

**THE  
COMMUNITY  
LEADER'S  
LETTER**

NEWS & VIEWS FOR SOUTH CAROLINA'S  
GRASSROOTS LEADERS

# Urbanization Makes State's Farm Land Too Expensive for Growing Row-Crops

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The geography of agriculture in South Carolina is changing. Thirty years ago, South Carolina was a state of a few modest cities, a lot of small country towns, and farms. But as the cities and towns have grown, South Carolina row-crop farmers find themselves being squeezed into just a few counties.

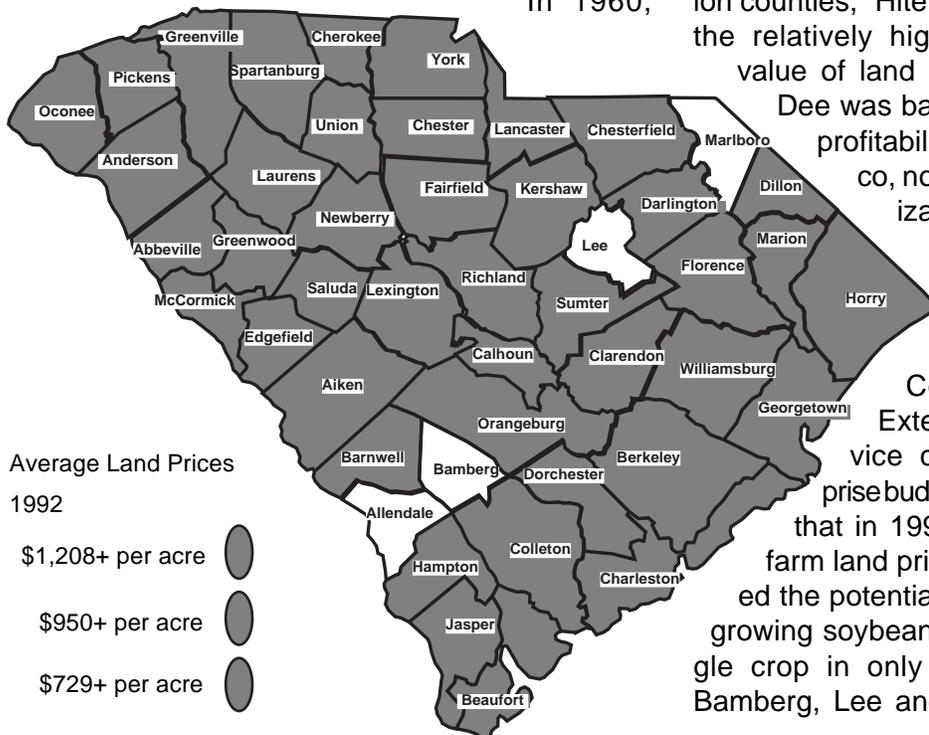
agricultural and applied economist Jim Hite says, land prices in South Carolina were such that it was possible to make a reasonable return on land in every county by growing cotton, corn, or soybeans. "The influence of tobacco on land prices made the growing of corn or soybeans relatively unprofitable in Horry and Marion counties," Hite notes, "but the relatively high average value of land in the Pee Dee was based on the profitability of tobacco, not on urbanization."

When land prices exceed about \$700 an acre, the chances for making a profit growing soybeans virtually disappear unless they are grown as part of a double-cropping system," Hite says. Soybeans as part of a double-cropping system with wheat can be profitable on land with a market value of more than \$900 per acre.

The crop budgets show that cotton farmers are best able to resist the impact of urbanization on farmland prices. "If a farmer is able to grow cotton and willing to forego any return to risk and management, he can afford to pay about \$1,200 per acre for cotton land. And he can pay up to about \$950 per acre for corn land." At higher prices, Hite shows that a farmer would improve his economic position by selling out and investing the money in even an average-performing mutual fund.

The prices of basic agricul-  
*(Cont. p. 4)*

In 1960,



Average Land Prices

1992

\$1,208+ per acre

\$950+ per acre

\$729+ per acre

ECONOMIC BRIEF NO. 29

# The Theory of Rational Ignorance

This series of economic briefs explores fundamental concepts in economics and community and economic development.

*The acquisition of information is always a costly undertaking. Therefore, it is possible that it may cost more to acquire certain information than the benefits such information will confer. When the cost of acquiring information is greater than the benefits to be derived from the information, it is rational to be ignorant. Thus, the economic theory of rational ignorance.*

*First, consider an extreme ex-*

*surgeon's, the time spent acquiring information could have been spent doing something else. It really does not matter whether it is time spent earning money or time spent with the family or in pursuit of a hobby. There is an opportunity cost in terms of other things that must be forgone to acquire information. Unless one has reason to believe that the benefits of acquiring certain information will*

*be greater than the costs of acquiring it, it is rational to remain ignorant.*

*The theory of rational ignorance explains a lot of what otherwise might appear to be baffling human be-*

*havior. Voters may not invest the time needed to become informed about political issues and candidates if they have reason to think that any action they might take would have little or no effect on political outcomes. The busier the voter, the more rational it is to remain politically ignorant. Retirees, however, who may have time on their hands, will often find the costs of acquiring political information relatively low which helps explain why the elderly are the most politically active*

*part of the population.*

*Rational ignorance also explains why we put more time into comparative shopping for big ticket items like cars and home appliances than for fruits and vegetables. Volume buyers who stand to save large amounts by acquiring information on relative prices and quality, however, are better able to afford investing the time required to acquire such information. That is one of the reasons for economies of scale in mass purchasing and helps explain why large volume merchandisers like Wal-Mart are able to underprice small mom and pop retail outlets.*

*The biggest problem with the rational ignorance theory is that we do not always know how much a piece of information will be worth until we have acquired it. We have to make judgments based on the expected costs and benefits of acquiring information, and those expectations are based on experiences that sometimes lead us astray. So even though we may be perfectly rational in our decisions about acquiring information, we can still make what, in retrospect, we will judge to have been bad decisions. Even economists concede that being rational will not necessarily prevent one from making a fool of oneself.*

**When the cost of acquiring information is greater than the benefits to be derived from the information, it is rational to be ignorant.**

*ample. Suppose an expert heart surgeon because of her great expertise and skill is in such demand that one hour of her time is worth \$500. Clearly it would make little sense for the surgeon to spend an hour sorting through newspaper grocery ads to perhaps save \$10 on her grocery bill. For such a surgeon, it is rational to be ignorant about comparative grocery prices.*

*Even for the great majority of people whose time may be worth considerably less than the heart*

***In furtherance of Clemson University's land-grant mission, the Community & Economic Development Program at Clemson provides access for community leaders in South Carolina to expertise in all branches of knowledge on the University campus.***

# State's Video Gambling Approach Unique Compared to Experience in Other States

Why all the fuss about video poker in South Carolina? More than half the states have casinos with video gambling machines, and at least half a dozen others have video gambling machines outside casinos. Is there something unusual about the way South Carolina deals with video gambling that seems to create more of a problem than in other states? Is South Carolina truly unique in how it deals with video gambling machines? You bet!

Unlike other states, South Carolina got into the business somewhat by accident. While permitting casinos and/or non-casino video gambling casinos has been a deliberate legislative decision in other states, the presence of the machines in South Carolina was a consequence of a S.C. Supreme Court decision. The court ruled that the machines did not constitute an illegal lottery because the payoff was not made by the machine. This issue is again in court. The court more recently nullified the 1994 county-by-county referenda that allowed video gambling by local option.

Meanwhile, the General Assembly, caught between vocal opponents of gambling on moral grounds and public polls that favor allowing the ma-

chines, has been reluctant to take any firm action to either do away with video gambling or acknowledge its permanence and regulate it.

South Carolina also has far more machines in noncasino locations than any other state. With over 30,000 machines in convenience stores, bars, restaurants, bowling alleys, gas stations and other locations, video gambling is more accessible to South Carolinians than to residents of any other state except perhaps Nevada. While casino states may have more machines, access is more tightly controlled because they are allowed in a limited number of locations that are off-limits to minors.

As a consequence of video gambling's uncertain future in the state, so far South Carolina has not provided any substantial regulatory oversight or collected significant revenue from video gambling unlike other states. The flat fee of \$1,500 per machine generates only \$62 million in state revenue. An added local fee generates a little additional revenue to cities and counties. Most other states monitor machines via a central computer that keeps track of gross revenues in order to impose a percentage tax as

well as to ensure a fair payout to players. By delaying the development of such monitoring, South Carolina has not only foregone state revenue but also failed to protect consumers as other states do.

States that permit video gambling generally recognize that they are trying to deal with four conflicting policy considerations:

- Video gambling can be a lucrative and relatively painless source of state revenue.
- Video gambling can be addictive and cause all kinds of social and financial problems. Video gambling has been called the *crack* of the gambling business because it is inexpensive, accessible, and very habit-forming—quite different from state lotteries which do not encourage repetitive play.
- Access to gambling for adults can be considered a question of civil liberties; there is often great resentment of the state telling adults what they can and cannot do in an area loosely defined as recreation.
- Video gamblers outside casinos tend to come mainly from lower income

(Cont. p. 4)

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Holley Ulbrich,  
Program Coordinator  
Ada Lou Steirer,  
Research Associate  
Jim Hite, Contributing  
Editor

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**THE COMMUNITY LEADER'S LETTER**

**Urbanization Makes . . .** (From p. 1) **State's . . .** (From p. 3)

tural commodities like cotton, corn, and soybeans have declined after adjustment for inflation, Hite points out. That alone would have meant reduction in acreage. But most of the shrinkage in the South Carolina land priced at levels where row-crop farmers might hope to make a profit is due to urbanization. "Even if commodity prices had kept up with inflation, urbanization would have eroded farming in the Piedmont and along the coast," Hite says.

Urbanization is probably incompatible with the type of farming that produces staple commodities like cotton, corn and soybeans, Hite concluded. S.C. farmers, saddled with high land costs, will face almost insurmountable handicaps if they have to compete on price in world markets.

But while urbanization closes out some economic opportunities in farming, it opens

up new ones. The crop budgets show that it is possible for an efficient farmer who is good at direct marketing to make profits producing fruits and vegetables on land costing \$7,000 an acre or more. "Farmers who have the know-how and marketing management ability can survive and thrive on very expensive land even in our most urbanized counties," Hite says.

Row-cropping in South Carolina will continue for the foreseeable future, Hite concludes. Many farmers will continue to accept low returns because they own their land free and clear, enjoy growing such crops, and are not forced by economic necessity to adjust. Still, in the long run the handwriting is on the wall. Hite's conclusion: "As the generations roll over and machinery wears out, traditional row-crop agriculture in South Carolina will be driven to a

groups and local residents, while casinos appeal more to middle and upper income groups and are more likely to attract out-of-state visitors.

The choice by 27 states to permit video gambling only in casinos shows the power of the fourth concern. The fact that only six states allow video gambling machines outside casinos and only three states allow them in any significant numbers suggests that other states have tried to strike a carefully thought out balance between the first three considerations. Whether South Carolina outlaws, regulates, or tolerates video poker, the state too needs to balance these four concerns.

few enclaves in the most rural counties. If we retain a viable agriculture in South Carolina, it will be market-garden agriculture."

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*This article is based on a paper prepared by James C. Hite for the 1998 meeting of the Southern Regional Science Association in Savannah, Georgia. Professor Hite is an Alumni Distinguished Professor of Agricultural and Applied Economics at Clemson University and a Senior Fellow of the Strom Thurmond Institute.*