

REVIEWS/COMPTES RENDUS

Economic Impact Analysis: Methodology and Applications. Saul Pleeter, editor. Studies in Applied Regional Science No. 19, Martinus Nijhoff Publishing, Boston, 1980.

This book is a collection of articles, edited by Saul Pleeter, which stem from a workshop on the methodology of economic impact analysis held in Oxford, Ohio, in 1977. It covers, at various levels of sophistication, a fairly wide range of topics related to regional change. Let me say at the outset that this is a useful, worthwhile book. It offers something to the whole spectrum of individuals interested in regional analysis, from the second year student who has just completed a course on economic geography to the post-doctoral fellow extending his dissertation research.

The third year student will learn a great deal more about the finer points of the use of the location quotient or the minimum requirements technique than from any other single book since Isard's *Methods of Regional Analysis*. The book breaks new ground in the use of these simple techniques and in modifying and upgrading other methods of analysis, while at the same time warning of the potential these techniques have for achieving spurious results through the introduction of errors inherent in the assumptions. In some cases, however, a bit more emphatic word of caution in their use would have been desirable.

The book is divided into two major sections - the first concerned with the methodology of economic impact analysis and the second with the application of specific techniques. This division adds little to the reader's satisfaction. The methodologies delineated in Part I are not in fact applied in Part II, and the actual data in Part II give no better explanation than the exemplary data used in Part I. This mild criticism is not intended to denigrate the selections in Part II but rather to question the value of dividing the book at all.

The book opens with a chapter by the editor reviewing various methods of carrying out an economic impact study. It provides a good critical evaluation of techniques which in the past have probably been undervalued - namely the minimum requirements and the location quotient techniques, as well as those which are more

sophisticated (and more expensive) such as input-output. This is followed by a chapter which goes into considerable detail on the essentials of export base theory and develops a model in which multipliers are worked out using location quotients and the minimum requirements technique. The use of the location quotient and the minimum requirements technique in estimating basic employment are exceptionally well-covered and the dangers in relying on any one particular method are clearly exposed. Authors of subsequent chapters in the volume would have done well to have read this contribution of Isserman, since several advocate the use of these as modifiers to adjust regional data or to act as a proxy for transportation costs without apparently recognizing the hazards.

The chapter "Output, Income and Employment Input-Output Multipliers" is probably the most satisfactory. Di Pasquale and Polenske have developed a system of generating an industry-specific, region-specific multiplier which, while set in a U.S. context, is applicable anywhere data are available. A multi-region I-O model is constructed using conventional assumptions. Then, using (in this case) state data, output employment and income multipliers are calculated for areas and sectors. Besides being a valuable contribution to regional analysis, the chapter pleases through its lucid exposition, well-executed diagrams and the consistency of its internal logic.

One problem with the volume is the lack of any discussion of developments in the field that have occurred outside the United States, both in the articulation of theory and modelling and in their application in particular to the regional problems of the third world.

While it is true that above a certain level of abstraction "location" becomes a theoretical construct, in the cold world of reality, where solutions must be sought to current problems, the nature of the problem and its optimal solution does vary over space. Despite this fact, the volume is devoted to the application of theoretical modelling and the theme is limited to the exposition of technique. A final chapter synthesizing the previous chapters and placing each in its proper position within the general field of regional planning would add greatly to the utility of the book for those who have a general interest in the sub-discipline but who are not concerned with specifics.

The strength of the book lies not in bringing radically new techniques of economic analysis to regional problems, but rather in giving new insights to regional analysis through suggesting ways in which well-known analytical tools can be modified to give better results. The methodologies and techniques are clearly defined and although some of the suggested modifications probably introduce as many uncertainties as they eliminate, they are examples of innovation which should be welcomed by all workers in this frustrating but

exciting field, and should be tested under various types of regional economies to better identify where they can be used to best advantage.

Finally, the book has a comprehensive bibliography on regional economics from 1963 to present. It should certainly find a place in the library of all those interested in regional planning whether they be student, professor, or practitioner.

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Planning Smaller Cities, Herrington J. Bryce. Lexington Books, D. C. Heath and Company, Toronto, 1979; xxi + 214 pp; tables, index.

One of the major problems confronting municipal administrators is coping with and planning for change. They must determine both the direction and size of change to anticipate and then formulate policies and programs that will expedite the positive aspects and mitigate the negative aspects of that change. This problem becomes especially important to administrators in smaller cities for reasons that emerge as one of the principal conclusions of this book: the three most important factors in improving the planning process of small cities are the need for more staff, more data, and better local leadership.

As stated by the author, the focus of the book is on small cities' efforts in planning to meet the needs of the future. Based on an original survey of over 5,000 cities with populations from 10,000 to 100,000 and on case studies of five U. S. cities, the book contains extensive tabular data drawn from both. In fact, over one-half of the pages of the text contain tabular material. Two appendices present data on the 1970 urban conditions index for U. S. cities ranging in size from 25,000 to 100,000. As a matter of form, even though it may have added considerably to the already large quantity of data, inclusion of the survey instrument and marginals would have been a valuable addition to the book. The bibliographic information contained in the notes to each chapter provide the reader with a good introduction to the areas covered.

In addition to discussions of annexation, the direct provision of services, and community and neighbourhood development, there is a chapter on "Inflation, Recession, and Local Plan Implementation." The latter examines the adjustments made by communities trying to implement plans in the face of economic crisis. This chapter concludes that the most frequent responses to crises were utiliza-

tion of funds provided through the Comprehensive Employment and Training Act and the postponement or cancellation of capital projects. How much each of these and other adjustments actually contributed to the adjustment process is not treated.

Careful examination of the text and tables relevant to this important area point out two deficiencies in the book. The unidimensional treatment of much of the data leaves one asking, How do these forces interrelate? Thus in the case of adjustments to inflation and recession by selected characteristics presented in Table 7-2 one can conclude little more than did the author when he noted that "region appears to give us the best clues as to the actions taken to adjust public sector activities to the inflation-recession crisis." However, one is left with the feeling that had the data been subjected to multidimensional analysis more interesting and useful insights might have been gained. The second deficiency relates to the lack of integration of survey data and other objective data. The integration and multivariate analysis of such data could provide great insight into the realities and process of planning for cities, particularly if it were to focus on explaining changes in expenditures.

Chapter 8 presents five case studies of declining cities, examining their population, housing, employment, budget and capital planning, revenues, adjustment to inflation-recession, and strategies for development. The case studies put topics treated earlier in the book into a context designed to provide a more comprehensive picture of the form, meaning, and implications of each topic.

The book concludes by observing that "the most needy cities are least likely to have the principal responsibility for planning housing and economic development within their boundaries." It suggests that this leads to greater reliance on outside sources, and to the reduction of local initiatives due to the dependency which is also apt to place a heavy administrative burden on small cities.

Overall, the book is worth reading for anyone interested in municipal change and planning. It furnishes much food for thought in the many tables and leaves one wanting more extensive and in-depth treatment of the issues that it raises or starts to address. The deficiencies expressed above were expressed with full recognition that they imply extensive further study, integrating the material contained in the survey data reported, other data in the book, and data from other sources. One hopes that the author, whose knowledge appears to outrun what one could accomplish in a unidimensional treatment of the subject, could be encouraged to delve deeper.

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Alternatives to Confrontation. Victor L. Arnold, editor. D. C. Heath and Company, Lexington Books, Lexington, Mass., 1980.

Regional shifts from the "snowbelt to sunbelt" within the United States have recently been examined in a number of popular and scholarly publications.¹ *Alternatives to Confrontation* offers an addition to this literature. The book is the product of a symposium that was intended to provide a forum for a "dispassionate discussion of factual observations related to this change and to suggest policy options for a national policy toward regional change." The book contains ten chapters organized in six parts.

Part I consists of two chapters. Jeffery Williamson begins with a long-run interpretation of U.S. regional development. Demographic factors and sectoral productivity changes are identified as the principal determinants of personal and regional incomes. His empirical analysis links trends in these variables to patterns of personal and interregional income divergence and convergence from the mid-19th century to the present. The detailed blending of economic theory with empirical analysis results in one of the more successful contributions to the volume.

In chapter two, Peter Morrison describes changes in demographic rates since 1945 and summarizes the results in terms of changing regional and metropolitan/non-metropolitan population patterns. The analysis is intended to provide a context for the identification and discussion of policy issues and options arising from major demographic shifts. However, as is apparent in a number of chapters in the volume, the empirical material predominates and policy considerations involve little more than an uncritical listing of issues and the perceived range of policy responses.

The two papers in Part II are concerned with explaining changes in regional (i.e. state) distributions of economic activity since 1945. William H. Miernyk reviews several theories of regional growth in the context of changing regional patterns of economic activity. He notes that locational shifts have been associated with state income convergence and that most states that have experienced relative income gains have important resource components in their economies.

These conclusions must be interpreted with caution. For example, while it is true that most states having below average per capita incomes in 1940 did improve their relative income positions by 1975,

¹Examples of this literature include: D. C. Perry and A. J. Watkins, *The Rise of the Sunbelt Cities*, Beverley Hills: Sage, 1977; Kirkpatrick Sale, *Power Shift: The Rise of the Southern Rim and Its Challenge to the Eastern Establishment*, New York: Vintage Books, 1976; Special Report, "The Second War Between the States", *Business Week*, May 17, 1976, 92-98; and George Sternlieb and James W. Hughes, eds., *Revitalizing the Northeast: Prelude to an Agenda*, New Brunswick, N.J.: Centre for Urban Policy Research, Rutgers University, 1978.

(and vice-versa for states with above average incomes in 1940), the significance of these shifts is not investigated and income is not disaggregated into its respective components. Thus it would seem premature to dismiss cumulative causation models out of hand. Furthermore, while many states whose economies rely upon natural resources did experience relative income improvements, one can also point to cases such as Montana, Washington, Oregon and California, in which incomes, relative to the national norms, declined despite an important resource sector. However, Miernyk does draw attention to the preoccupation with demand-side factors in regional development theories and the need to consider more fully supply constraints.

David L. Birch explores the effects of regional differences in four factor costs (labour, land, capital and transportation) on the distribution of economic activity. Conceptual and empirical difficulties associated with attempts to provide general regional measures of the cost of particular factors are acknowledged. However, the subsequent analysis is frequently unable to contend with these problems. Thus Birch measures regional wage costs but the effects of regional differences in productivity and cost of living are not accounted for. Each of the factors presents its own difficulties.

Next, the significance of regional factor cost differences must be interpreted. While Birch is able to prepare a composite rating for each region, it reveals only so much about the investment/location decision process. As Birch discovers with respect to labour, cost minimization (at least as it is measured) is not always an important determinant of the location of economic activity. Furthermore, the weighting of individual cost factors varies substantially among firms and industries, thereby restricting the utility of constructing generalized regional cost profiles. In conclusion, Birch affirms that costs of factor inputs do vary regionally but tells us little about how such variations are related to the regional development process.

The fiscal implications of regional change are examined in Part III. Roy Bahl's objective is to compare the effects of economic change on state and local government finances in growing (southern) and declining (northern) regions. Bahl identifies differences in structural and performance attributes of the fiscal systems of 'northern' and 'southern' states and documents the relative growth of the 'southern' tax base since 1962. Despite differences in fiscal capacity, the growth of expenditure in the 'north' was not markedly different from the 'south' and, in both regions, public sector expenditures substantially exceeded the growth of personal incomes. Reasons for this expenditure growth are explored by examining growth in the demand for selected services and trends in employee compensation. Bahl concludes that the latter variable is more important. Finally, Bahl demonstrates that increased public expenditure has been facili-

tated by an increased tax effort, particularly in northern states, and by federal transfers.

Bahl concludes that the public sector has become 'overdeveloped' relative to financial capacity and proposes a series of strategies and policy options appropriate to respective levels of government. The policy options (cut services, raise taxes, increase productivity, increase federal assistance, improve the local economy) provide a context for discussion of the management strategies suggested by this type of analysis.

The regional impact of federal tax and spending policies is examined in a paper by George E. Peterson and Thomas Muller. While Keynesian demand management offers an attractive framework for analyzing the effects of federal spending on regional development, the difficulties of applying the model at the regional level are acknowledged. Thus the analysis is restricted to an accounting of federal spending and taxation at the regional level. With the exception of the Pacific region, federal taxes exceed spending in high income regions and spending exceeds taxes in low income regions. While the initial pattern of federal taxation and spending promotes regional income convergence, the ultimate effect will be dependent on patterns of regional leakage and interregional linkages. Moreover, disaggregation of federal spending reveals that only 20 percent of federal spending is oriented toward improving regional balance. On a more philosophical note, Peterson and Muller conclude that the regional dimension of federal spending, if not ignored, is often emasculated when funds are disbursed by the use of inappropriate formula funding.

Part IV consists of a long chapter by Irving Hoch on the role of energy in the regional distribution of economic activity. The chapter provides an historical overview of the importance of energy in shaping patterns of economic development in the United States. This discussion highlights the difficulties in isolating the importance of energy as a locational factor. However, following an assessment of the evidence, Hoch sides with those who have concluded that energy has had considerable impact on location. The bulk of the chapter then turns to a detailed discussion of the economic geography of energy production and consumption. This analysis, with due consideration of current uncertainties affecting supply and demand for energy, serves as a basis for forecasting the effects which energy is likely to have on levels and patterns of regional development in the future.

Part V assesses the metropolitan and rural dimensions of change in the 'sun' and 'snowbelts'. From his examination of metropolitan areas, Charles Leven concludes that regional location has been an important determinant of urban growth patterns at all levels of the urban hierarchy. Whereas the political debate about the shift to the

sunbelt' intensified during the 1970s, the trend has been apparent since 1940 and, by the 1970s, regional differences in patterns of metropolitan growth were converging. Leven concludes that the preferences of individuals for a regional location, which underlie the shift to the sunbelt cities, involve a complex of factors which involve both economic opportunity and lifestyle.

Kenneth L. Deavers provides a general description of the regional dimension of growth and change in rural areas since 1945. He emphasizes the need to distinguish among types of 'rural' areas, the interdependence of 'urban' and 'rural' in the development process, and the resurgence of non-metropolitan areas in the 1970s. The heterogeneous nature of rural areas generates a need for development policies which are flexible and sensitive to the requirements of local areas.

Part VI, consisting of one chapter, returns to the theme of public services and economic development. Robert L. Lineberry begins with a survey of five perspectives on the supply and delivery of public services. Following a brief comment on identifying the 'need' for public services, he proposes three hypotheses linking services to economic growth. These hypotheses cover the full range of possibilities from government spending as the cause of development through an intermediate position in which government, through its service-tax mix, is an important determinant of growth or decline (a modified Tiebout hypothesis), to the other extreme in which government spending is seen to have no effect on development. Lineberry ends on a pessimistic note concluding that we know very little about the public service sector and less about its impact on growth and decay.

The book does provide a convenient overview of mainstream perspectives on regional analysis and policy. However, the contributions to the volume are uneven in quality and the book lacks editorial direction. The editor provides neither an introductory framework for examining regional change as a context for the contributions nor a synthesis of the symposium's conclusions. Individual parts of the volume appear without introduction and the rationale for the organization is unclear. For example, Part IV on energy involves the same kind of regional factor cost analysis which characterizes Part II. Parts III and V both contain contributions concerning the role of the state in development. There is a considerable degree of repetitiveness as each author recounts the details of the shift from snowbelt to sunbelt.

None of the contributions refer to the growing literature on uneven regional development.² Explanations of regional develop-

²See, for example, *The Review of Radical Political Economics*, Special Issue on Uneven Regional Development, 10 (3), 1978.

ment are couched in neoclassical concepts of productivity, factor costs and resource endowment and the state is viewed as a detached bureaucratic and managerial element in the regional development process. While the material is representative of orthodox' regional analysis, critics would argue that it fails to penetrate to the root causes of development and underdevelopment.³

The desire to treat the elements of regional change 'dispassionately' has led many authors to review a smorgasboard of principles, theories and policy options. This has the undesirable effect of creating the impression that regional analysis and policy are in disarray. This is unfortunate in view of the policy orientation of the volume, and underlines the need to specify a coordinated framework on regional change.

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³Andrew Sayer, "Explanation in Economic Geography: Abstraction vs. Generalization", *Progress in Human Geography*, 6 (1), 1982, 68-88.