

THE RURAL-URBAN INTERFACE (SELECTED PAPER SESSION 3U): DISCUSSION

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Rural areas compete with urban areas for jobs, residents, and land. This session features four empirical papers seeking to quantify the nature of this competitive process in the areas of healthcare, housing, and land use.

Paper 1: *Efficiency Analysis of Hospitals in the Great Plains: An Urban-Rural Comparison* – Bhyaskar Toodi (State of Louisiana), Allan Featherstone (Kansas State University), and Ronald Young (Roseridge Home Care)

This paper presents a barrage of efficiency measures for hospitals in the Great Plains region. The authors are particularly interested in the extent to which there are regularities in the relative efficiency of rural and urban hospitals – a laudable objective given widespread concerns over financial difficulties facing many rural hospitals. While conventional wisdom would suggest that rural hospitals are less efficient than their urban counterparts, the authors' nonparametric test indicates no significant rural-urban efficiency differences.

This is an interesting and important result, if true. However, even the authors seem to disbelieve it in that their conclusions and policy recommendations are oriented around explaining why urban hospitals are more efficient than their rural counterparts. Given the remarkable terseness of the paper as regards methodology and underlying economic theory – due, no doubt, to the 12-page limit imposed on the authors – the reader is left to wonder at the possible reasons for this disjuncture between what the data seem to be saying and what the authors seem to want us to believe. One possibility that occurred to me is that construction of the data for capital costs appears to have ignored differences between hospitals in the types and vintages of medical equipment (e.g., MRI machines) and facilities. These may be expected to generate (possibly

large) inter-hospital differences in the flow of services from capital. To the extent that there is some regularity in the nature of these differences between urban and rural hospitals, these might systematically bias the computed efficiency measures.

More generally, given the difference in mandates of rural vs. urban, and public vs. private hospitals, I found myself wondering if it is even appropriate to make the kinds of comparisons that the authors are attempting here. The kind of comparative analysis undertaken in this paper requires that all firms face the same prices and have the same (or at least a closely related) objective functions. The authors need to make a compelling argument that this is a reasonable assumption.

Paper 2: *The Effects of Housing Prices, Wages, and Commuting Time on Urban-Rural Residential Choice* – Kim So, Peter Orazem, and Daniel Otto (Iowa State University)

This paper presents a very interesting theoretical model of residential and workplace choice that bears great promise in helping our understanding of observed rural-metro commuting patterns. The model yields a series of four limited dependent variable equations (corresponding to the four possible combinations of commuting between/within metro and rural locations) that are estimated using a multinomial logit procedure. I really liked the paper, and I raise the following two issues as a way of possible spurring the authors to extend the insights that emerge from their analysis.

First, it would appear that the model developed in the paper doesn't actually capture the key elements of households' residence choice decision. By the way the empirical model was implemented, the authors have essentially "pinned down" specific households in the particular location that they dwelt at the time the data were collected. Residential mobility has very important implications for evaluating the "regional system" approaches to rural development

noted in the paper, as well as for ascertaining the role of exurbanization in equilibrating spatial labor markets. It would be interesting to see the analysis expanded to incorporate the ability of households to change their place of residence (i.e., migrate). It is unclear how this might be accomplished, however, given the cross-sectional nature of the data. One possibility might be to include a dummy variable indicating whether or not the household has in-migrated over the last five years.

Second, it seems that the authors have ignored the multiplicity of possible destinations for commuters living in one particular location. I was interested to note that the authors chose to use average wages in the destination location rather than the specific wages received by individual workers, in order to avoid endogeneity problems. However, commuters can (and do) travel to noncontiguous locations. It might be better to tackle the endogeneity problem head-on (perhaps by using instrumental variables) and use the actual wages received in the place of work.

Paper 3: *Connecting Taxes and Willingness to Pay for Farmland Protection: A Comparison of Local and State Funded Alternatives in New York* – David Harvey, Gregory Poe, and Nelson Bills (Cornell University)

The underlying logic of this paper is something like this: Farmers should receive some tax relief to preserve the amenity value of their farms. Many studies show that wealthier individuals value the scenic and environmental amenities of farmland more highly than poorer individuals. The incidence of a locally financed property tax exemption to farmers falls on relatively poor (mainly rural) households, whereas the incidence of a state-financed farmer tax credit falls on relatively rich (mainly urban) households. Therefore, the state-financed tax credit is the socially optimal mechanism for funding farm tax relief.

I think that there are two fundamental flaws in this logic. First, numerous studies do indeed show that wealthy individuals are indeed willing to pay more for amenities, but only those

amenities which they are likely to enjoy. Is it really likely that a resident of New York City is likely to value preserving a bit of upstate farmland more highly than, say, cleaning up Central Park? I don't think so.

Second, amenity preservation may well be the only justifiable reason for enacting farmland protection interventions, as the authors contend in the paper. Even so, this in no way insures that farmland protection interventions should be enacted. In a world of competing demands for scarce public resources, the appropriate question is not “Who should pay for this policy?” but rather, “Is this policy likely to be effective in achieving its putative goal?” At issue here is whether or not the benefits conferred on farmers by the tax break exceeds the benefits to those farmers of the alternative (undesired) land use (e.g., farmland conversion). It would be interesting to know what the actual value of the proposed tax break would be on a per-farm basis in order to investigate this issue.

Paper 4: *Support for Rural Land Use Controls: Preferences in Sublette County, WY* – Donald McLeod, Jody Woirhaye, and Dale Menkhaus (University of Wyoming)

The aim of this paper is to estimate the importance of a battery of potential explanators of individuals' feelings toward two types of land use restriction. To do so, the authors distributed a survey soliciting respondents views of zoning and transferable development rights, then tried to link these views with both socio-economic variables (age, income, education, length of residence in the county, etc.) and what they term “public choice” variables. This latter category includes general feelings about private land management and a set of variables aiming to represent individual preferences over conversion of certain types of land to residential uses (e.g., sub-irrigated pasture vs. agriculture).

My overall impression of the paper is that the authors had a fairly strong set of priors going into the research that were not borne out by the econometric results. The underlying theoretical basis for these priors is not stated, however, except for some vague references to “agency preferences” and personal vs. public interests . Why, for instance, do the authors expect both types of prospective land use restrictions to be more favored by better educated people and less favored by older people. Is there some sort of compelling economic explanation related to income, personal discount rates, or land ownership patterns? Or does it instead just mimic the stereotype that people become more conservative as they age, and more politically liberal as they become more educated? In this vein, I did not understand how and why the elicited rankings of preferred land uses – e.g., sub-irrigated pasture vs. agriculture – might affect preferences over specific land use policy.

Finally, I am also a bit skeptical about how well the types of land use policies were conveyed to respondents in the survey instrument. In this type of survey, “scenario development” would seem to be critical in insuring that respondents are really responding to what the researchers are asking (and likewise in insuring that the researchers correctly interpret the responses). From the description in the text, it is unclear what context respondents were being asked to evaluate the two candidate land use policies. Was the question framed as an either/or situation (in which some sort of land use policy was going to be invoked)? Or were respondents instead left to assume that a no-controls alternative was possible?