

ments, or of land. This assumes that farms selling allotments would decrease their magnitudes of operation or cease completely, and that the farms buying allotments would find them more expensive, with a concomitant reduction in residual returns to farm operators occurring and ultimately leading to a reduction in the number of farm firms. The magnitude of the decrease in the number of farm firms and consequently in agricultural employment due to a decrease in allotments would depend on farm operator's responsiveness to changes in their residual returns, the amount of allotment used in the production process, and the actual level of operator returns.

### **Product Demand**

Use of product price as an indicator of product demand is based on the assumption of perfectly elastic demand functions at the county level. Producers in both agricultural and manufacturing industries at the county level are assumed to be price takers and thus face perfectly elastic demand functions. A product price variable was not included for the construction industry since output is not easily defined in terms of a product with an established market price.

*Agricultural Product Price.*—In rural counties decreases in agricultural product prices should lead to a reduction in farm numbers due to out-migration fostered by lower agricultural incomes and subsequent farm consolidation. As a result agricultural employment would be expected to decline in rural counties. A similar effect on farm numbers and agricultural employment would be expected in urban counties. However, the magnitude of the changes may be less because of greater opportunities to adjust to part-time farming operations in these areas.

*Manufacturing Product Price.*—Existing firms would be expected to expand output and new firms would be expected to enter the industry as the result of a product price increase. This assumes there are no major barriers to firm entry. Direct increases in employment should occur. Output increases should ultimately cause factor prices to increase and product prices to decrease, with some of the earlier expansion being offset. With manufactured products, unlike agricultural commodities, some apparent downward inflexibility in prices would help support in part a conclusion that the indirect effect of decreasing employment would not completely offset the direct effect leaving a positive overall effect on manufacturing employment. It does remain