

Legislation may cause data deficit for researchers, small businesses

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Small farms and businesses may be the unintended victims of legislation aimed at cutting the federal budget by eliminating certain sets of local and county-based economic data, according to a group of economists.

"This local data is really what we use in our lab," said Stephan Goetz, professor of [agricultural economics](#) and regional economics, Penn State, and director of the Northeast Regional Center for Rural Development. "And, at the end of the day, we're using this information to try to understand how our world is changing."

The researchers, who report their findings in Choices Magazine, said that sequestration and proposed legislation, such as the Census Reform Act of 2013, will cut the reporting of some types of local economic and sociological data. For example, the legislation could eliminate county personal income by industry and unemployment insurance data provided by the Bureau of Economic Analysis. Researchers use county per capita income by industry to measure how different sectors of a county are performing. Unemployment insurance data helps researchers understand employment trends in specific areas.

Analysis of this municipal and county-level data can also help entrepreneurs who run small businesses and farms recognize demographic changes and economic swings that can lead to market opportunities, according to the researchers.

"Someone who owns a [business](#) can see certain demographic trends and

realize new opportunities," Goetz said. "For example, a restaurant may be able to tailor its menu if the restaurant owner knows that there is a new group of immigrants in their community."

The data that covers rural areas also gives researchers the chance to see how macroeconomic trends and policies, such as interest rate changes, are affecting communities.

"We will be in the dark without the data," said Goetz. "We won't know whether policy changes we implemented are effective or not, and that could end up costing us more than we were trying to save."

Economists can use the information to find communities that may be more vulnerable to the impact of globalization and global imports, as well as opportunities for communities to foster businesses that may succeed in global markets, said Goetz, who wrote the report with Mark Partridge, Swank Chair in Rural-Urban Policy and professor of agricultural, environmental and development, Ohio State University, and Maureen Kilkenny, senior fellow, National Center for Food and Agricultural Policy.

Goetz said that an unintended consequence of the move to trim the budget may lead to governments enacting ineffective policies that actually increase budgets.

"We won't be able to anticipate what services are needed and we might not be able to see and develop opportunities when they arise," said Goetz.

Other alternatives to the [economic data](#) collection, such as allowing private industry to gather and distribute data, may not help small entrepreneurs.

"Most likely, only larger businesses will be able to afford the [data](#)," said Goetz, "leaving the businesses that most need it—small entrepreneurial firms—blind to possible economic threats and [opportunities](#)."

Small firms, however, tend to be the economic drivers, according to the researchers.

There is compelling evidence that small, locally owned firms are key engines of both economic growth and of job creation, the [researchers](#) noted.

Provided by Pennsylvania State University

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