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Regional Analysis - Some Observations

On Its Use and Abuse

S. B. Weeks

Some problems one attempts to deal with are of the "thorny" type. That is, one is liable to get well punctured but at least you know that you have been stuck and where the blood is coming from.

Regional analysis as a topic, however, is a different kettle of fish. One reaches one's hand in and comes up with essentially a shapeless ball of mush. Not only is it formless, but one is never sure what portion of the whole has been grasped.

Regional economic analysis is a relatively new form of activity for economists. Perhaps until some substantial backlog of experience has been gained, we can only voice opinions and this is all I wish to attempt here this morning.

The first is that analysis by formula must be replaced by analysis by specification. Much recent federal legislation dealing with community infrastructure such as water and sewer grants, open space assistance, etc., requires a "regional plan." Regional planning, obviously, cannot proceed without regional analysis. Regional analysis, in turn, because of its costliness will be largely tied to federal planning assistance grants particularly to Section 701 of the Housing Act. It is my view that provisions of this section have gradually become a highly stylized and routinized exercise in data collection. The patient has been cut to fit the format, rather than vice versa. Economic analysis under the provisions of this section has been particularly weak. Morris Hamburg, in an appraisal of 701 studies in Pennsylvania notes: "Generally the impression created was one of an unsystematic collection of incomplete and not clearly interrelated facts. To a certain extent, of course, this reflects the fact that there is no well thought out system of the basic economic information available at the local level. Furthermore, there was little in the nature of statistical or economic analysis of past trends, explicit relationships between relevant factors, or serious analysis making for change in underlying structural relationships."^{1/}

Also most analysis is made by contact with private firms who frequently have only the weakest capabilities for economic analysis, but who are highly unlikely to upset the apple cart by insisting on higher quality.

Lastly, I suggest that the low quality of 701 economic base studies by formula has important implications for regional analytical work. This work eventually (and correctly) raises serious questions in the minds of public officials as to the value or the use of area economic analysis. If because of low-quality work both public and private officials do become seriously disenchanted with economic analysis as a basis for resource allocation and certain decision making activities, then we as professionals in the field have some obligation to see that our discipline is not abused by the quality of past and future routinized studies.

Next, it seems to me important that regional leadership, both political and economic as well as professional economists, should begin to comprehend the serious limits that I believe exist for regional economic analysis. The first limitation is that despite the best methodology, it is only a useful exercise when applied to those

^{1/} Economic base studies for urban planning and development in Pennsylvania, 1962.

problems which, in fact, are both regional in nature and solvable on a regional basis. These two criteria, in my opinion, quite seriously limit the scope of regional studies by economists. More particularly, they seriously challenge the need or desirability for regional economic analysis by formula such as presently exists in many planning requirements.

Comprehensive regional analysis is meaningful only to the extent:

- (1) That the problem, in fact, is regional in its nature and structure.
- (2) That analytical methodology exists that is applicable to the problem to be analyzed.
- (3) That data exists or can be obtained on a regional basis. (Economic analysis still remains dependent on ability to quantify.)
- (4) That political machinery exists for implementation.

In regard to point (1) that the problem be regional in nature, there are two issues: The definition of the problem itself and the definition of the region. Here we can best take what might be labeled "the balloon approach"--that the region essentially will be defined in terms of the problem being researched. Not all problems will have the same regional physical dimensions. A regional labor market, for example, may be quite different in its physical size than a regional capital market. Hence, the rubber balloon effect--the region's being inflated in one case and deflated in another. Further on this issue of how the problem may define the region, one might note that there is perhaps no such thing as regional analysis per se. That is, in any economic analysis on a regional basis the conclusions always turn out to be valid only as relative to some other alternative--either a competitive region or the remainder of the economy. Perhaps this might be said differently by noting that in the final analysis we generally only wish to know differences, not absolutes, so that we may judge allocations--the economist's old cry of equate at the margin.

The remainder of these notes I wish to devote to the very pragmatic problem of "who does what with the findings of the research." As an Extension worker, I have little personal inclination to use my time on operations in futility.

I have about arrived at the conclusion that the bigger the region the simpler and more precise the analysis and conversely, the more useless. Problems may exist on a regional basis, but solutions rarely do. Solutions are almost always a composite of very precise, very localized, and very specialized actions. And if, in fact, solutions are local in nature then the decision making and execution must be local in nature.

Action and problem solving have two prerequisites: That the necessary political machinery exists and that the necessary economic self-interest exists. These are, in part, inseparable.

First the matter of economic self-interest. This is frequently a prerequisite to political action. Insofar as individuals are concerned, I find almost none who identify their personal interest with a region. People live in communities, sometimes in countries, occasionally in states, but rarely in regions. Communities themselves, on the other hand, are somewhat more cosmopolitan. They frequently identify with a geographic region such as eastern Connecticut or the Cape. But such regions almost always have quite localized boundaries and center around some clearly recognizable and universal physical feature. Many communities also have a concept of an

economic region. This again is usually quite small physically and generally on examination turns out to be either a labor shed or a trade area. Micovia in Massachusetts or the greater Portland area in Maine are two examples. These types of regions tend to have quite specific boundaries and single common denominators. I doubt, for example, if you could find a community that considers itself part of something called: "The greater New York City region."

Next, to the matter of political implementation. First, can we find any problems that are solvable on a regional basis? The list, I suspect, is relatively small and perhaps would deal almost exclusively with the manipulation of certain fairly scarce, or key resources. Certainly the matter of interest rates, levels of employment, wage rates, capital resources, etc., are basically and highly dependent on the performance of the national economy and little related to any specific regional manipulation. What makes implementation or execution at the regional level so difficult? My comment here is that I would view the new bureaucracies of EDA, HUD, and related programs as totally unrealistic in their appraisal of the political machinery involved in bi-state action or even multi-centered development districts. They clearly have not faced reality when they talk fairly glibly of legally established development and planning regions although these, of course, are the only kinds they can deal with. Such districts must have powers to receive and disperse funds, hire personnel, and so forth. The practical problems of getting two state legislatures to simultaneously pass identical and enabling legislation are enormous. The practical problems of getting these same bodies to work out a cost-sharing-matching fund and, in fact, appropriate the money is fantastic! With a few minor exceptions I would guess that the only existing inter-state compacts for regional development are those that:

- (a) Can be established by an executive order rather than legislative action.
- (b) Require no funding except contribution of services of some already existing agency.

If interstate regional action is a political non-reality, how about intra-state regions? Again, as far as I am concerned the answer remains about the same. Unless political machinery exists for decision making and action, most analytical studies are foredoomed to remain academic exercises.

The possible exception to this is where the regional political infrastructure is such that decision making powers rest in the hands of a political power structure composed of technical bureaucrats able to act by administrative order. Let me explain a little more fully. If there is a fairly large, well organized, and sophisticated governmental structure that contains technicians such as engineers, planners, economists, public health specialists, foresters, etc., then it is possible that the findings of a regional analytical study may be fairly easily and precisely transmitted to decision makers who are capable of understanding the technical details and theoretical insights and sympathetic to their adoption. For example, an analysis of the allocation of water and wet land resources to increase returns from hunting on a regional basis might well be implemented by sympathetic bureaucrats who control administrative decisions on licensing requirements and possess powers of eminent domain for land acquisition.

If on the other hand, the decision-making power lies in the hands of either a large legislative body or atomistic units of self government such as a complex of countries or towns, then I see little hope of translating almost any regional finding into a specific action. These units of government exist for, and survive by, devotion to and promotion of local interests. They will give unlimited "lip" service to regional development, but not one dime of funds or one paragraph of authority. The single exception to this rule is that they will frankly state "If I cannot get it for my community, I will support it for this region."

Not to be wholly pessimistic, let me close on a more cheerful note--I am fairly generally of the conviction that regional "feasibility" studies on fairly specific and pragmatic problems may have considerable justification. For example, our recently completed technical analysis of hardwood utilization in the northern region of New Hampshire has been used by several fairly large private firms as at least partial justification for certain top level administrative decisions. Of perhaps equal importance, these firms have waved the report in public to energize that intangible but frequently important ingredient known as community enthusiasm. Again, one should note that this regional study was about a regional problem but the solution was a specific local one.

My final confession is that I still see little data or methodology that do not produce such generalized findings on a regional basis as to apply to no one in particular and in the final analysis require that the conclusions be essentially a work of art. I find no objection that in fact, economists can through experience, through their discipline, and through insight draw "superior informed conclusions." An analogy well might be the fact that 30 and 40 years ago airplanes, rather than being flown by the sophisticated set of electronics that they now possess, were flown by the seat of the pilots pants. There were probably a somewhat higher number of crashes due to pilot error but, nevertheless, the mail went through.

Despite complex mathematical models, regional analysis at the moment more nearly resembles the earlier days of flight, so let us not discount the value of experience and observation. Quadratic programming will still not tell you that the death rate in Jones County is 30% below average due to the fact that the only hospital available is next door in Smith County and all the residents go there to die.

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