the 1970's and the information available regarding agriculture's prospects for the 1980's.

Chapter 3 deals with agriculture's recovery from the mid-1980's through the early 1990's. During this period, farmers' debt/asset declined from 23 to 16 percent, government payments as a percentage of net farm income declined from 42 to 19

percent, and interest payments declined from 50 to 25 percent of net income. The authors note that the simultaneous expansion in the nonfarm economy was crucial to the farm sector's recovery. Most of this 60-page chapter deals with the response and transformation of the FCS during this period. The book ends with a case study of the assistance to and recovery of the Farm Credit Bank of Spokane.

The book suffers from three omissions. First, no mention is made of Sunbury's 1990 text on the same subject. Second, the role interest rate management techniques, such as derivatives (futures, options, and swaps), might have played in the crisis or any future ones is not discussed. The farm sector has long used futures to hedge commodity price risk. Why not interest rate risk as well? Third, the effect government intervention has on risk-taking in the farm sector is not mentioned. How much of the farm sector's willingness to borrow heavily was due to the belief that Federal support would always be there?

Chapters 1 and 2 are well-written. Chapter 3 is far too long and needed to be separated into several chapters. I would have also liked to see a better balance regarding lenders, too much of the book is weighted towards the FCS. Nevertheless, the book would make a good supplemental textbook for undergraduate classes in agricultural finance and policy.

Reviewed by Ted Covey, an economist with ERS-RED.

Harvest of Hope: Family Farming, Farming Families

Lorraine Garkovich, Janet L. Bokemeier, and Barbara Foote. Lexington, KY: The University Press of Kentucky, 1995. 236 pages. ISBN 0-8131-1921-9 (cloth) \$24.95. To order, call 1-800-839-6855.

A portrait of family farm life emerges from this book by two sociologists and a professional writer. The authors portray both the positive and negative aspects of family farming. Changes in farm family life are also discussed throughout the book.

The reader is exposed to the personal farm experience of Barbara Foote, the professional writer; a portion of her story is presented at the beginning of each chapter. Barbara grew up in a rural community in Delaware. She had little experience with farming before marrying Jim, whose parents had farmed. Barbara and Jim eventually enter family farming, where their experiences parallel those of many farm families. The couple's hopes and dreams are revealed as they struggle to begin farming. We learn of their difficulties as they expand the farm operation to support their growing family. As their economic struggles continue, Barbara takes an off-farm job, followed later by Jim. Time pressures and stresses mount as they juggle off-farm jobs with farm work and family life. Finally, they realize that they cannot maintain such a hectic schedule and the couple reduces the size of their farm operation.

Foote's personal experiences are interwoven with insights into the experiences of farm families developed by the two sociologists through interviews with 80 farm families in three Kentucky counties in 1988. Farm families in different stages of life and operating different sizes and types of farms were selected to represent the diversity of the farm sector.

The authors discuss the common myths and perceptions regarding family farming, and then proceed to a discussion of the division of work among farm family members. The discussion focuses on farm wives and the multitude of jobs that they perform. Other topics include decisionmaking between husband and wife, balancing the financial needs of the farm and the household, and handling different expectations and needs of farm family members. There is an interesting discussion of town-farm marriages, where one spouse comes from a nonfarm background. Spouses with the nonfarm backgrounds not only have to adjust to their mates but also have to adjust to farming. Nonfarm spouses often have a difficult time persuading the in-laws to accept them as qualified farm decisionmakers.

Next, the authors focus on the advantages and disadvantages of raising children on farms. Farm parents often feel that their children are safer from drugs and violence than urban children but worry about their children's safety around farm machinery and farm ponds. Farm children are expected to accept responsibility at an early age. Young farm children are assigned farm chores that are simple but crucial to maintaining the farm operation. The labor of older children often leads to increased farm income for the family. A frequently mentioned disadvantage is the isolation felt by farm children.

How do parents with several children prepare one of the children to maintain the family farm? The authors speculate that parents subconsciously choose one of their children as the successor for their farm operation and then encourage this child in subtle ways to choose farming as an occupation. The chosen successor is given the more interesting and challenging farm chores. As the child matures, parents make formal or informal financing arrangements to assist the child with the acquisition of farm property. They may allow the child to share in the farm profits in exchange for the child's labor. Often, the oldest male child is the one chosen to enter farming.

Problems generated by the joint operation of farms by parents and children are discussed next. Conflicts arise when parents, who are content with the current farm operation, begin to include their children in the farm operation but are not yet willing to relinquish control of the farm. However, their children

need additional income as they begin forming their own families. These children want to assume more risk and expand the farm operation just as the parents desire less risk.

Finding and paying for hired labor with the skills, knowledge, and ability to assist in today's farming operations are a source of concern. More sophisticated farm technology and farm machinery requires that hired labor possess a greater degree of knowledge and a wider range of skills than previously needed for farm work. For example, hired labor must understand complex feeding instructions to properly mix feed to achieve maximum weight gain or milk production.

The authors also explore strategies used to succeed in farm businesses and how farm families blend farm work with off-farm jobs. Among the farm business strategies are the use of debt, expansion of the operation, specialization or diversification, and participation in government farm programs. Farm family members work off the farm to obtain income and fringe benefits. While off-farm jobs often provide challenging, fulfilling work and more contact with people, stress often results from balancing the time pressures of off-farm work, farm work, and family responsibilities.

Changes in the farming community are also discussed. The authors note that small family-operated businesses are being replaced by large retail outlets. The authors feel that farmers have less influence in their communities because they have less time to devote to farm organizations that sponsor community activities. Neighboring farm families assist each other less often as increasing time pressure no longer allows for spontaneous and informal neighborly interactions.

Although I do not have any farming experience, I found myself identifying with many of the authors' comments. The same forces that have caused changes in lives of farm families have caused similar changes in urban families. Anyone who cares about the future of farm families could benefit from reading this book.

Reviewed by Linda Foreman, an agricultural economist in ERS-RED.