

IMPLICATIONS OF THE GROWTH OF CORPORATE FARMING

This is the second installment of an article which is condensed and reprinted by permission from the May, 1968, *Monthly Review* of the Federal Reserve Bank of Kansas City. The first installment appeared in last month's issue of *Business in Nebraska*.

ECONOMIC AND SOCIAL IMPLICATIONS

Economic studies of farm size have shown that, as farm size increases, average costs either decrease, remain about the same, or increase slightly for very large farms - but still remain below average returns.¹ If this were always so, large farms would be the most profitable, and it might be expected that the size distribution of farms would rapidly shift in this direction. But, as Wilcox reported to the Subcommittee on Antitrust and Monopoly, farm size has been increasing almost uniformly for all size categories. Of all farms, the largest 10 percent produced 44 percent of all farm production in 1949, 46 percent in 1959, and 48 percent in 1964. The smallest 20 percent of all farms produced about 3 percent in each of these years.

Smaller farms have substantial staying power for several reasons. Farm income may be supplemented by the sale of custom services and by income from off-farm employment. Where resources lack uniformity or where spatial dispersion exists, the degree of management coordination and supervision required may be most efficiently supplied in smaller units. Problems of price and weather predictability and unreliable labor supplies increase both the difficulty of management and business risk, deterring farm expansion. Operators of small farms, especially debt-free owners, may be satisfied with a lower management and risk-bearing return than would be necessary for large indebted operations. Even though small farms are a vital part of our agricultural economy, growing evidence shows that an increasing proportion of production comes from large-scale commercial agriculture.

The 1964 Census of Agriculture data show the growing importance of large-scale agriculture. The number of farms grossing \$100,000 or more in farm product sales increased from about 20,000 in 1959 to 31,000 in 1964. Although representing only 1 percent of all farms, this group accounted for 24 percent of gross sales in 1964, compared with 16 percent in 1959. These large operations averaged over \$160,000 in annual production expenses on an average of 3,815 acres per farm. Specialty crops, cotton, and livestock feeding are apparently prevalent on these farms. Information is lacking as to what proportion of this class of commercial farms is incorporated.

The most difficult questions concerning corporate farming involve socio-economic value judgments. Are corporate farms more efficient than family farms? If so, are the economic gains in

efficiency achieved at the expense of less tangible, but equally important social benefits? If the resources of agricultural production are owned by nonfarmers, will our agriculture remain viable and progressive? Will the growth of corporate farming accelerate out-migration from rural communities, leaving ghost towns?

The interdependence of agriculture and our general economy is substantial - many industries rely upon the future of agriculture and many groups have vital interests in it. Conflicts of national goals such as occupational freedom, efficient resource utilization, abundant reasonably priced food, full employment of labor, and economic growth seldom are resolved easily. Not only do economic goals conflict with each other, but they frequently conflict among industries and with presently accepted social values.

Under present conditions, transition in agriculture is relatively free of obstructions. In the future, holders of capital for financing agriculture may share more in management. Management itself may require substantial expertise in resource coordination and production supervision. Future farm managers will need to assume these responsibilities, be well trained, and financially able.

THE FUTURE OF THE FAMILY FARM?

What, then, is to become of the family farm?² Regardless of individual feeling, family farm survival is likely to be determined by how well the farm unit can adapt to changing economic forces. Two contentions seem appropriate. First, the argument that family farms can best achieve optimal organization and production efficiency has much support. Economic studies have shown that many economies of size can be achieved on 1-man or 2-man farms - and the ability of agriculture - still predominantly family-farm oriented - to feed an increasing number of people with fewer land and labor resources is well known. The second argument for preservation of family farms has been eloquently stated as support for decentralized decision making and diffused economic power in the organization of our society.³ On the basis of these arguments, public policy alternatives have been advanced to help strengthen the competitive position of family farms.

These policy alternatives do not fall into clearly defined compartments, yet there is a need for some cataloguing to facilitate interpretation. One policy approach is to encourage free or open markets. Under certain conditions, the elimination of price and income programs could benefit

(Continued on page 4)

²A family farm is defined as a farm business with sufficient resources and productivity to yield an income sufficient for: (a) family living; (b) farm expenses, including depreciation; and (c) capital growth to support new farm investment to maintain efficiency and to meet rising levels of living.

³Paul L. Farris, "Alternatives for Maintaining the Family Farm," *Economic and Marketing Information* (Lafayette, Indiana: Purdue University, March 29, 1968).

¹U. S., Department of Agriculture, Economic Research Service, *Economies of Size in Farming*, Agricultural Economic Report No. 107 by J. Patrick Madden, February, 1967.

Business Summary

In April, retail sales (-3.0%) and construction activity (-27.5%) were the only Nebraska business indicators below April, 1967, levels. The indexes below, with April, 1960, equal to 100.0, indicate the extent of the decline in construction activity.

	Nebr.	U. S.		Nebr.	U. S.
April, 1961	108.3	100.9	April, 1965	155.0	122.1
April, 1962	115.8	103.7	April, 1966	198.1	124.6
April, 1963	113.6	105.4	April, 1967	136.5	110.9
April, 1964	118.7	112.4	April, 1968	99.0	105.8

The Nebraska April, 1968, dollar and physical volumes of business were both above April, 1967, levels. The State cash farm marketings showed the greatest gain (+23.8%) over April, 1967.

As anticipated, Nebraska retail sales in May were below May, 1967, levels. The 3.5% decline was not as extensive, however, as might have been expected in view of the sizeable increases experienced in May, 1967. Only three cities, Omaha, Alliance, and Beatrice, managed to show an increase for this period. That farmers took advantage of the "pre-tax period" is evidenced by the May, 1966, to May, 1967, increase of +87.7% and the May, 1967 to May, 1968, decline of 56.1% in farm equipment sales.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal or expected changes. Figures in Table I (except the first line) are adjusted where appropriate for price changes. Gasoline sales for Nebraska are for road use only; for the United States they are production in the previous month. E. L. BURGESS

I. NEBRASKA and the UNITED STATES

II. PHYSICAL VOLUME OF BUSINESS Percentage of 1948 Average

APR Business Indicators	Percent of 1948 Average		Percent of Same Month a Year Ago		Percent of Preceding Month		Month	Nebraska 1967-68	U. S. 1967-68
	Nebraska	U.S.	Nebraska	U.S.	Nebraska	U.S.			
Dollar Volume of Business	292.4	355.4	106.8	109.1	102.7	101.1	April	191.6	217.6
Physical Volume of Business	201.1	225.7	105.0	103.7	101.8	100.0	May	195.7	216.2
Bank debits (checks, etc.)	241.4	356.9	113.7	110.2	102.2	104.6	June	198.7	219.5
Construction activity	180.1	165.3	72.5	95.4	104.6	98.9	July	196.9	217.6
Retail sales	143.1	183.9	97.0	102.8	95.4	98.0	August	203.2	219.5
Life insurance sales	389.2	491.8	115.5	107.9	99.6	100.9	September	202.8	216.5
Cash farm marketings	267.2	152.4	123.8	85.9	132.7	95.3	October	203.0	216.8
Electricity produced	345.4	458.4	107.0	107.1	105.6	101.6	November	190.8	219.1
Newspaper advertising	159.5	141.8	105.7	94.3	103.2	95.1	December	199.3	218.6
Manufacturing employment	166.9	128.4	105.9	102.3	97.1	100.8	January	210.0	224.4
Other employment	142.6	164.5	102.8	103.1	97.6	98.9	February	214.5	228.5
Gasoline sales	177.7	221.1	102.9	102.3	96.0	93.9	March	197.6	225.6
							April	201.1	225.7

III. RETAIL SALES for Selected Cities. Total, Hard Goods, and Soft Goods Stores. Hard Goods include automobile, building material, furniture, hardware, equipment. Soft Goods include food, gasoline, department, clothing, and miscellaneous stores.

MAY City	No. of Reports*	Percent of Same Month a Year Ago			Percent of Preceding Month	MAY City	No. of Reports*	Percent of Same Month a Year Ago			Percent of Preceding Month
		Total	Hard Goods	Soft Goods				Total	Hard Goods	Soft Goods	
THE STATE	812	96.5	80.8	102.6	106.4	Fremont	31	97.2	89.1	104.1	105.7
Omaha	82	102.7	97.7	106.8	106.5	Fairbury	26	81.4	71.3	89.8	103.8
Lincoln	77	96.9	85.8	105.9	102.4	Norfolk	31	87.8	70.3	102.8	108.4
Grand Island	33	100.0	87.1	111.6	103.2	Scottsbluff	35	87.0	80.7	92.5	111.1
Hastings	31	86.8	85.6	88.1	103.8	Columbus	26	89.4	82.9	95.2	95.9
North Platte	20	97.3	85.9	105.2	137.4	McCook	21	95.5	102.4	88.2	108.2
						York	28	91.8	80.0	99.3	113.1

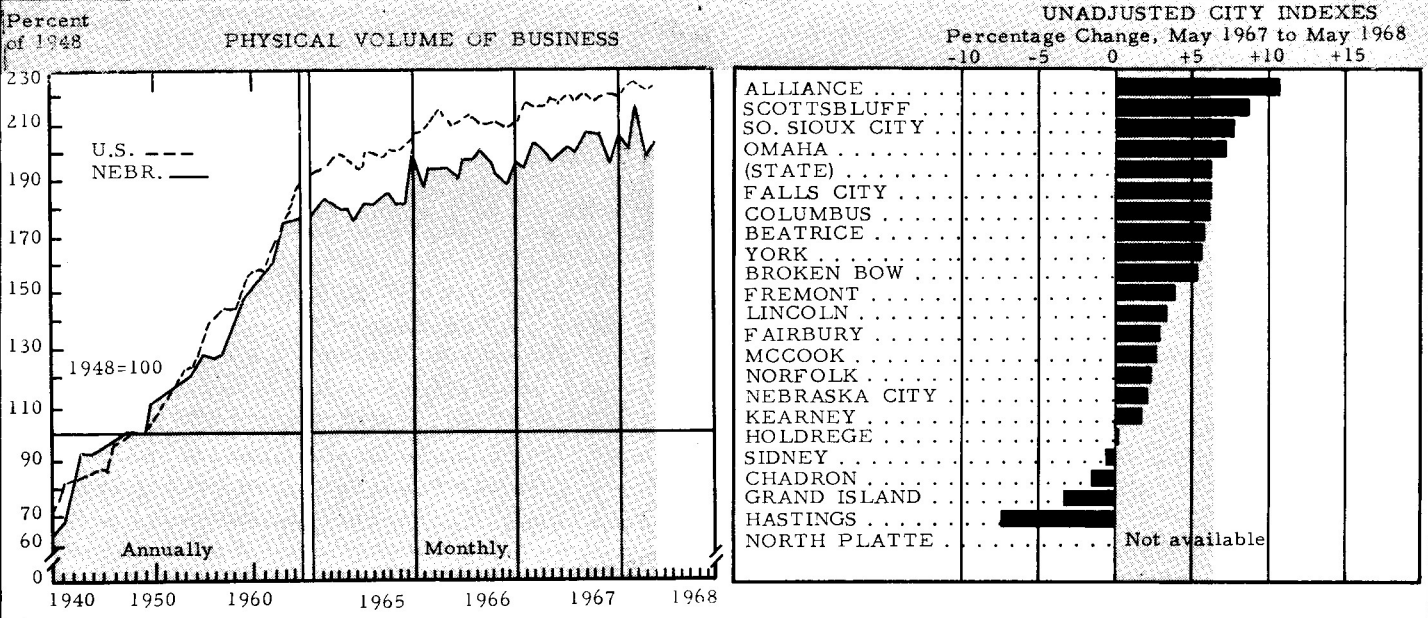
IV. RETAIL SALES, Other Cities and Rural Counties

V. RETAIL SALES, by Subgroups, for the State and Major Divisions

MAY Locality	No. of Reports*	Percent of Same Month A Year Ago	Percent of Preceding Month	MAY Type of Store	Percent of Same Month a Year Ago			
					Nebraska	Omaha and Lincoln	Other Cities	Rural Counties
Kearney	18	92.7	105.2	ALL STORES****	96.5	98.7	96.1	94.7
Alliance	30	101.5	105.4	Selected Services	95.0	83.6	104.1	97.2
Nebraska City	21	79.3	88.9	Food stores	105.4	107.4	103.5	105.2
Broken Bow	17	83.7	110.6	Groceries and meats	106.9	108.5	108.7	100.9
Falls City	18	84.4	94.0	Eating and drinking pl.	102.0	102.7	91.4	111.8
Holdrege	18	97.0	130.4	Dairies and other foods	111.3	114.2	108.8	110.9
Chadron	23	88.1	115.7	Equipment	77.0	78.3	81.8	71.0
Beatrice	19	111.2	144.9	Building material	100.5	111.7	89.2	100.5
Sidney	23	94.3	117.0	Hardware dealers	86.0	64.5	100.8	92.6
So. Sioux City	10	87.2	101.8	Farm equipment	43.9	23.1	71.4	37.3
Antelope	11	76.8	99.1	Home equipment	80.3	79.3	70.3	91.2
Cass	21	89.2	100.0	Automotive stores	92.0	94.9	89.8	91.2
Cuming	10	88.1	109.1	Automotive dealers	85.4	88.8	86.6	80.9
Sand Hills**	16	102.6	120.1	Service stations	107.9	119.1	102.9	101.6
Dodge***	11	99.4	109.3	Miscellaneous stores	98.8	98.0	96.1	102.3
Franklin	10	83.6	102.5	General merchandise	97.7	97.7	92.3	103.1
Holt	14	90.8	98.9	Variety stores	95.8	88.4	98.4	100.5
Saunders	13	123.3	106.9	Apparel stores	105.2	108.4	102.4	104.8
Thayer	10	89.2	100.4	Luxury goods stores	97.0	91.7	94.2	105.1
Misc. Counties	58	91.8	99.3	Drug stores	100.6	103.7	99.2	98.9
				Other stores	92.3	88.4	91.6	96.8

**Hudson, Grant, DeWoe, Cherry, and Sheridan Counties

****Not including Selected Services



Figures on this page are not adjusted for seasonal changes nor for price changes. Building activity includes the effects of past as well as present building permits, on the theory that not all building is completed in the month the permit is issued. E. L. B.

VI. CITY BUSINESS INDICATORS

MAY									
Percent of Same Month a Year Ago									
State or City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	106.3	110.5	117.2	96.5	105.7	106.8	89.3	105.1	107.6
Beatrice	105.8	111.6	85.6	111.2	109.6	82.0	115.0	95.0	107.5
Omaha	107.2	106.2	87.2	102.7	102.7	117.5	87.0	140.0	117.2
Lincoln	103.4	118.4	109.2	96.9	113.8	100.8	95.4	100.4	103.3
Grand Island	96.7	113.2	77.7	100.0	95.4	94.7	88.3	NA	- - -
Hastings	92.7	97.7	484.7	86.8	106.9	86.3	86.0	95.8	90.6
Fremont	103.9	108.8	185.0	97.2	103.9	NA	65.7	105.8	NA
North Platte	NA	NA	NA	97.3	NA	NA	NA	NA	98.4
Kearney	101.7	123.5	179.0	92.7	101.1	87.9	93.0	111.1	NA
Scottsbluff	108.6	NA	149.4	87.0	118.2	91.3	123.2	116.3	75.5
Norfolk	102.4	116.1	140.1	87.8	110.3	92.6	85.4	90.5	138.2
Columbus	106.2	98.0	205.9	89.4	122.5	110.6	73.8	110.0	106.2
McCook	102.7	102.1	111.0	95.5	101.5	80.2	NA	104.4	112.9
Sidney	99.5	108.8	84.3	94.3	106.5	98.3	95.0	105.2	NA
Alliance	110.6	100.3	84.0	101.5	181.8	112.7	124.7	125.9	103.5
Nebraska City	102.1	106.0	70.7	79.3	113.1	114.0	108.6	91.6	NA
So. Sioux City	107.7	99.8	151.6	87.2	125.6	94.5	NA	110.7	NA
York	105.6	111.9	148.1	91.8	105.8	104.7	65.6	107.6	104.3
Falls City	106.3	117.2	203.9	84.4	101.8	99.4	97.3	110.3	113.6
Fairbury	102.9	102.9	935.7	81.4	97.7	NA	87.1	108.0	126.6
Holdrege	100.2	110.5	71.8	97.0	121.1	86.0	100.0	100.0	103.7
Chadron	98.5	103.2	120.9	88.1	104.2	83.5	110.4	59.3	NA
Broken Bow	105.4	125.0	321.7	83.7	108.0	81.3	103.1	103.4	107.1

MAY									
Percent of Preceding Month (Unadjusted)									
State or City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	104.2	101.6	105.1	109.2	102.7	85.7	107.4	97.7	110.6
Beatrice	90.8	93.3	89.2	150.1	88.6	65.6	78.8	92.0	105.3
Omaha	102.2	98.3	98.7	109.7	104.6	100.6	103.8	99.8	111.1
Lincoln	106.4	110.0	106.2	105.5	98.7	79.2	117.7	104.1	114.9
Grand Island	101.3	101.7	108.0	105.9	100.6	52.5	101.8	91.1	- - -
Hastings	102.5	98.3	104.1	107.0	100.5	70.6	109.4	90.1	109.9
Fremont	107.2	106.1	111.2	108.7	106.2	NA	107.8	102.5	NA
North Platte	NA	NA	NA	141.2	NA	NA	NA	NA	107.1
Kearney	100.4	105.7	148.7	108.0	75.2	70.0	116.4	87.6	NA
Scottsbluff	106.3	NA	125.5	114.2	116.6	72.2	114.4	82.7	90.4
Norfolk	110.6	101.5	118.2	111.4	111.3	79.6	129.2	100.1	150.1
Columbus	96.8	91.2	91.3	98.4	113.5	83.3	118.0	96.0	101.6
McCook	96.5	93.8	101.2	111.8	94.0	65.5	NA	94.3	122.1
Sidney	92.7	92.9	71.6	120.4	99.4	84.3	133.6	85.9	NA
Alliance	108.3	111.6	114.5	108.5	98.5	78.8	122.6	102.5	110.6
Nebraska City	99.7	99.0	116.3	91.2	100.0	100.0	100.0	99.2	NA
So. Sioux City	88.9	101.7	92.5	104.9	89.7	69.3	NA	71.8	NA
York	105.0	98.9	134.9	116.3	111.4	99.0	81.8	97.0	110.8
Falls City	100.3	103.8	136.4	96.4	101.8	79.2	105.9	85.5	99.2
Fairbury	99.9	92.4	86.5	106.9	101.2	NA	112.4	95.9	102.7
Holdrege	97.6	97.1	98.0	133.6	93.1	76.2	100.3	95.1	108.2
Chadron	104.1	99.1	221.7	118.9	94.3	76.6	131.0	79.1	NA
Broken Bow	107.8	89.6	127.8	113.4	98.7	57.9	120.1	113.2	105.9

continued from first page) family farms by permitting competitive forces to direct production and establish market prices. Under these conditions, excess productive capacity in agriculture most certainly would result in further adjustment of resources. Anticipation that the adjustment process would cause further productive realignment, most advocates of this policy have recommended a gradual elimination of Federal agricultural support programs. It also should be pointed out that, under a free market economy, the uncoordinated production of surplus commodities could depress prices and influence family farm income adversely. A second policy approach can be classified as the establishment of more effective farm bargaining. Farm organizations and the United States Department of Agriculture have shown considerable interest in farm bargaining power. It is contended that farmers lack countervailing power to offset the strength of farm suppliers and marketing agencies. Many approaches such as cooperative

marketing, marketing orders, and commodity withholding have been advocated and attempted.

Continuation of present agricultural programs is a third policy alternative. Under this mixture of production quota and price support for selected commodities, the experience of recent years is likely to continue. Support programs would tend to establish a price floor and quotas would attempt to coordinate supplies, reducing price and income fluctuations. Such programs may arrest, but are not likely to prevent, resource adjustment in agriculture.

In summary, without direct legislative restriction, much of which is likely to be undesirable, further growth in corporate farming seems likely. Commercial agriculture - farms with annual sales of more than \$10,000 - will continue to produce most of our farm output, with a higher proportion likely to come from corporate farms. Nevertheless, the role of the family farm has a promising future; it is a unique business institution.

FACTORY FARMS OR FAMILY FARMS

The following statement relates closely to the series of articles on the growth of corporate farming, the second installment of which appears in this issue, which have been reprinted from the Monthly Review of the Federal Reserve Bank of Kansas City. It is reprinted by permission from Cornhusker Economics, May 22, 1968, a publication of the Extension Service, University of Nebraska College of Agriculture and Home Economics, and the U. S. Department of Agriculture, cooperating. The statement was prepared by Professors Everett E. Peterson and Glen Vollmar, Department of Agricultural Economics, for hearings of the Monopoly Subcommittee of the Senate, held in Omaha on May 20, 1968. From this statement it appears that there is urgent need for immediate research in significant aspects of corporate farming.

Farmers, businessmen and other citizens earning their living in the rural areas of Nebraska and other Great Plains States are increasingly concerned over reports of land purchase and the formation of farm enterprises by large, conglomerate industrial corporations. As agricultural economists, our purpose is to raise questions for consideration in planning further study of this problem that results will provide a meaningful basis for future policy decisions and program development.

How do we know the extent of "factory farming" in the Great Plains and Corn Belt Regions?

Nebraska is typical of these important farming areas, all we hear to go on at present are reports of land sales or options-taken in a few communities and rumors of such activities in other areas. Actual information is needed on: the growth of factory farming in the past 5 years; the financing, management, input purchasing, production and marketing practices of such enterprises; their horizontal and vertical relationships to other enterprises in the area; and tax advantages, if any. We think these corporations are going into farming mainly to make profits, rather than to offsetting losses for income tax purposes.

How do we know whether factory farms can produce food and fiber at a lower cost per unit of product than can well-organized, efficiently operated family farms?

There is another gap in currently available research information. Agricultural economists talk glibly about diseconomies of scale increasing costs per unit of product without being able to pinpoint the size of farms where such diseconomies begin if they do occur. Most cost of production studies do not adequately allow for advantages that the largest family farms have in managerial ability, and in the purchase of seed, fertilizer, insecticides and pesticides, machinery and other production items. Factory farms probably have additional advantages in management, financing, purchasing and marketing of products.

The historical trend toward fewer and larger family farms is well known. Our opinion is that this trend will continue with its effects upon rural communities. The growth of non-family corporate farming would hasten the decline of small agriculturally-

oriented towns in the Great Plains and Corn Belt States. These towns are in serious trouble in either case since they are now being by-passed when operators of large family farms sell their products and buy goods and services and would also be by-passed for items bought or sold by factory farms. The main difference is that purchasing agents of factory farms would go directly to manufacturers for production items, while operators of large-scale family farms are likely to go to towns of 25,000 or more population in their immediate trading areas.

3. Have we faced up to the basic policy issues involved in commercial agricultural development in America?

With nearly 95% of our population now living in towns and cities, an important goal of national food and agricultural policy is the production of an abundant, nutritious, and varied supply of food at low cost to consumers. Up to now this goal has been quite effectively achieved by large-scale commercial family-operated farms which have adopted new technology and have increased in size and volume of business. One question for future agricultural policy is whether such family farms can compete effectively with factory farms. The research needed here is to determine whether conglomerate corporations enjoy tax privileges, access to management and financing, and buying and selling advantages not now available to individual farmers. If they do, then new programs can be developed or existing programs expanded to improve the competitive position of large-scale commercial family farms. Another set of programs would be needed to provide jobs for some of those now on small farms and in small towns and to provide training opportunities for those jobs without aggravating existing problems of large cities.

A more difficult policy issue arises if research shows that factory farms can produce food and fiber at significantly lower cost per unit of output than can the most efficient commercial family farms. Then, the American people have to decide whether there are sufficient social benefits accruing to society in general from keeping a minimum number of families in rural areas to justify the cost of subsidizing inefficiency in agricultural production in providing other goods and services. Among the possible benefits would be the slowing down or even

(Continued on page 5)

SYMPOSIUM ON THE GREAT PLAINS

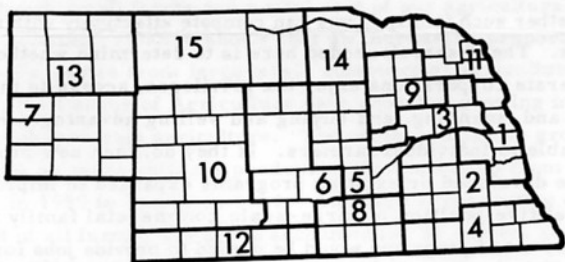
Because of general concern about the economic future of the plains states and about designation of socio-economic areas within states, it is believed that readers will be interested in more than a conventional review of the published report of a recent symposium. The map and table reproduced by permission are from the report entitled Symposium on the Great Plains of North America, which was edited by Carle C. Zimmerman and Seth Russell, and published by the North Dakota Institute for Regional Studies, N. D. State University, Fargo, North Dakota, 1968. The paperback volume sells for \$4.75.

Much of this work, which analyzes cultural development in the Great Plains, is directly attributable to Dr. Carle C. Zimmerman, a noted rural sociologist. When he retired from Harvard University he joined the faculty of North Dakota State University as distinguished professor of sociology in 1964 and immediately began organizing the Great Plains Symposium which was held in April of the following year. He felt the need for an interdisciplinary colloquium that would concern itself with both the natural and the cultural resources of the region.

It was Professor Zimmerman's basic assumption that the regional study must combine research from people with a wide variety of academic backgrounds and professional experiences. He and Professor Russell, Dean of the College of Arts and Sciences, took the position that the paramount influence of time upon social events means that renewed study of what may appear to be the same things is continually necessary because of social change. Thus, they maintained that because at any point in the past, the Plains seemingly were different from today, we have to assume that the coming years also will be different from today. With this in mind, it was decided that the symposium should encompass all available sciences in the hope that from this comprehensive process a realistic perspective with respect to the Great Plains Region would be gained.

Nebraska readers will be both interested in and impressed by the chapter on "Social Adjustment in Changing Times" written by Dr. A. H. Andersen, Social Science Analyst, Emeritus, University of Nebraska. Dr. Andersen suggests that area economies are emerging in agricultural regions as a new framework of the rural community, a concept which is gaining wide acceptance. He designated fifteen tentative "rurban" counties or area economies for Nebraska, which appear to be based on sound criteria and which

SUGGESTED "RURBAN" COUNTIES FOR NEBRASKA



The "rurban" towns are 1. Omaha, 2. Lincoln, 3. Fremont, 4. Beatrice, 5. Grand Island, 6. Kearney, 7. Scottsbluff, 8. Hastings, 9. Norfolk, 10. North Platte, 11. So. Sioux City, 12. McCook, 13. Alliance, 14. O'Neill, 15. Valentine.

(Continued from page 4) the reversal of the rural-urban migration and, hence, lower public costs for solving urban problems. Other social and political benefits have long been attributed to farm life but these are difficult to quantify through empirical research, and have lost much of their significance in a predominantly urban society. However, the values of space and clean air should not be underestimated in planning future industrial development.

illustrate significant relationship trends.

Based on 1960 population figures, Dr. Andersen used as guidelines in the grouping of counties: at least one center with more than 2,500 population, located on one or more main transportation routes; a minimum area population of 15,000, and a maximum of 15,000 square miles. These are necessarily arbitrary criteria and Professor Andersen recognized that area economies do not necessarily follow county lines. Socio-economic factors taken into consideration included the number of farms, the number of retail establishments, and the population per establishment; the percentages of employment in agriculture, manufacturing, and other pursuits; and the percent change in number of people, farms, and towns from 1930 to 1960.

Of the 15 areas designated, only 4 increased in population from 1950 to 1960, because rural losses more than canceled out gains in the local farm cities of 11 of the 15 areas. In general, Nebraska shows an average of 13 rural satellite towns and villages for each farm city and a significant trend toward growing secondary relations of rural people to a nearby city.

Because Nebraska represents a transition between humid and semi-arid regions, its area economies vary considerably in all respects, as may be noted in the table below.

AREA ECONOMIES (Tentative)

Central City	City Pop. 1960	No. Cos.	Total Pop. (000's)	Sq.Mi.	No. of Farms & Ranches
1. Omaha	301,598	6	431	2,700	7,547
2. Lincoln	128,571	8	239	4,800	11,979
3. Beatrice	12,132	7	82	3,800	8,854
4. Grand Island	25,742	9	81	5,000	8,593
5. Kearney	14,210	7	76	6,800	7,359
6. Fremont	19,698	5	84	2,600	7,008
7. Hastings	21,412	6	64	3,400	5,738
8. Scottsbluff	13,377	7	71	7,126	4,738
9. Norfolk	13,111	5	59	3,100	6,750
10. North Platte	17,184	12	56	11,300	4,950
11. So. Sioux City	7,200	5	50	2,300	5,730
12. McCook	8,301	5	40	3,700	3,394
13. Alliance	7,845	4	34	6,957	2,653
14. O'Neill	3,181	3	32	4,000	4,285
15. Valentine	2,875	4	17	9,284	1,849

As Dr. Andersen points out, community institutions no longer function in two worlds - the urban and the rural. Programs must adjust to one world, highly interrelated socially and economically. The inherited structure of rural institutions should thus be modernized progressively in line with change.

D. S.

REVIEWS

Transportation Problems and Policies in the Trans-Missouri West, edited by Jack R. Davidson, and Howard W. Ottoson, University of Nebraska Press, 1967. Price \$7.95.

Performance Under Regulation, Michigan State University Utilities Study, edited by Harry M. Trebing, Michigan State University, 1968. Price \$6.00.

In subject matter and by identification with Nebraskans, these books have more than usual interest for readers of Business in Nebraska.

The economic aspects of transportation of agricultural and manufactured products both out of and into the 17 western states are thoroughly examined in the 15 papers that comprise the first-named volume, which was edited by Dr. Davidson, Professor of Agricultural Economics at the University of Hawaii; and by Dr. Ottoson, Director of the Nebraska Experiment Station and Professor of

Journal of Business and Economics at the University of Nebraska. Contributors include Dr. John Richard Felton, Professor of Economics at the University of Nebraska, who wrote the definitive report on "Commodity Rate Discrimination in Railroad Transportation" and Dr. Clayton Yeutter, Administrative Assistant to Governor Christian B. Leavelle and formerly an Assistant Professor of Agricultural Economics at the University, who analyzed in some detail the Interstate Legal Barriers to Transportation in the Trans-Mississippi West."

Papers contained in the volume were presented at a workshop on transportation sponsored jointly by the Great Plains Regional Economics Committee and the Western Marketing Research Committee, which was held in Denver late in 1965. Although the clashes of opinion show up somewhat less dramatically in the printed reports than they did in the sometimes heated discussions at the workshop, the divergences remain sufficiently clear to offer challenging points of view for consideration by the reader. Papers written by Nebraskans make a significant contribution with respect to the effects of transportation problems and competition on interregional competition and on the development of individual states. The sections written by Dr. Felton and Dr. Yeutter have been particularly well documented with tables and data that merit careful study, and the summarization chapter written by Dr. Ottoson and his co-editor has important implications for the economy of the state, as well as the region.

Performance Under Regulation

This volume is also comprised of a collection of original papers covering a wide range of topics affecting performance in public utilities industries. Dr. Trebing, editor of the book, is Director of the Institute of Public Utilities and Professor of Economics in the School of Business Administration at Michigan State University. He is known to many Nebraskans as a former professor of Economics at the University.

Dr. Felton is a contributor to this volume also, his paper being a critical comment on four market models developed by two professors, Walter Adams and Joel Dirlam, who have attempted to estimate the effect of structural and technological change upon the nature of the regulatory problem. Professor Felton introduces a model which seems to him to be appropriate and examines the possibilities for enforced restructuring of public utility operations in this volume were originally presented at a conference at Michigan State University in April, 1967, devoted to the incentives for superior performance under regulation, and represents one of the first systematic inquiries into the broad range of questions that pertain to performance. Intent of the volume was to provide deeper appreciation of the interplay between economic and institutional forces. To the extent that this endeavor was successful - which is considerable - the book merits special commendation.

D. S.

Equity and Poverty, An Introduction to a Current Issue of Public Policy, Edited by Edward C. Budd, W. W. Norton & Company, New York, 1967. Paperback. \$1.95.

This volume a group of distinguished economists presents the sum of prominent contemporary positions on the subject of income distribution. The topic has been receiving an increasing amount of attention recently not only because nationwide concern

UNIVERSITY OF NEBRASKA NEWS

Published three times in January, February, September, October, and December, and twice in other months, by the University of Nebraska Office of Publications, Nebraska Hall, Lincoln, Nebraska 68508. Second class postage paid at Lincoln, Nebraska.

Vol. 48 Lincoln, Nebr., July 17, 1968 No. 1

BUSINESS IN NEBRASKA
published monthly by the
University of Nebraska College of Business Administration
Dr. C. S. Miller, Dean
BUREAU OF BUSINESS RESEARCH
309-10 Social Science Building, City Campus, Lincoln, Nebraska
Member, Associated University Bureaus of Business and Economic Research

Director	Dr. E. S. Wallace
Associate Director	Dr. Edward L. Hauswald
Statistician	Dr. Alfredo Roldan
Editorial Assistant	Mrs. Dorothy Switzer
Assistant, Economic Education	Mr. David Smith
Graduate Research Assistants	
Miss Loisjean Drake	Roger K. Rebman
L. Kenneth Hubbell	Fred Schroeder

BUSINESS IN NEBRASKA is issued as a public service of the University and mailed free upon request. Material published herein may be reprinted with proper credit.

has been focused on problems of poverty, but also because income distribution relates closely to other issues of public policy, such as collective bargaining, full employment, the farm question, inflation, tax policy, social security, and even rent control. Intended primarily as a book of readings for use by college students in courses on the principles of economics, the book turns out to have considerable appeal to the general reader.

The editor, Edward C. Budd, Professor of Economics at Pennsylvania State University and consultant to the Office of Business Economics, U. S. Department of Commerce, believes that the methods we choose to modify the prevailing distribution of income should depend on such factors as knowledge of the extent of existing inequality, the forces determining it, the effects of the measures proposed for modifying it, and the accepted ideal of a just distribution. Professor Budd, therefore, has organized this book of readings to represent the most prominently held positions, often in sharp contrast, on such major topics as the goal of equality; how to measure, determine, and combat inequality; and how to alleviate poverty.

Divergence of opinion ranges from the view held by R. H. Tawney, that greater freedom and widened scope for action are permitted to lower income groups by government intervention in redistribution of income, to the position of Milton Friedman, who stresses freedom of individual action from governmental control. The list of other distinguished economists who have contributed to the volume includes such men as Henry C. Wallich, Robert M. Solow, Robert J. Lampman, George J. Stigler, and Michael Harrington.

It is unfortunate that out-of-date statistical support to their respective positions is cited by so many of the contributors to this volume. With a few important exceptions, tables that document the book contain figures of no more recent year than 1959. This points up not only the paucity of current data on income distribution but also the time lag between date of collection of data and public availability of such data.

According to the publisher, the book demonstrates the application of principles of economics to major economic problems. Considering the variance of positions in what amounts to a debate on matters of public policy on income distribution, the reader may question the effectiveness of the demonstration. Not to be questioned, however, is the fact that the contributing economists have dealt with complex problems in challenging and somewhat innovative ways.

D. S.