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24700 ECONOMIES OF SIZE STUDIES; #6

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TABLE OF CONTENTS

	page
FOREWORD	iii
SECTION I: PURPOSES AND USES OF ECONOMIES OF SIZE STUDIES	1
PURPOSES AND USES OF ECONOMIES OF SIZE STUDIES - David H. Harrington	2
DISCUSSION: PURPOSES AND USES OF ECONOMICS OF SIZE STUDIES - Earl O. Heady	22
SECTION II: CONCEPTUAL ISSUES IN ECONOMIES OF SIZE STUDIES	29
CONCEPTUAL ISSUES IN ECONOMIES OF SIZE STUDIES: HOW ASSUMPTIONS DRIVE AWAY RESEARCH - Thomas A. Miller	30
SOME CONCEPTUAL ISSUES IN MEASURING ECONOMIES OF SIZE - Robert G. Chambers	53
DISCUSSION: WHAT TO DO WITH THOSE EMPTY ECONOMIC BOXES--FILL OR DECORATE THEM - J. Patrick Madden	104
DISCUSSION: ON THE USEFULNESS AND PROPER MEASUREMENT OF RETURNS TO SCALE AND SIZE - Robert D. Weaver	109
SECTION III: METHODOLOGICAL AND EMPIRICAL ISSUES IN ECONOMIES OF SIZE STUDIES	123
METHODOLOGICAL ISSUES IN ASSESSING ECONOMIES OF SIZE: SELECTED POSITIVE ANALYTIC APPROACHES - Philip Garcia and S.T. Sonka	124
METHODOLOGICAL AND EMPIRICAL ISSUES IN ECONOMIES OF SIZE STUDIES - Charles V. Moore and Harold O. Carter	171
DISCUSSION: METHODOLOGICAL AND EMPIRICAL ISSUES IN ECONOMIES OF SIZE STUDIES - Vernon R. Eidman	193
DISCUSSION: METHODOLOGIES FOR STUDYING ECONOMIES OF SIZE - B. F. Stanton	202

	page
SECTION IV - CONCLUSIONS ON ECONOMIES OF SIZE STUDIES	211
KNOWLEDGE GAPS AND PRIORITIES FOR FUTURE WORK - R. J. Hildreth	212
ECONOMIES OF SIZE -- SOME BRIEF OBSERVATIONS - Michael Boehlje	216

SECTION IV

CONCLUSIONS ON ECONOMIES OF SIZE STUDIES

KNOWLEDGE GAPS AND PRIORITIES FOR FUTURE WORK

R. J. Hildreth*

The major knowledge gap revealed in the workshop can be expressed in the question, What can we, or do we want to, say about what to whom with regard to economies of size? The workshop demonstrated that estimating long-run average cost with present theory, methods, and data cannot enable us to answer all questions for all people. It was even suggested that no question for anyone can be answered by estimating the long-run average cost curve for a multiproduct firm.

Economies of size work have attempted to answer a number of questions for specific people. Many examples were given in the papers. For example, farmers want to know how and when to expand/contract enterprises and their firms. The papers also suggested policy-

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makers wanted to know about the effect of size and distribution of enterprises and firms on efficiency.

It seems to me there are other questions that can be answered with knowledge of economies of size studies. Policymakers would like to know the effect of size distribution of enterprises and firms on consumer prices of food. They also would be interested in the wealth as well as income effects of size distribution of enterprises and firms. The agriculture input and output industries are very interested in what the size distribution of farm firms and enterprises in specific areas is or will be. The above are but examples of the many significant questions that better knowledge of economies of size could illuminate.

There are two somewhat different approaches suggested by the papers to deal with the knowledge gap of what can be said about what to whom. One approach is to develop new models and obtain data that would provide answers to a wide range of questions, i.e., the "Holy Grail" approach. The other approach, suggested especially by Moore and Carter as well as Stanton's discussion, focused on problem definition. Their approach would have the analyst determine what question for whom and then select the appropriate methodology to provide knowledge on that question.

I do not wish to create or add to tension between these two approaches. It is clear that improvement of models and data will be quite useful in answering specific questions proposed by individuals in society. It is also quite possible that focusing on specific ques-

tions and selecting or developing the appropriate methodology and data to answer them could lead to improvements in models and data that will answer a wide range of questions. Probably the most significant error to be avoided is to think that the received models and data will answer a specific question when they will not.

My last point is to "pick a nit." Models were referred to by many of the papers as positive and normative. Normative models referred to results where the assumption is made that profit is maximized while positive models do not require that assumption directly. It seems to me that this is a misuse of the usual scientific and philosophic use of the terms "positive" and "normative". Glenn Johnson¹ had suggested that normative knowledge deals with goodness and badness of conditions, situations, and things. Positive information is information about the characteristics of conditions, situations, and things, other than their goodness and badness of conditions, situations, and things. Positive information is information about the characteristics of conditions, situations, and things, other than their goodness and badness. Prescriptive information provides answers to the questions such as: What ought to be? and What is right to do? The answers to these questions come from a consideration of normative information and positive information with some decision rule. When agricultural economists say they have a normative model,

¹Johnson, Glenn L., "Agro-Ethics-Extension, Research and Teaching". Southern Journal of Agricultural Economics. Vol. 14, No. 1, July, 1982.

they are not purporting to say anything about goodness or badness, or what ought to be, only that they have assumed profit maximization.

When the results of a model called normative are used for policy analysis, confusion in the minds of the reader is likely to exist.

One alternative is to call the model predictive under the assumption of profit maximization. I have raised this question from time to time over the last decade, but have not won many adherents to my position.

I now feel better having raised the issue again with this distinguished group of researchers.